

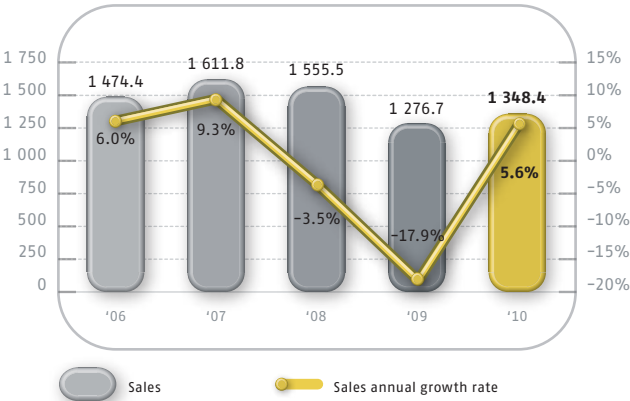
# ACT ACHIEVE ADVANCE

ANNUAL REPORT 2010

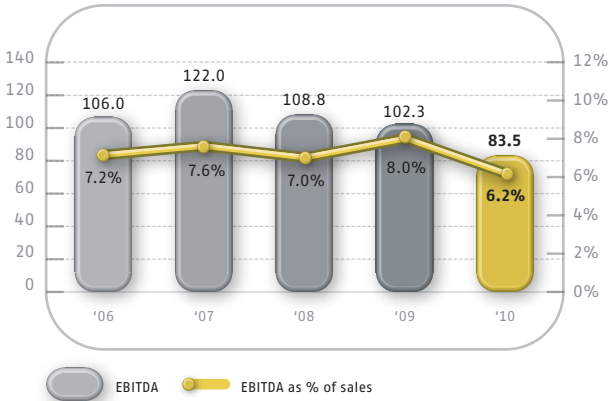


**RECTICEL**  
*The passion for comfort*

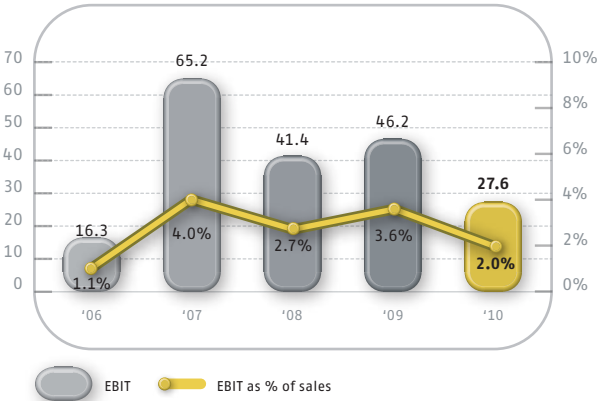
// Consolidated sales  
& Annual growth rate (in million EUR)



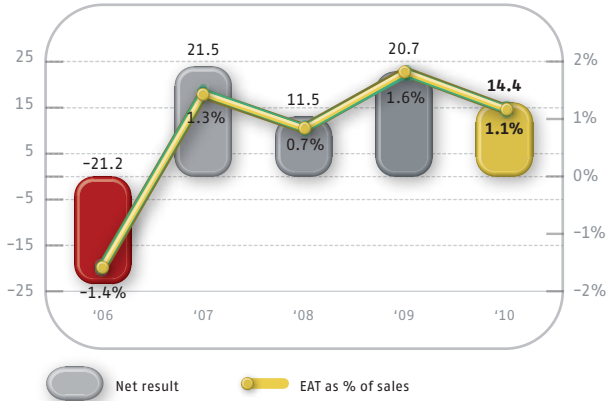
// Consolidated EBITDA  
& EBITDA margin (in million EUR)



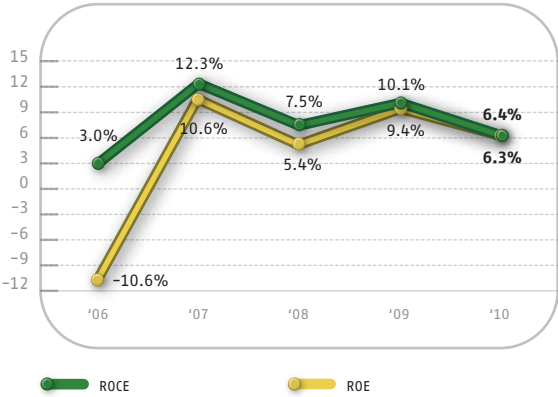
// Consolidated EBIT & EBIT margin  
(in million EUR)



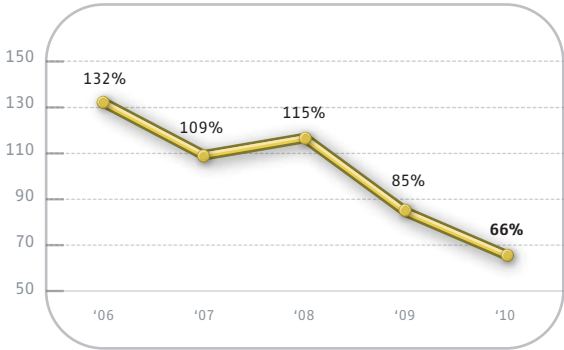
// Earnings after taxes (share of the Group)  
and EAT margin (in million EUR)



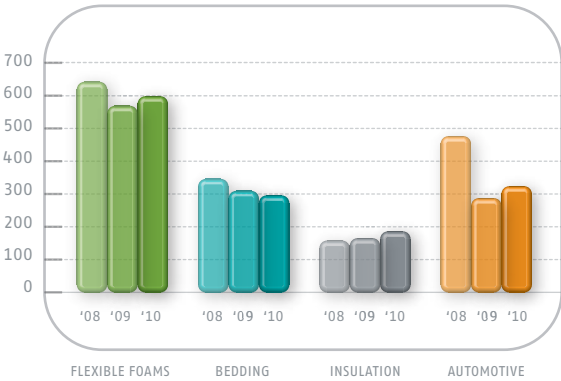
// Return on capital employed (ROCE)  
Return on equity (ROE)



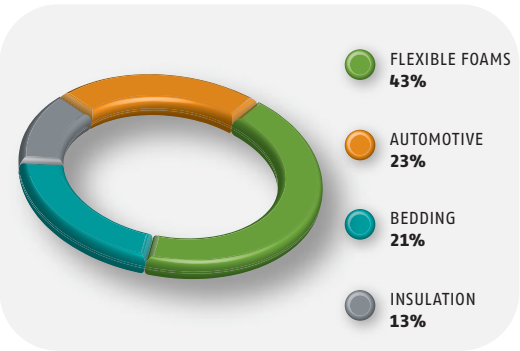
// Net financial debt /  
Total equity (incl. non-controlling interests)



// Sales per business line  
(in million EUR)



// Composition of sales per business line in 2010  
(before intra-Group eliminations)



# Key figures

Definitions: see Lexicon at the end of Part 1 of this annual report.

IN MILLION EUR

	2006	2007	2008	2009	2010
<b>CONSOLIDATED INCOME STATEMENT</b>					
Sales	1 474.4	1 611.8	1 555.5	1 276.7	1 348.4
Gross profit	235.6	255.0	220.8	232.1	216.9
REBITDA	138.0	123.4	86.8	106.9	104.0
EBITDA	106.0	122.0	108.8	102.3	83.5
REBIT	49.9	67.9	31.7	61.2	58.9
EBIT	16.3	65.2	41.4	46.2	27.6
Financial result	(25.0)	(28.7)	(26.4)	(13.8)	(17.1)
Result of the period before taxes	(8.7)	36.5	15.0	32.4	10.5
Income taxes	(10.4)	(14.3)	(10.4)	(12.4)	4.1
Result of the period after taxes	(19.1)	22.2	4.6	20.0	14.6
of which Result of the period after taxes (share of the Group)	(21.2)	21.5	11.5	20.7	14.4

<b>PROFITABILITY RATIOS</b>					
Gross profit / Sales	16.0%	15.8%	14.2%	18.2%	16.1%
REBITDA / Sales	9.4%	7.7%	5.6%	8.4%	7.7%
EBITDA / Sales	7.2%	7.6%	7.0%	8.0%	6.2%
REBIT / Sales	3.4%	4.2%	2.0%	4.8%	4.4%
EBIT / Sales	1.1%	4.0%	2.7%	3.6%	2.0%
Result of the period after taxes (share of the Group) / Sales	-1.4%	1.3%	0.7%	1.6%	1.1%
ROE = Result of the period after taxes (share of the Group) / Total equity (Group share)	-10.6%	10.6%	5.4%	9.4%	6.3%
ROCE = Return on (average) capital employed	3.0%	12.3%	7.5%	10.1%	6.4%

<b>ANNUAL GROWTH RATES</b>					
Sales	6.0%	9.3%	-3.5%	-17.9%	5.6%
REBITDA	46.8%	-10.6%	-29.7%	23.1%	-2.7%
EBITDA	29.0%	15.2%	-10.8%	-6.0%	-18.3%
REBIT	298.1%	35.9%	-53.3%	93.1%	-3.7%
EBIT	85.3%	300.5%	-36.5%	11.6%	-40.3%
Result of the period after taxes (share of the Group)	-24.1%	n.r.	-46.4%	79.6%	-30.4%

IN MILLION EUR

<b>CONSOLIDATED BALANCE SHEET</b>					
Non-current assets	490.8	482.7	479.0	406.0	402.0
Current assets	428.5	407.9	419.8	351.9	375.4
<b>TOTAL ASSETS</b>	<b>919.3</b>	<b>890.7</b>	<b>898.8</b>	<b>757.9</b>	<b>777.5</b>
Equity before non-controlling interests	190.2	215.8	210.6	225.5	241.7
Non-controlling interests	38.2	32.5	23.1	0.4	0.0
<b>Total Equity</b>	<b>228.4</b>	<b>248.3</b>	<b>233.7</b>	<b>226.0</b>	<b>241.7</b>
Non-current liabilities	309.4	234.6	337.4	254.5	235.9
Current liabilities	381.5	407.8	327.7	277.4	299.9
<b>TOTAL LIABILITIES</b>	<b>919.3</b>	<b>890.7</b>	<b>898.8</b>	<b>757.9</b>	<b>777.5</b>
Net working capital	130.9	119.0	105.7	92.8	85.4
Market capitalisation (DEC 31st)	274.8	289.3	118.0	145.5	229.4
Non-controlling interests	38.2	32.5	23.1	0.4	0.0
Net financial debt	301.9	270.9	268.6	192.0	158.7
<b>ENTERPRISE VALUE</b>	<b>615.0</b>	<b>592.7</b>	<b>409.7</b>	<b>337.9</b>	<b>388.1</b>
Average capital employed	547.1	531.6	514.5	458.9	422.5

<b>FINANCIAL STRUCTURE RATIOS</b>					
Net financial debt / Total equity (including non-controlling interests)	132%	109%	115%	85%	66%
Total equity (including non-controlling interests) / Total assets	25%	28%	26%	30%	31%
Current ratio	1.12	1.00	1.28	1.27	1.25

<b>VALUATION RATIOS</b>					
Price / Earnings (Market capitalisation (Dec 31st) / Result of the period (Group share))	n.r.	13.4	10.2	7.0	15.9
Enterprise value / EBITDA	5.8	4.9	3.8	3.3	4.6
Price / Book value (=Market capitalisation/Book value (share of the Group))	1.4	1.3	0.6	0.6	0.9



IN MILLION EUR

	2006	2007	2008	2009	2010
<b>CONSOLIDATED SALES PER BUSINESS LINE</b>					
Flexible Foams	632.8	665.6	645.6	570.6	602.7
Bedding	375.1	396.4	349.5	312.6	293.3
Insulation	109.7	139.7	156.4	166.5	187.4
Automotive	426.9	490.4	474.2	289.4	324.9
Eliminations	(70.1)	(80.2)	(70.3)	(62.4)	(59.9)
<b>Total sales</b>	<b>1 474.4</b>	<b>1 611.8</b>	<b>1 555.5</b>	<b>1 276.7</b>	<b>1 348.4</b>

IN MILLION EUR

<b>EBITDA PER BUSINESS LINE</b>					
Flexible Foams	42.9	41.8	31.2	45.1	22.2
<i>as % of sales</i>	6.8%	6.3%	4.8%	7.9%	3.7%
Bedding	25.0	26.9	16.9	41.1	17.3
<i>as % of sales</i>	6.7%	6.8%	4.8%	13.1%	5.9%
Insulation	14.8	24.6	27.3	40.3	35.5
<i>as % of sales</i>	13.5%	17.6%	17.4%	24.2%	18.9%
Automotive	26.0	40.6	50.1	(6.9)	26.9
<i>as % of sales</i>	6.1%	8.3%	10.6%	-2.4%	8.3%
Corporate	(2.8)	(11.8)	(16.7)	(17.3)	(18.3)
<b>Total EBITDA</b>	<b>106.0</b>	<b>122.0</b>	<b>108.8</b>	<b>102.3</b>	<b>83.5</b>
<b>as % of sales</b>	<b>7.2%</b>	<b>7.6%</b>	<b>7.0%</b>	<b>8.0%</b>	<b>6.2%</b>

IN MILLION EUR

<b>EBIT PER BUSINESS LINE</b>					
Flexible Foams	27.9	26.4	14.5	25.8	1.2
<i>as % of sales</i>	4.4%	4.0%	2.2%	4.5%	0.2%
Bedding	17.4	19.4	9.1	33.8	11.5
<i>as % of sales</i>	4.6%	4.9%	2.6%	10.8%	3.9%
Insulation	12.3	22.4	24.5	37.2	32.1
<i>as % of sales</i>	11.2%	16.1%	15.7%	22.3%	17.2%
Automotive	(37.6)	10.4	9.7	(32.2)	1.6
<i>as % of sales</i>	-8.8%	2.1%	2.0%	-11.1%	0.5%
Corporate	(3.7)	(13.3)	(16.4)	(18.3)	(18.8)
<b>Total EBIT</b>	<b>16.3</b>	<b>65.2</b>	<b>41.4</b>	<b>46.2</b>	<b>27.6</b>
<b>as % of sales</b>	<b>1.1%</b>	<b>4.0%</b>	<b>2.7%</b>	<b>3.6%</b>	<b>2.0%</b>

IN MILLION EUR

<b>INVESTMENTS VERSUS DEPRECIATION</b>					
Investments in intangible and tangible fixed assets	44.9	45.6	48.7	24.1	35.2
Depreciation (excluding amortisation on goodwill, including impairment)	89.7	56.8	67.4	56.1	55.9
Investments / Sales	3.0%	2.8%	3.1%	1.9%	2.6%

<b>KEY FIGURES PER SHARE</b>					
Number of shares (31 DEC)	28 628 900	28 931 456	28 931 456	28 931 456	28 931 456
Weighted average number of shares outstanding (before dilution)	28 316 816	28 935 874	28 931 456	28 931 456	28 931 456
Weighted average number of shares outstanding (after dilution)	28 316 816	31 167 169	29 172 611	28 931 456	29 329 026

IN EUR

REBITDA	4.87	4.27	3.00	3.69	3.60
EBITDA	3.74	4.22	3.76	3.54	2.89
REBIT	1.76	2.35	1.10	2.11	2.04
EBIT	0.58	2.25	1.43	1.60	0.95
Result of the period (share of the Group) – Basic <sup>(1)</sup>	(0.75)	0.74	0.40	0.72	0.50
Result of the period (share of the Group) – Diluted	(0.75)	0.74	0.40	0.72	0.49
Gross dividend	0.17	0.25	0.17	0.25	0.27
Pay-out ratio	n.r.	34%	43%	35%	54%
Net book value (Group share)	6.64	7.46	7.28	7.80	8.35
Price / Earnings ratio <sup>(2)</sup>	n.r.	13.4	10.2	7.0	15.9












(1) Calculated on the basis of the weighted average number of shares outstanding (before dilution effect).

(2) Based on the share price of 31 DEC.  
Earnings = Result of the period (share of the Group) per share.

<b>SHARE PRICE</b>					
On 31 DEC	9.60	10.00	4.08	5.03	7.93
Lowest of the year	7.52	8.95	4.08	1.95	5.04
Highest of the year	10.30	11.69	9.96	6.00	8.64
Average daily volume traded (units)	35 914	29 462	23 530	31 981	68 246



# Table of contents

	<b>INTRODUCTION</b>	<b>02</b>
	Profile	04
	Highlights for 2010 and the start of 2011	06
	Interview with the CEO and the Chairman of the Board of Directors	10
	Report by the Board of Directors *	16
	<b>THE RECTICEL GROUP</b>	<b>26</b>
	Our mission	28
	Our values	29
	Group strategy	30
	Synergy	38
	<b>ACTIVITIES</b>	<b>40</b>
	What is polyurethane?	42
	Production plants	44
	Insulation *	46
	Bedding *	54
	Flexible Foams *	62
	Automotive *	74
	<b>RESEARCH AND DEVELOPMENT</b>	<b>84</b>
	<b>HUMAN RESOURCES</b>	<b>90</b>
	<b>CORPORATE SOCIAL RESPONSIBILITY</b>	<b>96</b>
	Sustainable Development	98
	Health and safety	100
	Environmental care	102
	Social commitment	103
	<b>INFORMATION FOR THE SHAREHOLDERS</b>	<b>104</b>
	Information on the share	106
	Corporate governance *	115
	<b>LEXICON</b>	<b>136</b>
	<b>FINANCIAL REPORT</b>	brochure enclosed at the back

\* These chapters (for the Insulation, Bedding, Flexible Foams and Automotive business lines, only the comments with regard to the 2010 financial year) form an essential part of the Report of the Board of Directors and contain the information required by the Belgian Commercial Code regarding consolidated accounts.







# Introduction



# Profile

Under the motto **The passion for comfort** Recticel, as a polyurethane manufacturer, seeks to make an essential difference in the daily comfort of everyone.

As a unique whole, the Group concentrates on four selected application areas: Insulation, Bedding, Flexible Foams and Automotive. Although the Group primarily produces semi-finished products (Flexible Foams and Automotive), it also manufactures finished goods and durable goods for end users in several divisions (Bedding and Insulation).

For instance, mattresses and slat bases are marketed in the Bedding Division under well-known brand names (such as Beka®, Lattoflex®, Literie Bultex®, Schlaraffia®, Sembella®, Superba®, Swissflex®, ...). The Insulation Division provides finished high quality thermal insulation products that can be used immediately in building projects and renovations. These insulation products are marketed under well-known brand names (Eurowall®, Powerroof®, Powerdeck® en Powerwall®).





In addition, Recticel attaches great importance to innovation and technological progress. The different products produced by the Group are therefore used increasingly in new and existing applications.

As a market leader in most of its activities, Recticel currently employs a total of 8 383 employees on a consolidated basis (including pro rata joint ventures) in 110 branches, spread over 27 countries. The Group's global presence is focused mainly in Europe, but it also has several activities in the United States and in Asia. In 2010 the Group realized a turnover of EUR 1 348 million.

05

Recticel aims to achieve added value and a steady and profitable growth for its clients and shareholders in a sustainable and balanced manner.

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

**REC**  
**LISTED**  
**NYSE**  
**EURONEXT**



# Highlights for 2010 and beginning 2011

## → February 2010



▶ Recticel launched its latest Flexible Foams development, Polygrow® at the 'Food Logistica' exhibition in Berlin. Polygrow® foam is a substrate material used in horticulture in the cultivation of tomatoes, peppers, egg plants and cucumbers among other things. With Polygrow®, the Group enters for the first time a non-industrial market with huge potential.



On the 2010 'imm' interior design fair in Cologne (Germany) Swissflex® launched its latest range of sleep systems, the Syncro-Precision®. With this innovative concept, the Group confirmed its European leadership in the higher market segment of bedding.

## → March 2010



On the Batibouw 2010 Construction and Renovation exhibition in Brussels (Belgium), Recticel Insulation was visited by the Flemish minister of Energy, Freya Van den Bossche, who was interested in being informed about the latest construction trends. With this opportunity the minister was given detailed information on the very promising "Massive Passive House" concept. Recticel Insulation is a big supporter of the "Massive Passive House" because this building concept is very energy efficient and therefore offers an actual solution to global warming.

→ April 2010



▲ As from 01 April 2010, Olivier Chapelle was appointed as the new Chief Executive Officer of the Recticel Group.

▼ Two American Recticel subsidiaries, active in the Automotive business line, announced that they no longer fell under the Chapter 11 protection procedure. These businesses can thus develop their activities further again.



→ June → September 2010

▲ Recticel is an active participant to various activities around the World Exposition in Shanghai (China). In the context of the World Expo, Recticel was able to promote its innovative solutions and activities in Flexible Foams and in Automotive in China.

→ July 2010

▼ Recticel sold the bedding activities of its subsidiary LeBed SAS in Masevaux (France). This transaction prevented the closing down of the factory for the production of bed slats.

▼ The Directorate General for Competition of the European Commission carried out an unannounced inspection of the Recticel offices in Brussels and the United Kingdom, and of the offices of the joint venture company Eurofoam in Austria. This visit related to a major investigation launched against the polyurethane manufacturing sector in Europe and in the United States. Recticel is cooperating fully with the investigation.

## → September 2010

Recticel is nominated for the production of the dashboard skins and the skins for the glove box of the new BMW 3 series. These dashboard skins will be manufactured in China with the patented Colo-Sense® Spay technology. Between end 2012 and 2019, in total about 500 000 skins will be produced.



## → October 2010

Recticel and its Austrian subsidiary Sembella were named the "Best Mattress Supplier for 2009/2010" by their important client Jysk/Dänische Bettenlager. With this announcement, Jysk/Dänische Bettenlager wanted to express its approval of the quality, the innovative nature and customer satisfaction of the polyurethane mattresses produced by Recticel and Sembella.

Along with five other market leaders in the Belgian construction industry, Recticel started working on a new innovative energy saving concept, Isofinish™. Isofinish™ is a unique concept that makes it possible to equip existing buildings with a better performing external insulation in combination with an aesthetically appealing exterior finish.

The Recticel Research & Development Centre joined the Strategic Material Research Centre (SIM). The SIM is a Flemish initiative between several governments, companies and universities whose goal is to channel the broad knowledge on various materials so that it can eventually be translated into actual industrial applications. By joining the SIM, Recticel hopes to discover new application areas for polyurethane.

# ISO.finish™

# 100

## → November 2010

Recticel decided to strip its "VVPR shares". (VVPR= Verminderde Roerende Voorheffing/Précompte Réduit/Reduced Withholding Tax). As a result only a single category of Recticel shares remains: the ordinary shares. This will benefit the liquidity of the Recticel-share.

Recticel announced that it has taken the decision to build a new factory for the production of thermal insulation panels for the building industry. With this new plant, which will be located in the centre of France, the Group accelerates the growth strategy of its Insulation business line. With the new facility, which will ultimately employ some 50 people, the Group aims to double its sales of insulation material in France. It is expected that the new factory will become operational by early 2013.

## → January 2011

▼  
Proseat, a 51% joint venture company of Recticel, announced that it intends to close its production site (Automotive – Seating) in Hulshout (Belgium). In the meantime, a final agreement has been reached on a social plan.

## → February 2011

▼  
As a result of the serious economic crisis on the Iberian Peninsula, Recticel announced that it would be closing down several production and comfort processing activities (Flexible Foams) in Spain.

▼  
Recticel Insulation won the Batibouw Communication Award 2011. This prize was awarded to Recticel Insulation for the best communication campaign before, during and after the Batibouw Construction and Renovation exhibition in Brussels.



## → February 2011

▼  
Recticel is nominated for the production of the dashboard skins of the new Mercedes-Benz E Class for the Chinese market. These dashboard skins will be manufactured in China with the patented Colo-Fast® Spay technology. Between end 2012 and 2016, in total about 255 000 skins will be produced.



▼  
Batibouw 2011 was the starting point of a new campaign for Recticel Insulation: 'Recticel® Insulation Inside', focusing on creating additional value for the end client who opts for Recticel® insulation. For optimal and durable insulation with Recticel Insulation, the customer will receive the Recticel® Insulation Inside label. This is in fact an insulation certificate and a quality label. The client can use this to prove that his house is properly insulated.





# Act, Achieve, Advance





# Interview with the CEO and the Chairman of the Board of Directors

11

Brussels, 3 March 2011

At the start of 2010 it could have been reasonably assumed that the macro-economic climate would recover following the crisis years of 2008-2009, but that this economic recovery would still be fragile. It quickly became apparent that this was an accurate assessment of what would ultimately happen. Taking this background into account, Recticel recorded operational results which were in line with the predicted expectations. The Group was also able to put a number of initiatives on track for the longer term with the drawing up of a new strategic plan certainly being a very important step.

**An interview with Chief Executive Officer, Olivier Chapelle, and the Chairman of the Board, Etienne Davignon.**



On 1 April 2010 Recticel had a new Chief Executive Officer at the helm. How did this transition work out?

**Olivier Chapelle:** From my point of view it went perfectly. Although I only started in Recticel in December 2009 and thus did by definition have a limited view of the markets, customers, suppliers, employees and the other stakeholders, there were no problems worthy of note. I also wish to add that I was able to organise a transition period of four months with Luc Vansteenkiste. This gave me sufficient time to get to grips with the subject matter between December 2009 and the end of March 2010. During this period I met a lot of employees in the company and visited quite a number of factories and business centres. I wish to offer Luc my sincere thanks for his unconditional support during this transition.

**Etienne Davignon:** The induction of the new CEO was carried out successfully to everyone's satisfaction and it also created better conditions so that management could approach the various challenges in an intelligent and efficient way. In addition to these short-term initiatives it was of course also important to look into the future. The new strategic plan which was worked out thoroughly by the complete management team with a focus on the future under the leadership of Olivier Chapelle had the full support of the Board of Directors.

How should that new strategic plan actually be viewed?

**Olivier Chapelle:** When drawing up the new strategic plan we initially wished to make a number of fundamental analyses and answer important questions. Daring to question a number of unchallenged starting points definitely gave us some interesting insights. In this context we asked ourselves whether the future of Recticel should continue to be based on polyurethane. Today we can rest assured that our base activities in polyurethane and polyurethane processing are extremely valuable and promise much for the future. By clearly understanding the potential for development of each business line, we have, however, been able to set very precise priorities which are decisive in the future allocation of our human and financial resources.

**Etienne Davignon:** As a Board of Directors we found it important that the appointment of a new Chief Executive Officer should also involve a thorough examination of the strategic guidelines which had previously been drawn up. In addition, we cannot overlook the fact that today's economy is globalising at a furious speed and thus changes very quickly. The recent economic crisis has definitely not delayed this process. It is quite the opposite. In order to strengthen themselves for the new challenges, companies must be prepared to ask themselves questions.

"On the basis of its new strategy the Group must be in a position to further extend its market leadership with confidence."

| Etienne Davignon  
Chairman of the Board





It thus appeared to be an appropriate time to carry out a thorough strategic rethink last year.

#### What are the most significant differences compared to previously?

**Etienne Davignon:** When defining the plan, management had to start with a number of strategic observations which marked out the limits. First of all, we established that Recticel still has too high a level of debt today. In addition, we have to recognise that the Group's financial resources are perhaps too limited to play a leading role in all sectors. Moreover it is noticeable that 95% of Recticel's turnover is within Europe which means that it misses out on the potential of a number of strongly emerging markets in different parts of the world.

**Olivier Chapelle:** Taking these findings into account, together with the proven structural potential of polyurethane as a base material, the Management drew the vectors via which the different sectors of the Group need to be developed in the future. In this plan, a number of priorities are defined and various shifts in emphasis are applied. The number one priority is now definitely the development of the Insulation business line. Bedding provides inviting opportunities for growth. The Flexible Foams business line on the other hand needs to concentrate on an intelligent balancing of rationalisations as a priority in combination with selective investments and innovative initiatives. Finally, the Automotive business line will make every effort to stabilise and maximise the market positions of its unique Colo-fast® spray technology (Interiors). The seating segment (via the joint venture Proseat) must aim to further consolidate the current market positions via the optimisations which have been implemented and the reallocation of existing capacities.

#### How do things look regarding external growth?

**Etienne Davignon:** It is possible to achieve external growth in two ways. The first involves taking over other players in certain markets. Here it is important to emphasise that we are mainly involved with local players in many of our applications because polyurethane is by definition a market which is strongly driven by local needs. External growth can also be approached by expanding activities to markets and territories in which one was not active previously. Taking into account the fact that Recticel has primarily developed its activities in Europe so far, expansion plans into other world regions must provide opportunities.

**Olivier Chapelle:** Companies must grow in order to be successful and external growth must not be ruled out here. But let me make one thing clear: major takeovers are not on the cards due to our current balance structure. This does not mean that we are not interested in acquisitions. It will ultimately depend on the concrete opportunities which present themselves. If we were to judge that there were no (or insufficient) possibilities for takeovers in prospect, then we would have to consider developing new initiatives ourselves. We will always have to compare the value created via takeovers with that via internal growth. In this context we did in fact announce that Recticel would build a new factory for

→

insulation panels in France in November 2010. Today we are also looking at possible development opportunities in China. This is not necessarily a requirement but if it appears that it makes sense to make a difference in China with certain differentiated products, then we will increase our efforts there

#### How would you assess the financial year 2010?

**Olivier Chapelle:** Due to the uncertain economic climate it is difficult to call 2010 a good financial year. Nevertheless I have the feeling that with hindsight it was a pretty good year. The big challenge involved meeting the strongly rising prices of raw materials. This was not always straightforward if only because our end markets had not fully recovered from the economic crisis. On the other hand it is true that we were able to meet our prospects at the start of the year. We had assumed that it would be possible to record recurrent operational results for 2010 which would be in line with 2009. In addition we also wished to reduce our financial debt further. The net result was however influenced by a number of necessary and unavoidable restructuring costs in Belgium, Spain and Germany. In the long run the measures we have carried out will benefit the profitability of the Group.

**Etienne Davignon:** 2010 has been a year of transition for Recticel in various ways. The economy still needed to recover from the crisis, the volatility of the prices of raw materials made that process more difficult and the debt problems of the past developed in a positive direction. In this context it was hardly a surprise that the increasing production volumes were neutralised to a degree by the increasing prices of raw materials which could not yet be completely factored into the sales prices (or with some delay). Taking the circumstances into account, I think that satisfactory results were recorded.

#### Was the inspection by the European Commission Directorate General for Competition at the start of August in any way a surprise?

**Olivier Chapelle:** This was a major surprise to us. While we were able to keep matters reasonably well under control operationally, it must be said that the unannounced inspection of our offices in Belgium, the United Kingdom and the offices of our joint venture Eurofoam in Austria by the European competition authorities was completely unexpected. Management immediately did everything in its power to bring clarity to this matter on behalf of the Group. We also see it as our duty to cooperate with the investigation carried out within the framework of the EU Clemency Programme.



INTERVIEW WITH THE CEO  
AND CHAIRMAN OF THE BOARD



" The new strategy can only lead to success if it is clearly and visibly carried by the commitment, enthusiasm and involvement of all employees. "

| **Olivier Chapelle**  
*Chief Executive Officer*

**Etienne Davignon:** It is actually of crucial importance that the Group provides its full cooperation to these sorts of investigations. The ongoing investigation is not specifically focused on Recticel. It has been set up for the complete sector of Flexible Foams producers over a period of more than 20 years. To make it even clearer, only the Flexible Foams sector within the Recticel Group forms the subject of the investigation; in other words the other business lines are not inspected in any way.

**What can be expected for the financial year 2011?**

**Olivier Chapelle:** We once again expect a further increase in our raw material prices, just like in 2010. Recticel will thus need to make further commercial efforts and pass these price increases on to the sales prices without delay. On the other hand the Group will remain alert to new developments in the various markets and adapt its industrial footprint to this if necessary. The closure of the production site in Hulshout (Belgium) (Automotive – Seating) and the reorganisations in Spain (Flexible Foams) and in Germany (Interiors – Unterriexingen) do indeed fit with this position. In addition, targeted and intelligent investments will further prepare for the future, together with the introduction of new products and innovations.

**Etienne Davignon:** I think that this is indeed the message which can be given. Vigorous and intelligent action in order to ultimately progress together; or in the slogan of the annual report: Act, Achieve, Advance.



# Report By The Board Of Directors



**Etienne Davignon**  
*Chairman*



**Guy Paquot**  
*Vice-Chairman*



**Luc Vansteenkiste**  
*Vice-Chairman*



**Pol Bamelis**  
*Director*



**Tonny Van Doorslaer**  
*Director*



**Louis Verbeke**  
*Director*



**Klaus Wendel**  
*Director (until 3/3/2011)*



**André Bergen**  
*Director (from 3/3/2011)*



**Olivier Chapelle**  
*Chief Executive Officer*



**Vincent Doumier**  
*Director*



**Wilfried Vandepoel**  
*Director*



**Luc Willame**  
*Director*



**Jacqueline Zoete**  
*Director (from 11/5/2010)*

## // Recticel Annual results 2010

- ▶ On a comparable basis<sup>(1)</sup>, sales up by 8% driven by strong growth in Insulation (+12.6%) and Automotive (+12.2%)
- ▶ In line with expectations, REBITDA reached EUR 104.0 million despite a EUR 52.2 million raw material cost increase
- ▶ Net financial debt: from EUR 192.0 million to EUR 158.7 million
- ▶ Result of the period (share of the Group): EUR 14.4 million (2009: EUR 20.7 million), after EUR -31.3 million impact from restructuring measures to adapt the industrial footprint
- ▶ Proposal to pay a gross dividend of EUR 0.27 per share

(1) The indicated trend in sales is based on a comparable scope of consolidation. This comment refers particularly to the Bedding business line, which sold in July 2009 its 50% interest in COFEL of France.

## KEY FIGURES

	in million EUR				
	2009	1H/2010	2H/2010	2010	Δ 10 / 09
Sales	1 276.7	670.4	678.1	1 348.4	5.6%
Gross profit	232.1	114.8	102.0	216.9	-6.6%
as % of sales	18.2%	17.1%	15.0%	16.1%	
REBITDA <sup>(1)</sup>	106.9 <sup>(2)</sup>	57.2	46.9	104.0	-2.7%
as % of sales	8.4%	8.5%	6.9%	7.7%	
EBITDA <sup>(3)</sup>	102.3	53.2	30.3	83.5	-18.3%
as % of sales	8.0%	7.9%	4.5%	6.2%	
REBIT <sup>(1)</sup>	61.2	35.2	23.8	58.9	-3.7%
as % of sales	4.8%	5.2%	3.5%	4.4%	
EBIT	46.2	27.8	(0.1)	27.6	-40.3%
as % of sales	3.6%	4.1%	0.0%	2.0%	
Result of the period (share of the Group)	0.72	0.46	0.04	0.50	-30.4%
Result of the period (share of the Group) – base (per share, in EUR)	0.72	0.46	0.04	0.50	-30.4%
Gross dividend per share (in EUR)	0.25	-	-	0.27 <sup>(7)</sup>	8.0%
Total Equity	226.0	229.4	241.7	241.7	7.0%
Net financial debt <sup>(6)</sup>	192.0	193.6	158.7	158.7	-17.3%
Gearing ratio	85%	84%	66%	66%	
Average capital employed <sup>(4)</sup>	458.9	428.3	416.7	422.5	-7.9%
ROCE = Return on capital employed <sup>(5)</sup>	10.1%	13.0%	-0.1%	6.4%	
ROE = Return on equity <sup>(5)</sup>	9.4%	11.6%	1.1%	6.3%	

(1) REBITDA = EBITDA before non-recurring elements;  
REBIT = EBIT before non-recurring elements.  
Non-recurring elements comprise operating income, expenses or provisions that are related to restructuring programs, impairments on assets, capital gains or losses on divestments and on the liquidation of affiliated companies, and other events or transactions that are clearly distinct from the ordinary activities of the Group.

(2) Comparable REBITDA, restated for elimination of COFEL's contribution until divestment in July 2009, amounted to EUR 104.8 million.

(3) EBITDA = EBIT + depreciation, amortisation and impairment on assets.

(4) Capital Employed = net intangible assets + goodwill + net property, plant & equipment + working capital.

Working capital = current assets (without cash deposits) – non-financial current liabilities.

(5) Half-yearly average = [Capital employed at the end of the previous period + Capital employed at the end of the current period] / 2. For Return on Equity (ROE), the same based on Equity (share of the Group).  
The annual averages are calculated as the mean of the half-yearly figures.

(6) Net financial debt = Interest-bearing borrowings – Cash and cash equivalents – Available for sale investments. The interest-bearing borrowings do not include the drawn amounts (2010: EUR 19.7 million versus EUR 12.0 million in 2009) under non-recourse factoring/forfeiting programs.

(7) Proposed dividend payment.

## COMMENTS ON THE CONSOLIDATED RESULTS

### → **SALES: FROM EUR 1 276.7 MILLION TO EUR 1 348.4 MILLION (+5.6%)**

Before exchange rate differences (accounting for +2.0%) sales growth was 3.6%.

On a restated basis <sup>(1)</sup>, total sales increased by 8.0%.

On this basis, all business lines recorded higher sales.

Changes in the scope of consolidation in 2010:

- With effect as from 1 January 2010 the Group's subsidiaries Recticel GuKoTech GmbH and Recticel Foams (Shanghai) Co. Ltd. are for the first time fully consolidated.
- With effect as from 1 July 2010 the Group sold its "slat base" activities (Bedding) in Masevaux (France).

Changes in the scope of consolidation in 2009:

- With effect as from 1 May 2009 the shareholder structure of the group Gestind (Automotive – Seating) has been modified, whereby the Polish subsidiary has been fully taken over by the Proseat group and whereby the Italian subsidiary has been fully disposed of.
- In July 2009 the Group sold its 50% stake in Cofel SAS (France) (Bedding), which was consolidated using the proportional consolidation method.
- At the end of 2009 the Group sold Corpura (Flexible Foams), which was consolidated using the full consolidation method.

19

### // Breakdown of sales by business line

	in million EUR					
	2009	2009 <sup>(1)</sup> (RESTATED)	1H/2010	2H/2010	2010	Δ 10 / 09 <sup>(1)</sup>
Flexible Foams	570.6	570.6	298.7	304.1	602.7	5.6%
Bedding	312.6	277.2	142.7	150.6	293.3	5.8%
Insulation	166.5	166.5	88.4	99.0	187.4	12.6%
Automotive	289.4	289.4	168.0	156.9	324.9	12.2%
Eliminations	( 62.4)	( 54.9)	( 27.5)	( 32.4)	( 59.9)	9.0%
<b>Total</b>	<b>1 276.7</b>	<b>1 248.7</b>	<b>670.4</b>	<b>678.1</b>	<b>1 348.4</b>	<b>8.0%</b>

Compared to the first half of 2010, sales increased in all business lines, except in Automotive.

(1) The indicated trend in sales is based on a comparable scope of consolidation. This comment refers to the Bedding business line, which sold in July 2009 its 50% interest in COFEL of France.

→

→ **REBITDA: FROM EUR 106.9 MILLION  
TO EUR 104.0 MILLION (-2.7%)**

Between 1Q/2009, which corresponds to the bottom of the raw material cycle, and December 2010, the cost per ton of the purchased raw material mix has progressively increased by 32%. In 2010, despite a raw material cost increase of EUR 52.2 million, the Group recorded a recurring EBITDA comparable to 2009. The Group indeed succeeded to compensate the effect of these higher raw material costs by the additional contribution generated by higher volumes, by selling price increases and by a combination of cost savings and other production efficiency measures.

// Breakdown of REBITDA by business line

	in million EUR					
	2009	2009 <sup>(1)</sup> (RESTATED)	1H/2010	2H/2010	2010	Δ 10 / 09 <sup>(1)</sup>
Flexible Foams	46.9	46.9	18.3	12.3	30.6	-34.7%
Bedding	23.2	21.1	7.7	12.6	20.3	-3.5%
Insulation	40.3	40.3	17.4	18.1	35.5	-12.0%
Automotive	13.7	13.7	21.9	11.8	33.7	145.4%
Corporate	( 17.3)	( 17.3)	( 8.1)	( 8.0)	( 16.2)	-6.7%
<b>Total</b>	<b>106.9</b>	<b>104.8</b>	<b>57.2</b>	<b>46.9</b>	<b>104.0</b>	<b>-0.7%</b>

(1) The indicated trend is based on a comparable scope of consolidation. This comment refers to the Bedding business line, which sold in July 2009 its 50% interest in COFEL of France.

→ **REBIT: FROM EUR 61.2 MILLION  
TO EUR 58.9 MILLION (-3.7%)**

// Non-recurring elements

	in million EUR		
	1H/2010	2H/2010	2010
Impairments	( 3.5)	( 7.3)	( 10.8)
Restructuring charges and provisions	( 2.0)	( 17.8)	( 19.8)
Loss on liquidation or disposal of financial assets	0.0	( 3.5)	( 3.5)
Gain on liquidation or disposal of financial assets	0.0	1.6	1.6
Other	( 2.0)	3.2	1.2
<b>Total</b>	<b>( 7.5)</b>	<b>( 23.8)</b>	<b>( 31.3)</b>

The result was influenced by a number of unfavourable non-recurring elements amounting to EUR -31.3 million (EUR -14.9 million in 2009).





These elements related mainly to the incurred costs and provisions for restructuring programs and related onerous contracts in Flexible Foams (Spain), Bedding (France), Automotive – Interiors (Germany and the USA), and Proseat in Belgium.

In addition, new impairments on assets were recorded, mainly as a consequence of the announced restructuring measures in Flexible Foams (Spain) and in Automotive (Belgium and Germany).

Furthermore the non-recurring result includes:

- in Flexible Foams: the legal fees (EUR 1.9 million) incurred in 2010 relative to the ongoing EC investigation (see below); and
- in Corporate: the impact of a (non-cash) loss (EUR 2.1 million) booked upon the liquidation of the US entity RUS Inc.

→ **EBIT: FROM EUR 46.2 MILLION  
TO EUR 27.6 MILLION (-38.7%)**

Despite the above-mentioned significant non-recurring items, all business lines contributed positively to the result.

## // Breakdown of EBIT by business line

	in million EUR					
	2009	2009 <sup>(1)</sup> (RESTATED)	1H/2010	2H/2010	2010	Δ 10 / 09 <sup>(1)</sup>
Flexible Foams	25.8	25.8	10.0	( 8.8)	1.2	-95.3%
Bedding	33.8 <sup>(2)</sup>	11.6	3.8	7.6	11.5	-0.8%
Insulation	37.2	37.2	15.8	16.4	32.1	-13.5%
Automotive	( 32.2)	( 32.2)	6.5	( 4.9)	1.6	n.r.
Corporate	( 18.3)	( 18.3)	( 8.3)	( 10.5)	( 18.8)	2.8%
<b>Total</b>	<b>46.2</b>	<b>24.0</b>	<b>27.8</b>	<b>( 0.1)</b>	<b>27.6</b>	<b>14.9%</b>

(1) The indicated trend is based on a comparable scope of consolidation. This comment refers to the Bedding business line, which sold in July 2009 its 50% interest in COFEL of France.

(2) The amount includes the net non-recurring income attributable to the divestment of the 50% interest in COFEL (France), as well as COFEL's contribution to EBIT until July 2009.

→ **FINANCIAL RESULT: FROM EUR –13.8 MILLION  
TO EUR –17.1 MILLION.**

The net interest charges (EUR –11.8 million) decreased by EUR 5.1 million compared to 2009 (EUR –16.9 million). This reduction is attributable to (i) a lower average outstanding debt and (ii) lower interest rates.

'Other financial income and expenses' (EUR –5.3 million, compared to EUR +3.1 million in 2009) comprise mainly positive exchange rate differences (EUR +2.9 million), non-cash charges from the impact on the foreign currency translation reserve following the liquidation of the US legal entity RUS Inc. (EUR –6.0 million) and from the capitalisation of provisions for pension liabilities (EUR –2.4 million).

→

→ **INCOME TAXES AND DEFERRED TAXES:  
FROM EUR –12.4 MILLION TO EUR +4.1 MILLION:**

- Current income tax charges (EUR –7.7 million, compared to EUR –7.9 million in 2009) are mainly incurred by subsidiaries in Eastern Europe, Germany and Scandinavia;
- The positive deferred tax result (EUR +11.8 million, compared to a charge of EUR –4.5 million in 2009) is mainly the result of the realisation of a substantial tax-deductible liquidation loss for tax purposes on the liquidation of the US legal entity RUS, Inc.

→ **RESULT OF THE PERIOD  
(SHARE OF THE GROUP): FROM EUR 20.7  
MILLION TO EUR 14.4 MILLION.**

## MARKET SEGMENTS

For a report on the individual business lines and the Board of Directors' comments on them, please refer to the sections on the Group activities later in this annual report.

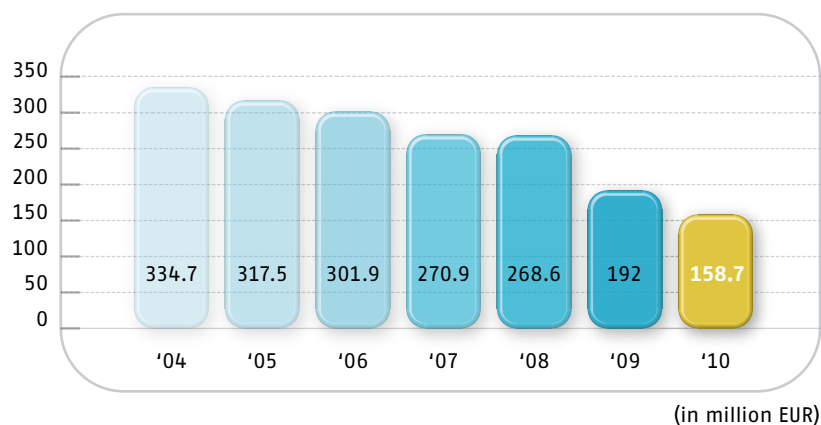
## FINANCIAL SITUATION

On 31 December 2010, net financial debt (excluding non-recourse factoring/forfeiting programs) amounted to EUR 158.7 million (compared to EUR 192.0 million at 31 December 2009).

This results in an improved 'net debt to equity' ratio of 66%, compared to 85% at the end of 2009.



## // Net financial debt (per 31 December)



## INSPECTION BY THE DIRECTORATE FOR COMPETITION OF THE EUROPEAN COMMISSION

On July 27 and 28, 2010, officials from the European Commission and various national antitrust authorities conducted unannounced inspections at Recticel's offices in Belgium, UK and Austria. The purpose of these inspections was to collect information relating to allegedly unlawful conduct believed to have taken place in the European Economic Area polyurethane foam sector.

Investigations were also carried out in the United States as part of a coordinated investigation. It is to be noted that the Recticel Group has had no foaming activities in the United States since December 1991, and has not been visited or contacted by the antitrust regulators there. The Group's activities in the United States are limited to specialized foam converting (acoustical applications) and Automotive Interiors. Recticel has had no indication that these business areas are a focus of the competition investigations.

Recticel decided then to cooperate with the European Commission. The Commission has now authorized Recticel to communicate the fact that this cooperation is done in the frame of the Leniency Program, as set forth in the "*Commission notice on immunity from fines and reduction of fines in cartel cases*", published in the Official Journal C 298, 8.12.2006, p.17.

At this time, Recticel has not received any formal objections from the Commission.

Recticel's current evaluation of the Group's potential exposure is summarized as follows:

- **At the EU level.** The Commission has given Recticel no indications regarding its findings. At this stage, therefore, the Group is not in a position to predict what the position of the Commission in relation with the case will be, and hence is currently unable to assess its possible financial consequences.
- **At the national levels.** As a rule, national authorities will not take up a case which is treated by the Commission. Recticel is aware that the national authorities in Spain and Portugal opened investigations into the polyurethane foam sector in February 2011. Recticel has received a request for information from the Spanish authority, but Recticel's premises in Spain were not visited by the authority.

## CHANGES IN THE COMPOSITION OF THE BOARD OF DIRECTORS

On 03 March 2011, Mr Klaus Wendel (Independent Director) resigned as member of the Board of Directors of Recticel. The Board of Directors co-opted Mr André Bergen, representing André Bergen g.c.v., to fulfil the mandate of Mr Klaus Wendel expiring in May 2013. André Bergen g.c.v. will become Chairman of the Audit Committee, and member of the Remuneration and Nomination Committee.

## PROPOSED DIVIDEND

The Board of Directors will propose to the Annual General Meeting of 10 May 2011 the payment of a gross dividend of EUR 0.27 per share (2009: EUR 0.25).



## OUTLOOK

Given the positive orientation of its main markets, the Group expects its overall sales to further increase in 2011. The Group intends to compensate additional raw material price increases in 2011 through a combination of improved activity levels, adequate pricing policies and cost efficiencies as a result of the restructuring measures.

## PROFIT APPROPRIATION POLICY

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

When drawing up its proposal, the Board of Directors tries to achieve the right balance between ensuring a stable dividend for shareholders and maintaining sufficient investment and self-financing opportunities to secure the company's longer-term growth.

The Board of Directors decided to present the following appropriation of the results to the General Meeting:

	in EUR
Profit for the period	43 700 646.66
+ Profit brought forward from previous year	27 274 074.87
<b>Result to be appropriated</b>	<b>70 974 721.53</b>
- Gross dividend	(7 811 493.12)
- Statutory directors' fees	(117 405.85)
<b>Profit to be carried forward</b>	<b>63 045 822.56</b>









# 01 The Recticel Group

# European leader in

## Our mission

Recticel wishes in a consequent manner :

- to meet everyone's desire for greater comfort in everyday life.
- to be a coherent and diversified Group consisting of four business lines (Insulation, Bedding, Flexible Foams and Automotive), strengthened by its outstanding expertise in polyurethane foam in terms of both materials and production processes and its long experience in comfort marketing and technology.
- to create added value for its customers and shareholders.
- to offer all employees the opportunity to develop their individual talents, within the framework of the Group strategy.
- to assume its responsibility as an organisation within the community, with a strong emphasis on quality, safety, health and environmental protection.



# polyurethane applications

## Our group values

Responsible entrepreneurship

Creativity & innovation

Team spirit

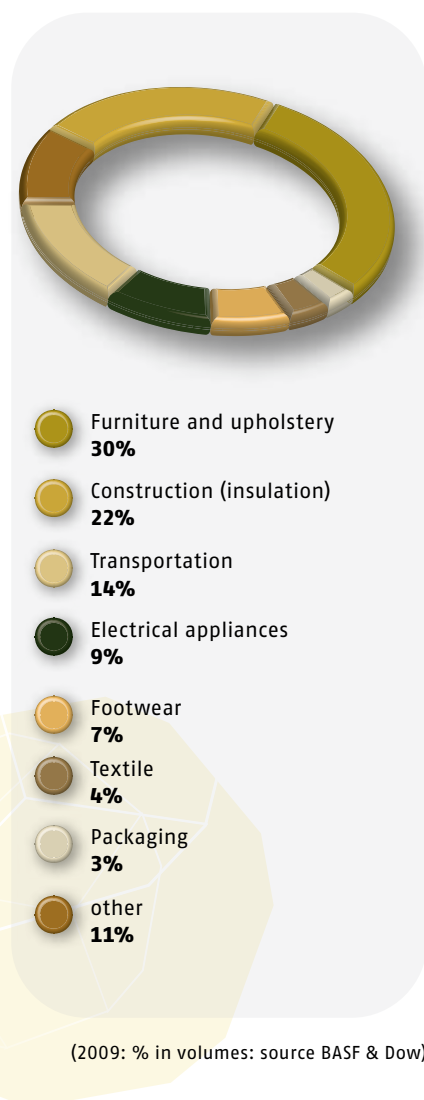
Respect for the individual,  
the environment and  
business partners

Search for excellence



# Group strategy

## // Polyurethane markets



Recticel is today one of the top-three worldwide polyurethane foam manufacturers. It provides products and solutions to customers all over of the world, although 95% of its business is currently located in Europe. Recticel has a significant presence in the following different segments :

- **Insulation** : polyurethane laminated boards for thermal building insulation.
- **Bedding** : with strong brands throughout Europe.
- **Flexible Foams** : supply of foam blocks or converted foam for the upholstery and furniture markets, and a wide variety of technically differentiated solutions to various industries.
- **Automotive** : polyurethane elastomer solutions for dashboard and door interior skins, and foam pads for seat cushions.

In the course of 2010, Recticel defined its strategy, its priorities and its resource allocation process to the various business segments.

## CORE COMPETENCES AND TARGET MARKETS

The core business and core competence of Recticel is the transformation of the polyurethane chemistries into rigid foams, flexible foams and elastomer skins. Recticel has decided to remain focused on polyurethane transformation and, provided its market position, it neither pleads for a further diversification. The main reasons for this choice are the following:

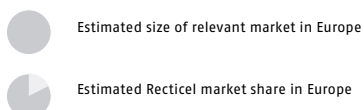
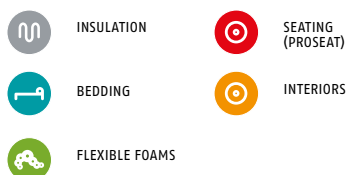
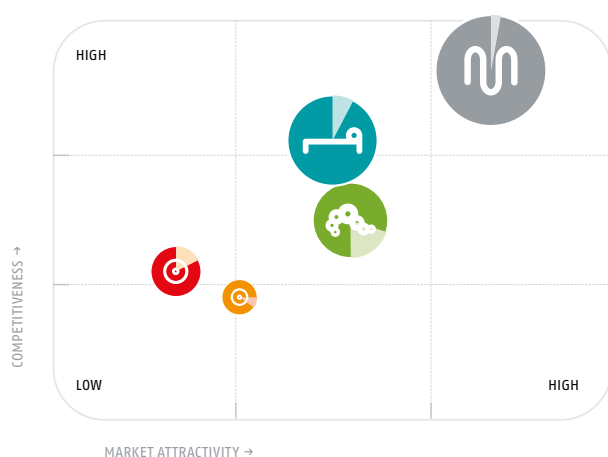
- polyurethane is a high performance, versatile material enabling premium or top-end positioning in most of its segments and/or applications.
- the worldwide polyurethane market, which amounted to about EUR 40 billion worldwide in 2010, is growing 2% faster than global GDP, and is diversified into several important end-use segments such as furniture, construction, transportation, clothing, footwear, appliances, ...
- it provides many growth opportunities in value added applications and enables Recticel to participate in several worldwide long term irreversible mega-trends, such as environmental protection & energy conservation, luxury & comfort, water conservation and filtration, need for stronger and lighter materials.
- it is a profitable market, enabling a proper balance between regions and applications, levelling the risks in case of economical turmoil.

