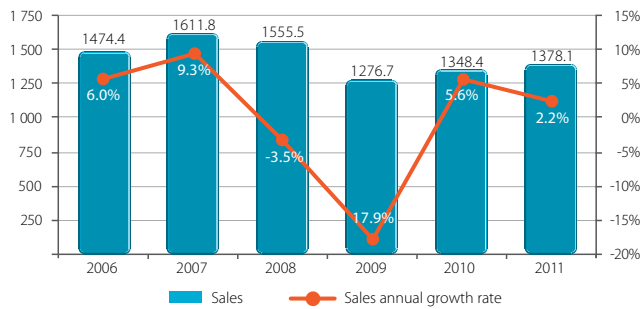


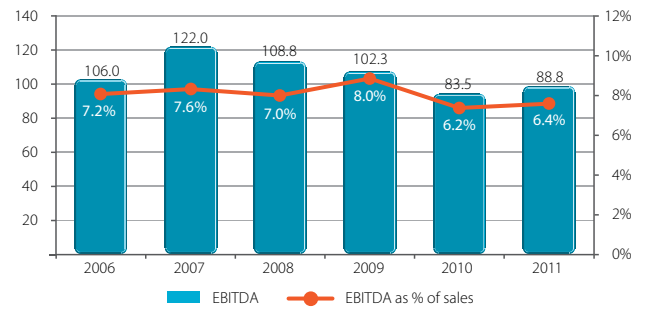
# ANNUAL REPORT 2011



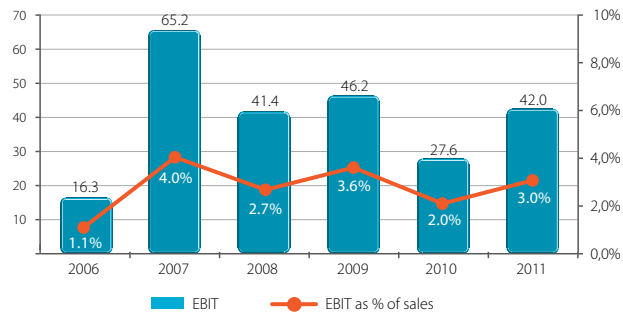
**Consolidated sales & Annual growth rate** (in million EUR)



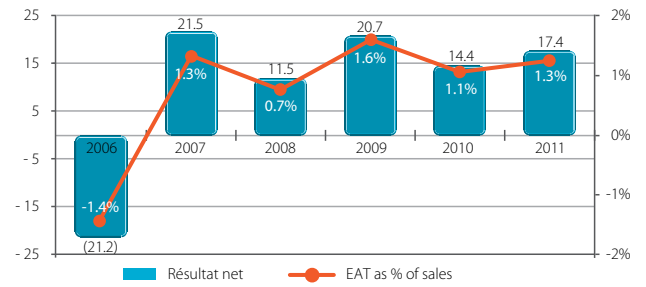
**Consolidated EBITDA & EBITDA margin** (in million EUR)



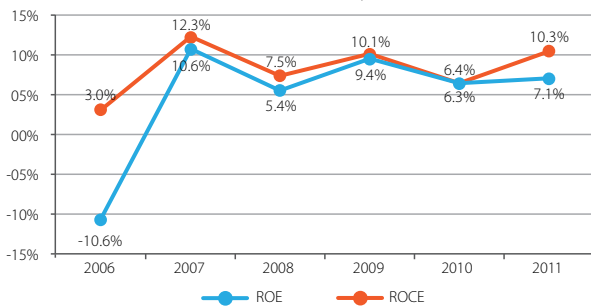
**Consolidated EBIT & EBIT margin** (in million EUR)



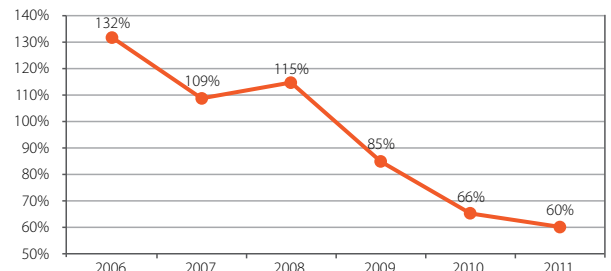
**Earnings after taxes (share of the Group) and EAT margin** (in million EUR)



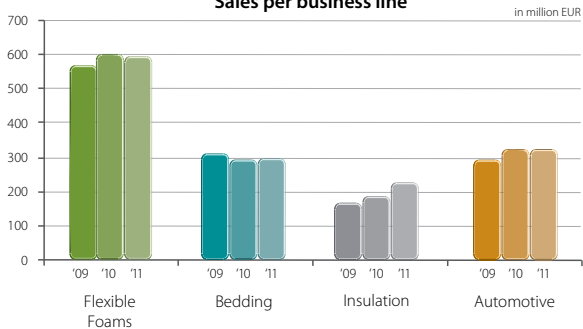
**Return on capital employed (ROCE)  
Return on equity (ROE)**



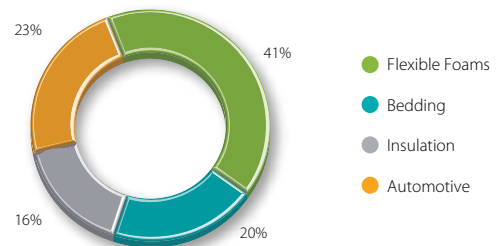
**Net financial debt / Total equity  
(including non-controlling interests)**



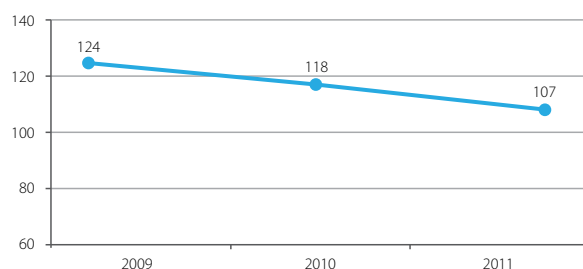
**Sales per business line**



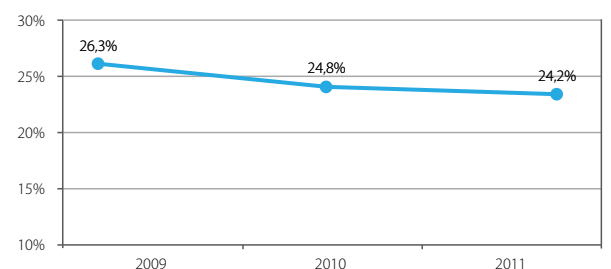
**Composition of sales per business line in 2011  
(before intra-Group eliminations)**







**Number of sites**



**Labour costs / Sales**



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## FINANCIAL CALENDAR FOR SHAREHOLDERS

First quarter trading update 2012	08 MAY 2012 (for stock exchange opening)
Annual General Meeting	29 MAY 2012
Ex-coupon date	31 MAY 2012
Record date	04 JUNE 2012
Dividend payment date	05 JUNE 2012
Publication of interim results 2012	30 AUG 2012 (for stock exchange opening)
Third quarter trading update 2012	09 NOV 2012 (for stock exchange opening)









# Introduction



# Preliminary comments

Contrary to the past, Recticel has decided to radically change its communication policy with respect to the publication of its annual report. To optimise the information flow and more specifically in order to provide the most updated information, Recticel has made a substantial investment in a new corporate website. Recticel considers that it is better to inform and to communicate with all stakeholders on the basis of frequently updated information. For this purpose the regular issuance of press releases and the continuous updating of the corporate website are the appropriate tools. Recticel also believes that some information in the annual reports is very quickly outdated and/or that it becomes rapidly obsolete or irrelevant.

Therefore, the reader who is looking for some particular updated information on products, processes, markets, shares, etc.... is invited to regularly consult the Recticel corporate website. Some sections of information which in the past were incorporated in the annual report have now intentionally been left out to avoid either duplication of information and/or to reduce the possibility of conflicting data between the website (dynamic nature) and the content of the annual report (static nature).

Moreover, Recticel has also decided that as from now on it will no longer make its annual reports available in a printed format. The interested stakeholders are invited to consult the Recticel website where the annual reports can be freely downloaded. By doing so, Recticel adds a new dimension to its ecological way of thinking. By eliminating the use of printed annual reports the Group clearly contributes to the reduction of its ecological footprint.

**[www.recticel.com](http://www.recticel.com)**



## 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.

# I 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).

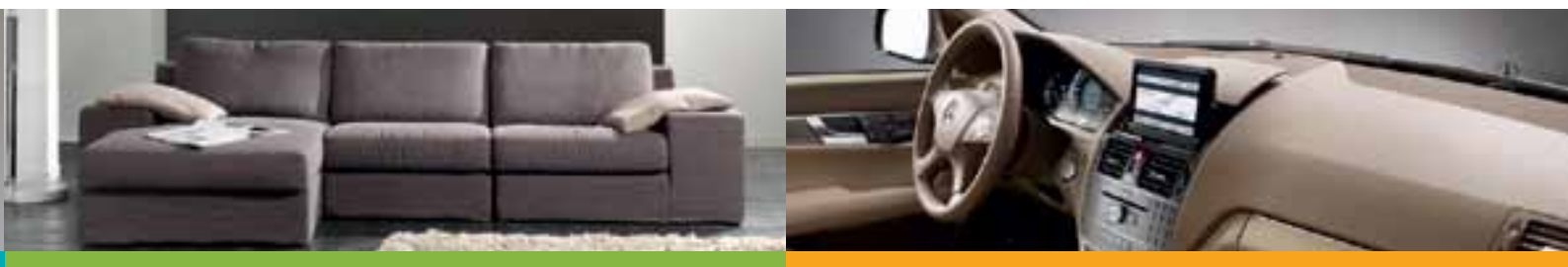
For instance, mattresses and slat bases are marketed in the Bedding division under well-known brand names (such as Beka®, Lattoflex®, Literie Bultex®, Schlaraffia®, Sembella®, Superba®, Swissflex®, ...). The Insulation division provides finished high quality thermal insulation products that can be used 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 8 186 employees on a consolidated basis (including pro rata joint ventures) in 107 sites, spread over 28 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 2011 the Group realized a turnover of EUR 1 378 million.

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™ stock exchange in Brussels.





# Highlights for 2011 and beginning 2012

## January 2011

- Proseat, a 51% joint venture company of Recticel, announced that it intends to close its production site (Automotive – Seating) in Hulshout (Belgium). A final agreement has been reached on a social plan and the site was definitively closed by mid-2011.

January



February



## 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® Spray technology. Between end- 2012 and 2016, in total about 255 000 skins will be produced.
- 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. Final agreements have been reached on the social plans. The closures and reorganisation plan was fully implemented by mid-2011.
- 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; the latter being an insulation certificate and a quality label. The client can use this to prove that his house is properly insulated.
- 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.

## May 2011

- Recticel hires new Chief Procurement Officer. Mr François Petit joins Recticel as Chief Procurement Officer and also becomes a member of the Management Committee. Before joining Recticel, Mr François Petit built up an extensive experience in several management positions within the Rhodia Group, a world leader in the development and production of specialty chemicals. His last responsibility was Raw Materials Worldwide Purchasing Director.

May



August



## August 2011

- Recticel's German subsidiary Recticel Schlafkomfort GmbH is subject to an investigation by the German Federal Cartel Office ("Bundeskartellamt"). The latter has started an investigation covering the sector of mattress and slatbase manufacturers in Germany. Recticel Schlafkomfort GmbH is fully cooperating with the Bundeskartellamt.
- Recticel Limited (UK) announces that it will close its comfort foam converting factory "Carobel" in North Shields (North East England). The site was definitively closed by end-2011.
- Recticel hires a new Group General Manager Flexible Foams. Mr Rik De Vos joins Recticel as Group General Manager Flexible Foams and also becomes a member of the Management Committee. Before joining Recticel, Mr Rik De Vos built up an extensive experience in several management positions within the polyurethane sector on a global scale. For many years he worked for ICI/Huntsman and his last responsibility was PU Divisional Director/ Board Member at Borsodchem.
- Recticel is nominated for the production of the dashboard skins of the new Porsche Cajun. These dashboard skins will be manufactured with the patented Colo-Sense® Spray technology. Start of production is scheduled for end-2013.

## December 2011

- Recticel's joint venture company Proseat sells its 35% stake in the seating production joint venture JP Foam Manufacturing to Johnson Controls. JP Foam Manufacturing disposes of two production sites, one in Zory (Poland) and one in Lucenec (Slovakia). As a consequence of the sale of its 35% stake, Proseat transferred its programs from the JP Foam Manufacturing plants to its own existing plants.
- Recticel announces that it has not been nominated for the successor model of the Mercedes C Class. However, Recticel will continue to produce the Colo-Fast® dashboard skins and door panel skins for the current Mercedes C Class until 2014.
- Recticel concludes the refinancing of a new EUR 175 million secured multi-currency credit facility with a tenor of 5 years. The new credit allows Recticel to secure liquidity and to extend its debt maturity profile. It used the proceeds to repay by anticipation the amounts still outstanding under the EUR 230 million club deal of 2008, which was due to expire in February 2013.
- Recticel exhibits at the 'BIG 5' Fair in Dubai (UAE). BIG 5 is an important exhibition for the construction industry in the Middle East and North Africa. Recticel presented different top products such as Recticel Insulation®, Polygrow® and re-bounce®, ... with which it hopes to find a gateway to these promising markets.
- Polygrow®, Recticel's revolutionary polyurethane foam solution for substrate applications in greenhouses and greenroofs & -walls, is nominated Finalist for the Green Product at the GAIA Awards in Dubai. The Gaia Awards are the most popular construction awards in the Middle East. They are recognising innovative products that have a positive impact to the green built environment.

October

# ISO.finish™

November



December



## October 2011

- Recticel France inaugurates the new foaming equipment in its Flexible Foams production and converting site of Mazeyrat-d'Allier (France). This important investment is another expression of Recticel's strategy to modernise its Flexible Foams business.
- Isofinish™ ends third in the 'Belgian Business Award for the Environment'. Isofinish™, is an innovative concept that provides a complete external insulation of new and existing buildings in TAUfoam® by Recticel. 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 external insulation and, at the same time, the recladding of old buildings make radical energy savings more accessible and also contribute immediately to improving towns.

## November 2011

- In the presence of Mr Kris Peeters, Flemish Minister President, Recticel officially inaugurates its new 6000m<sup>2</sup> Flexible Foams converting plant, located in Taloja, Navi Mumbai (India). With this site Recticel wants to further increase its position in one of the fastest growing economies. Being already market leader in India for air filter foams for the automotive sector, Recticel will now also focus on other promising high-end technical foam market segments, such as acoustics, in India.
- Recticel acquires two captive insurance companies in Luxembourg.



## February 2012

- The Soundcoat Company Inc, the specialized US acoustic insulation subsidiary of Recticel, wins the acoustic insulation contract for all 60 lifts of the new Twin Towers in New York.

## March 2012

- Recticel Insulation receives an exceptional award at Batibouw, the leading fair for the construction and renovation sector in Belgium. The jury of the Batibouw Communication Awards has awarded Recticel Insulation with the exceptional prize: the Communication Award 'hors concours'. All jury members were unanimous in their judgement and praised Recticel Insulation's communication efforts before, during and after the Batibouw fair. Recticel Insulation also won the precious Batibouw Communication Award twice, in 2008 and in 2011.

# 2012

January



February



March



## January 2012

- In line with the Flexible Foams strategy, Recticel b.v. (The Netherlands) announces its intention to streamline its flexible foam operations in the Netherlands by closing its comfort foam converting unit in Bladel by mid-2012.
- Eurofoam, the 50/50 joint venture between Recticel and the Austrian group Greiner, announces its decision to streamline its flexible foam operations in Germany by closing its loss-making comfort foam production and converting unit in Bexbach by end June 2012. After the closing of the Bexbach site, Eurofoam will remain active in Germany through a network of 4 foam producing and converting sites.
- At the 2011 International Furniture Fair in Cologne (Germany), Schlaraffia®, Beka® and Lattoflex® presented several innovative mattresses with a newly patented high-quality foam technology, Geltex®. This new foam type perfectly combines comfort characteristics such as optimal body pressure distribution, body support and efficient air permeability or ventilation. With this innovative concept, the Group confirmed its European leadership in the higher market segment of the bedding sector.
- Recticel is nominated for the production of the dashboard skins of the new Volvo S60 for the Chinese market. These dashboard skins will be manufactured in China with the patented Colo-Fast® Spray technology.

# Interview with the Chief Executive Officer and the Chairman of the Board of Directors



## Brussels, 2 March 2012

2011 has been a volatile and challenging year. After a positive first quarter, from a macro-economic standpoint, worldwide uncertainties started to appear further reinforced by the financial crisis hitting the Eurozone during the summer. As a consequence, growth expectations have been reviewed several times downwards. Given these adverse circumstances, the Group delivered a sales turnover increase of +2.2% and an earnings after taxes increase of +20.6%, combined with a further net financial debt reduction (gearing ratio of 60%). Given the uncertain economic environment, the Group took many measures to actively prepare itself for the future, including new investments, restructurings and refinancing.

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

### Did 2011 meet your expectations?

*Olivier Chapelle:* We were well aware that 2011 would be a challenging year in view of rising raw material prices, putting our commercial teams under pressure. Indeed, the 7.4% sales turnover growth in the first quarter came along with steep raw material price increases, reaching new historical heights. What had not been expected was the softening of our end-use markets in Europe as from the 2nd quarter till the end of the year. Triggered by the Eurozone financial crisis, the year ended with a slightly negative 4th quarter. The whole Recticel organisation has taken preventative cost reduction and cash containment measures. Given this unfavourable macro-economic environment, I believe that Recticel did mitigate most of the risks throughout 2011.

*Etienne Davignon:* Last year the Group had to absorb increased raw material cost by EUR 35.6 million, and I confirm that the Recticel teams successfully handled most of these cost price issues over the last 12 months on the diversified end-markets of the Group. Most of this price inflation was recovered despite the persistent and mounting uncertainties over the global economy.

*Olivier Chapelle:* I would like to add that the Management Committee has worked hard on the execution of the first steps of its strategic plan. As part of this plan, the allocation of our financial resources towards higher value-added segments has been executed. On the other hand, the simplification of the Group is progressing well, with a significant rationalisation of its industrial footprint, and a reduction in the number of joint ventures.



*Etienne Davignon:* Although the strategic plan provides clear indication of the direction for the medium to long term, it nevertheless requires practical short-term actions. I believe the Group is on track in the implementation of its strategy.

### **What were the major strategic decisions or actions taken in this respect in 2011?**

*Olivier Chapelle:* In 2010, when we designed the roadmap of our strategy for the coming years, we clearly identified the further development of our Insulation business line as first priority 1. In this respect, we started in 2011 the construction of a new production site in France, which is expected to start up in Q4/2012. Likewise, the company has minimised its investments in Automotive. Recticel has also invested in the restructuring of its Flexible Foams perimeter, in Spain, the UK and Greece and in the modernisation of its largest foaming facility in France. Regarding the targeted geographic expansion, the Group has further invested in the development of its Chinese foam converting operations, as well as in the construction of a first foam converting facility in India.

*Etienne Davignon:* We are satisfied with the development of these activities, but we will remain vigilant as competition will increase in the future. The new factory in France is the right step to take from a market standpoint, moreover it will also reduce the operational and geographical risks of the Group. Every company has to permanently adapt and change according to new economic situations. However, the story of Flexible Foams is not only one of rationalisation and modernisation, it is also the intention to seize selective growth and expansion opportunities, as well as introducing innovative new products and solutions. When the strategy was defined in 2010, the Board of Directors believed that Recticel was too exposed to the European market, not sufficiently considering opportunities in other promising regions. It is comforting to see that last year the Group successfully made its first steps with some production/converting activities in India, and reinforced its presence in China.

### **The lack of consumer confidence must also have affected the Bedding and the Automotive business lines?**

*Olivier Chapelle:* We can not deny that the weak consumer confidence had a negative impact on our operations, especially in the second half of the year. This was true for the comfort division in Flexible Foams, but logically also for Bedding. However, this was certainly not dramatic, and nowhere near the drop seen in the fall of 2008 and in 2009. On an annual basis the net sales of these business lines were only marginally lower. In the Automotive segment, our sales were robust thanks to our large positioning with German OEMs, who also happen to be strong exporters of cars to Asia.

*Etienne Davignon:* The fact that the second half-year was more challenging is not so difficult to explain. The debt crisis around the Euro in the middle of the year made companies and consumers much more careful, hence impacting consumption of both consumer and investment goods. The developments around the Euro added additional uncertainty to the picture, and led the Board of Directors in August to stop issuing forecasts and guidance.

**Was the sovereign debt crisis then also the reason why Recticel refinanced the bulk of its bank debts?**

*Olivier Chapelle:* The global turmoil in the capital markets since 2008 in combination with the significantly increased uncertainty of most end-markets certainly lead us to believe that the Group had to manage its funding in a pro-active way, and more specifically the refinancing of its EUR 230 million club deal of 2008 that would come to maturity in February 2013. Although there was obviously no urgency, we nevertheless decided in May 2011 to anticipate the refinancing of Recticel, because we believed that the overall situation might lead to a significant reduction of credit availability. We concluded the refinancing in December 2011, and by doing so, we secured the liquidity of the Group and extended the debt maturity profile till December 2016.

*Etienne Davignon:* I think it was a wise decision, despite the fact that the cost of the new credit facility is slightly higher than the former loan. It significantly reduces the funding risks given the uncertainties in the credit markets. It is also comforting to notice that the total amount of the new facility could be limited to EUR 175 million, thanks to the overall debt reduction of the Group. The net financial debt has indeed been reduced, improving its gearing to 60%. It remains our ambition to reduce the gearing below 50% in the next two years.

**Looking forward, what will bring 2012?**

*Olivier Chapelle:* Although the Euro crisis is now progressively receding, I believe that the uncertainty in most of our end-markets will persist during the year, compounded by increased volatility of the raw material prices. As a consequence, 2012 will be very challenging. However, looking a little bit further, new initiatives are being taken to prepare the future. In this context, the Group will continue to take all necessary steps to further simplify its operations and organisation, supported by Human Resources initiatives so that our human capital, with all its talents and competences, can be better developed for the future.

*Etienne Davignon:* Indeed, many initiatives are foreseen to strengthen the Group in order to position it optimally to emerge from this period of uncertainty, from an operational point of view, as well as in terms of market positioning and focus. The expansion of the Insulation business with a new factory in France will certainly be a key mark in 2012. In other business areas the Group will continue to introduce new innovative products and/or to find new promising markets. The Management Committee and the Board of Directors are convinced that the Group can seize with confidence the opportunities that lay ahead.

# Report by the Board of Directors

## Recticel annual results 2011

- Sales of EUR 1,378.1 million (+2.2%), driven by growth in Insulation (+19.0%)
- REBITDA of EUR 88.6 million (-14.8%), mainly impacted by raw material price evolutions
- EBIT of EUR 42.0 million (+52.2%)
- Result of the period (share of the Group) increased by 20.6% to EUR 17.4 million
- Net financial debt: from EUR 158.7 million to EUR 150.1 million
- Proposal to pay a gross dividend of EUR 0.28 per share

## 1. KEY FIGURES

	2H/2010	2H/2011	Δ 2H	in million EUR		
				FY 2010	FY 2011	Δ FY
<b>Sales</b>	<b>678.1</b>	<b>678.4</b>	<b>0.0%</b>	<b>1 348.4</b>	<b>1 378.1</b>	<b>2.2%</b>
Gross profit	102.0	105.0	2.9%	216.9	211.3	-2.6%
as % of sales	15.0%	15.5%		16.1%	15.3%	
<b>REBITDA <sup>(1)</sup></b>	<b>46.9</b>	<b>41.1</b>	<b>-12.3%</b>	<b>104.0</b>	<b>88.6</b>	<b>-14.8%</b>
as % of sales	6.9%	6.1%		7.7%	6.4%	
<b>EBITDA <sup>(2)</sup></b>	<b>30.3</b>	<b>41.7</b>	<b>37.4%</b>	<b>83.5</b>	<b>88.8</b>	<b>6.3%</b>
as % of sales	4.5%	6.1%		6.2%	6.4%	
<b>REBIT <sup>(1)</sup></b>	<b>23.6</b>	<b>20.8</b>	<b>-11.8%</b>	<b>58.9</b>	<b>47.1</b>	<b>-20.0%</b>
as % of sales	3.5%	3.1%		4.4%	3.4%	
<b>EBIT</b>	<b>(0.1)</b>	<b>16.2</b>	<b>n.r.</b>	<b>27.6</b>	<b>42.0</b>	<b>52.2%</b>
as % of sales	0.0%	2.4%		2.0%	3.0%	
<b>Result of the period (share of the Group)</b>	<b>1.2</b>	<b>5.1</b>	<b>312.0%</b>	<b>14.4</b>	<b>17.4</b>	<b>20.6%</b>
Result of the period (share of the Group) - base (per share, in EUR)	0.04	0.18	311.6%	0.50	0.60	20.6%
<b>Gross dividend per share (in EUR) <sup>(6)</sup></b>	<b>-</b>	<b>-</b>		<b>0.27</b>	<b>0.28</b>	<b>3.7%</b>
<b>Total Equity</b>	<b>241.7</b>	<b>248.8</b>	<b>2.9%</b>	<b>241.7</b>	<b>248.8</b>	<b>2.9%</b>
Net financial debt <sup>(5)</sup>	158.7	150.1	-5.4%	158.7	150.1	-5.4%
<b>Gearing ratio</b>	<b>66%</b>	<b>60%</b>		<b>66%</b>	<b>60%</b>	<b>-8.1%</b>
Average capital employed <sup>(3)</sup>	416.7	404.5	-2.9%	422.5	408.9	-3.2%
ROCE = Return on capital employed <sup>(4)</sup>	-0.1%	8.0%		6.4%	10.3%	
ROE = Return on equity <sup>(4)</sup>	1.0%	4.1%		6.3%	7.1%	

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

(3) Capital Employed = net intangible assets + goodwill + net property, plant & equipment + working capital. Working capital = current assets (without cash deposits) - non-financial current liabilities.