## PORTFOLIO MANAGEMENT : BUSINESS LINE STRATEGIC POSITIONING

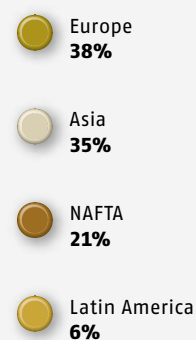
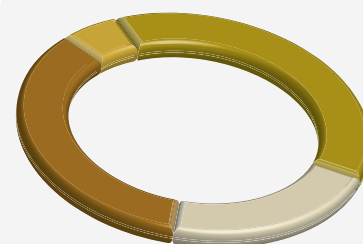
An analysis of the business portfolio of Recticel has been performed, aiming at describing and quantifying for each Recticel business line :

- its market attractiveness
- the level of competitiveness of Recticel in that market

The following chart represents the positioning of each business line, as a result of this quantitative analysis :



## // World Production of Polyurethane



(2009: % in volumes: Source BASF & Dow)

## ELEMENTS OF ANALYSIS PER BUSINESS LINE :

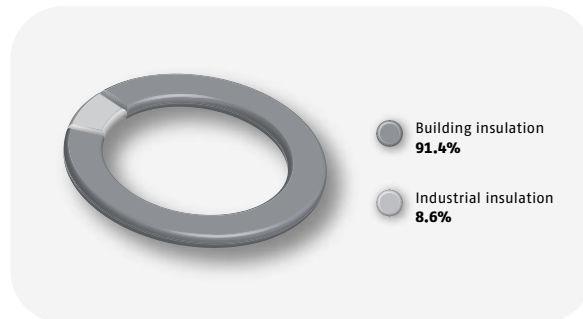


### Market attractiveness

- market driven by environment protection and energy conservation mega-trend. Heating and cooling of buildings represents 22% of the worldwide use of energy.
- insulation identified as the solution to reduce energy consumption with the highest return on investment.
- directives and regulations in the EU and its constituting countries are driving the growth of insulation in new building construction and subsidy policies are driving the growth in the renovation market.

	in million EUR
Sales 2010	187.4
REBITDA 2010	35.3
EBITDA 2010	35.3
REBIT 2010	32.1
EBIT 2010	32.1

### // Insulation Sales 2010: EUR 187.4 million



### Competitiveness

- polyurethane is the thermal insulation material with the highest performance in the market, hence gaining market share over polystyrene and rock- or glasswool insulation solutions.
- Recticel is recognised for its wide and high quality product range, as well as for its efficient service.
- the industrial footprint is composed of very efficient and well positioned production facilities.
- Recticel insulation is highly profitable.

# Bedding

## Market attractiveness

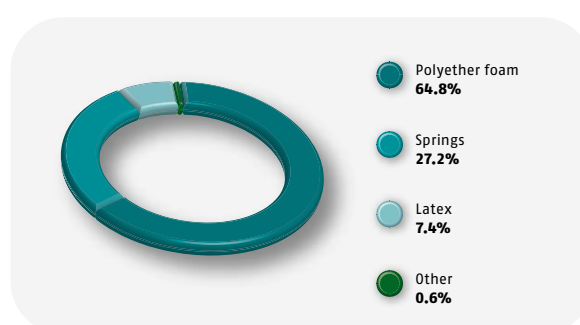
- market driven by demographic evolution.
- sleeping quality increasingly identified as a critical comfort and health factor, leading to investment in high value bedding systems, as well as more frequent replacement.
- high value branded products represents the top-end segment of the market.

## Competitiveness

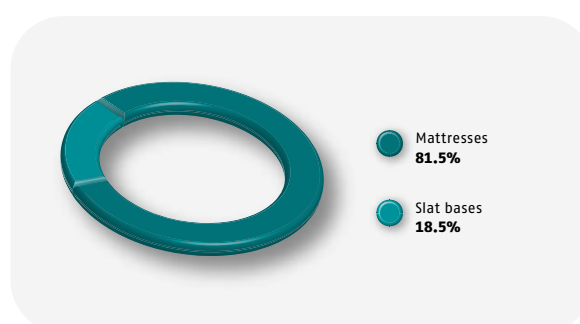
- polyurethane foam for mattresses enables a wide and diverse product range, it becomes the leading solution and takes market share from spring or latex solutions.
- Recticel is well-positioned with strong brands in 5 European countries, and benefits from an adequate industrial footprint.
- Recticel benefits from its integration in the foam manufacturing to accelerate innovation and new product introduction.

	in million EUR
Sales 2010	293.3
REBITDA 2010	20.3
EBITDA 2010	17.3
REBIT 2010	14.6
EBIT 2010	11.5

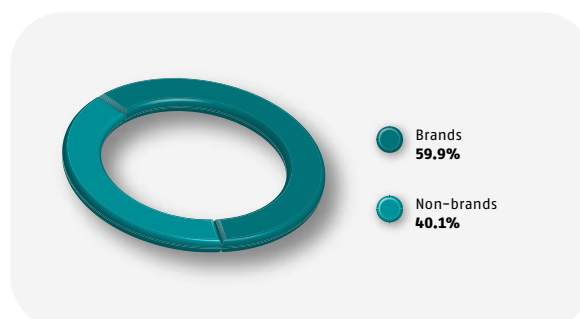
## // Bedding sales 2010: EUR 293.3 million, per technology



## // Bedding sales 2010 : mattresses & slat bases



## // Bedding sales 2010 : brands versus non-brands





# Flexible Foams

## Market attractiveness

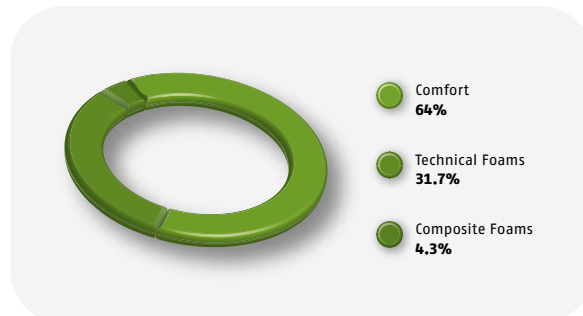
- market split between commodity applications in the Comfort segment and specialty applications to a wide variety of industries in the Technical Foams segment.
- innovation and differentiation drive the Technical Foams segment.
- growing market worldwide thanks to the performance of the polyurethane chemistries.

	in million EUR
Sales 2010	602.7
REBITDA 2010	30.6
EBITDA 2010	22.2
REBIT 2010	15.7
EBIT 2010	1.2

## Competitiveness

- Recticel benefits from its R&D capabilities, enabling positioning in new niches.
- Recticel has a wide geographical presence with an industrial footprint enabling positioning in many countries, but requesting adjustments and restructuring.
- Recticel size enables access to competitive raw material prices.

## // Flexible foam sales 2010 : EUR 602.7 million



# Automotive

## Market attractiveness

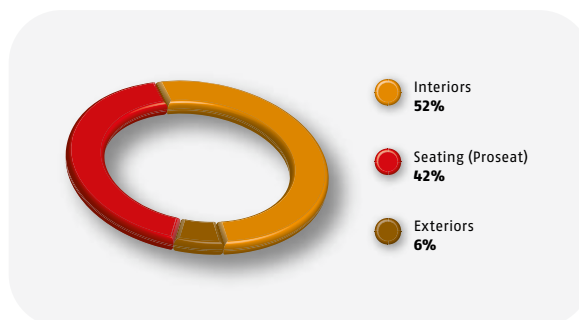
- highly competitive and cyclical market, characterised in Europe by very significant overcapacities.
- seating segment (Proseat) commoditised, and Interiors segment highly capital intensive.
- innovation and differentiation are mandatory, but very seldom generate price premium.
- intellectual property difficult to keep and to protect.

	in million EUR
Sales 2010	324.9
REBITDA 2010	33.7
EBITDA 2010	26.9
REBIT 2010	13.0
EBIT 2010	1.6

## Competitiveness

- Recticel is well positioned with the best performance products in Interiors, and is recognised for its innovative concepts in Seating (Proseat).
- profitability has deteriorated as a consequence of the effects of the overcapacity, and of the insufficient size of its automotive operations.
- Recticel has a proper geographical presence with an industrial footprint which has needed significant restructurings.

## // Automotive sales 2010 : EUR 324.9 million





## STRATEGY AND OBJECTIVES

Recticel will stay focused on polyurethane applications, and will strive for innovation. Recticel will allocate its financial and human resources on segments with the highest growth and best value and has an increasing ambition to develop itself on a broader international basis (BRIC countries) :

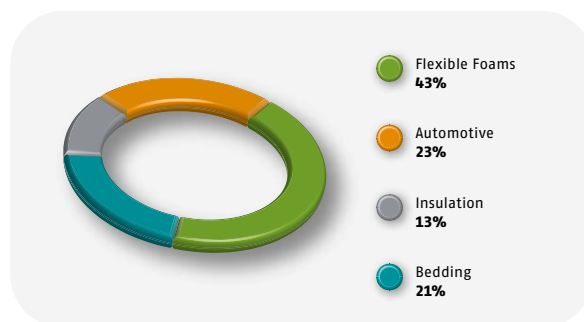
- **Insulation** : with a primary focus on Europe, accelerated growth through organic growth or acquisition, supported by innovation and new product introduction.
- **Bedding** : organic growth or external growth based on strong brands, and product innovation.
- **Flexible Foams** : rationalisation & modernisation of its industrial footprint combined with selective growth initiatives based on new products and geographical expansion in the Technical Foams segment.
- **Automotive** : stabilisation of the two business segments based upon new innovative product introductions, continuous footprint and capacity utilisation optimisation.

On that basis, Recticel will pursue the following objectives :

- accelerate the growth via innovation, new product introduction in high growth/high value segments.
- improve capacity utilisation through optimal industrial footprint management.
- achieve a CAGR of its sales turnover of minimum 5%, at same scope of consolidation.
- generate double digit growth in earnings and dividends.
- reach a ROCE (EBIT / Average capital employed) of 15%.
- reach a gearing ratio (Net Financial Debt/Equity) no greater than 50%.

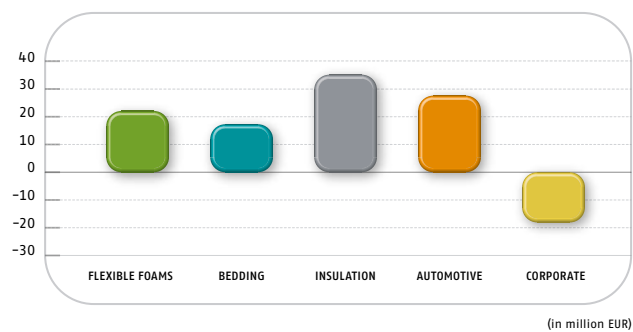
	in million EUR
<b>THE RECTICEL GROUP</b>	
Sales 2010	1 348.4
REBITDA 2010	104.0
EBITDA 2010	83.5
REBIT 2010	58.9
EBIT 2010	27.6

// Consolidated sales 2010 : EUR 1 348.4 million

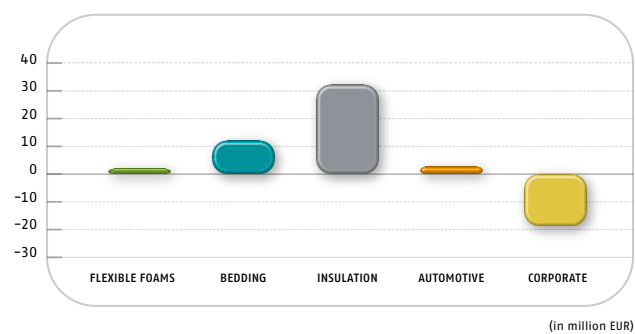


37

// Consolidated EBITDA 2010 : EUR 83.5 million



// Consolidated EBIT 2010 : EUR 27.6 million



Broadly speaking, Recticel has divided its activities among four different business lines. Although there are naturally significant differences between these various activities, there are also a number of areas where they overlap. The five most valuable synergies within Recticel could be described as follows :

## → TECHNOLOGY

Technologically, polyurethane forms the leitmotiv for the Group's highly diverse activities and wide range of products. Polyurethane technology, in both manufacturing and conversion, means that the technological competence within Recticel forms the perfect basis for new, sustainable, innovative applications and for improving the quality of existing products.

## → CENTRALISED PURCHASING

There is a centralised purchasing policy for chemical raw materials (mainly polyols and isocyanates). This has enabled Recticel to acquire an important position as buyer of these raw materials. All plants, including the joint ventures, benefit from this. The Group has also taken steps to ensure that purchases of other strategic raw materials are far more cost-efficient.



" Although there are naturally significant differences between these various activities, there are also a number of areas where they overlap, which makes the Group into a unique and intergrated whole. "

## → INTERNAL CUSTOMERS

Polyurethane mattress centres for the Bedding business line are supplied by the Flexible Foams division. These, and other examples, clearly show that there is overlap between the various business lines which, in a large number of cases, can therefore be considered as complementary.

## → MARKETING

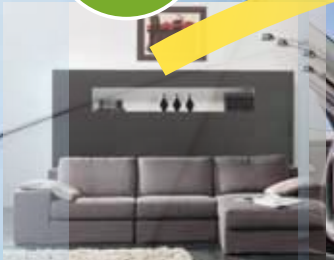
Given the nature of the various markets in which the Group operates, it is necessary to devise marketing strategies tailored to the individual markets. Nevertheless, there are also parallels. For instance, the major advertising campaign for Literie Bultex® also paved the way for the brand name Comfort Bultex® (Flexible Foams business line). Comfort Bultex® has grown in the Flexible Foams business line since 1995 to become the only filling material able to gain a competitive advantage from its brand name and visibility.

## → RECYCLING

Offcuts of foam from the slabstock conversion process are recycled. In this way, the trim foam from various activities is manufactured into new rebond foam which in turn can be used for applications in the various business lines.



40





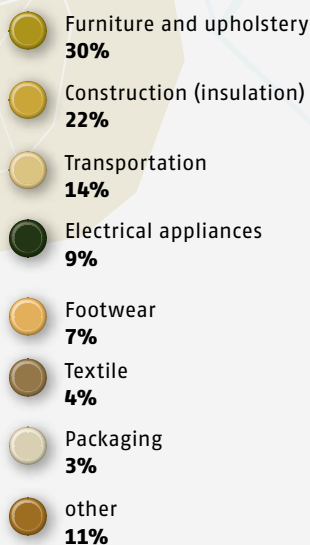
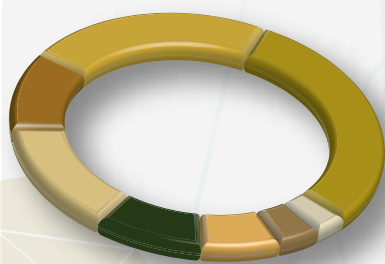
# 02 Activities

Recticel is primarily active in the manufacturing and transformation of polyurethane, of which the fields of applications are extremely various.



# What is polyurethane?

## // Polyurethane Markets



(2009: % in volumes: source BASF & Dow)

Polyurethane (PU) stands for an important group of products within the big family of polymers or plastics. PU is a generic name for a wide range of foam types.

The structure of PU foam consists of a network of dodecahedron cells which behave as micro-springs. The properties of PU depend on :

- The chemical composition and thickness of the cell walls.
- The volume-solid matter/air ratio.
- The concentration of the cell membranes (air permeability/ open cell structure).

### Polyurethane applications

PU is used in a large number of strongly diversified applications, such as filler for seats, chairs and seat cushions, mattress centres, car seats, encapsulation of car windows, shoes and textiles, thermal insulation (buildings, industrial installations, refrigerators, etc.), sound insulation, adhesives and paints/ coatings, etc.

The great advantage of PU foam is its great flexibility in meeting the various applications and requirements. Polyurethane owns some extremely exceptional material qualities such as: density, elasticity, durability, weight, safety, design and of course its attractive price.

Since PU is mainly used together with other materials, such as textiles, metal, wood and other polymers, it is not always visible in the end products.

### Flexible foam – rigid foam – elastomers

Being a leader in its different markets, Recticel manufactures PU foam in various forms, the bulk of PU production being in the form of flexible foam. Flexible foams can be produced in the form of long blocks (slabstock) which are then cut into semi-manufactures (for example, for the furniture industry) or finished goods. Flexible foam is sometimes poured directly into specific moulds. This process (moulded foam) is applied especially in the production of car seat cushions

Recticel also produces rigid polyurethane foams, which are used primarily for thermal insulation and can be produced in panels ready for use and in large blocks which are then converted into more complex components.

Recticel's research and development expertise has enabled it to produce PU with new finishes and properties. The Colo-Fast® and Colo-Fast® Spray products (elastomers), both used so successfully for interior trim in the automotive industry, are clear proof of this.

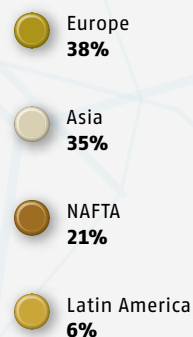
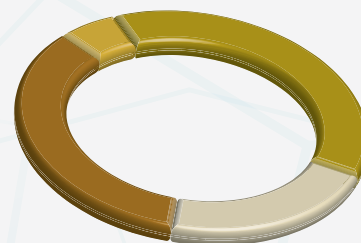
It is characteristic for polyurethane that the production units in principle have to be located close to their final market. This property is prompted by the high costs incurred in the transportation of bulk products with a relatively light weight over long distances.

### Production of polyurethane foam

Three basic raw materials play a key role in the production of polyurethane foam: polyol, isocyanates and water. Agents, such as catalysts and stabilisers, are used to support the chemical process. In addition, further additives can be added to the formula with a view to obtaining specific product properties such as: colour, fire-retardant or anti-static effect, etc.

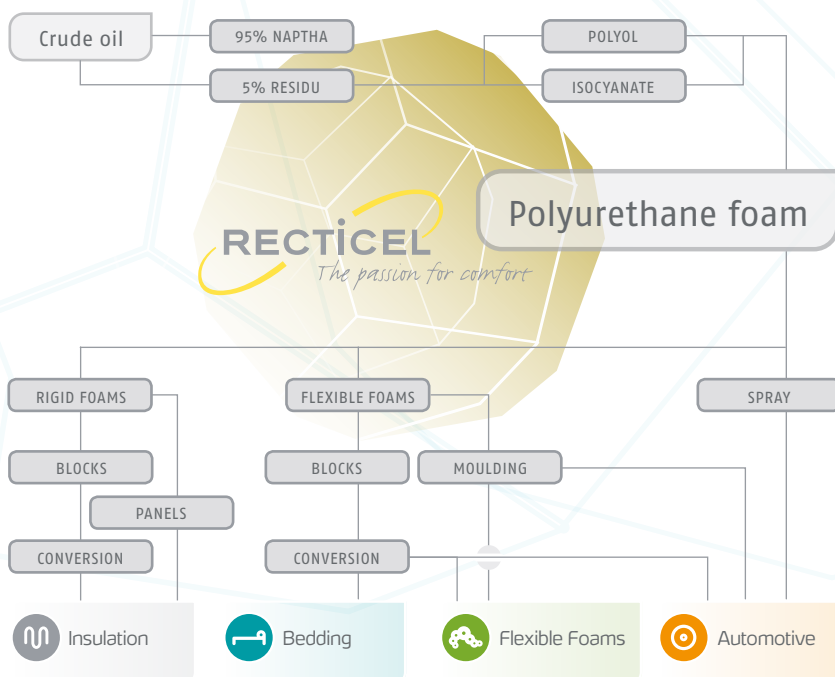
The petrochemical industry refines 95% of the crude oil it processes into fuels (naphtha and allied products). A wide variety of other chemicals can be distilled in one or more stages from the 5% residu, including polyhydroxy compounds and isocyanates, the main raw materials used in the production of polyurethane.

### // World production of polyurethane



(2009: % in volumes: Source BASF & Dow)

43



### // Facts & figures

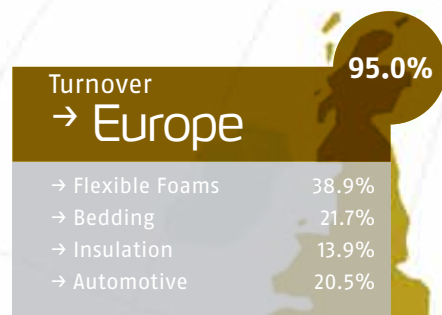
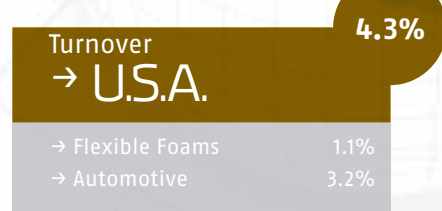
World production of plastics	245 million tonnes <sup>(1)</sup>
World production of polyurethane (PU)	12.1 million tonnes
European production of polyurethane	4.2 million tonnes
World production of flexible foam	3.2 million tonnes
European production of flexible foam	1.1 million tonnes
Recticel production <sup>(2)</sup> of flexible foam	230 000 tonnes

(1) Source: PlasticEurope Market Research Group 2009.  
(2) Recticel, including joint ventures at 100%.

→

WHAT IS POLYURETHANE?

# Production plants



Country	Insulation	Bedding	Flexible Foams <sup>(1)</sup>	Automotive
BELGIUM	Turnhout Wevelgem	Geraardsbergen Hulshout	Wetteren	
GERMANY		Hassfurt Jöhstadt Wattenscheid	Bexbach Burkhardtsdorf Ebersbach	Espelkamp Rheinbreitbach Rüsselsheim Schönebeck Unterriexingen Wackersdorf
ESTONIA			Tallin	
FINLAND			Kouvola	
FRANCE			Langeac Louviers Trilport	Trilport
HUNGARY			Sajobabony	
ITALY			Gorla Minore	
MOLDOVA			Chisinau	
THE NETHERLANDS			Kesteren	
NORWAY			Åndalsnes	
AUSTRIA		Timelkam	Kremsmünster Linz	
POLAND		Łódź	Zgierz	Bielsko Biala Zory
ROMANIA		Miercurea Sibiului	Sibiú	
SLOVAKIA				Lucenec
SPAIN			Catarroja Ciudad Rodrigo La Eliana Legutiano	Santpedor
CZECH REPUBLIC				Mlada Boleslav Most
UNITED KINGDOM	Glossop Stoke-on-Trent		Alfreton	Manchester
PEOPLE'S REPUBLIC OF CHINA			Deer Park, NY Irvine, CA	Auburn Hills, MI Clarkston, MI Tuscaloosa, AL
U.S.A.				Ningbo
SWEDEN			Gislaved	
SWITZERLAND		Büron Flüh		

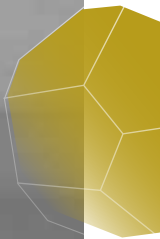
(1) For Flexible Foams, only the foaming plants in Europe are listed.

In addition to the above-mentioned production plants, Recticel (including *joint venture* companies) has 70 other conversion units or sales offices in Europe, the United States and Asia. The Group is active in 27 countries.





→ Syrian Marlein | *Process Engineer Insulation*  
Ronny Vandewatere | *Production Manager Insulation*  
Paul De Smet | *Global Purchase Manager*  
Joris Vandekerckhove | *Project Manager Building Insulation*  
Wim Giebels | *Industrial Manager Insulation*



02.1

Activities



Insulation





The Insulation business line concentrates on the production and commercialisation of sustainable thermal insulation material in rigid closed cell polyurethane - (PU or PUR) and polyisocyanurate foam (PIR) and it contains two divisions: building insulation and industrial insulation.

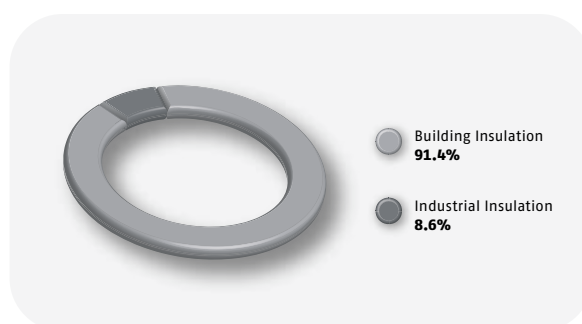
in million EUR			
Key Figures Insulation	2008	2009	2010
Sales <sup>(1)</sup>	156.4	166.5	187.4
Growth rate of sales (%)	12.0%	6.4%	12.6%
REBITDA	27.4	40.3	35.5
REBITDA margin (as % of sales)	17.5%	24.2%	18.9%
EBITDA	27.3	40.3	35.5
EBITDA margin (as % of sales)	17.4%	24.2%	18.9%
REBIT	24.7	37.2	32.1
REBIT margin (as % of sales)	15.8%	22.3%	17.2%
EBIT	24.5	37.2	32.1
EBIT margin (as % of sales)	15.7%	22.3%	17.2%
Investments in intangible assets (exclusive of goodwill) and property, plant and equipment	10.8	7.6	6.7
Investments as % of sales	6.9%	4.5%	3.6%

(1) before eliminations of intra Group transactions.

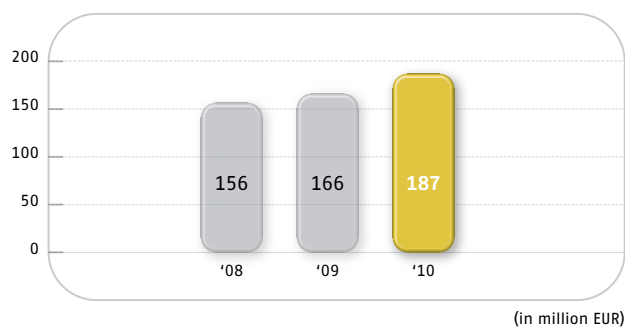
" Although it is the smallest in the Group in terms of sales figures, the Insulation business line obviously provides the greatest potential for growth today. "

| Wim Giebels  
Industrial Manager Insulation

## // Insulation sales 2010 : EUR 187.4 million



## // Trend in sales - Insulation



"Out of all the energy saving measures, good insulation of buildings is the most efficient."

ACTIVITIES

## Insulation 02



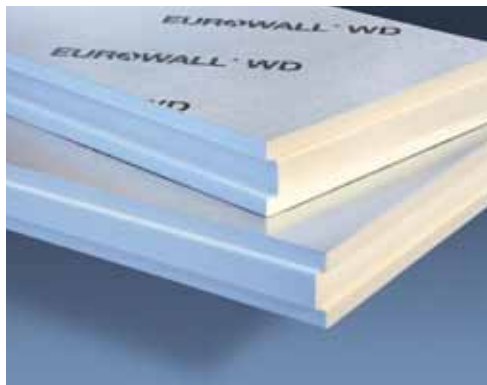
### PROFILE OF THE ACTIVITIES

In the division **building insulation** PUR/PIR foam boards are manufactured to thermally insulate walls, floors and roofs. These products find sales markets in residential, commercial, industrial, public, logistical and also agricultural buildings. In addition these insulation panels can be used in new builds and in renovation projects. The division has two production sites: one in Wevelgem (Belgium) and one in Stoke-on-Trent (United Kingdom). The building insulation division undoubtedly has the greatest growth potential today. In this context it was in fact announced in 2010 that the Group would build a new production unit in France. This unit will be operational by 2013.

The **industrial insulation** division does for its part mainly produce large foam blocks in rigid PUR-/PIR and phenolic foam. In a subsequent stage these blocks are cut to size into insulating boards for use in refrigerated trucks and LNG storage installations for example. In addition to boards, specific moulded parts are also made. In this case more complex shapes are cut out or milled from the large rigid foam blocks; e.g. plates, T-pieces, segments and bends for the thermal insulation of pipes (heating & venting) in buildings or of industrial installations. Unlike building insulation, the activity of industrial insulation is exercised via the 50/50 joint venture Kingspan Tarec Industrial Insulation (KTII). The latter is a collaboration with the Irish group Kingspan whereby KTII has a production site in Turnhout (Belgium) and in Glossop (United Kingdom). In the Glossop factory, pipe insulation based on phenolic foam is produced on a continuous machine. This joint venture is the world market leader in a stable market segment.

49





## COMPETITIVE POSITION

### // Strategy

- ▶ *Primary focus on Europe.*
- ▶ *Accelerated growth through organic growth or acquisition.*
- ▶ *Supported by innovation and new product introduction.*

With regard to the current problem regarding the greenhouse gas effect, CO<sub>2</sub>-emissions and global warming, various initiatives and measures were taken worldwide in order to limit the negative impact of the current production and consumption pattern on the environment in the last decade. This increased social awareness has prompted various governments to issue even stricter energy saving measures and standards. Out of all the energy saving measures, good insulation of buildings appeared to be the most efficient. The importance of good insulation of buildings has thus also increased strongly in various countries.

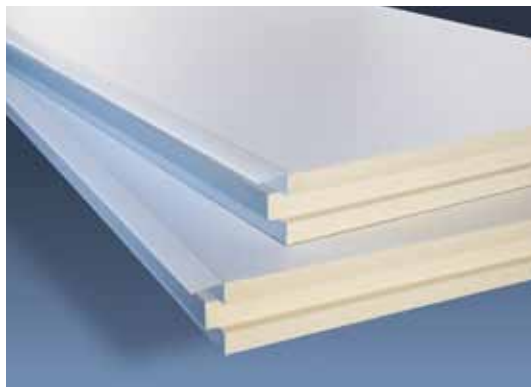
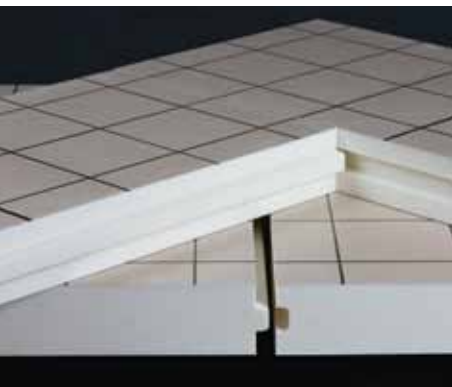
Nevertheless the European market for building insulation continues to be fragmented. The most significant explanation for this is that the world of thermal insulation is built up around very different product groups and technologies. Mineral insulation wool, such as glass wool and rock wool, continues to represent the largest group, followed by polystyrene (expanded (EPS) and extruded (XPS)), polyurethane (PU or PUR and the variant PIR (polyisocyanurate)) and other materials.

Within the polyurethane insulation for building segment, the market is divided among a large number of suppliers. As far as building insulation is concerned, Recticel is one of the few European players to be active in different countries. In addition to Recticel, Kingspan (Ireland, the United Kingdom and the Netherlands (through Ecotherm)) is also a well known name. Otherwise the market landscape is divided up among a large number of smaller or medium-sized locally organised producers such as Bauder (Germany), Celotex (the United Kingdom), Efisol (France), Pureen (Germany) and Quinn (Ireland).

**Tarecpir®**

**Tarecpur®**

**Kooltherm®**



## STRATEGY AND PROSPECTS

Increased awareness regarding global warming and the associated new and stricter European energy and insulation standards are structural factors for the business line which will support further future growth in the medium to long term. These topics are so important today that they are in principle crisis resistant.

22% of the energy consumption goes to the heating and cooling of buildings. It is generally known that a great contribution to the reduction of CO<sub>2</sub>-emissions can be made with better thermal insulation. Insulation now provides better opportunities for saving CO<sub>2</sub> compared with other building technical efficiency measures. So it can roughly be stated that 1 barrel of crude oil for the production of insulation boards will in the long run provide an energy saving of approximately 150 barrels of crude oil. In addition, the perception that energy prices will presumably increase further in the future or remain high in the meantime needs to be taken into account.

If insulation equals energy conservation, then better insulation is in many cases synonymous with using larger volumes of insulation material. These possibilities are however limited for certain insulation materials due to the increase in weight and the associated volume. Polyurethane foam which insulates better with the same thicknesses and also remains limited in terms of weight is an undoubted solution. In fact Recticel expects that the market for polyurethane will grow more strongly in the years ahead than for the other insulation product groups which will thus gradually be replaced by PU material.

In addition to the insulation solutions for traditional standard buildings, Recticel now also has solutions for energy efficient building styles such as the passive house or zero-energy housing which can be erected in timber frame construction and solid construction.

The passive house is an improved version of the energy efficient building and low energy housing. It is a comfortable and very energy efficient building, both in summer and in winter. The heat losses are so low that no conventional heating is necessary. No active ventilation system is needed either in order to enjoy a pleasant internal temperature in summer.

"1 barrel of crude oil for the production of insulation boards results over the life time in the energy saving of 150 barrels of crude oil."

51

**POWERDECK**®

**POWERROOF**®

**POWERWALL**®

**EUROWALL**®



Recticel is indeed a pioneer in the '*massive passive house*' concept. This unique building concept combines the economic and ecological benefits of a passive house with the sustainability and comfort of a well-insulated home with brick and rigid PUR insulation boards. With a *massive passive house* a classical cavity construction is started from where the choice of building materials is extremely important. Solid materials are thus always used for internal and external walls. Thanks to the optimum insulation this home also consumes 75% less energy than a traditional new build home erected according to current standards.

The *massive passive house* concept can today be regarded as a trendsetter in energy efficient home building. As an innovator in insulation Recticel has developed future focused solutions (especially sustainable insulation boards in PUR and PIR) in order to provide a response to the demanding insulation regulations. Recticel has also had a Keymark quality label since 2003 as the only manufacturer of rigid insulation panels in polyurethane. In this way all Recticel products meet the highest European quality standards.



## // The advantages of massive passive structures

- ▶ *Strong energy saving.*
- ▶ *Much lower energy bills.*
- ▶ *High level of living comfort.*
- ▶ *Sustainability of traditional home in brick, cellular concrete, limestone, concrete.*
- ▶ *The builders work more quickly as they are more familiar with traditional brickwork and the fitting of rigid insulation boards.*
- ▶ *Ecological alternative with local raw materials, production and processing.*
- ▶ *Positive effect on dynamic behaviour of the building.*
- ▶ *Excellent acoustic qualities.*

## DEVELOPMENT IN 2010

### → SALES

Insulation activities grew by 12.6% to **EUR 187.4 million**.

Sales in '**Building Insulation**' increased by 13.8% to **EUR 171.3 million**, and continued to benefit from the increased demand for building insulation products, as well as the increased market penetration of polyurethane solutions.



## // Isofinish™ or how six market leaders from the Belgian construction industry work together to save energy

*Six market leaders from the Belgian construction industry: Recticel, Borgh, Deceuninck, Eternit, Umicore (VMZINC) and Wienerberger entered into an extraordinary collaboration in the area of external wall insulation and facade finishing. The innovative concept, known as Isofinish™, provides a complete external insulation of new and existing buildings in TAUfoam® by Recticel. The insulation and, at the same time, the recladding of old buildings make radical energy savings more accessible and also contribute immediately to improving towns. The breakthrough is down to the fact that the product allows itself to be applied to older and often inadequately insulated homes without radical adjustment work. With Isofinish™ an energy efficient home is within everyone's reach and meeting the Kyoto and the European 20-20-20 performance targets comes an important step closer.*

After the traditionally weaker construction activity during the winter months, sales increased strongly as from March. Structural demand is expected to remain high as a result of stricter insulation standards, higher energy prices and growing environmental awareness of the need for more and better insulation.

In this context, the Group decided in November 2010 to build a new factory for thermal insulation panels in France. It is expected that the new factory will become operational by early 2013.

Sales in 'Industrial Insulation' increased by 1.1% to **EUR 16.1 million**.

### → EBITDA

Due to the exceptionally favourable raw material cost trend in 2009, the 2009 EBITDA margin reached a high level. In 2010, the Group could only partially offset the sharp rise in raw material prices in all markets. As a consequence, the EBITDA reached only EUR 35.5 million (2009: EUR 40.3 million). EBITDA evolution in 2H/2010 was positive, mainly as a result of higher volumes.

ACTIVITIES

Insulation

02



ISO.finish™

"Good insulation makes an effective contribution to combating global warming."



→ Jörg Söltzer | *Managing Director Bedding Germany*  
Jochen Engelhardt | *Sales Manager South Germany*  
Karsten Bernecker | *Finance, HR & IT Manager Bedding Germany*  
Markus Veutgen | *Managing Director Sales & Marketing Bedding Germany*



02. Activities

2



Bedding



The Bedding business line focuses on the development, production and the commercialisation of fully finished mattresses, slats and bed bases, and beds in particular. This business line does as a consequence have a distinct **business-to-consumer** character. Here the Group principally wishes to stand out by means of a strong brand policy.

	in millions of EUR			
Key Figures Bedding	2008	2009	2009 <sup>(2)</sup> RESTATED	2010 <sup>(2)</sup>
Sales <sup>(1)</sup>	349.5	312.6	277.2	293.3
Growth rate of sales (%)	-11.8%	-10.6%	5.8%	-6.2%
REBITDA	18.6	23.2	21.1	20.3
REBITDA margin (as % of sales)	5.3%	7.4%	7.6%	6.9%
EBITDA	16.9	41.1	17.9	17.3
EBITDA margin (as % of sales)	4.8%	13.1%	6.5%	5.9%
REBIT	11.4	16.5	21.1	14.6
REBIT margin (as % of sales)	3.3%	5.3%	7.6%	5.0%
EBIT	9.1	33.8 <sup>(3)</sup>	11.6	11.5
EBIT margin (as % of sales)	2.6%	10.8%	4.2%	3.9%
Investments in intangible assets (exclusive of goodwill) and property, plant and equipment	4.5	2.5	2.5	4.0
Investments as % of sales	1.3%	0.8%	0.9%	1.4%

(1) Before eliminations of intragroup transactions.

(2) The indicated trend is based on a comparable scope of consolidation. The FY2009 figures have been adapted to take into account the sale of the 50% interest in COFEL (France) in July 2009.

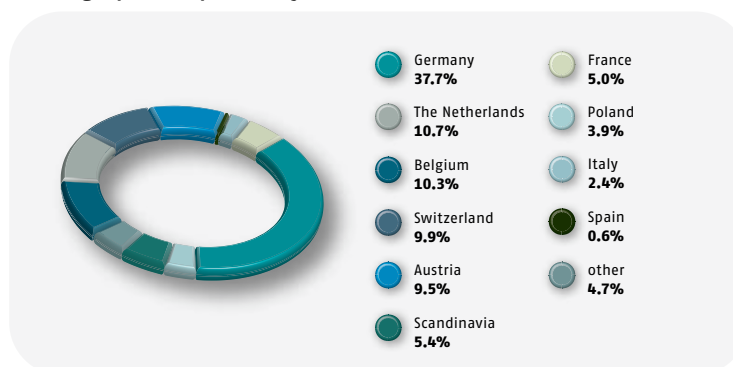
(3) This amount includes the net non-recurrent income (EUR +18.6 million) as a consequence of the sale of the 50% interest in COFEL (France) (Bedding) in July 2009.

"In order to maintain our market leadership in Europe we have an obligation to regularly bring new innovations to the market."

| Marcus Veutgen  
Managing Director Sales  
& Marketing Bedding Germany



## // Trend in sales – Bedding 2010: Geographical spread (by destination)





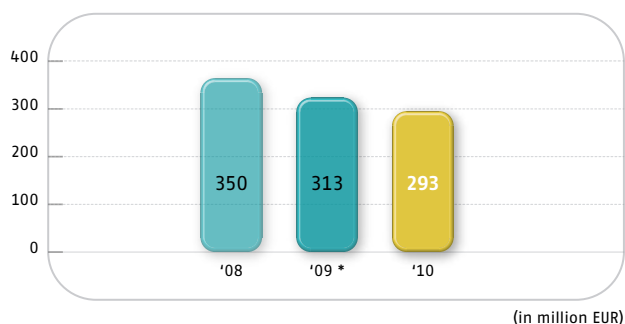
## PROFILE OF THE ACTIVITIES

Recticel owns a unique portfolio of strong brands (**brands**) which are generally well-known within their local market such as Beka® (Belgium), Literie Bultex® (Belgium), Matratzen Bultex® (Germany, Austria), Schlaraflia® (Germany), Sembella® (Austria), Superba® (Switzerland) and Ubica® (the Netherlands).

In addition to the local brands, Recticel also has a number of very recognisable brands which extend beyond the national or regional borders. Brands such as Literie Bultex® (Belgium), Matratzen Bultex® (Germany, Austria), Lattoflex® (under licence) and Swissflex® enjoy a distinct European reputation within the up-market segment.

In addition, the Group also produces sleep systems which are commercialised under the name of the customer (**private label**). Examples of this include groups like Dänisches Bettenlager (Jysk), Atlas, Aldi-Hofer or Beter Bed Holding (including Matratzen Concord) with which Recticel regularly develops sleep systems. Taken as an average, two thirds of the annual sales of the Bedding business line are made up of brand products and one third is made up of 'non-brand'- or 'private label'-articles.

### // Trend in sales – Bedding



\* Figure 2009 not restated (see table on previous page)

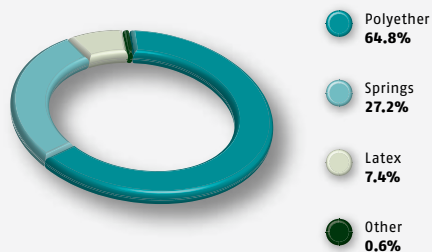




## // Trend in sales Bedding 2010 – EUR 293.3 million, by technology

### // Strategy

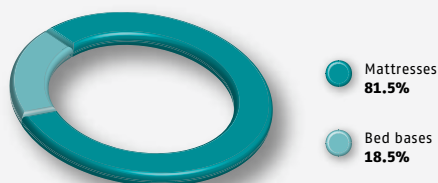
- ▶ Organic growth or external growth.
- ▶ Based on strong brands.
- ▶ Product innovation.



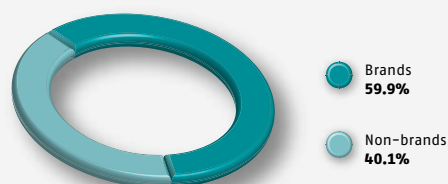
## // Trend in sales – Bedding 2010: Mattresses & Bed bases

### // Objectives up to 2013

- ▶ Average annual growth in sales of about 6%
- ▶ EBITDA/sales margin of minimum 8%



## // Trend in sales – Bedding 2010: Brands versus Non-brands







The diversified character of the Bedding business line is not just determined by the brand products portfolio. It is also expressed when the technologies used are looked at. The Group produces mattresses where the mattress core may be made of polyurethane foam, latex, springs or a combination of these. Bed bases are offered in wood and plastic.

The Bedding customer base is broad and includes independent bed and furniture specialists as well as large distribution groups (Begros, Beter Bed, Leenbakker, ...). Although the Bedding business line is fundamentally a *business-to-consumer* activity, it is important to mention that the Group does not sell directly to the end user but to an external network of distribution channels.

## COMPETITIVE POSITION

In Europe, the market for sleep systems is mainly cornered by two European groups: Recticel and the Swedish company Hilding Anders (Crown Bedding, Pullman, Slumberland, ...). On a national level by contrast the landscape is more cut up. Many of these players are relatively small producers who generally restrict themselves to local market needs.

Recticel aims for a market share of at least 20% in all countries where it has a presence.

### // Distribution of brands by country

Belgium	Beka®   Literie Bultex®   Lattoflex®   Swissflex®
Germany	Matratzen Bultex®   Rokado®   Schlaraffia®   Sembella®   Superba®   Swissflex®
France	Lattoflex®   Swissflex®
The Netherlands	Lattoflex®   Swissflex®   Ubica®
Austria	Matratzen Bultex®   Sembella®   Swissflex®
Switzerland	Lattoflex®   Superba®   Swissflex®

### // Facts & Figures

- ▶ *Recticel production in 2010 : 2.3 million mattresses and 0.4 million slat bases*
- ▶ *Number of production plants : Recticel has 12 factories spread over Belgium (2), Germany (3), the Netherlands (1), Austria (1), Poland (1), Romania (1), Sweden (1) and Switzerland (2)*
- ▶ *Bedding is subject to seasonal influences. Traditionally more mattresses and bed bases are sold in the second half of the year. Specific marketing campaigns aim to spread the sales more over the whole year.*

59

"60% of the sales in Bedding are achieved with very recognisable brand products."





## STRATEGY AND PROSPECTS: SHAPING THE FUTURE

The Bedding business line is fundamentally aiming to improve the health and well-being of the consumer with its products and brands thanks to a good night's rest on high quality sleep systems. Topics like health, a good night's rest and wellness in general have already been progressing for many years. This also explains why the aware consumer is prepared to invest a larger budget in a good sleep system. It is worthy of note here that even the current economic crisis has hardly influenced this pattern of behaviour at all.

### → MARKET DEVELOPMENTS

Recent European market studies have clearly shown that two large scale tendencies stand out on the bedding market. On the one hand it is established that the consumer is becoming even more aware of the importance and necessity of a good sleep system. Such a sleep system is virtually synonymous with a qualitatively healthy night's rest.

On the other hand, the aware consumer also has a particular eye for the stylistic and aesthetic aspects of a sleep system. This second aspect explains the generally increasing trend of the budget spent for mattresses and mattress bases. It is not just that the budget for initial expenditure increases but also that mattresses, slats and/or bed bases are replaced more quickly and more regularly, which is conducive to the development of the whole market.

From a historical perspective the European bedding market has always been very fragmented. There are no visible reasons which indicate that this will not be the case in the future. It is now generally accepted that local consumer patterns continue to vary strongly and diverge in the different European countries.

The decline in consumer confidence as a consequence of the current macro-economic malaise has had a relatively limited impact as far as Recticel is concerned. Although sales have improved on a comparable basis, the impact of the crisis is primarily outlined in a shifting product mix. Recticel is attempting to give a suitable response to these changed market conditions by means of innovative commercial campaigns and by placing innovative products on the market which pay more attention to aesthetic styling in addition to the technical aspects. As far as product development is concerned, the Group allows itself to be surrounded by both internal and external designers.

### → COST-EFFECTIVENESS

In response to the divergent challenges in these demanding markets, Recticel is mainly concentrating on permanent optimisation and renewal of its product-mix (*brand- versus non-brand articles*). In addition, the Group is trying to continue to streamline its production apparatus and to perfect it while carefully keeping the cost structure under control. These efforts will ultimately result in a further improvement of the cost-effectiveness of the division.





Plant dedication means that the production apparatus is used optimally today. Some plants only concentrate on brand products while others focus on products without a brand name. Other operations, such as the production of mattress covers, take place in Romania and Poland today. The presence of the Flexible Foams business line in Central and Eastern Europe is also seen as a perfect strategic position for serving these promising local bedding markets. In fact the Group is already able to count upon an ever increasing interest in principally non-brand products in Poland. In the years ahead a number of initiatives for expansion to new geographical territories will be launched. An initial careful expansion to China will be developed with the Flexible Foams business line.

## // Best Mattress Supplier for 2009/2010

*In 2010 Recticel and its Austrian subsidiary Sembella were declared "Best Mattress Supplier for 2009/2010" by their important customer Jysk/Dänische Bettenlager. By doing so Jysk/Dänische Bettenlager wishes to express its recognition of the quality, innovative character and customer friendliness of the polyurethane mattresses which are supplied by Recticel and Sembella.*



## DEVELOPMENT IN 2010

### → SALES

On an 'as published' basis, sales in Bedding (**EUR 293.3 million**) decreased by 6.2% following the divestment of the 50% participation in COFEL in July 2009. On a comparable basis <sup>(1)</sup>, and despite difficult market conditions, sales increased by 5.8%. This increase is attributable to higher sales <sup>(1)</sup> in both the 'brand' and the 'private label' segments. Sales in Germany, the Group's largest market, improved in the second half after a relatively slow first half-year.

### → EBITDA

On a restated basis, EBITDA declined slightly in 2010.

During 1H/2010, difficult market conditions in Poland, Germany and Switzerland, in combination with higher raw material prices, put the profit margins under pressure. Furthermore, the Group recorded in 1H/2010 a non-recurring loss on the sale of the slat base activities of LeBed SAS (France).

In 2H/2010, seasonality effects and improving market conditions combined with price increase actions have restored the profitability. However, in the *non-brand* segment competition remains fierce and raw material price rises are much more difficult to pass on to the market.

<sup>(1)</sup> The indicated trend is based on a comparable scope of consolidation. The FY2009 figures have been adapted to take into account the sale in July 2009 of the 50% interest in COFEL of France.

→ Didier Pinier | *Commercial and Marketing Manager Flexible Foams non Automotive France*  
Nadia Tusar | *HR Manager Recticel SAS France*  
Didier Baer | *Managing Director Recticel SAS France*





02. Activities

3



# Flexible Foams



Flexible Foams business activities focus mainly on the production, transformation and commercialization of predominantly semi-finished products in flexible polyurethane foam. Historically, this business line has been the largest within the Group and it consists of three sections today: Comfort, Technical Foams and Composite Foams. The characteristic properties of the foam types, the uniqueness of the production process and/or the typical application options of the foam primarily determine this classification.

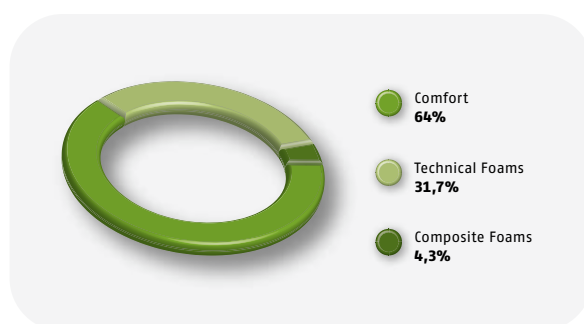
in million EUR			
Key Figures Flexible Foams	2008	2009	2010
Sales <sup>(1)</sup>	645.6	570.6	602.7
Growth rate of sales (%)	-3.0%	-11.6%	5.6%
REBITDA	34.7	46.9	30.6
REBITDA margin (as % of sales)	5.4%	8.2%	5.1%
EBITDA	31.2	45.1	22.2
EBITDA margin (as % of sales)	4.8%	7.9%	3.7%
REBIT	18.0	31.1	15.7
REBIT marge (as % of sales)	2.8%	5.4%	2.6%
EBIT	14.5	25.8	1.2
EBIT margin (as % of sales)	2.2%	4.5%	0.2%
Investments in intangible (excluding goodwill) and tangible fixed assets	10.8	4.9	10.3
Investments as % of sales	1.7%	0.9%	1.7%

(1) Before eliminations of intra Group transactions.

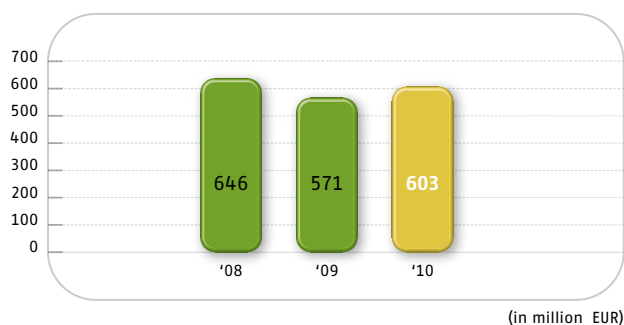
" The new strategy is built around rationalizations, modernization and upgrading via selective growth projects. "

| Didier Baer  
Managing Director  
Recticel SAS France

## // 2010 Sales Flexible Foams : EUR 602.7 million



## // Trend in Sales Flexible Foams





## ACTIVITIES 02 Flexible Foams



### PROFILE OF THE ACTIVITIES

#### → COMFORT

The **Comfort** division is first of all responsible for the production of flexible polyurethane foam, which is then processed and cut at a later stage. Comfort foam is mainly a bulk product that is cut in the various conversion units, into customized semi-finished products for the seating and mattress industry.

The foaming rooms produce uniform polyurethane long blocks, which are then cut into smaller, transportable short blocks or into foam sheets on a roll. The short blocks are then cut and processed at a later stage in the conversion units, or delivered directly to clients in the seating and mattress industry. The range on offer is extremely diverse. It comprises both classical flexible foam characteristics (such as Comfort Bultex®) as well as extremely specialised varieties such as: viscoelastic foam types (Sensus®) or foam for specific market segments, for example paramedic applications (Foam for Care®).

In addition to foam blocks, the Group is also active in the production of cold moulded foam. It is normal with large uniform production series that specific components for seating are moulded directly in moulds. The big advantage of this production technique is that the foam does not have to be cut afterwards. In Europe the demand for moulded foam is primarily important on the Scandinavian furniture markets.

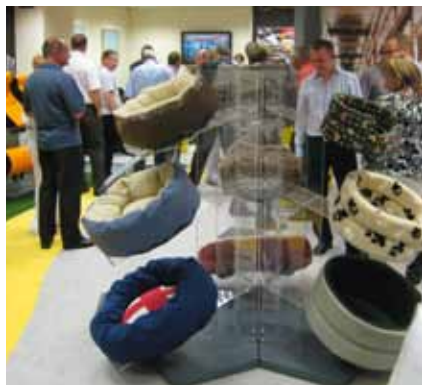


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→





## // Strategy

- ▶ Rationalisation & modernisation of industrial footprint.
- ▶ Selective growth initiatives based on new products.
- ▶ Geographical expansion in the Technical Foams segment.



## // Objectives up to 2013

- ▶ Average annual turnover of approximately 5%.
- ▶ Margin EBITDA/turnover of 7.5%.





## → TECHNICAL FOAMS

Unlike the Comfort division, the **Technical Foam** division specialises in the production and processing of very specific foam types that are mostly intended for smaller niche markets. Technical foam types are used in a wide range of applications, such as sponges, scouring pads, filters, paint rollers, seals, packaging, acoustic insulation, energy and vibration absorption, rechargeable batteries, extremely fire-retardant foam for high risk clothing, light-stable foam for clothing, *outdoor* applications (Dryfeel®), horticulture (Polygrow®), ...

Technical foam types should always comply with high product requirements because these are more often intended for advanced technical applications. The technical product know-how is not the only important factor. In several cases the physical or chemical basic characteristics of the foam still have to be modified by having the foam treated (for example via reticulation, impregnation etc.). These follow-up treatments are necessary to bring the foam products perfectly in line with the needs of the final application.

## → COMPOSITE FOAMS

The **Composite Foams** division primarily processes foam trimming from the production to new products. Although great efforts were taken over the last few years to limit the quantity of inevitable offcuts as much as possible, Recticel is always looking for more new applications for these residues. The trim foams that remain after the processing are cut into smaller flakes to be compressed together into large blocks at a later stage using a binding agent. These blocks are then cut into roll-material or into specific components. Composite foams are used primarily in typical applications like: packaging materials, building acoustics, shoes, *indoor* and *outdoor* sport fields,... These products are sold under the brand names Recmat® (sound insulation under floor covering), Recfoam® (sound insulation in vehicles, reinforcement for seating, packaging materials, ...) or Re-bounce® (background layer for sport fields).

Recticel's trim foams that aren't processed in house are sold on the free market. The United States has a significant outlet market for polyurethane *trim foam*. This *trim foam* is processed further locally into carpet underlay.



## COMPETITIVE POSITION

### → COMFORT

Today, polyurethane foam is almost the only accepted filling material for seating. Due to its weight, durability and reasonable price there are no real substitutes. Other technologies are however used in the mattress world, such as springs and latex, but in the last few years the market share of full-foam mattresses has only increased.

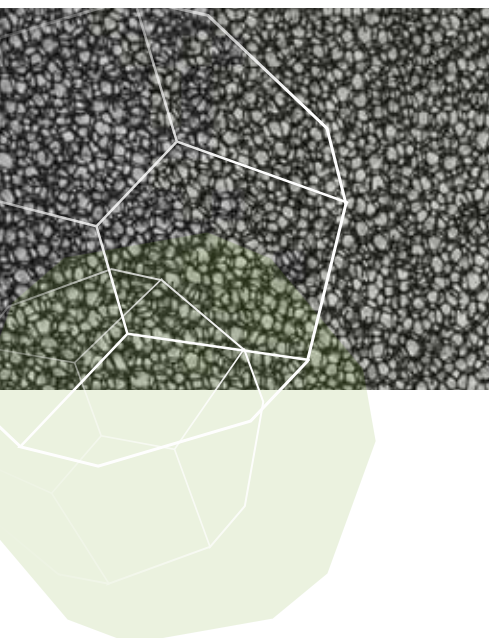
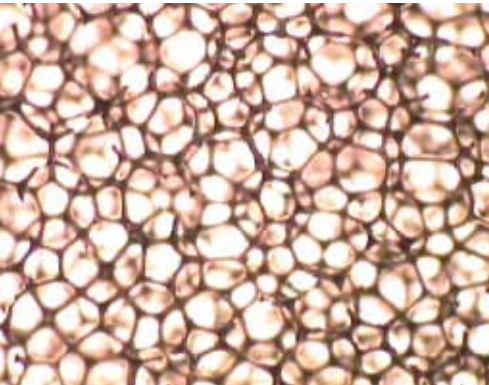
Production-wise the manufacture of PU-foam is characterized by a low entry threshold. As a result the European market has been highly fragmented for a very long time. Although the European PU-market is much more concentrated today, approximately 60 to 65 foam companies are still active. In addition there are also about 500 foam processors (*converters*) in Europe.

A limited number of players are active in markets other than only their historical local market. The three most important market players in Europe, specifically Recticel, the British Vita Group and the American Carpenter, share the common characteristic of distributing their production and processing units over various countries in Europe. Together with the Vita Group, Recticel is one of the leaders, followed by the American Carpenter. The remaining part of the market (approximately 50%) is primarily taken up by smaller manufacturers. These are mostly only significant in their local market (for example Olmo in Italy). Central and Eastern Europe in particular have two bigger players active in different countries, the Russian Foamline and the Polish Organika.

### → TECHNICAL FOAMS

Recticel strives to take up a leading position in the European polyurethane landscape. Recticel has positioned itself at the top of its sector on internal growth, followed by purposeful acquisitions and finally continuous efforts in the area of research and development.

Contrary to the comfort foam segment, technical foam is much better protected as a whole. The technological know-how and the complexity of the production and conversion process for Technical Foams require more than just important investments; it also requires continuous financial effort in the area of research and development. In short, the barriers of entry for Technical Foams are significantly higher. As a result the number of manufacturers of Technical Foams remains somewhat more limited. Some large groups, like Recticel and the Vita-group, know how to play a leading role on a European level. In addition to the medium sized players like the German-Swiss Foam Partner, or the German Otto Bock, there are also various smaller local players such as the Italian Orsafoam (in which Recticel has a 33% investment), Toscana Gomma (Group Olmo) and the Spanish Flexipol. The Japanese Inoac and the American Foamex are more active on several export markets.







“Territorial expansions into countries like China and India are becoming a concrete reality.”

## → COMPOSITE FOAMS

As an important European polyurethane producer and processor, Recticel does after all have large volumes of trim foam available. In the past, the trim foam was sold primarily on the open market. An important outlet for these residues is in the United States, but the prices are highly volatile. There are no derived products to comfortably cover these price fluctuations.

For several years now the Group has started processing a part of this foam into new (semi-)finished products. This technique is used in factories in the Netherlands, France, Spain, Italy and Finland. The supporting reason for this is to be less dependent on the highly volatile character of market prices for this *trim foam*. In Europe, Recticel is primarily active in this business line, besides the Vita-group, the Austrian Greiner-group, the American Carpenter and the Belgian Agglorex. In the context of sustainable commerce, the *composite foams* are a characteristic example of how Recticel seeks to find creative solutions for processing its PU trim foam with a pragmatic course of action.

69

## STRATEGY AND PROSPECTS: SHAPING THE FUTURE

### → STRATEGY: RATIONALIZATION, MODERNIZATION AND GROWTH VIA SELECTIVE PROJECTS

The postulated strategic scenario for the Flexible Foams business line progresses along two basic principles. The first basic thought serves to smartly adjust the industrial *footprint* to the new market. Compensating rationalizations with well-considered investment initiatives in a coherent and consistent manner will be the goal. On the other hand, there are also several growth perspectives that are characterized by innovation projects (in the Agro-foam business line among others) and geographical expansion in new markets such as China (together with Bedding) and India.

→



## → INTERNAL GROWTH

Despite the rather mature character of the comfort foam market, the global European seating business line still continues to grow. In general, one could state that the consumer demand for comfort foam follows the evolution of the gross domestic product (GDP) very closely. Contrary to Western-European markets, which are more likely to stagnate, the future growth will take place mainly in Central and Eastern Europe. However, this does not mean that the production activities in Western Europe have no further future. The ever growing demand for mattresses with a polyurethane core offers enough attractive perspectives for the Western European comfort activities.

As a European market leader in this segment, Recticel must be able to realize an organic growth in the coming years, which will at the very least be in line with that of the market in general. To further improve the profitability, one would look primarily at the adjustment and optimization of the industrial production equipment in line with the market needs.

## → INNOVATION

The internal growth of the Flexible Foams business line is also driven by the successful initiatives in the area of product innovation as well as by market needs. In order to keep its European leader's position, the Group regularly launches new or improved products, stimulated by the various research and development efforts. The Group was able to surprise the market over the last few years with innovative Foam for Care® quality products: paramedic foam for wheelchairs, orthopaedic supports, new revolutionary anti-decubitus mattresses and anti-bacterial foam manufactured from vegetal raw materials (*Natural oil based polyol foams or NOP based foams*), etc.

Offering innovative solutions is an even greater challenge within the Technical Foams business line. After all, this is primarily directed at products with a large(r) added value which are primarily intended for very specific niche markets. Here too Recticel was able in the past to develop important breakthroughs. Examples are: Bulfast® (the light stable foam intended for the clothing industry (*bra-cups* among other things)), EPDM-like foam qualities for replacement of components in EPDM for the automotive industry, foam types for *polishing pads* for polishing vehicle bodies (with production and repairs), Polygrow® (a high-quality foam type for use as substrate in horticulture) etc.







## → GEOGRAPHICAL EXPANSION

The Group also has a very extensive production network in Western and in Central and Eastern Europe.

The activities in Central and Eastern Europe, taking place via the joint venture Eurofoam, have grown significantly since the beginning of the 90s. Despite the current economic crisis, Central and Eastern Europe will remain important for the years to come. It is expected that the annual use of polyurethane will continue to grow gradually for the local market. At present the local use is still well below the Western European average.

Recticel feels that its current position in the various countries is sufficient to successfully develop its strategy. In the future, the Group will however implement several cautious territorial expansions to Turkey and the BRIC countries.

## // Eurofoam Facts & Figures

- |                                   |   |
|-----------------------------------|---|
| ▶ <i>Joint venture partners</i>   | <i>Recticel / Greiner Group (Austria) (50/50)</i>   |
| ▶ <i>Market position</i>          | <i>One of the market leaders in the production and transformation of comfort foam and technical foams in Germany, Austria and Central and Eastern Europe. We collaborate with local partners via alliances in several Eastern European countries.</i> |
| ▶ <i>Production volume</i>        | <i>Approximately 110 000 tonnes per year.</i>   |
| ▶ <i>Annual turnover 2010</i>     | <i>EUR 364 million.</i>   |
| ▶ <i>Number of establishments</i> | <i>Network of more than 40 plants (9 foam factories and 37 processing units) spread over Bulgaria, Germany, Hungary, Lithuania, Moldova, Ukraine, Austria, Poland, Romania, Russia, Serbia, Slovakia and the Czech Republic.</i>                      |
| ▶ <i>Workforce</i>                | <i>Approximately 1 737 people.</i>  |



[www.euro-foam.com](http://www.euro-foam.com)

## DEVELOPMENT IN 2010

### → SALES

Sales in the Flexible Foams business line (**EUR 602.7 million**) increased by 5.6% as a result of higher volumes in the division *Technical Foams* which benefited most from the upturn in the industrial markets.

**Comfort** (**EUR 385.8 million**; –1.0%) stabilised its global sales level in a very competitive market.

**Technical Foams** (**EUR 191.1 million**, +20.9%) benefited from a much higher demand from industrial and automotive markets.

**Composite foams** (**EUR 25.8 million**, +12.7%) improved on the back of higher volumes and better world market prices for trim foam.

### → EBITDA

Despite higher sales, profitability declined. Nevertheless, there were important differences in the development of the various sub-segments.

In a competitive commodity market, EBITDA in Comfort declined as higher raw material prices could yet not be fully passed through in the selling prices. In Spain, the Group incurred substantial operating losses (EUR –1.6 million). Upon this the Group decided to downsize its industrial footprint in the Comfort activities in Spain, a market plagued by 40% overcapacity partially due to the impact of the crisis on the demand. The overall cost of this restructuring plan had a negative non-recurring impact in 2010 of EUR –7.9 million.

In 2010 the result was also impacted by legal fees (EUR –1.9 million) relative to the ongoing EC investigation.

The EBITDA increased strongly in Technical Foams mainly the consequence of significantly higher sales volumes to the automotive and industrial markets.



## // Polygrow® expands its area of activities

With the launch of the new flexible foam Polygrow®, the initial target was the substrate materials market for use in **horticulture**. The revolutionary Polygrow® is used as a substrate for the cultivation of tomatoes, peppers, eggplants and cucumbers among other things. With this PU technology, Recticel feels it can offer a very real solution for the various horticultural challenges.

*Polygrow® as a material is prized for its flexibility, inertness (no reaction with other chemicals such as fertilizers), its purity (contains no harmful substances) and its ability to retain its shape. It is also recognized by its excellent capillarity, allowing it to absorb and store water very well. Even after drying, it can easily be soaked again without losing any of the basic properties of the material.*

*The use of Polygrow® in horticulture, apart from higher crop yield, is also beneficial to the environment, because thermally it is 100% recyclable. Polygrow® is a speaking example of innovation and sustainable development going hand in hand.*

*After the commercializing of Polygrow® for use in horticulture, the Group has started with the first demonstration projects where the Polygrow® foam is also used in the creation of so-called **green roofs** and **green walls**. Green roofs and green walls offer a natural answer on several pressing environmental issues in cities like high CO<sub>2</sub> emissions, air pollution, sound pollution, flooding, etc.*

*The benefits of green roofs and green walls are that they purify contaminated rain water and they can improve the biodiversity in cities among other things. They also buffer excess rain so that flooding can be limited or prevented. Because green roofs and green walls can retain water, they can provide natural cooling in warm weather.*

*Green roofs and green walls also improve the quality of cities because they have excellent acoustic insulation properties. Noise pollution due to intense city traffic can be absorbed, which is after all beneficial to the liveability in busy city centres.*



73



POLYGROW 

[www.polygrow.nl](http://www.polygrow.nl)



→ Leos Mastnik | *Vice-President Engineering Automotive*  
Jan Meuleman | *Chief Operations Officer Automotive*  
Ann De Schepper | *Group Fe&A Manager Automotive*  
Martin Kruse | *Vice President Sales & Marketing Automotive*

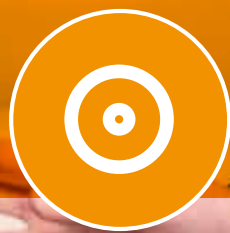




02.

4

Activities



# Automotive



The Automotive business line includes the following two activities:

**Interiors** which develops, produces and commercialises interior solutions (dashboard skins and door panel trim) on the basis of the unique, certified Colo-Fast® spray technology.

**Proseat** (a 51/49 joint venture between Recticel and Woodbridge ) which produces seating pads in cold moulded foam.

In addition, there is still the small **Exteriors** division which mainly concentrates on the production of the light-stable polyurethane raw material Colo-Fast® (compounds) that is primarily used in the Interiors division today.



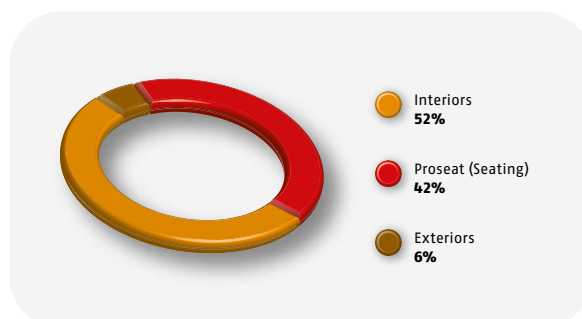
" The new strategy is based on rationalization and the improvement of market positions through innovation and new product developments. "

| Ann De Schepper  
Group F&A Manager Automotive

Key Figures Automotive	in million EUR		
	2008	2009 <sup>(1)</sup>	2010
Sales	474,2	289,4	324,9
Growth rate in sales (%)	-3,3%	-39,0%	12,2%
REBITDA	23,1	13,7	33,7
REBITDA margin (as % sales)	4,9%	4,7%	10,4%
EBITDA	50,1	-6,9	26,9
EBITDA margin (as % of sales)	10,6%	-2,4%	8,3%
REBIT	-5,0	-5,8	13,0
REBIT margin (as % of sales)	-1,0%	-2,0%	4,0%
EBIT	9,7	-32,2	1,6
EBIT margin (as % of sales)	2,0%	-11,1%	0,5%
Investments in intangible assets (exclusive of goodwill) and property, plant and equipment	21,0	7,0	11,2
Investments as % of sales	4,4%	2,4%	3,5%

(1) In 2009 the consolidation method for the Proseat group (Automotive – seating) changed from full consolidation to proportional consolidation (51%).

## // Sales Automotive 2010: EUR 324.9 million





"Exciting and attractive car interiors are developed with the motto **competence in surfaces.**"

## PROFILE OF THE ACTIVITIES

### → INTERIORS

The division Interiors mainly designs and produces interior finishes for the automotive business line.

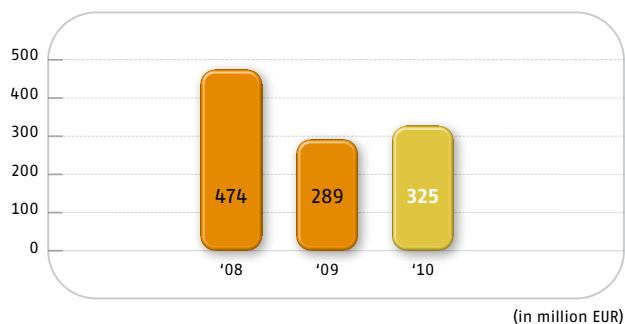
When choosing a new car the consumer pays an ever increasing amount of attention to the quality and finish of the interior. Today automotive interiors primarily need to give a good and safe feeling. The Group succeeds in offering interior surfaces which make a harmonious whole of the interior of the car on the basis of the unique patented Colo-Fast® and Colo-Sense® technology. In addition to the purely visual aspects, the material stands out due to its unique feel and touch characteristics (*haptic*). With the development of Colo-Fast® and Colo-Sense®, both based on aliphatic polyurethane, Interiors thus offers a very valuable and attractive alternative for the more traditional materials. Colo-Fast® and Colo-Sense® are both solvent free and mass coloured materials which stand out due to their colour fastness. These materials do not fade. This means that it is not necessary to apply any additional protective coatings .



"The Group succeeds in offering interior surfaces which make a harmonious whole of the interior of the car on the basis of the unique patented Colo-Fast® and Colo-Sense® technology."

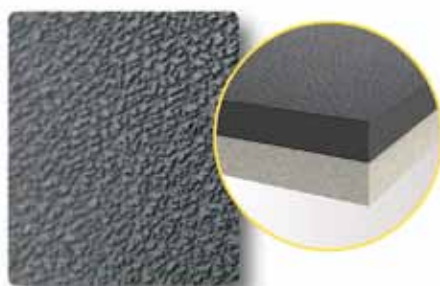
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### // Trend in sales Automotive



**RECTICEL**  
Automotive

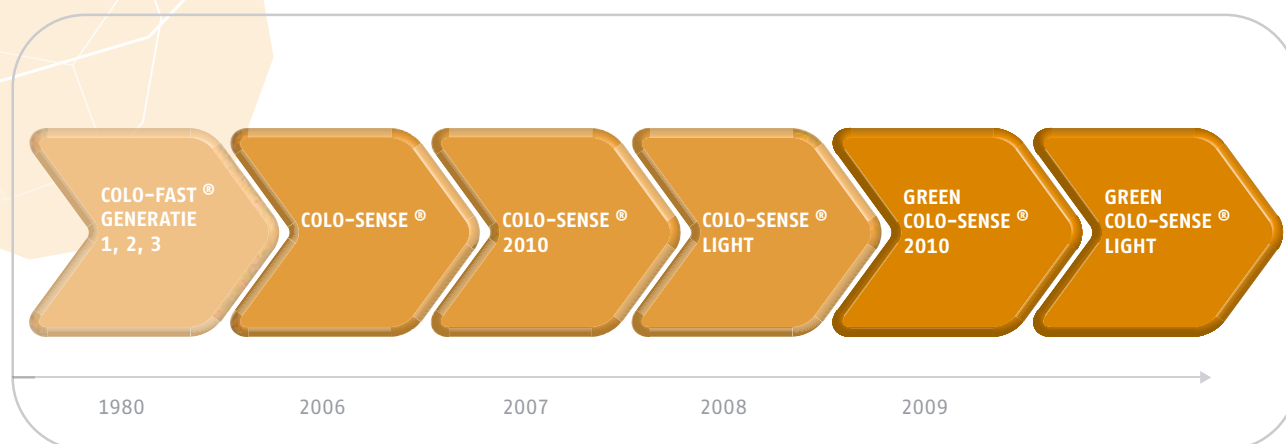
[www.recticel-automotive.com](http://www.recticel-automotive.com)



## // Overview of Interiors contracts which are currently in force

Manufacturer	Model
BMW	1-Series (from 2011)   3-Series   6-Series
Freightliner	Truck
General Motors	Buick Enclave   Cadillac Seville
Honda	Civic
Kenworth	Truck
Mercedes	A-Class   B-Class   C-Class   E-Class M-Class   R-Class   S-Class   Viano
Opel	Astra   Zafira
Peterbilt	379
Peugeot	508
Saab	9.5
Scania	Clute
Skoda	Octavia   Superb
Toyota	Lexus GS
Volkswagen	Passat   Passat coupé
Volvo	V70/S80   V60/S60   XC60

## // The Colo-Fast® family tree





## // Strategy

- ▶ *Stabilization of the two business segments, Interiors and Proseat (Seating).*
- ▶ *New innovative product introductions.*
- ▶ *Continuous footprint and capacity utilisation optimisation.*



## // Objectives up to 2013

- ▶ *EBITDA/sales margin of 8.0%.*



"With Proseat functionality is combined with comfort."

## STRATEGY AND PROSPECTS: SHAPING THE FUTURE

### → INTERIORS: STABILISATION AND IMPROVING COST-EFFECTIVENESS

Over the last fifteen years the **Interiors** division (previously known as Interior Solutions) has made an important contribution to the growth of the Automotive business line with its unique patented Colo-Fast® spray technology.

As a consequence of the current, serious economic crisis which hit the automotive industry hard, Recticel has had to adapt its ambitions for this sector. The revision of the original plans was dictated by the considerable structural degree of risk of the Automotive business line in the long term on the one hand and the extremely capital intensive character of these activities on the other. Therefore the Group further modified its position with regard to the Automotive business line in the strategic practice of last year.

Unlike in the past, the focus will no longer be on growth. In the short term, attention will be focused on maintaining existing market positions, expansion to China and improving global cost-effectiveness as priorities.

### → PROSEAT SEATING



[www.proseat.de](http://www.proseat.de)



## // Proseat Facts & Figures

▶ <b>Market position</b>	<i>One of the European market leaders in the production of moulded seating for the automotive industry (market share of around 20% in Europe); together with Woodbridge one of the most important and best positioned world players.</i>
▶ <b>Market penetration</b>	<i>At least 4 million cars which include Proseat products are manufactured every year.</i>
▶ <b>Alliances</b>	<i>Production joint venture with Johnson Controls in Poland and in Slovakia.</i>
▶ <b>Annual sales 2010</b>	<i>EUR 233 million.</i>
▶ <b>Headquarters</b>	<i>Mörfelden-Walldorf (Germany).</i>
▶ <b>Number of production plants</b>	<i>9 plants spread over Germany, France, Poland, Slovakia, Spain, the Czech Republic and the United Kingdom.</i>
▶ <b>Workforce</b>	<i>approx 2 100 people.</i>





## → PROSEAT SEATING: OPTIMISATION AND PRODUCT INNOVATION

The **seating** division, which runs via the joint venture **Proseat** is also heavily exposed to the new developments of the market. One of the most important challenges for this division involves coming up with a suitable response to the increasing trend for *insourcing* among suppliers in the automotive industry.

The production and commercialisation of pre-moulded solid foam seating for the automotive industry has already been assured by the *joint venture* Proseat for a number of years. Recticel has 51% control of Proseat and the Woodbridge (Canada) group has 49%.

Today it can be stated that Proseat, with its nine production plants spread over seven countries, is one of the biggest independent producers of seating for the European automotive industry. In addition to seating, Proseat also manufactures other seating components such as headrests, armrests and side panels for car seats.

Just like the Interiors division, Proseat will focus particularly on attracting new contracts and projects which will better guarantee the cost-effectiveness and precise work on the cost structure will occur internally. Where required, the industrial footprint will be adapted to the new market conditions.

In response to the changing worldwide automotive markets, Proseat has in recent years on the one hand focused on a vigorous plant strategy by reducing surplus capacity in certain markets and compensating by an expansion into the expanding Eastern European regions (including via the *joint venture* with Johnson Controls in Lucenec (Slovakia) and Zory (Poland)) and on the other hand by standing out from its competitors by means of innovation and the development of new, complex seating components (including with lightweight and volume limiting *compact.foam*, with the improved surface structure *comfort.sense-foam*, with combined *PU/EPP* modules ...).

Proseat has refocused its strategy towards the future. Restructuring and innovation is aimed for in order to maintain a stable position in the seating market. In addition, a much stronger focus will gradually be placed on finished components such as headrests, armrests, consoles ....



## DEVELOPMENT IN 2010

### → SALES

Sales in **Automotive** increased by 12.2% to **EUR 324.9 million**.

This improvement is mainly attributable to higher sales volumes in **Interiors** (**EUR 170.2 million**; +22.3%). This division mainly supplies the premium segment, which was the hardest hit by the global economic crisis in 2009. In 2010, sales in all countries (Western & Eastern Europe, USA and China) recovered significantly.

The premium car market segment remained strong (both in Europe and the USA), and was further pulled by the demand in emerging economies such as China.

Sales in **Seating** (Proseat – the 51/49 joint venture between Recticel and the Canadian group Woodbridge) which focuses more on the low-to-mid segment of the car market, increased by 4.5% to **EUR 136.6 million**. The lower growth in this segment is explained by the progressive reduction of various governmental incentive programs for car renewals which had boosted demand in the previous year.

Sales in **Exteriors** (**EUR 18.1 million**, -7.4%) were slightly down. Since the divestment of the compounding activities to BASF in 2008, sales are limited to compounds produced for the account of BASF under a toll agreement.



## → EBITDA

EBITDA of the Automotive business line increased from EUR –6.9 million to **EUR 26.9 million**, including net non-recurring elements of EUR –6.1 million (2009: EUR –20.7 million). These non-recurring elements include mainly restructuring costs in Germany (*Interiors* – Unterriexingen) and in Belgium (Proseat Hulshout).

The profitability of *Interiors* improved significantly due to the impact of (i) considerably higher volumes, (ii) the effect of different restructuring measures that have been taken and implemented over the last years, and (iii) the fact that in April 2010 two US subsidiaries emerged from Chapter 11.

Despite higher sales, the result for **Seating** (Proseat) came out lower on the back of higher raw material prices and the effect of the restructuring costs in Belgium (EUR 4.8 million).



84

→ Bernard Dekeyser | *Corporate R&D Engineer*  
Laura Jonckheere | *Corporate R&D Engineer*  
Nancy Haucourt | *R&D Manager Corporate Innovation*





# 03 Research and Development

85





Knowledge and technology are still the basis of many of our innovations and innovation is central in everything that we do to continuously improve daily comfort. Development and improvement of products or finalizing better performing procedures are the final goals of our own Research and Development Centre (the IDC – **International Development Centre**). The question or the inspiration could sometimes come directly from the end markets. In other cases we start from the knowledge and insights of researchers that further explore the (still) hidden facets of polyurethane. Knowledge and skill is one thing, converting these properties into practical answers and actual solutions is another. It was decided in this context to launch a new **Business Development** function with the core task of focusing on the identification, selection and development of markets and applications for the new products or technologies that are dealt with from within the **Corporate Innovation Program**.

86

" Every day  
124 researchers  
are looking for new  
facets of polyurethane. "

| Nancy Haucourt  
R&D Manager  
Corporate Innovation

In order to secure its long term objectives, the Group has had centrally organized Research and Development activities for many years now. These centrally organized structures have proven to be the best guarantee to simultaneously anticipate the many stated needs and challenges in a cost efficient and flexible manner. Obviously, in the first place, a great deal of attention goes out to the development of new products that may provide an answer to needs such as the increasingly popular demand for lighter and more durable materials or products that integrate various functions together. In addition, however, the IDC also tries to focus on improving existing products or to further optimize existing production processes. The latter seeks to reduce the general use of raw materials, reduce the volume of waste products, and to have the production flows run more efficiently.

In the past, many Research and Development activities were initiated from the various sectors (*business lines*). This is still the case, although the *Corporate Programme* has gained importance significantly over the last five years. The focus of the research in the *Corporate Programme* is not driven by the *business lines*; the starting point is determined primarily by broader social and technological trends such as the race for energy, nanotechnology, smart materials or materials with new functions.



"Our interest is focused mainly on the future, since this is where we will be spending the rest of our lives. "

The IDC has a budget that is distributed wisely over the various divisions. Even though the Automotive division still represents the largest part of the budget in relative terms, the distribution over the various business lines is more and more balanced. The share that is directed at the Corporate Programme has increased gradually over the last few years.

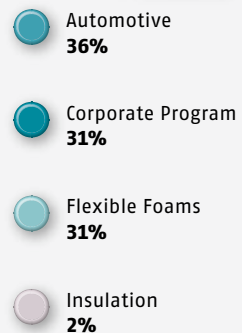
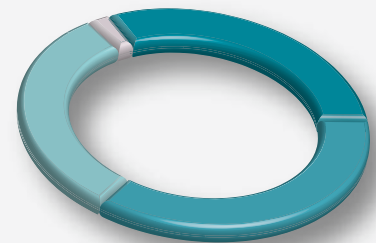
The Group also encourages the various joint venture companies to call on the expertise of the Research and Development team. A win-win situation is thus created. For the joint venture companies, this basically means that it is less expensive to call on valuable Research and Development services. On the other hand, it is more effective with the greater critical mass when working with the allocated operating funds.

## "OUT OF THE R&D BOX"

4 new patents were requested in 2010, in addition to the already registered 54 patents:

- PU-foam combinations reducing the sound made by car tyres.
- Polyurethane with memory shape properties.
- A new generation of Colo-Sense® foams with improved mechanical properties, which can also be manufactured with renewable basic raw materials.
- A process to apply a coloured seam in a PU surface.

// 2010 Expenditure budget for Research & Development  
EUR 13.7 million  
(- 9% compared to 2009)





"Various new patent applications were submitted in 2010."

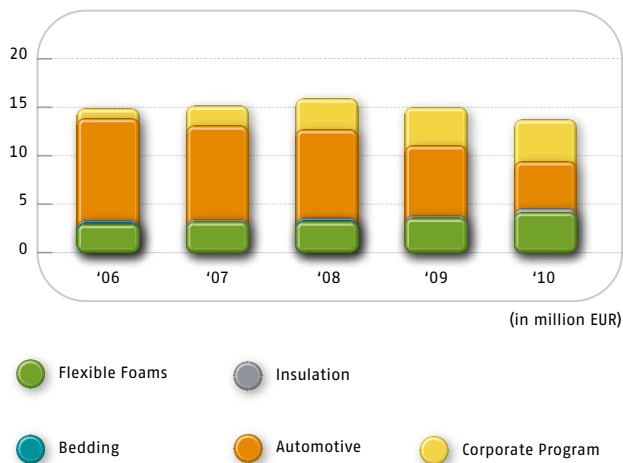
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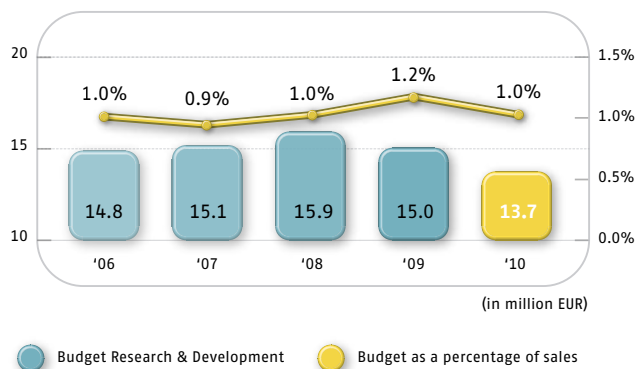
The most important innovation projects:

- In cooperation with several universities research is conducted into so-called "*self-restoring*" materials.
- Gathering knowledge on new surface textures and visual possibilities for Colo-Fast® and Colo-Sense®. Surface textures are tested on their properties for creating excellent colour and light harmony. An important breakthrough was realised in 2010.
- The discovery of a new chemical substance offering improved emission and pH-characteristics to visco-elastic foam without affecting the other foam characteristics.
- The first production of a '*smart*' foam with memory function for application in hollow aluminium window profiles for a pilot project with the Belgian group Reynaers Aluminium.
- Researching and testing innovative PU-foam for use in "*silent*" tyres.
- Feasibility studies for foam with very fine structures (nano-cells) and for foam with a higher fire protection.
- Research on new vibration damping elastomers.
- Colo-Fast®-materials with a metallic look.
- Development of new hydrophilic open cell-foam for ink applications.
- Expanding the range of foam types to fine celled (< 400µ) foam and very coarse celled (filtration) foam (>6 000µ).
- Research and development of coarse foam types for use as polishing mediums.
- Further expansion of the number of products and foam characteristics in which renewable raw materials are processed. Depending on the applications, Bio-foam (PureFoams) is available at present containing 15% to 55% renewable carbon.
- Improved application and use of Compolite, a lightweight composite that can reduce the weight of the pieces by approximately 25%.
- Further optimization of Polygrow®, a new technical foam type that is used in horticulture where it is important that the foam contributes significantly to the improvement of the plant development.
- Research into new water purification methods.

### // Trend in composition of annual budget for Research & Development



### // Trend in annual budget for Research & Development



"Recticel invests a bit more than 1% of its annual turnover in Research & Development."

89

## OTHER ACTIVITIES

Research and Development can only evolve when different ideas can confront each other. To improve the transfer of knowledge and creativity, the IDC organized a two-day internal conference last year where the different R&D engineers provided better insight on the various ongoing projects.

In 2010 the Group also worked on its relationships with residents (and society in general) by holding an "*open door*" company day in Wetteren (Belgium) among other things. The Research and Development Centre played an active role with the organization of this. This event proved to be very successful with approximately 1 000 visitors. With these types of initiatives the Group is hoping to get the broader public acquainted with the fascinating world of polyurethane, and to give young graduates and interested persons a concrete image of the different types of PU.

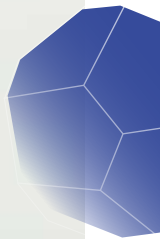


➤ Innovative 'smart' foam for use in hollow aluminum window profiles.



→ Joost Monstrey | *Group Talent Manager*  
Claire Poncin | *Group Compensation & Benefits Manager*  
Sarah-Ann Breyel | *Human Resources Manager IHQ*





# 04 Human Resources



91



The quality, dedication and enthusiasm of employees are essential and crucial components for an organisation to be successful. Recticel is very much aware of this and is also committed to recruiting and retaining the best and most competent employees. The development of individual talents is also very important for the Group. In this regard, Recticel launched a major Talent & Competence Development Program in 2010.

2010 was a very special year as far as Human Resources were concerned. The margin of the Group's new Vision 2015 strategy has for instance defined several priority issues to make Recticel a better performing organisation. The success of Recticel's proposed strategy and whether the set objectives will be achieved depend largely on the input and skills of the people working there. To realize this, the Group has carefully developed and launched two initiatives, the **Talent Management Program** and the **Competence Development Program**, over the past two years.

## THE TALENT MANAGEMENT PROGRAM

In an initial phase the Group tried to achieve a clear overview of the available talent in the Group that may be eligible for inclusion in the Talent Management Program. A list of five factors based on the manager's level of responsibility was prepared and the potential that he/she has to offer. After having compared all managers against these criteria, the Group finally selected 300 people from 15 countries for inclusion in the program.

In a second phase, these selected people were subjected to a professional assessment. For this assessment a tool was developed and used with the help of an external consultant, the purpose of which was to guarantee objectivity. The final result is that the line managers were assessed on their performance and potential.

Parallel to this, the 300 managers were also required to assess themselves in terms of their potential. This was done using the same dimensions as the first test. The assessment and self-assessment results were then discussed and confirmed in the Management Committee.

" The purpose of the Talent Management Program is to evolve Recticel's business culture and focus more on performance. The motto is to have the courage to take on new challenges and to always do better. "

| Joost Monstrey  
Group Talent Manager

"With its new Talent & Competence Development Program, Recticel seeks to encourage its employees to perform better and more efficiently individually. This way, the Group as a whole can be more successful."

After the Management Committee confirmed the results of the assessment of the 300 managers that participated in the Talent Management Program, the individual assessments were converted into a '*Personal Development Guide*' with the help of an external consultant. Each selected manager then received a personal document containing both his/her strong points, as well as the points that he/she should develop further based on a detailed action plan.

## THE COMPETENCE MANAGEMENT PROGRAM

The second part of the design includes the Competence Management Program. Unlike the Talent Management Program, which starts with the individual, the Competence Management Program starts with the organization.

For the implementation of the new Vision 2015 strategy, the Group decided that it specifically needed managers with the following key skills:

- Customer-focus
- Result-focus
- Business acumen
- Able to identify talents and develop and expand teams
- Personal flexibility
- Effective communication skills

Although these skills sound generic, they are nevertheless defined extremely concretely based on a series of agreed to basic actions per skill.

"Success is modest improvement consistently done."

| Sean Fitzpatrick

*Legendary ex-captain  
of the New-Zealand All Blacks®  
Rugby Team*

93



↑ During the Group's international framework meeting in September 2010, the legendary ex-captain of the New-Zealand national 'All Blacks®' rugby team inspired the Recticel top employees in a dazzling manner. On this occasion he explained how he specifically interpreted basic skills such as "*Focus on results*" and "*Building on talents and teams*" during his years of success with the 'All Blacks®'.



Under the new Competence Management Program, we started with two core competencies that should lead to the following behaviors:

## 1. Focus on results

- ▶ Be passionate.
- ▶ Be as successful as you can be.
- ▶ Prepare as if you were number two.
- ▶ Love what you do.
- ▶ Remember your losses more than your wins.

## 2. Build talents and teams

- ▶ Provide challenges.
- ▶ Listen to and respect others.
- ▶ Give feedback.
- ▶ Talk about success.

The Competence Management Program serves to upgrade the different core skills of the managers through workshops and training programs. By giving employees the opportunity to further improve their competence levels individually, the Group hopes to not only promote the personal performance, but to turn Recticel into a better performing organisation as a whole.

In total, 440 managers have been included in the Competence Management Program. 64 main employees had already completed the first modules of the program in 2010. Initially the Group worked on two core skills; specifically 'Result-focus' and 'The ability to identify talents and develop and expand teams'. In the first half of 2011, the other employees will be introduced to the program. Later on additional initiatives will be developed to further develop the other skills.

## NUMBER OF STAFF

The number of staff stabilised in 2010. The drop in employment in a number of countries was completely compensated by the increase in other countries. The most important causes of the drop can be explained by the following things among others:

- The sale of the "slat base" activities (Bedding) in Masevaux (France)
- Restructuring of several Flexible Foams and Automotive activities and supporting services in Belgium
- Restructuring the Flexible Foams activities in Scandinavia and Romania
- Reduction of the number of staff in the American Automotive activities

Increases in the number of staff occurred in:

- 'Interiors' (Automotive) in China and the Czech Republic
- Flexible Foams in China and Turkey
- Insulation in the United Kingdom



*One of the cornerstones of Recticel Group mission is that all employees must be given the opportunity to develop their individual talents within the context of the Group strategy and with respect for the Group values.*

*Values like team spirit, sense of responsibility, entrepreneurship, respectful behaviour, professionalism and striving for excellence are all very high priorities for Recticel.*

## // Number of staff

	01 JAN 2010	01 JAN 2011	
Germany	1 480	1 467	17.5%
Belgium	1 350	1 331	15.9%
Poland	819	830	9.9%
Czech Republic	721	830	9.9%
France	766	691	8.2%
United Kingdom	624	663	7.9%
The Netherlands	373	386	4.6%
Spain	362	341	4.1%
USA	344	317	3.8%
Austria	295	294	3.5%
Switzerland	195	192	2.3%
Sweden	193	190	2.3%
Romania	220	177	2.1%
People's Republic of China	52	139	1.7%
Hungary	118	128	1.5%
Finland	138	122	1.5%
Norway	92	72	0.9%
Turkey	62	72	0.9%
Estonia	43	36	0.4%
Moldova	40	35	0.4%
Bulgaria	18	21	0.2%
Lithuania	15	14	0.2%
Slovakia	10	11	0.1%
Ukraine	12	10	0.1%
Greece	22	8	0.1%
Serbia	8	8	0.1%
Russia	6	3	0.0%
<b>TOTAL</b>	<b>8 378</b>	<b>8 383</b>	<b>100%</b>

	01 JAN 2010	01 JAN 2011	
Western-Europe	5 896	5 756	68.7%
Eastern-Europe	2 024	2 099	25.0%
Rest of the world	458	528	6.3%
<b>TOTAL</b>	<b>8 378</b>	<b>8 383</b>	<b>100%</b>

Full-time and part-time personnel, except for temporary personnel and disabled persons, including the proportional personnel count of joint ventures that are managed at least 50% by Recticel.



95







→ Recticel Norway





# 05 Corporate Social Responsibility

97

There is an irreversible worldwide trend for governments, organisations, companies and other groups becoming more aware of the need for and the benefits of socially responsible conduct. Here it is assumed that only corporate social responsibility will contribute positively to sustainable development. As a responsible organisation, Recticel too is trying to operate a sustainable policy which is based on the "**People, Planet, Profit**" principle.

# Sustainable development



The Group is aware that the eventual performance of an organisation is ultimately always connected to the social framework within which it operates. On the basis of this starting point Recticel always tries to find a healthy balance between the elements "People, Planet, Profit" when implementing its policies. Or in other words: Recticel believes that sustainable enterprise is an attitude through which both profitable economic growth for the company ('Profit'), responsible social partnership ('People'), efficient management of natural resources and energy ('Planet'), limitation of the ecological footprint ('Planet') and the development and promotion of the health of employees ('People') need to be integrated in a harmonious way. Recticel aims to incorporate these aspects which may initially seem to be conflicting in a permanent and intelligent way and to experience them in the daily running of the company.

98 | " In the realisation of its objectives the Group prefers to develop strong relationships and initiatives with all its stakeholders. "

When determining its various objectives the Group takes into account as much as possible the short and long-term consequences of its decisions and actions for current and future generations. In the realisation of its objectives the Group prefers to develop strong relationships and initiatives with all its stakeholders. In this context the Group did in fact introduce a number of specific guidelines and codes of conduct many years ago in order to allow this topic to permeate throughout the organisation. In addition to the legislative framework that checks that companies pursue an ethical, environmentally and socially responsible company policy, Recticel has wished to underline its attitude with regard to this problem via the following commitments and guidelines among others:

- Signing the internationally recognised Responsible Care® Global Charter whereby Recticel commits itself to manufacturing in the most sustainable way possible. Here the Group aims to apply the best technologies available among other things in order to have the least negative environmental impact possible.
- Signing product safety standards under the CertiPUR™ label. The CertiPUR™ label is only awarded after positive confirmation that the polyurethane products which will be used in mattresses and seating fully meet the high standards of safety, health and environmental friendliness. All the Group's production plants for comfort foam possess this label.
- The *Recticel Group Safety, Health & Environment Manual*.
- The *Recticel Business Control Guide* in which the basic control procedures for meeting and supporting the general rules of accounting and cost controlling are recorded.
- The Recticel Approval Authority Guide which is the practical result of the distribution of authorisations within the Group regarding financial, social,

information technology, organisational, legal, public matters among other things.

## INCLUSION IN UNIVERSUM LIST FOR SUSTAINABLE INVESTMENTS

### → ETHIBEL

Since the end of 2004 Recticel has always been selected for inclusion in two investment registers for sustainable investments by the independent advice and rating bureau ETHIBEL, notably the ETHIBEL PIONEER Investment Register and the ETHIBEL EXCELLENCE Investment Register (see [www.ethibel.org](http://www.ethibel.org)). The ETHIBEL PIONEER Investment Register stands out principally because it only includes pioneering companies which score better than the average for their business line in the area of corporate social responsibility and sustainable enterprise. Both ETHIBEL investment registers are used as a basis for socially responsible investment products (*SRI-Socially Responsible Investments*) which are offered by a growing number of European banking institutions, fund managers and institutional investors.

Forum ETHIBEL mainly offers investors three products on the basis of the Investment Register: the ETHIBEL label, the ETHIBEL sustainability indices (*Sustainability Indices*) and the Forum ETHIBEL certificate. The characteristic feature of the ETHIBEL methodology emerges from the integration of two important aspects of *corporate social responsibility*: sustainable development and the involvement of stakeholders (*stakeholder involvement*).

Additional information about Forum ETHIBEL and the ETHIBEL investment registers can be obtained on the web site [www.ethibel.org](http://www.ethibel.org).

### → KEMPEN/SNS SRI UNIVERSUM

In addition, Recticel has been included on the Kempen/SNS SRI (*Socially Responsible Investment*) Universum list since the middle of 2008. The ethical Orange SeNSE Funds from the Dutch Kempen/SNS are thus able to invest in Recticel. In the discussion regarding inclusion Recticel was praised for the significant demands which it made in the area of ethical, social and environmental policy and also regarding the implementation and reporting of it. In addition, particular mention was made of the Group Business Control Guide and the related Group Safety, Health & Environment (SHE) Manual which contains all relevant rules, guidelines and sanctions to which all Group employees must adhere. Finally it was recognised by the initiators that Recticel operates particularly comprehensible guidelines regarding health and environment with the specific statement that the SHE management system is very well formulated.



Responsible Care



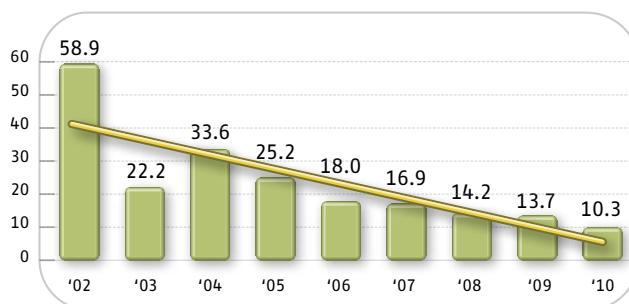


# Health and safety

Safeguarding the health and safety of staff has long been a priority for Recticel. The Group aims to put maximum effort into prevention with a focus on reduction of the number of industrial accidents and the severity of them. In doing so, the Group does not just limit itself to its own employees. It extends its preventative measures to the subcontractors and the (immediate) area surrounding the plants. Finally the topics of health and safety are also pursued with other external target groups such as the intermediate processors of our products and/or the end users and consumers.

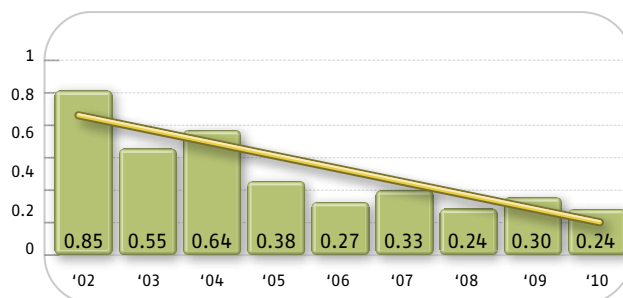


## // Health and safety: Frequency index – Industrial Accidents



$$\text{Frequency} = \frac{\text{number of accidents} \times 1\,000\,000}{\text{number of hours performed}}$$

## // Health and safety: Severity Index



$$\text{Severity index} = \frac{\text{of days of absence from work} \times 1\,000}{\text{number of hours performed}}$$



"Safeguarding the health and safety of staff has long been a priority for Recticel."

The most important policy stipulations regarding health, safety and care for the environment are included in the general *Safety, Health & Environment Policy (SHE)* which is regularly given active attention in all countries and at all plants. These basic *SHE* rules do not just serve as a reference for daily thought and action. They also embody the common objectives for all employees in order to ensure that Recticel meets its social and industrial commitments with the greatest care.

Recticel intends to subject its existing *SHE* policy to a thorough analysis in 2011. The intention is to use the findings of these studies as a basis for adjusting the current health and safety policy so that it is more in tune with the new needs in the area of health, safety and environment. In doing this the policy will be tested in terms of the principles of Corporate Social Responsibility. At the same time the internal and external reporting system for supporting the *SHE* policy will be modified in a suitable way.

## // Safety

*The most important elements of Recticel's safety policy are:*

- ▶ *Zero industrial accidents is the standard aspired to.*
- ▶ *On most sites safety campaigns are launched very regularly in order to keep the topic up to date.*
- ▶ *Information sessions are regularly organised on a Group level where expertise regarding prevention of accidents and/or the reduction of risk factors is exchanged.*
- ▶ *With new acquisitions and/or joint ventures, attempts are made to integrate the Group's safety policy as quickly as possible.*

# Environmental Care

After evaluation of the consumption of fossil fuels and electricity consumption it can be stated that the business activities of the Group can be categorised as 'low to medium CO<sub>2</sub> intensive' (low to medium carbon intensive).



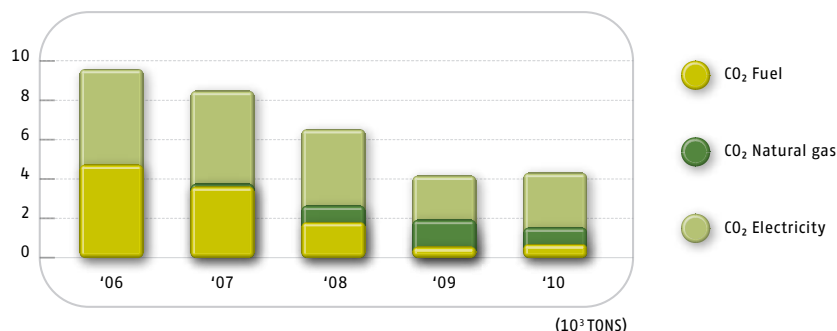
In spite of this favourable starting point, Recticel perseveres in trying to eliminate any environmental impact or keep it to an absolute minimum. The Group thus focuses its search on production processes which manage natural resources and energy more efficiently. The reduction of waste and emissions is also high up on the agenda. The Group thus hopes to reduce the burden of business activities on the environment even further as is appropriate within the framework of a sustainable enterprise like Recticel.

In addition to the environmental goals in the area of production, Recticel is also aiming to develop products which make a positive contribution to sustainable growth due to their intrinsic characteristics. Examples which illustrate this are:

- The substantial reduction of the weight of cars by the use of lighter materials such as polyurethane results in fuel savings (and consequently lower CO<sub>2</sub> emissions).
- The use of lightweight innovative PU foams to replace heavier metal and wood in furniture. Lighter end products result in lower fuel consumption when they are transported.
- The increasing use of polyurethane as thermal insulation in buildings also results in immediate lower energy consumption and thus lower CO<sub>2</sub> emissions.
- The re-use of offcuts from the manufacturing process. The recycling of these offcuts to make new products and applications reduces the volume of waste.

" Our activities are categorised under the low to medium CO<sub>2</sub> intensive (low to medium carbon intensive) business lines. "

## // Care for the environment: Wetteren Factory (Belgium) CO<sub>2</sub> emissions



# Social commitment

CORPORATE SOCIAL RESPONSIBILITY

05

As a responsible enterprise Recticel also tries to make its contribution to solutions for social problems which go beyond its pure business nature. In this context, initiatives are usually undertaken on a local level where the sites and/or the employees support certain charities, specific projects and/or local communities. The support given can vary from typical financial contributions to the provision of services and goods for these good causes.

## // Samusocial, Brussels

### ASSISTANCE TO THE HOMELESS AND ASYLUM SEEKERS

*At the end of 2010 Recticel gave the Brussels Samusocial organisation a total of 600 mattresses and slat bases. Samusocial is a non-profit rescue organisation which aims to use mobile intervention teams in Brussels to provide urgent medical and social assistance to people who are in dire need of it or are too weak or socially dislocated to provide for their own needs or to express them correctly.*



103







# 06 Shareholders' information

105



# Shareholders' information

## NUMBER OF SHARES

" AFTER STRIPPING  
THE VVPR-SHARES,  
RECTICEL WILL  
RETAIN ONLY ONE  
SHARE CLASS. "

During the past year the total number of Recticel shares in issue has remained unchanged. No warrants were executed, nor were any shares purchased. The shares are listed on NYSE Euronext™ in Brussels.

At the end of October 2010 a '*Corporate action*' took place where all outstanding VVPR-shares <sup>(1)</sup> were exchanged for an equal number of ordinary shares, plus a proportionate number of VVPR-strips. Holders of VVPR-strips benefited from a reduced withholding tax of 15% on the dividends that were paid on the ordinary shares (withholding tax of 25%). Since then the Recticel shares structure is as follows:

TYPE	PREVIOUS SITUATION		NEW SITUATION		MARKET SEGMENT	CODE	ISIN NUMBER
	NUMBER	%	NUMBER	%			
Ordinary shares	28 499 411	98.51%	28 931 456	100%	Continuous market	REC	BE 0003656676
VVPR shares	432 315	1.49%	0	0%	Fixing market	RECV	BE 0005121778
<b>Total number of shares with voting rights</b>	<b>28 931 456</b>	<b>100%</b>	<b>28 931 456</b>	<b>100%</b>			
VVPR strips	0		432 315	100%	Fixing market	RECS	BE 0005639134
<b>Total VVPR strips</b>	<b>0</b>		<b>432 315</b>	<b>100%</b>			

Reuters code RECTt.BR  
Bloomberg code REC.BB

The shares are either bearer (in denominations of 1, 10, 100 or 1 000 shares) or registered.

Within the framework of the new Belgian legislation that came into force on 1 January 2008, all bearer shares (printed or deposited on a securities account with a financial institution) were converted into dematerialised shares. By 1 January 2014 all shares will consist of either registered (nominative) and/or dematerialised shares.

(1) VVPR = Reduced Withholding tax/Précompte Réduit.

"The exchange of the former VVPR-shares increases the tradability and therefore the liquidity of the Recticel-share."

## // Distribution among shareholders at 31 DEC 2010

SHAREHOLDER		NUMBER OF SHARES	(a)
Compagnie du Bois Sauvage sa	Belgium	8 288 006	28.65%
Entreprises et Chemins de Fer en Chine sa	Belgium	308 024	1.06%
<b>SUBTOTAL</b>		<b>8 596 030</b>	<b>29.71%</b>
Vean nv and LMCL Comm. VA	Belgium	817 188	2.82%
Rec-Man & Co	Luxembourg	295 836	1.02%
Sihold nv	Belgium	745 105	2.58%
Audhumla sa	Belgium	139 440	0.48%
Sallas bm	Belgium	103 377	0.36%
Debco nv	Belgium	9 766	0.03%
Law sa	Belgium	2 369	0.01%
Physical persons <1%	Belgium	308 768	1.07%
<b>SUBTOTAL</b>		<b>2 421 849</b>	<b>8.37%</b>
<b>TOTAL SHAREHOLDERS' GROUP around Compagnie du Bois Sauvage</b>		<b>11 017 879</b>	<b>38.08%</b>
Mercator Verzekeringen (Group La Bâloise, Switzerland)	Belgium	1 260 630	4.36%
Public		16 652 947	57.56%
<b>TOTAL</b>		<b>28 931 456</b>	<b>100%</b>

(a) Since each share confers one voting right, the percentages also correspond to the voting control.

## SHAREHOLDER MOVEMENTS

in '000 EUR						
Subscribed capital at 31 DEC	2010	2009	2008	2007	2006	2005
Subscribed capital	72 329	72 329	72 329	72 329	71 572	70 833
<b>Shareholders at 31.12 (% of number of share in issue) <sup>(a)</sup></b>						
Shareholders' group around Compagnie du Bois Sauvage (including VEAN, Sinvest, Sallas, Rec-Man & Co. <sup>(3)</sup> , e.a.) <sup>(2)(4)</sup>	38.08%	38.05%	38.64%	36.50%	-	-
Rec-Man & Co, Belgium <sup>(3)</sup>	-	-	-	-	3.60%	3.65%
Rec-Hold, Belgium <sup>(1)(2)</sup>	-	-	-	-	27.03%	27.31%
Rec-Les (Lessius), Belgium <sup>(1)</sup>	-	-	-	-	9.10%	12.84%
Bestinver Gestion, Spain	-	8.12%	13.46%	12.64%	6.56%	-
Mercator Verzekeringen, Belgium	4.36%	5.45%	6.40%	6.45%	8.77%	8.86%
Farrington Capital Management, Switzerland	-	3.49%	-	-	-	-
KBC Asset Management, Belgium	-	3.21%	3.21%	-	-	-
ING Investment Management Belgium, Belgium	-	-	3.02%	-	-	-
Richelieu Finance, France	-	-	-	7.00%	7.08%	-
Other (public)	57.56%	41.68%	35.27%	37.41%	37.86%	47.34%

(a) Based on the last known transparency declaration known at that moment. Whereas each share has one vote, the percentages also correspond with the voting control.

(1) Until 2004, the participation of Lessius in Recticel was upheld via Rec-Hold. In 2004 this indirect participation was converted in a direct participation via Rec-Les.