(4) 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.

(5) Net financial debt = Interest-bearing borrowings - Cash and cash equivalents - Available for sale investments. The interest-bearing borrowings do not include the drawn amounts (2011: EUR 45.5 million versus EUR 19.7 million in 2010) under non-recourse factoring/forfeiting programs.

(6) Proposed dividend over 2011.

## 2. COMMENTS ON THE CONSOLIDATED RESULTS

**Sales:** from EUR 1,348.4 million  
to **EUR 1,378.1 million** (+2.2%)

After a strong 1Q/2011 (+7.4%), the trend observed in 2Q/2011 (+1.3%) and 3Q/2011 (+1.3%) was confirmed in 4Q/2011 (-1.2%) and resulted in an overall softer demand in most markets amplified by year-end inventory reductions in the supply chain. The global sales increase can be fully related to the Insulation segment.

Before exchange rate differences (accounting for +0.17%) and net changes in the scope of consolidation (-0.09%) sales growth was 2.12%.

The only change in the scope of consolidation in 2011 related to:

- the Group's subsidiary Enipur b.v. (The Netherlands) which, with effect as from 1 July 2011, is consolidated following the global consolidation method (previously 50% following the proportional consolidation method).

Changes in the scope of consolidation in 2010:

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

### Breakdown of sales by segment

in million EUR						
2H/2010	2H/2011	Δ 2H		FY2010	FY2011	Δ FY
304.1	294.0	-3.3%	Flexible Foams	602.7	596.2	-1.1%
150.6	150.6	0.0%	Bedding	293.3	292.2	-0.4%
99.0	114.4	15.6%	Insulation	187.4	223.1	19.0%
156.9	149.7	-4.6%	Automotive <sup>(1)</sup>	324.9	324.8	0.0%
(32.4)	(30.3)	-6.5%	Eliminations	(59.9)	(58.1)	-3.0%
<b>678.1</b>	<b>678.4</b>	<b>0.0%</b>	<b>TOTAL</b>	<b>1 348.4</b>	<b>1 378.1</b>	<b>2.2%</b>

(1) The FY2010 figure includes a compensation 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. (see page 16 of the IAS34 Interim Report 1H/2011)

in million EUR						
3Q/2010	3Q/2011	Δ 3Q		4Q/2010	4Q/2011	Δ 4Q
147.3	147.3	0.0%	Flexible Foams	156.7	146.6	-6.4%
73.7	76.8	4.3%	Bedding	76.9	73.8	-4.1%
53.4	54.8	2.6%	Insulation	45.6	59.7	30.9%
73.1	74.3	1.6%	Automotive	83.8	75.4	-10.0%
(15.3)	(16.6)	9.1%	Eliminations	(17.2)	(13.7)	-20.4%
<b>332.2</b>	<b>336.6</b>	<b>1.3%</b>	<b>TOTAL</b>	<b>345.8</b>	<b>341.8</b>	<b>-1.2%</b>



**REBITDA:** from EUR 104.0 million  
to **EUR 88.6 million** (-14.8%)

After having reached record levels in June 2011, raw material prices have stabilised in the third quarter of 2011, and then receded in the 4th quarter. Over the full year, the overall raw materials costs have increased by EUR 36.5 million. The decreased REBITDA is primarily explained by the unavoidable lead time that has been necessary to pass the increases on to customers and by the fact that the 2010 REBITDA included a one-off compensation amount received in the Interiors' US subsidiaries after the exit from Chapter 11.

### Breakdown of REBITDA by segment

in million EUR						
2H/2010	2H/2011	Δ 2H		FY2010	FY2011	Δ FY
12.3	10.1	-18.3%	Flexible Foams	30.6	23.6	-22.9%
12.7	9.2	-27.8%	Bedding	20.3	16.9	-16.8%
18.1	21.3	17.5%	Insulation	35.5	39.5	11.2%
11.8	8.9	-24.4%	Automotive <sup>(1)</sup>	33.7	25.3	-25.1%
(8.0)	(8.4)	4.6%	Corporate	(16.2)	(16.6)	2.8%
<b>47.0</b>	<b>41.1</b>	<b>-12.6%</b>	<b>TOTAL</b>	<b>104.0</b>	<b>88.6</b>	<b>-14.8%</b>

(1) The FY2010 figure includes a compensation 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. (see page 16 of the IAS34 Interim Report 1H/2011)

**REBIT:** from EUR 58.9 million  
to **EUR 47.1 million** (-20.0%)

### Breakdown of REBIT by segment

in million EUR						
2H/2010	2H/2011	Δ 2H		FY2010	FY2011	Δ FY
5.2	3.7	-29.1%	Flexible Foams	15.7	10.4	-34.1%
9.7	6.5	-33.5%	Bedding	14.6	11.2	-23.6%
16.4	19.4	18.5%	Insulation	32.1	35.8	11.5%
0.8	0.0	-95.7%	Automotive <sup>(1)</sup>	13.0	7.0	-46.3%
(25.0)	(25.7)	3.2%	Corporate	(16.6)	(17.3)	3.8%
<b>7.1</b>	<b>3.8</b>	<b>-46.1%</b>	<b>TOTAL</b>	<b>58.9</b>	<b>47.1</b>	<b>-20.0%</b>

(1) The FY2010 figure includes a compensation 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. (see page 16 of the IAS34 Interim Report 1H/2011)

## Non-recurring elements

in million EUR				
	2010	1H/2011	2H/2011	2011
Impairments	(10.8)	(0.1)	(5.2)	(5.3)
Restructuring charges and provisions	(19.8)	0.7	(1.3)	(0.6)
Loss on liquidation or disposal of financial assets	(3.5)	0.0	(0.2)	(0.2)
Gain on liquidation or disposal of financial assets	1.6	0.0	0.1	0.1
Fair value gain on investment property	0.0	0.0	2.8	2.8
Other	1.2	(1.1)	(0.8)	(1.9)
<b>Total</b>	<b>(31.3)</b>	<b>(0.5)</b>	<b>(4.6)</b>	<b>(5.1)</b>

The result was influenced by a number of unfavourable non-recurring elements amounting to EUR -5.1 million, compared to EUR -31.3 million in 2010.

For 2011 these elements related mainly to:

- impairments on assets in Flexible Foams (Turkey) and in Automotive - Interiors (related to the Saab bankruptcy)
- incurred costs and net provisions for restructuring programs and related onerous contracts in Flexible Foams (The Netherlands and United Kingdom), Automotive - Interiors (Germany), and Proseat (Belgium, France and Germany)
- in Flexible Foams and Bedding: legal fees (EUR -1.1 million) incurred in 2011 relative to the ongoing investigations (see below); and
- in Corporate: a fair value gain on investment property in Belgium of EUR +2.8 million.

**EBITDA:** from EUR 83.5 million  
to **EUR 88.8 million** (+6.3%)

in million EUR						
2H/2010	2H/2011	Δ 2H		FY2010	FY2011	Δ FY
4.3	8.7	100.3%	Flexible Foams	22.2	22.6	1.9%
10.6	9.2	-13.6%	Bedding	17.3	16.6	-3.6%
18.1	21.3	17.5%	Insulation	35.5	39.5	11.2%
7.5	8.7	15.8%	Automotive <sup>(1)</sup>	26.9	24.4	-9.2%
(10.2)	(6.1)	-40.1%	Corporate	(18.3)	(14.3)	-21.8%
<b>30.3</b>	<b>41.7</b>	<b>37.4%</b>	<b>TOTAL</b>	<b>83.5</b>	<b>88.8</b>	<b>6.3%</b>

(1) The FY2010 figure includes a compensation 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. (see page 16 of the IAS34 Interim Report 1H/2011)

**EBIT:** from EUR 27.6 million  
to **EUR 42.0 million** (+52.2%)

Despite the EUR -5.1 million non recurring elements (2010: EUR -31.3 million), all segments contributed positively to the result of 2011.

### Breakdown of EBIT by segment

in million EUR						
2H/2010	2H/2011	Δ 2H		FY2010	FY2011	Δ FY
(8.8)	0.4	nr	Flexible Foams	1.2	7.5	517.8%
7.6	6.5	-15.5%	Bedding	11.5	10.9	-4.9%
16.4	19.4	18.5%	Insulation	32.1	35.8	11.5%
(4.9)	(3.5)	-28.7%	Automotive <sup>(1)</sup>	1.6	2.8	76.6%
(10.5)	(6.5)	-38.0%	Corporate	(18.8)	(15.0)	-20.3%
<b>(0.1)</b>	<b>16.2</b>	<b>nr</b>	<b>TOTAL</b>	<b>27.6</b>	<b>42.0</b>	<b>52.2%</b>

(1) The FY2010 figure includes a compensation 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. (see page 16 of the IAS34 Interim Report 1H/2011)

**Financial result:** from EUR -17.1 million  
to **EUR -16.7 million**

The net interest charges (EUR -13.3 million) increased by EUR 1.5 million compared to 2010 (EUR -11.8 million). This increase is attributable to a higher average outstanding debt, including off-balance sheet factoring/forfeiting, (from EUR 220.8 million to EUR 229.9 million) and the recognition of the unamortized arrangement fees (EUR 0.4 million) of the 2008 "club deal" credit facility which was prematurely reimbursed at the end of 2011.

'Other financial income and expenses' (EUR -3.4 million, compared to EUR -5.3 million in 2010) comprise mainly negative exchange rate differences (EUR -0.8 million versus EUR +2.9 million in 2010) and interest capitalisation costs under provisions for pension liabilities (EUR -2.1 million versus EUR -2.4 million in 2010).

**Income taxes and deferred taxes:**  
from EUR +4.1 million to **EUR -7.9 million:**

- Current income tax charges (EUR -1.6 million, compared to EUR -7.7 million in 2010) are mainly incurred by subsidiaries in Eastern Europe, Germany and Scandinavia;
- The negative deferred tax result of EUR -6.4 million compares to a positive deferred tax result of EUR +11.8 million in 2010. The latter was mainly the result of the realisation of a substantial one-off tax-deductible loss for tax purposes on the liquidation of the US legal entity RUS, Inc.

**Result of the period (share of the Group):**  
from EUR 14.4 million to **EUR 17.4 million** (+20.6%)

### 3. MARKET SEGMENTS

#### A. Flexible Foams



in million EUR						
	2H/2010	2H/2011	Δ 2H	2010	2011	Δ FY
Sales	304.1	294.0	-3.3%	602.7	596.2	-1.1%
REBITDA	12.3	10.1	-18.3%	30.6	23.6	-22.9%
as % of sales	4.1%	3.4%		5.1%	4.0%	
EBITDA	4.3	8.7	100.3%	22.2	22.6	1.9%
as % of sales	1.4%	3.0%		3.7%	3.8%	
REBIT	5.2	3.7	-29.1%	15.7	10.4	-34.1%
as % of sales	1.7%	1.3%		2.6%	1.7%	
EBIT	(8.8)	0.4	nr	1.2	7.5	517.8%
as % of sales	-2.9%	0.1%		0.2%	1.3%	

##### Sales

Sales in the **Flexible Foams** segment (**EUR 596.2 million**) decreased by 1.1% as a result of lower volumes in the sub-segment 'Comfort', which was particularly impacted by a weaker market demand. On the contrary, the 'Technical foams' sub-segment still benefited from improved activity levels in the industrial markets.

The **'Comfort'** sub-segment reported lower sales (**EUR 365.8 million**; -5.2%) as a result of the deteriorating demand in Scandinavia and Spain. In the other countries, the overall sales level stabilized in a very competitive market.

The **'Technical foams'** sub-segment (**EUR 207.5 million**, +8.6%) continued to benefit from improving demand in the various industrial and automotive markets, although at a slower rate than in the previous year.

The **'Composite foams'** sub-segment (**EUR 22.8 million**, -11.7%) sales continued to suffer from poor world market prices for trim foam and from lower than expected volumes for bonded foam products.

##### EBITDA

Despite lower overall sales, EBITDA improved by 1.9% to EUR 22.6 million.

Net non-recurring elements amounted to EUR -0.98 million (compared to EUR -8.4 million in 2010) and relate mainly to provisions for restructurings and legal fees (EUR -0.7 million) relative to the ongoing EC investigation (see below).

The necessary lead time needed to transfer the increase in raw material prices in a very competitive market as well as temporary operational performance issues in the United Kingdom and the Netherlands led to a 22.9 % decrease in REBITDA.

In line with its intention to reduce complexity and to adjust the industrial footprint in its Flexible Foam activities, the Group completed the restructuring of three production sites in Spain and the closure of its "Carobel" comfort foam converting plant in the UK. The Group also announced its intention to close its production site in Bladel (The Netherlands) by mid-2012. In addition, the Group's joint venture company Eurofoam announced early January 2012 its decision to close the production site in Bexbach (Germany) (post-balance sheet date event, no impact on FY2011 results).

Mid-2011, the Group decided to buy out the 50% joint venture partners in the holding company Enipur bv (The Netherlands), which controls the operations in Greece (Teknofoam Hellas) and in Turkey (Teknofoam Turkey). This transaction enables the Group to accelerate the implementation of its strategy in the region. The Group also started with its first foam converting activities in India.

The modernisation of the plant in Langeac (France), where a new foaming machine has been installed, has been completed in 2011.





## B. Bedding

in million EUR						
	2H/2010	2H/2011	Δ 2H	2010	2011	Δ FY
Sales	150.6	150.6	0.0%	293.3	292.2	-0.4%
REBITDA	12.7	9.2	-27.8%	20.3	16.9	-16.8%
as % of sales	8.5%	6.1%		6.9%	5.8%	
EBITDA	10.6	9.2	-13.6%	17.3	16.6	-3.6%
as % of sales	7.1%	6.1%		5.9%	5.7%	
REBIT	9.7	6.5	-33.5%	14.6	11.2	-23.6%
as % of sales	6.5%	4.3%		5.0%	3.8%	
EBIT	7.6	6.5	-15.5%	11.5	10.9	-4.9%
as % of sales	5.1%	4.3%		3.9%	3.7%	

### Sales

Sales in the **Bedding** segment decreased by 0.4% to **EUR 292.2 million**.

Sales of the **'Brands'** sub-segment (-2.4%) were lower as a result of lower sales in Austria and Switzerland, where the Swissflex® export activity suffered from the strong Swiss Franc.

Sales in the **'Non-brands'** sub-segment (+2.2%) performed above last year.

### EBITDA

EBITDA decreased by 3.6% to EUR 16.6 million.

The combination of a reduction in sales with an increase of raw material prices, put the profit margins under pressure. REBITDA includes a capital gain (EUR 1.3 million) realised upon the sale of a building in Switzerland.

In 2011 the result was also impacted by legal fees (EUR -0.4 million) relative to the ongoing Bundeskartellamt investigation (see below).



## C. Insulation

in million EUR						
	2H/2010	2H/2011	Δ 2H	2010	2011	Δ FY
Sales	99.0	114.4	15.6%	187.4	223.1	19.0%
REBITDA	18.1	21.3	17.5%	35.5	39.5	11.2%
as % of sales	18.3%	18.6%		18.9%	17.7%	
EBITDA	18.1	21.3	17.6%	35.5	39.5	11.2%
as % of sales	18.3%	18.6%		18.9%	17.7%	
REBIT	16.4	19.4	18.5%	32.1	35.8	11.5%
as % of sales	16.5%	17.0%		17.2%	16.1%	
EBIT	16.4	19.4	18.5%	32.1	35.8	11.5%
as % of sales	16.5%	17.0%		17.2%	16.1%	

### Sales

Sales in the **Insulation** segment increased by 19.0% to **EUR 223.1 million**.

The sub-segment **Building insulation** was the main growth driver (**EUR 206.9 million**; +20.8%).

Despite a softening European construction market, structural demand for high performing polyurethane building insulation products remains high as a result of stricter insulation standards and regulations, higher energy prices and growing awareness of the need for more and better insulation.

The sub-segment **'Industrial insulation'** (**EUR 16.2 million**; + 0.7%) remained stable. The slightly weaker sales during the first three quarters of the year were compensated in 4Q/2011 by new LNG export projects.

### EBITDA

EBITDA improved by 11.2% thanks to higher volumes. Margins improved in 2H/2011 as higher raw material prices were gradually passed on in the selling prices.



## D. Automotive

	2H/2010	2H/2011	Δ 2H	in million EUR		
				2010 <sup>(1)</sup>	2011	Δ FY
Sales	156.9	149.7	-4.6%	324.9	324.8	0.0%
REBITDA	11.8	8.9	-24.4%	33.7	25.3	-25.1%
as % of sales	7.5%	6.0%		10.4%	7.8%	
EBITDA	7.5	8.7	15.8%	26.9	24.4	-9.2%
as % of sales	4.8%	5.8%		8.3%	7.5%	
REBIT	0.8	0.0	-95.7%	13.0	7.0	-46.3%
as % of sales	0.5%	0.0%		4.0%	2.2%	
EBIT	(4.9)	(3.5)	-28.7%	1.6	2.8	76.6%
as % of sales	-3.1%	-2.3%		0.5%	0.8%	

(1) The FY2010 figure includes a compensation 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. (see page 16 of the IAS34 Interim Report 1H/2011)

### Sales

Sales in **Automotive** stabilized at **EUR 324.8 million**. The lower volumes in the sub-segment 'Interiors' were fully compensated by higher sales in 'Seating'.

Sales in **'Interiors'** decreased slightly to **EUR 164.1 million** (-3.6%). The premium car market segment remained strong in Europe, the USA and in China,

The Group won several new Interior Trim contracts with BMW, Porsche and Mercedes (E-class in China), but lost the new Mercedes C-Class.

Sales in **Seating - 'Proseat'**, the 51%/49% seating Recticel/Woodbridge joint venture, (**EUR 147.0 million; +7.6%**) increased as a result of improving market share and the launch of the EPP (Expanded PolyPropylene) project in its French site of Trilport.

**'Exteriors'** decreased by 24.5% to **EUR 13.7 million**. Since the sale of the compounding activities to BASF in 2008, sales are limited to compounds produced for the account of BASF under a toll agreement.

### EBITDA

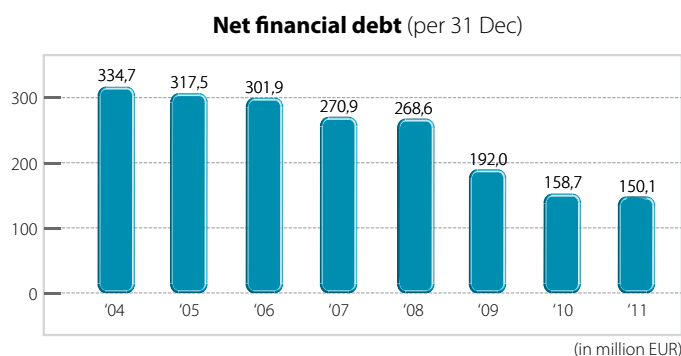
EBITDA of the Automotive segment decreased by 9.2% to EUR 24.4 million. Taking into account the received compensation in 1H/2010 (see footnote<sup>(1)</sup> above) EBITDA would have increased by 6.5% on a comparable basis. The main net non-recurring elements for EUR -0.9 million (2010: EUR -6.1 million) concern restructuring costs in Germany and the write-off of a loan granted by Proseat to an affiliated company in Russia.

The profitability of Automotive was also impacted by higher raw material costs which were gradually reflected in the selling prices. Finally, EBIT was impacted by impairments (EUR -3.2 million) on Interiors' assets for the SAAB project which has been terminated due to the bankruptcy of SAAB.

## 4. FINANCIAL SITUATION

On 31 December 2011, **net financial debt** amounted to **EUR 150.1 million** (excluding the drawn amounts under off-balance non-recourse factoring/forfeiting programs: EUR 45.5 million) compared to respectively EUR 158.7 million and EUR 19.7 million on 31 December 2010.

This results in an improved 'net debt to equity' ratio of 60%, compared to 66% at the end of 2010.



End-2011 the Group concluded with 7 prominent European banks a new EUR 175 million secured multi-currency credit facility with a tenor of 5 years. The new credit allows the Group to secure liquidity and to extend its debt maturity profile. It was used to repay by anticipation the amounts still outstanding under the EUR 230 million club deal of 2008, which was due to expire in February 2013.

## 5. INSPECTION BY DIRECTORATE FOR COMPETITION OF THE EUROPEAN COMMISSION AND INSPECTION BY THE GERMAN FEDERAL CARTEL OFFICE ("BUNDESKARTELLAMT")

Concerning the ongoing European Commission and Bundeskartellamt investigations, additional data were requested by the Commission. No other additional elements are to be announced than those made public by the Group in its press release of 30 August 2011 (First half-year results 2011).

## 6. PROPOSED DIVIDEND

The Board of Directors will propose to the Annual General Meeting of 29 May 2012 the payment of a gross dividend of EUR 0.28 per share (2010: EUR 0.27).

## 7. OUTLOOK

Given the continuing uncertainty in the growth forecasts made by national and international institutions in the economies in which Recticel is active, the Board of Directors is not in a position to assess growth potential in 2012.

In 2012, the Group will continue to introduce new innovative products on its main markets, and to further optimize its cost structure.

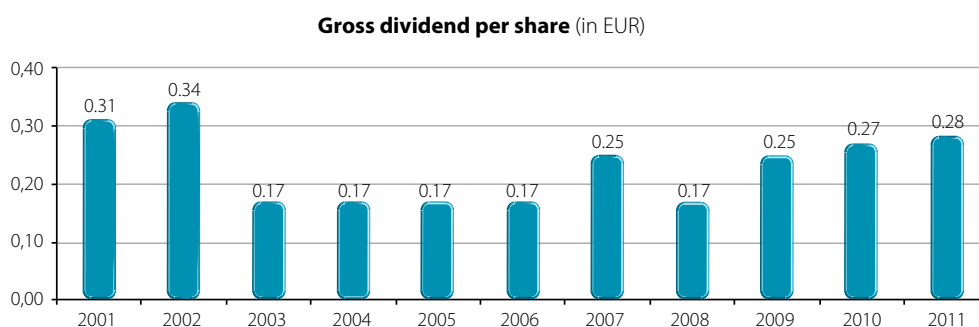
## 8. PROFIT APPROPRIATION POLICY

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
<b>Profit for the period</b>	<b>12 037 723.14</b>
+ Profit brought forward from previous year	63 045 822.56
<b>Result to be appropriated</b>	<b>75 083 545.70</b>
- Gross dividend	(8 100 807.68)
<b>Profit to be carried forward</b>	<b>66 982 73 8.02</b>



## 9. DIVIDEND PAYMENT

Subject to approval by the General Meeting of 29 May 2012 of the profit appropriation, a dividend of EUR 0.28 gross will be paid per share (for ordinary shares: EUR 0.21 net (-25% withholding tax) and for shares + VVPR-strip EUR 0.2212 net (-21% withholding tax)). This dividend will be payable from 05 June 2012 on presentation of coupon no.18 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 KEY DATA

Gross dividend per share	EUR 0.28
On presentation of coupon	nr.18
Ex-coupon date	31 MAY 2012
Record date	04 JUNE 2012
Dividend payment date	05 JUNE 2012







# The Recticel Group Strategy and Activities



# Group Strategy

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 segments:

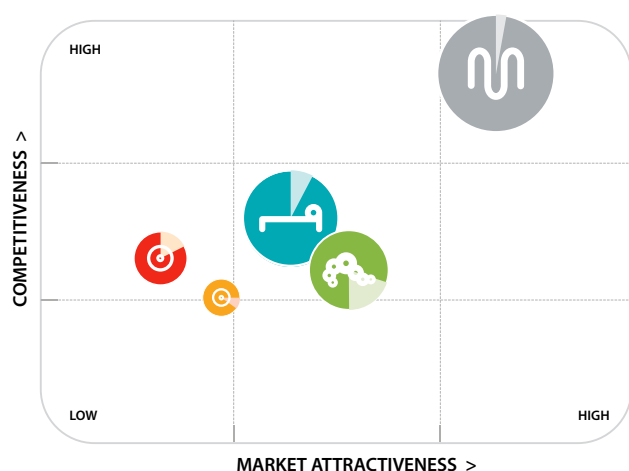
- **Insulation:** polyurethane laminated boards for thermal building insulation.
- **Bedding:** with strong brands throughout Europe.
- **Flexible Foams:** supply of foam blocks or converted foam for the upholstery and furniture markets, and a wide variety of technically differentiated solutions to various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

The following strategy provides Recticel with a clear process to prioritise its resource allocation to the various business segments.