(2) During the course of 2007, Compagnie du Bois Sauvage lifted its interest in Recticel via a number of transactions by converting the indirect participation via Rec-Hold in a direct participation. In view of this restructuring, a shareholders agreement was also signed with a number of historic Rec-Hold shareholders (m.n. VEAN, Sinvest, Sallas and others).

(3) Rec-Man is the ad hoc partnership initially established by 40 Recticel owner-managers in 1998 after the takeover by Rec-Hold of the shares package of the Generale Maatschappij/ Société Générale.

(4) Compagnie du Bois Sauvage and Entreprises et Chemins de Fer en Chine (parent company of Compagnie du Bois Sauvage) jointly own in total 8 596 030 of these shares, or 29.71% of the total number of shares in issue.

All announcements received by the Group are freely accessible on the website of the Group ([www.recticel.com](http://www.recticel.com)). Changes in the shareholding, whereby statutory barriers are exceeded either way, will be announced at the appropriate time.

" Recticel currently has a free float of about 62%. "

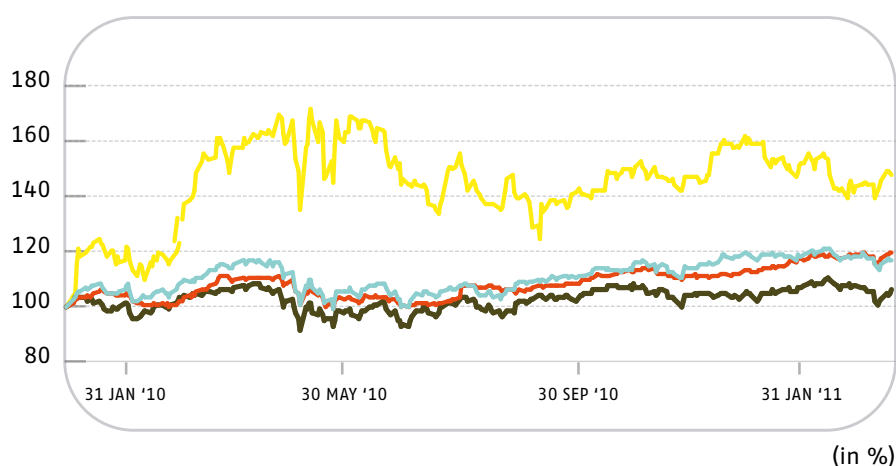
## SUMMARY OF THE EVOLUTION OF THE RECTICEL SHARE AND SEVERAL LEADING INDICES

	CLOSING PRICE		Δ 2010 / 2009
	31 DEC 2009	31 DEC 2010	
RECTICEL (ordinary) share (in EUR)	<b>5.03</b>	<b>7.93</b>	<b>57.7%</b>
BEL-20 index (in points)	2 511.62	2 578.60	2.7%
BEL-MID index (in points)	2 826.34	3 345.64	18.4%
BEL-SMALL index (in points)	5 867.60	6 547.91	11.6%
DJ EURO STOXX 50 (in points)	2 966.24	2 792.82	-5.8%
Highest price (ordinary) share RECTICEL (in EUR)	6.00 (17-18 September)	8.64 (13 May)	44.0%
Lowest price (ordinary) share RECTICEL (in EUR)	1.95 (16 March)	5.04 (04 January)	258.5%
Market capitalisation (in million EUR)	145.8	229.4	57.4%
Total number of shares traded	8 117 974	17 807 552	119.4%
as % of total number of shares issued (at 31 december)	28.1%	61.6%	
Average daily traded volume (number of shares)	31 981	68 246	113.4%

The price of the Recticel-share can always be consulted directly on the following websites: [www.recticel.com](http://www.recticel.com) and [www.euronext.com](http://www.euronext.com).

109

### // Trend of the Recticel share price compared to the BEL 20, the BEL Mid and the BEL Small index



— Recticel      — BEL 20  
— BEL Small index      — BEL Small index

" Over the past year, the recticel share price (+57.7%) performed significantly better than the leading indices. "

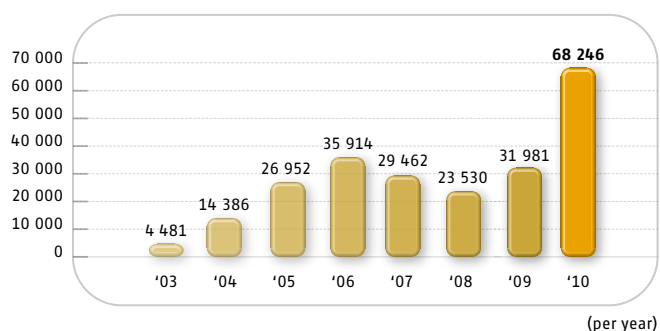


## LIQUIDITY OF THE RECTICEL-SHARE

"Big investor interest for the Recticel-share in 2010."

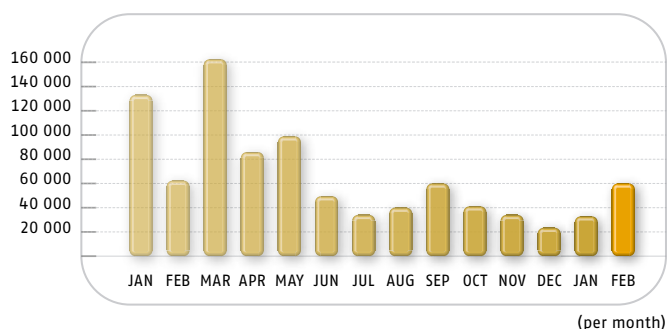
Despite the difficult and extremely volatile stock market, the general rising trend of the average daily volume over the last years has continued without any trouble. With 68 246 units, the daily volume in Recticel shares was substantially higher than the long term average over the last 7 years.

### // Average daily volume in shares



Due to the gradual reduction of the Recticel equity reserved by several original reference shareholders, the gradual onset of a varied number of foreign institutional investors and the general growing interest of private and institutional investors, the group was able to see the volume of free float shares (free float) rise gradually from 33.47% in 2003 to 61.92% by the end of 2010.

### // Average daily volume of shares 2010-2011



KBC Securities functions as *liquidity provider* for the Recticel share.

## INCLUSION IN SHARES INDICES

The Recticel share is included in the following shares indices: situation on 31 DEC 2010 (the situation on 31 DEC 2009 in brackets).

INDEX	WEIGHT OF RECTICEL IN INDEX
NYSE Euronext™ BEL MID index	1.00% (4.22% in NYSE Euronext™ BEL SMALL index)
IN.Flanders index	1.70 (1.50%)
NYSE Euronext™ BEL Chemicals	1.68% (1.28%)
NYSE Euronext™ BEL Basic Materials	1.55% (1.19%)

The BEL MID-index is the *benchmark* for the Belgian medium sized companies (*mid caps*) on NYSE Euronext™ in Brussels. This reference indicator has 33 shares. The weight that Recticel has in this index is 1.00%. The Recticel share was included in this category for the very first time in the middle of 2010. In the years before this, Recticel was classified in the NYSE Euronext™ SMALL index.

The IN.flanders-index is a unique shares index with a strong focus on sustainability, developed by vwd group Belgium in cooperation with KBC Asset Management. The IN.flanders-index combines the share rates of the 60 largest employers in Flanders. This index puts a strong focus on internal social policy, sustainability and the socially responsible character. Since 01 October 2010, the Recticel weight in this index has been 1.70% (compared to 1.50% in 2009).

**REC**  
**LISTED**  
**NYSE**  
**EURONEXT**

111

## STOCK OPTION PLANS

Contrary to the previous years, no new warrant plan was issued in 2010 for senior executives of the Recticel Group on an international level. At the same time a former warranty plan from 2001, which was never executed, expired.

The current (on 01 JAN 2011) outstanding stock option plan can be summarized as follows:

ISSUE	NUMBER OF WARRANTS ISSUED	NUMBER OF WARRANTS NOT YET EXERCISED	EXERCISE PRICE (IN EUR)	EXERCISE PERIOD
2002	100 000	100 000	9.50	01 JAN 06 - 05 DEC 11
2006	306 000	306 000	9.65	01 JAN 10 - 21 DEC 17
MAY 2007	48 000	48 000	10.47	01 JAN 11 - 01 MAY 18
DEC 2007	390 000	390 000	9.78	01 JAN 11 - 02 DEC 18
DEC 2008	540 000	540 000	4.29	01 JAN 12 - 23 DEC 14
DEC 2009	584 000	584 000	5.05	01 JAN 13 - 21 DEC 15
<b>TOTAL</b>	<b>1 968 000</b>	<b>1 968 000</b>		

→

In the middle of 2007, Recticel issued a convertible bond for a total amount of EUR 57.5 million and with a duration of 10 years. This bond loan can be converted by the holders into ordinary Recticel- shares at a current (01 January 2011) conversion price of EUR 13.42. As a result of this, a theoretical total of 4 284 649 new shares could be created. The following table provides a summary of the potential total dilution effect.

	NUMBER	CURRENT % OF TOTAL NUMBER OF SHARES IN ISSUE	% SHARES IN ISSUE IN CASE OF FULL DILUTION
Ordinary shares	28 931 456	100%	82.2%
New shares from exercise of warrants	1 968 000		5.6%
New shares from conversion of bond loan <sup>(1)</sup>	4 284 649		12.2%
<b>Total</b>		<b>100%</b>	<b>100%</b>

(1) maximum number of new shares, without deduction of the convertible bonds bought back by the Group at the end of 2008 and in 2009.

## FOLLOW-UP BY FINANCIAL ANALYSTS

At the start of 2011, there were 5 *sell-side* analysts following the Recticel share. Recticel has always acknowledged the importance of an active analyst follow-up. By being permanently available for the financial analysts, Recticel hopes to indirectly enjoy continuous increased attention from both private and professional investors, as well as with domestic and foreign investors. As a matter of fact this has resulted in a continuous improvement of the familiarity and the liquidity of the share over the past few years.

The organizations that closely monitor Recticel and regularly publish *sell-side* analysis reports are (in alphabetical order):

situation in March 2011	
ORGANIZATION	ANALYST
Bank Degroof	Bernard Hanssens
Exane BNP Paribas	Mark Gevens
ING	Emmanuel Carlier
KBC Securities	Wim Hoste
Petercam	Jan Van den Bossche

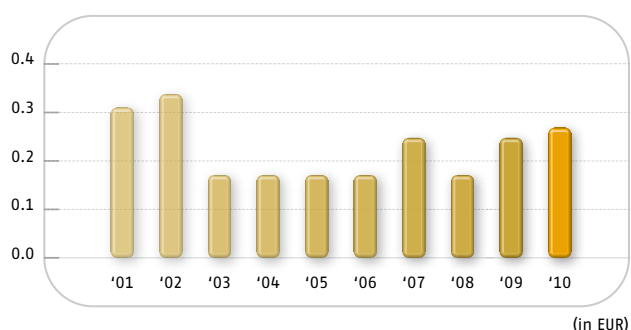
Most analyst reports are available for information purposes on the Recticel website free of charge ([www.recticel.com](http://www.recticel.com)).

## DIVIDEND POLICY

The Annual General Meeting decides on the appropriation of the amounts available for the distribution, proposed by the Board of Directors.

The Board of Directors of the Group has the intention to increase the dividend as profits increase, while ensuring the possibility of investment opportunities to secure the growth of the company and the long term balance structure.

### // Gross dividend per share



## DIVIDEND PAYMENT

Subject to approval by the General Meeting of 10 May 2011 of the profit appropriation, a dividend of EUR 0.27 gross will be paid per share (for ordinary shares: EUR 0.2025 net (~25% withholding tax) and for shares + VVPR-strip EUR 0.2295 net (~15% withholding tax)). This dividend will be payable from 31 May 2011 on presentation of coupon no.17 at the counters of the KBC bank.

The payment for the registered shares will take place via bank transfer on the shareholders' bank account.

## DIVIDEND

Gross dividend per share	EUR 0.27
Date of payment of dividend	31 MAY 2011
On presentation of coupon	nr. 17

## FINANCIAL CALENDAR FOR SHAREHOLDERS

First quarter trading update 2011 (for stock exchange opening)	10 MAY 2011
Annual General Meeting	10 MAY 2011
Payment of dividend	31 MAY 2011
Publication of interim results 2011 (for stock exchange opening)	30 AUG 2011
Third quarter trading update 2011 (for stock exchange opening)	10 NOV 2011





# Corporate Governance statement

Recticel publishes its Corporate Governance Charter on its web site ([www.recticel.com](http://www.recticel.com)) in accordance with the assessment of the Belgian Corporate Governance Code 2009. Any interested party can download the Charter here, or request a copy from the company's registered office. The Charter contains a detailed description of the governance structure and the company's governance policy. The Recticel Corporate Governance Charter was recently updated and is endorsed by the Board of Directors of 3 March 2011. Recticel uses the Belgian Governance Code of 2009 as reference code.

This chapter contains information regarding Corporate Governance in general and, the application of the Code during the last financial year in particular.

In accordance with the Companies Code, the Board of Directors is authorized to undertake all necessary actions to achieve the company's objective, except those that only the General Meeting is authorized to perform by law. The competencies of the Board of Directors are not limited any further by the statutes.

The internal regulations of the Board of Directors are described in Recticel's Corporate Governance Charter.

## COMPOSITION OF THE BOARD OF DIRECTORS

Recticel's Board of Directors currently consists of twelve members. There are four independent Directors and seven non-Executive Directors. One Director, Olivier Chapelle BVBA, Chief Executive Officer, is the Executive Director. The Chief Executive Officer represents the management and five Directors represent the reference shareholders.

The following table provides an overview of the members of Recticel's Board of Directors during the financial year 2010 to date.

NAME	FUNCTION	TYPE	YEAR OF BIRTH	
Etienne DAVIGNON	Voorzitter	Non-executive	1932	
Olivier CHAPELLE <sup>(1)</sup>	Managing Director (from 1/4/2010)	Executive	1964	
Luc VANSTEENKISTE <sup>(2)</sup>	Managing Director (till 31/3/2010) Vice Chairman (from 1/4/2010)	Non-executive	1947	
Guy PAQUOT	Vice Chairman (from 1/4/2010)	Non-executive	1941	
Pol BAMELIS <sup>(3)</sup>	Director	Independent	1939	
André BERGEN <sup>(4)</sup>	Director (from 3/3/2011)	Independent	1950	
Vincent DOUMIER	Director	Non-executive	1955	
Henk JANSSEN <sup>(5)</sup>	Director	Non-executive	1958	
Wilfried VANDEPOEL	Director	Independent (till 17/5/2011) Non-executive (from 18/5/2011)	1945	
Tonny VAN DOORSLAER	Director	Independent	1951	
Louis H. VERBEKE <sup>(6)</sup>	Director	Independent (till 4/11/2010) Non-executive (from 5/11/2010)	1947	
Klaus WENDEL	Director	Independent	1943	
Luc WILLAME <sup>(7)</sup>	Director	Independent	1943	
Jacqueline ZOETE	Director	Independent	1942	

(1) in his capacity as Manager of Olivier Chapelle BVBA.

(2) in his capacity as Chief Executive Officer of Vean NV.

(3) in his capacity as Chief Executive Officer of Pol Bamelis NV.

(4) in his capacity as Manager of André Bergen Comm. V.

(5) in his capacity as Chief Executive Officer of Mercator Verzekeringen NV.

(6) in his capacity as Manager of Louis Verbeke BVBA.

(7) in his capacity as Chief Executive Officer of Sogelam NV.

## AMENDMENTS SINCE THE PREVIOUS ANNUAL REPORT – STATUTORY APPOINTMENTS – PRESENTATION OF NEW DIRECTORS

As proposed by the Board of Directors and the recommendation by the Remuneration and Nomination Committee in the Annual General Meeting dated 11 May 2010, the Director's mandates of Mr. Tonny VAN DOORSLAER and Klaus WENDEL were renewed for a period of three years which will end after the Annual General Meeting of 2013. The Director's mandate of the limited company "*POL BAMELIS*", represented by Mr. Pol BAMELIS, is renewed for a period of one year and will end after the Annual General Meeting of this year 2011.

Moreover, in the Annual General Meeting dated 11 May 2010, the Director's mandate of the BVBA "*OLIVIER CHAPELLE*", represented by Mr. Olivier CHAPELLE, was confirmed for a period which will end after the Annual General Meeting of 2012 and Mrs. Jacqueline ZOETE was appointed new Director for a period of two years, which will end after the Annual General Meeting of 2012.

	START OF MANDATE	END OF MANDATE	PRIMARY FUNCTION OUTSIDE OF RECTICEL	MEMBERSHIP COMMITTEE
	1992	2012		RC (till 3/3/2011) AC
	2009	2012		MC (from 1/4/2010)
	1991	2012	Sioen Industries NV Chairman	
	1985	2012	Compagnie du Bois Sauvage NV Chairman	RC
	2004	2011		
	2011	2013		RC AC (from 3/3/2011)
	2007	2011	Compagnie du Bois Sauvage NV Managing Director	AC
	2005	11/5/2010	Mercator Verzekeringen NV Managing Director	
	1999	2012	Lessius Corporate Finance NV Managing Director	AC
	2004	2013	Spector Photo Group NV Chairman	AC
	1998	2012	Vlerick Leuven Gent Management School Chairman	RC
	2005	3/3/2011		AC (till 3/3/2011)
	2008	2012		RC
	2010	2012		

AC = Audit Committee  
MC = Management Committee  
RC = Remuneration & Nomination Committee

Mr. Klaus WENDEL and the limited company "*POL BAMELIS*", represented by Mr. Pol BAMELIS, were also appointed independent Directors, in the sense of article 524 §2 and 526bis §2 of the Companies Code. They meet all the criteria indicated in article 526ter of the Companies Code. They also meet the independence criteria of the Code on Corporate Governance 2009.

It should also be noted that the BVBA "*LOUIS VERBEKE*", represented by Mr. Louis VERBEKE, is no longer an independent Director since 5 November 2010, as he had reached the legal maximum period of twelve years at that moment. Since then, he has been acting as non-Executive Director. Mr. Wilfried VANDEPOEL will remain independent Director up to 18 May 2011 after which he will also become a non-Executive Director, as he will also have reached the same maximum period.

On 3 March 2011 Mr. Klaus WENDEL resigned as member of the Board of Directors. The Board of Directors co-opted the new limited company "*ANDRE BERGEN*", represented by Mr. André BERGEN, to complete the Directors' mandate of Mr. Klaus WENDEL, which expires in May 2013. The new limited company "*ANDRE BERGEN*", represented by Mr. André BERGEN, also became Chairman of the Audit Committee and member of the Remuneration and Nomination Committee at the same time.

The mandate of Mr. Vincent DOUMIER, as non-Executive Director, as well as the mandate of the limited company "*POL BAMELIS*", represented by Mr. Pol BAMELIS, as independent Director, ends after the Annual General Meeting of this year 2011.

The Board of Directors will propose the following appointments at the Annual General Meeting of 10 May 2011:

- The renewal of the mandate of Mr. Vincent DOUMIER for a new period of four years which will end after the Annual General Meeting of 2015.
- Ratification of the resignation of Mr. Klaus WENDEL as Director starting 3 March 2011 and definite replacement by the new limited company "*ANDRE BERGEN*", represented by Mr. André BERGEN, for the remaining duration of the mandate, which will end after the Annual General Meeting of 2013.
- Replacing the limited company "*POL BAMELIS*", represented by Mr. Pol BAMELIS, appointing Mr. Pierre Alain DE SMEDT as Director for a period of four years which will end after the Annual General Meeting of 2015.

The Board of Directors also suggests appointing Mr. Pierre Alain DE SMEDT and the new limited company "*ANDRE BERGEN*", represented by Mr. André BERGEN, as independent Directors, in the sense of article 524 §2 and 526bis §2 of the Companies Code, until the maturity of their mandate. They meet all the criteria indicated in article 526 ter of the Companies Code. They also meet the independence criteria of the Code on Corporate Governance 2009.

Mr. André Bergen (1950) has a Masters degree in Economy from the Catholic University of Leuven, and was CEO of the KBC Group from 2003 through 2009. From 1999 through 2003 he was the CFO of Agfa Gevaert, after a long career in banking at the earlier Generale Bank and Kredietbank. Currently he is also Director at amongst other NYSE Euronext™, Cofinimmo, Taminco and Ahlers.

Mr. Pierre Alain De Smedt (1944) has a Masters degree in Business Engineering and in Commercial and Financial Sciences from the Université Libre de Bruxelles. From 1966 through 1973 he held various functions at Bosch, Siemens and Solvay. He was CFO and CEO at Volkswagen Brussels from 1973 through 1987. From 1988 through 1989 he was CEO of Tractebel, after which he returned to the Volkswagen Group, where he fulfilled various international functions, before moving on to the Renault Group, as Vice Director-General from 1999 through 2004. He is currently Chairman of the VBO and holds various other Directors' mandates at amongst other Febiac, Deceuninck, Alcopia, Belgacom and Avis Europe.

## OPERATION OF THE BOARD OF DIRECTORS

The Board of Directors gathered a total of six times in 2010. One meeting handled mainly the 2010 budget and two meetings handled the establishment of the annual accounts as per 31 December 2009 and the mid-year accounts as per 30 June 2010. One meeting exclusively handled a revision of the strategy of the Recticel Group.

Each meeting also addressed the state of affairs per department and the most important current and/or divestment files. Other subjects (human resources, external communication, litigations and legal issues, delegations of authority and such) are discussed as and when necessary.

The written decision procedure was not applied in 2010.

Mr. Philippe JOUS, Corporate General Counsel and General Secretary, fulfilled the role of Secretary of the Board of Directors and was assisted by Mr. Dirk VERBRUGGEN, Company Secretary.

The individual attendance rate of the Directors at the meetings in 2010 was:

Etienne DAVIGNON	100%
Guy PAQUOT	66%
Luc VANSTEENKISTE	100%
Olivier CHAPELLE	100%
Pol BAMELIS	50%
Vincent DOUMIER	83%
Henk JANSSEN *	50%
Wilfried VANDEPOEL	83%
Tonny VAN DOORSLAER	83%
Louis VERBEKE	83%
Klaus WENDEL	83%
Luc WILLAME	100%
Jacqueline ZOETE **	100%

\* End of mandate on 11 May 2010/percentage of two meetings.

\*\* Commencement of mandate on 11 May 2010/percentage of four meetings.



## COMMITTEES SET UP BY THE BOARD OF DIRECTORS

### → THE AUDIT COMMITTEE

In accordance with Company law, the Audit Committee governs the financial reporting process, the effectiveness of the internal control and risk management systems of the company, the internal audit, the statutory control of the annual accounts and the consolidated accounts, and the Auditor's independence. The Audit Committee's internal regulations are included in the Corporate Governance Charter.

The Audit Committee consists of five members. All members are non-Executive Directors and two of the members, including the Chairman, are independent members. Mr. Philippe Jous, Corporate General Counsel & General Secretary, is the secretary of the Audit Committee.

The composition of the Audit Committee complies with the stipulations of Recticel NV's statutes and the relevant provisions of the Companies Code, but does not comply with principle 5.2. /4. of the Belgian Corporate Governance Code 2009 which provides that at least the majority of the members of the Audit Committee must be independent. Recticel's Board of Directors contends to meet the spirit of this provision, since it still considers Mr. Etienne DAVIGNON as independent in this context. Mr. Davignon meets all relevant requirements, except the maximum period of twelve years of his mandate.

In accordance with article 526bis of the Companies Code, Recticel NV declares that the Chairman of the Audit Committee, previously Mr. Klaus Wendel and currently Mr. André Bergen, meets the independence requirements and that they possess the requisite expertise in accounting and auditing.

The following table contains the members of the Audit Committee during the financial year 2010 to date.

NAME	FUNCTION	ATTENDANCE RATE IN 2010
Klaus WENDEL <sup>(1)</sup>	Chairman	100%
André BERGEN <sup>(2)</sup>	Chairman	NA
Etienne DAVIGNON	Member	80%
Vincent DOUMIER	Member	100%
Wilfried VANDEPOEL	Member	80%
Tonny VAN DOORSLAER	Member	100%

(1) Resignation on 3 March 2011.

(2) Chairman since 3 March 2011.

The Audit Committee convened five times in 2010. Two meetings were devoted primarily to the audit of the annual accounts per 31 December 2009 and the interim accounts per 30 June 2010. All meetings also focus on the internal audit program, risk management, taxation and IFRS related accounting questions.

## → THE REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee makes proposals to the Board of Directors regarding the remuneration policy and the individual remuneration of Directors and members of the Management Committee and will in future prepare and explain the remuneration report at the Annual General Meeting. They also make the necessary proposals regarding the evaluation and re-nomination of Directors as well as the appointment and induction of new Directors. The internal regulations of the Remuneration and Nomination Committee are included in Recticel's Corporate Governance Charter.

The Remuneration and Nomination Committee consists of three members, all non-Executive Directors, of which two are independent Directors. Mr. Dirk Verbruggen, Company Secretary, fulfils the role of secretary of the Remuneration and Nomination Committee.

The composition of the Remuneration and Nomination Committee meets the new requirements with respect to the Companies Code, as well as the requirements of the Belgian Corporate Governance Code.

The Committee is composed as follows:

NAME	FUNCTION	ATTENDANCE RATE IN 2010
Etienne DAVIGNON <sup>(1)</sup>	Chairman	100%
Luc WILLAME <sup>(2)</sup>	Chairman	66.66%
André BERGEN <sup>(3)</sup>	Member	NA
Louis VERBEKE	Member	100%

(1) Resignation on 3 March 2011.

(2) Resignation on 3 March 2011.

(3) Member since 3 March 2011.

In accordance with article 526ter of the Companies Code, Recticel declares that the Remuneration and Nomination Committee possesses the necessary expertise in the area of remuneration policy.

The Remuneration and Nomination Committee convened twice in 2010.

The first meeting dealt with the salaries and bonuses of Executive Management and the second meeting dealt with the Law of 6 April 2010 to strengthen the Corporate Governance of listed companies and in particular the provisions concerning the remuneration report as well as the new criteria for granting a compensation to the Executive Management and the obligation of distribution of the variable compensation in time.

→ From left to right, standing: Paul Werbrouck, Jean-Pierre De Kesel, Philippe Jous, Marc Clockaerts, Bart Wallaëys, Eduard Dupont, Jean-Pierre Mellen and Olivier Chapelle.  
From left to right, seated: Caroline Deschaumes, Jan De Moor, Robert Westdijk and Betty Bogaert.





## THE EXECUTIVE MANAGEMENT

The Board of Directors, commencing 1 April 2010, have entrusted the company to BVBA "OLIVIER CHAPELLE", located in 1180 Brussels, Drève Pittoresque, 83, represented by its Manager and permanent representative, Mr. Olivier CHAPELLE.

The Chief Executive Officer is assisted by the Management Committee, of which the members (for the period 2010 to present) are indicated in the following list:

NAAM	FUNCTIE
Olivier CHAPELLE <sup>(1)</sup>	Chief Executive Officer (as from 1/4/2010)
Luc VANSTEENKISTE <sup>(2)</sup>	Chief Executive Officer (until 31/3/2010)
Betty BOGAERT	Group ICT & Business Support Manager
Marc CLOCKAERTS <sup>(3)</sup>	Group General Manager Automotive
Dominique DECLERCK <sup>(4)</sup>	Deputy General Manager Flexible Foams
Jean-Pierre DE KESEL	Deputy General Manager Bedding
Jan DE MOOR <sup>(5)</sup>	Group Human Resources & Corporate Communication Manager
Caroline DESCHAUMES	Group General Manager Bedding
Edouard DUPONT	Group General Manager Flexible Foams
Philippe JOUS <sup>(6)</sup>	General Secretary & Corporate General Counsel
Jean-Pierre MELLE <sup>(7)</sup>	Chief Financial Officer
Bart WALLAEYS	Group Manager Research and Development
Paul WERBROUCK	Group General Manager Insulation

(1) commencing 1 April 2010 in his capacity as Manager and permanent representative of Olivier Chapelle BVBA.

(2) till 31 March 2010 in his capacity as Chief Executive Officer and permanent representative of Vean NV.

(3) in his capacity as Manager and permanent representative of Emsee BVBA.

(4) till 28/10/2010 in his capacity as permanent representative of Dymis Distribucion S.L.

(5) in his capacity as Manager and permanent representative of Cape-3 BVBA.

(6) in his capacity as Manager and permanent representative of Caamous Comm.VA.

(7) since 1 January 2011 in his capacity as Manager and permanent representative of De Ster BVBA.

The Management Committee has an advisory role on behalf of the Board of Directors as a whole and is not an executive Committee in the sense of the Companies Code.



## TRANSACTIONS AND OTHER CONTRACTUAL TIES BETWEEN THE COMPANIES AND LINKED COMPANIES AND THE DIRECTORS OF THE MANAGEMENT COMMITTEE

Chapter VII.1. of the Recticel Corporate Governance Charter describes Recticel NV's policy on transactions that are not included in the conflict of interest scheme.

Commercial transactions, which are mainly the result of a joint product development, occur between the Sioen Group and the Recticel Group.

More specifically, the Recticel Group companies purchased for EUR 1 348 000 in 2010 and sold for EUR 142 000 with companies of the Sioen Group.

During 2010 there were no conflicts of interest between a Director and the company as indicated in article 523 and 524 of Companies Code except with regard to the amendment of the management services agreement of VEAN NV, represented by Mr. Luc VANSTEENKISTE, which provided a fixed compensation of a total of EUR 66 666.67 per month, in the context of the allocation of a special bonus of EUR 486 250 for the particular services provided in 2009 by VEAN NV, whereby the last mentioned had a conflict of interest. The procedure of article 523 was applied. This refers to the statutory annual report, containing an extract of the minutes of 2 July 2010, which can be consulted on Recticel's website.

No other applications occurred in this regard.

## INSIDER TRADING AND MARKET MANIPULATION

The company policy regarding the prevention of insider trading and market manipulation is further explained in chapter VII.2 of Recticel's Corporate Governance Charter.

These measures include the implementation of restrictions on the execution of transactions (« *closed periods* ») applicable since 2006.

Mr. Dirk VERBRUGGEN was appointed as Compliance Officer, responsible for monitoring the observance of these regulations.

## RELATIONSHIPS WITH THE REFERENCE SHAREHOLDERS AND OTHER ELEMENTS RELATED TO POSSIBLE PUBLIC TAKEOVER BIDS

Recticel NV is controlled by a group of shareholders that are bound by a shareholder agreement dated 22 August 2007. This shareholders agreement runs for a period of three years and, except for early termination, is automatically renewable for periods of one year.

The shareholders agreement provides that the shareholders will collectively support Recticel's strategy and that they will take on a collective position in the Annual General Meeting. A resale right and royalties right also exist.

These shareholders linked by a shareholders agreement also act in consultation with Rec-Man & Co S.C.A., a company of Recticel managers, holding 295 836 Recticel shares (1.02%), and other Recticel managers via a company and/or in personal name. In accordance with article 74 of the Law on Public Takeover, this group of shareholders have informed Recticel and the Authority for Financial Services and Markets (FSMA – Financial Services and Markets Authority) of the legally stipulated notification.

The cooperating shareholders on 31 December 2010 were:

NAME	NUMBER OF SHARES	%
Compagnie du Bois Sauvage S.A.	8 288 006	28.65
Entreprise et Chemin de Fer en Chine S.A.	308 024	1.06
Vean N.V. (Luc Vansteenkiste)	767 188	2.65
LMCL Comm. VA (Luc Vansteenkiste)	50 000	0.17
Sihold N.V.	745 105	2.58
Debco N.V.	9 766	0.03
AB Holding SPF SA (previously Law S.A.)	2 369	0.01
Cape-3 BVBA (Jan De Moor)	1 200	<0.01
Sallas (Coopman-De Baedts)	103 377	0.36
Physical people < 1%	103 647	0.36
Rec-Man & Co S.C.A.	295 836	1.02
<b>TOTAL</b>	<b>10 674 518</b>	<b>36.896</b>



Here follows the overview of the shareholders who, under the statutes of the law, have addressed a notification to the company and to the FSMA (previously the CBFA):

NAME	NUMBER OF SHARES	%
Shareholders group around Compagnie du Bois Sauvage NV, acting in agreement (detail above)	10 674 518	36.896
Mercator Verzekeringen NV	1 260 630	4.357
Public	16 996 308	58.747

The capital structure, with the number of shares, strips, convertible bonds and warrants of the company can be found in the chapter "*Information on the Share*" of this Annual report.

There are no legal or statutory limitations on transfer of securities. There are no securities with special control rights. There is no mechanism for the control of any employee share scheme. There are no legal or statutory restrictions on the exercise of voting rights, for as far as the shareholder is legally represented at the Annual General Meeting, and his/her voting rights have not been suspended for any reason.

In accordance with the powers granted at the Annual General Meeting on 20 May 2008, and incorporated in article 6 of the Statute, the Board of Directors have certain powers to issue new shares, convertible bonds, bonds or subscription rights, with or without preferential rights, and offering these to shareholders or other persons, with restriction of the preferential right, under the Companies Code. In this way capital can be increased up to an amount equal to the current subscribed capital, EUR 72 328 640, in all possible ways. The authorization is valid for a period of three years, and if appropriate, proposals for renewal are made. It may even be exercised after receipt of the notice given by CBFA (now FSMA) that a notice of public takeover was submitted.

Under article 15 of the status the company is entitled to acquire or dispose of its own shares of the company, without a decision by the Annual General Meeting, if this acquisition is necessary in order to avoid an imminent and serious harm to the company under article 620 or 622 of the Companies Code.

There are no agreements between the company and its Directors or employees that would provide for compensations after a public takeover bid, the Directors resigning or departing without any valid reason, or the employment of the employees being terminated.

The following agreements, whereby the company is party, contain the clauses that take effect, undergo changes or end in the event of a change of control of Recticel:

- The "*Senior Facilities Agreement*" undersigned on 1 February 2008 between Recticel NV and Recticel International Services NV on the one hand, and Fortis Bank NV, ABN Amro Bank NV, Commerzbank AG and KBC Bank NV on the other, for an amount of EUR 230 000 000, where, in the event of a change of control, the credit becomes redeemable;
- The conditions of the 1 150 convertible bonds of EUR 50 000, for a total amount of EUR 57 500 000, issued on 11 July 2007, and providing a put option for the bond holders and an amendment of the conversion prices, in the even of a change of control of Recticel.

These clauses were specifically approved by Recticel's General Meeting.

## EXTERNAL AUDIT

The external audit of Recticel NV's company and consolidated annual accounts were entrusted to the limited liability cooperative company "*DELOITTE Bedrijfsrevisoren*", represented by Mr. Kurt DEHOORNE at the Annual General Meeting of 2010.

The Auditor conducts its audits in accordance with the standards of the Belgian Institute of Company Auditors and delivers a report which confirms if the company annual accounts and the consolidated financial statements of the company reflect a true image of the assets, financial condition and results of the company. The Audit Committee investigates and discusses these bi-annual reports in the presence of the Auditor, and afterwards also with the Board of Directors.

The Auditor's remuneration on the audit of Recticel NV's company and consolidated account and the consolidated financial statements intended in article 134, §1 of the Companies Code, amounts to EUR 250 000 per year, to be indexed. Apart from this remuneration the Auditor also invoiced EUR 19 800 for additional audits and EUR 32 450 for tax advisory orders. The details of these compensations are included in the explanatory notes on VOL 5.15 in the statutory annual account.

The global amount of the Auditor's remunerations for additional services to the Recticel Group amount to EUR 483 458. This global amount includes a sum of EUR 27 100 for additional audit, legal and corporate finance assignments. Since the Auditor's total service fees amount to a group level of EUR 809 75, the limit intended in article 133 of the Companies Code on consolidated level is not exceeded.

Details on these compensations are included in the explanatory notes in the financials part of the Consolidated Annual report.

The Auditor's mandate was extended in 2010 and will end after the Annual General Meeting of 2013.



## INTERNAL CONTROL AND RISK MANAGEMENT

Every entity exists to create value for the stakeholders and this forms the basis of risk management for every company. The challenge that faces the Board of Directors and Executive Management is in determining how much uncertainty they wish to accept in their strive for creating value. The value is maximized if the administration is successful in creating an optimal balance between growth and turnover on the one hand and the connected risks on the other.

Identifying and quantifying the risks and setting up and maintaining an efficient control mechanism is the responsibility of Recticel Group's Board of Directors and Executive Management.

The framework for internal control and risk management applied by the Recticel Group is based on the COSO (Committee of Sponsoring Organisations of the Treadway Commission) model and is in line with the requirements imposed by the Belgian Corporate Governance Code, taking into account the Recticel Groups size and specific needs.

Since mid 2010 the Board of Directors and the Executive Management have reviewed the framework for internal control and risk management and an amended Compliance programme is currently being developed and systematically implemented.

The basis will be formed by a revised Code of Conduct, applicable on all Recticel Directors, Corporate officers and employees.

These principles are further explained in the Business Control Guide, which explains them in more detail and provides more concrete guidelines, for instance guidelines on the level of Tax Management, Treasury management, Accounting policies, Investments, Purchases, Mergers and Takeovers, and such. The internal financial reporting and control occurs based on the Group Accounting Manual, Group Accounting Methodology and Cost Accounting Methodology.

This Business Control Guide includes the general delegation of deciding powers and responsibilities for specific areas of competence.

The Board of Directors and Executive Management regularly reviews the most important risks that the Recticel Group is exposed to and submits a list of priorities. A general description of the risks can be found in the financial part of this annual report under chapter VIII.



One of the objectives of the internal control and risk management system is also to ensure a timely, complete and accurate communication. To this end the Business Control Guide and all other guidelines contain the necessary regulations on roles and responsibilities. Also, the necessary attention is given to ensuring the security and confidentiality of the data exchange, if and when necessary.

The Recticel Group is also working on revising its internal reporting system in the event of violation of its internal or external laws and regulations.

The Audit Committee, amongst other, has the task of informing and advising the Board of Directors regarding the annual follow up of the systems of internal control and risk management.

The Recticel Group have also setup an Internal Audit department that works based on an Internal Audit Charter. The Internal Audit has the primary function of delivering reports with opinions and other information on whether the internal audit is successful in meeting the pre-determined criteria. The Internal Audit aims at providing the necessary security that the Strategic objectives of the Recticel Group can be realized in the most efficient way. To this end they seek to ensure the following objectives:

- the reliability and integrity of the information;
- compliance with policies, plans, procedures, laws and agreements;
- safeguarding of assets;
- economical and efficient use of resources;
- achieving the goals set by operations and programs.

## REMUNERATION REPORT

### → INTRODUCTION

The Recticel Group's Remuneration policy can be found in the Corporate Governance Charter on the Recticel web site. This policy was also extensively included in the Annual report of 2009.

No further changes were made in 2010.

The Board of Directors of the Group have determined the remuneration of the Management Committee (hereafter the "*Executive Management*" or the "*senior managers*") on recommendation of the Remuneration and Nomination Committee .

In order to assist the Committee in its analysis of the competitive environment in Belgium and Europe, as well as other factors that are necessary for the evaluation of remuneration matters by the Committee, the Committee can call on the services of internationally acknowledged remuneration consultants.

The Remuneration and Nomination Committee have reaffirmed the principles of the Remuneration policy for 2011, however, considering the remuneration of the Directors, they have suggested to replace the Director's fees with a fixed annual compensation. The Board of Directors has accepted this proposal and will submit a proposal on this for approval to the Annual General Meeting. The system of the Directors' fees, associated with the outcome and dividend of the company was otherwise not in accordance with a strict interpretation of the Corporate Governance Code, as indicated in the previous Annual report, and for this reason is replaced. These changes will, if approved by the Annual General Meeting, lead to the Directors receiving a once off double remuneration in 2011, in other words the Directors' fees for 2010, and the fixed compensation for 2011.

131

### Remuneration of the Directors

The company's Directors are rewarded for their services with a fixed remuneration per attended meeting. The remuneration is determined by the council, but cannot exceed the maximum decided on in the Annual General Meeting of the shareholders for the following year. The Chairman of the Board receives a remuneration of 200% of the personal remuneration specified for other members of the Board.

The Board decides on additional remunerations for Committee members. The Chairman of the Committees receives a remuneration of 150% of the personal remuneration specified for other members of the Committee. The level as well as the structure of the remuneration of the Directors is reviewed annually.

In article 44, the statutes of the company determine that, if and when the annual general shareholders meeting decide to pay out a dividend on the shares, one sum equal to two percent of the Nett-amount of the dividend will be appointed as gross-remuneration to the Directors, who will then divide this sum between them according to the fixed regulations.

Non-Executive Directors of the Company receive no remuneration, bonus or equity-linked or other incentives for the company and its affiliates except as remuneration for their past services to the Company and/or its affiliates. The company will not grant credit, or maintain credit or award credit in the form of a personal loan, to any member of the company.

## Remuneration of the Executive Management

The remuneration of the Executive Management is calculated to:

- ensure that the company can attract, motivate and retain stable talent of a high calibre with great potential, with the view of measuring up to regional and international concurrent;
- motivate the achievement of Board approved objectives, with the view at increasing short, medium and long term shareholder value;
- stimulating, acknowledging and awarding personal and team performances.

The level as well as the structure of the remuneration of the Executive Management is reviewed annually.

The remuneration package for the Executive Management combines three integrated elements, which together is the "*total direct remuneration*". These integrated elements are the basic salary, the annual incentive bonus and the long-term incentives. The company will not grant credit, or maintain credit or award credit in the form of a personal loan or extend an existing credit, to any member of the Executive Management.

When determining the remuneration levels for the Executive Management, along with the internal factors, the remuneration of executives in Belgian multinational companies and medium sized companies are also taken into account. It is the intention to establish remuneration levels that, in general, lie on or around the average market level, for as far as the results of the company allow this.

## → PUBLICATION OF THE REMUNERATIONS OF THE DIRECTORS AND THE MEMBERS OF THE EXECUTIVE MANAGEMENT

### Gross remunerations of the Directors

Since 2006 Directors have received a remuneration of EUR 1 650 per attended meeting, and the Chairman has received double this amount. The members of the Audit Committee received EUR 2 500 per attended meeting and the Chairman EUR 3 750. The members of the Remuneration and Nomination Committee are entitled to EUR 2 500 per year ; the Chairman EUR 3 750.

NAME	EMOLUMENTS 2010	AUDIT COMMITTEE 2010	REMUNERATION AND APPOINTMENTS COMMITTEE 2010	DIRECTORS' FEES PAID IN 2010 REGARDING 2009	REMUNERATION FOR SPECIAL ASSIGNMENTS
Etienne DAVIGNON	EUR 19 800.00	EUR 10 000.00	EUR 3 750.00	EUR 18 289.39	-
Olivier CHAPELLE BVBA	EUR 9 900.00				-
Guy PAQUOT	EUR 6 600.00			EUR 9 144.69	-
VEAN NV	EUR 3 300.00				-
Vincent DOUMIER	EUR 8 250.00	EUR 12 500.00		EUR 9 144.69	-
Louis VERBEKE BVBA	EUR 8 250.00		EUR 2 500.00	EUR 9 144.69	-
MERCATOR Verzekeringen NV	EUR 1 650.00			EUR 9 144.69	-
Pol BAMELIS NV	EUR 4 950.00			EUR 9 144.69	-
Jean-Jacques SIOEN (+)				EUR 8 117.48	-
SOGELAM NV	EUR 9 900.00		EUR 2 500.00	EUR 9 144.69	-
Wilfried VANDEPOEL	EUR 8 250.00	EUR 10 000.00		EUR 9 144.69	-
Tonny VAN DOORSLAER	EUR 8 250.00	EUR 12 500.00		EUR 9 144.69	-
Klaus WENDEL	EUR 8 250.00	EUR 18 750.00		EUR 9 144.69	-
Jacqueline ZOETE	EUR 6 600.00				-

Remunerations of Executive Directors via a company (Olivier Chapelle BVBA and Vean NV through 31 March 2010) are calculated in their total salary package. Commencing 1 April 2010 the mandate of the Director of Vean NV is unpaid. Vean NV however still receives a remuneration based on his management agreement as explained below.

The payment of Directors' fees as part of the profit of the company to the Directors in accordance with the Statute provides a potentially performance related remuneration as intended in assessment 7.7. of the Belgian Corporate Governance Code 2009, that rejects such remuneration. As mentioned above a suggestion will be made to the Annual General Meeting to abolish the system of Directors' fees and to replace this with a fixed annual fee. For 2011 a fixed annual consideration will be suggested of EUR 9 000 for a Director, and EUR 18 000 for the Chairman.

Since 2006 the Directors' fees have been divided in equal parts, and where applicable, pro rata among the non-Executive Directors, except for the Chairman, who received 200%.

## Gross remunerations of the Management Committee

TOTAL COST TO THE COMPANY	OLIVIER CHAPELLE BVBA REP. BY OLIVIER CHAPELLE	VEAN NV REP. BY LUC VANSTEENKISTE	OTHER MEMBERS OF THE MANAGEMENT COMMITTEE		TOTAL	
	2010	2009	2010	2009	2010	2009
Number of persons	1	1	10	10	11	11
Basic salary	442 000	499 600	2 623 053	2 565 340	3 065 053	3 064 940
Variable remuneration	200 000	486 250	954 932	1 143 461	1 154 932	1 629 711
Pensions, insurances (group insurance) and other benefits	90 080	25 751	166 302	181 614	256 382	207 365
<b>Total</b>	<b>732 080</b>	<b>1 011 601</b>	<b>3 744 286</b>	<b>3 890 414</b>	<b>4 476 367</b>	<b>4 902 015</b>

### Remarks:

- In order to improve the comparability, also with a view at the future, for 2010 for Olivier Chapelle BVBA the complete annual amounts were included, without taking into account the fact that his mandate as CEO only started as per 1 April 2010. His remuneration has after all been running since 1 December 2009.
- The above mentioned amounts also include the social security contributions paid by the company and therefore form the gross-cost price for the company.
- The base salary of EUR 442 000 of Olivier Chapelle BVBA includes an amount of EUR 25 000 for a pension fund and EUR 17 000 for a company vehicle. The variable remuneration for the year 2010 was fixed with the signing of the agreement.
- The other members of the Management Committee all, on top of the abovementioned amounts, also have access to a company vehicle. All members also have a company mobile telephone.
- The abovementioned table does not include amounts paid out to Mr. Dominique Declerck, Deputy Business Line Manager Flexible Foams, as permanent representative of Dymis Distribucion S.L., given the fact that due to an internal reshuffle he was only a temporary member of the Management Committee in 2010, in order to ensure comparability with the previous and coming years.

From April 2010 through May 2012 Veau NV received a fixed compensation of EUR 66 666.67 per month in context of his management agreement, as defined at the end of 2009. This remuneration was not included in the previous table.

## Shares, stock options and other rights to acquire shares

Without any legal obligation and based on the Corporate Governance Code, the Board of Directors requested the Annual General Meeting of May 2010 for approval and obtained said approval for the release, later this year, of a stock option plan of up to 600 000 warrants for the senior executives of the Group.

Following the fact that, since August 2010, the company has been closed for a long period, as a result of the European cartel investigation into Recticel, it was decided that it was not necessary to issue a stock option plan, this plan was however postponed to the end of this closed period. This period was eventually ended on 7 March 2011, after which the procedure for issuing the stock option series for 2010 could be restarted.

Therefore, during the year 2010, no stock options or warrants, shares or other rights to acquire shares were allocated to the members of the Board of Directors, or to the members of the Management Committee.

## Primary contractual assessment of recruitment and departure regulation for the members of the Management Committee

Starting on 1 April 2010, Mr. Olivier Chapelle via his management company became CEO of the Recticel Group and member of the Management Committee.



Most agreements with the existing members of the Management Committee contain no end contract regulation. Consequently common law is decisive. Some members do have such regulation in proportion to their seniority. More specifically such regulation provides termination remuneration approximately equal to one month salary per worked year. The agreement with the new CEO provides a termination period or remuneration of twelve months salary.

Starting on 1 January 2011 Mr. Jean-Pierre Mellen exercises his activities as Chief Financial Officer of the Recticel Group via the company De Ster BVBA. The new service agreement was approved by the Board of Directors based on the recommendation of the Remuneration Committee. This agreement provides a notification period of fifteen months, which period is higher than the base period of twelve months provided by law. The Remuneration Committee also provided favourable recommendation on the extended period, considering the service agreement already in existence since April 2002 with Mr. Jean-Pierre Mellen, which provided a similar notification period.

Following an internal reorganization, Mr. Dominique Declerck, Deputy Business Line Manager Flexible Foams, permanent representative of Dymis Distribucion SL, member of the Management Committee since 1 January 2010, is – since 28 October 2010 – no longer a member of the Management Committee. He is however still bound, as before, with the Recticel Group and therefore the end contract regulation was not applied.

# Lexicon

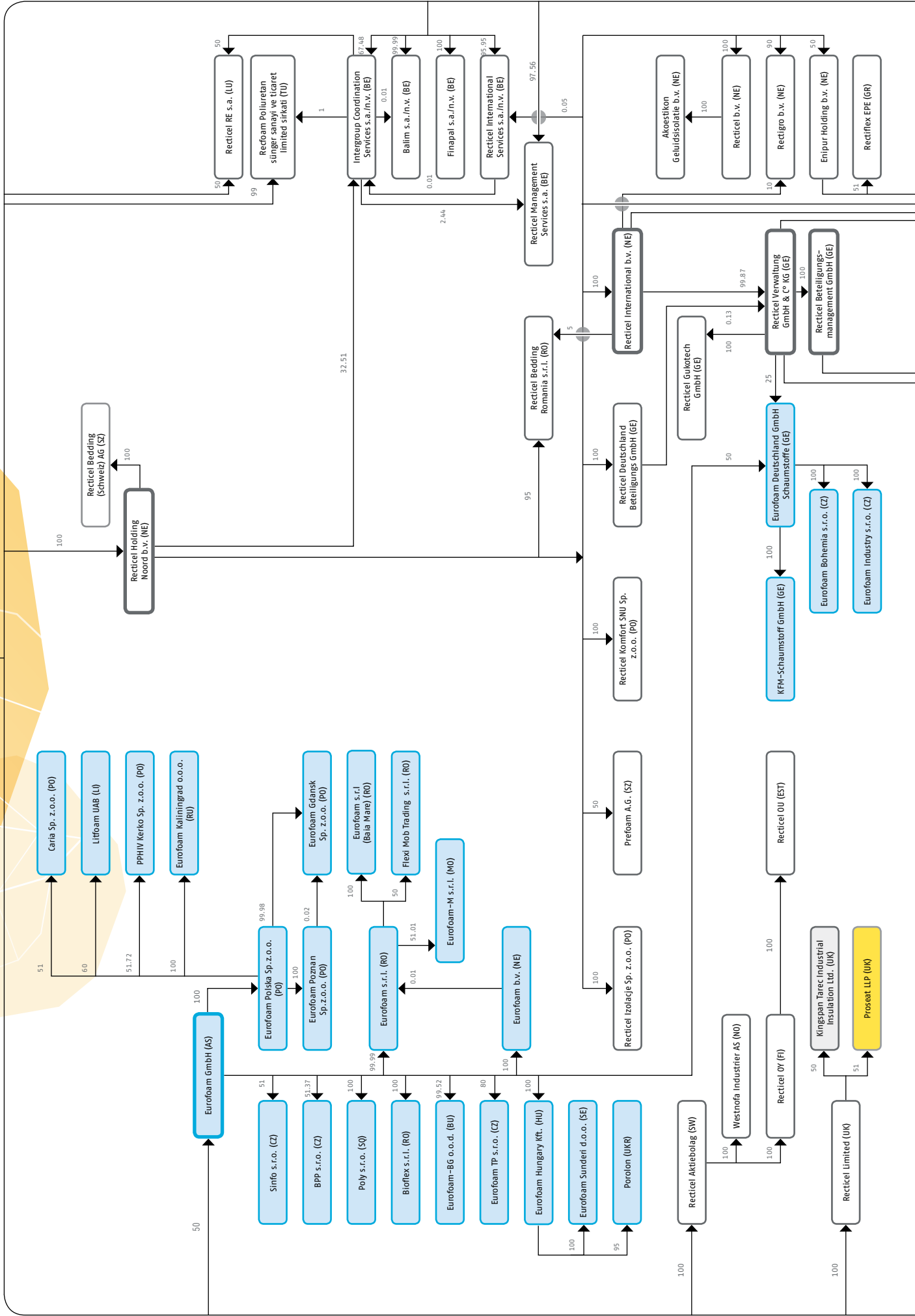
## General concepts

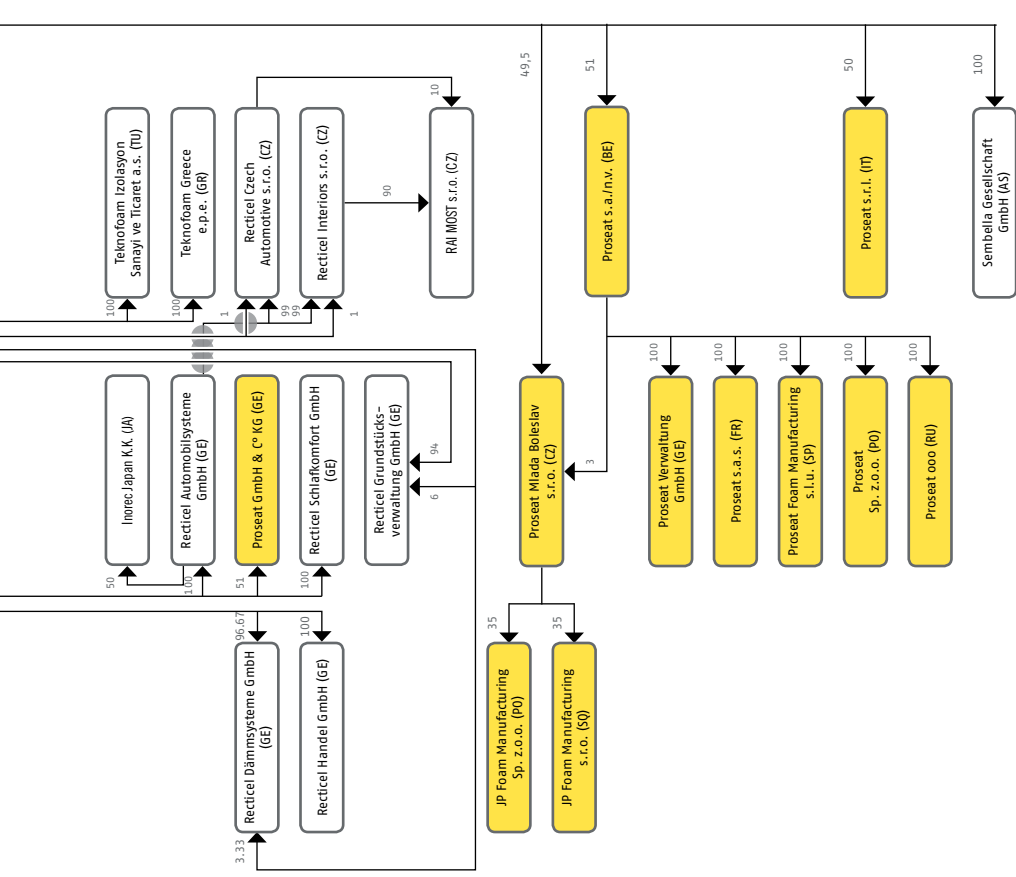
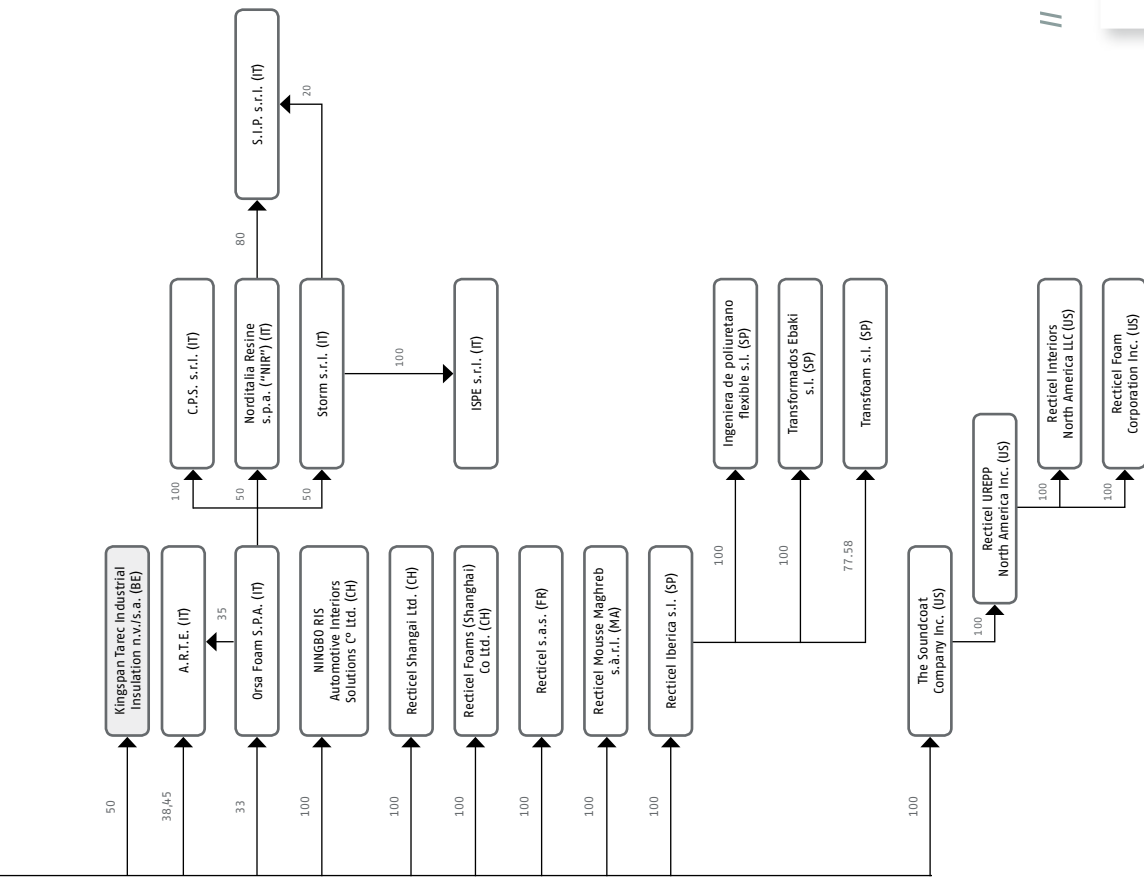
<b>Blowing agent</b>	Carbon dioxide is produced from the reaction of isocyanate and water. This gas functions as blowing agent in the production of flexible foam.
<b>Catalyst</b>	Accelerates the reaction process and ensures the balance in the polymerization and the blowing. Catalysts determine the foaming speed of the process.
<b>Dodecahedron</b>	A regular dodecahedron or a spatial figure with 12 pentagonal faces, 20 end points and 30 edges. This is one of the five regular polyhedra in three dimensions.
<b>Colo-Fast®</b>	Aliphatic polyurethane that is distinguished by its colour fastness (light-stable).
<b>Colo-Sense®</b>	Variation of Colo-Fast®.
<b>Frequency rate of industrial accidents</b>	Time cost of industrial accidents per million working hours.
<b>IDC</b>	Is short for International Development Centre, the department for international research and development of the Recticel Group.
<b>Isocyanate</b>	Highly reactive substance that easily combines with other substances (such as alcohols). The structure of these alcohols determines the hardness of the PU-foam.
<b>Lambda</b>	Expression of the thermal conductivity of thermal insulation.
<b>MDI</b>	Is short for Methylene diphenyl diisocyanate.
<b>PIR</b>	Abbreviation for polyisocyanurate.
<b>Polyisocyanurate</b>	Is an improved version of polyurethane. PIR-foam has an improved dimensional stability, excellent mechanical properties such as compressive strain and is a much stronger fire retardant. PIR is mainly used as thermal insulation.
<b>Polyol</b>	Synonym for PU polyalcohol, which is acquired from propylene oxide.
<b>Polyurethane</b>	Represents an important group of products within the large family of polymers or <i>plastics</i> . Polyurethane is a generic term for a wide range of foam types.
<b>PU or PUR</b>	Polyurethane.
<b>REACH</b>	Is a system for <i>Registration, Evaluation and Authorization of Chemical substances</i> that are produced or imported in the European Union. This regulation came into force on 01 June 2007.
<b>Stabilizers</b>	Provides the homogeneous structure and the stabilization of the cellular network up to the complete rise of the foam in the reaction process.
<b>Severity index of accidents</b>	Number of calendar days lost per thousand working hours.
<b>TDI</b>	Toluene diphenyl diisocyanate.