## 1. CORE COMPETENCES AND MARKETS

The core business and competence of Recticel are the transformation of the polyurethane chemistries into rigid foams, flexible foams and elastomer skins. Recticel will remain focused on polyurethane transformation for the following reasons:

- Polyurethane is a high performance, versatile material enabling premium positioning in most segments and 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 strong and light materials.
- It is a profitable market, enabling a proper business and risks balance between regions and applications.



INSULATION

PROSEAT

Estimated size of relevant market in Europe

BEDDING

INTERIORS

Estimated Recticel market share in Europe

FLEXIBLE FOAMS

## 2. PORTFOLIO MANAGEMENT: BUSINESS LINE STRATEGIC POSITIONING

The analysis of the business portfolio of Recticel is based on:

- the attractiveness of the market of each segment
- the level of competitiveness of Recticel in each segment

and provides the following business line positioning:

### 3. ANALYSIS PER BUSINESS LINE



## Insulation

#### Market attractiveness

- Environmental protection and energy conservation are mega-trends. Heating and cooling of buildings represents 22% of the worldwide use of energy.
- Insulation is considered to be the best solution to reduce energy consumption with the highest return on investment.
- Directives and EU regulations and its constituting countries are driving growth of insulation in new building market and subsidy policies are driving growth in the renovation market.

#### Competitiveness

- Polyurethane is the thermal insulation material with the highest performance in the market, gaining market share over polystyrene and rock- or glasswool insulation solutions.
- Recticel is recognised for its wide and high quality product range, and for its efficient service.
- The industrial footprint comprises very efficient and ideally located production facilities.

in million EUR

Sales 2011	223.1
EBITDA 2011	39.5
EBIT 2011	35.8



**EUROWALL®**

**POWERDECK®**

**POWERROOF®**

**POWERWALL®**

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## 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.
- Bedding benefits of Recticel integration in flexible foams to innovate and to introduce new products.

in million EUR

Sales 2011	292.2
EBITDA 2011	16.6
EBIT 2011	10.9





# Flexible Foams

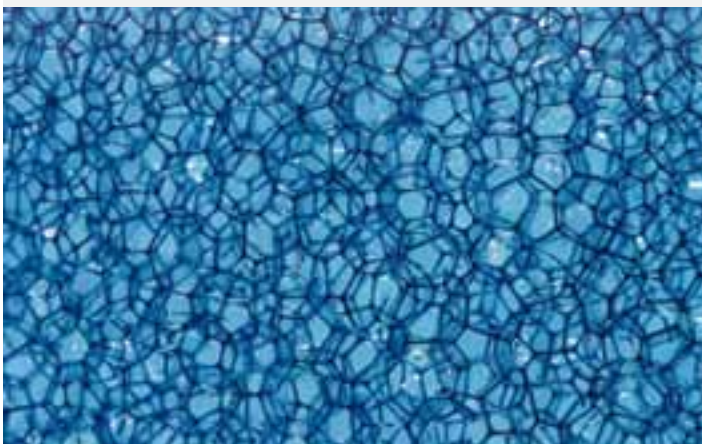
## Market attractiveness

- 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.

## 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.

	in million EUR
Sales 2011	569.2
EBITDA 2011	22.6
EBIT 2011	7.5



**comfort  
BULTEX®**  
supports life



*Body  
Foams.*

re-bounce®

foam  
for care

**FrameFoam**

**TryOn**

**Dryfeel**

**ANS**

**SENSIPUR®**

**arcadia®**



**composite  
foams**



# Automotive



## Market attractiveness

- Highly competitive and cyclical market, characterised in Europe by very significant overcapacities.
- Seating segment (Proseat) commoditised, Interiors segment highly capital intensive.
- Innovation and differentiation are mandatory, but generate small price premium.
- Intellectual property difficult to keep and to protect.

## Competitiveness

- Recticel is well positioned with the best performance products in Interiors, and is recognised for its innovative concepts in Seating (Proseat).
- Improved profitability due to restructuring and efficiency efforts.
- Recticel has an ideal global industrial footprint in Interiors (Europe, USA and China).

in million EUR

Sales 2011	324.8
EBITDA 2011	24.4
EBIT 2011	2.8



## 4. STRATEGY

Recticel will stay focused on polyurethane applications, and will strive for growth via innovation and new product introduction in high growth/high value segments. Recticel will also improve capacity utilisation through optimal industrial footprint management. 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):

<b>Insulation:</b>	Primary focus on Europe and accelerated organic growth, supported by innovation, new product introduction and complemented by acquisitions.
<b>Bedding:</b>	Organic growth and acquisitions based on strong brands and product innovation.
<b>Flexible Foams:</b>	Rationalisation & modernisation of the industrial footprint combined with selective growth initiatives based on new products and geographical expansion in the Technical Foams segment.
<b>Automotive:</b>	Stabilisation of the two business segments supported by innovative product introductions and continuous footprint and capacity utilisation optimisation.

## 5. OBJECTIVES

On that basis, Recticel will pursue the following medium term objectives:

- Achieve a CAGR of its sales turnover of minimum 5%, at same scope of consolidation.
- Generate double digit growth in earnings and dividends.
- Deliver a ROCE (EBIT / Average capital employed) of at least 15%.
- Lower the gearing ratio (Net Financial Debt/Equity) under 50%.

	in million EUR
Sales 2011	1 378.1
EBITDA 2011	88.8
EBIT 2011	42.0



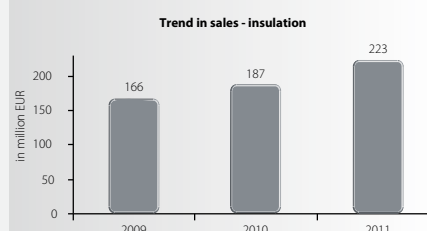
# I Activities

Recticel is primarily active in the manufacturing and transformation of polyurethane, of which the fields of applications are extremely various. The Group is organised around four business lines.



## 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**.



### Key Figures

	in million EUR		
	2009	2010	2011
Sales <sup>(1)</sup>	166.5	187.4	223.1
Growth rate of sales (%)	6.4%	12.6%	19.0%
REBITDA	40.3	35.5	39.5
REBITDA margin (as % of sales)	24.2%	18.9%	17.7%
EBITDA	40.3	35.5	39.5
EBITDA margin (as % of sales)	24.2%	18.9%	17.7%
REBIT	37.2	32.1	35.8
REBIT margin (as % of sales)	22.3%	17.2%	16.1%
EBIT	37.2	32.1	35.8
EBIT margin (as % of sales)	22.3%	17.2%	16.1%
Investments in intangible assets (exclusive of goodwill) and property, plant and equipment	7.6	6.7	9.0
Investments as % of sales	4.5%	3.6%	4.1%

(1) before eliminations of intra group transactions

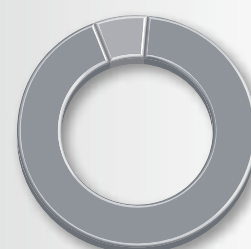
### Strategy

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

### Objectives up to 2014

- Average annual growth in sales of 10%.
- EBITDA/sales margin between 15% and 20%.

Insulation sales 2011:  
EUR 223.1 million



- Industrial insulation  
8.6%
- Building insulation  
91.4%



# 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.

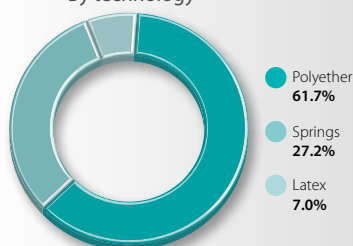
	in million EUR			
Key Figures	2009	2009 RESTATED <sup>(2)</sup>	2010	2011
Sales <sup>(1)</sup>	312.6	277.2	293.3	292.2
Growth rate of sales (%)	-10.6%	5.8%	-6.2%	-0.4%
REBITDA	23.2	21.1	20.3	16.9
REBITDA margin (as % of sales)	7.4%	7.6%	6.9%	5.8%
EBITDA	41.1	17.9	17.3	16.6
EBITDA margin (as % of sales)	13.1%	6.5%	5.9%	5.7%
REBIT	16.5	21.1	14.6	11.2
REBIT margin (as % of sales)	5.3%	7.6%	5.0%	3.8%
EBIT	33.8 (3)	11.6	11.5	10.9
EBIT margin (as % of sales)	10.8%	4.2%	3.9%	3.7%
Investments in intangible assets (exclusive of goodwill) and property, plant and equipment	2.5	2.5	4.0	2.0
Investments as % of sales	0.8%	0.9%	1.4%	0.7%

<sup>(1)</sup> before eliminations of intragroup transactions

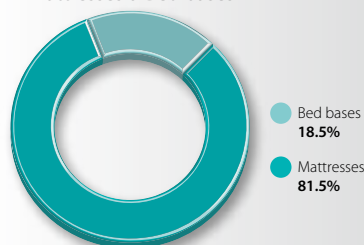
<sup>(2)</sup> The indicated trend is based on a comparable scope of consolidation. The FY2009 figures have been adapted to take into account the sale of the 50% interest in COFEL (France) in July 2009.

<sup>(3)</sup> this amount includes the net non-recurrent income (EUR +18,6 miljoen) as a consequence of the sale of the 50% interest in COFEL (France) (Bedding) in July 2009.

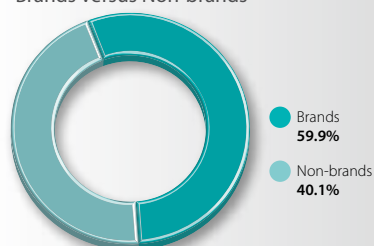
Bedding sales 2011:  
By technology



Bedding sales 2011:  
Mattresses & Bed bases



Bedding sales 2011:  
Brands versus Non-brands



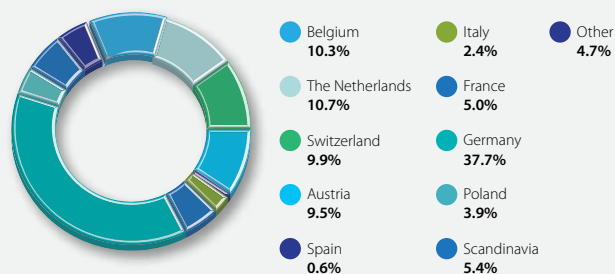
## Strategy

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

## Objectives up to 2014

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

Bedding sales 2011: Geographical spread (by destination)



Trend in sales - Bedding

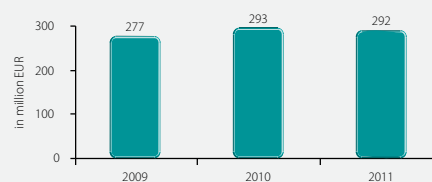


Figure 2009 is restated



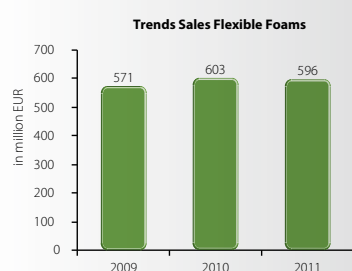


# Flexible Foams

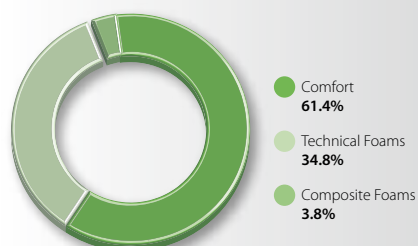
Flexible Foams business activities focus mainly on the production, transformation and commercialization of predominantly semi-finished products in flexible polyurethane foam. Historically, this business line has been the largest within the Group and it consists of three sections today: **Comfort**, **Technical 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.

Key Figures	in million EUR		
	2009	2010	2011
Sales <sup>(1)</sup>	570,6	602,7	596,2
Growth rate of sales (%)	-11,6%	5,6%	-1,1%
REBITDA	46,9	30,6	23,6
REBITDA margin (as % of sales)	8,2%	5,1%	4,0%
EBITDA	45,1	22,2	22,6
EBITDA margin (as % of sales)	7,9%	3,7%	3,8%
REBIT	31,1	15,7	10,4
REBIT marge (as % of sales)	5,4%	2,6%	1,7%
EBIT	25,8	1,2	7,5
EBIT margin (as % of sales)	4,5%	0,2%	1,3%
Investments in intangible (excluding goodwill) and tangible fixed assets	4,9	10,3	12,1
Investments as % of sales	0,9%	1,7%	2,0%

<sup>(1)</sup> before eliminations of intra-Group transactions



Flexible Foams sales 2011:  
EUR 596.2 million



## Strategy

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

## Objectives up to 2014

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





# 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.

Key Figures	in million EUR		
	2009	2010	2011
Sales <sup>(1)</sup>	289,4	324,9	324,8
Growth rate in sales (%)	-39,0%	12,2%	0,0%
REBITDA	13,7	33,7	25,3
REBITDA margin (as % sales)	4,7%	10,4%	7,8%
EBITDA	-6,9	26,9	24,4
EBITDA margin (as % of sales)	-2,4%	8,3%	7,5%
REBIT	-5,8	13,0	7,0
REBIT margin (as % of sales)	-2,0%	4,0%	2,2%
EBIT	-32,2	1,6	2,8
EBIT margin (as % of sales)	-11,1%	0,5%	0,8%
Investments in intangible assets (exclusive of goodwill) and property, plant and equipment	7,0	11,2	7,0
Investments as % of sales	2,4%	3,5%	2,2%

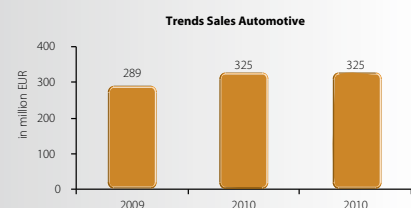
<sup>(1)</sup> before eliminations of intra-Group transactions

## Strategy

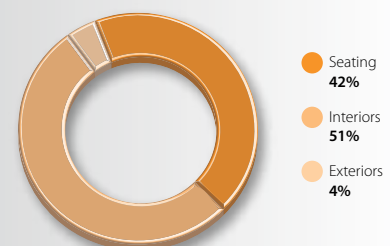
- Stabilization of the two business segments, Interiors and Proseat (Seating).
- New innovative product introductions.
- Continuous footprint and capacity utilisation optimisation.

## Objectives up to 2014

- EBITDA/sales margin of 8.0%.



Automotive Sales 2011:  
EUR 324.8 million







# Research and Development



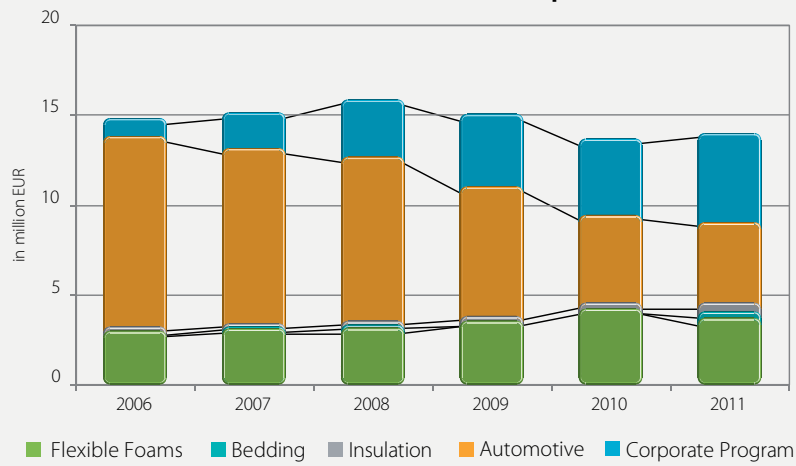
# Research and Development

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. In this context, a new Business Development function has been created that will focus on the identification, the selection and the development of markets and applications for the new products or technologies that are dealt with from within the Corporate Innovation Program.

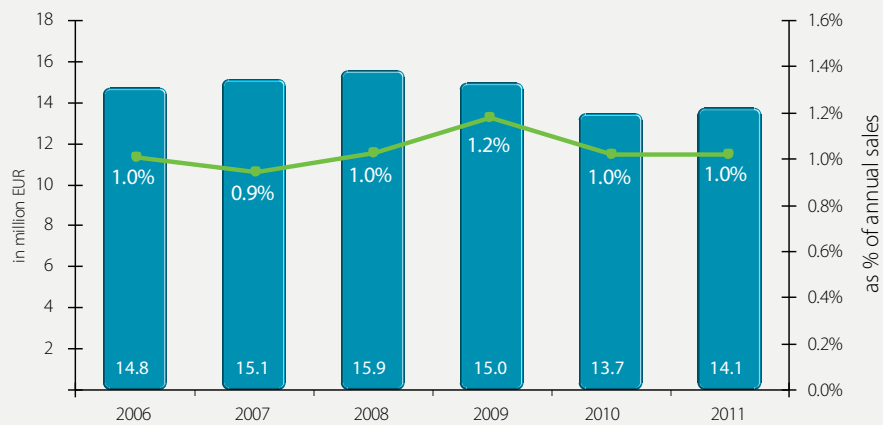
In order to secure its long-term objectives, the Group disposes since many years now of a centrally organized research and development department. The International Development Centre (IDC), located in Wetteren (Belgium) has proven to be the best guarantee to simultaneously anticipate the many needs and challenges in a cost-efficient and flexible manner. In first place, a great deal of attention goes to the development of new products that may provide an answer to very diverse needs such as the increasing demand for lighter and more durable materials or products that integrate various functions together. Next to this the IDC also focuses on the improvement of existing products or it further optimizes existing production processes; hereby trying to reduce the use of raw materials, to reduce the volumes of waste products, and/or simply to produce more efficiently.



**Trend in composition of annual budget  
for Research & Development**



**Trend in annual gross budget for R&D**









# Human Resources & Production Plants



# Human Resources

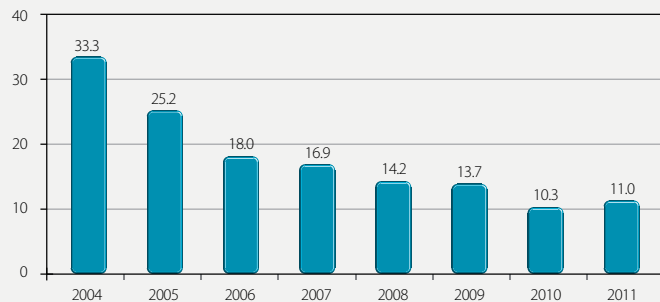
The quality, dedication and enthusiasm of employees are essential and crucial components for an organisation to be successful. Recticel is very much aware of this and is also committed to recruiting and retaining the best and most competent employees. The development of individual talents is also very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

Recognizing that the workforce is the cornerstone of the Group's performance, and key to the execution of the strategic plan, it was decided to invest in identifying the Group's talent pool, to develop key competences, and to improve on certain weaknesses.

To this extent, the Talent Management Program was initiated in June 2010, based upon individual assessments. As a result 300 managers have received their Personal Development Guide. In October 2010, the Competence Development Program was launched. The focus was put on two of the Group core competences that the Management Committee had identified as priorities, "build talent and teams" and "focus on results". In November 2011 the last workshops were completed, and finally 440 Recticel Managers have participated to these workshops.

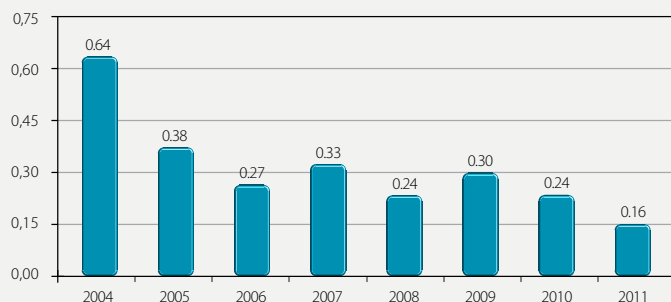
$$\text{Frequency} = \frac{\text{number of accidents} \times 1,000,000}{\text{number of hours performed}}$$

**Frequency index - industrial accidents**



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

**Severity index - industrial accidents**



	31 DEC 2011	
Germany	1 472	18,0%
Belgium	1 229	15,0%
Poland	825	10,1%
Czech Republic	757	9,2%
United Kingdom	682	8,3%
France	668	8,2%
The Netherlands	389	4,8%
Spain	279	3,4%
Austria	262	3,2%
USA	255	3,1%
Sweden	203	2,5%
Romania	202	2,5%
Switzerland	179	2,2%
People's Republic of China	166	2,0%
Hungary	131	1,6%
Finland	103	1,3%
Turkey	85	1,0%
Estonia	81	1,0%
Norway	70	0,9%
Italy	61	0,7%
Bulgaria	21	0,3%
India	17	0,2%
Lithuania	12	0,1%
Slovakia	11	0,1%
Ukraine	10	0,1%
Serbia	8	0,1%
Russia	6	0,1%
Greece	4	0,0%
Morocco	1	0,0%
<b>TOTAL</b>	<b>8 186</b>	<b>100%</b>

	31 DEC 2011	
Western-Europe	5 601	68,4%
Eastern-Europe	2 046	25,0%
<i>Rest of the world</i>	<i>540</i>	<i>6,6%</i>
<b>TOTAL</b>	<b>8 186</b>	<b>100%</b>

### NUMBER OF STAFF

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.





The number of staff was reduced by 450 in 2011 as a result of the economic crisis and the implementation of various reorganisation plans. These measures were necessary in order to adjust the industrial footprint to the new economic situation, especially in Western European countries. Most jobs (on pro rata basis for joint ventures) were lost in the Flexible Foams (133 people) and Automotive (268 people) activities and in various supporting services.

# Production Plants



The next table lists the principal production units of the Recticel Group (including joint venture companies). Besides these sites, the Group has 50 other conversion units or sales offices in Europe, the United States and Asia. End 2011, the Group had in total 107 production units. Recticel is active in 28 countries.



				
COUNTRY	INSULATION	BEDDING	FLEXIBLE FOAMS <sup>(1)</sup>	AUTOMOTIVE
AUSTRIA		Timelkam	Kremsmünster Linz	
BELGIUM	Turnhout Wevelgem	Geraardsbergen Hulshout	Wetteren	
CZECH REPUBLIC				Mladá Boleslav Most
ESTONIA			Tallinn	
FINLAND			Kouvola	
FRANCE			Langeac Louviers Trilport	Trilport
GERMANY		Hassfurt Jöhstadt Wattenscheid	Bexbach Burkhardtsdorf Ebersbach	Espelkamp Rheinbreitbach Rüsselsheim Schönebeck Unterriexingen Wackersdorf Mörfelden
HUNGARY			Sajóbábony	
INDIA			Raigad, Maharashtra	
ITALY			Gorla Minore	
NORWAY			Åndalsnes	
PEOPLE'S REPUBLIC OF CHINA				Ningbo
POLAND		Łódź	Zgierz	Bielsko Biala
ROMANIA		Miercurea Sibiului	Sibiú	
SPAIN			Catarroja Ciudad Rodrigo La Elia	Santpedor
SWEDEN			Gislaved	
SWITZERLAND		Büron	Flüh	
THE NETHERLANDS			Kesteren	
UNITED KINGDOM	Glossop Stoke-on-Trent		Alfreton	Manchester
U.S.A.			Deer Park, NY Irvine, CA	Auburn Hills, MI Clarkston, MI Tuscaloosa, AL

(1) For Flexible Foams, only the major foaming plants are listed (situation per 31 December 2011).







# Corporate Governance





## 1. Applicable rules and reference code

Recticel publishes its Corporate Governance Charter on its web site ([www.recticel.com](http://www.recticel.com)) in accordance with the requirements of the Belgian Corporate Governance Code 2009. Any interested party can download the Charter there, or request a copy from the company's registered office. The Charter contains a detailed description of the governance structure and the company's governance policy. The Recticel Corporate Governance Charter was updated last year and endorsed by the Board of Directors.

Recticel uses the Belgian Governance Code of 2009 as reference code.

Recticel complies with all recommendations contained in the reference code, except with the following provisions:

- 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 however that Mr. Davignon and Mr. Vandepoel have proven a de facto independence stature, though they no longer meet the legal independence requirements, only due to their term as director exceeding twelve years.

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 Belgian 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 authority granted to the Board of Directors was not further limited in the articles of association.

The terms of reference of the Board of Directors are described in more detail in Recticel's Corporate Governance Charter.

## 2. Internal control and risk management

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

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

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

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

The basis is formed by the revised Code of Conduct, applicable on all Recticel directors, corporate officers and employees, and published on Recticel's website ([www.recticel.com](http://www.recticel.com)).

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 Internal Audit Department works based on an Internal Audit Charter and has the primary function of delivering objectives opinions about the internal control in place in the Recticel Group. The Internal Audit aims at providing the reasonable assurance that the strategic, operational, compliance and reporting objectives of the Recticel Group can be realized in the most efficient way. To this end they seek to ensure the following objectives:

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

### 3. External audit

The external audit of Recticel SA/NV's company and consolidated annual accounts was 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's annual accounts and the consolidated financial statements of the company reflect a true and fair view of the assets, financial condition and results of the company. The Audit committee investigates and discusses these bi-annual reports in the presence of the Auditor, and afterwards also with the Board of Directors.

The 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 261,000 for 2011. Apart from this remuneration the Auditor also invoiced EUR 42,750 for additional audits and EUR 199,900 for tax and legal assignments. 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 amounts to EUR 779,427. This global amount includes a sum of EUR 705,927 for additional tax, legal and corporate finance assignments. Since the Auditor's total audit service fees at Group level amount to EUR 850,323, the limit intended in article 133 of the Belgian Companies Code on consolidated level was 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 renewed in 2010 and will end after the Annual General meeting of 2013.

It shall finally be noted that "DELOITTE Bedrijfsrevisoren" will be represented as of 1 January 2012 by Messrs. William Blomme and/or Kurt Dehoorne.

## 4. Composition of the Board of Directors

Recticel's Board of Directors currently consists of twelve members. There are eleven non-executive directors, three of which are independent. Olivier Chapelle BVBA, Chief Executive Officer, is the executive director.

The Chief Executive Officer represents the management and five directors represent the reference shareholders.

With reference to the Law of 28 July 2011 setting the obligation to have, by 1 January 2017, at least 1/3 of the members of the Board of the opposite gender, the Board is committed to comply with this obligation in due time.

The Board has taken this future obligation already into account when deciding on its proposal to nominate a new female director in replacement of Louis Verbeke BVBA and will further proposes to nominate an additional female director.

The following table provides an overview of the members of Recticel's Board of Directors during the financial year 2011 to date.

### Amendments since the previous annual report – statutory appointments – presentation of new directors

As proposed by the Board of Directors and based upon the recommendation made by the Remuneration and Nomination committee, it has been decided during the annual general meeting dated 10 May 2011 to renew the director's mandate of Mr. Vincent DOUMIER for a period of four years, which will end after the Annual General Meeting of 2015 but not to renew the director's mandate of POL BAMELIS NV, represented by Mr. Pol BAMELIS, and, in replacement, to appoint Mr. Pierre Alain DE SMEDT as director for a period of four years, which will end after the Annual General Meeting of 2015.

Moreover, in the same annual general meeting, the resignation of Mr. Klaus WENDEL as director starting 3 March 2011 and his definite replacement by ANDRE BERGEN Comm.V, represented by Mr. André BERGEN, for the remaining duration of the mandate, which will end after the Annual General Meeting of 2013, have been ratified.

Mr. Pierre Alain DE SMEDT and ANDRE BERGEN Comm. V, represented by Mr. André BERGEN, 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.

NAME	FUNCTION	TYPE	YEAR OF BIRTH	START OF MANDATE	END OF MANDATE
Etienne DAVIGNON	Chairman	Non-executive	1932	1992	2012
Olivier CHAPELLE <sup>(1)</sup>	Managing Director	Executive	1964	2009	2012
Luc VANSTEENKISTE <sup>(2)</sup>	Vice Chairman	Non-executive	1947	1991	2012
Guy PAQUOT	Vice Chairman	Non-executive	1941	1985	2012
André BERGEN <sup>(3)</sup>	Director (from 3/3/2011)	Independent	1950	2011	2013
Pierre Alain DE SMEDT	Director	Independent	1944	2011	2015
Vincent DOUMIER	Director	Non-executive	1955	2007	2015
Wilfried VANDEPOEL	Director	Independent (till 17/5/2011) Non-executive (from 18/5/2011)	1945	1999	2012
Tonny VAN DOORSLAER	Director	Non-executive	1951	2004	2013
Louis H. VERBEKE <sup>(4)</sup>	Director	Non-executive	1947	1998	2012
Klaus WENDEL	Director	Independent	1943	2005	3/3/2011
Luc WILLAME <sup>(5)</sup>	Director	Independent	1940	2008	2012
Jacqueline ZOETE	Director	Non-executive	1942	2010	2012

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

(2) in his capacity as Managing Director of Vean NV.

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

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

(5) in his capacity as Chief Executive Officer of Sogelam SA/NV.

AC = Audit Committee

MC = Management Committee

RC = Remuneration & Nomination Committee

## Composition of the Board of Directors



Etienne Davignon  
*Chairman*



Olivier Chapelle  
*Chief Executive Officer*



Guy Paquot  
*Vice-Chairman*



Luc Vansteenkiste  
*Vice-Chairman*



André Bergen  
*Director*



Pierre Alain De Smedt  
*Director*



Vincent Doumier  
*Director*



Wilfried Vandepoel  
*Director*

	PRIMARY FUNCTION OUTSIDE OF RECTICEL	MEMBERSHIP COMMITTEE
	Brussels Airlines Chairman	RC (till 3/3/2011) AC
		MC
	Sioen Industries NV Chairman	
	Entreprises et Chemins de Fer en Chine SA/NV Chairman and Managing Director	
	Cofinimmo Chairman	RC AC (from 3/3/2011)
	VBO-FEB Chairman	
	Compagnie du Bois Sauvage NV Managing Director	AC
	Lessius Corporate Finance NV Managing Director	AC
	Spector Photo Group NV Executive Chairman	AC
	Vlerick Leuven Gent Management School Chairman	RC
		AC (till 3/3/2011)
		RC
	Sioen Group	



Tonny Van Doorslaer  
*Director*



Louis Verbeke  
*Director*



Luc Willame  
*Director*



Jacqueline Zoete  
*Director*



It should also be noted that Mr. Wilfried VANDEPOEL has been considered independent director up to 18 May 2011 after which he became a non-executive director, as he had reached the maximum period of twelve years at that moment.

After the annual general meeting to be held on 29 May 2012, the following mandates will come to an end, being:

- Mr. Etienne DAVIGNON, as non-executive director and Chairman of the Board of Directors;
- OLIVIER CHAPELLE SPRL, represented by Mr. Olivier CHAPELLE, as executive director and Managing Director;
- VEAN NV, represented by Mr. Luc VANSTEENKISTE, as non-executive director and Vice-Chairman of the Board of Directors;
- Mr. Guy PAQUOT, as non-executive director and Vice-Chairman of the Board of Directors;
- Wilfried VANDEPOEL, as non-executive director;
- LOUIS VERBEKE BVBA, represented by Mr. Louis H. VERBEKE, as non-executive director;
- SOGELAM NV, represented by Mr. Luc WILLAME, as non-executive director;
- Mrs. Jacqueline ZOETE, as non-executive director.

Taking the above into consideration and based upon the recommendation of the Remuneration and Nomination Committee, the Board of Directors will propose the following at the annual general meeting of 29 May 2012:

- Renewal of the term of office of Mr. Etienne DAVIGNON as non-executive director and Chairman of the Board of Directors, for a further period of four years expiring at the end of the General Meeting in 2016.
- Renewal of the term of office of OLIVIER CHAPELLE SPRL, represented by Mr. Olivier CHAPELLE, as executive director and Managing Director, for a further period of four years expiring at the end of the General Meeting in 2016.
- Renewal of the term of office of VEAN NV, represented by Mr. Luc VANSTEENKISTE, as non-executive director and Vice-Chairman of the Board of Directors, for a further period of four years expiring at the end of the General Meeting in 2016.
- Renewal of the term of office of Mr. Guy PAQUOT, as non-executive director and Vice-Chairman of the Board of Directors, for a further period of four years expiring at the end of the General Meeting in 2016.
- Renewal of the term of office of Mrs. Jacqueline ZOETE, as non-executive director, for a further period of four years expiring at the end of the General Meeting in 2016.

- Replacement of Mr. Wilfried VANDEPOEL, whose term of office as a director expires at the end of the present General Meeting, and election as a non-executive director of REVAM BVBA, represented by Mr. Wilfried VANDEPOEL, for a period of one year expiring at the end of the General Meeting in 2013.

- Replacement of SOGELAM NV, represented by Mr. Luc WILLAME, whose term of office as independent director expires at the end of the present General Meeting, and election as non-executive director of Mr. Patrick VAN CRAEN for a period of four years expiring at the end of the General Meeting in 2016.

- Replacement of LOUIS VERBEKE BVBA, represented by Mr. Louis H. VERBEKE, whose term of office as non-executive director expires at the end of the present General Meeting, and election as director of Mrs. Marion DEBRUYNE for a period of four years expiring at the end of the General Meeting in 2016.

- Election as director of Mrs. Ingrid MERCKX for a period of four years expiring at the end of the General Meeting in 2016.

The Board of Directors suggests appointing Mrs. Marion DEBRUYNE as independent director, in the sense of article 524 §2 and 526bis §2 of the Companies Code, until the maturity of her mandate. She meets all the criteria indicated in article 526 ter of the Companies Code. She also meets the independence criteria of the Code on Corporate Governance 2009.

The Board of Directors suggests appointing Mrs. Ingrid MERCKX as independent director, in the sense of article 524 §2 and 526bis §2 of the Companies Code, until the maturity of her mandate. She meets all the criteria indicated in article 526 ter of the Companies Code. She also meets the independence criteria of the Code on Corporate Governance 2009.

Prof. Dr. Ir. Marion DEBRUYNE (1972) is bachelor of science in Chemical Engineering and a doctor of philosophy in Applied Economics (University of Ghent). She is also Master in Marketing Management (Vlerick Leuven Gent Management School). Mrs. Debruyne is partner and associate professor at the Vlerick Leuven Gent Management School. She is Director Master Programs and member of the Executive Committee. Her interests lie at the intersection of marketing strategy, innovation and competition. She is also independent member of the board of directors of Kinopolis.

Mrs. Ingrid MERCKX (1966) obtained a Master in Civil Engineering at the Katholieke Universiteit Leuven. From 1990 to 2002, she exercised several functions at Générale de Banque and within the Telindus Group. In September 2002, she became Managing Director Europe and CFO EMEA for Agfa Europe. From 2006 to 2010, she was Regional President

Region Europe West for Agfa Graphics, where she has now been in charge since 2011 of the " Inkjet " business as Chief Operating Officer.

Mr. Patrick VAN CRAEN (1953) is Civil Engineer Architect, graduated from Université Catholique de Louvain. He exercises management functions in the CFE Group since 1990. Since 2006, he is also a member of the Management Committee of CFE and he has several mandates as managing director within CFE and as director in other companies active in the real estate and construction area.

The Board of Directors will also propose at the annual general meeting to approve the election of Mr. William Blomme as co-representative of the Company's statutory auditor, "DELOITTE Auditors", which will hence be represented by Messrs. Kurt Dehoorne and/or William Blomme with effect as of the financial year starting on 1 January 2012, and for the remainder of the auditor mandate.

#### Operation of the Board of Directors

The Board of Directors gathered a total of six times in 2011. One meeting handled mainly the 2011 budget and two meetings handled the establishment of the annual accounts as per 31 December 2010 and the mid-year accounts as per 30 June 2011. One meeting exclusively handled the delayed 2010 stock option plan issue, and another the refinancing of the Group.

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

The written decision procedure was not applied in 2011.

Mr. Dirk VERBRUGGEN, Company Secretary, acts as Secretary of the Board of Directors.

The individual attendance rate of the directors at the meetings in 2011 was:

NAME	ATTENDANCE RATE 2011
Etienne DAVIGNON	6/6
Guy PAQUOT	5/6
Luc VANSTEENKISTE	5/6
Olivier CHAPELLE	6/6
PoI BAMELIS	2/2
André BERGEN	3/4
Pierre Alain DE SMEDT	2/4
Vincent DOUMIER	5/6
Wilfried VANDEPOEL	5/6
Tonny VAN DOORSLAER	5/6
Louis VERBEKE	6/6
Klaus WENDEL	1/2
Luc WILLAME	5/6
Jacqueline ZOETE	5/6

It shall furthermore be noted that a self-assessment of the Board of Directors' operation will be launched during the first half of 2012. Such self-assessment will start through a questionnaire to be remitted to and completed by each individual director. The results of the questionnaire will then be discussed and further analysed during a subsequent meeting of the Board of Directors.

## 5. Committees set up by the Board of Directors

### a) 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 terms of reference are included in the Corporate Governance Charter.

The Audit committee consists of five members. All members are non-executive directors and one member, the Chairman, is an independent director in the sense of the Belgian Companies Code.

Mr. Philippe Jous, Corporate General Counsel & General Secretary, acts as Secretary of the Audit committee.

The composition of the Audit committee complies with the stipulations of Recticel NV's articles of association and the relevant provisions of the Belgian Companies 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 however that Mr. Davignon and Mr. Vandepoel have proven a de facto independence stature, though they no longer meet the legal independence requirements, only due to their term as director exceeding twelve years.

In accordance with article 526bis of the Companies Code, Recticel NV declares that the Chairman of the Audit committee, Mr. André BERGEN, meets the independence requirements and that he possesses the requisite expertise in accounting and auditing.

The following table contains the members of the Audit committee during the financial year 2011 to date.

NAME	FUNCTION	ATTENDANCE RATE IN 2011
Klaus WENDEL <sup>(1)</sup>	Chairman	1/1
André BERGEN <sup>(2)</sup>	Chairman	2/3
Etienne DAVIGNON	Member	4/4
Vincent DOUMIER	Member	4/4
Wilfried VANDEPOEL	Member	3/4
Tonny VAN DOORSLAER	Member	4/4

<sup>(1)</sup> Resignation on 3 March 2011.

<sup>(2)</sup> Chairman since 3 March 2011.

The Audit committee convened four times in 2011. Two meetings were devoted primarily to the audit of the annual accounts per 31 December 2010 and the interim accounts per 30 June 2011. All meetings also focus on the internal audit program, risk management, compliance, taxation and IFRS related accounting questions.

The Audit Committee conducts each year an informal self-assessment of its operation during one of its meetings and reserves the necessary time to discuss and analyse the same.

## b) 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-appointment of directors as well as the appointment and induction of new directors. The terms of reference of the Remuneration and Nomination Committee are included in Recticel's Corporate Governance Charter.

The Remuneration and Nomination Committee consists of 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 Chief Executive Officer participates to the meetings of the Remuneration and Nomination Committee in an advisory capacity each time the remuneration of another executive is being discussed.

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 2011
Etienne DAVIGNON <sup>(1)</sup>	Chairman	2/2
Luc WILLAME <sup>(2)</sup>	Chairman	5/5
André BERGEN <sup>(3)</sup>	Member	2/3
Louis VERBEKE	Member	5/5

<sup>(1)</sup> Resignation on 3 March 2011.

<sup>(2)</sup> Chairman since 3 March 2011.

<sup>(3)</sup> Member since 3 March 2011.

In accordance with article 526quater 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 five times in 2011.

The first two meetings dealt with the fixed and variable remuneration of the executive management as well as with the election and re-election of directors; the May meeting dealt with the Stock Option Plan – 2010 Edition, as well as with the hiring of Mr. François PETIT as Chief Procurement Officer; during the last two meetings, the following items were discussed: the hiring of Mr. Rik DE VOS as new Group General Manager Flexible Foams, the Stock Option Plan – 2011 Edition, issued in December 2011, benchmarking, succession planning and evaluation of the Board of Directors' operation.

The set-up and operation of the Remuneration and Nomination Committee was thoroughly reviewed at the end of 2010 following the introduction of the Law dated 6 April 2010 amending the Belgian Companies Code and introducing an article 526quater, whereby the setting-up of a Remuneration and Nomination committee has become mandatory. Consequently, this committee will proceed as of 2012 with a self-assessment of its operation. Such self-assessment will start through a questionnaire to be remitted to and completed by each member. The results of the questionnaire will then be discussed and further analysed during a subsequent meeting of the Remuneration and Nomination committee.

## 6. The executive management

The Board of Directors has entrusted the day-to-day management of the company to its Managing Director and Chief Executive Officer, "OLIVIER CHAPELLE" SPRL/BVBA, located in 1180 Brussels, Avenue de la Sapinière 28, represented by its General Manager and permanent representative, Mr. Olivier CHAPELLE.

The Chief Executive Officer is assisted by the Management committee, of which the members (for the period 2011 to present) are indicated in the following list:

NAME	FUNCTION
Olivier CHAPELLE <sup>(1)</sup>	Chief Executive Officer
Betty BOGAERT	Group ICT & Business Support Manager
Marc CLOCKAERTS <sup>(2)</sup>	Group General Manager Automotive
Jean-Pierre DE KESEL	Deputy General Manager Bedding
Jan DE MOOR <sup>(3)</sup>	Group Human Resources & Corporate Communication Manager
Caroline DESCHAUMES <sup>(4)</sup>	Group General Manager Bedding
Edouard DUPONT <sup>(5)</sup>	Group General Manager Flexible Foams
Rik DE VOS <sup>(6)</sup>	Group General Manager Flexible Foams
Philippe JOUS <sup>(7)</sup>	General Secretary & Corporate General Counsel
Jean-Pierre MELLEEN <sup>(8)</sup>	Chief Financial Officer
François PETIT <sup>(9)</sup>	Chief Procurement Officer
Bart WALLAEYS	Group Manager Research and Development
Paul WERBROUCK	Group General Manager Insulation

<sup>(1)</sup> in his capacity as General Manager and permanent representative of Olivier Chapelle BVBA.

<sup>(2)</sup> in his capacity as General Manager and permanent representative of Emsee BVBA.

<sup>(3)</sup> in his capacity as General Manager and permanent representative of Cape-3 BVBA.

<sup>(4)</sup> until 24 April 2012

<sup>(5)</sup> until 01 December 2011

<sup>(6)</sup> since 01 September 2011

<sup>(7)</sup> in his capacity as General Manager and permanent representative of Caamous SCA/Comm.VA.

<sup>(8)</sup> since 1 January 2011 in his capacity as General Manager and permanent representative of De Ster BVBA.

<sup>(9)</sup> since 02 May 2011

The Management committee has an advisory role on behalf of the Chief Executive Officer and is not an executive committee in the sense of article 524bis of the Belgian Companies Code.

## 7. Remuneration report

### I. Introduction

The Recticel Group's Remuneration policy can be found in the Corporate Governance Charter on the Recticel web site ([www.recticel.com](http://www.recticel.com)).

The Group Remuneration Policy was not amended during the year 2011.

The Board of Directors of the Group have determined the remuneration of the Management Committee (hereafter the "Senior 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.

As such, a compensation benchmarking exercise of the Management Committee members was organised in the second half of 2011 together with Towers Watson.

In line with the recommendation of the Remuneration and Nomination Committee, the Board has reaffirmed the general principles of the Group Remuneration Policy for the year 2012 and for the two years thereafter.

### Remuneration of the directors

The company's directors are rewarded for their services with a fixed remuneration for the year, as well as a fixed attendance fee per attended meeting. The remuneration is determined by the General Meeting for the current year, upon a proposal from the Board of Directors. The Chairman of the Board receives a remuneration of 200% of the remuneration specified for other members of the Board.

The General Meeting also decides on the additional remuneration for Board Committee members. The Chairman of the Committees receives a remuneration of 150% of the remuneration specified for other members of the Committee. The level as well as the structure of the remuneration of the directors is reviewed on an annual basis. For 2012, no changes are proposed.

Non-executive directors of the Company receive no remuneration, bonus, or equity-linked, or other incentives from the Company and/or its affiliates except as remuneration for their services as Director to the Company and/or its affiliates, and with the exception of VEAN NV, represented by Mr. Luc Vansteenkiste, as explained hereafter. The company will not grant credit, nor maintain credit, nor

award credit in the form of a personal loan, nor extend an existing credit, to any member of the Board of Directors.

### Remuneration of the Senior Management

The remuneration of the Senior 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, and,
- stimulating, acknowledging and rewarding personal and team performances.

The level as well as the structure of the remuneration of the Senior Management is reviewed annually by the Remuneration and Nomination Committee, which consequently presents a proposal to the Board of Directors for approval.

The remuneration package for Senior Management combines three integrated elements, which together form the "total direct remuneration". These integrated elements are the basic compensation, the annual incentive bonus and the long-term incentives. The company will not grant credit, nor maintain credit, nor award credit in the form of a personal loan, nor extend an existing credit, to any member of the Senior Management.

When determining the remuneration levels for Senior Management, along with the internal factors, the remuneration of executives in multinational companies of similar size and/or similar activities with headquarters in Belgium and neighbouring countries are 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.

### Evaluation criteria for the bonus remuneration of the executive management

The CEO receives a bonus remuneration based on his performance over the calendar year. The evaluation criteria are based on financial targets linked to certain key performance indicators ("KPI's") in relation to the annual budget and debt level at Group level, as well as non-financial targets linked to the development of the company for the future (for example structure, commercial practices, new products and/or markets, M&A, human resources, compliance, etc.). The Remuneration Committee makes the evaluation in a private session and discusses the evaluation with the CEO before presenting a proposal to the Board for approval.

The Group General Managers (and Deputy General Manager) at the head of the four different business lines likewise receive a bonus remuneration based on their performance during the calendar year. The evaluation criteria are based on financial targets linked to certain KPI's in relation to the annual budget, both at Group level, as at the level of their respective business lines. Financial targets account for 60% of the bonus. Non-financial targets account for 40% linked to the development of the business line for the future (for example structure, commercial practices, new products and/or markets, M&A, human resources, compliance, etc.).

For the support functions within the Management Committee (CFO, GC, HR, Procurement, ICT and R&D), financial targets account for 45% and relate to the Group results, the department budget and/or specific projects. Non-financial targets account for 55% linked to the development of the department for the future (for example structure, new products, M&A, human resources, compliance, etc.).

The CEO performs the evaluation of the other members of the Management Committee, and discusses the results of the evaluation with the Remuneration Committee.

With regard to article 520ter of the Companies Code, relating to the need to defer variable remuneration payments over a three year period in case certain thresholds are passed, the Board of Directors had proposed to the 2011 General Shareholder meeting to approve a deviation from the said rule in line with the possibility offered by the legislation, in order to allow the Board to review the Recticel situation in this regard. The 2011 General Shareholder meeting approved this proposal for the year 2011.

A review took place at the end of 2011 and the conclusion was that the principle of a deferral over a three year period of the variable remuneration payment would only be applicable to the Managing Director and CEO, Olivier Chapelle SPRL/BVBA, as all other members of the Management Committee remained below the 25% threshold.

The Remuneration Committee and the Board of Directors reviewed the various possibilities that the legislation offers for its application and finally decided that it would be in the best interest of the company to keep the variable remuneration payment structure at the same level for all Management Committee members. As the target variable remuneration bonus pay-out for the Managing Director and CEO surpasses the 25% maximum threshold, the Board will hence propose to the General Shareholder meeting to approve the said deviation from the principle of a deferral over three years, and hence to allow the full payment of the variable remuneration within one year.

It shall be finally noted that there exists no right of recovery in case the variable remuneration would have been granted based on incorrect financial data.

## II. Publication of the remunerations of the directors and the members of the executive management

### II.1. Gross remunerations of the directors

NAME	DIRECTOR'S FEES 2011	ATTENDANCE FEES	AUDIT COMMITTEE 2011	REMUNERATION AND APPOINTMENT COMMITTEE 2011	DIRECTORS' FEES PAID IN 2011 REGARDING 2010	REMUNERATION FOR SPECIAL ASSIGNMENTS
DAVIGNON Etienne	18 000,00	16 500,00	10 000,00	-	21 346,52	-
OLIVIER CHAPELLE BVBA	9 000,00	8 250,00	-	-	-	-
PAQUOT Guy	9 000,00	6 600,00	-	-	10 673,26	-
VEAN NV	-	-	-	-	-	-
BERGEN André Comm. Venn.	7 450,00	4 950,00	11 250,00	2 500,00	-	-
DE SMEDT Pierre Alain	5 760,99	3 300,00	-	-	-	-
DOUMIER Vincent	9 000,00	6 600,00	10 000,00	-	10 673,26	-
LOUIS VERBEKE BVBA	9 000,00	8 250,00	-	2 500,00	10 673,26	-
MERCATOR Verzekeringen NV	-	-	-	-	3 830,68	-
POL BAMELIS NV	3 239,01	3 300,00	-	-	10 673,26	-
SOGELAM NV	9 000,00	8 250,00	-	3 750,00	10 673,26	-
VANDEPOEL Wilfried	9 000,00	6 600,00	7 500,00	-	10 673,26	-
VAN DOORSLAER Tonny	9 000,00	6 600,00	10 000,00	-	10 673,26	-
WENDEL Klaus	1 550,00	1 650,00	3 750,00	-	10 673,26	-
ZOETE Jacqueline	9 000,00	6 600,00	-	-	6 842,58	-

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.