## Financial concepts

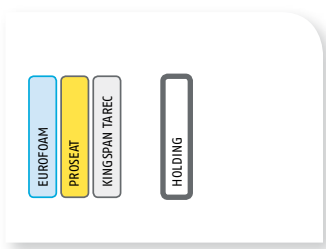
Appropriated capital	Net intangible fixed assets + goodwill + tangible fixed assets + working capital. Average = [Appropriated capital at the end of last year + Appropriated capital at the end of the last period] / 2.
Appropriated capital, Average	<b>Half yearly:</b> average appropriated capital at the beginning and at the end of the period. Average = [Appropriated capital at the end of last year + Appropriated capital at the end of the last period] / 2. <b>For the full year:</b> average of the half yearly averages.
Associated companies	Entities in which Recticel has a significant influence and that are processed using the equity-method.
CGU	Is short for <i>Cash Generating Unit</i> or cash flow generating unit.
Earnings per share, base	Net result for the period (Group share) / Average outstanding shares over the period.
Earnings per share, diluted	Net result for the period (Group share) / [Average number of outstanding shares over the period – own shares + (number of possible new shares that have to be issued within the framework of the existing outstanding stock option plans x dilution effect of the stock option plans)].
EBIT	Operating results + profit or loss from equities.
EBITDA	EBIT + depreciation and additional impairments/increases on assets.
Equity capital	Total equity, including minority interests.
Gearing ratio	Net financial debt / Total equity (including shares of external parties).
Investments	Capitalized investments in tangible and intangible assets.
Joint ventures	Entities that are controlled jointly and that are consolidated proportionately.
Market capitalization	Closing price x total number of outstanding shares.
Net financial debt	Interest bearing financial debts at more than one year + interest bearing financial debts within maximum one year – cash flows and cash equivalents.
Non-recurring elements	Non-recurring elements include operating revenues, expenses and provisions that pertain to restructuring programmes, impairments on assets, gain or loss on divestments and on liquidations of affiliated companies, as well as other events or transactions that clearly deviate from the normal activities of the Group.
Recurring EBIT(DA) or REBIT(DA)	EBIT(DA) for non-recurring elements.
Return on Capital Employed	EBIT / average appropriated capital.
Return on Equity (ROE)	Net result for the period (Share of the Group) / Average total equity over the period (the Group's share).
ROCE	Represents <i>Return on Capital Employed</i> .
Subsidiaries	Fully consolidated entities under Recticel control.
Working capital	Inventories + trade receivables + other receivables + recoverable taxes – trade payables – payable taxes – other commitments.
VVPR	Is short for Reduced Tax / Précompte Réduit.
VVPR-strip	Gives the holder the right to collect a dividend with a reduced withholding tax of 15% (instead of 25%).

RECTICEL n.v./s.a. (BE)





## // Joint Ventures



## // Status 31 DEC 2010

(AS)	Austria	(MA)	Maroc
(BE)	Belgium	(MO)	Moldavia
(BG)	Bulgaria	(PO)	Poland
(CH)	China	(RO)	Romania
(CZ)	Czech Republic	(ROB)	Republic of Belarus
(EST)	Estonia	(RU)	Russia
(FI)	Finland	(SE)	Serbia
(FR)	France	(SLR)	Slovenian Republic
(GE)	Germany	(SQ)	Slovakia
(GR)	Greece	(SP)	Spain
(HU)	Hungary	(SW)	Sweden
(IT)	Italy	(SZ)	Switzerland
(JA)	Japan	(TU)	Turkey
(LT)	Lithuania	(UK)	United Kingdom
(LU)	Luxembourg	(US)	United States of America
(NE)	The Netherlands	(UKR)	Ukraine
(NO)	Norway		



# Colophon

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Dit verslag is beschikbaar in het  
Nederlands, het Frans en het Engels.  
Ce rapport est disponible en français,  
néerlandais et anglais.  
This report is available in English,  
French and Dutch.

You can also download this  
Annual Report on [www.recticel.com](http://www.recticel.com)

### *Concept*

[www.linknv.be](http://www.linknv.be)

(Layout financial section: Carloz Pavez)

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Michel De Smedt

### *Design coordination:*

Paul De Wilde

Thanks to all colleagues who  
contributed to the realisation of  
this Annual Report.

## **Future expectations**

This document contains specific quantitative and/or qualitative futuristic statements and expectations regarding results and the financial state of affairs of the Recticel Group. Such futuristic statements are not a guarantee for future achievements considering the future holds several risks and uncertainties that relate to future events and developments. The reader is reminded to take sufficient care with the interpretation of these future expectations because the actual results and events may be influenced in the future by one or more factors, both external and internal. As a result, the actual results and performances may possibly deviate considerably from the predicted expectations, objectives and possible statements. The most important and most relevant risk and uncertainty factors are described in more detail in the Chapter "Asset and risk management" of the financial section of this Annual Report. Recticel is not committed in any manner possible to updating possible changes and developments in these risk factors, nor to releasing the possible impact on the prospects, either immediately or with some delay.



## Insulation

**Tarecpir®**

**Tarecpur®**

**Kooltherm®**

**POWERDECK®**

**POWERROOF®**

**POWERWALL®**

**EUROWALL®**

## Bedding

**BEKA**

**latterflex**

**swissflex**

**rokado**  
Bettsysteme

**SCHLAFRAFFIA**

**LITERIE BULTEX**

**superba**  
Schweizer Schlafkultur

**sembella**

**ubica**

**MATRATZEN BULTEX**

## Flexible Foams

**comfort BULTEX**  
supports life

**sensus**

**foam for care**

**Body Foams**

**FrameFoam**  
by recticel

**TryOn**

**Dryfeel**

**re-bounce**

**A.N.S.**  
Anti Noise Systems

**SENSIPUR®**

**arcadia**  
the *audiotune* choice

**SAFEGUARD SAFEGUARD**

**composite foams**

## Automotive

**RECTICEL**  
Automotive

**proseat**



# Financial Report

ANNUAL REPORT 2010





# Financial Report

ANNUAL REPORT 20**10**





# Table of contents

I.	Consolidated income statement <sup>a</sup>	3
I.1.	Consolidated income statement	3
I.2.	Consolidated statement of other comprehensive income	4
I.3.	Earnings per share	4
I.4.	Consolidated balance sheet	4
I.5.	Consolidated cash flow statement	6
I.6.	Statement of changes in shareholders' equity	7
II.	Notes to the consolidated financial statements for the year ending 31 December 2010 <sup>a</sup>	9
II.1.	Summary of significant accounting policies	9
II.2.	Changes in scope of consolidation	23
II.3.	Business and geographical segments	24
II.4.	Income statement	29
II.5.	Balance sheet	37
II.6.	Miscellaneous	74
III.	Recticel s.a./n.v. – general information	84
IV.	Recticel s.a./n.v. – condensed statutory accounts	86
V.	Declaration by responsible officers <sup>a</sup>	88
VI.	Auditors' report on the consolidated financial statements for the year ending 31 December 2010 <sup>a</sup>	89
VII.	Comparable overview of the consolidated financial statements (2003–2010)	91
VIII.	Asset & risk management <sup>a</sup>	94

<sup>a</sup> These sections are an integral part of the Report by the Board of Directors, and comprise the information as required by the Belgian Company Code for the annual consolidated financial statements.

# I. Consolidated income statement

The consolidated financial statements have been authorised for issue by the Board of Directors on 3 March 2011.

## I.1. Consolidated income statement

		in thousand EUR	
Group Recticel	NOTES *	2010	2009
<b>Sales</b>	<b>II.3.</b>	<b>1 348 430</b>	<b>1 276 662</b>
<b>Distribution costs</b>		<b>(64 768)</b>	<b>(62 061)</b>
<b>Cost of sales</b>		<b>(1 066 780)</b>	<b>(982 511)</b>
<b>Gross profit</b>		<b>216 882</b>	<b>232 090</b>
General and administrative expenses		(80 367)	(82 166)
Sales and marketing expenses	II.2.	(74 331)	(81 040)
Research and development expenses		(15 794)	(13 941)
Impairments		(10 800)	(10 362)
Other operating revenues <sup>(1)</sup>		69 270	39 825
Other operating expenses <sup>(2)</sup>		(79 345)	(39 794)
Other operating result <sup>(1)+(2)</sup>	II.4.1.	(10 075)	31
Income from associates		935	1 608
Income from investments	II.4.3.	1 164	7
<b>EBIT</b>		<b>27 614</b>	<b>46 227</b>
Interest income		501	946
Interest expenses		(12 271)	(17 865)
Other financial income		21 823	28 961
Other financial expenses		(27 148)	(25 836)
<b>Financial result</b>	<b>II.4.4.</b>	<b>(17 095)</b>	<b>(13 794)</b>
<b>Result of the period before taxes</b>		<b>10 519</b>	<b>32 433</b>
Income taxes	II.4.5.	4 108	(12 396)
<b>Result of the period after taxes</b>		<b>14 627</b>	<b>20 037</b>
of which non-controlling interests		(188)	703
of which share of the Group		14 439	20 740

\* The accompanying notes are an integral part of this income statement.

## I.2. Consolidated statement of comprehensive income

Group Recticel	in thousand EUR	
	2010	2009
<b>Result of the period after taxes</b>	<b>14 627</b>	<b>20 037</b>
Hedging reserves	(1 329)	(1 397)
Currency translation differences	1 760	37
Foreign currency translation reserve differences recycled in the income statement	7 962	0
Deferred taxes on hedging interest reserves	104	359
<b>Other comprehensive income net of tax</b>	<b>8 497</b>	<b>(1 001)</b>
<b>Total comprehensive income of the period including foreign currency translation reserves recycled</b>	<b>23 124</b>	<b>19 036</b>
<b>Total comprehensive income of the period</b>	<b>23 124</b>	<b>19 036</b>
of which share of the Group	22 936	19 739
of which non-controlling interests	188	(703)

## I.3. Earnings per share

Group Recticel	NOTES *	in EUR	
		2010	2009
Basic earnings per share	II.4.7.	0.50	0.72
Diluted earnings per share	II.4.8.	0.49	0.72

## I.4. Consolidated balance sheet

Group Recticel	NOTES *	in thousand EUR	
		31 DEC 2010	31 DEC 2009
Intangible assets	II.5.1.	13 307	14 301
Goodwill	II.5.2.	34 365	33 311
Property, plant & equipment	II.5.3. & II.5.4.	270 979	286 789
Investment property	II.5.5.	896	896
Interests in associates	II.5.7.	15 451	15 697
Other financial investments	II.5.8.	1 151	1 999
Available for sale investments	II.5.9.	86	85
Non-current receivables	II.5.10.	10 070	9 605
Deferred tax	II.4.5.	55 739	43 365
<b>Non-current assets</b>		<b>402 044</b>	<b>406 048</b>
Inventories and contracts in progress	II.5.11. & II.5.12.	113 671	105 827
Trade receivables	II.5.13.	141 783	142 104
Other receivables	II.5.13.	62 285	58 016
Income tax receivables	II.4.5.	3 552	4 367
Other investments		181	156
Cash and cash equivalents	II.5.14.	53 938	41 388
<b>Current assets</b>		<b>375 410</b>	<b>351 858</b>
<b>Total assets</b>		<b>777 454</b>	<b>757 906</b>

\* The accompanying notes are an integral part of this balance sheet.

		in thousand EUR	
Group Recticel	NOTES *	31 DEC 2010	31 DEC 2009
Capital	II.5.15.	72 329	72 329
Share premium	II.5.16.	107 013	107 013
<b>Share capital</b>		<b>179 342</b>	<b>179 342</b>
Retained earnings		75 179	67 582
Hedging and translation reserves		(12 853)	(21 395)
<b>Equity – share of the Group</b>		<b>241 668</b>	<b>225 529</b>
Non-controlling interests		0	429
<b>Total equity</b>		<b>241 668</b>	<b>225 958</b>
Pensions and similar obligations	II.5.17.	34 988	37 209
Provisions	II.5.18.	24 452	23 008
Deferred tax	II.4.5.	8 800	8 187
Bonds and notes	II.5.19.	39 780	39 368
Financial leases	II.5.21.	13 285	15 986
Bank loans	II.5.19.	111 977	128 200
Other loans	II.5.19.	2 082	2 201
Interest-bearing borrowings	II.5.19.	167 124	185 755
Other amounts payable	II.5.20.	510	359
<b>Non-current liabilities</b>		<b>235 874</b>	<b>254 518</b>
Pensions and similar obligations	II.5.17.	3 846	3 893
Provisions	II.5.18.	14 480	8 312
Interest-bearing borrowings	II.5.19.	45 691	47 740
Trade payables	II.5.23.	141 887	114 208
Income tax payables	II.4.5.	7 542	4 712
Other amounts payable	II.5.23.	86 466	98 565
<b>Current liabilities</b>		<b>299 912</b>	<b>277 430</b>
<b>Total liabilities</b>		<b>777 454</b>	<b>757 906</b>

\* The accompanying notes are an integral part of this balance sheet.

## I.5. Consolidated cash flow statement

		in thousand EUR	
Group Recticel	NOTES *	2010	2009 (RESTATED)
<b>EARNINGS BEFORE INTEREST AND TAXES (EBIT)</b>	II.1.	<b>27 614</b>	<b>46 227</b>
Amortisation of intangible assets	II.5.1.	4 184	4 266
Depreciation of tangible assets	II.5.3.	39 780	40 016
Depreciation of deferred long term and upfront payment	II.4.2.	1 157	1 437
Impairment losses on intangible assets	II.5.1.	91	709
impairment losses on tangible assets	II.5.3.	10 709	6 427
Impairment goodwill	II.5.2.	0	3 225
Write-offs on assets		(235)	3 695
Changes in provisions		3 374	4 003
(Gains) / Losses on disposals of assets		1 916	(20 771)
Income from associates	II.4.2.	(935)	(1 609)
<b>GROSS OPERATING CASH FLOW</b>		<b>87 655</b>	<b>87 625</b>
Inventories		(7 515)	6 785
Trade receivables		(1 401)	(15 808)
Other receivables		(4 145)	4 468
Trade payable		18 424	(16 479)
Other payable		(11 330)	9 967
Changes in working capital		(5 967)	(11 067)
Income taxes paid		(4 330)	(10 232)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>77 358</b>	<b>66 326</b>
Interests received		2 208	449
Dividends received		954	375
New investments and subscriptions to capital increases		0	0
(Increase) / Decrease of loans and receivables		(657)	(2 384)
Investments in intangible assets	II.5.1.	(3 436)	(2 227)
Investments in property, plant and equipment	II.5.2.	(26 646)	(16 135)
Acquisitions of subsidiaries	II.5.8.	(708)	(2 935)
Investments in associates		(25)	(738)
Disposals of intangible assets	II.5.1.	268	88
Disposals of property, plant and equipment	II.5.2.	2 105	119
Disposals in subsidiaries	II.5.8.	143	45 010
Disposals in joint venture	II.5.8.	0	0
Disposals in associates	II.5.8.	704	113
Disposals of investments available for sale		0	80
<b>NET CASH FLOW FROM INVESTMENT ACTIVITIES</b>		<b>(25 090)</b>	<b>21 815</b>
Interests paid		(10 552)	(18 269)
<b>NET FREE CASH FLOW</b>		<b>41 716</b>	<b>69 872</b>
Dividends paid		(7 256)	(5 688)
(Increase) Decrease of investments available for sale		(26)	(173)
Increase of financial debt		8 007	10 111
(Decrease) of financial debt		(33 254)	(102 494)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>(43 081)</b>	<b>(116 513)</b>
Effect of exchange rate changes		(4 859)	3 884
Effect of changes in scope of consolidation and of foreign currency translation reserves recycled		8 222	(2 275)
<b>CHANGES IN CASH AND CASH EQUIVALENTS</b>		<b>12 550</b>	<b>(26 763)</b>
Net cash position opening balance		41 388	68 151
Net cash position closing balance		53 938	41 388
<b>CHANGES IN CASH POSITION</b>		<b>12 550</b>	<b>(26 763)</b>

For the investment and disposal activities, only the cash payments and cash receipts have been reported as stipulated under IAS7. In this respect and for the sake of comparison, the statement of cash for the previous period has been restated for items II.5.1, II.5.2, II.5.8.

\* The accompanying notes are an integral part of this cash flow statement.



### Comments on the consolidated cash flow statement

The gross operating cash flow before working capital movements is at the same level as last year.

The **net cash flow from the operating activities** is EUR 11.0 million higher than last year. This positive variance is the result of an improved working capital need (EUR –6.0 million versus EUR –11.1 million in 2009) and a lower amount of income tax paid (EUR –4.3 million versus EUR –10.2 million in 2009).

The **changes in working capital** of EUR –6.0 million has been impacted by an increase in value of the raw material inventory, due to higher prices of raw materials and a higher activity level. This increase was mitigated by an increase in trade payables, partly offset by a decrease of the other payables.

The **net cash flow from investment activities** amounted EUR –25.1 million, versus EUR +21.8 million in 2009. 2009 was positively affected by the sale of the 50% stake in COFEL (Bedding France).

The **net operational free cash flow** resulting from (i) the net cash from the operating activities (EUR +77.4 million) (ii) from the net cash flow from the investment activities (EUR –25.1 million) and (iii) the interests paid (EUR –10.6 million), amounts to EUR +41.7 million, compared to EUR +69.9 million in 2009.

The **cash flow from financing activities** came out at EUR –43.1 million versus EUR –116.5 million in 2009. Lower interests paid (EUR –10.6 million versus EUR –18.3 million in 2009) were slightly compensated by higher dividends paid (EUR 7.3 million versus 5.7 million in 2009). Financial debt was further reduced by a net amount of EUR 25.2 million in 2010.

## I.6. Statement of changes in shareholders' equity

7

For the year ending 2010

Group Recticel	in thousand EUR							
	CAPITAL	SHARE PREMIUM	RETAINED EARNINGS	TRANSLATION DIFFERENCES RESERVES	HEDGING RESERVES	EQUITY BEFORE NON-CONTROLLING INTERESTS	NON-CONTROLLING INTERESTS	TOTAL EQUITY
At the end of the preceding period	72 329	107 013	67 582	(16 721)	(4 674)	225 529	429	225 958
Dividends	0	0	(7 234)	0	0	(7 234)	0	(7 234)
Stock options (IFRS 2)	0	0	392	0	0	392	0	392
Shareholders' movements	0	0	(6 842)	0	0	(6 842)	0	(6 842)
Result for the period <sup>(1)</sup>	0	0	14 439	0	0	14 439	188	14 627
Gains (losses) on cash flow hedge	0	0	0	0	(305)	(305)	0	(305)
Deferred taxes	0	0	0	0	104	104	0	104
Translation differences	0	0	0	1 760	(1 024)	736	0	736
Foreign currency translation reserves recycled in income statement	0	0	0	7 962	0	7 962	0	7 962
Other comprehensive income <sup>(2)</sup>	0	0	0	9 722	(1 225)	8 497	0	8 497
'Comprehensive income' <sup>(1)+(2)</sup>	0	0	14 439	9 722	(1 225)	22 936	188	23 124
Change in scope	0	0	0	45	0	45	(617)	(572)
At the end of the period	72 329	107 013	75 179	(6 954)	(5 899)	241 668	0	241 668

For the year ending 2009

in thousand EUR								
Group Recticel	CAPITAL	SHARE PREMIUM	RETAINED EARNINGS	TRANSLATION DIFFERENCES RESERVES	HEDGING RESERVES	EQUITY BEFORE NON-CONTROLLING INTERESTS	NON-CONTROLLING INTERESTS	TOTAL EQUITY
<b>At the end of the preceding period</b>	<b>72 329</b>	<b>107 013</b>	<b>51 222</b>	<b>(17 238)</b>	<b>(2 713)</b>	<b>210 613</b>	<b>23 090</b>	<b>233 703</b>
Dividends	0	0	(4 918)	0	0	(4 918)	(549)	(5 467)
Other (IFRS 2 – Stock options)	0	0	538	0	0	538	0	538
<b>Shareholders' movements</b>	<b>0</b>	<b>0</b>	<b>(4 380)</b>	<b>0</b>	<b>0</b>	<b>(4 380)</b>	<b>(549)</b>	<b>(4 929)</b>
<b>Result for the period<sup>(1)</sup></b>	<b>0</b>	<b>0</b>	<b>20 740</b>	<b>0</b>	<b>0</b>	<b>20 740</b>	<b>(703)</b>	<b>20 037</b>
Gains (Losses) on cash flow hedge	0	0	0	0	(1 053)	(1 053)	0	(1 053)
Deferred taxes	0	0	0	0	359	359	0	359
Currency translation differences	0	0	0	37	(344)	(307)	0	(307)
<b>Other comprehensive income<sup>(2)</sup></b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>37</b>	<b>(1 038)</b>	<b>(1 001)</b>	<b>0</b>	<b>(1 001)</b>
<b>'Comprehensive income'<sup>(1)+(2)</sup></b>	<b>0</b>	<b>0</b>	<b>20 740</b>	<b>37</b>	<b>(1 038)</b>	<b>19 739</b>	<b>(703)</b>	<b>19 036</b>
<b>Reclassification</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>923</b>	<b>(923)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Changes in scope of consolidation</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(443)</b>	<b>0</b>	<b>(443)</b>	<b>(21 409)</b>	<b>(21 852)</b>
<b>At the end of the period</b>	<b>72 329</b>	<b>107 013</b>	<b>67 582</b>	<b>(16 721)</b>	<b>(4 674)</b>	<b>225 529</b>	<b>429</b>	<b>225 958</b>

## II. Notes to the consolidated financial statements for the year ending 31 December 2010

### II.1. Summary of significant accounting policies

#### II.1.1. Statement of compliance - basis of preparation

Recticel SA/NV (the "Company") is a limited company domiciled in Belgium. The Company's consolidated financial statements include the financial statements of the Company, its subsidiaries, interests in jointly controlled entities consolidated under the proportionate method (together referred to as "the Group") and the Group's interest in associates accounted for under the equity method.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union.

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (the IFRIC) of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2010, all of which were endorsed by the European Union.

The same accounting policies, presentation and methods of computation are followed as those which were applied in the preparation of the group's financial statements for the year ended 31 December 2009, except for the impact of the adoption of the standards described below which became effective as of 1 January 2010:

#### **IFRS 3 (Revised 2008), Business Combinations**

The revised standard includes some significant changes. The purchase consideration to acquire a business, including contingent payments, should be recorded at fair value at the acquisition date, while subsequent adjustments to the contingent payments resulting from events after the acquisition date should be recognized in profit or loss. The so-called 'full goodwill' option, which can be elected on a case by case basis, allows the acquirer to measure the non-controlling interest in the acquiree either at fair value or at its proportionate share of the acquiree's net assets. All acquisition-related costs, such as consulting fees, should be expensed.

#### **IAS 27 (Revised 2008), Consolidated and Separate Financial Statements.**

The revised standard requires the effects of all share transactions with non-controlling interests to be recorded in equity if there is no change in control. Consequently, such transactions will not result in goodwill or gains and losses recognized in profit or loss. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognized in profit or loss.

Other Standards and Interpretations that became applicable for 2010 with no material effect on the financial statements:

- Improvements to IFRS (2008-2009) (normally applicable for annual periods beginning on or after 1 January 2010)
- Amendment to IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions (applicable for annual periods beginning on or after 1 January 2010)

- Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items (applicable for annual periods beginning on or after 1 July 2009).
- IFRIC 17 Distributions of Non-cash Assets to Owners (applicable for annual periods beginning on or after 1 November 2009)
- IFRIC 18 Transfers of Assets from Customers (applicable for annual periods beginning on or after 1 November 2009)

The Group has elected not to adopt in 2010 any standards or interpretations in advance of their effective application dates:

- IFRS 9 Financial Instruments (applicable for annual periods beginning on or after 1 January 2013)
- Improvements to IFRS (2009–2010) (normally applicable for annual periods beginning on or after 1 January 2011)
- Amendment to IFRS 1 First Time Adoption of International Financial Reporting Standards – IFRS 7 exemptions (applicable for annual periods beginning on or after 1 July 2010)
- Amendment to IFRS 1 First Time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (applicable for annual periods beginning on or after 1 July 2011)
- Amendment to IFRS 7 Financial Instruments: Disclosures – Derecognition (applicable for annual periods beginning on or after 1 July 2011)
- Amendment to IAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets (applicable for annual periods beginning on or after 1 January 2012)
- Amendment to IAS 24 Related Party Disclosures (applicable for annual periods beginning on or after 1 January 2011). This Standard supersedes IAS 24 Related Party Disclosures as issued in 2003.
- Amendments to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (applicable for annual periods beginning on or after 1 February 2010)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (applicable for annual periods beginning on or after 1 July 2010)
- Amendment to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Prepayments of a Minimum Funding Requirement (applicable for annual periods beginning on or after 1 January 2011)

Except for IFRS 9, the Group does not expect that the above mentioned standards and interpretations would have a material impact on the consolidated financial statements of Recticel.

## 11.1.2. General principles

### **Currency of accounts**

The financial statements are presented in thousand euro (EUR) (unless specified otherwise), which is the currency of the primary economic environment in which the Group operates. The financial statements of foreign operations are translated in accordance with the policies set out below under 'Foreign Currencies'.

### **Historical cost convention**

The financial statements have been prepared on the historical cost basis, except as disclosed in the accounting policies below. Investments in equity instruments which are not quoted in an active market and whose fair value cannot be reliably measured by alternative valuation methods, are carried at cost.

### **Foreign currencies**

Transactions in currencies other than EUR are accounted for at the exchange rates prevailing at the date of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated at closing rate. Non-monetary assets and liabilities carried at fair value and denominated in foreign currencies are translated at the exchange rates prevailing at the date the fair value was determined. Gains and losses resulting from such translations are recognised in the income statement, except when deferred in equity.

Assets and liabilities of the Group's foreign operations are translated at closing rate. Income and expenses are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Resulting exchange differences are recognised in equity within the translation reserve. On disposal of a foreign operation, exchange differences accumulated in equity are recognised in the income statement.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

### **Consolidation principles**

Consolidated financial statements include subsidiaries, interests in jointly controlled entities through proportional consolidation, and associates accounted for under the equity method.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

All intra-group transactions, balances, income and expenses are eliminated in consolidation.

#### **• Subsidiaries**

Subsidiaries are entities that are controlled directly or indirectly. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Consolidation of subsidiaries starts from the date Recticel controls the entity until the date such control ceases.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

However, when the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognized in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

#### **• Jointly controlled entities**

Entities over which Recticel contractually agrees to share control with other venturer(s) are jointly controlled entities. Such agreement ensures that strategic, financial and operating decisions require the unanimous consent of all the venturers. Proportionate consolidation of jointly controlled entities starts when joint control is established until the date it ceases.



• *Associates*

Associates are entities over which Recticel has a significant influence by participating in the decisions of the investee without controlling or jointly controlling those entities. Associates are accounted for using the equity method until the date significant influence ceases.

• *Business combinations*

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

When Recticel acquires an entity or business, the identifiable assets and liabilities of the acquiree are recognised at their fair value at acquisition date, except for:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Where such a difference is negative, the excess is, after a reassessment of the values, recognised as income immediately as a bargain purchase gain.

Non-controlling interests (minority shareholders) that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

If Recticel increases its interest in an entity or business over which it did not yet exercise control (in principle increasing its interest up to and including 50% to 51% or more) (a business combination achieved in stages), the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (maximum one year after acquisition date), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

#### **Intangible assets**

Intangible assets are recognised if it is probable that associated future economic benefits will flow to the Group and if their cost can be measured reliably. After initial recognition, all intangible assets are measured at cost less accumulated amortisation and impairment losses.

#### **Patents, trademarks and similar rights**

Patents and trademarks are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives which are limited contractually.

#### **Internally generated intangible assets**

Internally generated intangible assets arising from the Group's development are recognised only if all the following conditions are met:

- an identifiable asset is created (such as software and new processes);
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

In this context, the development phase starts when new products are tested with customers. The purpose is to develop products in such a way that they meet potential customers' technical and quality requirements.

Development activities are based on results obtained from applied research or existing know-how and are geared towards new profit-generating applications. This condition is reviewed each year in order to determine the potential profitability of projects. Development costs are amortised over a period of maximum four (4) years.

Where the recognition criteria are not met, development expenditures are expensed as incurred.

#### **Goodwill**

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

Goodwill is reviewed for impairment at least annually. Any impairment loss is recognised immediately in the income statement and is not subsequently reversed.

On disposal of a subsidiary, associate or jointly controlled entity, the related goodwill is included in the determination of the profit or loss on disposal.

#### **Property, plant and equipment**

An item of property, plant and equipment is recognised if it is probable that associated future economic benefits will flow to the Group and if its cost can be measured reliably. After initial recognition, all items of property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses. Cost includes all direct costs and all expenditure incurred to bring the asset to its working condition and location for its intended use. Borrowing costs should be capitalised.

Subsequent expenditure related to an item of property, plant and equipment is usually expensed as incurred. Such expenditure is only capitalised when it can be clearly demonstrated that it has resulted in an increase in the expected future economic benefits expected to be obtained from the use of an item of property, plant and equipment in excess of its originally assessed standard of performance.

Depreciation is provided over the estimated useful lives of the various classes of property, plant and equipment using the straight-line method. Depreciation starts when the assets are ready for their intended use.

The estimated useful lives of the most significant items of property, plant and equipment are within the following ranges:

Land improvements	: 25 years
Offices	: 25 to 40 years
Industrial buildings	: 25 years
Plants	: 10 to 15 years
Machinery	
Heavy	: 11 to 15 years
Medium	: 8 to 10 years
Light	: 5 to 7 years
Pre-operating costs	: 5 years maximum
Equipment	: 5 to 10 years
Furniture	: 5 to 10 years
Hardware	: 3 to 10 years
Vehicle fleet	
Cars	: 4 years
Trucks	: 7 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

**Leases**

*Financial leases*

Leases are classified as financial leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under financial leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the balance sheet as a financial lease obligation. Lease payments are apportioned between financial charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Assets held under financial leases are depreciated over their expected useful lives on the same basis as owned assets, except if the lease does not transfer ownership of the asset, in which case the leased asset is depreciated over the lease term.

*Operating leases*

Leases under which substantially all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Rents under operating leases are charged to income on a straight-line basis over the lease term. Benefits received or to be received as an incentive to enter into an operating lease are also recognised on a straight-line basis over the lease term.

### **Impairment of tangible and intangible assets**

Except for goodwill which is tested for impairment at least annually, other tangible and intangible fixed assets are reviewed for impairment when there is an indication that their carrying amount will not be recoverable through use or sale. If an asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing 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 for which the estimates of future cash flows have been adjusted. For the computations a discount rate of 8% is used.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in previous years. However, impairment losses on goodwill are never reversed.

### **Non-current assets held for sale**

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

### **Most important assessment criteria when applying the valuation rules**

When applying the valuation rules, there is a need in specific cases to make an accounting assessment. This assessment is carried out by making the most precise estimate possible of likely future trends. The management draws up its assessment on the basis of various realistically estimated parameters, such as future market expectations, sector growth rates, industry studies, economic realities, budgets and multiannual plans, expected profitability studies, etc. The most important elements subject to this within the Recticel Group are: impairments, provisions and deferred tax items. For these items reference is made to the annexes II.4.5., II.5.1., II.5.3. and II.5.18.

### **Investment property**

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at its fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

### **Financial investments**

Investments are recognised or derecognised on the trade date which is the date the Group undertakes to purchase or sell the asset. Financial investments are initially measured at the fair value of the consideration given, including transaction costs.

Investments held for trading or available for sale are subsequently carried at their fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in net profit or loss for the period. For investments available for sale, gains and losses arising from changes in fair value are recognised directly in equity, until the security

is disposed of or is deemed to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period.

Equity participations classified as 'available for sale', which are not quoted on an active market and for which the fair value cannot be measured reliably by alternative valuation methods, are measured at cost.

Financial investments which are 'held to maturity' are carried at amortised cost, using the effective interest rate method, except for short-term deposits, which are carried at cost.

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method.

Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

### **Receivables**

Short-term receivables are recognised at their nominal value, as reduced by appropriate allowances for estimated irrecoverable amounts.

### **Financial liabilities and equity instruments**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all its liabilities.

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issuance costs.

### **Pensions and similar obligations**

In accordance with the laws and practices of each country, the affiliated companies of the Group operate "defined benefit" and/or "defined contribution retirement benefit plans".

#### *Defined contribution plans*

Payments to defined contribution plans are charged as expenses as they fall due.

#### *Defined benefit plans*

Regarding the "defined benefit plans", the amount recognised in the balance sheet is the present value of the "defined benefit obligations" adjusted for the unrecognised actuarial gains and losses, less the fair value of any plan assets and any past service cost not yet recognised.

If the amount to be recognised in the balance sheet is negative, the asset does not exceed the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

In the income statement, current and past service costs, actuarial gains and losses are charged in "other operating income & expenses", while interest cost and expected return on plan assets are booked in "other financial income & expenses".

The present value of the "defined benefit obligation" and the related current and past service costs are calculated by qualified actuaries using the "projected unit credit method".

Each year, the discount rate is adjusted to the prevailing yield of high quality corporate bonds that have maturity dates approximating to the terms of the benefit obligations.



The actuarial gains and losses, resulting from differences between previous actuarial assumptions and actual experience, as well as changes in actuarial assumptions, are determined separately for each "defined benefit plan" and recognised according to the following principle: the actuarial gains and losses exceeding a corridor of 10% of the higher of the fair value of plan assets and the present value of the "defined benefit obligations" are recognised in the income statement over the average remaining service lives of the plan participants involved.

Past service costs, which arise from plan amendments, are recognised as an expense over the average period until the benefits become vested.

#### **Early-retirement benefit costs**

Early-retirement pension benefits in Belgium are treated as post-employment benefits of a defined benefit type.

#### **Share-based payments**

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a Black & Scholes model. Further details on how the fair value of equity-settled share-based transactions has been determined can be found in the notes.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

The above policy is applied to all equity-settled share-based payments that were granted after 7 November 2002 that vested after 1 January 2005. No amount has been recognised in the financial statements in respect of the other equity-settled share-based payments.

#### **Provisions**

Provisions are recognised in the balance sheet when the Group has a present obligation (legal or constructive) resulting from a past event and which is expected to result in a future outflow of resources which can be reliably estimated.

Provisions for warranty costs are recognised at the date of sale of the relevant products based on the best estimate of the expenditure required to settle the Group's liability.

Provisions for restructuring costs are recognised when the Group has a detailed formal plan for restructuring that has been communicated to affected parties before the balance sheet date.

#### **Interest-bearing borrowings**

Interest-bearing borrowings are recorded at the proceeds received, net of transaction costs incurred.

Borrowings are subsequently stated at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value (including premiums payable on settlement or redemption) is recognised in the income statement over the period of the borrowing.

#### **Non-interest-bearing payables**

Trade payables which are not interest-bearing are stated at cost, being the fair value of the consideration to be paid.

#### **Derivative financial instruments**

Derivative financial instruments are accounted for as follows:

#### **Cash flow hedges**

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the income statement. If the cash flow hedge of a firm

commitment or a forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net profit or loss.

#### **Fair value hedges**

A derivative instrument is recognised as fair value hedge when it hedges the exposure to variation of the fair value of the recognised assets or liabilities. Derivatives classified as a fair value hedge and the hedged assets or liabilities are carried at fair value. The corresponding changes of the fair value are recognised in the income statement.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period.

### 11.1.4. Revenue recognition

#### **General**

Revenue is recognised when it is probable that the economic benefits from a transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Sales of goods are recognised when goods are delivered or title has passed. Revenue from construction contracts is recognised in accordance with the Group's accounting policy on construction contracts (see below).

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts throughout the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

#### *Construction contracts*

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date.

This is normally measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

**Government grants**

Government grants relating to staff training costs are recognised as income over the periods required to match them with the related costs and are deducted from the related expense.

Government grants relating to property, plant & equipment are treated by deducting the received grants from the carrying amount of the related assets. These grants are recognised as income over the useful life of the depreciable assets.

**Income taxes**

The tax expense represents the sum of the current tax expense and deferred tax expense.

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expenditure that are taxable or deductible in other years and it further excludes items that will never become taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. It is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and when it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at least at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

11.15. Critical accounting assessments  
and principal sources of uncertainty

Drawing up the annual accounts in accordance with IFRS requires the management to make the necessary estimates and assessments. The management bases its estimates on past experience and other reasonable assessment criteria. These are reviewed periodically and the effects of such reviews are taken into account in the annual accounts of the period concerned. Future events liable to have a financial impact on the Group are also included in this.

The estimated results of this may consequently diverge from the actual results. Assessments and estimates were made, inter alia, regarding:

- assessment of the need for additional impairments in respect of fixed assets, including Goodwill;
- determining provisions for restructuring, contingent liabilities and other exposures;
- determining provisions for irrecoverable receivables;
- determining writedowns on inventories;
- valuation of provisions for employee benefits;
- the recoverability of deferred tax assets.

Estimates and assessments could trigger an adjustment in the value of the assets and liabilities in future financial years.

**II.1.5.1.      Impairments on goodwill, intangible assets and property, plant and equipment**

An impairment examination is carried out with regard to the goodwill, intangible assets and property, plant and equipment. Such an examination is carried out annually, or more frequently if there are indications that these items should be subject to impairment (see notes II.5.1., II.5.2. and II.5.3.).

Impairment examinations were carried out for each goodwill item and intangible asset and, where there were concrete indications, for property, plant and equipment too.

The most relevant results of these examinations are discussed below. The book value of the assets to be discussed further represents about 56% of the total goodwill, 42% of the total property, plant and equipment and 44% of the total intangible assets.

Book value in thousand EUR						
Group Recticel	FLEXIBLE FOAMS			AUTOMOTIVE		OTHER & CORPORATE
	United Kingdom	Spain	Scandinavia	Interiors	Seating Proseat	
Goodwill	4 317	0	5 904	0	8 977	na
Other intangible assets	358	224	684	2 034	2 567	na
Property, plant & equipment	4 505	21 539	15 111	53 962	18 660	na
<b>Total</b>	<b>9 180</b>	<b>21 763</b>	<b>21 699</b>	<b>55 996</b>	<b>30 204</b>	<b>na</b>
Impairments	0	(5 547)	(552)	(3 421)	(1 179)	(101)
<b>Net book value</b>	<b>9 180</b>	<b>16 216</b>	<b>21 147</b>	<b>52 575</b>	<b>29 025</b>	<b>(101)</b>

Footnote: The working capital is not included in the analysis.

Certain assumptions were made for the impairment examination of the balance sheet items in the table above. The recoverable amount of the total "cash-generating unit" ("CGU") is determined on the basis of the value in use.

On the basis of this examination and upon business decisions, i.e. closure of certain plants (Seating, Flexible Foams), it was decided to account for impairments for a total amount of EUR 10.8 million (see table above).

When determining its expected future cash flows, the Group takes into account prudent, though realistic, assumptions regarding the evolution of its markets, its sales, the raw materials prices, the impact of past restructurings and the gross margins, which all are based on (i) the past experiences of the management and/or (ii) which are in line with trustful external information sources.

#### II.1.5.1.1. Flexible Foams

##### II.1.5.1.1. 1. Key assumptions

###### **Cash flows:**

For the CGU "Flexible Foams – United Kingdom" the value-in-use projections are based on approved budgets and financial plans covering a four-year period. After this 4-year period, a perpetuity value is taken without a growth rate. 2010 was a difficult year due to industrial difficulties and the rise of raw material prices which could not be fully passed on in the selling prices. Management expects that the future operations will recover as a result of the improvement of the industrial performance and better gross margins.

For the CGU "Flexible Foams – Spain", the value-in-use projections are based on approved budgets and financial plans covering a four-year period. After this 4-year period, a perpetuity value is taken without a growth rate. Slimming down the workforce and reduction in the number of plants are intended to return Spain to profitability in 2011. The value-in-use is in other words to a large extent dependent on the successful implementation of the new business plan. The future cash flows consequently take account of the 2011-2014 business plan (which include the announced restructuring plan for Legutiano and Santa Perpetua) and a perpetuity value based on an operating profit in 2014 without growth rate.

###### **Discount rate:**

The discount rate used amounts to 8% and is based on a weighted average cost of capital based on the current market expectations of the time value of money and risks for which future cash flows must be adjusted. At this level of discount rate, the value-in-use of the CGU "Flexible Foams – United Kingdom" amounts to 1.8 times the net asset book value. At this level of discount rate, the value-in-use of the CGU "Flexible Foams – Spain" amounts to 2.7 times the net asset book value.

##### II.1.5.1.1. 2. Sensitivity analysis

The sensitivity analysis is done after the recognition of the impairments.

Consequently,

- the value in use of the CGU "Flexible Foams – United Kingdom" – discounted at 9% still amounts to 1.5 times the book value, and
- the value in use of the CGU "Flexible Foams – Spain" – discounted at 9% also amounts to still 2.4 times the book value.

#### II.1.5.1.2. Automotive

##### II.1.5.1.2.1. Key assumptions

###### **Cash flows:**

For the CGU "Interiors", the value-in-use projections are based on the approved budget and the financial plans for the entire duration of the project/model, in combination with an overview of the entire capacity utilisation. Strongly impacted by the economic crisis in 2009, which affected "Interiors", the sales level improved significantly in 2010 (+22%) to reach an activity volume which is assumed to remain at the same level in 2011. Since 2010 the project assets are depreciated over the project life time. As such, at the end of the production life time, there will be no more remaining value of project specific assets.

The CGU "Interiors" also uses a project approach, as a result of which impairments are booked on property, plant and equipment and intangible assets if:

- The project generates insufficient cash flow to cover the depreciation of the property, plant and equipment and intangible assets assigned to the project,

- No reallocation has yet been made for property, plant and equipment and intangible assets which will become available before December 2012. From experience, new projects are awarded about 2 years in advance. Consequently, for certain assets which will become available before December 2012 no reallocation has yet been made.

This approach has led to an impairment in 2010 of EUR 3.4 million. This analysis will be repeated at 31 December 2011, taking account of the order book on that date. If – by way of an example – no new projects were to be awarded in 2011, new additional impairments should be booked.

“Proseat” is considered as a single CGU. Based on the recurrent business model of this activity, the perpetuity method has been used for the impairment analysis.

Forecast and business plan 2011-2012 has been adapted to the most recent information available in terms of programs and volumes. Plans for the years 2013, 2014 and 2015 has been established according to future programme information and actual programs' profitabilities. The 2015 plan is used as the basis for the perpetuity calculation with a growth rate of 1%. The chemical raw material prices have been adjusted in all years according the actual prices and the expectations of management.

#### **Discount rate:**

The discount rate used amounts to 8% and is based on a weighted average cost of capital based on the current market expectations of the time value of money and the risks for which future cash flows must be adjusted. At this level of discount rate, the value-in-use of the CGU “Proseat” amounts to 1.7 times the net asset book value.

#### **II.1.5.1.2.2. Sensitivity analysis**

With regard to the CGU “Interiors”, an increase in the discount rate to 9% would not give rise to additional impairment.

With regard to the CGU “Proseat”, an increase in the discount rate to 9% would give a value in use of the CGU “Proseat” amounting to 1.6 times the book value.

#### **II.1.5.1.3. Corporate & Other**

The impairment amounting to EUR -0.1 million relates to Bedding France.

#### **II.1.5.2. Provisions for defined benefit plans**

Provisions regarding defined benefit plans are recognised in the balance sheet in accordance with the valuation rules (IAS 19). The amount recognised in the balance sheet is based on actuarial calculations, the result of which is determined by a number of assumptions, as described in note II.5.17. These actuarial assumptions are reviewed regularly and adapted where necessary.

#### **II.1.5.3. Deferred tax**

Deferred tax assets are recognised for the unused tax losses carried forward and unused tax credits, in so far as it is expected that future taxable profits will be available against which these unused tax losses carried forward and unused tax credits can be offset. For this purpose, the management bases its opinion on factors such as long-term tax planning strategy and opportunities (see note II.4.5.).



## II.2. Changes in scope of consolidation

In 2010, the following changes occurred in the scope of consolidation of the Group:

- With effect as from 1 January 2010 the Group's subsidiaries Recticel GuKoTech GmbH and Recticel Foams (Shanghai) Co. Ltd. are for the first time fully consolidated.
- With effect as from 1 July 2010 the Group sold its "slat base" activities (Bedding) in Masevaux (France)

To be able to compare the 2010 figures with those of 2009, it is also necessary to take account of the following changes in 2009:

- With effect as from 1 May 2009 the shareholder structure of the group Gestind (Automotive – Seating) has been modified, whereby the Polish subsidiary has been fully taken over by the Proseat group and whereby the Italian subsidiary has been fully disposed of.
- In July 2009 the Group sold its 50% stake in Cofel SAS (France) (Bedding), which was consolidated using the proportional consolidation method.  
At the end of 2009 the Group sold Corpura (Flexible Foams), which was consolidated using the full consolidation method.

Consolidated sales increased by EUR 71.8 million (+ 5.6%) to EUR 1,348.4 million.

With the same scope of consolidation and at unchanged exchange rate, sales would have risen by 5.81% (EUR +74.2 million). The changes in the scope of consolidation resulted in a net decrease of sales by EUR 27.7 million (-2.2%). Exchange differences had a positive impact of EUR 25.3 million (+2.0%).

Sales and marketing expenses decreased by EUR 6.7 million to EUR 74.3 million, of which EUR 5.0 million is explained by the divestment of COFEL (Bedding – France) in July 2009.

23

## II.3. Business and geographical segments

### II.3.1. Business segments

The Group has adopted IFRS 8 with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. As a result, following the adoption of IFRS 8, the identification of the Group's reportable segments has not changed. Indeed, information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is more specifically focussed on the direct sales, EBITDA and EBIT per category of market for each type of goods. The principal categories of market for these goods are the four operating segments: Flexible Foams, Bedding, Insulation, Automotive, and Corporate. For more details on these segments, reference is made to the first part of this annual report. Information regarding the Group's reportable segments is presented below. Inter-segment sales are made at prevailing market conditions.

## Income statement for the year 2010

in thousand EUR						
Group Recticel	FLEXIBLE FOAMS	BEDDING	AUTOMOTIVE™	INSULATION	ELIMINATIONS	CONSOLIDATED
<b>SALES</b>						
External sales	543 973	292 679	324 416	187 362	0	1 348 430
Inter-segment sales	58 754	604	478	56	(59 892)	0
<b>Total sales</b>	<b>602 727</b>	<b>293 283</b>	<b>324 894</b>	<b>187 418</b>	<b>(59 892)</b>	<b>1 348 430</b>
<b>EARNINGS BEFORE INTEREST AND TAXES (EBIT)</b>						
Segment result	1 211	11 485	1 560	32 144	0	46 400
Unallocated corporate expenses <sup>(2)</sup>						(18 786)
<b>EBIT</b>	<b>1 211</b>	<b>11 485</b>	<b>1 560</b>	<b>32 144</b>	<b>0</b>	<b>27 614</b>
Financial result						(17 095)
<b>Result for the period before taxes</b>						<b>10 519</b>
Income taxes						4 108
<b>Result for the period after taxes</b>						<b>14 627</b>
of which non-controlling interests						(188)
of which share of the Group						14 439

(1) The external sales and EBIT reported under Automotive (Interiors) include a compensation of USD 5.7 million relating to the 2009 activities in the USA. This compensation was obtained through an agreement, as a result of which two US subsidiaries could emerge from Chapter 11 in April 2010.

(2) Includes mainly headquarters' costs (EUR 14.5 million (2009: EUR 14.3 million)) and R&D expenses (Corporate Programme) (EUR 3.3 million (2009: EUR 3.2 million)).

## Other information 2010

in thousand EUR						
Group Recticel	FLEXIBLE FOAMS	BEDDING	AUTOMOTIVE	INSULATION	CORPORATE	CONSOLIDATED
Depreciation and amortisation	14 894	5 695	20 695	3 354	483	<b>45 121</b>
Impairment losses recognised in profit and loss	6 106	93	4 601	0	0	<b>10 800</b>
EBITDA	22 211	17 273	26 856	35 498	(18 303)	83 535
Capital expenditure	10 346	4 002	11 239	6 677	2 910	<b>35 174</b>

### Impairment

In 2010, impairments were carried out mainly in respect of a number of tangible assets in Germany (Automotive – Interiors), Spain (Flexible Foams) and Belgium (Automotive – Seating (Proseat)).

On the basis of the impairment assumptions (see section II.1.5.), the Board of Directors examined and evaluated the carrying values of (i) the intangible assets, (ii) the goodwill and (iii) the tangible assets, and concluded that for 2010, apart from the cases mentioned, there was no need for additional impairments.