The remuneration of the executive director (Olivier Chapelle SPRL/BVBA) as included in the above overview is taken into account for his total compensation package on the basis of his management services agreement.

Commencing 1 April 2010 the mandate of the director of Vean NV is no longer remunerated. Vean NV however still receives a remuneration based on his management services agreement. From April 2010 through May 2012 Vean NV receives a fixed compensation of EUR 66,666.67 per month or EUR 800,000 per year.

The General Shareholder meeting of 2011 abolished the system of "tantièmes" (director fees linked to the profit/dividend of the Company) as it was not in line with the guidelines contained in the Belgian Corporate Governance Code 2009.

The 'tantièmes' were replaced by a fixed annual fee. For 2011 a fixed annual consideration was approved of EUR 9,000 for a director, and EUR 18,000 for the Chairman of the Board. For 2012, the proposal to be presented to the General Shareholder meeting will remain at the same level.



## II.2. Remuneration of the CEO and the other members of the Management Committee

TOTAL COST FOR THE COMPANY	OLIVIER CHAPELLE SPRL REPRESENTED BY OLIVIER CHAPELLE		OTHER MEMBERS OF THE MANAGEMENT COMMITTEE		TOTAL	
	2011	2010	2011	2010	2011	2010
Number of persons	1	1	12	10	13	11
Basic salary	442 000	442 000	2 842 930	2 172 581	3 284 930	2 614 581
Variable remuneration	280 000	200 000	614 857	790 935	894 857	990 935
<b>Subtotal</b>	<b>722 000</b>	<b>642 000</b>	<b>3 457 787</b>	<b>2 963 516</b>	<b>4 179 787</b>	<b>3 605 516</b>
Pensions	0	0	101 125	123 183	101 125	123 183
Other benefits	95 654	94 284	214 924	263 548	310 578	357 832
<b>Total</b>	<b>817 654</b>	<b>736 284</b>	<b>3 773 836</b>	<b>3 350 247</b>	<b>4 591 490</b>	<b>4 086 531</b>

### Remarks:

- The table above is established in line with the new guidance provided by the Belgian Corporate Governance Committee, meaning that for members with employee status, the gross salary is taken, without the employer social contributions, and for members utilising a management company, total remuneration fees invoiced for the year. The 2010 figures have hence been restated compared to the figures published in the 2010 Annual Report.
- The variable remuneration of Olivier Chapelle SPRL/BVBA for the year 2010 was fixed at the moment of the signing of the management services agreement at the end of 2009.
- Members of the Management Committee with an employee status also have a company vehicle (including fuel) and company mobile phone at their disposal. The cost thereof have been included in the above amount of 'other benefits'. Members of the Management Committee operating through a management company receive no such benefits, though certain costs may be invoiced separately, in which case they are also taken into account in the above overview.
- Note that EMPA Comm V left the Management Committee on 1 December 2012, and that two new members joined the committee during the year, respectively Mr. François Petit as from May 2011 and Mr. Rik De Vos as from September 2011. In the above overview, the costs of these three persons are taken up as spent for the relevant months.

With regard to group insurance and pension arrangements, a distinction needs to be made between members being employees, and members operating through a management company. The latter receive no group insurance or pension arrangements.

Members of the Management Committee with an employee status employed before 2001 are included in the Recticel Group Defined Benefit Plan. Members hired externally since 2001 are included in the Recticel Group Defined Contribution Plan. The service costs relating thereto have been included in the above overview.

## II.3. Shares, stock options and other rights to acquire shares

In line with the Corporate Governance Code, the Board of Directors requested the Annual General meeting of May 2010 for approval and obtained said approval for the issue of a stock option plan of maximum up to 600,000 warrants for the senior managers of the Group.

Following the fact that, since August 2010, the company was in a closed period for a long period, as a result of the European cartel investigation into Recticel, and during which the Company could not grant options, it was decided to postpone the 2010 series to further notice. After the end of the closed period on March 7th, 2011, the plan was finally relaunched and implemented at the end of May 2011.

The delayed 2010 plan involved a total of 354,500 warrants for a total of 50 managers. The exercise price was set at the average share price of the previous 30 days, i.e. EUR 7.69 and the exercise period will run from 1 January 2015 up to 29

May 2017. The total cost taken into account by the Company for this 2010 series amounts to EUR 1.227 per warrant or EUR 434,972 in total, spread over four years (year of issuance and three year vesting period).

The following members of the Management Committee received the following warrants for the 2010 series:

NAME	TOTAL NUMBER OF WARRANTS	TOTAL THEORETICAL VALUE OF WARRANTS AT ISSUANCE (*) IN EUR
Olivier Chapelle	50 000	61 350
Betty Bogaert	16 500	20 245
Marc Clockaerts	16 500	20 245
Jean-Pierre De Kesel	16 500	20 245
Jan De Moor	16 500	20 245
Caroline Deschaumes	16 500	20 245
Philippe Jous	16 500	20 245
Jean-Pierre Mellen	16 500	20 245
Bart Wallaey	16 500	20 245
Paul Werbrouck	16 500	20 245

(\*) The theoretical value is calculated by using a Black & Scholes formula, and taken into account certain hypotheses regarding dividend yield, interest rate and volatility.

For the Stock Option Plan 2011, the Board of Directors requested the Annual General meeting of May 2011 for approval and obtained said approval for the issue of a stock option plan of maximum up to 600,000 warrants for the senior managers of the Group.

The 2011 plan involved a total of 438,000 warrants for a total of 60 managers. The exercise price was set at the average share price of the previous 30 days, i.e. EUR 4.03 and the exercise period will run from 1 January 2015 up to 21 December 2017. The total cost taken into account by the Company for this 2011 series amounts to EUR 0.402 per warrant or EUR 176,076 in total, spread over four years (year of issuance and three year vesting period).

The following members of the Management Committee received the following warrants for the 2011 series:

NAME	TOTAL NUMBER OF WARRANTS	TOTAL THEORETICAL VALUE OF WARRANTS AT ISSUANCE (*) IN EUR
Olivier Chapelle	50 000	20 100
Betty Bogaert	16 500	6 633
Marc Clockaerts	16 500	6 633
Jean-Pierre De Kesel	16 500	6 633
Jan De Moor	16 500	6 633
Caroline Deschaumes	16 500	6 633
Philippe Jous	16 500	6 633
Jean-Pierre Mellen	16 500	6 633
Bart Wallaëys	16 500	6 633
Paul Werbrouck	16 500	6 633

(\*) The theoretical value is calculated by using a Black & Scholes formula, and taken into account certain hypotheses regarding dividend yield, interest rate and volatility.

During the year 2011, no stock options or warrants, shares or other rights to acquire shares were allocated to the members of the Board of Directors.

During 2011, no warrants were exercised by any member of the Management Committee.

#### II.4. Primary contractual assessment of recruitment and departure regulation for the members of the Management committee

Most agreements with the members of the Management Committee contain no specific end of contract regulation. Consequently common law is decisive. Some members do have such regulation in proportion to their seniority.

In that respect, you will find below an overview of the dismissal period and severance pay for each member of the Management Committee.

NAME	DISMISSAL PERIOD/ SEVERANCE PAY	COMMENTS
Olivier Chapelle	12 months	
Betty Bogaert	12 months	Legal minimum - Formule Claëys shall apply
Marc Clockaerts	18 months	12 months as from 2015
Jean-Pierre De Kesel	18 months	Legal minimum - Formule Claëys shall apply
Jan De Moor	18 months	
Rik De Vos	6 months	12 months as from September 2012
Philippe Jous	3 months	
Caroline Deschaumes	18 months	Legal minimum - Formule Claëys shall apply
Jean-Pierre Mellen	15 months	
François Petit	6 months	12 months as from May 2012
Bart Wallaëys	15 months	Legal minimum - Formule Claëys shall apply
Paul Werbrouck	21 months	Legal minimum - Formule Claëys shall apply

For the year 2011, the following new or renewed hirings took place regarding members of the Management Committee.

A services agreement with EMPA Comm V, represented by Mr. Edouard Dupont, Group General Manager Flexible Foams, was signed early 2011. This management services agreement provided for a termination period of three months. The agreement was ended in common agreement on 30 November 2011 without any severance pay.

As from 1 May 2011, Mr. François Petit was hired as Chief Procurement Officer. His employment agreement provides for a termination period of six months during the first year and twelve months thereafter.

As from 1 September 2011, Mr. Rik De Vos was hired as Group General Manager Flexible Foams. His employment agreement provides for a termination period of six months during the first year and twelve months thereafter.

## 8. Transactions and other contractual ties between the Company and affiliated companies and members of the Board of Directors or members of the Management committee

Chapter VII.1. of the Recticel Corporate Governance Charter describes Recticel NV's policy on related party transactions, that are not governed by the legal conflict of interest scheme.

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

More specifically, Recticel Group companies booked purchases worth EUR 1,349,896 and sales worth EUR 185,069 with companies of the Sioen Group during the year 2011.

During 2011, no conflicts of interests arose between a director and the Company as referred to in Articles 523 and 524 of the Belgian Companies Code, except in the context of the Stock Option Plan, 2010 and 2011 Editions as issued resp. in May and December 2011, when Mr. Olivier CHAPELLE had a conflict of interest. The above-mentioned articles were applied. Reference is made here to the statutory annual report, which contains an extract from the minutes of the Board of Directors held on 30 May 2011 and 22 December 2011.

No other applications occurred in this regard.

## 9. 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.

## 10. Relationships with the reference shareholders and other elements related to possible public takeover bids

Recticel SA/NV was controlled by a group of shareholders that were bound by a shareholder agreement dated 22 August 2007. This shareholder agreement runned for a period of three years. Since August 2010, the shareholder group tacitly continued the said arrangements, which can however be terminated at any moment with prior notice.

The shareholders hence continue to collectively support Recticel's strategy and take on a collective position in the Annual General meeting.

These shareholders linked by the 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 Financial Services and Markets Authority (FSMA) of the legally stipulated notification, and send in annual updates of their participation.

The shareholders acting in concert on 31 December 2011 were:

NAME	NUMBER OF SHARES	%
Compagnie du Bois Sauvage S.A.	8 447 356	29,20%
Entreprise et Chemin de Fer en Chine S.A.	308 024	1,06%
Vean N.V. (Luc Vansteenkiste)	567 188	1,96%
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	2 369	0,01%
Cape-3 BVBA (Jan De Moor)	4 200	0,01%
Sallas (Coopman-De Baedts)	103 377	0,36%
Physical persons owning < 1%	103 647	0,36%
Rec-Man & Co S.C.A.	295 836	1,02%
<b>TOTAL</b>	<b>10 636 868</b>	<b>36,77%</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:

NAME	NUMBER OF SHARES	%
Shareholders group around Compagnie du Bois Sauvage NV, acting in concert (detail above)	10 636 868	36,77%
Capfi Delen Asset Management NV	874 384	3,02%
Public	17 420 958	60,21%
<b>TOTAL</b>	<b>28 932 210</b>	<b>100,00%</b>

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" on the Recticel website ([www.recticel.com](http://www.recticel.com)).

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 extraordinary general meeting on 17 June 2011, 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 FSMA that a notice of public takeover was submitted.

Under article 15 of the articles of association, the Company is entitled to acquire or dispose of shares in the Company, without a decision by the 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 Belgian 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 over Recticel SA/NV:

- The Facility Agreement signed on 9 December 2011 between Recticel SA/NV and Recticel International Services Sa/NV on the one hand, and Fortis Bank SA/NV, ING Belgium SA/NV, Commerzbank Aktiengesellschaft Filiale Luxemburg and KBC Bank NV, on the other hand, for an amount of EUR 175,000,000, 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 event of a change of control over Recticel SA/NV.

These clauses were, or will be specifically approved by Recticel's General Shareholder Meeting.

# 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 plastics. 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 Registration, Evaluation and Authorization of Chemical substances 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

<b>Appropriated capital</b>	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.
<b>Appropriated capital, Average</b>	Half yearly: 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. For the full year: average of the half yearly averages.
<b>Associated companies</b>	Entities in which Recticel has a significant influence and that are processed using the equity-method.
<b>CGU</b>	Is short for Cash Generating Unit or cash flow generating unit.
<b>Earnings per share, base</b>	Net result for the period (Group share) / Average outstanding shares over the period.
<b>Earnings per share, diluted</b>	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)].
<b>EBIT</b>	Operating results + profit or loss from equities.
<b>EBITDA</b>	EBIT + depreciation and additional impairments/increases on assets.
<b>Equity capital</b>	Total equity, including minority interests.
<b>Gearing ratio</b>	Net financial debt / Total equity (including shares of external parties).
<b>Investments</b>	Capitalized investments in tangible and intangible assets.
<b>Joint ventures</b>	Entities that are controlled jointly and that are consolidated proportionately.
<b>Market capitalization</b>	Closing price x total number of outstanding shares.
<b>Net financial debt</b>	Interest bearing financial debts at more than one year + interest bearing financial debts within maximum one year – cash flows and cash equivalents.
<b>Non-recurring elements</b>	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.
<b>Recurring EBIT(DA) or REBIT(DA)</b>	EBIT(DA) for non-recurring elements.
<b>Return on Capital Employed</b>	EBIT / average appropriated capital.
<b>Return on Equity (ROE)</b>	Net result for the period (share of the Group) / Average total equity over the period (the Group's share).
<b>ROCE</b>	Represents Return on Capital Employed.
<b>Subsidiaries</b>	Fully consolidated entities under Recticel control.
<b>Working capital</b>	Inventories + trade receivables + other receivables + recoverable taxes - trade payables - payable taxes - other commitments.
<b>VVPR</b>	Is short for Reduced Tax / Précompte Réduit.
<b>VVPR-strip</b>	Gives the holder the right to collect a dividend with a reduced withholding tax of 15% (instead of 25%).







# Financial Report



## 4. Financial Report

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<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 01 March 2011.

## I.1. Consolidated income statement

in thousand EUR			
Group Recticel	NOTES*	2011	2010
<b>Sales</b>	II.3.	<b>1 378 122</b>	<b>1 348 430</b>
<b>Distribution costs</b>		<b>(65 182)</b>	<b>(64 768)</b>
<b>Cost of sales</b>		<b>(1 101 628)</b>	<b>(1 066 780)</b>
<b>Gross profit</b>		<b>211 312</b>	<b>216 882</b>
General and administrative expenses		(85 059)	(80 367)
Sales and marketing expenses	II.2.	(73 836)	(74 331)
Research and development expenses		(14 820)	(15 794)
Impairments		(5 260)	(10 800)
<i>Other operating revenues<sup>(1)</sup></i>		17 430	69 270
<i>Other operating expenses<sup>(2)</sup></i>		(9 067)	(79 345)
Other operating result <sup>(1)+(2)</sup>	II.4.1.	8 363	(10 075)
Income from associates		1 741	935
Income from investments	II.4.3.	(406)	1 164
<b>EBIT</b>		<b>42 035</b>	<b>27 614</b>
Interest income		376	501
Interest expenses		(13 646)	(12 271)
Other financial income		18 224	21 823
Other financial expenses		(21 638)	(27 148)
<b>Financial result</b>	II.4.4.	<b>(16 684)</b>	<b>(17 095)</b>
<b>Result of the period before taxes</b>		<b>25 351</b>	<b>10 519</b>
Income taxes	II.4.5.	(7 933)	4 108
<b>Result of the period after taxes</b>		<b>17 418</b>	<b>14 627</b>
of which non-controlling interests		0	(188)
of which share of the Group		17 418	14 439

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

## I.2. Consolidated statement of comprehensive income

in thousand EUR		
Group Recticel	2011	2010
<b>Result of the period after taxes</b>	<b>17 418</b>	<b>14 627</b>
Hedging reserves	(1 396)	(1 329)
Foreign currency translation differences	(2 502)	1 760
Foreign currency translation differences recycled in the income statement	551	7 962
Deferred taxes on interest hedging reserves	470	104
<b>Other comprehensive income net of tax</b>	<b>(2 877)</b>	<b>8 497</b>
<b>Total comprehensive income of the period including recycled foreign currency translation reserves</b>	<b>14 541</b>	<b>23 124</b>
<b>Total comprehensive income of the period</b>	<b>14 541</b>	<b>23 124</b>
of which share of the Group	14 541	22 936
of which non-controlling interests	0	188

## I.3. Earnings per share

in EUR			
Group Recticel	NOTES *	2011	2010
Basic earnings per share	II.4.7.	0.60	0.50
Diluted earnings per share	II.4.8.	0.55	0.49

## I.4. Consolidated balance sheet

in thousand EUR			
Group Recticel	NOTES *	2011	2010
Intangible assets	II.5.1.	12 580	13 307
Goodwill	II.5.2.	34 688	34 365
Property, plant & equipment	II.5.3.& II.5.4.	255 347	270 979
Investment property	II.5.5.	3 331	896
Interests in associates	II.5.7.	12 957	15 451
Other financial investments	II.5.8.	3 399	1 151
Available for sale investments	II.5.9.	121	86
Non-current receivables	II.5.10.	8 305	10 070
Deferred tax	II.4.5.	50 290	55 739
<b>Non-current assets</b>		<b>381 018</b>	<b>402 044</b>
Inventories and contracts in progress	II.5.11. & II.5.12.	116 002	113 671
Trade receivables	II.5.13.	132 910	141 783
Other receivables	II.5.13.	39 567	62 285
Income tax receivables	II.4.5.	3 847	3 552
Other investments		205	181
Cash and cash equivalents	II.5.14.	54 575	53 938
<b>Current assets</b>		<b>347 106</b>	<b>375 410</b>
<b>Total assets</b>		<b>728 124</b>	<b>777 454</b>

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

in thousand EUR			
Group Recticel	NOTES *	2011	2010
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		85 191	75 179
Hedging and translation reserves		(15 739)	(12 853)
<b>Equity - share of the Group</b>		<b>248 794</b>	<b>241 668</b>
Non-controlling interests		0	0
<b>Total equity</b>		<b>248 794</b>	<b>241 668</b>
Pensions and similar obligations	II.5.17.	35 289	34 988
Provisions	II.5.18.	12 964	24 452
Deferred tax	II.4.5.	9 134	8 800
<i>Bonds and notes</i>	II.5.19.	44 546	39 780
<i>Financial leases</i>	II.5.21.	11 024	13 285
<i>Bank loans</i>	II.5.19.	79 534	111 977
<i>Other loans</i>	II.5.19.	2 111	2 082
Interest-bearing borrowings	II.5.19.	137 215	167 124
Other amounts payable	II.5.20.	353	510
<b>Non-current liabilities</b>		<b>194 955</b>	<b>235 874</b>
Pensions and similar obligations	II.5.17.	3 126	3 846
Provisions	II.5.18.	6 328	14 480
Interest-bearing borrowings	II.5.19.	67 680	45 691
Trade payables	II.5.23.	119 274	141 887
Income tax payables	II.4.5.	3 974	7 542
Other amounts payable	II.5.23.	83 993	86 466
<b>Current liabilities</b>		<b>284 375</b>	<b>299 912</b>
<b>Total liabilities</b>		<b>728 124</b>	<b>777 454</b>

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

## 1.5. Consolidated cash flow statement

in thousand EUR			
Group Recticel	NOTES *	2011	2010
<b>EARNINGS BEFORE INTEREST AND TAXES (EBIT)</b>	II.1.	<b>42 035</b>	<b>27 614</b>
Amortisation of intangible assets	II.5.1.	3 695	4 184
Depreciation of tangible assets	II.5.3.	36 760	39 780
Amortisation of deferred long term and upfront payment	II.4.2.	1 049	1 157
Impairment losses on intangible assets	II.5.1.	41	91
impairment losses on tangible assets	II.5.3.	4 680	10 709
Impairment goodwill	II.5.2.	539	0
Write-offs on assets		54	(235)
Changes in provisions		(21 829)	3 374
Fair value gains		(4 093)	0
(Gains) / Losses on disposals of assets		(1 254)	1 916
Income from associates	II.4.2.	(1 740)	(935)
<b>GROSS OPERATING CASH FLOW</b>		<b>59 937</b>	<b>87 655</b>
Inventories		(2 103)	(7 515)
Trade receivables		5 440	(1 401)
Other receivables		21 098	(4 145)
Trade payable		(28 641)	18 424
Other payable		(3 624)	(11 330)
<b>Changes in working capital</b>		<b>(7 830)</b>	<b>(5 967)</b>
Income taxes paid		(6 385)	(4 330)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>45 722</b>	<b>77 358</b>
Interests received		354	2 208
Dividends received		1 991	954
New investments and subscriptions to capital increases		(4 239)	0
(Increase) / Decrease of loans and receivables		2 329	(657)
Investments in intangible assets	II.5.1.	(1 030)	(3 436)
Investments in property, plant and equipment	II.5.2.	(23 729)	(26 646)
Acquisitions of subsidiaries	II.5.8.	408	(708)
Investments in associates		(142)	(25)
Disposals of intangible assets	II.5.1.	55	268
Disposals of property, plant and equipment	II.5.2.	4 941	2 105
Disposals of investment property	II.5.2.	726	0
Disposals in subsidiaries	II.5.8.	1 809	143
Disposals in associates	II.5.8.	3 699	704
Disposals of investments available for sale		69	0
(Acquisition)/Disposal of other current financial assets		(24)	(26)
<b>NET CASH FLOW FROM INVESTMENT ACTIVITIES</b>		<b>(12 783)</b>	<b>(25 116)</b>
Interests paid		(11 196)	(10 552)
<b>NET FREE CASH FLOW</b>		<b>21 743</b>	<b>41 690</b>
Dividends paid		(7 707)	(7 256)
Increase of financial debt		58 146	8 007
(Decrease) of financial debt		(72 093)	(33 254)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>(32 850)</b>	<b>(43 055)</b>
Effect of exchange rate changes		(24)	(4 859)
Effect of changes in scope of consolidation and of foreign currency translation reserves recycled		572	8 222
<b>CHANGES IN CASH AND CASH EQUIVALENTS</b>		<b>637</b>	<b>12 550</b>
Net cash position opening balance		53 938	41 388
Net cash position closing balance		54 575	53 938
<b>CHANGES IN CASH POSITION</b>		<b>637</b>	<b>12 550</b>

\* 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** decreased by EUR 27.7 million or -31.6% compared to last year. The variance is primarily the result of the movements in provisions (EUR 21.8 million), mainly due to cash outlays for restructurings (EUR 17.0 million). Fair value gains (EUR 4.1 million) relate to the recognition at fair value of investment property (EUR 2.8 million) and a financial investment (EUR 1.3 million).

The **net cash flow from operating activities** fell by EUR 31.6 million or -40.1% compared to last year. This negative variance is the result of the lower gross operating cash flow, a higher working capital need (EUR -7.8 million versus EUR -6.0 million in 2010) and a higher amount of income tax paid (EUR -6.4 million versus EUR -4.3 million in 2010).

The **changes in working capital** of EUR -7.8 million have been impacted by the higher value of the raw material inventory that increased (EUR 2.1 million), due to higher price levels. Besides there was a substantial decrease of the trade payables (EUR -28.6 million versus EUR 18.4 million in 2010) and other payables (EUR -3.6 million versus EUR -11.3 million). This negative effect, however, was partially financed by a decrease in trade receivables (EUR +5.4 million versus EUR -1.4 million) and other receivables (EUR +21.1 million versus EUR -4.1 million), which are linked to an additional

use of non-recourse factoring/forfeiting programs in Belgium, France, Germany and the United Kingdom for EUR 25.8 million.

The **net cash flow from investment** activities amounted to EUR -12.8 million versus EUR -25.1 million in 2010.

The **net operational free cash flow** resulting from (i) the net cash from operating activities (EUR +45.7 million) (ii) the net cash flow from investment activities (EUR -12.8 million) and (iii) the interests paid (EUR -11.2 million), amounts to EUR +21.8 million, compared to EUR +41.7 million in 2010.

The **cash flow from financing activities** amounts to EUR -32.9 million versus EUR -43.1 million in 2010. Interests paid (EUR -11.2 million versus EUR -10.6 million in 2010) and dividends paid (EUR -7.7 million versus -7.3 million in 2010) were slightly higher. Gross financial debt was further reduced by a net amount of EUR 13.9 million in 2011, which is mainly explained by (i) the net result (EUR -48.7 million) of the anticipated repayment of the old "club deal" loan with the proceeds from the new "club deal", (ii) the new bonds and notes contracted by Eurofoam (EUR +20 million) and (iii) other net short term loans and bank overdrafts (EUR +14.5 million).

## 1.6. Statement of changes in shareholders' equity

For the year ending 2011

in thousand EUR									
Group Recticel	CAPITAL	SHARE PREMIUM	IFRS 2 OTHER CAPITAL RESERVES	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>1 801</b>	<b>73 378</b>	<b>(6 954)</b>	<b>(5 899)</b>	<b>241 668</b>	<b>0</b>	<b>241 668</b>
Dividends	0	0	0	(7 812)	0	0	(7 812)	0	(7 812)
Stock options (IFRS 2)	0	0	406	0	0	0	406	0	406
<b>Shareholders' movements</b>	<b>0</b>	<b>0</b>	<b>406</b>	<b>(7 812)</b>	<b>0</b>	<b>0</b>	<b>(7 406)</b>	<b>0</b>	<b>(7 406)</b>
<b>Result for the period (1)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>17 418</b>	<b>0</b>	<b>0</b>	<b>17 418</b>	<b>0</b>	<b>17 418</b>
Gains (losses) on cash flow hedge <sup>(1)</sup>	0	0	0	0	0	(1 384)	(1 384)	0	(1 384)
Deferred taxes	0	0	0	0	0	470	470	0	470
Translation differences <sup>(2)</sup>	0	0	0	0	(2 503)	(12)	(2 515)	0	(2 515)
Foreign currency translation reserves recycled in income statement	0	0	0	0	551	0	551	0	551
<b>Other comprehensive income (2)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1 952)</b>	<b>(926)</b>	<b>(2 878)</b>	<b>0</b>	<b>(2 878)</b>
<b>'Comprehensive income'(1)+(2)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>17 418</b>	<b>(1 952)</b>	<b>(926)</b>	<b>14 540</b>	<b>0</b>	<b>14 540</b>
<b>Change in scope</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(8)</b>	<b>0</b>	<b>(8)</b>	<b>0</b>	<b>(8)</b>
<b>At the end of the period</b>	<b>72 329</b>	<b>107 013</b>	<b>2 207</b>	<b>82 984</b>	<b>(8 914)</b>	<b>(6 825)</b>	<b>248 794</b>	<b>0</b>	<b>248 794</b>

<sup>(1)</sup> hedging interest reserves: EUR -1,384K

<sup>(2)</sup> hedging net investment: EUR -12K

For the year ending 2010

in thousand EUR

Group Recticel	CAPITAL	SHARE PREMIUM	IFRS 2 OTHER CAPITAL RESERVES	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>1 409</b>	<b>66 173</b>	<b>(16 721)</b>	<b>(4 674)</b>	<b>225 529</b>	<b>429</b>	<b>225 958</b>
Dividends	0	0	0	(7 234)	0	0	(7 234)	0	(7 234)
Stock options (IFRS 2)	0	0	392	0	0	0	392	0	392
<b>Shareholders' movements</b>	<b>0</b>	<b>0</b>	<b>392</b>	<b>(7 234)</b>	<b>0</b>	<b>0</b>	<b>(6 842)</b>	<b>0</b>	<b>(6 842)</b>
<b>Result for the period (1)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>14 439</b>	<b>0</b>	<b>0</b>	<b>14 439</b>	<b>188</b>	<b>14 627</b>
Gains (losses) on cash flow hedge <sup>(1)</sup>	0	0	0	0	0	(305)	(305)	0	(305)
Deferred taxes	0	0	0	0	0	104	104	0	104
Translation differences <sup>(2)</sup>	0	0	0	0	1 760	(1 024)	736	0	736
Foreign currency translation reserves recycled in income statement	0	0	0	0	7 962	0	7 962	0	7 962
<b>Other comprehensive income (2)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9 722</b>	<b>(1 225)</b>	<b>8 497</b>	<b>0</b>	<b>8 497</b>
<b>'Comprehensive income'(1)+(2)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>14 439</b>	<b>9 722</b>	<b>(1 225)</b>	<b>22 936</b>	<b>188</b>	<b>23 124</b>
<b>Change in scope</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>45</b>	<b>0</b>	<b>45</b>	<b>(617)</b>	<b>(572)</b>
<b>At the end of the period</b>	<b>72 329</b>	<b>107 013</b>	<b>1 801</b>	<b>73 378</b>	<b>(6 954)</b>	<b>(5 899)</b>	<b>241 668</b>	<b>0</b>	<b>241 668</b>

<sup>(1)</sup> hedging interest reserves: EUR -305K<sup>(2)</sup> hedging net investment: EUR -1,024K

## II. Notes to the consolidated financial statements for the year ending 31 December 2011

### 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 and the Group's interest in associates accounted for under the equity method (together referred to as "the Group").

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 2010.

Following Standards and Interpretations that became applicable for 2011 had no material effect on the financial statements:

- 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 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)

The Group has elected not to adopt in 2011 any standards or interpretations in advance of their effective application dates:

- IFRS 9 Financial Instruments and subsequent amendments (applicable for annual periods beginning on or after 1 January 2015)
- IFRS 10 Consolidated Financial Statements (applicable for annual periods beginning on or after 1 January 2013)
- IFRS 11 Joint Arrangements (applicable for annual periods beginning on or after 1 January 2013)
- IFRS 12 Disclosures of Interests in Other Entities (applicable for annual periods beginning on or after 1 January 2013)
- IFRS 13 Fair Value Measurement (applicable for annual periods beginning on or after 1 January 2013)
- Amendments 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)
- Amendments to IFRS 7 Financial Instruments: Disclosures – Derecognition (applicable for annual periods beginning on or after 1 July 2011)
- Amendments to IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income (applicable for annual periods beginning on or after 1 July 2012)
- Amendments to IAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets (applicable for annual periods beginning on or after 1 January 2012)
- Amendments to IAS 19 Employee Benefits (applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IAS 27 Separate Financial Statements (applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IAS 28 Investments in Associates and Joint Ventures (applicable for annual periods beginning on or after 1 January 2013)
- Amendments to IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (applicable for annual periods beginning on or after 1 January 2014)
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (applicable for annual periods beginning on or after 1 January 2013)

Except for IFRS 11 – Joint Arrangements and IAS 19 Employee Benefits, the Group does not expect that the above-mentioned standards and interpretations would have a material impact on the consolidated financial statements of Recticel. Application of IFRS 11 will require to present joint ventures on the basis of the equity method. Reference is made to note 11.6.7. for the contribution of the joint ventures in the consolidated accounts of Recticel as of 31 December 2011 and as of 31 December 2010.

## II.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 financial result of the income statement, except when deferred in equity.

For purposes of presenting consolidated financial statements, the 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 other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate). On disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), exchange differences accumulated in equity are recognised in the income statement.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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.

The Group reports its interests in jointly controlled entities using proportionate consolidation, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The Group's share of the assets, liabilities, income and expenses of jointly controlled entities is combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising in a business combination (see below under Business Combinations).

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group's consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

### • Associates

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with IAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

### • Business combinations

Acquisitions of 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.

## II.1.3. Balance sheet items

### Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

### **Internally-generated intangible assets - research and development expenditure**

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

### **Intangible assets acquired in a business combination**

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

### **Derecognition of intangible assets**

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

### **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, except for land which is not depreciated. Cost includes all direct costs and all expenditure incurred to bring the asset to its working condition and location for its intended use.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Subsequent expenditure related to an item of property, plant and equipment is expensed as incurred.

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, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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 – Recticel as lessee**

#### **• 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 shorter of its useful life and 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 and intangible assets with an indefinite useful life which are 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.

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 (or 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 (or 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 multi-annual 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 necessary to make the sale.

#### 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.

#### II.1.4. Revenue recognition

##### General

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.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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 recognised when it is probable that these will be accepted by the customer and the amounts can be measured reliably.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. 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 are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

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.

### II.1.5. Critical accounting assessments and principal sources of uncertainty

Drawing up the annual accounts in accordance with IFRS requires 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 which may have a financial impact on the Group are also included in this.

The estimated results of such possible future events may consequently diverge from the actual impact on results. Assessments and estimates were made, inter alia, regarding:

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

It can not be excluded that future revisions of these 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.).

The book value of the assets retained for impairment examination represents about 38.5% of the total goodwill, 28.7% of the total property, plant and equipment and 30.8% of the total intangible assets. The examined assets relate to the Flexible Foams' activities in the United Kingdom and in Spain, as well as to the Automotive operations of the Group.

The most relevant results of these examinations are listed below:

For the impairment examination of the balance sheet items included in the table above, certain assumptions were made. 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 considering the business decisions taken, i.e. closure of certain plants (Automotive and Flexible Foams), it was decided to account for impairments for a total amount of EUR 5.3 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 trustworthy external information sources. It can however not be excluded that a future reassessment of assumptions and/or market analysis induced by future developments in the economic environment might lead to the recognition of additional impairments.

For the discounting of the future cash flows, an overall Group-based discount rate of 8.0% is used for all CGUs. This discount rate 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.

#### 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 budgets and financial plans covering a three-year period. After this 3-year period, a perpetuity value is taken into account without growth rate. 2011 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. A major restructuring plan has been initiated in 2011 and is planned for execution over a 3-year period until 2014. The closing of the "Carobel" plant in 2H/2011 was the first phase. Management expects operations to recover after the reorganisation as a result of improvement of the industrial performance and better gross margins.

Book value in thousand EUR						
Group Recticel	FLEXIBLE FOAMS			AUTOMOTIVE		TOTAL
	United Kingdom	Spain	Other	Interiors	Seating Proseat	
Goodwill	4 388	0	539	0	8 977	13 904
Other intangible assets	327	155	0	1 451	1 944	3 877
Property, plant & equipment	4 995	10 643	1 367	41 672	16 092	74 769
<b>Total</b>	<b>9 710</b>	<b>10 798</b>	<b>1 906</b>	<b>43 123</b>	<b>27 013</b>	<b>92 550</b>
Impairments	0	0	(1 906)	(3 243)	(111)	(5 260)
<b>Net book value</b>	<b>9 710</b>	<b>10 798</b>	<b>0</b>	<b>39 880</b>	<b>26 902</b>	<b>87 290</b>

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

For the CGU "Flexible Foams – Spain", the value-in-use projections are based on budgets and financial plans covering a three-year period. After this 3-year period, a perpetuity value is taken into account without growth rate. Slimming down the workforce and a reduction in the number of plants are intended to return Spain to profitability by 2014. The value-in-use is dependent on the successful implementation of the business plan. The future cash flows consequently take account of the 2012-2015 business plan and a perpetuity value based on an expected operating cash flow in 2015 without growth rate.

Under the heading "Flexible Foams - Other", the impairment amounting to EUR -1.9 million relates mainly to an idle machine located in Turkey.

#### **Discount rate:**

The discount rate used amounts to 8% and is based on a weighted average cost of capital (WACC) based on the current market expectations of the time value of money and risks for which future cash flows must be adjusted. On this basis, the value-in-use of the CGU "Flexible Foams – United Kingdom" amounts to 2.1 times the net asset book value and the value-in-use of the CGU "Flexible Foams – Spain" amounts to 1.8 times the net asset book value.

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

A sensitivity analysis is performed to measure the impact of a changing WACC rate on the outcome of the impairment tests.

Consequently,

- the value in use of the CGU "Flexible Foams – United Kingdom" – discounted at 9% still amounts to 1.9 times the book value, and
- the value in use of the CGU "Flexible Foams – Spain" – discounted at 9% also amounts to still 1.6 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 budgets and financial plans for the duration of each project/model, in combination with an overview of the entire capacity utilisation. Strongly impacted by the economic crisis in 2009, which affected the Automotive - Interiors activities, the profitability level improved significantly in 2010 and 2011 as a result of the reorganisation and other efficiency programs. Project assets are depreciated over the project life time. As such, at the end of the project production life time, there will be no residual book value of specific project related 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:

- A 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, it has been assumed that the residual bookvalue of the assets that will become available before December 2012, and for which there is yet no reallocation determined, should be totally depreciated.

This approach has led to an impairment in 2011 of EUR 3.2 million.

"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 2012 have been adapted to the most recent information available in terms of programs and volumes. Plans for the years 2013-2017 have been established according to future programme information and actual programs' profitabilities. The 2017 plan is used as the basis for the perpetuity calculation with no growth rate. The chemical raw material prices have been adjusted in all years according to 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 1.8 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. Excluding the growth rate of 1% in the perpetuity analysis, and with a discount rate of 8% the value in use of the CGU "Proseat" would still amount to 1.7 times the book value of the long term assets.

##### **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, to the extent that 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 2011, the following main changes occurred in the scope of consolidation of the Group:

- the Group's subsidiary Enipur b.v. (The Netherlands) which, with effect as from 1 July 2011, is consolidated following the global consolidation method (previously 50% following the proportional consolidation method).
- As from 1 July 2011 Recticel GuKoTech GmbH has been sold.

To be able to compare the 2011 figures with those of 2010, it is also necessary to take account of the following changes in 2010:

- With effect as from 1 July 2010 the Group sold its "slat base" activities (Bedding) in Masevaux (France)

Consolidated sales increased by EUR 29.7 million (+ 2.2%) to EUR 1,378.1 million.

With the same scope of consolidation and at unchanged exchange rates, sales would have risen by 2.12% (EUR +28.6 million). The changes in the scope of consolidation resulted in a net decrease of sales by EUR 1.2 million (-0.09%). Exchange differences had a positive impact of EUR 2.4 million (+0.17%).

## 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 the internal reporting structure of the Group that allows a regular performance review by the chief operating decision maker and an adequate allocation of resources to each segment. The identification of the Group's reportable segments has not changed following the adoption of IFRS 8. The information reported to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment per segment is more specifically focussed on Sales, EBITDA, EBIT Capital Employed and Operational Cash Flow per segment. The principal market segments 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 2011

in thousand EUR						
Group Recticel	FLEXIBLE FOAMS	BEDDING	AUTOMOTIVE	INSULATION	ELIMINATIONS	CONSOLIDATED
<b>SALES</b>						
External sales	539 187	291 569	324 324	223 042		<b>1 378 122</b>
Inter-segment sales	56 974	582	480	34	(58 070)	<b>0</b>
<b>Total sales</b>	<b>596 161</b>	<b>292 151</b>	<b>324 804</b>	<b>223 076</b>	<b>(58 070)</b>	<b>1 378 122</b>
<b>EARNINGS BEFORE INTEREST AND TAXES (EBIT)</b>						
Segment result	7 488	10 917	2 755	35 840	0	<b>57 000</b>
Unallocated corporate expenses <sup>(1)</sup>						<b>(14 965)</b>
<b>EBIT</b>	<b>7 488</b>	<b>10 917</b>	<b>2 755</b>	<b>35 840</b>	<b>0</b>	<b>42 035</b>
Financial result						(16 684)
<b>Result for the period before taxes</b>						<b>25 351</b>
Income taxes						(7 933)
<b>Result for the period after taxes</b>						<b>17 418</b>
of which non-controlling interests						<b>0</b>
of which share of the Group						<b>17 418</b>

<sup>(1)</sup> Includes mainly headquarters' costs (EUR 12,0 million (2010: EUR 14,5 million)) and R&D expenses (Corporate Programme) (EUR 3,0 million (2010: EUR 3,3 million)).

Other information 2011

in thousand EUR						
Group Recticel	FLEXIBLE FOAMS	BEDDING	AUTOMOTIVE	INSULATION	CORPORATE	CONSOLIDATED
Depreciation and amortisation	13 228	5 725	18 269	3 594	688	<b>41 504</b>
Impairment losses recognised in profit and loss	1 906	0	3 354	0	0	<b>5 260</b>
EBITDA	22 622	16 642	24 378	39 434	(14 277)	<b>88 799</b>
Capital expenditure	12 068	1 963	6 988	9 041	3 281	<b>33 340</b>



### Impairment

In 2011, impairments were recognised mainly in respect to a number of tangible assets in the Czech Republic (Automotive – Interiors) and Turkey (Flexible Foams).

The Board of Directors examined and evaluated the carrying values of (i) the intangible assets, (ii) the goodwill and (iii) the tangible assets, as well as the assumptions used for the impairment

examinations (see section II.1.5.), and concluded that for 2011, apart from the cases mentioned, there was no need for additional impairments.

However, this judgment may be revised in future periods, should indications arise that future cash flow generation could be negatively influenced by new developments.

Balance sheet at 31 December 2011

in thousand EUR

Group Recticel	FLEXIBLE FOAMS	BEDDING	AUTOMOTIVE	INSULATION	ELIMINATION	CONSOLIDATED
<b>ASSETS</b>						
Segment assets	320 578	100 984	170 360	102 133	(119 500)	<b>574 555</b>
Investment in associates	13 436	0	0	(479)	0	<b>12 957</b>
Unallocated corporate assets						<b>140 612</b>
<b>Total consolidated assets</b>						<b>728 124</b>
<b>LIABILITIES</b>						
Segment liabilities	135 982	51 003	73 529	47 519	(119 500)	<b>188 533</b>
Unallocated corporate liabilities						<b>290 797</b>
<b>Total consolidated liabilities (excluding equity)</b>						<b>479 330</b>

The unallocated assets which amount to EUR 140.6 million include mainly the following items:

- Other receivables for EUR 10.1 million
- Deferred tax assets for EUR 50.3 million
- Cash & cash equivalent for EUR 54.6 million.

The unallocated liabilities which amount to EUR 290.8 million (equity excluded) include mainly the following items:

- Provisions for EUR 66.8 million
- Interest-bearing borrowings and bonds and notes for EUR 204.8 million

Income statement for the year 2010

in thousand EUR

Group Recticel	FLEXIBLE FOAMS	BEDDING	AUTOMOTIVE <sup>(1)</sup>	INSULATION	ELIMINATIONS	CONSOLIDATED
<b>SALES</b>						
External sales	543 973	292 679	324 416	187 362	0	<b>1 348 430</b>
Inter-segment sales	58 754	604	478	56	(59 892)	<b>0</b>
<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	<b>46 400</b>
Unallocated corporate expenses <sup>(2)</sup>						<b>(18 786)</b>
<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						<b>(17 095)</b>
<b>Result for the period before taxes</b>						<b>10 519</b>
Income taxes						<b>4 108</b>
<b>Result for the period after taxes</b>						<b>14 627</b>
of which non-controlling interests						<b>(188)</b>
of which share of the Group						<b>14 439</b>

<sup>(1)</sup> 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.

<sup>(2)</sup> 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)	<b>83 535</b>
Capital expenditure	10 346	4 002	11 239	6 677	2 910	<b>35 174</b>

**Impairment**

In 2010, impairments were recognised mainly in respect of a number of tangible assets in Germany (Automotive – Interiors), Spain (Flexible Foams) and Belgium (Automotive – Seating (Proseat)).

The Board of Directors examined and evaluated the carrying values of (i) the intangible assets, (ii) the goodwill and (iii) the tangible assets as well as the assumptions used for the impairment

examinations (see section II.1.5), and concluded that for 2010, apart from the cases mentioned, there was no need for additional impairments.

However, this judgment may be revised in future periods, should indications arise that future cash flow generation could be negatively influenced by new developments.

## Balance sheet at 31 December 2010

in thousand EUR						
Group Recticel	FLEXIBLE FOAMS	BEDDING	AUTOMOTIVE	INSULATION	ELIMINATIONS	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	(479)	0	<b>15 451</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

## Non-recurring elements in the operating result per segment

in thousand EUR

Group Recticel	FLEXIBLE FOAMS	BEDDING	AUTOMOTIVE	INSULATION	NOT ALLOCATED	CONSOLIDATED
<b>2011</b>						
Impairment	(1 906)	0	(3 354)	0	0	(5 260)
Restructuring charges	(233)	344	(221)	0	(492)	(602)
Loss on liquidation or disposal of financial assets	(115)	0	(38)	0	0	(153)
Gain on disposal of financial assets	50	0	0	0	0	50
Fair value gain on investment property	0	0	0	0	2 800	2 800
Other	(683)	(605)	(631)	0	0	(1 919)
<b>TOTAL</b>	<b>(2 886)</b>	<b>(261)</b>	<b>(4 244)</b>	<b>0</b>	<b>2 308</b>	<b>(5 083)</b>
<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>

## 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 (by region of production)

in thousand EUR

Group Recticel	2011	2010
Belgium	160 372	149 990
France	151 903	146 126
Germany	312 247	317 579
Other EU countries	594 031	581 069
<b>European Union</b>	<b>1 218 553</b>	<b>1 194 764</b>
Other	159 569	153 666
<b>Total</b>	<b>1 378 122</b>	<b>1 348 430</b>

Reliance on major customers: The Group has no major customers that represent more than 10% of total external revenues.

## Intangible assets – property, plant &amp; equipment – investment property

in thousand EUR

Group Recticel	31 DEC 2011	31 DEC 2010	ACQUISITIONS, INCLUDING OWN PRODUCTION	
			2011	2010
Belgium	70 814	66 276	10 779	10 828
Germany	49 174	53 284	6 144	9 616
Other EU countries	138 510	151 135	15 143	13 642
<b>European Union</b>	<b>258 498</b>	<b>270 695</b>	<b>32 066</b>	<b>34 086</b>
Other	12 760	14 487	1 274	1 088
<b>Total</b>	<b>271 258</b>	<b>285 182</b>	<b>33 340</b>	<b>35 174</b>

## II.4. Income statement

### II.4.1. Other operating revenues and expenses

in thousand EUR		
Group Recticel	2011	2010
Other operating revenues	17 430	69 270
Other operating expenses	(9 067)	(79 345)
<b>TOTAL</b>	<b>8 363</b>	<b>(10 075)</b>
Restructuring costs	(1 849)	(19 765)
Gain (Loss) on disposal of intangible and tangible assets	2 390	1 066
Gain (Loss) on disposal of financial assets	(93)	(2 261)
Fair value gains	4 094	0
Other	3 820	10 885
<b>TOTAL</b>	<b>8 363</b>	<b>(10 075)</b>

#### Restructuring

During 2011, restructurings were carried out in various locations or declarations of intent were made to do so in a number of plants. Net restructuring charges were composed of (i) new provisions for reorganisation and onerous contracts (EUR 3.0 million), (ii) the reversal of previously existing provisions for reorganisation and onerous contracts (EUR 2.9 million) and (iii) the use in cash of existing provisions for reorganisation and onerous contracts (EUR 173 million). Restructuring charges mainly related to the Flexible Foams activities in Spain and Belgium (use of 2010 provisions for reorganisation), compensated by new restructuring charges in Finland, The Netherlands and the United Kingdom. In Automotive new provisions for restructurings were mainly recognised in:

- (i) Seating (Proseat): in France, Germany and Spain, and
- (ii) Interiors: in the USA and Germany, compensated by a reversal of excess provisions in Belgium.

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 announced in 2010 related to 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).

#### Gain (loss) on disposal of intangible and tangible assets

In 2011 this item related to a capital gain on the sale of: (i) an office building in Switzerland (Bedding) (EUR 1.3 million), (ii) an industrial building in The Netherlands (EUR 0.7 million), (iii) land in Belgium (EUR 0.2 million) and land in Poland (EUR 0.2 million).

The restructuring of certain activities conducted in 2009 and 2010, led to the sale of some assets that were no more operational. These sale transactions generated in 2010 the recognition of a net capital gain for EUR 1.1 million.

#### Gain (loss) on disposal of financial assets

In 2011 this item relates mainly to (i) the remaining cost of liquidation of LeBed SAS and (ii) a loss on the disposal of Epeda Werke GmbH to Cofel (Bedding – France).

During 2010, this item related to (i) the divestment of LeBed SAS's (Bedding - France) activities by way of an asset deal (EUR -0,7 million), (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 disposal of 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).

#### Fair value gains

The 2011 fair value gains relate to the fair value adjustment on investment property in Belgium (EUR 2.8 million) and to a realised gain on a financial investment in Luxembourg (EUR 1.3 million).