Balance sheet at 31 December 2010

in thousand EUR						
Group Recticel	FLEXIBLE FOAMS	BEDDING	AUTOMOTIVE	INSULATION	CORPORATE	CONSOLIDATED
<b>ASSETS</b>						
Segment assets	321 582	94 240	206 268	78 780	(115 371)	<b>585 499</b>
Investment in associates	13 093	0	2 837	0	0	<b>15 930</b>
Investment in associates – not allocated						<b>(479)</b>
Unallocated corporate assets						<b>176 504</b>
<b>Total consolidated assets</b>						<b>777 454</b>
<b>LIABILITIES</b>						
Segment liabilities	138 831	53 791	97 411	37 713	(115 371)	<b>212 375</b>
Unallocated corporate liabilities						<b>323 411</b>
<b>Total consolidated liabilities (excluding equity)</b>						<b>535 786</b>

The unallocated assets which amount to EUR 176.5 million include mainly the following items:

- Other receivables for EUR 60.2 million
- Deferred tax assets for EUR 55.7 million
- Cash& cash equivalent for EUR 51.6 million.

The unallocated liabilities which amount to EUR 323.4 million (equity excluded) include mainly the following items:

- Provisions for EUR 86.6 million
- Interest-bearing borrowings and bonds and notes for EUR 220.3 million

## Income statement for the year 2009

in thousand EUR						
Group Recticel	FLEXIBLE FOAMS	BEDDING	AUTOMOTIVE	INSULATION	ELIMINATIONS	CONSOLIDATED
<b>SALES</b>						
External sales	509 222	311 934	289 068	166 439	0	1 276 662
Inter-segment sales	61 356	640	372	30	(62 399)	(0)
<b>Total sales</b>	<b>570 578</b>	<b>312 574</b>	<b>289 440</b>	<b>166 469</b>	<b>(62 399)</b>	<b>1 276 662</b>
<b>EARNINGS BEFORE INTEREST AND TAXES (EBIT)</b>						
Segment result	25 818	33 767	(32 234)	37 154		64 505
Unallocated corporate expenses <sup>(1)</sup>						(18 278)
<b>EBIT</b>	<b>25 818</b>	<b>33 767</b>	<b>(32 234)</b>	<b>37 154</b>		<b>46 227</b>
Financial result						(13 794)
<b>Result for the period before taxes</b>						<b>32 433</b>
Income taxes						(12 396)
<b>Result for the period after taxes</b>						<b>20 037</b>
of which non-controlling interests						703
of which share of the Group						20 740

(1) Includes mainly headquarters' costs (EUR 14.3 million (2008: EUR 13.5 million)) and R&D expenses (Corporate Programme) (EUR 3.2 million (2008: EUR 2.1 million)).

## Other information 2009

in thousand EUR						
Group Recticel	FLEXIBLE FOAMS	BEDDING	AUTOMOTIVE	INSULATION	CORPORATE	CONSOLIDATED
Depreciation and amortisation	15 875	6 618	19 586	3 193	443	45 715
Impairment losses recognised in profit and loss	3 358	719	5 708	0	577	10 362
EBITDA	45 051	41 104	(6 940)	40 347	(17 258)	102 304
Capital expenditure	4 858	2 475	7 514	7 550	1 695	24 092

### Impairment

In 2009, impairments were carried out mainly in respect of a number of tangible assets in Germany (Automotive – Interiors), Spain (Flexible Foams), France (Bedding) and development costs for SAP (Corporate).

On the basis of the impairment assumptions (see section II.1.5.), the Board of Directors examined and evaluated the carrying values of van (i) the intangible assets, (ii) the goodwill and (iii) the tangible assets, and concluded that for 2009, apart from the cases mentioned, there was no need for additional impairments.

in thousand EUR						
Group Recticel	FLEXIBLE FOAMS	BEDDING	AUTOMOTIVE	INSULATION	CORPORATE	CONSOLIDATED
<b>ASSETS</b>						
Segment assets	329 516	92 891	215 651	66 280	(106 869)	<b>597 469</b>
Investment in associates	13 960	0	2 781	0	0	<b>16 741</b>
Investment in associates – not allocated						<b>(1 041)</b>
Unallocated corporate assets						<b>144 737</b>
<b>Total consolidated assets</b>						<b>757 906</b>
<b>LIABILITIES</b>						
Segment liabilities	123 050	40 039	100 338	27 343	(106 869)	<b>183 901</b>
Unallocated corporate liabilities						<b>348 048</b>
<b>Total consolidated liabilities (excluding equity)</b>						<b>531 949</b>

The unallocated assets which amount to EUR 144.7 million include mainly the following items:

- Other receivables for EUR 42.3 million
- Deferred tax assets for EUR 43.4 million
- Cash & cash equivalent for EUR 38.4 million.

The unallocated liabilities which amount to EUR 348.0 million (equity excluded) include mainly the following items:

- Provisions for EUR 72.4 million
- Interest-bearing borrowings and bonds and notes for EUR 233.5 million

## Non-recurring elements in the operating result per segment

in thousand EUR						
Group Recticel	FLEXIBLE FOAMS	BEDDING	AUTOMOTIVE	INSULATION	NOT ALLOCATED	CONSOLIDATED
<b>2010</b>						
Impairment	(6 106)	(94)	(4 600)	0	0	(10 800)
Restructuring charges	(6 735)	(1 585)	(11 445)	0	0	(19 765)
Loss on liquidation or disposal of financial assets	(289)	(1 107)	0	0	(2 145)	(3 541)
Gain on disposal of financial assets	1 587	0	0	0	0	1 587
Other	(2 987)	(362)	4 563	0	(5)	1 209
<b>TOTAL</b>	<b>(14 530)</b>	<b>(3 148)</b>	<b>(11 482)</b>	<b>0</b>	<b>(2 150)</b>	<b>(31 310)</b>
<b>2009</b>						
Impairment	(3 358)	(719)	(5 708)	0	(577)	(10 362)
Restructuring charges	(2 570)	(700)	(15 266)	0	0	(18 536)
Capital gains on disposal of financial assets	1 229	18 674	(3 263)	0	0	16 640
Other	(555)	(39)	(2 158)	0	61	(2 691)
<b>TOTAL</b>	<b>(5 254)</b>	<b>17 216</b>	<b>(26 395)</b>	<b>0</b>	<b>(516)</b>	<b>(14 949)</b>

II.3.2. Geographical information

The Group's operations are mainly located in the European Union.  
The following table provides an analysis of the Group's sales and fixed assets by geographical market.

SALES		
	in thousand EUR	
Group Recticel	2010	2009
Belgium	149 990	124 033
France	146 126	170 484
Germany	317 579	322 131
Other EU countries	581 069	536 535
<b>European Union</b>	<b>1 194 764</b>	<b>1 153 183</b>
Other	153 666	123 479
<b>Total</b>	<b>1 348 430</b>	<b>1 276 662</b>

Reliance on major customers: The Group has no major customers which represent more than 10% of external revenues.

Intangible assets – property, plant & equipment – investment property				
	in thousand EUR			
Group Recticel	31 DEC 2010	31 DEC 2009	ACQUISITIONS, INCLUDING OWN PRODUCTION	
			2010	2009
Belgium	66 276	64 159	10 828	9 894
Germany	53 284	58 685	9 616	5 087
Other EU countries	151 135	165 568	13 642	8 585
<b>European Union</b>	<b>270 695</b>	<b>288 412</b>	<b>34 086</b>	<b>23 566</b>
Other	14 487	13 574	1 088	526
<b>Total</b>	<b>285 182</b>	<b>301 986</b>	<b>35 174</b>	<b>24 092</b>



## II.4. Income statement

### III.4.1. Other operating revenues and expenses

Group Recticel	in thousand EUR	
	2010	2009
Other operating revenues	69 270	39 825
Other operating expenses	(79 345)	(39 794)
<b>TOTAL</b>	<b>(10 075)</b>	<b>31</b>
Restructuring costs	(19 765)	(18 536)
Gain (Loss) on disposal of intangible and tangible assets	1 066	820
Gain (Loss) on disposal of financial assets	(2 261)	16 640
Other	10 885	1 108
<b>TOTAL</b>	<b>(10 075)</b>	<b>31</b>

#### Restructuring

During 2010, restructurings were carried out in various locations or declarations of intent were made to do so in a number of plants. The most important restructuring measures occurred in Spain and Scandinavia (Flexible Foams; EUR -6,7 million), in Germany and the USA (Automotive – Interiors; EUR -6,6 million), in Belgium (Automotive – Seating (Proseat); EUR -4,8 million) and in Germany and Switzerland (Bedding; EUR -1,6 million).

During 2009, restructuring was carried out in various locations or declarations of intent were made to do so in a number of plants. The most important restructuring measures occurred in Belgium (Flexible Foams and Automotive (Interiors)), Germany (Automotive (Interiors and Seating)) and France (Bedding).

29

#### Gain (loss) on disposal of intangible and tangible assets

The restructuring of certain activities conducted in 2009 and 2010, led to the sale of some assets which were no more operational. These sale transactions generated the recognition of a net gain on capital for EUR 1,1 million.

During 2009, a number of activities were sold or discontinued, as a result of which a number of assets became superfluous. The item "Gain on disposal of intangible and tangible assets" (EUR 0.82 million) states the net gain made on the sale of a variety of assets.

#### Gain (loss) on disposal of financial assets

During 2010, this item related to (i) the asset deal (EUR -0,7 million) on Lebed SAS (Bedding – France), (ii) the liquidation impact (EUR -2,1 million) of RUS Inc. (USA holding), (iii) the purchase (EUR -0,3 million) of a minority interest in the joint venture JR interiors GmbH & Co.KG (Automotive – Germany), (iv) the reversal of a provision (EUR +1,6 million) linked to the share deal on Corpura BV (Flexible Foams) realised in 2009, (v) the liquidation impact (EUR -0,5 million) of Lebed SAS (Bedding France) and of Transfoam (EUR -0,1 million) (Flexible Foams – Spain). and (vi) the disposal (EUR -0,2 million) of the interest in Wenfoam (Flexible Foams – Estonia).

During 2009, a number of activities were sold. The item "Gain on disposal of financial assets" (EUR 16.6 million) states the net gain made on the sale of Cofel (France – Bedding), Splifar (Belgium – Automotive (Exteriors)), Corpura (The Netherlands – Flexible Foams) and Gestind (Italy – Automotive (Seating)).

## Other

"Other" in 2010 comprised mainly:

- (i) A reversal of a provision (EUR +4.4 million) in relation with the contractual sales' obligations towards BASF with respect to the sold customer portfolio (cfr 'Automotive – 'Exteriors' sale at the end of 2008)
- (ii) reversal of accrual provisions for rebates in Bedding activity (EUR +2.9 million)
- (iii) legal fees (EUR –1.9 million) for EC antitrust investigation
- (iv) loss on an 'advance guarantee' paid for land in Alzhira (Spain) (EUR –0.7 million) in view of an optional investment project (Flexible Foams) which has been abandoned
- (v) the compensation received for various projects which were prematurely terminated by the customer (EUR +1,1 million) in Automotive – Interiors (Germany)
- (vi) the revenues on a development project for Saab (Automotive – Interiors (Germany) (EUR +1.5 million)
- (vii) the regularisation of professional tax ("taxe professionnelle") in France (EUR +0.7 million)
- (viii) a reversal of a provision for pension liabilities in relation to the Splifar-GMS (Automotive) transaction of 2009 (EUR 0,5 million)
- (ix) an additional provision for environmental risks in Tertre (Belgium) (EUR –0.5 million)
- (x) reversal of excess provisions for legal fees (EUR +0.5 million) for Chapter 11 RINA (Automotive – Interiors in the USA)
- (xi) the re invoicing of services and goods, and rental income (EUR +1.4 million)

"Other" in 2009 comprised mainly:

- (i) a reversal of a provision (EUR +2.5 million) in relation with the contractual sales' obligations towards BASF with respect to the sold customer portfolio (cfr 'Automotive – 'Exteriors' sale at the end of 2008)
- (ii) reversal of a provision (EUR +0,8 million) for risk of claw back in the settlement with Foamex (see note III.6.11.3. of the annual report 2008), and
- (iii) an additional settlement in the Foamex claim during 2009 (EUR +1.2 million), related to a renegotiation of the agreement in June 2009 after the filing of Foamex for Chapter 11
- (iv) the payment of an indemnity (net EUR –1.6 million, plus interests and costs) in the Nordwind claim (Automotive – Interiors) (see note II.6.11.2. of the annual report 2008).
- (v) reversal accrual provisions for rebates in bedding activity (EUR +0.9 million)
- (vi) retribution of social insurance bonuses (EUR +0.6 million)
- (vii) re invoicing of services and goods and rental income (EUR +2.4 million)
- (viii) dismantling costs linked to the discontinuation of activities in Germany (Automotive – Interiors) (EUR –2.9 million)
- (ix) legal fees related to the filing for Chapter 11 of two US subsidiaries (Automotive – Interiors) (EUR –2.2 million).

## 11.4.2. Earnings before interest and taxes (EBIT)

in thousand EUR		
Group Recticel	2010	2009
Sales	1 348 430	1 276 662
Purchases and changes in inventories	(698 436)	(613 994)
Amortisation and depreciation on non-current assets	(43 964)	(44 278)
Impairments on non-current assets	(10 800)	(10 362)
Amounts written off on inventories and receivables	(59)	(3 699)
Other depreciation	(1 157)	(1 437)
Other goods and services	(242 042)	(234 989)
Labour costs	(334 053)	(335 353)
Provisions	(15 661)	(14 872)
Revenue from (Loss on) investment operations	286	0
Other revenues and expenses	22 971	26 933
Income from associates	935	1 609
Result from investments available for sale	1 164	7
<b>EBIT</b>	<b>27 614</b>	<b>46 227</b>

## 11.4.3. Investment income

in thousand EUR		
Group Recticel	2010	2009
Reversal of impairment on investments available for sale	7	7
Dividends received	1 157	0
<b>Total</b>	<b>1 164</b>	<b>7</b>

## 11.4.4. Financial result

in thousand EUR		
Group Recticel	2010	2009
Interest charges on subordinated loans	0	(3 298)
Interest charges on bonds & notes	(2 088)	(2 020)
Interest on financial lease	(1 012)	(1 327)
Interest on long-term bank loans	(8 124)	(9 659)
Other financial interest expenses	(198)	(584)
Amortisation premiums & issue expenses	(452)	(507)
<b>Total borrowing cost</b>	<b>(11 874)</b>	<b>(17 395)</b>
Interest income from bank deposits	140	270
Interest income from financial receivables	357	643
<b>Interest income from financial receivables and cash</b>	<b>497</b>	<b>913</b>
Interest charges on other debts	(468)	(610)
Interest income from other financial receivables	74	173
<b>Total other interest</b>	<b>(394)</b>	<b>(437)</b>
<b>Interest income and expenses</b>	<b>(11 771)</b>	<b>(16 919)</b>
Exchange rate differences <sup>(1)</sup>	(2 810)	82
Result on financial instruments	(236)	(133)
Interest on provisions for employee benefits and other debt	(2 309)	(2 389)
Other financial result <sup>(2)</sup>	31	5 565
<b>Financial result</b>	<b>(17 095)</b>	<b>(13 794)</b>

(1) For 2010, exchange rate differences include the non-cash charges from the impact on the foreign currency translation reserve following the liquidation of the US legal entity RUS Inc. (EUR -6.0 million)

(2) For 2009 including the capital gain of EUR 5.6 million on the buy-back of EUR 17.3 million (nominal value) of part of the own convertible bond loan.

## III.4.5. Income taxes

### 1. Income tax expense

		in thousand EUR	
Group Recticel	2010	2009	
<b>Recognised in the income statement</b>			
Current tax:			
Domestic	(7)	(15)	
Foreign	(7 697)	(7 919)	
<b>Total current tax</b>	<b>(7 704)</b>	<b>(7 934)</b>	
Deferred taxes:			
(Under-) / Over-estimations provided in previous years	(1 583)	265	
Movements of temporary differences	(19 161)	(183)	
Utilisation of previous years' losses	(9 990)	(4 544)	
Deferred tax on current year's losses and prior losses notes recognised in the past	42 545	0	
<b>Total deferred tax</b>	<b>11 812</b>	<b>(4 462)</b>	
<b>Grand total</b>	<b>4 108</b>	<b>(12 396)</b>	
Group Recticel	2010	2009	
<b>Reconciliation of effective tax rate</b>			
Profit / (loss) before taxes	10 519	32 433	
Minus income from associates	0	0	
<b>Result before tax and income from associates</b>	<b>10 519</b>	<b>32 433</b>	
<b>Tax at domestic income tax rate of 33.99%</b>	<b>(3 575)</b>	<b>33.99%</b>	<b>(11 024) 33.99%</b>
Tax effect of non-deductible expenses:			
Non-deductible amortisation of goodwill and intangibles	(38)	-0.36%	(129) -0.40%
Expenses not deductible for tax purposes	(19 829)	-188.51%	(12 304) -37.94%
Other	(508)	-4.83%	(279) -0.86%
Tax effect of tax-exempt revenues:			
Non-taxable dividends from investments in non-group companies	0	0.00%	0 0.00%
Non-taxable financial and other income	17 726	168.51%	17 747 54.72%
Other	650	6.18%	2 008 6.19%
Deferred tax assets on liquidation <sup>(1)</sup>	36 594	347.88%	8 509 26.24%
Deferred tax effect resulting from a change in tax rates	56	0.53%	(19) -0.06%
Tax effect of current and deferred tax adjustments related to prior years	(1 583)	-15.05%	10 867 33.51%
Effect of different tax rates of subsidiaries operating in other jurisdictions	(371)	-3.53%	1 535 4.73%
Tax effect of utilisation of tax losses not previously recognised	0	0.00%	0 0.00%
Expiration of deferred tax assets due to merger/tax control (2007)	0	0.00%	0 0.00%
Tax effect of notional interest deduction	4 734	45.00%	5 726 17.65%
Valuation allowance on deferred tax assets and tax assets not recognised	(29 748)	-282.80%	(35 032) -108.01%
<b>Tax expense and effective tax rate for the year</b>	<b>4 108</b>	<b>-39.05%</b>	<b>(12 396) 38.22%</b>
Group Recticel	2010	2009	
Deferred tax income (expense) recognised directly in equity			
Change in accounting policy	0	0	
Impact of movements in exchange rates	(173)	(82)	
Impact of movements in scope of consolidation	0	(3 290)	
Impact of reclassification	0	0	
On effective portion of changes in fair value of cash flow hedges	104	359	
<b>Total</b>	<b>(69)</b>	<b>(3 013)</b>	

(1) Recticel conducts its business activities in the United States via various companies which are controlled by RUS (Recticel US), a holding company domiciled in the US which is under the direct control of Recticel NV/SA. RUS has accumulated significant losses in book value, as a result of which the net equity has fallen substantially below the amount of the paid-up capital. With a view to the further simplification of its Group structure, Recticel has finalised the liquidation of RUS in 2010. The amount of future tax reductions from the capital loss on the RUS shares amounts EUR 52.5 million. Since the procedure to wind up RUS was started during 2008, an amount of EUR 36.6 million in deferred tax assets is recognised in the tax result.

## 2. Deferred tax

in thousand EUR				
Group Recticel	31 DEC 2010		31 DEC 2009	
	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES
<b>Recognised deferred tax assets and liabilities</b>				
Intangible assets	5 273	(3 899)	6 002	(4 101)
Property, plant & equipment	21 490	(23 040)	20 196	(23 467)
Investments	268	(274)	276	(813)
Inventories	448	(1 070)	447	(1 762)
Receivables	1 658	(2 239)	1 441	(1 302)
Cash flow hedges (equity)	1 850	0	1 746	0
Fair value on trading and economic hedge	27	0	243	0
Other current assets	678	(149)	467	(122)
Pension provisions	3 589	(421)	5 048	(82)
Other provisions	9 957	(5 462)	5 879	(6 900)
Other liabilities	2 131	(2 796)	1 549	(3 768)
Notional interest deduction	11 585	0	7 732	0
Tax loss carry-forwards/ Tax credits	183 773	0	148 550	0
<b>Total</b>	<b>242 728</b>	<b>(39 350)</b>	<b>199 576</b>	<b>(42 317)</b>
Valuation allowance <sup>(1)</sup>	(156 439)	0	(122 069)	3
Set-off <sup>(2)</sup>	(30 550)	30 550	(34 142)	34 142
<b>Total (as provided on the balance sheet)</b>	<b>55 739</b>	<b>(8 800)</b>	<b>43 365</b>	<b>(8 171)</b>

(1) The variation of EUR 34.4 million (EUR 156.4 million minus EUR 122.0 million) is mainly explained by the unrecognized amount of RUS liquidation of EUR 15.6 million and a variation of valuation allowances calculated on tax losses and tax credits which are unrecognized for EUR 18.8 million.

(2) According to IAS 12 (Income Taxes), deferred tax assets and deferred tax liabilities should, under certain conditions, be offset if they relate to income taxes levied

### Tax loss carry-forward by expiration date:

in thousand EUR		
	2010	2009
One year	0	0
Two years	360	0
Three years	2 902	341
Four years	3 276	8 347
Five years and thereafter	247 688	145 912
Without time limit	397 071	375 160

Deferred tax assets not recognised by the Group apply to the following elements as at 31 Dec 2010

in thousand EUR				
Group Recticel	TOTAL POTENTIAL DEFERRED TAX ASSETS	RECOGNISED DEFERRED TAX ASSETS	UNRECOGNISED DEFERRED TAX ASSETS	GROSS AMOUNT OF UNRECOGNISED TAX LOSSES
<sup>(1)</sup> Tax losses carried forward	183 044	67 174	115 870	397 324
<sup>(1)</sup> Notional interest deductions	11 577	147	11 430	33 628
Property, plant and equipment	21 577	5 148	16 429	49 225
Pension provisions	3 153	648	2 505	7 889
Other provisions	9 392	3 942	5 450	16 879
Other temporary differences	10 918	6 163	4 755	16 753
<b>Total (as provided in balance sheet)</b>	<b>239 661</b>	<b>83 222</b>	<b>156 439</b>	<b>521 698</b>

The above amounts of deferred tax assets relate to the companies in which valuation allowances of EUR 156,4 million are recognised (EUR 239,7 million out of EUR 242,7 million).

<sup>(1)</sup> As of 31 December 2010, deferred tax assets and notional interest deductions of EUR 67,3 million (2009: EUR 29,5 million) are recognised out of EUR 651,3 million (2009: EUR 529,8 million) tax losses carried-forward.

These tax assets represent taxable gains realisable in the foreseeable future.

Deferred tax assets not recognised by the Group apply to the following elements as at 31 Dec 2009

in thousand EUR				
Group Recticel	TOTAL POTENTIAL DEFERRED TAX ASSETS	RECOGNISED DEFERRED TAX ASSETS	UNRECOGNISED DEFERRED TAX ASSETS	GROSS AMOUNT OF UNRECOGNISED TAX LOSSES
(*) Tax losses carried forward	119 969	28 246	91 723	318 663
(*) Notional interest deductions	7 721	1 269	6 452	18 985
Property, plant and equipment	16 115	2 179	13 936	41 366
Pension provisions	3 461	1 163	2 298	7 392
Other provisions	3 196	609	2 587	7 819
Other temporary differences	7 188	2 115	5 073	16 622
<b>Total (as provided in balance sheet)</b>	<b>157 650</b>	<b>35 581</b>	<b>122 069</b>	<b>410 847</b>

The above amounts of deferred tax assets relate to the companies in which valuation allowances of EUR 122,1 million are recognised (EUR 157,7 million out of EUR 199,6 million).

<sup>(\*)</sup> As of 31 December 2009, deferred tax assets and notional interest deductions of EUR 29,5 million (2008: EUR 48.7 million) are recognised out of EUR 529.8 million (2008: EUR 418.6 million) tax losses carried-forward.

The change in scope of consolidation led to the adjustment to the figures published in 2009 regarding the tax losses and notional interest deductions for an amount of EUR 28.6 million, which leads to the recognition of effective deferred assets and notional interest deductions of EUR 29.5 million instead of EUR 58.1 million.

These tax assets represent taxable gains realisable in the foreseeable future.

## III.4.6. Dividends

### Amounts recognised as distributions to equity holders in the period.

Dividend for the period ending 31 December 2009 of EUR 0.25 (2008: EUR 0.17) per share.

Proposed dividend for the period ending 31 December 2010 of EUR 0.27 per share, or in total for all shares outstanding EUR 7,811,493.12 (2009: EUR 7,232,864.00)

The proposed dividend is subject to approval by the shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.



## 11.4.7. Basic earnings per share

### From continuing and discontinuing operations

The calculation of the basic and diluted earnings per share is based on the following data:

in thousand EUR		
Group Recticel	2010	2009
<b>Net profit (loss) for the period (in thousand EUR)</b>	<b>14 439</b>	<b>20 740</b>
Net profit (loss) from continuing operations	14 439	20 740
Net profit (loss) from discontinuing operations	0	0
<b>Weighted average shares outstanding</b>		
Ordinary shares <sup>(1)</sup>	28 571 194	28 499 141
VVPR shares <sup>(1)</sup>	360 263	432 315
<b>Weighted average shares outstanding</b>	<b>28 931 456</b>	<b>28 931 456</b>
Ordinary shares on 01 January	28 499 141	28 499 141
Ordinary shares on 31 December	28 931 456	28 499 141
<b>Weighted average ordinary shares outstanding</b>	<b>28 571 194</b>	<b>28 499 141</b>
VVPR shares on 01 January	432 315	432 315
VVPR shares on 31 December	0	432 315
<b>Weighted average VVPR shares outstanding</b>	<b>360 263</b>	<b>432 315</b>
in EUR		
Group Recticel	2010	2009
<b>Basic earnings per share</b>	<b>0.50</b>	<b>0.72</b>
Basic earnings per share from continuing operations	0.50	0.72
Basic earnings per share from discontinuing operations	0.00	0.00

(1) On 29 October 2010 (after the closing of the stock markets), all 432.315 VVPR shares outstanding have been exchanged for an equal number of ordinary shares, plus an equal number of VVPR strips. As from 01 November 2010 these VVPR strips were listed on the NYSE Euronext stock exchange (Code: RECS – ISIN: BE0005639134). Holders of the VVPR strips benefit from a reduced withholding tax of 15% on the dividends paid out on the ordinary shares (instead of a 25% withholding tax on ordinary shares).

# 11.4.8. Diluted earnings per share

	in thousand EUR	
Diluted earnings per share computation:	2010	2009
<b>Diluted earnings per share computation:</b>		
<b>Dilutive elements</b>		
Net profit (loss) from continuing operations	14 439	20 740
Convertible bond <sup>(2)</sup>	0	0
<b>Profit (loss) attributable to ordinary equity holders of the parent entity including assumed conversions</b>	<b>14 439</b>	<b>20 740</b>
<b>Weighted average ordinary shares outstanding (including VVPR shares)</b>	<b>28 931 456</b>	<b>28 931 456</b>
Stock option plans – warrants <sup>(1)</sup>	397 570	0
Convertible bond <sup>(2)</sup>	0	0
<b>Weighted average shares for diluted earnings per share</b>	<b>29 329 026</b>	<b>28 931 456</b>

	in EUR	
Group Recticel	2010	2009
<b>Diluted earnings per share</b>	<b>0.49</b>	<b>0.72</b>
Diluted earnings per share from continuing operations	0.49	0.72
Diluted earnings per share from discontinuing operations	0.00	0.00

	2010	2009
<b>Anti-dilutive elements</b>		
Impact on net profit from continuing operations		
Convertible bond <sup>(2)</sup>	2 183	2 163
Impact on weighted average ordinary shares outstanding		
Stock option plan – warrants – "out-of-the-money" <sup>(1)</sup>	369 907	1 779 578
Convertible bond <sup>(2)</sup>	4 284 650	2 112 163

- (1) For 2010, two warrant plans were in-the-money; i.e. the plan of 2008 and the plan of 2009. They have been taken into account for the calculation of the diluted earnings per share. The remaining warrant plans are out-of-the-money and disclosed as anti-dilutive. In 2009, all warrant plans were out-of-the-money and were disclosed as anti-dilutive.
- (2) For 2010 and 2009, the potential additional shares as a result of the convertible bond are anti-dilutive and are therefore excluded from the calculation of the diluted earnings per share (assuming full conversion).

II.5. Balance sheet

II.5.1. Intangible assets

For the year ending 2010:

in thousand EUR						
Group Recticel	DEVELOPMENT COSTS	TRADEMARKS, PATENTS & LICENCES	CLIENT PORTFOLIO	OTHER INTANGIBLE ASSETS	ASSETS UNDER CONSTRUCTION AND ADVANCE PAYMENTS	TOTAL
At the end of the preceding year						
Gross book value	19 488	38 889	12 873	740	3 040	75 030
Accumulated amortisation	(17 850)	(26 164)	(8 936)	(441)	0	(53 391)
Accumulated impairment	0	(6 489)	0	0	(849)	(7 338)
Net book value	1 638	6 236	3 937	299	2 191	14 301
Movements during the year:						
Changes in scope of consolidation	0	(2)	0	0	0	(2)
Acquisitions	0	223	192	0	710	1 125 <sup>(1)</sup>
Own production	11	43	0	0	2 004	2 058 <sup>(1)</sup>
Impairments	0	(91)	0	0	0	(91)
Expensed amortisation	(848)	(2 310)	(981)	(45)	0	(4 184)
Sales and scrapped	0	(1)	0	0	(234)	(235) <sup>(2)</sup>
Transfers from one heading to another	371	924	0	30	(1 388)	(63)
Exchange rate differences	66	201	65	40	26	398
At year-end	1 238	5 223	3 213	324	3 309	13 307
Gross book value	20 558	40 368	13 209	708	4 158	79 001
Accumulated amortisation	(19 320)	(28 800)	(9 996)	(384)		(58 500)
Accumulated impairment	0	(6 345)	0	0	(849)	(7 194)
Net book value	1 238	5 223	3 213	324	3 309	13 307
Useful life (in years)	3 - 5	3 - 10	5 - 10	5 maximum	n.a.	
Acquisitions			Disposals			
Cash out on acquisitions intangible assets	(3 436)	Cash in from disposals intangible assets				268
Total acquisitions intangible assets <sup>(1)</sup>	(3 183)	Total disposals intangible assets <sup>(2)</sup>				235
Acquisitions shown in working capital	253	Disposals shown in working capital				(33)

For the year ending 2009:

Group Recticel	in thousand EUR					
	DEVELOPMENT COSTS	TRADEMARKS, PATENTS & LICENCES	CLIENT PORTFOLIO	OTHER INTANGIBLE ASSETS	ASSETS UNDER CONSTRUCTION AND ADVANCE PAYMENTS	TOTAL
<b>At the end of the preceding year</b>						
Gross book value	20 189	55 754	16 088	839	4 131	<b>97 001</b>
Accumulated amortisation	(18 640)	(41 299)	(9 292)	(700)	0	<b>(69 931)</b>
Accumulated impairment	(32)	(6 491)	(128)	0	(315)	<b>(6 966)</b>
<b>Net book value</b>	<b>1 517</b>	<b>7 964</b>	<b>6 668</b>	<b>139</b>	<b>3 816</b>	<b>20 104</b>
<b>Movements during the year:</b>						
Changes in scope of consolidation	(276)	(896)	(2 331)	(67)	(31)	<b>(3 601)</b>
Acquisitions	0	498	10	108	442	<b>1 058</b> <sup>(1)</sup>
Own production	246	0	0	0	954	<b>1 200</b> <sup>(1)</sup>
Impairments	0	(118)	0	0	(591)	<b>(709)</b>
Expensed amortisation	(570)	(2 635)	(953)	(108)	0	<b>(4 266)</b>
Sales and scrapped	(10)	0	0	0	(107)	<b>(117)</b> <sup>(2)</sup>
Reclassification to held for sale	0	0	0	22	0	<b>22</b>
Transfers from one heading to another	719	1 374	384	198	(2 294)	<b>381</b>
Exchange rate differences	12	49	159	7	2	<b>229</b>
<b>At year-end</b>	<b>1 638</b>	<b>6 236</b>	<b>3 937</b>	<b>299</b>	<b>2 191</b>	<b>14 301</b>
Gross book value	19 488	38 889	12 873	740	3 040	<b>75 030</b>
Accumulated amortisation	(17 850)	(26 164)	(8 936)	(441)	0	<b>(53 391)</b>
Accumulated impairment	0	(6 489)	0	0	(849)	<b>(7 338)</b>
<b>Net book value</b>	<b>1 638</b>	<b>6 236</b>	<b>3 937</b>	<b>299</b>	<b>2 191</b>	<b>14 301</b>
Useful life (in years)	3 - 5	3 - 10	5 - 10	5 maximum	n.a.	
<b>Acquisitions</b>			<b>Disposals</b>			
Cash out on acquisitions intangible assets	(2 227)		Cash in from disposals intangible assets			88
Total acquisitions intangible assets <sup>(1)</sup>	(2 258)		Total disposals intangible assets <sup>(2)</sup>			117
Acquisitions shown in working capital	(31)		Disposals shown in working capital			29

In 2010, the total acquisition of intangible assets and own production amounted to EUR 3.2 million, compared to EUR 2.2 million the year before. The investments in intangible assets in 2010 mainly related to "Assets under construction and advance payments" to new developments and licence costs for roll-out of the SAP IT platform (EUR 2.2 million) and new projects in Automotive (Interiors) (EUR 0.6 million).

In February 2008, Recticel SA/NV and Recticel International Services SA/NV concluded a new joint credit facility agreement ('club deal') amounting to EUR 230 million. Under this club deal, Recticel SA/NV and/or its affiliates have pledged their main trademarks and patents in favour of the banks up to a maximum amount of EUR 230 million plus interest and related costs.

**Intangible assets** that meet the recognition criteria of IAS 38 – Intangible Assets are recognised to the extent that future economic benefits are probable.

To the extent that the recoverable amount of the intangible assets (i.e. the higher of its fair value less costs to sell and the present value of the future cash flows expected from the continuing use of these assets and their disposal) is less than the carrying amount, an impairment loss is recognised in accordance with IAS 36 – Impairment of Assets.

The recoverable amount of a CGU (cash-generating unit) is generally determined on the basis of value-in-use calculations. For certain assets clearly identified, the “net selling price” in a binding sales agreement of an arm’s length transaction can however be used to determine the recoverable amount of the asset.

The value-in-use method involves cash flow projections based on financial budget approved by management covering a four-year period. Cash flows beyond the four-year plan are extrapolated using the most appropriate estimated growth rate which does not exceed the long-term average growth rate for the business in which the CGU operates.

Management determines these assumptions (prices, volumes and performance yields) based on past performance and its expectations for the market development. The weighted average growth rates used are consistent with the forecasts included in the industry reports. The discount rate used is based on the Group’s estimated weighted average cost of capital and reflects current market assessments of the time value of money and risks for which future cash flows have not been adjusted. A discount rate of 8% is used for the calculations.

The intangible assets are subject to an impairment examination each year or more frequently if there are indications that these items should be subject to impairment. Regarding the main assumptions and findings and the sensitivity analyses, we refer to section II.1.5 Critical accounting assessments and principal sources of uncertainty.

II.5.2. Goodwill

	in thousand EUR	
Group Recticel	31 DEC 10	31 DEC 09
<b>At the end of the preceding year</b>		
Gross book value	48 762	57 420
Accumulated impairments	(15 451)	(18 256)
<b>Net book value</b>	<b>33 311</b>	<b>39 164</b>
<b>Movements during the year</b>		
Acquisitions or entering the consolidation scope	0	4 658
Impairments	0	(3 225)
Disposals or leaving the consolidation scope	(219)	(7 944)
Exchange rate differences	1 273	658
<b>At year-end</b>	<b>34 365</b>	<b>33 311</b>
Gross book value	49 882	48 762
Accumulated impairments	(15 517)	(15 451)
<b>Net book value</b>	<b>34 365</b>	<b>33 311</b>

The breakdown of the goodwill per business line is as follows:

Group Recticel	in thousand EUR	
	2010	2009
Eurofoam	509	514
Germany	806	806
The Netherlands	253	253
Scandinavia	5 904	5 950
United Kingdom	4 258	4 103
<b>Flexible Foams</b>	<b>11 730</b>	<b>11 626</b>
Germany	2 761	2 761
Switzerland	6 114	5 198
Belgium	845	844
Austria	941	941
<b>Bedding</b>	<b>10 661</b>	<b>9 744</b>
Kingspan Tarec Industrial Insulation	412	411
Belgium	1 619	1 619
United Kingdom	965	935
<b>Insulation</b>	<b>2 996</b>	<b>2 965</b>
Proseat	8 978	8 976
<b>Automotive</b>	<b>8 978</b>	<b>8 976</b>
<b>Total goodwill</b>	<b>34 365</b>	<b>33 311</b>

The carrying amount of goodwill acquired in business combination must be allocated on a reasonable and consistent basis to each CGU or smallest group of cash-generating units in accordance with IAS 36.

The value-in-use method discounts projected cash flows based on a four-year financial budget approved by management. Cash flows beyond the four-year plan are extrapolated using the most appropriate estimated growth which cannot exceed the long-term average growth rate for the business in which the CGU operates.

Management determines these assumptions (prices, volumes, performance yields) based on past performance and its expectations for the market development. The weighted average growth rates used are consistent with the forecasts included in the industry reports. The discount rate used is the Group's estimated weighted cost of capital and reflects current market assessments of the time value of money and risks for which future cash flows have been adjusted. A discount rate of 8% is used for the calculations.

The goodwill is subject to an impairment examination each year or more frequently if there are indications that these items should be subject to impairment. Regarding the main assumptions and findings and the sensitivity analyses, we refer to section II.1.5 Critical accounting assessments and principal sources of uncertainty.



## 11.5.3. Property, plant & equipment

For the year ending 2010:

in thousand EUR							
Group Recticel	LAND AND BUILDINGS	PLANT, MACHINERY & EQUIPMENT	FURNITURE AND VEHICLES	LEASES AND SIMILAR RIGHTS	OTHER TANGIBLE ASSETS	ASSETS UNDER CONSTRUCTION	TOTAL
<b>At the end of the preceding year</b>							
Gross value	204 118	592 001	33 114	31 314	4 700	24 882	<b>890 129</b>
Accumulated depreciation	(103 937)	(417 236)	(29 862)	(12 160)	(3 778)	(3 122)	<b>(570 095)</b>
Accumulated impairments	(601)	(28 192)	(136)	(429)	0	(3 887)	<b>(33 245)</b>
<b>Net book value at opening</b>	<b>99 580</b>	<b>146 573</b>	<b>3 116</b>	<b>18 725</b>	<b>922</b>	<b>17 873</b>	<b>286 789</b>
<b>Movements during the year</b>							
Changes in scope of consolidation	0	(155)	22	0	0	0	<b>(133)</b>
Acquisitions, including own production	319	7 503	1 051	121	204	22 794	<b>31 992</b> <sup>(1)</sup>
Impairments	(2 835)	(7 708)	(5)	0	(5)	(156)	<b>(10 709)</b>
Expensed depreciation	(6 169)	(30 436)	(1 293)	(1 795)	(83)	(4)	<b>(39 780)</b>
Sales and scrapped	(3)	(450)	(11)	(1 072)	0	(65)	<b>(1 601)</b> <sup>(2)</sup>
Transfers from one heading to another	1 393	18 423	544	(175)	(422)	(19 710)	<b>53</b>
Exchange rate differences	852	3 124	60	10	10	312	<b>4 368</b>
<b>At year-end</b>	<b>93 137</b>	<b>136 874</b>	<b>3 484</b>	<b>15 814</b>	<b>626</b>	<b>21 044</b>	<b>270 979</b>
Gross value	209 241	623 730	33 822	27 560	3 611	21 239	<b>919 203</b>
Accumulated depreciation	(113 085)	(457 807)	(30 273)	(11 375)	(2 980)	72	<b>(615 448)</b>
Accumulated impairments	(3 019)	(29 049)	(65)	(371)	(5)	(267)	<b>(32 776)</b>
<b>Net book value at year-end</b>	<b>93 137</b>	<b>136 874</b>	<b>3 484</b>	<b>15 814</b>	<b>626</b>	<b>21 044</b>	<b>270 979</b>
<b>Acquisitions</b>				<b>Disposals</b>			
Cash out on acquisitions tangible assets	(26 646)			Cash in from disposals tangible assets			2 105
Total acquisitions tangible assets <sup>(1)</sup>	(31 992)			Total disposals tangible assets <sup>(2)</sup>			1 601
Acquisitions shown in working capital	(5 346)			Disposals shown in working capital			(504)

For the year ending 2009:

							in thousand EUR
Group Recticel	LAND AND BUILDINGS	PLANT, MACHINERY & EQUIPMENT	FURNITURE AND VEHICLES	LEASES AND SIMILAR RIGHTS	OTHER TANGIBLE ASSETS	ASSETS IN DER CONSTRUCTION	TOTAL
<b>At the end of the preceding year</b>							
Gross value	211 885	647 110	38 306	35 080	5 334	33 147	<b>970 862</b>
Accumulated depreciation	(105 910)	(437 402)	(32 719)	(12 309)	(3 845)	(3 078)	<b>(595 263)</b>
Accumulated impairment	(1 001)	(32 310)	(211)	(398)	0	(5 119)	<b>(39 039)</b>
<b>Net book value at opening</b>	<b>104 974</b>	<b>177 398</b>	<b>5 376</b>	<b>22 373</b>	<b>1 489</b>	<b>24 950</b>	<b>336 560</b>
<b>Movements during the year</b>							
Changes in scope of consolidation	(3 475)	(17 562)	(826)	(1 631)	(417)	(1 424)	<b>(25 335)</b>
Acquisitions, including own production	148	5 020	715	123	82	15 745	<b>21 833</b> <sup>(1)</sup>
Impairments	(493)	(5 712)	(11)	(2)	0	(209)	<b>(6 427)</b>
Expensed depreciation	(6 066)	(30 122)	(1 593)	(2 005)	(220)	(10)	<b>(40 016)</b>
Sales and scrapped	(137)	(878)	(10)	(35)	(29)	(37)	<b>(1 126)</b> <sup>(2)</sup>
Transfers from one heading to another	4 374	17 007	(536)	(101)	3	(21 400)	<b>(653)</b>
Exchange rate differences	255	1 422	1	3	14	258	<b>1 953</b>
<b>At year-end</b>	<b>99 580</b>	<b>146 573</b>	<b>3 116</b>	<b>18 725</b>	<b>922</b>	<b>17 873</b>	<b>286 789</b>
Gross value	204 118	592 001	33 114	31 314	4 700	24 882	<b>890 129</b>
Accumulated depreciation	(103 937)	(417 236)	(29 862)	(12 160)	(3 778)	(3 122)	<b>(570 095)</b>
Accumulated impairment	(601)	(28 192)	(136)	(429)	0	(3 887)	<b>(33 245)</b>
<b>Net book value at year-end</b>	<b>99 580</b>	<b>146 573</b>	<b>3 116</b>	<b>18 725</b>	<b>922</b>	<b>17 873</b>	<b>286 789</b>
<b>Acquisitions</b>				<b>Disposals</b>			
Cash out on acquisitions tangible assets	(16 135)	Cash in from disposals tangible assets					119
Total acquisitions tangible assets <sup>(1)</sup>	(21 833)	Total disposals tangible assets <sup>(2)</sup>					1 126
Acquisitions shown in working capital	(5 698)	Disposals shown in working capital					1 007

Total acquisition of tangible assets amounts to EUR 32.0 million, compared to EUR 21.8 million last year.

As already stated under Intangible Assets, in February 2008, Recticel SA/NV and Recticel International Services SA/NV concluded a new joint credit facility agreement ('club deal') amounting to EUR 230 million. Under this club deal, Recticel SA/NV and/or its affiliates have pledged their production sites in Belgium, Germany, France, the Netherlands and Sweden in favour of the banks up to a maximum amount of EUR 230 million plus interest and related costs.

At 31 December 2009, the Group had entered into contractual commitments for the acquisition of property, plant & equipment amounting to EUR 3.5 million.

At 31 December 2010, the Group had entered into contractual commitments for the acquisition of property, plant & equipment amounting to EUR 3.7 million.

For the measurement of **tangible assets** the principles relating to impairment of assets (IAS 36) and to useful life of significant components of assets (IAS 16) apply. Fair value (market value) is used as deemed cost (IFRS 1) for certain assets such as land and buildings.

The reassessment of the useful life of certain components of assets is based upon an industrial survey confirmed by economic reality and the experience of peers reporting under IFRS.

In accordance with IAS 20 – Accounting for government grants and disclosure of government assistance, investment grants, previously included in equity according to Belgian GAAP, are deducted from the carrying amount of the related assets.

The value-in-use method discounts cash flow projections based on financial budget approved by management covering a four-year plan. Cash flows beyond the four-year plan are extrapolated using the most appropriate estimated growth which cannot exceed the long-term average growth rate for the business in which the CGU operates.

Management determines these assumptions (prices, volumes, performance yields) based on past performance and its expectations for the market development. The weighted average growth rates used are consistent with the forecasts included in the industry reports. The discount rate used is the Group’s estimated weighted cost of capital and reflects current market assessments of the time value of money and risks for which future cash flows have been adjusted. A discount rate of 8% is used for the calculations

The tangible assets are subject to an impairment examination each year or more frequently if there are indications that these items should be subject to impairment. Regarding the main assumptions and findings and the sensitivity analyses, we refer to section II.1.5 Critical accounting assessments and principal sources of uncertainty.

As a result of this examination, impairments were booked in 2010 for an amount of EUR -10.8 million, which consists mainly of EUR -4.6 million in Automotive and EUR -6.1 million in Flexible Foams.

II.5.4. Assets under financial lease

	in thousand EUR	
Group Recticel	31 DEC 2010	31 DEC 2009
Land and buildings – At cost	25 447	22 619
Land and buildings – Accumulated depreciation	(10 077)	(6 913)
Land and buildings – Impairments	(371)	(429)
<b>Total land and buildings</b>	<b>14 999</b>	<b>15 277</b>
Plant, machinery & equipment – At cost	1 538	8 016
Plant, machinery & equipment – Accumulated depreciation	(900)	(4 815)
Plant, machinery & equipment – Impairments	0	0
<b>Total plant, machinery &amp; equipment</b>	<b>638</b>	<b>3 201</b>
Furniture and vehicles – At cost	575	736
Furniture and vehicles – Accumulated depreciation	(398)	(489)
Furniture and vehicles – Impairments	0	0
<b>Total furniture and vehicles</b>	<b>177</b>	<b>247</b>
<b>Total assets under financial lease</b>	<b>15 814</b>	<b>18 725</b>
Fixed assets held under financial leasing – Gross	27 560	31 314
Fixed assets held under financial leasing – Depreciation	(11 375)	(12 160)
Fixed assets held under financial leasing – Impairments	(371)	(429)
<b>Fixed assets held under financial leasing</b>	<b>15 814</b>	<b>18 725</b>

II.5.5. Investment property

in thousand EUR		
Group Recticel	31 DEC 2010	31 DEC 2009
<b>At the end of the preceding period</b>		
Gross book value	1 017	1 017
Accumulated depreciation	(121)	(121)
<b>Net book value at opening</b>	<b>896</b>	<b>896</b>
<b>Movements during the year</b>		
Acquisitions	0	0
Expensed depreciation	0	0
Disposals and scrapped	0	0
<b>At year end</b>	<b>896</b>	<b>896</b>
Gross book value	1 017	1 017
Accumulated depreciation	(121)	(121)
<b>Net book value at year-end</b>	<b>896</b>	<b>896</b>

About 30 hectares of industrial land in Balen-Lommel (Belgium) is subject to a long-term lease (up to 2039) to Ajinomoto Omnicem SA/NV. 10.5 hectares in Balen-Lommel are unusable for other purposes.

III.5.6. Subsidiaries, joint ventures and associates

Unless otherwise indicated, the percentage shareholdings shown below are identical to the percentage voting rights.

1. SUBSIDIARIES CONSOLIDATED USING THE FULL CONSOLIDATION METHOD			% SHAREHOLDING IN	
			2010	2009
<b>Austria</b>				
Sembella GmbH	Aderstrasse 35 - 4850 Timelkam		100.00	100.00
<b>Belgium</b>				
s.c. sous forme de s.a. Balim b.v. onder vorm van n.v.	Olympiadenlaan 2 - 1140 Evere		100.00	100.00
s.a. Finapal n.v.	Olympiadenlaan 2 - 1140 Evere		100.00	100.00
s.a. Intergroup Coordination Services n.v.	Olympiadenlaan 2 - 1140 Evere		100.00	100.00
s.a. Recticel Management Services n.v.	Damstraat 2 - 9230 Wetteren		100.00	100.00
s.a. Recticel International Services n.v.	Olympiadenlaan 2 - 1140 Evere		100.00	100.00
<b>China</b>				
Ningbo RIS Automotive Interiors Solutions Co. Ltd.	No. 525, Changxing Road, (C Area of Pioneer Park) Jiangbei District, Ningbo Municipality		100.00	100.00
Recticel Foams (Shanghai) Co Ltd	No. 525, Kang Yi Road - Kangyiao Industrial Zone, 201315 Shanghai		100.00	100 (NC)
<b>Czech Republic</b>				
RAI Most s.r.o.	Moskevská 3055 - Most		100.00	100.00
Recticel Czech Automotive s.r.o.	Chudrice-Osada 144 - 418,25 Bilina		100.00	100.00
Recticel Interiors CZ s.r.o.	Plazy, 115 - PSC 293 01 Mlada Boleslav		100.00	100.00
<b>Estonia</b>				
RECTICEL OU (ex Espée eesti)	Pune Tee 22 - 12015 Tallin		100.00	100.00
<b>Finland</b>				
RECTICEL OY	Nevantie 2, 45100 Kouvola		100.00	100.00
<b>France</b>				
Lebed s.a.s.	Zone d'activité de l'Allmend - Boîte postale 34 - 68290 Masevaux		100 (f)	100.00
Promousse s.a.s.	Rue des Canonniers 48, 59000 Lille		100 (f)	100.00
Recticel s.a.s.	7, rue du Fossé blanc, bâtiment C2 - 92622 Gennevilliers		100.00	100.00
<b>Germany</b>				
J.R. Interiors GmbH & Co. KG	Rolandsecker Weg 30 - 53619 Rheinbreitbach	(a)		70.00
J.R. Interiors Verwaltungs GmbH	Rolandsecker Weg 30 - 53619 Rheinbreitbach	100.00		70.00
Recticel Automobilsysteme GmbH	Rolandsecker Weg 30 - 53619 Rheinbreitbach	100.00		100.00
Recticel Beteiligungsmanagement GmbH	Rolandsecker Weg 30 - 53619 Rheinbreitbach	100.00		100.00
Recticel Dämmsysteme GmbH	Hagenauer Strasse 42 - 65203 Wiesbaden	100.00		100.00
Recticel Deutschland Beteiligungs GmbH	Rolandsecker Weg 30 - 53619 Rheinbreitbach	100.00		100.00
Recticel Grundstücksverwaltung GmbH	Rolandsecker Weg 30 - 53619 Rheinbreitbach	100.00		100.00
Recticel GuKoTech GmbH	Rolandsecker Weg 30 - 53619 Rheinbreitbach	100.00		100 (NC)
Recticel Handel GmbH	Rolandsecker Weg 30 - 53619 Rheinbreitbach	100.00		100.00
Recticel Schlafkomfort GmbH	Schlaraffiastrasse 1-10 - 44867 Bochum 6 - Wattenscheid	100.00		100.00
Recticel Verwaltung GmbH & Co. KG	Rolandsecker Weg 30 - 53619 Rheinbreitbach	100.00		100.00
Superba-Betten AG	Im Bifig 1 - 79650 Schopfheim	(b)		100.00
<b>Luxembourg</b>				
Recticel RE s.a.	23, Avenue Monterey, L-2163 Luxembourg		100.00	100.00

1. SUBSIDIARIES CONSOLIDATED USING THE FULL CONSOLIDATION METHOD

		% SHAREHOLDING IN	
		2010	2009
<b>The Netherlands</b>			
Akoestikon Geluidsisolatie B.V.	Fahrenheitbaan, 4c - 3439 MD Nieuwegein	100.00	100.00
Recticel B.V.	Spoorstraat 69 - 4041 CL Kesteren	100.00	100.00
Recticel Bedding B.V.	Paderbornstraat 2 - 7418 BP Deventer	(c)	100.00
Recticel Holding Noord B.V.	Spoorstraat 69 - 4041 CL Kesteren	100.00	100.00
Recticel International B.V.	Spoorstraat 69 - 4041 CL Kesteren	100.00	100.00
Rectigro BV	Spoorstraat 69 - 4041 CL Kesteren	100.00	-
<b>Norway</b>			
Westnøfa Industrier AS	Øysand - 7224 Mehus	100.00	100.00
<b>Poland</b>			
Recticel Komfort Snu Sp. z o.o.	Ul. Graniczna 60, 93-428 Lodz	100.00	100.00
<b>Romania</b>			
Recticel Bedding Romania s.r.l.	Miercurea Sibiului, DN1, FN, ground floor room 2 3933 Sibiu County	100.00	100.00
<b>Sweden</b>			
AB B. Åkesson & Co	Tandstiftet 2 box 94 - 38322 Mönsterås	(d)	100.00
Recticel AB	Södra Storgatan 50 b.p. 507 - 33228 Gislaved	100.00	100.00
<b>Spain</b>			
Ingeneria De Poliuretano Flexible s.l.	Txiriboteca, 10 A 48330 LEMONA (Vizcaya)	100.00	100.00
Recticel Iberica s.l.	Carretera B-142km. 2,2 - 08213 Polinya	100.00	100.00
Transfoam s.l.	Pol. Ind. Catarroja, C/31 Parc.10A1 46470 CATARROJA (Valencia)	100 (f)	100.00
Transformados Ebaki s.l.	Pol.Ind. Txako, 3 - Pta. principal trasera 48480 ARRIGORRIAGA (Vizcaya)	100.00	100.00
<b>Switzerland</b>			
Recticel Bedding (Schweiz) AG	Bettenweg 12 Postfach 65 - 6233 Büren - Luzern	100.00	100.00
<b>Turkey</b>			
Recfoam Poliüretan sünger sanayi ve ticaret limited sirkati	ESENTEPE MÝLANGAZ CAD., 40 34870 ISTANBUL	100.00	100.00
<b>United Kingdom</b>			
Carobel Foam Limited	Blue Bell Close Clover Nook Industrial Park - DE554RD Alfreton	100.00	100.00
Declon Limited	Blue Bell Close Clover Nook Industrial Park - DE554RD Alfreton	100.00	100.00
Gradient Insulations (UK) Limited	1 George Street, Wolverhampton WV2 4DG, UK	100.00	100.00
Recticel (UK) Limited	Blue Bell Close Clover Nook Industrial Park - DE554RD Alfreton	100.00	100.00
Recticel Limited	Blue Bell Close Clover Nook Industrial Park - DE554RD Alfreton	100.00	100.00
Rochingham Babycrafts Limited	Blue Bell Close Clover Nook Industrial Park - DE554RD Alfreton	100.00	100.00
Tarec International Limited	Blue Bell Close Clover Nook Industrial Park - DE554RD Alfreton	100.00	100.00
UK Insulation Supplies Limited	Blue Bell Close Clover Nook Industrial Park - DE554RD Alfreton	100.00	100.00
<b>United States of America</b>			
Recticel Foam Corporation Inc.	c/o Wilmington Trust Services Suite 1300 - 1105, North Market street po box 8985 - 19899 Wilmington - Delaware	100.00	100.00
Recticel Interiors North America Llc.	5600 Bow Point Drive - MI 48346-3155 Clarkston	100.00	100.00
Recticel Urepp North America Inc.	Metro North Technology Park - Atlantic Boulevard 1653 - MI 48326 Auburn Hills	100.00	100.00
Rus Inc.	c/o Wilmington Trust Services Suite 1300 - 1105, North Market street po box 8985 - 19899 Wilmington - Delaware	- (e)	100.00
The Soundcoat Company Inc.	Burt Drive 1 P0 Box 25990 - NY 11729 Deer Park County of Suffolk	100.00	100.00

(a) Merged into J.R. Interiors Verwaltung GmbH on 07 July 2010

(b) Merged into Recticel Schlafkomfort GmbH

(c) Merged into Recticel B.V.