#### Other

"Other" in 2011 comprised mainly:

- (i) the impact of the liquidation of the activities of Proseat (Automotive - Seating) in Russia (EUR -0,6 million)
- (ii) additional legal fees (EUR -1.1 million) in relation with the ongoing EU investigation (Flexible Foams) and the Bundeskartellamt investigation in Germany (Bedding)
- (iii) grants for research and development in Flexible Foams in France (EUR +0.7 million)
- (iv) damage indemnity from insurance companies (EUR +0.6 million)
- (v) the reversal of provisions for rebates in the bedding activity (EUR +1.3 million)
- (vi) a reversal of a provision for pension liabilities (EUR 2.3 million)
- (vii) the re invoicing of services and goods, and rental income (EUR +0.3 million)
- (viii) the compensation for various projects which were prematurely terminated (EUR +0.3 million)

"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)

## II.4.2. Earnings before interest and taxes (EBIT)

in thousand EUR				
Group Recticel	2011		2010	
Sales	1 378 122	100%	1 348 430	100%
Purchases and changes in inventories	(741 353)	-53.8%	(698 436)	-51.8%
Other goods and services	(243 465)	-17.7%	(242 042)	-17.9%
Labour costs	(333 505)	-24.2%	(334 053)	-24.8%
Amortisation and depreciation on non-current assets	(40 455)	-2.9%	(43 964)	-3.3%
Impairments on non-current assets	(5 260)	-0.4%	(10 800)	-0.8%
Amounts written off on inventories and receivables	328	0.0%	(59)	0.0%
Other depreciation	(1 049)	-0.1%	(1 157)	-0.1%
Provisions	1 239	0.1%	(15 661)	-1.2%
Revenue from (Loss on) investment operations	23	0.0%	286	0.0%
Fair value adjustment on investment properties	2 800	0.2%	0	0.0%
Realised gain on financial investment	1 293	0.1%	0	0.0%
Other revenues and expenses	21 982	1.6%	22 971	1.7%
Income from associates	1 741	0.1%	935	0.1%
Result from investments available for sale	(406)	0.0%	1 164	0.1%
<b>EBIT</b>	<b>42 035</b>	<b>3.1%</b>	<b>27 614</b>	<b>2.0%</b>

## II.4.3. Investment income

in thousand EUR		
Group Recticel	2011	2010
(Impairment)/Write-back impairment on investments available for sale	(406)	7
Dividends received	0	1 157
<b>Total</b>	<b>(406)</b>	<b>1 164</b>

## II.4.4. Financial result

in thousand EUR		
Group Recticel	2011	2010
Interest charges on bonds & notes	(2 433)	(2 088)
Interest on financial lease	(868)	(1 012)
Interest on long-term bank loans	(4 458)	(3 480)
Interest on short-term bank loans & overdraft	(1 928)	(1 570)
Interest on other long-term loans	(115)	(117)
Interest on other short-term loans	(271)	(76)
Net interest charges on Interest Rate Swaps	(2 757)	(3 531)
Net interest charges on foreign currency swaps	(472)	0
<b>Total borrowing cost</b>	<b>(13 302)</b>	<b>(11 874)</b>
Interest income from bank deposits	170	140
Interest income from financial receivables	207	357
<b>Interest income from financial receivables and cash</b>	<b>377</b>	<b>497</b>
Interest charges on other debts	(443)	(468)
Interest income from other financial receivables	98	74
<b>Total other interest</b>	<b>(345)</b>	<b>(394)</b>
<b>Interest income and expenses</b>	<b>(13 270)</b>	<b>(11 771)</b>
<b>Exchange rate differences<sup>(1)</sup></b>	<b>(799)</b>	<b>(2 810)</b>
Premium on CAP/Floor contracts	(85)	(87)
Premium on put/call options	(250)	(149)
<b>Result on derivative instruments</b>	<b>(335)</b>	<b>(236)</b>
Interest actualisation and expected return on provisions for employee benefits	(2 111)	(2 382)
Interest actualisation for other provisions	(187)	0
Interest actualisation on non current receivables	8	73
<b>Interest on provisions for employee benefits and other debt</b>	<b>(2 290)</b>	<b>(2 309)</b>
Other financial result	10	31
<b>Financial result</b>	<b>(16 684)</b>	<b>(17 095)</b>

<sup>(1)</sup> 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)



## II.4.5. Income taxes

### 1. Income tax expense

in thousand EUR

Group Recticel	2011	2010
<b>Recognised in the income statement</b>		
Current tax:		
Domestic	(5)	(7)
Foreign	(1 567)	(7 697)
<b>Total current tax</b>	<b>(1 572)</b>	<b>(7 704)</b>
Deferred taxes:		
Tax effect on deferred tax adjustments related to previous years	(2 123)	(1 583)
Movements of temporary differences	(7 718)	(19 161)
Utilisation of previous years' losses	(5 646)	(9 990)
Deferred tax on current year's losses and prior losses not recognised in the past	9 126	42 545
<b>Total deferred tax</b>	<b>(6 361)</b>	<b>11 811</b>
<b>Grand total</b>	<b>(7 933)</b>	<b>4 107</b>
<b>Group Recticel</b>	<b>2011</b>	<b>2010</b>
<b>Reconciliation of effective tax rate</b>		
Profit / (loss) before taxes	25 352	10 519
Minus income from associates	(1 741)	(935)
<b>Result before tax and income from associates</b>	<b>23 611</b>	<b>9 584</b>
<b>Tax at domestic income tax rate of 33.99%</b>	<b>(8 025)</b>	<b>(3 258)</b>
Tax effect of non-deductible expenses:		
Non-deductible amortisation of goodwill and intangibles	0	(38)
Expenses not deductible for tax purposes	(4 517)	(19 829)
Other	(238)	(508)
Tax effect of tax-exempt revenues:		
Non-taxable dividends from investments in non-group companies	0	0
Non-taxable financial and other income	12 315	17 408
Other	641	650
Deferred tax assets on liquidation <sup>(1)</sup>	0	36 594
Deferred tax effect resulting from a change in tax rates	(885)	56
Tax effect of current and deferred tax adjustments related to prior years	(2 123)	(1 583)
Effect of different tax rates of subsidiaries operating in other jurisdictions	505	(371)
Tax effect of utilisation of tax losses not previously recognised	0	0
Expiration of deferred tax assets due to merger/tax control	0	0
Tax effect of notional interest deduction	4 296	4 734
Valuation allowance on deferred tax assets and tax assets not recognised <sup>(1)</sup>	(9 902)	(29 748)
<b>Tax expense and effective tax rate for the year</b>	<b>(7 933)</b>	<b>4 107</b>
<b>Group Recticel</b>	<b>2011</b>	<b>2010</b>
<b>Deferred tax income (expense) recognised directly in equity</b>		
Impact of movements in exchange rates	21	(173)
On effective portion of changes in fair value of cash flow hedges	470	104
<b>Total</b>	<b>491</b>	<b>(69)</b>

<sup>(1)</sup> Recticel has finalised the liquidation of RUS (Recticel US) in 2010. The amount of the future tax reductions from the capital loss on the RUS shares amounts EUR 52.2 million. In the valuation allowances on tax assets is included a recognition of EUR 6.5 million which increase the recognised amount of RUS liquidation from EUR 36.6 million in 2010 to EUR 43.1 million in 2011.

## 2. Deferred tax

in thousand EUR

Group Recticel	31 DEC 2011		31 DEC 2010	
	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES
<b>Recognised deferred tax assets and liabilities</b>				
Intangible assets	7 751	(2 598)	5 273	(3 899)
Property, plant & equipment	24 337	(25 781)	21 490	(23 040)
Investments	263	(455)	268	(274)
Inventories	572	(29)	448	(1 070)
Receivables	1 411	(2 411)	1 658	(2 239)
Cash flow hedges (equity)	2 320	0	1 850	0
Fair value on trading and economic hedge	23	0	27	0
Other current assets	1 208	(156)	678	(149)
Pension provisions	4 319	(626)	3 589	(421)
Other provisions	7 584	(5 766)	9 958	(5 462)
Other liabilities	2 515	(3 636)	2 131	(2 796)
Notional interest deduction	12 877	0	11 585	0
Tax loss carry-forwards/ Tax credits	184 979	0	183 773	0
<b>Total</b>	<b>250 160</b>	<b>(41 458)</b>	<b>242 728</b>	<b>(39 350)</b>
Valuation allowance <sup>(1)</sup>	(167 547)	0	(156 439)	0
Set-off <sup>(2)</sup>	(32 323)	32 323	(30 550)	30 550
<b>Total (as provided on the balance sheet)</b>	<b>50 290</b>	<b>(9 134)</b>	<b>55 739</b>	<b>(8 800)</b>

<sup>(1)</sup> The variation of EUR 11.1 million (EUR 167.5 million minus 156.4 million) is mainly explained by a valuation allowance DTA for EUR 16.4 million (in Germany, Spain, the United Kingdom and the Czech Republic), by the recognition of reversal of valuation allowances for EUR 6.5 million and an exchange difference impact of EUR -1.2 million.

<sup>(2)</sup> 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

	2011	2010
One year	350	0
Two years	2 820	360
Three years	4 074	2 902
Four years	6 531	3 276
Five years and thereafter	259 193	247 688
Without time limit	387 485	397 071
<b>Total</b>	<b>660 453</b>	<b>651 297</b>

Deferred tax assets not recognised by the Group apply to the following elements as at 31 Dec 2011:

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 (*)	184 979	61 028	123 951	428 408
Notional interest deductions (*)	12 877	34	12 843	37 784
Property, plant and equipment	24 337	5 701	18 635	57 994
Pension provisions	4 319	1 179	3 140	10 344
Other provisions	7 584	4 338	3 246	9 642
Other temporary differences	16 064	10 332	5 732	21 644
<b>Total</b>	<b>250 160</b>	<b>82 613</b>	<b>167 547</b>	<b>565 817</b>

(\*) As of 31/12/2011, deferred tax assets and notional interests deductions of EUR 61.1 million (2010: EUR 68.1 million) are recognized out of EUR 660.5 million (2010: EUR 651.3 million) tax losses carryforward. 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 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
Tax losses carried forward (*)	183 773	67 902	115 872	397 324
Notional interest deductions (*)	11 585	154	11 430	33 628
Property, plant and equipment	21 492	5 190	16 302	49 225
Pension provisions	3 589	1 085	2 505	7 889
Other provisions	9 957	4 508	5 450	16 879
Other temporary differences	12 332	7 451	4 881	16 753
<b>Total</b>	<b>242 728</b>	<b>86 289</b>	<b>156 439</b>	<b>521 698</b>

(\*) As of 31 December 2010, deferred tax assets and notional interest deductions of EUR 86,3 million (2009: EUR 58,1 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.

## II.4.6. Dividends

### Amounts recognised as distributions to equity holders in the period.

Dividend for the period ending 31 December 2010 of EUR 0.27 (2009: EUR 0.25) per share.

Proposed dividend for the period ending 31 December 2011 of EUR 0.28 per share, or in total for all shares outstanding EUR 8,100,807.68 (2010: EUR 7,811,493.12)

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.

## II.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:

Group Recticel	2011	2010
<b>Net profit (loss) for the period (in thousand EUR)</b>	<b>17 418</b>	<b>14 439</b>
Net profit (loss) from continuing operations	17 418	14 439
Net profit (loss) from discontinuing operations	0	0
<b>Weighted average shares outstanding</b>		
Ordinary shares <sup>(1)</sup>	28 931 456	28 571 194
VVPR shares <sup>(1)</sup>	0	360 263
<b>Weighted average shares outstanding</b>	<b>28 931 456</b>	<b>28 931 457</b>
Ordinary shares on 01 January	28 931 456	28 499 141
Ordinary shares on 31 December	28 931 456	28 931 456
<b>Weighted average ordinary shares outstanding</b>	<b>28 931 456</b>	<b>28 571 194</b>
VVPR shares on 01 January	0	432 315
VVPR shares on 31 December	0	0
<b>Weighted average VVPR shares outstanding</b>	<b>0</b>	<b>360 263</b>

in EUR

Group Recticel	2011	2010
<b>Basic earnings per share</b>	<b>0,60</b>	<b>0,50</b>
Basic earnings per share from continuing operations	0,60	0,50
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 21% on the dividends paid out on the ordinary shares (instead of a 25% withholding tax on ordinary shares).

## II.4.8. Diluted earnings per share

in thousand EUR		
Diluted earnings per share computation:	2011	2010
<b>Net profit (loss) from continuing operations</b>		
<b>Dilutive elements</b>		
Net profit (loss) from continuing operations	17 418	14 439
Convertible bond <sup>(2)</sup>	1 198	0
<b>Profit (loss) attributable to ordinary equity holders of the parent entity including assumed conversions</b>	<b>18 616</b>	<b>14 439</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>	461 643	397 570
Convertible bond <sup>(2)</sup>	4 375 951	0
<b>Weighted average shares for diluted earnings per share</b>	<b>33 769 050</b>	<b>29 329 026</b>

in EUR		
Group Recticel	2010	2009
<b>Diluted earnings per share</b>	<b>0.55</b>	<b>0.49</b>
Diluted earnings per share from continuing operations	0.55	0.49
Diluted earnings per share from discontinuing operations	0.00	0.00

	2011	2010
<b>Anti-dilutive elements</b>		
Impact on net profit from continuing operations		
Convertible bond <sup>(2)</sup>	0	2 183
Impact on weighted average ordinary shares outstanding		
Stock option plan - warrants - "out-of-the-money" <sup>(1)</sup>	465 757	369 907
Convertible bond <sup>(2)</sup>	0	4 284 650

<sup>(1)</sup> For 2011, three warrant plans were in-the-money; i.e. the plan of 2008, the plan of 2009 and the plan of December 2011. 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. For 2010, two warrant plans were in-the-money; i.e. the plan of 2008 and the plan of 2009, which were taken into account for the calculation of the diluted earnings per share.

<sup>(2)</sup> For 2011, the potential additional shares as a result of a conversion of the convertible bonds are dilutive and are therefore included in the calculation of the diluted earnings per share (assuming full conversion). For 2010, the potential additional shares as a result of the convertible bond were anti-dilutive and were 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 2011:

						in thousand EUR
Group Recticel	DEVELOPMENT COSTS	TRADEMARKS, PATENTS & LICENCES	CLIENT PORTFOLIO GOODWILL	OTHER INTANGIBLE ASSETS	ASSETS UNDER CONSTRUCTION AND ADVANCE PAYMENTS	TOTAL
<b>At the end of the preceding year</b>						
Gross book value	20 558	40 368	13 209	708	4 158	<b>79 001</b>
Accumulated amortisation	(19 320)	(28 800)	(9 996)	(384)		<b>(58 500)</b>
Accumulated impairment	0	(6 345)	0	0	(849)	<b>(7 194)</b>
<b>Net book value</b>	<b>1 238</b>	<b>5 223</b>	<b>3 213</b>	<b>324</b>	<b>3 309</b>	<b>13 307</b>
<b>Movements during the year:</b>						
Changes in scope of consolidation	0	4	0	0	0	<b>4</b>
Acquisitions	0	239	42	0	733	<b>1 014</b> <sup>(1)</sup>
Own production	0	47	0	0	1 855	<b>1 902</b> <sup>(1)</sup>
Impairments	(43)	2	0	0	0	<b>(41)</b>
Expensed amortisation	(516)	(2 351)	(755)	(73)	0	<b>(3 695)</b>
Sales and scrapped	0	0	0	0	(38)	<b>(38)</b> <sup>(2)</sup>
Transfers from one heading to another	235	2 513	0	64	(2 723)	<b>89</b>
Exchange rate differences	(19)	13	42	1	1	<b>38</b>
<b>At year-end</b>	<b>895</b>	<b>5 690</b>	<b>2 542</b>	<b>316</b>	<b>3 137</b>	<b>12 580</b>
Gross book value	19 334	41 791	13 068	768	3 984	<b>78 945</b>
Accumulated amortisation	(18 398)	(29 791)	(10 526)	(452)	0	<b>(59 167)</b>
Accumulated impairment	(41)	(6 310)	0	0	(847)	<b>(7 198)</b>
<b>Net book value</b>	<b>895</b>	<b>5 690</b>	<b>2 542</b>	<b>316</b>	<b>3 137</b>	<b>12 580</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	(1 030)		Cash-in from disposals intangible assets			55
Acquisitions included in working capital	(1 886)		Disposals included in working capital			(17)
Total acquisitions intangible assets <sup>(1)</sup>	(2 916)		Total disposals intangible assets <sup>(2)</sup>			38

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
<b>At the end of the preceding year</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>
<b>Movements during the year:</b>						
Changes in scope of consolidation	0	(2)	0	0	0	<b>(2)</b>
Acquisitions	0	223	192	0	710	<b>1 125</b> <sup>(1)</sup>
Own production	11	43	0	0	2 004	<b>2 058</b> <sup>(1)</sup>
Impairments	0	(91)	0	0	0	<b>(91)</b>
Expensed amortisation	(848)	(2 310)	(981)	(45)	0	<b>(4 184)</b>
Sales and scrapped	0	(1)	0	0	(234)	<b>(235)</b> <sup>(2)</sup>
Transfers from one heading to another	371	924	0	30	(1 388)	<b>(63)</b>
Exchange rate differences	66	201	65	40	26	<b>398</b>
<b>At year-end</b>	<b>1 238</b>	<b>5 223</b>	<b>3 213</b>	<b>324</b>	<b>3 309</b>	<b>13 307</b>
Gross book value	20 558	40 368	13 209	708	4 158	<b>79 001</b>
Accumulated amortisation	(19 320)	(28 800)	(9 996)	(384)		<b>(58 500)</b>
Accumulated impairment	0	(6 345)	0	0	(849)	<b>(7 194)</b>
<b>Net book value</b>	<b>1 238</b>	<b>5 223</b>	<b>3 213</b>	<b>324</b>	<b>3 309</b>	<b>13 307</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	(3 436)		Cash-in from disposals intangible assets			268
Acquisitions shown in working capital	253		Disposals shown in working capital			(33)
Total acquisitions intangible assets <sup>(1)</sup>	(3 183)		Total disposals intangible assets <sup>(2)</sup>			235

**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 budgets approved by management covering a three-year period. Cash flows beyond the three-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.

In 2011, the total acquisition of intangible assets and own production of intangible assets amounted to EUR 2.9 million, compared to EUR 3.2 million the year before. The investments in intangible assets in 2011 mainly related to "Assets under construction and advance payments" for new developments and licence costs related to the roll-out of the SAP IT platform (EUR 2.6 million).

In December 2011, Recticel SA/NV and Recticel International Services SA/NV concluded a new joint credit facility agreement ("club deal") amounting to EUR 175 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 175 million plus interest and related costs.



## II.5.2. Goodwill

in thousand EUR		
Group Recticel	31 DEC 11	31 DEC 10
<b>At the end of the preceding year</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>
<b>Movements during the year</b>		
Acquisitions or entering the consolidation scope	539	0
Impairments *	(539)	0
Disposals or leaving the consolidation scope	0	(219)
Exchange rate differences	323	1 273
<b>At year-end</b>	<b>34 688</b>	<b>34 365</b>
Gross book value	49 443	49 882
Accumulated impairments	(14 755)	(15 517)
<b>Net book value</b>	<b>34 688</b>	<b>34 365</b>

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

The breakdown of the goodwill per business line is as follows:

in thousand EUR		
Group Recticel	2011	2010
Eurofoam	482	509
Germany	808	806
The Netherlands	253	253
Scandinavia	5 922	5 904
United Kingdom	4 388	4 258
<b>Flexible Foams</b>	<b>11 853</b>	<b>11 730</b>
Germany	2 761	2 761
Switzerland	6 284	6 114
Belgium	845	845
Austria	941	941
<b>Bedding</b>	<b>10 831</b>	<b>10 661</b>
Kingspan Tarec Industrial Insulation	413	412
Belgium	1 619	1 619
United Kingdom	994	965
<b>Insulation</b>	<b>3 026</b>	<b>2 996</b>
Proseat	8 978	8 978
<b>Automotive</b>	<b>8 978</b>	<b>8 978</b>
<b>Total goodwill</b>	<b>34 688</b>	<b>34 365</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 three-year financial budget approved by management. Cash flows beyond the three-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.

## II.5.3. Property, plant & equipment

For the year ending 2011:

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	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 opening</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>Movements during the year</b>							
Changes in scope of consolidation	3	87	34	26	10	5	<b>165</b>
Acquisitions, including own production	1 481	8 932	2 057	82	38	17 834	<b>30 424 <sup>(1)</sup></b>
Impairments	(11)	(4 375)	(58)	0	0	(236)	<b>(4 680)</b>
Expensed depreciation	(6 005)	(27 466)	(1 552)	(1 605)	(132)	0	<b>(36 760)</b>
Sales and scrapped	(1 023)	(1 096)	(25)	(3)	0	(123)	<b>(2 270) <sup>(2)</sup></b>
Transfers from one heading to another	2 189	17 654	736	(140)	3 711	(24 693)	<b>(543)</b>
Exchange rate differences	(853)	(957)	(43)	(22)	(3)	(90)	<b>(1 968)</b>
<b>At year-end</b>	<b>88 918</b>	<b>129 653</b>	<b>4 633</b>	<b>14 152</b>	<b>4 250</b>	<b>13 741</b>	<b>255 347</b>
Gross value	201 237	632 866	31 837	27 346	7 151	13 942	<b>914 379</b>
Accumulated depreciation	(111 453)	(477 999)	(27 112)	(12 881)	(2 901)	163	<b>(632 183)</b>
Accumulated impairments	(866)	(25 214)	(92)	(313)	0	(364)	<b>(26 849)</b>
<b>Net book value at year-end</b>	<b>88 918</b>	<b>129 653</b>	<b>4 633</b>	<b>14 152</b>	<b>4 250</b>	<b>13 741</b>	<b>255 347</b>
<b>Acquisitions</b>				<b>Disposals</b>			
Cash-out on acquisitions tangible assets	(23 729)			Cash-in from disposals tangible assets			4 941
Acquisitions shown in working capital	(6 695)			Disposals shown in working capital			(2 671)
Total acquisitions tangible assets <sup>(1)</sup>	(30 424)			Total disposals tangible assets <sup>(2)</sup>			2 270

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 <sup>(1)</sup></b>
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) <sup>(2)</sup></b>
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
Acquisitions shown in working capital	(5 346)			Disposals shown in working capital			(504)
Total acquisitions tangible assets <sup>(1)</sup>	(31 992)			Total disposals tangible assets <sup>(2)</sup>			1 601

Total acquisition of tangible assets amounts to EUR 30.4 million, compared to EUR 32.0 million last year.

At 31 December 2010, the Group had entered into contractual commitments for the acquisition of property, plant & equipment amounting to EUR 3.7 million.

At 31 December 2011, the Group had entered into contractual commitments for the acquisition of property, plant & equipment amounting to EUR 6.8 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 three-year plan. Cash flows beyond the three-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 2011 for an amount of EUR -4.7 million (in 2010: EUR -10.8 million), which consists mainly of EUR -3.4 million in Automotive (in 2010: EUR -4.6 million) and EUR -1.3 million in Flexible Foams (in 2010: EUR -6.1 million).

As already stated under Intangible Assets, in December 2011, Recticel SA/NV and Recticel International Services SA/NV concluded a new joint credit facility agreement ("club deal") amounting to EUR 175 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 175 million plus interest and related costs.

## II.5.4. Assets under financial lease

in thousand EUR		
Group Recticel	31 DEC 2011	31 DEC 2010
Land and buildings - At cost	25 374	25 447
Land and buildings - Accumulated depreciation	(11 520)	(10 077)
Land and buildings - Impairments	(313)	(371)
<b>Total land and buildings</b>	<b>13 541</b>	<b>14 999</b>
Plant, machinery & equipment - At cost	1 528	1 538
Plant, machinery & equipment - Accumulated depreciation	(1 059)	(900)
Plant, machinery & equipment - Impairments	0	0
<b>Total plant, machinery &amp; equipment</b>	<b>469</b>	<b>638</b>
Furniture and vehicles - At cost	444	575
Furniture and vehicles - Accumulated depreciation	(302)	(398)
Furniture and vehicles - Impairments	0	0
<b>Total furniture and vehicles</b>	<b>142</b>	<b>177</b>
<b>Total assets under financial lease</b>	<b>14 152</b>	<b>15 814</b>
Fixed assets held under financial leasing - Gross	27 346	27 560
Fixed assets held under financial leasing - Depreciation	(12 881)	(11 375)
Fixed assets held under financial leasing - Impairments	(313)	(371)
<b>Fixed assets held under financial leasing</b>	<b>14 152</b>	<b>15 814</b>

## II.5.5. Investment property

in thousand EUR		
Group Recticel	31 DEC 2011	31 DEC 2010
<b>At the end of the preceding year</b>		
Gross book value	1 017	1 017
Accumulated impairments	(121)	(121)
<b>Net book value</b>	<b>896</b>	<b>896</b>
<b>Movements during the year</b>		
Acquisitions or entering the consolidation scope	0	0
Impairments	0	0
Disposals or leaving the consolidation scope	(365)	0
Fair value gain	2 800	0
<b>At year-end</b>	<b>3 331</b>	<b>896</b>
Gross book value	3 429	1 017
Accumulated impairments	(98)	(121)
<b>Net book value</b>	<b>3 331</b>	<b>896</b>

This section relates to 31.36 hectares of industrial and agricultural land in Balen and Lommel (Belgium).