(d) Merged into Recticel AB on 31 December 2010

(e) Liquidated on 31 December 2010

(f) Out of scope of consolidation as from 31 December 2010

(EM) Consolidated using the equity method

(GM) Consolidated using the global method

(NC) Non-consolidated

(PM) Consolidated using the proportional method

(g) Disposal Wenfom AS on 07 July 2010

(h) Liquidation of Swissflex Belgium b.v.b.a. on 30 June 2010.



2. JOINT VENTURES CONSOLIDATED USING THE PROPORTIONAL CONSOLIDATION METHOD

		% SHAREHOLDING IN	
		2010	2009
<b>Austria</b>			
Eurofoam GmbH	Greinerstrasse 70 - 4550 Kremsmünster	50.00	50.00
<b>Belgium</b>			
s.a. Kingspan Tarec Industrial Insulation n.v.	Olympiadenlaan, 2 - 1140 Evere	50.00	50.00
s.a. Proseat n.v.	Olympiadenlaan 2 - 1140 Evere	51.00	51.00
<b>Czech</b>			
Proseat Mlada Boleslav s.r.o.	Plazy, 115 - PSC 293 01 Mlada Boleslav	51.00	51.00
<b>France</b>			
Proseat s.a.s.	Avenue de Verdun, 71, 77470 Trilport	51.00	51.00
<b>Germany</b>			
Eurofoam Deutschland GmbH Schaumstoffe	Hagenauer Strasse 42 - 65203 Wiesbaden	50.00	50.00
KFM-Schaumstoff GmbH	Rosenauer Strasse, 28 - 96487 Dörfles-Esbach	50.00	50.00
Proseat GmbH & Co. KG	Hessenring 32 - 64546 Mörfelden-Walldorf	51.00	51.00
Proseat Verwaltung GmbH	Hessenring 32 - 64546 Mörfelden-Walldorf	51.00	51.00
<b>Greece</b>			
Teknofoam Hellas	Kosma Etolou Street, 13 - Neo Iraklio - Attica	50.00	50.00
<b>Hungary</b>			
Eurofoam Hungary Kft.	Miskolc 16 - 3792 Sajobabony	50.00	50.00
<b>Italy</b>			
Proseat s.r.l.	Piazza Meda, 5 - 20121 Milano	50.00	50.00
<b>The Netherlands</b>			
Enipur BV	Spoorstraat 69 - 4041 CL Kesteren	50.00	50.00
Eurofoam B.V.	Spoorstraat 69 - 4041 CL Kesteren	50.00	50.00
<b>Poland</b>			
Eurofoam Polska Sp. z o.o.	ul Szczawinska 42 - 95-100 Zgierz	50.00	50.00
Proseat Spolka. z o.o.	ul Miedzyrzeczka, 16 - 43-382, Bielsko-Biala	51.00	51.00
<b>Romania</b>			
Eurofoam s.r.l.	Str. Garii nr. 13 Selimbar 2428 - O.P.8 C.P. 802 - Jud. Sibiu	50.00	50.00
<b>Spain</b>			
Proseat Foam Manufacturing SLU	Carretera Navarcles s/n, Poligono Industrial Santa Ana II - Santpedor (08251 Barcelona)	51.00	51.00
<b>Turkey</b>			
Teknofoam Izolasyon Sanayi ve Ticaret a.s.	Esentepe Milangaz caddesi 40 Kartal, Istanbul	50.00	50.00
<b>United Kingdom</b>			
Kingspan Tarec Industrial Insulation Ltd.	Charlestown Works, Charlestown - SK13 8LE Glossop (Derbyshire)	50.00	50.00
Proseat LLP	Unit A, Stakehill Industrial Estate, Manchester, Lancashire	51.00	51.00

3. ASSOCIATES CONSOLIDATED USING THE EQUITY METHOD

		% SHAREHOLDING IN	
		2010	2009
<b>Bulgaria</b>			
Eurofoam-BG o.o.d.	Raiko Aleksiev Street 40, block n° 215-3 Izgrev district, Sofia	49.76	49.76
<b>Czech Republic</b>			
B.P.P. spol s.r.o.	ul. Hájecká 11 – 61800 Brno	25.68	25.68
Eurofoam Bohemia s.r.o.	Osada 144, Chuderice – 418 25 Bilina	50.00	50.00
Eurofoam TP spol.s.r.o.	ul. Hájecká 11 – 61800 Brno	40.00	40.00
Sinfo	Souhradí 84 – 391 43 Mlada Vozice	25.50	25.50
<b>Estonia</b>			
Wenfom AS	Jannseni 5 – EE 87701 – Vändra	- (g)	51.00
<b>Italy</b>			
ARTE srl	Largo Augusto 3 20122 Milano	50.00	50.00
Orsa Foam s.p.a.	Via A. Colombo, 60 21055 Gorla Minore (VA)	33.00	33.00
Cushioning Product Service s.r.l.	Via strada nuova per Meda 22060 Novedrate (CO)	33.00	33.00
Industria Siracusana Poliuretani Espansi Spa	S.S. 114-N. 48 Contrada Targia 96100 Siracusa (SR)	16.67	16.67
Norditalia Resine Spa	Via Antoniana, 48 s.p. del Santo 35011 Campodarsego (PD)	16.67	16.67
STORM s.r.l.	Via castel Morrone 2/B -20129 Milano (MI)	16.67	16.67
Sud Italia Poliuretani s.r.l.	Zona Industriale Ia Martella 75100 Matera (MT)	16.67	16.67
<b>Lithuania</b>			
UAB Litfoam	Radziunu Village, Alytus Region	30.00	30.00
<b>Poland</b>			
Caria Sp. z o.o.	ul Jagiellonska 48 – 34 – 130 Kalwaria Zebrzydowska	25.50	25.50
Eurofoam Gdansk Sp. z o.o.	ul. Przyrodników 23 – 80-298 Gdansk	50.00	50.00
Eurofoam Poznan Sp. z o.o.	ul. Gnieznienska 4 Janikowo K/Poznan – 62-006 Kobylnica	50.00	50.00
JP Foam Manufacturing Sp.z.o.o.	al. Ujazdowskie, 51 – 00-536 Warsaw	17.85	17.85
PPHIU Kerko Sp. z o.o.	Nr. 366 – 36-073 Strazow	25.86	25.86
<b>Romania</b>			
Flexi-Mob Trading s.r.l.	Interioara Street, 3 Pol. II, Inc. Federalcoop, Nr. 1, Constanta	25.00	25.00
<b>Slovak Republic</b>			
JP Foam Manufacturing sro	Namestie Republiky 26 – 98401 Lucenec	17.85	17.85
Poly	Dolné Rudiny 1 – SK-01001 Zilina	50.00	50.00
<b>Serbia</b>			
Eurofoam Sunder d.o.o.	Vojvodanska Str. 127 – 21242 Budisava	50.00	50.00
<b>Ukraine</b>			
Porolon Limited	Grodoocka 357 – 290040 – Lviv	47.50	47.50

4. NON-CONSOLIDATED ENTITIES

Some subsidiaries more than 50% controlled are not consolidated because they are (still) insignificant.  
As soon as they have reached a sufficient size, however, they will be included in the scope of consolidation.

		% SHAREHOLDING IN	
		2010	2009
<b>Belgium</b>			
Swissflex Belgium b.v.b.a.	Damstraat 2, 9230 Wetteren	- (h)	100.00
<b>China</b>			
Recticel Shanghai Ltd	No. 518, Fute North Road, Waigaoqiao Free Trade Zone - 200131 Shanghai	100.00	100.00
<b>Czech Republic</b>			
Eurofoam Industry	ul. Hájecká 11 – 61800 Brno	50.00	50.00
<b>Greece</b>			
Rectiflex e.p.e.	Oreokastro-Neochorouda Road Km. 4 Oreokastro	25.50	25.50
<b>Luxembourg</b>			
Recfin Holding S.A.	412F, route d'Esch, L-2086 Luxembourg	100.00	100.00
<b>Japan</b>			
Inorec Japan KK	Imaika-Cho 1-36, Anjo-Shi	50.00	50.00
<b>Morocco</b>			
Recticel Mousse Maghreb SARL	31 Avenue Prince Héritier, Tanger	100.00	100.00
<b>Moldova</b>			
Eurofoam M srl	Independentei Street 30/4 – MD 2072 Chisinau	25.50	24.74
<b>Pologne</b>			
Recticel Izolacje Sp. z o.o.	ul. Lwowska, 19 – PL 00660 Warschau	100.00	100.00
<b>Romania</b>			
BIOFLEX s.r.l.	Str. Depozitelor NR 58 – 3900 Satu Mare	50.00	50.00
Eurofoam s.r.l. Baia Mare	Str. Margeanulin, 5 – 4800 BAIJA MARE	50.00	50.00
<b>Russian Federation</b>			
Eurofoam Kaliningrad	Kaliningrad District, Guierwo Region , 238352 Uszakowo	50.00	50.00
Proseat LLC	Domodedovskoye shosse 1/1, Podolsky district, Moskow Region, 142116 Selkhoztekhnic	51.00	51.00
<b>Sweden</b>			
Nordflex A.B.	Box 507 – 33200 Gislaved	100.00	100.00
<b>Switzerland</b>			
Prefoam AG	c/o KPMG Private Steinengraben, 5 – 4003 Basel	50.00	50.00
<b>United Kingdom</b>			
Glass Machining Services Limited	4 Lime Tree Court, The Avenue Hatch End, Pinner Middlesex HA5 4UX	100.00	100.00

II.5.7 Interests in associates

A list of the significant investments in associates is included in note II.5.6.

Group Recticel	in thousand EUR	
	31 DEC 2010	31 DEC 2009
At the end of the preceding period	15 697	13 626
Movements during the year		
Changes in the scope of consolidation	(629)	244
Capital increases	25	934
Exchange rate differences	149	177
Group's share in the result of the period	935	1 608
Paid dividends	(726)	(893)
At the end of the period	15 451	15 697

The following key figures for the associates are shown on a 100% basis.

Group Recticel	in thousand EUR						
	31 DEC 2010						
	ORSAFOAM S.P.A.	A.R.TE. SRL	FLEXIMOB	LITFOAM UAB	EUROFOAM SÜNDERI	EUROFOAM M-BG O.O.O.	POLY
Total assets	71 257	4 436	310	814	1 339	1 693	1 184
Non current liabilities	3 315	154	0	23	0	793	0
Current liabilities	37 779	4 551	244	752	1 289	734	893
Total liabilities	41 094	4 705	244	775	1 289	1 526	893
Net equity	30 163	(269)	66	39	50	167	291
Revenues	76 769	1 713	338	2 134	1 489	2 410	2 481
Profit or (loss) of the period	1 546	(487)	0	(40)	(198)	(160)	23

	BPP SPOL S.R.O.	EUROFOAM TP SPOL S.R.O.	EUROFOAM BOHEMIA S.R.O.	SINFO	POROLON LTD	CARIA SP.Z.O.O.	EUROFOAM GDANSK SP.Z.O.O.
Total assets	2 669	1 229	2 835	1 512	348	1 198	1 912
Non current liabilities	0	0	0	63	0	0	0
Current liabilities	821	497	1 936	564	78	744	1 046
Total liabilities	821	497	1 936	627	78	744	1 046
Net equity	1 848	732	899	886	270	454	866
Revenues	4 497	2 684	4 928	3 152	1 826	3 574	4 674
Profit or (loss) of the period	717	576	22	179	131	(91)	56

	EUROFOAM POZNAN	KERKOSP. Z.O.O.	JP FOAM MANUFACTURING SP.Z.O.O.	JP FOAM MANUFACTURING S.R.O.	TOTAL
Total assets	3 710	650	22 130	8 838	128 063
Non current liabilities	1 220	0	0	0	5 567
Current liabilities	1 537	391	11 738	2 797	68 391
Total liabilities	2 757	391	11 738	2 797	73 958
Net equity	953	259	10 392	6 041	54 106
Revenues	7 089	2 302	17 789	18 713	158 562
Profit or (loss) of the period	19	(27)	(153)	513	2 626

in thousand EUR							
Group Recticel	31 DEC 2009						
	ORSAFOAM S.P.A.	A.R.TE. SRL	FLEXIMOB	LITFOAM UAB	EUROFOAM SÜNDERI	AS WENFOAM	EUROFOAM M-BG O.O.O.
Total assets	84 668	4 434	254	831	1 404	1 609	1 613
Non current liabilities	6 100	149	0	265	0	0	791
Current liabilities	48 791	4 118	188	488	1 132	564	493
Total liabilities	54 891	4 267	188	753	1 132	564	1 284
Net equity	29 777	167	66	78	272	1 045	329
Revenues	76 964	1 693	317	2 436	1 272	1 841	1 613
Profit or (loss) of the period	3 107	(612)	(36)	(25)	(300)	32	(148)

	POLY	BPP SPOL S.R.O.	EUROFOAM TP SPOL S.R.O.	EUROFOAM BOHEMIA S.R.O.	SINFO	POROLON LTD	CARIA SP.Z.O.O.
Total assets	1 188	2 547	1 013	2 687	1 462	326	1 206
Non current liabilities	202	0	0	13	85	0	0
Current liabilities	718	767	534	1 843	521	117	678
Total liabilities	920	767	534	1 856	606	117	678
Net equity	268	1 780	479	831	856	209	528
Revenues	2 340	4 360	1 778	4 486	2 981	1 313	3 343
Profit or (loss) of the period	18	751	313	(61)	187	85	49

	EUROFOAM GDANSK SP.Z.O.O.	EUROFOAM POZNAN	KERKOS P.Z.O.O.	JP FOAM MANUFAC-TURING SP.Z.O.O.	JP FOAM MANU FACTURING S.R.O.	TOTAL
Total assets	1 653	3 546	655	23 672	9 416	144 184
Non current liabilities	0	1 119	0	0	0	8 724
Current liabilities	868	1 377	378	13 460	3 887	80 922
Total liabilities	868	2 496	378	13 460	3 887	89 647
Net equity	785	1 050	277	10 212	5 529	54 537
Revenues	3 657	6 695	1 837	17 533	18 787	155 246
Profit or (loss) of the period	39	233	3	1 153	1 856	6 644

51

## 11.5.8. Other financial investments

in thousand EUR		
Group Recticel	31 DEC 2010	31 DEC 2009
<b>Fair value at the end of the preceding year</b>	<b>1 999</b>	<b>11 446</b>
<b>Movements during the year</b>		
Changes in scope of consolidation	(1 096)	(11 380)
Capital increases (reimbursements)	(276)	0 <sup>(1)</sup>
Acquisitions	994	2 034 <sup>(1)</sup>
Disposals	(902)	(84) <sup>(2)</sup>
Write-offs	(84)	0
Write-backs	370	0
Transferred	0	(2)
Exchange rate differences	146	(15)
<b>Fair value at year-end</b>	<b>1 151</b>	<b>1 999</b>
Cash out from acquisitions financial investments	(708)	(2 935)
Total acquisitions financial investments and capital movements <sup>(1)</sup>	(718)	(2 034)
Acquisitions shown in working capital	10	(901)
Cash in from disposals financial investments	704	113
Total disposals financial investments <sup>(2)</sup>	902	84
Disposals shown in working capital	198	(29)

This heading includes all non-consolidated investments. These investments are non-listed companies. The fair value equals the historical cost corrected for durable impairment losses.

In 2010, the changes in scope of consolidation relate to (i) the integration of Recticel GuKoTech GmbH, Recticel Foams (Shanghai) Co. Ltd. and of the acquired remaining minorities (30%) of J.R. Interiors GmbH & Co.KG (EUR 991K) and (ii) the liquidation of LeBed SAS (Bedding – France) and of Swissflex Belgium BVBA (Bedding – Belgium).

Capital reimbursements relate to Recfin SA (Luxembourg).

In 2010, the remaining minorities (30%) of J.R. Interiors GmbH & Co.KG (EUR 991K) were acquired and the participation in Wenfom AS (Flexible Foams) was sold.

Write-backs relate to the liquidation of Swissflex Belgium BVBA (Bedding).

In 2009, the changes in scope of consolidation related to (i) the integration of the companies taken over end-2008 from the Norwegian Brekke group (Flexible Foams) (EUR –8.7 million), (ii) the acquisition in 2009 of Gestind (Poland) (Automotive – Seating) (EUR –1.4 million), and (iii) Wenfom AS (Flexible Foams) (EUR –0.9 million).

In 2009, acquisitions, amounting to a total purchase price of EUR 2.0 million), related to mainly Gestind (Poland) (Automotive – Seating) (EUR 1.4 million) and Wenfom AS (Flexible Foams) (EUR 0.4 million).

### 11.5.9. Available for sale investments

	in thousand EUR	
Group Recticel	31 DEC 2010	31 DEC 2009
Gross value	220	339
Accumulated amounts written-off	(135)	(142)
<b>Fair value at the end of the preceding period</b>	<b>85</b>	<b>197</b>
<b>Movements during the period</b>		
Disposals	(7)	(119)
Write-back	7	7
Exchange rate differences	1	0
<b>Fair value at the end of the period</b>	<b>86</b>	<b>85</b>
Gross value	188	220
Accumulated amounts written-off	(103)	(135)
<b>Fair value at the end of the period</b>	<b>86</b>	<b>85</b>



## 11.5.10. Non-current receivables

in thousand EUR		
Group Recticel	31 DEC 2010	31 DEC 2009
<b>At the end of the preceding period</b>		
Gross book value	13 113	8 725
Accumulated amounts written-off	(3 508)	(3 720)
<b>Net book value at opening</b>	<b>9 605</b>	<b>5 005</b>
<b>Movements during the year</b>		
Changes in the scope of consolidation	(317)	179
New loans	1 381	5 644
Discount effect	73	102
Reimbursements	(241)	(511)
Capital increases	0	(771)
Write-offs	(681)	(267)
Transferred	(172)	76
Exchange rate differences	422	156
Other	0	(8)
<b>At the end of the period</b>	<b>10 070</b>	<b>9 605</b>
<b>At the end of the period</b>		
Gross book value	14 586	13 113
Accumulated amounts written-off	(4 516)	(3 508)
<b>Net book value at the end of the period</b>	<b>10 070</b>	<b>9 605</b>

'Cash advances and deposits' is a significant item under 'Non-current receivables', consisting of the following:

in thousand EUR		
Group Recticel	31 DEC 2010	31 DEC 2009
Rent	692	637
Supplies (water, electricity, telecom, waste treatment, ...)	100	3
Value added tax	31	30
Containers, storages & furnitures	65	0
Early retirements	1 726	1 761
Other	1 656	2 143
<b>Total</b>	<b>4 270</b>	<b>4 575</b>

## 11.5.11. Inventories

Group Recticel	in thousand EUR	
	31 DEC 2010	31 DEC 2009
Raw materials & supplies – Gross	62 003	55 989
Raw materials & supplies – Amounts written off	(3 726)	(3 910)
<b>Raw materials &amp; supplies</b>	<b>58 277</b>	<b>52 079</b>
Work in progress – Gross	18 066	17 082
Work in progress – Amounts written off	(649)	(706)
<b>Work in progress</b>	<b>17 417</b>	<b>16 376</b>
Finished goods – Gross	33 263	33 568
Finished goods – Amounts written off	(1 953)	(1 874)
<b>Finished goods</b>	<b>31 310</b>	<b>31 694</b>
Traded goods – Gross	3 539	2 584
Traded goods – Amounts written off	(491)	(416)
<b>Traded goods</b>	<b>3 048</b>	<b>2 168</b>
Down payments – Gross	134	283
Down payments – Amounts written off	0	0
<b>Down payments</b>	<b>134</b>	<b>283</b>
Contracts in progress – Gross	3 636	3 227
Contracts in progress – Amounts written off	(151)	0
<b>Contracts in progress</b>	<b>3 485</b>	<b>3 227</b>
<b>Total inventories</b>	<b>113 671</b>	<b>105 827</b>

As already mentioned under Intangible and Tangible Assets, in February 2008, Recticel SA/NV and Recticel International Services SA/NV concluded a new joint credit facility agreement ('club deal') amounting to EUR 230 million. Under this club deal, Recticel SA/NV and/or its affiliates have granted a floating charge mandate in favour of the banks up to a maximum amount of EUR 230 million plus interest and related costs.

## 11.5.12. Construction contracts

Group Recticel	in thousand EUR	
	31 DEC 2010	31 DEC 2009
Contract revenues recognised over the period	10 028	11 976
Contract costs incurred plus recognised profits less recognised losses to date	22 179	17 357
Advance payments received	323	321

In the automotive activity, Recticel (i) developed a polyurethane-based technology for the manufacturing of interior trim components and (ii) produces moulded seat cushions in polyurethane for the car industry. For optimum implementation of these two applications, based on the specifications given by its customers, Recticel ensures the manufacturing of the moulds with its own suppliers during the pre-operating phase, before starting component production. At the end of this subcontracting process, the moulds are sold to the customer.

Considered as a long-term contract, the recognition of the costs and revenues of the 'moulds' activity is reflected in the accounts under reference to the stage of completion. Under the percentage of completion method, contract revenue is matched with the contract costs incurred in reaching the stage of completion.

### 11.5.13. Trade receivables and other receivables

Group Recticel	in thousand EUR	
	31 DEC 2010	31 DEC 2009
Trade receivables		
Trade receivables	152 766	153 873
Write-off on doubtful trade receivables	(10 983)	(11 769)
<b>Total trade receivables</b>	<b>141 783</b>	<b>142 104</b>
<b>Other receivables <sup>(i)</sup></b>	<b>23 222</b>	<b>20 018</b>
Other financial assets		
Derivatives fair valued through the profit and loss account	852	838
Derivatives instruments in designated hedge accounting relationship	217	1 473
Loans carried at amortised cost	37 994	35 687
<b>Total financial assets <sup>(2)</sup></b>	<b>39 063</b>	<b>37 998</b>
<b>Subtotal <sup>(i)+(2)</sup></b>	<b>62 285</b>	<b>58 016</b>
<b>Total loans and receivables</b>	<b>204 068</b>	<b>200 120</b>

**Trade receivables** at the balance sheet date comprise amounts receivable from the sale of goods and services of EUR 141.8 million (2009: EUR 142.1 million).

This net amount of EUR 141.8 million consists of:

on the one hand, gross trade receivables amounting to EUR 187.2 million (2009: EUR 186.2 million), after deduction of the following:

- EUR 6.8 million in credit notes still to be drawn up (2009: EUR 5.8 million)
- EUR 49.0 million as a result of a non-recourse factoring programme in Belgium and Germany (EUR 39.8 million) and a forfeiting programme for trade receivables in the automotive sector (EUR 9.2 million)
- EUR 11.0 million in provisions for estimated irrecoverable amounts from the sale of goods (2009: EUR 11.8 million), and

on the other hand, EUR 22.4 million in bills of exchange and invoices still to be drawn up (2009: EUR 16.9 million).

**Other receivables** amounting to EUR 23.2 million relate essentially to (i) VAT receivable (EUR 5.3 million), (ii) advances paid to third parties for operating costs spread over several financial years (EUR 9.4 million), (iii) receivables resulting from the appropriation of results of associated companies (including Kingspan Tarec Industrial Insulation and Proseat) and (iv) contractual commitments with co-contractors (EUR 8.5 million).

**Other financial assets** (EUR 39.1 million) mainly consist of financial claims on affiliated companies which are not consolidated (EUR 2.5 million), a receivable of EUR 35.2 million (2009: EUR 31.4 million) relating to the balance not drawn down under non-recourse factoring programmes in Belgium and Germany, as well as EUR 1.1 million relating to the revaluation of interest rate and exchange rate hedging instruments.

As already mentioned above, in February 2008, Recticel SA/NV and Recticel International Services SA/NV concluded a joint credit facility agreement ('club deal') amounting to EUR 230 million. Under this club deal and the agreement relating to the subordinated loans, Recticel SA/NV and/or its subsidiaries have granted a floating charge mandate in favour of the banks up to a maximum amount of EUR 230 million plus interest and related costs.

### **Credit risk**

The Group's principal current financial assets are cash & cash equivalents, trade and other receivables, and investments, which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

The risk profile of the trade receivables portfolio is segmented by business line and based on the conditions of sale observed on the market. At the same time, it is confined by the agreed limits of the general conditions of sale and the specifically agreed conditions. The latter also depend on the degree of industrial and commercial integration of the customer, as well as on the level of market competitiveness.

The trade receivables portfolio in Flexible Foams, Bedding and Insulation consist of a large number of customers distributed among various markets, for which the credit risk is assessed on an ongoing basis via the commercial and financial conditions granted to customers. In addition, the credit risks on trade receivables, with the exception of Automotive, are mostly covered by credit insurance policies which the Group manages centrally and harmonises. The credit risk management is also bolstered by the implementation of SAP software modules (FSCM) and best practice processes regarding the collection of receivables.

In Automotive, the credit risks are reasonably concentrated and appeal is made to the solvency ratios allocated by independent rating agencies.

The average credit periods taken on sales vary from 45 to 90 days, depending on the business line and the country of operations.

56

With a view to confining credit risks, non-recourse factoring programmes were established amounting to a total of EUR 57.3 million (of which EUR 4.6 million was actually used at 31 December 2010) for the diversified receivables portfolio. The risk here is transferred in full to the factor. In addition, it also has a forfeiting financing structure running for a total of EUR 9.2 million for the Automotive business line, the customer concentration of which is far higher, with customers with high financial standing.

The average uncovered outstandings from due receivables vary according to business line between 1% and 4.5% of total sales. The Group considers that there is no particular risk of non-recovery, although it is necessary to remain vigilant.

#### Ageing balance of receivables due, for which no provision has been set aside

Group Recticel	in thousand EUR	
	31 DEC 2010	31 DEC 2009
30 days	9 991	10 457
60 days	6 451	2 974
90 days	1 157	788
120 days	1 204	654
150 days	506	1 071
180 days and more	4 051	3 251
<b>Total</b>	<b>23 360</b>	<b>19 194</b>

#### Movement in provisions for doubtful receivables

Group Recticel	in thousand EUR	
	31 DEC 2010	31 DEC 2009
At the end of the preceding period	(11 769)	(10 071)
Additions	(1 150)	(5 388)
Write back	1 020	1 730
Non-recouvrable amounts	324	936
Reclassification	318	147
Exchange differences	(164)	(187)
Changes in the scope of consolidation	438	1 064
<b>Total</b>	<b>(10 983)</b>	<b>(11 769)</b>

#### 11.5.14. Cash and cash equivalents

Cash and cash equivalents includes cash held by the Group and short-term bank deposits with an original maturity of six months and less. The carrying amount of these assets approximates to their fair value.

Group Recticel	in thousand EUR	
	31 DEC 2010	31 DEC 2009
Short-term bank deposits - equal to or less than 6 months	2 368	2 978
Cash at bank & in hand	51 570	38 410
<b>Total cash and cash equivalents</b>	<b>53 938</b>	<b>41 388</b>

## 11.5.15. Share capital

Group Recticel	in thousand EUR	
	31 DEC 2010	31 DEC 2009
<b>Issued shares</b>		
28 499 141 ordinary shares without nominal value <sup>(i)</sup>	72 329	71 248
432 315 VVPR shares without nominal value <sup>(i)</sup>	0	1 081
<b>Fully paid-up shares</b>		
28 931 456 shares without nominal value <sup>(i)</sup>	72 329	72 329

<sup>(i)</sup> number of shares at 31 December 2009. Following the stripping of the VVPR shares end October 2010, the total number of outstanding ordinary shares per 31 December 2010 was 28 931 456. At 31 December 2010 there were no VVPR shares outstanding, as these were exchanged for a similar number of ordinary shares, plus an equal number of VVPR strips end October 2010.

## 11.5.16. Share premium account

Group Recticel	in thousand EUR	
	31 DEC 2010	
Balance at 31 December 2009	107 013	
Premium arising on issue of equity during 2010	0	
Expenses of issue of equity shares during 2010	0	
<b>Balance at 31 December 2010</b>	<b>107 013</b>	



### Retirement benefit schemes

Several Recticel companies operate defined benefit and/or defined contribution plans. The main defined benefit plans, which typically provide retirement benefits related to remuneration and period of service, are located in Belgium, France, Germany and the UK.

The funded plans' assets are invested in mixed portfolios of shares and bonds or insurance contracts.

The plan assets do not include direct investments in Recticel shares, Recticel bonds or any property used by Recticel companies.

In order to meet the shortfall in funding of the UK pension scheme, Recticel has agreed to pay a total amount of GBP 9 million as recovery contributions during the period 1 January 2010 to 31 December 2023.

Defined benefit pension plans – Provisions for defined benefit pension plans

in thousand EUR		
Group Recticel	2010	2009
<b>Movements in the net liabilities of the current period:</b>		
<b>Net liability at 1 January</b>	<b>35 391</b>	<b>37 943</b>
Expense recognised in the income statement	2 703	5 032
Uses for Contributions paid	(4 469)	(5 269)
Changes in scope	0	(2 513)
Exchange rate differences	106	198
<b>Net liability at 31 December</b>	<b>33 731</b>	<b>35 391</b>

Group Recticel	2010	2009
<b>The amounts recognised in income statement in respect of the defined benefit plans are as follows:</b>		
Current service cost	2 073	2 595
Interest cost	4 335	4 124
Expected return on plan assets	(2 198)	(1 926)
Amortisation of past service costs (gains)	42	116
Settlement / curtailment losses (gains)	(1 926)	(326)
Amortisation of actuarial net losses (gains)	377	449
<b>Expense recognised in the income statement</b>	<b>2 703</b>	<b>5 032</b>

## Defined benefit pension plans – Provisions for defined benefit pension plans

in thousand EUR		
Group Recticel	31 DEC 2010	31 DEC 2009
<b>The amounts recorded in the balance sheet in respect of defined benefit plans are:</b>		
Defined benefit obligations – funded plans	72 427	62 964
Fair value of plan assets	(44 214)	(36 725)
<b>Deficit for funded plans (surplus)</b>	<b>28 213</b>	<b>26 239</b>
Defined benefit obligations – unfunded plans	13 710	15 693
<b>Funded status</b>	<b>41 923</b>	<b>41 932</b>
Unrecognised past service gain (cost)	(170)	(260)
Unrecognised actuarial (losses) gains	(8 022)	(6 282)
<b>Net liabilities at balance sheet date</b>	<b>33 731</b>	<b>35 390</b>
Short-term	3 871	1 931
Long-term	29 860	33 459

Group Recticel	31 DEC 2010	31 DEC 2009
<b>The key actuarial assumptions used at the balance sheet date (weighted averages) are:</b>		
Discount rate	5.10%	5.41%
Expected rate of return on plan assets	5.80%	5.70%
Future pension increases	2.91%	2.90%
Expected rate of salary increases	2.99%	3.03%

Group Recticel	2010	2009
<b>Movements in plan assets</b>		
<b>Real value of plan assets (1 January)</b>	<b>36 724</b>	<b>31 764</b>
Expected return on plan assets	2 198	1 926
Employer contributions	4 469	5 269
Employee contributions	0	58
Benefits paid (direct & indirect)	(150)	(4 346)
Actuarial gains (losses) on plan assets	951	1 530
Settlement gains / (losses)	(543)	(44)
Change in scope	0	(463)
Exchange rate differences	565	1 030
<b>Real value of plan assets (31 December)</b>	<b>44 214</b>	<b>36 724</b>

Group Recticel	2010	2009
<b>Plan assets – portfolio mix</b>		
Shares	27.0%	28.8%
Bonds	10.2%	10.9%
Insurance contracts	55.1%	51.3%
Cash	2.4%	2.6%
Other	5.3%	6.4%

The expected rate of return takes into account the asset allocation.

in thousand EUR		
Group Recticel	2010	2009
The actual return on plan assets in the current period was as follows:	3 149	3 456

Group Recticel	2010	2009
<b>Variations in the liabilities for defined benefit plans</b>		
<b>Defined Benefit Obligation (1 January)</b>	<b>78 656</b>	<b>78 779</b>
Current service costs	2 073	2 595
Employee contributions	0	58
Interest cost	4 335	4 124
Benefits paid (direct & indirect)	(150)	(4 346)
Actuarial (gains) losses on liabilities	2 187	(815)
Past service cost	(48)	413
Curtailment (gains) losses	(1 256)	(530)
Settlement (gains)/losses	(551)	(34)
Change in scope	0	(3 143)
Exchange rate differences	891	1 555
<b>Defined Benefit Obligation (31 December)</b>	<b>86 137</b>	<b>78 656</b>

Experience adjustments

in thousand EUR					
Group Recticel	31 DEC 2010	31 DEC 2009	31 DEC 2008	31 DEC 2007	31 DEC 2006
Defined benefit obligations – all plans	86 137	78 656	78 779	131 891	141 858
Fair value of plan assets	(44 214)	(36 724)	(31 764)	(87 935)	(82 974)
<b>Funded status</b>	<b>41 923</b>	<b>41 932</b>	<b>47 015</b>	<b>43 956</b>	<b>58 884</b>
Experience adjustments to defined benefit obligations	1 778	(1 205)	(2 909)	1 292	1 643
Experience adjustments to plan assets	951	1 530	(9 462)	1 158	501
The expected contributions amount to:	3 830	3 738			

Defined contribution plans

Group Recticel	31 DEC 2010	31 DEC 2009
<b>Contributions paid by the Entity to defined contribution plans:</b>		
Contributions paid	3 912	3 581

Defined contribution plans in Belgium and Switzerland are subject to a minimum guaranteed return. Nevertheless, these plans are lodged under the defined contribution plans. For the Belgian plans, the guaranteed return is provided mainly by the insurance companies. For the Swiss plans, the value of the fund investments is well in excess of the guaranteed amounts (EUR 18,7 million at 31 December 2010).

## II.5.18. Provisions

For the year ending 2010:

Group Recticel	in thousand EUR							
	TAX LITIGATION	OTHER LITIGATION	PRODUCT LIABILITY	ENVIRON- MENTAL RISKS	REORGANISA- TION	OTHER RISKS	FINANCIAL RISKS ON DISPOSAL SUBSIDIA- RIES	TOTAL
<b>At the end of the preceding year</b>	<b>0</b>	<b>388</b>	<b>3 939</b>	<b>6 121</b>	<b>18 244</b>	<b>1 041</b>	<b>1 587</b>	<b>31 320</b>
Movements during the year								
Changes in the scope of consolidation	0	0	0	0	(285)	0	0	(285)
Increases	140	195	531	567	21 002	197	300	22 932
Utilisations	0	(131)	(351)	(42)	(7 596)	(134)	0	(8 254)
Write-backs	0	(82)	(934)	0	(4 353)	(173)	(1 587)	(7 129)
Transfers from one heading to another	0	0	0	7	0	0	0	7
Exchange rate differences	1	0	63	0	237	40	0	341
<b>At year-end</b>	<b>141</b>	<b>370</b>	<b>3 248</b>	<b>6 653</b>	<b>27 249</b>	<b>971</b>	<b>300</b>	<b>38 932</b>
Non-current provisions (more than one year)	0	277	3 060	6 359	13 649	807	300	24 452
Current provisions (less than one year)	141	93	188	294	13 600	164	0	14 480
<b>Total</b>	<b>141</b>	<b>370</b>	<b>3 248</b>	<b>6 653</b>	<b>27 249</b>	<b>971</b>	<b>300</b>	<b>38 932</b>

For the year ending 2009:

Group Recticel	in thousand EUR							
	TAX LITIGATION	OTHER LITIGATION	PRODUCT LIABILITY	ENVIRON- MENTAL RISKS	REORGANISA- TION	OTHER RISKS	FINANCIAL RISKS ON DISPOSAL SUBSIDIA- RIES	TOTAL
<b>At the end of the preceding year</b>	<b>0</b>	<b>1 373</b>	<b>3 745</b>	<b>6 765</b>	<b>12 658</b>	<b>1 869</b>	<b>0</b>	<b>26 410</b>
Movements during the year								
Changes in the scope of consolidation	0	(157)	(260)	0	(605)	(637)	0	(1 659)
Increases	0	224	1 502	2	15 118	1 052	1 587	19 485
Utilisations	0	(546)	(308)	(130)	(7 150)	(80)	0	(8 214)
Write-backs	0	(506)	(745)	(516)	(975)	(1 872)	0	(4 614)
Transfers from one heading to another	0	0	0	0	(709)	709	0	0
Exchange rate differences	0	0	5	0	(93)	0	0	(88)
<b>At year-end</b>	<b>0</b>	<b>388</b>	<b>3 939</b>	<b>6 121</b>	<b>18 244</b>	<b>1 041</b>	<b>1 587</b>	<b>31 320</b>
Non-current provisions (more than one year)	0	139	3 672	5 830	10 917	863	1 587	23 008
Current provisions (less than one year)	0	249	267	291	7 327	178	0	8 312
<b>Total</b>	<b>0</b>	<b>388</b>	<b>3 939</b>	<b>6 121</b>	<b>18 244</b>	<b>1 041</b>	<b>1 587</b>	<b>31 320</b>

The provisions for product liabilities are mainly related to warranties granted for products in the bedding division. The provisions are generally calculated on the basis of 2% of yearly turnover, which corresponds to the management's best estimate of the risk under 12-month warranties. When historical data are unavailable, the level of the provisions is compared to the yearly effective rate of liabilities, and if necessary, the amount of provision is adjusted.

Provisions for environmental risks cover primarily (i) the identified risk at the Tertre site (see section II.6.11.1.) and (ii) pollution risks in Belgium and the Netherlands.

Provisions for reorganisation relate to the outstanding balance of expected expenses for (i) the previously announced restructuring plans in Germany and Belgium; and (ii) additional restructuring plans and onerous contracts in Belgium, Germany, Spain and the USA. The provision for financial risks on disposal of subsidiaries has been reversed and was related to contingent liabilities linked to the disposal of Corpura (Flexible Foams).

II.5.19. Interest-bearing borrowings

II.5.19.1. Financial liabilities carried at amortised cost

in thousand EUR				
Group Recticel	NON-CURRENT LIABILITIES <u>USED</u>		CURRENT LIABILITIES <u>USED</u>	
	31 DEC 2010	31 DEC 2009	31 DEC 2010	31 DEC 2009
<b>Secured</b>				
Financial leases	13 285	15 986	2 063	2 443
Bank loans	110 516	121 554	12 500	12 500
Bank loans – factoring with recourse	0	0	1 159	1 152
Discounted bills of exchange	0	0	1 987	2 357
<b>Total secured</b>	<b>123 801</b>	<b>137 540</b>	<b>17 709</b>	<b>18 452</b>
<b>Unsecured</b>				
Subordinated loans	0	0	0	0
Bonds & notes	39 780	39 368	0	0
Bank loans	1 461	6 646	5 243	5 004
Other loans	2 082	2 201	334	490
Bank loans	0	0	3 071	4 782
Bank loans – forfeiting	0	0	1 513	3 392
Bank overdraft	0	0	9 515	3 839
Other financial debts	0	0	8 306	11 781
<b>Total unsecured</b>	<b>43 323</b>	<b>48 215</b>	<b>27 982</b>	<b>29 288</b>
<b>Total liabilities carried at amortised cost</b>	<b>167 124</b>	<b>185 755</b>	<b>45 691</b>	<b>47 740</b>

Group Recticel	in thousand EUR			
	NON-CURRENT LIABILITIES <u>UNUSED</u>		CURRENT LIABILITIES <u>UNUSED</u>	
	31 DEC 2010	31 DEC 2009	31 DEC 2010	31 DEC 2009
<b>Secured</b>				
Financial leases	0	0	0	0
Bank loans	94 400	96 000	0	0
Bank loans – factoring with recourse	0	0	8 900	9 300
Discounted bills of exchange	0	0	8 400	7 300
<b>Total secured</b>	<b>94 400</b>	<b>96 000</b>	<b>17 300</b>	<b>16 600</b>
<b>Unsecured</b>				
Subordinated loans	0	0	0	0
Bonds & notes	0	0	0	0
Bank loans	0	0	66 100	81 700
Other loans	0	0	0	0
Bank loans	0	0	0	0
Bank loans – forfeiting	0	0	0	0
Bank overdraft	0	0	0	0
Other financial debts	0	0	0	0
<b>Total unsecured</b>	<b>0</b>	<b>0</b>	<b>66 100</b>	<b>81 700</b>
<b>Total liabilities carried at amortised cost</b>	<b>94 400</b>	<b>96 000</b>	<b>83 400</b>	<b>98 300</b>

At the end of 2010, the gross interest-bearing borrowings of the Group amount to EUR 212.8 million, compared to EUR 233.5 million at the end of 2009, i.e. a reduction of EUR 20.7 million. This resulted from a lower average outstanding debt and a mixed impact of higher raw material prices, strict management of working capital, and the impact of lower capital expenditures.

At the end of 2010, the weighted average lifetime of debts payable after one year was 3.06 years. The bonds and financial leases are at fixed interest.

Besides the drawn amounts (EUR 123.0 million) under the 'club deal' facility of which EUR 12.5 million are maturing within one year, the Group also disposes at 31 December 2010 of EUR 64.2 million long term loan commitments of which EUR 7.7 million are maturing within one year. On top of this, the Group has also at its disposal EUR 83.4 million undrawn short term credit lines and EUR 94.4 million under the 'club deal' facility.

Other interest-bearing borrowings payable after one year are mostly at floating interest. Their fair market value therefore approximates to the nominal value. The interest cost for these Group variable interest rate borrowings ranges from 2.10% to 2.41% p.a. in EUR and to 1.56% p.a. in USD.

At balance sheet date 6.0% of the total borrowings were directly or synthetically (through currency swaps) denominated in USD, 5.4% in CHF, 8.2% in GBP, 4.1% in CZK, 2.7% in SEK, 3.7% in PLN, 1.7% in RON, 1.3% in various currencies and 66.9% in EUR.

The majority of the Group's financial debt is centrally contracted and managed through Recticel International Services N.V./S.A., which acts as the Group's internal bank.

The bulk of the interest-bearing borrowings are subject to bank covenants based on an adjusted leverage ratio, an adjusted interest cover and a minimum equity requirement. At end-2010, Recticel complied with all its bank covenants. On the basis of the 2011 budget, the Group management expects to be in a position in the coming year to meet the bank covenants.



### (i) Convertible bonds

The convertible bond loan was issued in July 2007, for a nominal amount of EUR 57.5 million, of which the Group bought back EUR 11.2 million during 2008 and EUR 17.3 million in 2009. Out of the remaining outstanding balance of EUR 29 million, EUR 25.3 million is recorded under financial debt. The remaining balance is entered in a specific capital account. This loan has a 10-year term, with a put option for investors in 2014. The coupon amounts to 5.0% and is payable annually.

This bond is convertible in shares. The initial conversion price was set at EUR 14.34 per share. The current conversion price (at 31 December 2010) is fixed at EUR 13.42. The bonds are convertible until 16 July 2017 into ordinary shares at the current conversion price at that time.

Unless the loan is redeemed early, converted or cancelled, the bonds will be redeemed in cash on 23 July 2017 at par, together with the interest due and not yet paid.

### (ii) Financial leases

The decrease in this item is explained by the contractual redemption of a number of lease agreements. Also see note II.5.21.

### (iii) Bank loans – “club deal”

In February 2008, Recticel concluded a club deal with 10 European banks for a new multi-currency loan of EUR 230 million. This new loan was mainly used to refinance the outstanding amounts under the syndicated loan of 2004, which expired at the end of 2008, and under the EUR 50 million subordinated loan at 10%, which expired in July 2009.

Despite the unfavourable conditions on the credit market, better credit terms were obtained compared to those of the syndicated loan of 2004. Out of the total amount of EUR 230 million, a tranche of EUR 50 million was dedicated and fully used to refinance the subordinated bond that matured in July 2009. That tranche amortizes in 4 years starting in February 2010.

#### II.5.19.2. Other financial liabilities

Group Recticel	in thousand EUR	
	31 DEC 2010	31 DEC 2009
Interest rate swaps	5 545	6 273
Hedging contracts	0	63
Trading/economic hedge	1 054	1 408
Options on currencies – seller	18	521
<b>Derivatives at fair value</b>	<b>6 617</b>	<b>8 265</b>

## II.5.20. Other amounts payable

Group Recticel	in thousand EUR			
	NON-CURRENT LIABILITIES		CURRENT LIABILITIES	
	31 DEC 2010	31 DEC 2009	31 DEC 2010	31 DEC 2009
Trade payables	147	0	0	0
Customers' deposits	162	137	6	6
Other amounts payable	201	222	72	124
<b>Total other debts payable</b>	<b>510</b>	<b>359</b>	<b>78</b>	<b>130</b>

## II.5.21. Obligations under financial leases

Group Recticel	in thousand EUR			
	MINIMUM LEASE PAYMENTS	PRESENT VALUE OF MINIMUM LEASE PAYMENTS	MINIMUM LEASE PAYMENTS	PRESENT VALUE OF MINIMUM LEASE PAYMENTS
	31 DEC 2010	31 DEC 2010	31 DEC 2009	31 DEC 2009
Lease payments due within one year	2 957	2 063	3 375	2 443
Between one and five years	10 915	8 709	11 935	9 333
Over five years	5 103	4 576	9 958	6 653
<b>Total lease payments</b>	<b>18 975</b>	<b>15 348</b>	<b>25 268</b>	<b>18 429</b>
Future financial charges	(3 627)		(6 839)	
<b>Present value of lease obligations</b>	<b>15 348</b>	<b>15 348</b>	<b>18 429</b>	<b>18 429</b>
Less amounts due for settlement within 12 months		(2 063)		(2 443)
<b>Amounts due for settlement after 12 months</b>		<b>13 285</b>		<b>15 986</b>

The financial leases contracted by the operating affiliates are mainly intended to finance buildings and equipment amounting to EUR 19.0 million, with a funding cost ranging from 5% p.a. to 9.5% p.a.

## II.5.22. Derivative financial instruments

### Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note II.1.3. to the financial statements.

## Categories of financial instruments

Group Recticel	in thousand EUR	
	31 DEC 2010	31 DEC 2009
<b>Financial assets</b>		
Fair value through profit or loss ("FVTPL")		
Held for trading	181	156
Designated as at FVTPL	15 451	15 697
Derivative instruments in designated hedge accounting relationships	1 069	2 311
Loans and receivables (including cash and cash equivalents)	267 105	248 803
Available for sale financial assets	1 237	2 084
<b>Financial liabilities</b>		
Derivative instruments in designated hedge accounting relationships	6 617	8 266
Amortised cost	206 195	225 227

## Fair value measurements recognized in the statement of financial position

Group Recticel	in thousand EUR			
	QUOTES PRICES (UNADJUSTED) IN ACTIVE MARKETS	OBSERVABLE MARKET INPUTS (OTHER THAN QUOTED PRICES IN ACTIVE MARKETS)	INPUTS NOT BASED ON OBSERVABLE MARKET DATA	TOTAL
Investments in affiliates – gross	0	0	2 261	2 261
Investments in affiliates – amounts written-off	0	0	(1 110)	(1 110)
Available for sale investments – gross	0	0	188	188
Available for sale investments – amounts written-off	0	0	(102)	(102)
<b>Total investments in other companies</b>	<b>0</b>	<b>0</b>	<b>1 237</b>	<b>1 237</b>
Interest rate swaps	0	217	0	217
Hedging contracts	0	98	0	98
Trading/economic hedge	0	462	0	462
Currency options – buyer	0	292	0	292
<b>Total hedging assets</b>	<b>0</b>	<b>1 069</b>	<b>0</b>	<b>1 069</b>
Short term investments – gross	0	0	181	181
Short term investments – amounts written-off	0	0	0	0
<b>Total trading investments</b>	<b>0</b>	<b>0</b>	<b>181</b>	<b>181</b>
<b>Total</b>	<b>0</b>	<b>1 069</b>	<b>1 418</b>	<b>2 487</b>
Bonds & Notes	0	0	39 780	39 780
<b>Bonds &amp; Notes</b>	<b>0</b>	<b>0</b>	<b>39 780</b>	<b>39 780</b>
Interest rate swaps	0	5 545	0	5 545
Hedging contracts	0	0	0	0
Trading/economic hedge	0	1 054	0	1 054
Currency options – seller	0	18	0	18
<b>Total hedging liabilities</b>	<b>0</b>	<b>6 617</b>	<b>0</b>	<b>6 617</b>
<b>Total</b>	<b>0</b>	<b>6 617</b>	<b>39 780</b>	<b>46 397</b>

## Financial risk management

The Group is managing a portfolio of derivative financial instruments to hedge foreign exchange and interest rate exposures resulting from operational and financial activities. It is the Group's policy not to engage in speculative or leveraged transactions or to hold or issue derivative financial instruments for trading purposes.

### Interest rate risk management

Recticel is hedging the interest rate risk linked to its interest-bearing borrowings on a global basis. Main hedging instruments used to convert floating rate debt into fixed rate debt are Interest Rate Swaps (IRS) or Interest Rate Caps (CAPs). The ratio fixed rate debt / floating rate debt results from a decision taken at the level of the Financial Committee and is reviewed on an ongoing basis as and when appropriate.

In an interest rate swap ("IRS") agreement, the Group undertakes to pay or receive the difference between the amounts of interest at fixed and floating rates on a nominal amount. This type of agreement enables the Group to fix the rate on a portion of its floating rate debt in order to be protected against the risk of higher interest charges on a loan at floating interest rates.

The market value of the portfolio of interest rate swaps on the balance sheet date is the discounted value of the future cash flows from the contract, using the interest rate curves at that date.

The current portfolio of IRS covers a portion of such borrowings until February 2013, and another portion until February 2018. The IRS portfolio (EUR 136.3 million) qualifies for hedge accounting under the rules of IAS 39.

The weighted average life of the hedge portfolio is 4.8 years. Interest rate swaps (IRS) denominated in EUR are outstanding for EUR 125 million with a weighted average outstanding life of 5.3 years. In 2009, new forward starting interest rate swaps were concluded for an amount of EUR 50 million with a start date in 2011 till February 2018, and EUR 25 million with a start date in 2013 till February 2018.

The Group also concluded interest rate "Cap" options in EUR to hedge its interest rate risk. An interest rate "Cap" is a derivative by which the buyer of the option receives payments at the end of each period in which the reference interest rate exceeds the agreed strike price. It allows to benefit from lower short term interest rates while being hedged in case short term interest rates would rise.

'Cap' options for a notional amount of EUR 40 million, with a weighted average outstanding life of 2 years, provide protection against the risk of increasing interest rate movements in EUR.

On 31 December 2010, the fair value of the interest rate swaps was estimated at EUR -5.5 million. The fair value of the 'cap' options was estimated at EUR -0.1 million.

The convertible bond loan (EUR 25.3 million, part booked under financial debt), the private placement with the joint venture Eurofoam (EUR 14.5 million) and the financial leases (EUR 13.3 million) were issued at a fixed rate; most other bank debt is contracted at floating rate. A current portfolio of derivative products provides a global hedge for a total of EUR 86.3 million at balance sheet date, meaning that total fixed-rate arrangements represent 65.5% of the total debt (disregarding the CAPs which are not effective in the context of low short-term interest rates).

1. Hedging of economic risk (shown at real value with processing in the income statement)

in thousand EUR				
Group Recticel	NOMINAL VALUE	MARKET VALUE AT 31 DEC 2010	RECOGNISED IN THE INCOME STATEMENT OF 2010	RECOGNISED IN THE INCOME STATEMENT OF PREVIOUS YEARS
<b>Overview of CAP contracts</b>				
Bought "CAP" options	20 000	(103)	(103)	(151)
Bought forward starting "CAP" options	20 000	38	38	0
<b>Total CAP contracts</b>	<b>40 000</b>	<b>(65)</b>	<b>(65)</b>	<b>(151)</b>
<b>Overview of IRS contracts</b>				
Interest Rate Swaps (IRS)	0	0	0	0
<b>Total IRS contracts</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

2. Hedge accounting

in thousand EUR			
Group Recticel	NOMINAL VALUE	MARKET VALUE AT 31 DEC 2010 RECOGNISED IN THE EQUITY (HEDGING RESERVES)	RECOGNISED IN THE INCOME STATEMENT OF 2010 NO INEFFICIENCIES
<b>Overview of IRS contracts</b>			
Interest Rate Swaps (IRS) – in EUR	125 000	(5 100)	0
Interest Rate Swaps (IRS) – in USD	11 346	(400)	0
<b>Total</b>	<b>136 346</b>	<b>(5 500)</b>	<b>0</b>

in thousand EUR										
Group Recticel			OUTSTANDING IRS PORTFOLIO AS OF 31 DEC 2010							
START	MATURITY	RATE	OUTSTANDING END 2010	OUTSTANDING 2011	OUTSTANDING 2012	OUTSTANDING 2013	OUTSTANDING 2014	OUTSTANDING 2015	OUTSTANDING 2016	OUTSTANDING 2017
23/12/08	22/02/13	4.11%	35 000	35 000	35 000	0	0	0	0	0
23/12/08	23/12/11	4.09%	20 000	0	0	0	0	0	0	0
23/12/08	22/02/13	4.08%	15 000	15 000	15 000	0	0	0	0	0
23/12/08	23/12/11	3.85%	5 000	0	0	0	0	0	0	0
22/12/08	22/12/11	4.08%	11 346	0	0	0	0	0	0	0
22/02/13	22/02/18	3.96%	0	0	0	25 000	25 000	25 000	25 000	25 000
22/02/13	22/02/18	3.80%	0	0	0	12 500	12 500	12 500	12 500	12 500
22/02/13	22/02/18	3.64%	0	0	0	12 500	12 500	12 500	12 500	12 500
23/12/11	22/02/13	3.43%	0	25 000	25 000	0	0	0	0	0
<b>Average rate</b>			<b>3.98%</b>	<b>86 346</b>	<b>75 000</b>	<b>75 000</b>	<b>50 000</b>	<b>50 000</b>	<b>50 000</b>	<b>50 000</b>

Furthermore, there are no ineffectiveness on the interest rate hedges, since the characteristics of these hedges perfectly match those of the underlying debt being hedged.

### **Sensitivity on marked to market value of interest rate derivatives**

The Group's interest rate risk exposure derives from the fact that it finances at both fixed and variable interest rates. The Group manages the risk centrally through an appropriate structure of loans at fixed and variable interest rates and through interest rate swaps (IRS) and interest cap contracts (caps). The interest rate hedges are evaluated regularly to bring them in line with the Group's view of the trend in interest rates on the financial markets, with the aim of stabilising the interest rate burden throughout the various economic cycles.

If the interest rates yield curve had risen by 100 basis points, with all other parameters unchanged, the Group's profit in 2010 would not have been affected by the change of marked to market value of the derivatives. However the reserves in equity would have increased by EUR 4.2 million as a result of the change of marked to market value of the interest rate swaps concluded to hedge the debts (compared to EUR 3.5 million in 2009).

Conversely, if the interest rates yield curve would have fallen by 100 basis points, with all other parameters unchanged, the reserves in equity would have decreased by EUR 4.2 million as a result of the fall in the marked to market value of the interest rate swaps concluded to hedge the debts (compared to EUR 3.5 million in 2009).

The sensitivity to marked to market value of the interest rate derivatives increased in 2010 compared to 2009, due to the effect of a change of the shape of the yield curve.

### **Exchange risk management**

It is the Group's policy to hedge foreign exchange exposures resulting from financial and operational activities via Recticel International Services SA/NV (RIS), which acts as internal bank of the Group. This is mainly implemented through forward exchange contracts.

In general, the Group concludes forward exchange contracts to cover foreign exchange risks on incoming and outgoing payments in foreign currency. The Group also concludes forward exchange contracts and option contracts to cover exchange risks associated with planned sales and purchases of the year, at a percentage which varies according to the predictability of the payment flows.

At balance sheet date, forward exchange contracts were outstanding for a notional value of EUR 25.2 million and with a total fair value of EUR -0.13 million. The currency swap contracts, maturing at under 12 months, have a notional value of EUR 73 million, corresponding to a total fair value of EUR -0.3 million. At balance sheet date, currency option contracts were also outstanding for a nominal value of EUR 18.6 million and a total fair value of EUR 0.3 million. Recticel does not apply hedge accounting treatment to FX contracts as they are all under 1 year.

Foreign exchange risks relating to a net investment in foreign currency are also hedged selectively. At balance sheet date, there was one exchange rate hedge of this type to lower the net investments in CHF. In so far as these investments and hedge are long term, the revaluation of these investments and the hedge thereof is undertaken via an equity account and not via the income statement.



in thousand EUR				
Group Recticel	NOMINAL VALUE	MARKET VALUE AT 31 DEC 2010	RECOGNISED IN THE INCOME STATEMENT OF 2010	RECOGNISED IN THE INCOME STATEMENT OF PREVIOUS YEARS
Overview of forward exchange contracts				
Forward purchasing contracts less than 6 months	7 127	(82)	(82)	(157)
Forward purchasing contracts more than 6 months	254	(1)	(1)	0
Forward sale contracts less than 6 months	13 442	(95)	(95)	(201)
Forward sale contracts more than 6 months	4 380	49	49	(189)
<b>Total forward exchange contracts</b>	<b>25 203</b>	<b>(129)</b>	<b>(129)</b>	<b>(547)</b>
Overview of currency swap contracts				
Sales / Purchases	15 720	(35)	(35)	2
Purchases / Sales	57 344	(75)	(75)	(194)
<b>Total currency swap contracts</b>	<b>73 064</b>	<b>(110)</b>	<b>(110)</b>	<b>(192)</b>
Overview of currency option contracts				
Purchases	12 600	294	294	(335)
Sales	6 000	(18)	(18)	(527)
<b>Total currency option contracts</b>	<b>18 600</b>	<b>276</b>	<b>276</b>	<b>(862)</b>

### Sensitivity analysis on the foreign exchange risks

The Group deals mainly in 5 currencies outside the euro zone: USD, CZK, SEK, GBP and CHF.

The following table details the sensitivity of the Group to a positive or negative variation, compared to the annual variation in the pairs of currencies during the previous financial year.

The sensitivity analysis covers only the financial amounts in foreign currency which are not due and determines their variations at the conversion rates based on the following assumptions: USD and GBP 10%; CZK, CHF and SEK 5%.

The sensitivity analysis covers both external and internal loans of the Group where the currency of the operations differs from the local currency of the borrower and lender. A positive amount in the table below indicates an increase in the gain if the EUR strengthens by the given historical annual average. An equal counterpart loss will be measured if the EUR weakens by the same percentage.

The sensitivity of the Group to exchange rate variations increased in 2010 compared to 2009, due to larger positions.

in thousand EUR										
Group Recticel	EUR/USD		EUR/CHF		EUR/GBP		EUR/CZK		EUR/SEK	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Historical average variation	10%	10%	5%	5%	10%	10%	5%	5%	5%	5%
Profit or (loss)	170	88	79	3	1 647	258	59	7	126	33

## Liquidity risk

Despite the crisis on the financial markets since the summer of 2007, the liquidity risk of the Group remains well under control.

The financing sources are well diversified and the bulk of the debt is irrevocable and long-term. This debt includes the EUR 57.5 million convertible bond loan concluded in July 2007 and expiring in July 2017 (of which EUR 11.2 million was bought back in 2008, and EUR 17.3 million in 2009). It also includes the club deal concluded on 1 February 2008 for an amount of EUR 230 million. This loan, expires in 2013 and included a specific tranche (in the meantime fully drawn down in July 2009 and partially repaid in 2010) to refinance the subordinated loan of EUR 50 million at 10%, that came due in July 2009. In addition, the Group still has EUR 38.9 million in other long-term debt.

In addition to these long-term loans, the Group also has a diversified range of short-term financing sources, a large proportion of which were covered by non-recourse factoring and forfeiting programmes.

The diversified financing structure and the availability of committed unused credit facilities for EUR 177.8 million guarantee the necessary liquidity to ensure the future activities and to meet the short-term and long-term financial commitments.

The club deal is subject to bank covenants based on an adjusted leverage ratio, an adjusted interest cover and a minimum equity requirement. At the end of 2010, Recticel complied with all its bank covenants. On the basis of the 2011 budget, the management expects to be in a position in the coming year to meet its bank covenants.

For the year ending 2010

Group Recticel	in thousand EUR					
	MATURING WITHIN ONE YEAR	MATURING BETWEEN 1 AND 5 YEARS	MATURING AFTER 5 YEARS	TOTAL LONG- TERM	FUTURE FINANCIAL CHARGES	PRESENT VALUE OF THE MINIMUM PAYMENTS
Bonds and notes	2 034	20 734	35 538	58 306	(18 526)	39 780
Financial leases	2 957	10 915	5 103	18 975	(3 627)	15 348
Bank loans	18 424	114 557	0	132 981	(3 261)	129 720
Other loans	337	920	1 807	3 064	(648)	2 416
<b>Total interest-bearing borrowings – long term</b>	<b>23 752</b>	<b>147 126</b>	<b>42 448</b>	<b>213 326</b>	<b>(26 062)</b>	<b>187 264</b>
Bank loans	3 071					
Bank loans – forfeiting	1 513					
Bank loans – factoring with recourse	1 159					
Discounted bills of exchange	1 987					
Bank overdraft	9 515					
Other financial debt	204					
Current accounts & cash pooling	234					
Accrued liabilities – financial short term	180					
<b>Total interest-bearing borrowings – short term</b>	<b>17 863</b>					
Interest rate swaps	5 545					
Hedging contracts	0					
Trading/economic hedge	1 054					
Currency options – seller	18					
<b>Derivative instruments at fair value</b>	<b>6 617</b>					
<b>Grand total financial debt due within one year</b>	<b>48 232</b>					

For the year ending 2009

Group Recticel	in thousand EUR					
	MATURING WITHIN ONE YEAR	MATURING BETWEEN 1 AND 5 YEARS	MATURING AFTER 5 YEARS	TOTAL LONG- TERM	FUTURE FINANCIAL CHARGES	PRESENT VALUE OF THE MINIMUM PAYMENTS
Bonds and notes	2 597	21 369	28 900	52 866	(13 498)	39 368
Financial leases	3 375	11 935	9 958	25 268	(6 839)	18 429
Bank loans	18 599	130 285	0	148 884	(3 180)	145 704
Other loans	331	946	1 802	3 079	(388)	2 691
<b>Total interest-bearing borrowings - long term</b>	<b>24 902</b>	<b>164 535</b>	<b>40 660</b>	<b>230 097</b>	<b>(23 905)</b>	<b>206 192</b>
Bank loans	4 782					
Bank loans - forfeiting	3 392					
Bank loans - factoring with recourse	1 152					
Discounted bills of exchange	2 357					
Bank overdraft	3 839					
Other financial debt	1 013					
Current accounts & cash pooling	1 599					
Accrued liabilities - financial short term	194					
<b>Total interest-bearing borrowings - short term</b>	<b>18 328</b>					
Interest rate swaps	6 273					
Hedging contracts	63					
Trading/economic hedge	1 408					
Currency options - seller	521					
<b>Derivative instruments at fair value</b>	<b>8 265</b>					
<b>Grand total financial debt due within one year</b>	<b>51 495</b>					

#### II.5.23. Trade and other payables

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. As a result of the improved business activities and higher raw material prices in the fourth quarter, the level of trade payables increased significantly compared to the previous year.

The item "Other payables" relates principally to (i) the reversal of various operational accruals and (ii) the reversal of accruals related to the contractual obligations associated with the transfer of technological know-how and the customer portfolio on the sale of the Exteriors business (Automotive) to BASF at the end of 2008.

#### II.5.24. Business combinations and disposals

During 2010 there were no material business combinations nor disposals.

#### II.5.25. Capital structure management

##### Capital structure management

The Group manages its capital structure via the optimisation of financial liabilities and equity so that the companies of the Group could operate according to the principle of continuity and while optimizing the return to shareholders.

The capital structure of the Group includes the financial debts, cash and cash equivalents and equity (minority interests included).

Existing financing agreements are subject to a number of financial covenants which were at the end of the year.

### Level of debt

At the end of 2010, the net financial debt amounted to EUR 158.7 million (end 2009: EUR 192.0 million). The level of debt represents 66% of equity (2009: 85%). The Group aims for gradual improvement in the level of debt in the coming years.

## II.6. Miscellaneous

### II.6.1. Operating lease arrangements

in thousand EUR		
Group Recticel	31 DEC 2010	31 DEC 2009
Payments due within one year	(26 681)	(23 083)
Between one and five years	(53 007)	(50 056)
Over five years	(35 243)	(30 226)
Minimal future payments	(114 931)	(103 365)

Operating lease payments represent rentals payable by the Group for certain of its industrial and/or office properties and for certain production, logistic and /or administrative equipment.

74

in thousand EUR		
Group Recticel	31 DEC 2010	31 DEC 2009
Operating lease – land and buildings	(22 030)	(28 899)
Operating lease – plant, machinery and equipment	(4 125)	(2 557)
Operating lease – furniture	(1 292)	(864)
Operating lease – vehicles	(7 710)	(4 233)
<b>Total</b>	<b>(35 157)</b>	<b>(36 553)</b>

### II.6.2. Other off-balance sheet items

in thousand EUR		
Group Recticel	31 DEC 2010	31 DEC 2009
Guarantees given or irrevocably promised by Recticel SA/NV as security for debts and commitments of companies	144 400	132 745

### II.6.3. Share-based payments

Since 1993, the Recticel Group has implemented a Group Stock Option Plan for its leading managers. In 2010 no new serie was issued. All issued stock options up to and including 2000 have in the meantime been exercised, forfeited or they have expired.

Overview of the outstanding stock options per 31 December 2010:

ISSUE	NUMBER OF WARRANTS ISSUED	NUMBER OF WARRANT NOT YET EXERCISED	EXERCISE PRICE (IN EUR)	EXERCISE PERIOD
2002	100 000	100 000	9.50	01/Jan/06 - 05/Dec/11
2006	306 000	306 000	9.65	01/Jan/10 - 21/Dec/17
May 2007	48 000	48 000	10.47	01/Jan/11 - 01/May/18
Dec 2007	390 000	390 000	9.78	01/Jan/11 - 02/Dec/18
Dec 2008	540 000	540 000	4.29	01/Jan/12 - 23/Dec/14
Dec 2009	584 000	584 000	5.05	01/Jan/13 - 21/Dec/15
<b>Total</b>	<b>1 968 000</b>	<b>1 968 000</b>		

A more general overview showing the trend during 2010 is given below.

Units	in thousand EUR	
	2010	2009
Options – end of period	1 968 000	2 375 990
Weighted average exercise price (in EUR)	6.85	7.16
Outstanding at the beginning of the period	2 375 990	2 125 310
Granted during the period	0	584 000
Forfeited during the period	407 990	333 320
Exercised during the period	0	0
Outstanding at the end of the period	1 968 000	2 375 990
Exercisable at the end of the period	406 000	507 990
"In the money" at the end of the period	1 124 000	540 000

The options outstanding at 31 December 2010 had a weighted average exercise price of EUR 6.85, and a weighted average remaining contractual life of 3.56 years.

The Group follows the transitional provisions prescribed by IFRS 2 (i.e. equity instruments granted after 7 November 2002 and not yet vested on 1 January 2008).

In 2010 no stock options were exercised and no new warrants were issued.

To date, the Group has not issued share appreciation rights to any of its managers or employees, nor has it implemented any share purchase plan.

#### 11.6.4. Events after the balance sheet date

There are two material events to be mentioned which occurred after 31 December 2010 for which the necessary provisions have been constituted in the financial statements of 2010. These events are:

- In February 2011, the joint venture company Proseat (Automotive – Seating) finalised the negotiations for the closure of its plant in Hulshout (Belgium) on account of falling demand and the pessimistic prospects for the coming years. In total, this will have an impact on 153 jobs, and results in an aggregate cost of about EUR 4.8 million (Group share).
- In February 2011, the Group finalised the social negotiations with respect to its decision to adapt its industrial footprint and structure in Spain, resulting in the closure of several of its Spanish activities:
  - the closure of the plant in Legutiano – Alava;
  - the closure of the Comfort converting production activity in the plant of Santa Perpetua de Mogoda – Barcelona;

- the closure of Transfoam – Valencia, producing parts in polyurethane for comfort/furniture applications; and
- the reduction of a significant number of central positions.

In total this restructuring plan will lead to the redundancy of about 90 employees on a total of 242 people employed in the Flexible Foams' activities in Spain. The estimated costs amount to EUR 7.1 million.

## 11.6.5. Related party transactions

Transactions between Recticel SA/NV and its subsidiaries, which are related parties, have been eliminated in the consolidation and are not disclosed in this note. Transactions with other related parties are disclosed below, and concern primarily commercial transactions done at prevailing market conditions. The tables below include only transactions considered to be material, i.e. exceeding a total of EUR 1 million.

### Transactions with joint ventures and associates

Group Recticel	in thousand EUR					
	NON-CURRENT RECEIVABLES	TRADE RECEIVABLES	OTHER CURRENT RECEIVABLES	TRADE PAYABLES	REVENUE	PURCHASES
Proseat GmbH	0	666	0	1	4 595	(81)
Eurofoam Deutschland GmbH Schaumstoffe	0	580	0	957	7 608	(8 221)
Eurofoam GmbH	0	143	0	439	1 048	(4 177)
Proseat foam Manufacturing SLU	0	361	0	0	5 479	0
ARTE srl	0	569	1 067	68	349	(281)
Eurofoam BG	196	321	0	0	1 027	0
Poly	0	195	0	0	712	0
SINF0	0	23	0	0	258	(101)
BPP	0	48	150	0	925	0
Proseat sro	0	151	0	0	4 305	0
Eurofoam Bohemia	0	843	0	70	1 124	(1 100)
Eurofoam Industry	0	124	0	0	1 032	0
Eurofoam Polska	0	54	0	328	905	(2 560)
Eurofoam Poznan	610	655	0	17	2 368	(290)
Proseat Spolka	0	42	0	0	582	0
<b>TOTAL</b>	<b>806</b>	<b>4 775</b>	<b>1 217</b>	<b>1 880</b>	<b>32 317</b>	<b>(16 811)</b>

### Transactions with Directors and companies linked to Directors

COUNTERPARTY	CLASSIFICATION	IN THOUSAND EUR
Group Sioen	Sales	142
Group Sioen	Purchases	(1 348)



II.6.6. Remuneration of the Board of Directors  
and of the Management Committee

The remuneration of the members of the Board of Directors and of the Management Committee is included in this note. For more information, reference is made to the chapter 'Corporate Governance' in the first part of this report.

Gross remuneration for the members of the Board of Directors

in EUR					
NAAM	EMOLUMENTS 2010	AUDIT COMMITTEE 2010	REMUNERATION AND APPOINTMENT COMMITTEE 2010	DIRECTORS' FEES PAID IN 2010 CONCERNING 2009	REMUNERATION FOR SPECIAL ASSIGNMENTS
DAVIGNON Etienne	19 800.00	10 000.00	3 750.00	18 289.39	-
OLIVIER CHAPELLE BVBA	9 900.00				-
PAQUOT Guy	6 600.00			9 144.69	-
VEAN NV	3 300.00				-
DOUMIER Vincent	8 250.00	12 500.00		9 144.69	-
LOUIS VERBEKE BVBA	8 250.00		2 500.00	9 144.69	-
MERCATOR Verzekeringen NV	1 650.00			9 144.69	-
POL BAMELIS NV	4 950.00			9 144.69	-
SIOEN Jean-Jacques (†)				8 117.48	-
SOGELAM NV	9 900.00		2 500.00	9 144.69	-
VANDEPOEL Wilfried	8 250.00	10 000.00		9 144.69	-
VAN DOORSLAER Tonny	8 250.00	12 500.00		9 144.69	-
WENDEL Klaus	8 250.00	18 750.00		9 144.69	-
ZOETE Jacqueline	6 600.00				-

Gross remuneration for the members of the Management Committee

in EUR						
TOTAL COST FOR THE COMPANY	OLIVIER CHAPELLE SPRL REPRESENTED BY OLIVIER CHAPELLE	VEAN NV REPRESENTED BY LUC VANSTEENKISTE	OTHER MEMBERS OF THE MANAGEMENT COMMITTEE		TOTAL	
	2010	2009	2010	2009	2010	2009
Number of persons	1	1	10	10	11	11
Basic salary	442 000	499 600	2 623 053	2 565 340	3 065 053	3 064 940
Variable remuneration	200 000	486 250	954 932	1 143 461	1 154 932	1 629 711
Pensions, insurance (group insurance) and other benefits in kind	90 080	25 751	166 302	181 614	256 382	207 365
Total	732 080	1 011 601	3 744 286	3 890 414	4 476 367	4 902 015

## 11.6.7 Joint ventures

The share of joint venture companies in the consolidated financial statements is as follows:

Group Recticel	in thousand EUR	
	31 DEC 2010	31 DEC 2009
<b>ASSETS</b>		
Intangible assets	2 872	3 236
Goodwill	9 898	9 903
Plant, property & equipment	54 402	56 700
Other financial investments	290	369
Available for sale investments	10	10
Non-current receivables	2 488	1 960
Deferred tax	292	318
<b>Non-current assets</b>	<b>70 252</b>	<b>72 496</b>
Inventories and contracts in progress	25 294	22 595
Trade receivables	44 878	45 916
Other current receivables	4 976	7 175
Income tax receivables	106	315
Deferred tax	77	77
Available for sale investments	2	2
Cash and cash equivalents	10 646	7 640
<b>Current assets</b>	<b>85 979</b>	<b>83 720</b>
<b>Total assets</b>	<b>156 231</b>	<b>156 216</b>

Group Recticel	in thousand EUR	
	31 DEC 2010	31 DEC 2009
<b>LIABILITIES</b>		
Hedging and translation reserves	(8 729)	(8 901)
Consolidated reserves	70 507	83 380
<b>Equity, minority interests included</b>	<b>61 778</b>	<b>74 479</b>
Pensions and similar obligations	6 046	6 044
Provisions	592	1 198
Deferred tax	2 485	2 503
Interest-bearing borrowings	41 717	39 042
<b>Non-current liabilities</b>	<b>50 840</b>	<b>48 787</b>
Pensions and similar obligations	173	358
Provisions	5 714	476
Interest-bearing borrowings	5 561	3 331
Trade payables	22 008	20 317
Income tax payables	2 479	2 251
Other amounts payable	7 678	6 217
<b>Current liabilities</b>	<b>43 613</b>	<b>32 950</b>
<b>Total liabilities</b>	<b>156 231</b>	<b>156 216</b>

in thousand EUR		
Group Recticel	2010	2009
<b>INCOME STATEMENT</b>		
<b>Sales</b>	<b>308 588</b>	<b>324 938</b>
Distribution costs	(11 289)	(13 009)
Cost of sales	(244 782)	(231 132)
<b>Gross profit</b>	<b>52 517</b>	<b>80 797</b>
General and administrative expenses	(14 667)	(17 024)
Sales and marketing expenses	(9 055)	(14 576)
Research and development expenses	(2 350)	(1 594)
<b>Other operating revenues and expenses</b>	<b>(19 432)</b>	<b>(25 277)</b>
Result from investments available for sale	66	0
<b>EBIT</b>	<b>7 079</b>	<b>22 326</b>
Interest income	280	352
Interest expenses	(2 410)	(2 898)
Other financial income and expenses	(267)	(1 600)
<b>Financial result</b>	<b>(2 397)</b>	<b>(4 146)</b>
<b>Result of the period before taxes</b>	<b>4 682</b>	<b>18 180</b>
Income taxes	(3 136)	(13 183)
<b>Result of the period after taxes</b>	<b>1 546</b>	<b>4 997</b>

11.6.8. Exchange rates

		in EUR			
Group Recticel		CLOSING RATE		AVERAGE RATE	
		2010	2009	2010	2009
Bulgarian Lev	BGN	0.511300	0.511300	0.511300	0.511300
Swiss Franc	CHF	0.799744	0.674036	0.724457	0.662243
Yuan Renminbi	CNY	0.113353	0.101678	0.111467	0.104957
Czech Crown	CZK	0.039903	0.037774	0.039551	0.037829
Estonian Crone	EEK	0.063912	0.063912	0.063912	0.063912
Pound Sterling	GBP	1.161778	1.125999	1.165713	1.122411
Forint	HUF	0.003598	0.003698	0.003630	0.003567
Yen	JPY	0.009204	0.007510	0.008603	0.007672
Lithuanian Litas	LTL	0.289620	0.289620	0.289620	0.289620
Moroccan Dirham	MAD	0.089568	0.088258	0.089652	0.088806
Moldova Lei	MDL	0.061967	0.056782	0.061031	0.064005
Norwegian Krone	NOK	0.128205	0.120482	0.124933	0.114576
Zloty	PLN	0.251572	0.243635	0.250334	0.231074
Romanian Leu (new)	RON	0.234632	0.236055	0.237408	0.235853
Serbian Dinar	RSD	0.009486	0.010396	0.009666	0.010690
Russian Rouble	RUB	0.024498	0.023173	0.024837	0.022656
Swedish Krona	SEK	0.111539	0.097542	0.104852	0.094170
Turkish Lira (NEW)	TRY	0.483232	0.464102	0.500865	0.462297
Ukrainian Hryvnia	UAH	0.094607	0.086413	0.095330	0.089197
US Dollar	USD	0.748391	0.694155	0.754309	0.716958

11.6.9. Staff

Group Recticel	in units					
	31 DEC 2010			31 DEC 2009		
	FULLY CONSOLIDATED	PROPORTIONALLY CONSOLIDATED	TOTAL	FULLY CONSOLIDATED	PROPORTIONALLY CONSOLIDATED	TOTAL
Management Committee	11	0	11	11	0	11
Employees	1 871	635	2 506	1 894	721	2 615
Workers	4 690	1 466	6 156	4 874	1 764	6 638
Average number of people employed	6 572	2 101	8 673	6 779	2 485	9 264
Average number of people employed in Belgium	1 251	134	1 385	1 376	135	1 511
Remuneration and social charges (in thousand EUR)	270 107	63 944	334 051	264 016	71 338	335 354

11.6.10. Audit and non-audit services provided by the statutory auditors

Overview of the audit fees and additional services performed for the Group by the auditors and companies related to the auditor for the year ending 31 December 2010.

Group Recticel	in thousand EUR	
	DELOITTE	OTHERS
Audit fees	810	421
Other legal missions	27	22
Tax services	456	77
Total fees in 2010	1 293	520

In the above overview the fees of the joint venture companies are included at 100%.

## TERTRE

1. Carbochimique, which was progressively integrated into Recticel in the 1980s and early 1990s, owned the Tertre industrial site, where various carbon chemistry activities in particular had been carried on since 1928. These activities were gradually spun off and are now carried on by different industrial interests including Grow-How (formerly Kemira) and Erachem (Eramet group). Finapal, a Recticel subsidiary, retained ownership of some plots on the site, chiefly old settling basins that have now been drained.

In 1986, Recticel sold its 'fertiliser' division, which included the Tertre site activities, to Kemira, currently Yara. As part of the deal, Recticel contracted to put an old settling basin that had been transferred to Kemira, currently Yara, into compliance with environmental regulations. It has not yet been possible to fulfil this obligation because of the inseparability of the environmental situations on the Tertre site, and so a provision has been raised for it. In order to protect its rights, Kemira, currently Yara, issued a writ of summons against Recticel pursuant to this obligation in July 2003. Kemira's demand also relates to other environmental issues, which Recticel disputes because it believes these are out of the scope of the sale agreement of 1986. The Trade Court pronounced its decision in the first half of 2010. The Trade Court has confirmed the obligation relative to the old settling basins and has appointed an expert for the examination of two additional requirements. The other appeals raised by the company Yara have been rejected.

2. As a result of the sale of Sadacem to the French Comilog group, now part of the Eramet group, Recticel undertook to share the costs of cleaning up an old industrial waste dump on the Erachem site. The carrying-out of this is being studied with Erachem and a provision has been raised for it in the Recticel Group accounts. The proposed plan which was submitted to the Office Wallon des Déchets in April 2009 is investigated by the Administration.



## INSPECTION BY THE DIRECTORATE GENERAL FOR COMPETITION OF THE EUROPEAN COMMISSION

On July 27 and 28, 2010, officials from the European Commission and various national antitrust authorities conducted unannounced inspections at Recticel's offices in Brussels, Wetteren, and Alfretton, as well as the office of Eurofoam in Kremsmünster, Austria. The purpose of these inspections was to collect information relating to allegedly unlawful conduct believed to have taken place in the European Economic Area polyurethane foam sector.

Investigations were also carried out in the United States as part of a coordinated investigation. It is to be noted that The Recticel Group has had no foaming activities in the United States since December 1991, and has not been visited or contacted by the antitrust regulators there. The Group's activities in the United States are limited to specialized foam converting (acoustical applications) and Automotive Interiors. Recticel has had no indication that these business areas are a focus of the competition investigations.

Recticel decided then to cooperate with the European Commission. The Commission has now authorized Recticel to communicate the fact that this cooperation is done in the frame of the Leniency Program, as set forth in the "Commission notice on immunity from fines and reduction of fines in cartel cases", published in the Official Journal C 298, 8.12.2006, p.17.

At this time, Recticel has not received any formal objections from the European Commission.

### The Group's potential exposure is summarized as follows:

**At the EU level.** The Commission has given Recticel no indications regarding its findings. At this stage, therefore, the Group is not in a position to predict what the position of the Commission in relation with the case will be, and hence currently is unable to assess its possible financial consequences.

**At the national levels.** As a rule, national authorities will not take up a case which is treated by the Commission. Recticel is aware that the national authorities in Spain and Portugal opened investigations into the polyurethane foam sector in February 2011. Recticel has received a request for information from the Spanish authority, but Recticel premises in Spain were not visited by the authority.

### III. Recticel sa/nv general information

#### **Recticel SA/NV**

##### **Address**

Avenue des Olympiades, 2  
B-1140 Brussels (Evere)

**Established:** on 19 June 1896 for thirty years, later extended for an unlimited duration.

**Object:** (article 3 of the Coordinated Articles) The object of the company is the development, production, conversion, trading, buying, selling and transportation, on its own account or on behalf of third parties, of all plastics, polymers, polyurethanes and other synthetic components, of natural substances, metal products, chemical or other products used by private individuals or by industry, commerce and transport, especially for furniture, bedding, insulation, the construction industry, the automotive sector, chemicals, petrochemicals, as well as products belonging to or necessary for their production or which may result or be derived from this process.

It may achieve its object in whole or in part, directly or indirectly, via subsidiaries, joint ventures, participations in other companies, partnerships or associations.

In order to achieve this object, it can carry out all actions in the industrial, property, financial or commercial field which are associated with its object directly or indirectly, in whole or in part, or which would be of a nature to promote, develop or facilitate its operation or its trade or that of the companies, partnerships or associations in which it has a participation or an interest; it can in particular develop, transfer, acquire, rent, hire out and exploit all movable and immovable goods and all intellectual property.

**Legal form:** naamloze vennootschap / société anonyme (limited company)

##### **Recorded in the Brussels register of legal entities**

**Company number:** 405 666 668

**Subscribed capital:** EUR 72 328 640

**Type and number of shares:** at 31 December 2010 there was only one type of shares, namely ordinary shares (28,931,456)

**Portion of the subscribed capital still to be paid up:** 0 shares/EUR 0.

**Nature of the shares not fully paid up:** none.

**Percentage fully paid up:** 100%. The shares are all fully paid up.

The accounts were prepared in accordance with requirements specified by the Royal Decree of 8 October 1976 on the annual accounts of trading companies, amended by the Royal Decree of 6 November 1987.

These annual accounts comprise the balance sheet, the income statement and the notes prescribed by law. They are presented hereafter in condensed form.

In accordance with Belgian law, the management report, the annual accounts of Recticel SA/NV and the report of the Statutory Auditor will be filed with the Belgian National Bank.

They are available on request from:

Recticel SA/NV  
Corporate Communications  
Avenue des Olympiades, 2  
B-1140 Brussels (Evere)

Tel.: +32 (0)2 775 18 11  
Fax: +32 (0)2 775 19 90  
E-mail: [desmedt.michel@recticel.com](mailto:desmedt.michel@recticel.com)

The notes to the annual accounts are related to the financial situation of the company as shown in the balance sheet. The results are also commented on in the preceding annual report.

The Statutory Auditor has delivered an unqualified opinion with an emphasis of matter paragraph on the statutory annual accounts of Recticel SA/NV.

The statutory annual accounts of Recticel SA/NV as well as the statutory report by the Board of Directors is freely available on the company's web site [www.recticel.com](http://www.recticel.com).

## IV. Recticel sa/nv condensed statutory accounts

		in thousand EUR	
Group Recticel	2010	2009	
<b>ASSETS</b>			
<b>FIXED ASSETS</b>			
I. Formation expenses	0	0	
II. Intangible assets	5 329	4 500	
III. Tangible assets	53 606	50 874	
IV. Financial assets	619 424	573 453	
<b>CURRENT ASSETS</b>			
V. Amounts receivable after one year	11 720	11 881	
VI. Inventories and contracts in progress	24 016	21 367	
VII. Amounts receivable within one year	71 645	65 296	
VIII. Cash deposits	0	0	
IX. Cash	795	462	
X. Deferred charges and accrued income	1 713	1 522	
<b>TOTAL ASSETS</b>	<b>788 248</b>	<b>729 355</b>	
<b>LIABILITIES</b>			
I. Capital	72 329	72 329	
II. Share premium account	107 013	107 013	
III. Revaluation surplus	2 551	2 551	
IV. Reserves	9 138	9 138	
V. Profits (losses) brought forward	63 046	27 274	
VI. Investment grants	170	207	
VII. A. Provisions for liabilities and charges	22 291	28 696	
B. Deferred taxes	0	0	
VIII. Amounts payable after one year	79 467	80 539	
IX. Amounts payable within one year	422 992	387 837	
X. Accrued charges and deferred income	9 251	13 771	
<b>TOTAL LIABILITIES</b>	<b>788 248</b>	<b>729 355</b>	

in thousand EUR		
Group Recticel	2010	2009
<b>PROFIT AND LOSS ACCOUNT</b>		
I. Operating revenues	377 822	347 087
II. Operating charges	(355 202)	(312 090)
III. Operating profit (loss)	22 620	34 996
IV. Financial income	43 804	14 341
V. Financial charges	(16 600)	(20 785)
VI. Current result before tax	49 824	28 552
VII. Extraordinary income	4 389	8 566
VIII. Extraordinary charges	(10 513)	(31 674)
IX. Profit (loss) for the year before taxes	43 701	5 444
X. Income taxes	0	0
XI. Profit (loss) for the year after taxes	43 701	5 444
XII. Transfer to untaxed reserves	0	0
XIII. Profit (loss) for the period available for appropriation	43 701	5 444

The statutory annual accounts of Recticel SA/NV as well as the statutory report by the Board of Directors is freely available on the company's web site [www.recticel.com](http://www.recticel.com).

#### Profit appropriation policy

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

When drawing up its proposal, the Board of Directors takes into account the right balance between ensuring a stable dividend for shareholders and maintaining sufficient investment and self-financing opportunities to secure the company's longer-term growth.

The Board of Directors decided to present the following appropriation of the results to the General Meeting:

in EUR		
Group Recticel		
Profit for the financial year		43 700 646.66
Profit brought forward from previous year	+	27 274 074.87
Results to be appropriated	=	70 974 721.53
Gross dividend <sup>(1)</sup>	-	7 811 493.12
Statutory Directors' fees	-	117 405.85
Profit to be carried forward	=	63 045 822.56

(1) Gross dividend per share of EUR 0.27, resulting in a net dividend after tax of EUR 0.2025 per ordinary share, and EUR 0.2295 per ordinary share with a VVPR-strip.

## V. Declaration by responsible officers

Mr Etienne Davignon (Chairman of the Board of Directors), Mr Olivier Chapelle (Chief Executive Officer) and Mr Jean-Pierre Mellen (Chief Financial Officer), declare that:

- the annual accounts, which have been drawn up in accordance with the applicable accounting standards, give a true and fair view of the assets, the financial situation and the results of Recticel and the consolidated companies;
- the report for the 12 months ending on 31 December 2010 gives a true and fair view of the development and the results of the company and of the position of Recticel and the consolidated companies, as well as a description of the principal risks and uncertainties confronting them.

# VI. Auditor's report on the consolidated financial statements for the year ending 31 December 2010

**Deloitte**

Deloitte Bedrijfsrevisoren /  
Reviseurs d'Entreprises  
President Kennedypark 8a  
8500 Kortrijk  
Belgium  
Tel. + 32 56 59 44 00  
Fax + 32 56 59 44 01  
www.deloitte.be

## Recticel NV/SA

### Statutory auditor's report on the consolidated financial statements for the year ended 31 December 2010 to the shareholders' meeting

To the shareholders

As required by law and the company's articles of association, we are pleased to report to you on the audit assignment which you have entrusted to us. This report includes our opinion on the consolidated financial statements together with the required additional comment.

#### Unqualified audit opinion on the consolidated financial statements, with an emphasis of matter paragraph

We have audited the accompanying consolidated financial statements of Recticel NV/SA ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium. Those consolidated financial statements comprise the consolidated balance sheet as at 31 December 2010, the consolidated income statement, the consolidated statement of comprehensive income, 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 777.454 (000) EUR and the consolidated income statement shows a consolidated profit (group share) for the year then ended of 14.439 (000) EUR.

The financial statements of several significant entities included in the scope of consolidation have been audited by other auditors. Our opinion on the accompanying consolidated financial statements, insofar as it relates to the amounts contributed by those entities, is based upon the reports of those other auditors.

The board of directors of the company is responsible for the preparation of the consolidated financial statements. This responsibility includes among other things: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with legal requirements and auditing standards applicable in Belgium, as issued by the "Institut des Réviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren". Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

Deloitte Bedrijfsrevisoren / Reviseurs d'Entreprises  
Burgerlijke vennootschap onder de vorm van een coöperatieve vennootschap met beperkte aansprakelijkheid /  
Société civile sous forme d'une société coopérative à responsabilité limitée  
Registered Office: Berkenlaan 8b, B-1831 Diegem  
VAT BE 0429.053.963 - RPR Brussel/RPM Bruxelles - IBAN BE 17 2300 0465 6121 - BIC GESABEBB

Member of Deloitte Touche Tohmatsu Limited





In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the group's preparation and fair presentation of the consolidated financial statements 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. We have assessed the basis of the accounting policies used, the reasonableness of accounting estimates made by the company and the presentation of the consolidated financial statements, taken as a whole. Finally, the board of directors and responsible officers of the company have replied to all our requests for explanations and information. We believe that the audit evidence we have obtained, together with the reports of other auditors on which we have relied, provides a reasonable basis for our opinion.

In our opinion, and based upon the reports of other auditors, the consolidated financial statements give a true and fair view of the group's financial position as of 31 December 2010, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU and with the legal and regulatory requirements applicable in Belgium.

Without prejudice to the unqualified opinion issued above, we draw attention to the note II.6.11. of the consolidated financial statements and to the directors' report, where is stated that the group is subject to an inspection by the directorate for competition of the European Commission and indicated that the group is cooperating in the frame of the Leniency Program as set forth in the "Commission notice on immunity for fines and reduction of fines in cartel cases". At this stage, the group is not in a position to predict what the position of the Commission in relation with the case will be and hence, the group is unable to assess its possible financial consequences. No provision has been recognized in the consolidated financial statements.

## Additional comment

The preparation and the assessment of the information that should be included in the directors' report on the consolidated financial statements are the responsibility of the board of directors.

Our responsibility is to include in our report the following additional comment which does not change the scope of our audit opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements includes the information required by law and is in agreement with the consolidated financial statements. However, we are unable to express an opinion on the description of the principal risks and uncertainties confronting the group, or on the status, future evolution, or significant influence of certain factors on its future development. We can, nevertheless, confirm that the information given is not in obvious contradiction with any information obtained in the context of our appointment.

Kortrijk, 3 March 2011

The statutory auditor



**DELOITTE** Bedrijfsrevisoren / Reviseurs d'Entreprises  
BV o.v.v.e. CVBA / SC s.f.d. SCRL  
Represented by Kurt Dehoorne

## VII. Comparable overview of the consolidated financial statements (2003-2010)

Group Recticel	in thousand EUR							
	31 DEC 10	31 DEC 09	31 DEC 08	31 DEC 07	31 DEC 06	31 DEC 05	31 DEC 04	31 DEC 03
<b>ASSETS</b>								
Intangible assets	13 307	14 301	20 104	19 779	18 838	21 039	25 069	23 881
Goodwill	34 365	33 311	39 164	37 555	43 616	43 626	42 307	42 197
Property, plant & equipment	270 979	286 789	336 560	349 381	342 262	381 136	408 294	373 716
Investment property	896	896	896	896	896	11 466	10 894	10 227
Interest in associates	15 451	15 697	13 626	11 078	9 175	6 749	4 804	4 193
Other financial investments	1 151	1 999	11 446	2 565	3 335	3 300	3 433	2 806
Available for sale investments	86	85	197	77	357	356	3 038	5 698
Non-current receivables	10 070	9 605	5 005	5 024	5 164	11 586	3 674	3 913
Deferred tax	55 739	43 365	52 020	56 367	67 158	64 714	63 302	59 306
<b>Non-current assets</b>	<b>402 044</b>	<b>406 048</b>	<b>479 018</b>	<b>482 722</b>	<b>490 801</b>	<b>543 972</b>	<b>564 815</b>	<b>525 937</b>
Inventories and contracts in progress	113 671	105 827	120 035	127 852	129 913	118 916	120 138	108 538
Trade receivables	141 783	142 104	170 117	175 496	183 963	179 282	192 253	188 915
Other receivables	62 285	58 016	60 095	61 825	88 333	77 558	79 884	44 982
Income tax receivables	3 552	4 367	1 130	1 315	1 032	661	855	2 165
Available for sale investments	181	156	293	411	531	483	595	863
Cash and cash equivalents	53 938	41 388	68 151	41 049	24 723	25 626	26 468	24 096
<b>Current assets</b>	<b>375 410</b>	<b>351 858</b>	<b>419 821</b>	<b>407 948</b>	<b>428 495</b>	<b>402 526</b>	<b>420 193</b>	<b>369 559</b>
<b>Total assets</b>	<b>777 454</b>	<b>757 906</b>	<b>898 839</b>	<b>890 670</b>	<b>919 296</b>	<b>946 498</b>	<b>985 008</b>	<b>895 496</b>

in thousand EUR								
Group Recticel	31 DEC 10	31 DEC 09	31 DEC 08	31 DEC 07	31 DEC 06	31 DEC 05	31 DEC 04	31 DEC 03
<b>LIABILITIES</b>								
Capital	72 329	72 329	72 329	72 329	71 572	70 833	70 833	70 833
Share premium	107 013	107 013	107 013	107 013	104 929	103 437	103 437	103 437
<b>Share capital</b>	<b>179 342</b>	<b>179 342</b>	<b>179 342</b>	<b>179 342</b>	<b>176 501</b>	<b>174 270</b>	<b>174 270</b>	<b>174 270</b>
Retained earnings	75 179	67 582	51 222	47 453	25 492	47 429	80 739	81 795
Hedging and translation reserves	(12 853)	(21 395)	(19 951)	(10 964)	(11 793)	(10 292)	(11 223)	(14 467)
Equity before non-controlling interests	241 668	225 529	210 613	215 831	190 200	211 407	243 786	241 598
Non-controlling interests	0	429	23 090	32 491	38 203	39 828	37 565	30 066
<b>Total equity</b>	<b>241 668</b>	<b>225 958</b>	<b>233 703</b>	<b>248 322</b>	<b>228 403</b>	<b>251 235</b>	<b>281 351</b>	<b>271 664</b>
Pensions and similar obligations	34 988	37 209	40 155	45 235	48 365	45 218	40 459	38 322
Provisions	24 452	23 008	17 893	17 681	21 957	14 540	12 298	17 965
Deferred tax	8 800	8 187	9 429	9 549	7 408	6 792	4 934	5 742
Subordinated loans	0	0	89 014	97 495	49 614	49 464	49 327	35
Bonds and notes	39 780	39 368	14 500	15 040	14 869	14 500	0	0
Financial leases	13 285	15 986	19 346	21 214	23 424	29 913	12 674	14 571
Bank loans	111 977	128 200	140 161	22 085	137 601	177 547	230 988	231 364
Other loans	2 082	2 201	5 123	5 794	2 214	2 302	2 540	2 690
Interest-bearing borrowings	167 124	185 755	268 144	161 628	227 722	273 726	295 529	248 660
Other amounts payable	510	359	1 782	462	3 938	1 159	984	7 694
<b>Non-current liabilities</b>	<b>235 874</b>	<b>254 518</b>	<b>337 403</b>	<b>234 555</b>	<b>309 390</b>	<b>341 435</b>	<b>354 204</b>	<b>318 383</b>
Pensions and similar obligations	3 846	3 893	4 674	4 083	4 529	4 073	6 362	6 804
Provisions	14 480	8 312	8 516	5 443	5 202	3 833	7 798	7 733
Interest-bearing borrowings	45 691	47 740	68 872	150 765	99 474	69 878	66 276	83 041
Trade payables	141 887	114 208	146 993	160 443	173 134	179 611	166 900	125 397
Income tax payables	7 542	4 712	3 389	9 659	5 212	1 063	947	1 316
Other amounts payable	86 466	98 565	95 289	77 400	93 952	95 370	101 170	81 158
<b>Current liabilities</b>	<b>299 912</b>	<b>277 430</b>	<b>327 733</b>	<b>407 793</b>	<b>381 503</b>	<b>353 828</b>	<b>349 453</b>	<b>305 449</b>
<b>Total liabilities</b>	<b>777 454</b>	<b>757 906</b>	<b>898 839</b>	<b>890 670</b>	<b>919 296</b>	<b>946 498</b>	<b>985 008</b>	<b>895 496</b>

in thousand EUR								
Group Recticel	2010	2009	2008	2007	2006	2005	2004	2003
<b>INCOME STATEMENT</b>								
Sales	1 348 430	1 276 662	1 555 450	1 611 788	1 474 422	1 391 558	1 276 319	1 180 773
Distribution costs	(64 768)	(62 061)	(74 528)	(76 777)	(68 668)	(63 782)	(63 442)	(58 986)
Cost of sales	(1 066 780)	(982 511)	(1 260 090)	(1 279 997)	(1 170 165)	(1 140 184)	(1 002 560)	(927 416)
Gross profit	216 882	232 090	220 832	255 014	235 589	187 592	210 317	194 371
General and administrative expenses	(80 367)	(82 166)	(90 587)	(88 537)	(88 826)	(89 722)	(85 121)	(76 883)
Sales and marketing expenses	(74 331)	(81 040)	(88 077)	(89 454)	(87 070)	(75 845)	(75 084)	(73 809)
Research and development expenses	(15 794)	(13 941)	(17 006)	(17 936)	(18 224)	(16 362)	(18 055)	(17 750)
Impairments	(10 800)	(10 362)	(12 280)	(1 400)	(32 042)	(11 912)	-	-
Other operating revenues (expenses)	(10 075)	31	26 367	5 561	5 537	15 893	(799)	(13 475)
Income from associates	935	1 608	1 899	(24)	1 013	1 538	611	623
Income from investments	1 164	7	265	2 013	312	(2 291)	684	502
EBIT	27 614	46 227	41 413	65 237	16 289	8 891	32 553	13 579
Interest income and expenses	(11 770)	(16 919)	(24 414)	(25 181)	(25 441)	(25 199)	(19 351)	(13 976)
Other financial income and expenses	(5 325)	3 125	(2 022)	(3 566)	479	(2 735)	(2 180)	(3 964)
Financial result	(17 095)	(13 794)	(26 436)	(28 747)	(24 962)	(27 934)	(21 531)	(17 940)
Result of the period before taxes	10 519	32 433	14 977	36 490	(8 673)	(19 043)	11 022	(4 361)
Income taxes	4 108	(12 396)	(10 378)	(14 325)	(10 380)	(6 244)	196	(2 753)
Result of the period after taxes	14 627	20 037	4 599	22 165	(19 053)	(25 287)	11 218	(7 114)
Share of minority interests	(188)	703	6 949	(626)	(2 179)	(2 587)	(5 851)	(2 943)
Share of the Group	14 439	20 740	11 548	21 539	(21 232)	(27 874)	5 367	(10 057)

## VIII. Asset & risk management

Because business management and entrepreneurship by definition are future-oriented activities, they are generally fraught with external and internal uncertainties. As a result of these uncertainties, decisions inevitably have to be taken constantly at all levels which intrinsically entail potential risks. The current turbulence and uncertain environment underline this all too well. For this reason and because a company should be able to achieve its objectives, it is all the more important to define, estimate, quantify and prioritise the various business risks as accurately as possible. A suitable, adequate risk management system, which can also rely on efficient control mechanisms and best practices, must allow any harmful consequences of potential risks to the company and its value to be avoided or at least to be managed or minimised.

### **RISK FACTORS**

The following are the most relevant risk factors for the Recticel Group, although it must be expressly stated that this is not an exhaustive list. Risks may arise which the company has not yet been able to assess in full and which, although currently considered not to have any substantial impact, could have a material detrimental impact on the results of the company at a later stage. The Group's risk management systems aim to identify internal and external risks in good time. The effect of some of these is cushioned and limited by the provisions of Recticel's General Terms and Conditions (of Trade) – "GTC", which are available for consultation on the website [www.recticel.com](http://www.recticel.com).

#### *Raw materials prices*

As a manufacturer and converter of polyurethane, the Group is sensitive to price fluctuations of chemical raw materials; this refers in particular to polyols and isocyanates (TDI and MDI). Although these basic raw materials are derived from petroleum, their market prices follow different trends from those of petroleum products on the world market. An important reason for this lies in the fact that polyols and isocyanates are further down the petroleum processing value chain. Changes in raw materials prices or failure to receive the necessary basic materials on time could have a negative impact on Recticel's business management, company results and financial situation.

On average, chemical raw materials account for about 40% of the cost price. For some applications, such as comfort foam or insulation material, this percentage may be even higher.

These raw materials are purchased on the open market. There are no possibilities for structural hedging against price fluctuations in raw materials. In so far as the market allows, raw materials price variations are passed on in the selling prices.

The purchase of chemical raw materials is fully centralised and the central purchase organisation negotiates the delivery contracts.

#### *Market – Technology – Competition*

Like any company, Recticel too has to face up to market, technological and competition risks. Although in the more traditional activities the markets are no longer growing strongly and the technological developments remain relatively limited, the Group has to keep a very close eye on its competitive position. The Flexible Foams sector in Europe is still characterised by considerable fragmentation in the number of players. There is still a tendency towards consolidation. The Insulation sector has particular growth potential, but has to take account of alternative insulation materials, such as mineral wool, for example. In the Bedding sector, keen competition still prevails with the resultant significant price erosion in some cases (especially in the non-brand product segment). The Automotive sector is in turn confronted by unremitting technological developments in combination with cut-throat competition between the motor manufacturers, which up the pressure on their suppliers.

### *Product liability*

Recticel manufactures and sells both semi-finished and finished goods in the form of consumables (Bedding) and durables (Insulation). In both cases, the Group may be exposed to product liability claims. The Group tries to absorb these risks or to limit them through the product guarantees provided for in the "GTC" and by applying a strict quality control system. To protect itself against harmful consequences of product liability, the Group has at the same time concluded a number of appropriately applied general and product-related insurance policies.

### *Credit and other financial risks*

Credit risks derive from the deferred payment facilities granted to customers. The credit risks are mostly covered by credit insurance which the Group has centralised and harmonised. However, the Group does bear some risks itself. Adjustments are made to the integrated credit policy, system and management, as well as monitoring procedures, on an ongoing basis.

Other financial risks mainly include risks of loss through interest rate or exchange rate positions falling in value. Under its aggregate financial policy, the Group manages a portfolio of financial derivatives to cover these risks. The Group has no intention of using these instruments to participate in speculative or leveraged transactions. Derivative contracts concluded may vary over time, as a result of which they may have an impact on the financial result on the balance sheet date.

### *Damage to property*

The Group's various factories and establishments are analysed regularly and on an ongoing basis for their risk of depreciation (risk mapping). Depending on the findings, the necessary steps are taken to avoid the risks or in any case to minimise them, on the one hand, and the necessary insurance policies are taken out to cover material damage and loss resulting from interruption of business, on the other.

### *Health – Safety – Environment*

In the various countries in which the Group operates, it is subject to various health, safety and environmental requirements. Recticel provides the necessary resources to meet all the minimum requirements. The Group now considers that the present costs and those which can reasonably be expected in order to comply with all legal provisions have been covered. There can be no certainty that this will remain so in the future, for example if there are changes to the legal framework.

Given the nature of its activities, Recticel still incurs environmental risks. The Group uses potentially dangerous substances and chemicals in the product development and manufacturing processes. There are risks of accidental pollution. Specifications with precise operating procedures to handle such crisis situations and their consequences have been widely distributed within the organisation.

### *Intellectual property*

Recticel owns a substantial number of patents and has several patent applications under way relating to a large number of products and software systems. In addition, the Group also owns a large number of trade mark rights in various countries. Recticel relies on a combination of patents, copyright and trade mark rights and the laws on trade marks and secrets, confidentiality procedures, trade secrets, contractual terms and licensing schemes to establish and protect its rights of ownership.

On the other hand, the Group strives scrupulously to respect the intellectual property rights of third parties. Although Recticel is not aware of products which infringe the intellectual property rights of third parties, it cannot be precluded that the latter may complain of such infringements in the future.

### **Liquidity risk**

A liquidity risk arises if the financing of the current activities is no longer possible at acceptable conditions. Although this risk does not arise at present, this does not mean that it may not do so in the future. To limit such a risk, the Group's treasury policy is conducted centrally, including regular liquidity planning. In addition, the Group maintains sufficient, appropriate long-term operating resources to secure the liquidity position.

### *Operational risks*

The operational risk is the chance of loss resulting from inadequacies or shortcomings in the operating procedures and systems, human error or external events. Operational risks also include legal risks, which may lead to litigation.

As regards risks associated with internal working methods and systems, various control procedures are used which are regularly evaluated, improved and if necessary extended by the Group's Internal Audit Department.

### *Risks relating to joint ventures and associates*

Although efforts are made to identify and manage the various potential risks within the Group in the same way (but adapted to their nature), this is not always possible or enforceable. In the case of joint ventures and associates, differing views from the other partner(s) may arise, as a result of which similar treatment of the risks – according to the Group – may be limited or even prevented. The different approaches to these risks may lead to consequences other than those which the Group would have incurred or would have wished to incur.

### *Information, Communication and Technology (ICT) risks*

Nowadays, the vast majority of Recticel's actions and procedures are directed and monitored via centrally managed information systems. Measures have been taken to guarantee their availability.

### *Compliance with laws and regulations*

The Recticel Group may be exposed to significant costs as a result of violations of, liabilities under, and/or simply compliance with, the various laws and regulations that govern Recticel's operations worldwide. These operations are also subject to diverse environmental laws and regulations, as a result of which the Recticel Group may incur significant compliance and/or litigation costs relating to environmental issues. Existing or future anti-trust and competition laws and regulations, and/or changes in the interpretation or enforcement of such laws and regulations, could likewise have a material adverse effect on the Recticel business.

### *Disputes*

See "Contingent Assets and Liabilities" (section II.6.11 in the financial section).



## **RISK MANAGEMENT**

General operational or industrial risks are usually covered by centralised insurance, the terms of which are reviewed regularly to ensure effective, appropriate cover of the risks. The Group has a reinsurance subsidiary, the main activity of which is reinsurance within the Group of its own risk associated with the deductibles for which, according to the external insurance policies, the Group is liable.

The risks and contingencies for which provisions have been set aside through application of the IFRS rules, are explained under note II.5.18 to the consolidated financial annual report. This refers more specifically to the provisions for litigation, product liability, environmental risks and costs of reorganisation.

Recticel's Internal Audit Department participates in the creation and implementation of the control procedures in the broad sense and compliance with them. In addition, the Department plays a major role in the continuous monitoring of the management risks and contributes to the in-depth discussions of the business risks within Recticel.

The Board of Directors, with the assistance of the Audit Committee, determines the Group's risk management policy by integrating the dimension of the general management risks it is prepared to assume.

# Notes





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