Of these lands, 7.35 hectares of industrial land is subject to a long term lease (up to 2039) to Ajinomoto Omnicem SA/NV, in Balen.

5.58 hectares of industrial land accommodates the permanent deposit, resulting from the clean-up of the entire site, executed over the years 2001-2006, and also private roads, etc.

During 2010, 15 ha of industrial land and 5 ha of agricultural land were sold to the city of Lommel.

About 17.78 hectares of industrial land in Balen and 0.63 hectares of agricultural land in Lommel remain available for sale.

Based upon a valuation report updated at the end of 2011, the value of these lands available for sale has been appraised to market value, leading to an increase in fair value of EUR 2.8 million.

### 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	
		2011	2010
<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	100.00
<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	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 - Boite postale 34 - 68290 Masevaux	-	100 (f)
Promousse s.a.s.	Rue des Canonniers 48, 59000 Lille	-	100 (f)
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)
J.R. Interiors Verwaltungs GmbH	Rolandsecker Weg 30 - 53619 Rheinbreitbach	-	100.00
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	0 (g)	100.00
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)
<b>Greece</b>			
Teknofoam Hellas	Kosma Etolou Street, 13 - Neo Iraklio - Attica	100.00 (h)	50.00 (PM)
<b>Luxembourg</b>			
Recticel RE s.a.	23, Avenue Monterey, L-2163 Luxembourg	100.00	100.00
Recticel Luxembourg s.a.	23, Avenue Monterey, L-2163 Luxembourg	100 (i)	-
Rec 2 RE s.a.	534, rue de Neudorf, L - 2220 Luxembourg	100 (i)	-
<b>Morocco</b>			
Recticel Mousse Maghreb SARL	31 Avenue Prince Héritier, Tanger	100.00	100.00 (NC)

## 1. SUBSIDIARIES CONSOLIDATED USING THE FULL CONSOLIDATION METHOD

		% shareholding in	
		2011	2010
<b>The Netherlands</b>			
Akoestikon Geluidsisolatie B.V.	Fahrenheitbaan, 4c - 3439 MD Nieuwegein	100.00	100.00
Enipur BV	Spoorstraat 69 - 4041 CL Kesteren	100.00 (GM) (j)	50.00 (PM)
Recticel B.V.	Spoorstraat 69 - 4041 CL Kesteren	100.00	100.00
Recticel Bedding B.V.	Paderbornstraat 2 - 7418 BP Deventer	-	- (c)
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	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 Łódź	100.00	100.00
Recticel Izolacje Sp. z o.o.	ul. Lwowska, 19 - PL 00660 Warszawa	100.00 (GM)	100 (NC)
<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)
Recticel AB	Södra Storgatan 50 b.p. 507 - 33228 Gislaved	100.00	100.00
<b>Spain</b>			
Ingenieria De Poliuretano Flexible s.l.	Txiriboteka, 10 A 48330 Lecona (Vizcaya)	100.00	100.00
Recticel Iberica s.l.	Carretera B-142km. 2,2 - 08213 Polinyà	100.00	100.00
Transfoam s.l.	Pol. Ind. Catarroja, C/31 Parc10A1 46470 Catarroja (Valencia)	-	100 (f)
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>			
Recofoam Poliüretan sünger sanayi ve ticaret limited sirkati	Esentepe mylangarız Cad., 40 34870 İstanbul	100.00	100.00
Teknofoam Izolasyon Sanayi ve Ticaret a.s.	Esentepe Milangaz caddesi 40 Kartal, İstanbul	100.00 (j)	50.00 (PM)
<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	- (m)	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)
The Soundcoat Company Inc.	Burt Drive 1 PO 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 on 22 December 2010

(c) Merged into Recticel B.V. on 11 May 2010

(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

(g) Sold in July 2011

(h) Until 30 June 2011 consolidated following the proportional method

(i) Acquired in November 2011

(j) Until 30 June 2011 consolidated following the proportional method.

(k) Liquidated on 31 December 2011

(l) Sold in November 2011

(m) Liquidated on 15 November 2011

(EM) Consolidated using the equity method

(GM) Consolidated using the global method

(NC) Non-consolidated

(PM) Consolidated using the proportional method



## 2. JOINT VENTURES CONSOLIDATED USING THE PROPORTIONAL CONSOLIDATION METHOD

		% shareholding in	
		2011	2010
<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	100.00 (GM) (h)	50.00 (PM)
<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	- (k)	50.00
<b>The Netherlands</b>			
Enipur BV	Spoorstraat 69 - 4041 CL Kesteren	100.00 (GM)	50 (PM)
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 Miedzyrzecka, 16 - 43-382, Bielsko-Biala	51.00	51.00
<b>Romania</b>			
Eurofoam s.r.l.	Str. Garii nr. 13 Selimbar 2428 - O.P8 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	100.00 (GM) (j)	50.00 (PM)
<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	
		2011	2010
<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, Chudovice - 418 25 Bilina	50.00	50.00
Eurofoam TP spol.s.r.o.	ul. Hájecká 11 – 61800 Brno	40.00	40.00
Sinfo	Souhradi 84 - 391 43 Mlada Vozice	25.50	25.50
Eurofoam Industry	ul. Hájecká 11 – 61800 Brno	50.00 (EM)	50.00 (NC)
<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
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
Sud Italia Poliuretani s.r.l.	Zona Industriale la 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	- (I)	17.85
PPH IU 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>Russian Federation</b>			
Eurofoam Kaliningrad	Kaliningrad District, Guierwo Region , 238352 Uszakowo	50.00 (EM)	50.00 (NC)
<b>Slovak Republic</b>			
JP Foam Manufacturing sro	Namestie Republiky 26 - 98401 Lucenec	- (I)	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	Grodocka 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	
		2011	2010
<b>China</b>			
Recticel Shanghai Ltd	No. 518, Fute North Road, Waigaoqiao Free Trade Zone - 200131 Shanghai	100.00	100.00
Shenyang RIS Co Ltd	No. 12, Hangtian Road, 110043 Shenyang	100.00	-
<b>Czech Republic</b>			
Eurofoam Industry	ul. Hájecká 11 - 61800 Brno	50.00 (EM)	50.00 (NC)
<b>Greece</b>			
Rectiflex e.p.e.	Oreokastro-Neochorouda Road Km. 4 Oreokastro	- (m)	25.50
<b>India</b>			
Recticel India Private Limited	407, Kapadia Chambers, 599 JSS Road, Princess Street, Marine Lines (East) 400002 Mumbai Maharashtra	100.00	-
<b>Japan</b>			
Inorec Japan KK	Imaika-Cho 1-36, Anjo-Shi	50.00	50.00
<b>Luxembourg</b>			
Recfin Holding S.A.	412F, route d'Esch, L-2086 Luxembourg	100.00	100.00
<b>Morocco</b>			
Recticel Mousse Maghreb SARL	31 Avenue Prince Héritier, Tanger	100.00 (GM)	100.00 (NC)
<b>Moldova</b>			
Eurofoam M srl	Independentei Street 30/4 - MD 2072 Chisinau	- (g)	25.50
<b>Pologne</b>			
Recticel Izolacje Sp. z o.o.	ul. Lwowska, 19 - PL 00660 Warschau	100.00 (GM)	100 (NC)
<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 (EM)	50.00 (NC)
Proseat LLC	Domodedovskoye shosse 1/1, Podolsky district, Moskow Region, 142116 Selkhoztekhnica	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 (in liquidation)	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.

in thousand EUR		
Group Recticel	31 DEC 2011	31 DEC 2010
<b>At the end of the preceding period</b>	<b>15 451</b>	<b>15 697</b>
<b>Movements during the year</b>		
Changes in the scope of consolidation	(3 055)	(629)
Exchange rate differences	(424)	149
Group's share in the result of the period	1 741	935
Dividends distributed	(898)	(726)
Capital increases	142	25
<b>At the end of the period</b>	<b>12 957</b>	<b>15 451</b>

The movements in the scope of consolidation in 2011 related mainly to the disposal of the investment in JP Foam Manufacturing (Automotive – Seating) (EUR –3.1 million), with no material result on disposal.

The following key figures for the associates are shown on a 100% basis:

in thousand EUR							
Group Recticel	31 DEC 2011						
	ORSAFOAM S.P.A.	A.R.T.E. SRL	FLEXIMOB	LITFOAM UAB	EUROFOAM SUNDERI	EUROFOAM M-BG O.O.D.	POLY
Total assets	74 706	4 004	303	724	1 385	1 481	1 256
Non current liabilities	1 931	0	0	0	0	791	0
Current liabilities	41 113	4 522	222	678	1 305	727	957
Total liabilities	43 044	4 522	222	678	1 305	1 518	957
Net equity	31 662	(518)	81	46	80	(37)	299
Revenues	72 524	1 792	497	2 169	1 811	3 201	2 266
Profit or (loss) of the period	2 255	(617)	16	7	30	(124)	10

	BPP SPOL S.R.O.	EUROFOAM TP SPOL S.R.O.	EUROFOAM BOHEMIA S.R.O.	EUROFOAM INDUSTRY S.R.O.	SINFO	POROLON LTD	CARIA SP.Z.O.O.
Total assets	2 497	919	2 736	740	1 451	483	1 031
Non current liabilities	0	4	39	0	25	0	129
Current liabilities	626	75	1 722	390	587	245	559
Total liabilities	626	79	1 762	390	611	245	687
Net equity	1 871	841	975	350	840	238	344
Revenues	3 313	2 894	4 201	2 450	3 075	2 655	3 083
Profit or (loss) of the period	775	668	102	270	162	97	(65)

	EUROFOAM GDANSK SP.Z.O.O.	EUROFOAM POZNAN	KERKO SP.Z.O.O.	EUROFOAM KALININGRAD	JP FOAM MANUFACTURING SP.Z.O.O.	JP FOAM MANUFACTURING S.R.O.	TOTAL
Total assets	1 640	3 340	714	311	20 448	11 158	<b>131 328</b>
Non current liabilities	144	1 369	0	29	605	0	<b>5 064</b>
Current liabilities	771	1 088	496	83	9 165	4 170	<b>69 501</b>
Total liabilities	915	2 456	496	112	9 770	4 170	<b>74 565</b>
Net equity	725	884	218	199	10 677	6 988	<b>56 763</b>
Revenues	3 789	6 116	2 066	1 082	16 341	19 002	<b>154 326</b>
Profit or (loss) of the period	(4)	46	(18)	104	1 412	946	<b>6 075</b>

in thousand EUR

Group Recticel	31 DEC 2010						
	ORSAFOAM S.P.A.	A.R.T.E. SRL	FLEXIMOB	LITFOAM UAB	EUROFOAM SUNDERI	EUROFOAM M-BG O.O.D.	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 SPZ.O.O.	EUROFOAM GDANSK SPZ.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	KERKO SPZ.O.O.	JP FOAM MANUFACTURING SPZ.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

## II.5.8. Other financial investments

in thousand EUR

Group Recticel	31 DEC 2011	31 DEC 2010
<b>Gross value at the end of the preceding year</b>	<b>1 151</b>	<b>1 999</b>
<b>Movements during the year</b>		
Changes in scope of consolidation	(247)	(1 096)
Capital increases (reimbursements)	3 392	(276) <sup>(1)</sup>
Acquisitions	0	994 <sup>(1)</sup>
Disposals	(309)	(902) <sup>(2)</sup>
Write-offs	(59)	(84)
Write-backs on disposal transactions	82	370
Transfer to available for sale investments	(502)	0
Exchange rate differences	(109)	146
<b>Gross value at year-end</b>	<b>3 399</b>	<b>1 151</b>
Gross Value	4 484	2 261
Accumulated amounts written-off	(1 085)	(1 110)
Accumulated impairments	0	0
<b>Net book value at year-end</b>	<b>3 399</b>	<b>1 151</b>
Cash-out for acquisitions of financial investments	(3 831)	(708)
Total acquisitions of financial investments and related capital movements <sup>(1)</sup>	18 700	(718)
Acquisitions shown in working capital	(22 531)	10
Cash-in from disposals of financial investments	5 508	704
Total disposals of financial investments <sup>(2)</sup>	309	902
Working capital movements relating to disposals	(5 199)	198

This heading includes all non-consolidated investments. These investments are non-listed companies. The fair value equals the cumulative historical cost corrected for durable impairment losses.

Capital increases relate to (i) Recticel India Private Ltd (Flexible Foams), (ii) Shenyang RIS Co Ltd (People's Republic of China) (Automotive – Interiors) and Bioflex s.r.l. (Romania) (Flexible Foams).

The changes in scope of consolidation relate mainly to the disposal of JP Foam Manufacturing (Automotive – Seating; Czech and Slovak Republic).

In 2010, the changes in the scope of consolidation related 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 in 2010 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.

## II.5.9. Available for sale investments

in thousand EUR		
Group Recticel	31 DEC 2011	31 DEC 2010
Gross value	189	220
Accumulated amounts impaired	(103)	(135)
<b>Net book value at the end of the preceding period</b>	<b>86</b>	<b>85</b>
Movements during the period		
Disposals	(69)	0
Impairment	(406)	0
Transfer from other financial investments	502	0
Exchange rate differences	8	1
<b>Net book value at the end of the period</b>	<b>121</b>	<b>86</b>
Gross value	635	189
Accumulated amounts written-off	(514)	(103)
<b>Net book value at the end of the period</b>	<b>121</b>	<b>86</b>

## II.5.10. Non-current receivables

For the year ending 2011:

in thousand EUR					
Group Recticel	LOANS	CASH ADVANCES & DEPOSITS	TRADE RECEIVABLES	OTHER RECEIVABLES	TOTAL
<b>Gross value at the end of the preceding year</b>	<b>8 464</b>	<b>4 951</b>	<b>132</b>	<b>1 039</b>	<b>14 586</b>
<b>Movements during the year:</b>					
Change of scope of consolidation	0	9	0	0	9
New loans	156	15	0	886	1 057
Actualisation	0	0	0	8	8
Reimbursement	(177)	(1 609)	(58)	(47)	(1 891)
Transfer to short term	(2)	(931)	(5)	118	(820)
Translation differences	334	13	0	515	862
Other	(148)	0	0	0	(148)
<b>Gross value at end of the period</b>	<b>8 627</b>	<b>2 448</b>	<b>69</b>	<b>2 519</b>	<b>13 663</b>
<b>Amounts written-off at the end of the preceding year</b>	<b>(3 835)</b>	<b>(681)</b>	<b>0</b>	<b>0</b>	<b>(4 516)</b>
<b>Movements during the year:</b>					
Write-off	(621)	0	0	(135)	(756)
Transfer to short term	0	681	0	0	681
Translation differences	(386)	0	0	(381)	(767)
<b>Amounts written-off at the end of the period</b>	<b>(4 842)</b>	<b>0</b>	<b>0</b>	<b>(516)</b>	<b>(5 358)</b>
<b>Net book value at year end</b>	<b>3 785</b>	<b>2 448</b>	<b>69</b>	<b>2 003</b>	<b>8 305</b>



For the year ending 2010:

in thousand EUR

Group Recticel	LOANS	CASH ADVANCES & DEPOSITS	TRADE RECEIVABLES	OTHER RECEIVABLES	TOTAL
<b>Gross value at the end of the preceding year</b>	<b>7 277</b>	<b>4 575</b>	<b>208</b>	<b>1 053</b>	<b>13 113</b>
<b>Movements during the year:</b>					
Changes in scope of consolidation	0	4	0	(322)	<b>(318)</b>
New loans	806	408	0	167	<b>1 381</b>
Actualisation	64	0	0	9	<b>73</b>
Reimbursement	(12)	(65)	(76)	(88)	<b>(241)</b>
Transfer to short term	(11)	0	0	(160)	<b>(171)</b>
Translation differences	340	29	0	380	<b>749</b>
<b>Gross value at end of the period</b>	<b>8 464</b>	<b>4 951</b>	<b>132</b>	<b>1 039</b>	<b>14 586</b>
<b>Amounts written-off at the end of the preceding year</b>	<b>(3 508)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(3 508)</b>
<b>Movements during the year:</b>					
Write-offs	0	(681)	0	0	<b>(681)</b>
Translation differences	(327)	0	0	0	<b>(327)</b>
<b>Amounts written-off at the end of the period</b>	<b>(3 835)</b>	<b>(681)</b>	<b>0</b>	<b>0</b>	<b>(4 516)</b>
<b>Net book value at year end</b>	<b>4 629</b>	<b>4 270</b>	<b>132</b>	<b>1 039</b>	<b>10 070</b>

'Cash advances and deposits' is a significant item under 'Non-current receivables', consisting of the following:

in thousand EUR

Group Recticel	31 DEC 2011	31 DEC 2010
Rent	723	692
Supplies (water, electricity, telecom, waste treatment, ...)	103	100
Value added tax	26	31
Containers, storages & furnitures	75	65
Early retirements	1 485	1 726
Other	36	1 656
<b>Total</b>	<b>2 448</b>	<b>4 270</b>

## II.5.11. Inventories

in thousand EUR		
Group Recticel	31 DEC 2011	31 DEC 2010
Raw materials & supplies - Gross	65 701	62 003
Raw materials & supplies - Amounts written off	(4 106)	(3 726)
<b>Raw materials &amp; supplies</b>	<b>61 595</b>	<b>58 277</b>
Work in progress - Gross	16 158	18 066
Work in progress - Amounts written off	(293)	(649)
<b>Work in progress</b>	<b>15 865</b>	<b>17 417</b>
Finished goods - Gross	32 839	33 263
Finished goods - Amounts written off	(2 076)	(1 953)
<b>Finished goods</b>	<b>30 763</b>	<b>31 310</b>
Traded goods - Gross	4 151	3 539
Traded goods - Amounts written off	(297)	(491)
<b>Traded goods</b>	<b>3 854</b>	<b>3 048</b>
Down payments - Gross	145	134
Down payments - Amounts written off	0	0
<b>Down payments</b>	<b>145</b>	<b>134</b>
Contracts in progress - Gross	3 916	3 636
Contracts in progress - Amounts written off	(136)	(151)
<b>Contracts in progress</b>	<b>3 780</b>	<b>3 485</b>
<b>Total inventories</b>	<b>116 002</b>	<b>113 671</b>
Amounts written-off on inventories during the period	-85	-158

As already mentioned under Intangible and Tangible Assets, in December 2011, Recticel SA/NV and Recticel International Services SA/NV concluded a new joint credit facility agreement ("club deal") amounting to EUR 175 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 175 million plus interest and related costs.

## II.5.12. Construction contracts

in thousand EUR		
Group Recticel	31 DEC 2011	31 DEC 2010
Contract revenues recognised over the period	1 472	10 028
Contract costs incurred plus recognised profits less recognised losses to date	3 539	22 179
Advance payments received	936	323

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 production of components. 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 by reference to the stage of completion. Under the so-called 'percentage of completion' method, contract revenue is matched with the contract costs incurred in reaching the stage of completion.

## II.5.13. Trade receivables and other receivables

in thousand EUR		
Group Recticel	31 DEC 2011	31 DEC 2010
Trade receivables		
Trade receivables	142 516	152 766
Write-off on doubtful trade receivables	(9 606)	(10 983)
<b>Total trade receivables</b>	<b>132 910</b>	<b>141 783</b>
<b>Other receivables (1)</b>	<b>29 470</b>	<b>23 222</b>
Other derivatives	408	852
Derivatives instruments in designated hedge accounting relationship	0	217
Loans carried at amortised cost	9 689	37 994
<b>Total financial assets (2)</b>	<b>10 097</b>	<b>39 063</b>
<b>Subtotal (1)+(2)</b>	<b>39 567</b>	<b>62 285</b>
<b>Total loans and receivables</b>	<b>172 477</b>	<b>204 068</b>

**Trade receivables** at the balance sheet date 2011 comprise amounts receivable from the sale of goods and services for EUR 132.9 million (2010: EUR 141.8 million).

This net amount of EUR 132.9 million consists of:

(i) gross trade receivables amounting to EUR 181.3 million (2010: EUR 187.2 million), after deduction of the following:

- EUR 7.3 million in credit notes still to be drawn (2010: EUR 6.8 million)
- EUR 47.6 million as a result of a non-recourse factoring programme in Belgium, France, Germany and the United Kingdom (EUR 34.9 million) and a forfeiting programme for trade receivables in the automotive sector (EUR 12.7 million)
- EUR 9.6 million in provisions for estimated irrecoverable amounts from the sale of goods (2010: EUR 11.0 million), plus

(ii) EUR 16.1 million in bills of exchange and invoices still to be drawn (2010: EUR 22.4 million).

**Trade receivables** at the balance sheet date 2010 comprise amounts receivable from the sale of goods and services for EUR 141.8 million (2009: EUR 142.1 million). This net amount of EUR 141.8 million consisted of:

(i) 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), plus

(ii) EUR 22.4 million in bills of exchange and invoices still to be drawn up (2009: EUR 16.9 million).

In 2011, **other receivables** amounting to EUR 29.5 million relate essentially to (i) VAT receivable (EUR 9.0 million), (ii) advances paid to third parties for operating costs spread over several financial years (EUR 10.1 million), (iii) receivables towards joint ventures (Kingspan Tarec Industrial Insulation and Proseat) and (iv) contractual commitments with co-contractors (EUR 10.4 million).

In 2010, **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 towards joint ventures (Kingspan Tarec Industrial Insulation and Proseat) and (iv) contractual commitments with co-contractors (EUR 8.5 million).

In 2011, **other financial assets** (EUR 10.1 million) mainly consist of financial receivables on affiliated companies which are not consolidated (EUR 3.4 million), a receivable of EUR 7.0 million (2010: EUR 35.2 million) relating to the balance not drawn down under non-recourse factoring programmes in Belgium and Germany, as well as EUR 0.5 million relating to the revaluation of interest rate and exchange rate hedging instruments.

In 2010, **other financial assets** (EUR 39.1 million) mainly consist of financial receivables 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 December 2011, Recticel SA/NV and Recticel International Services SA/NV concluded a joint credit facility agreement ("club deal") amounting to EUR 175 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 175 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.

With a view to confining credit risks, non-recourse factoring, forfeiting and discounting programmes were established for a total amount of EUR 83.1 million (of which EUR 45.5 million were actually used at 31 December 2011).

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 recognised:

in thousand EUR		
Group Recticel	31 DEC 2011	31 DEC 2010
30 days	10 659	9 991
60 days	6 649	6 451
90 days	956	1 157
120 days	668	1 204
150 days	481	506
180 days and more	618	4 051
<b>Total</b>	<b>20 031</b>	<b>23 360</b>

Movement in provisions for doubtful receivables:

in thousand EUR		
Group Recticel	31 DEC 2011	31 DEC 2010
At the end of the preceding period	(10 983)	(11 769)
Additions	(1 337)	(1 150)
Write back	2 516	1 020
Non-recouvrable amounts	37	324
Reclassification	92	318
Exchange differences	90	(164)
Changes in the scope of consolidation	(21)	438
<b>Total</b>	<b>(9 606)</b>	<b>(10 983)</b>

## II.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 three months and less. The carrying amount of these assets approximates to their fair value.

in thousand EUR		
Group Recticel	31 DEC 2011	31 DEC 2010
Short-term bank deposits - equal to or less than 3 months	8 700	2 368
Cash at bank & in hand	45 875	51 570
<b>Total cash and cash equivalents</b>	<b>54 575</b>	<b>53 938</b>

## II.5.15. Share capital

in thousand EUR		
Group Recticel	31 DEC 2011	31 DEC 2010
<b>Issued shares</b>		
28 931 456 ordinary shares without nominal value	72 329	73 329
<b>Fully paid-up shares</b>		
28 931 456 shares without nominal value	72 329	72 329

## II.5.16. Share premium account

in thousand EUR		
Group Recticel		
Balance at 31 December 2010		107 013
Premium arising on issue of equity during 2011		0
Expenses of issue of equity shares during 2011		0
<b>Balance at 31 December 2011</b>		<b>107 013</b>

## II.5.17. Pensions and similar obligations

### 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	31 DEC 2011	31 DEC 2010
<b>Movements in the net liabilities of the current period:</b>		
<b>Net liability at 1 January</b>	<b>33 731</b>	<b>35 391</b>
Expense recognised in the income statement	4 495	2 703
Uses for contributions paid	(4 406)	(4 469)
Changes in scope	0	0
Exchange rate differences	72	106
<b>Net liability at 31 December</b>	<b>33 892</b>	<b>33 731</b>

The amounts recognised in income statement in respect of the defined benefit plans are as follows:

in thousand EUR		
Group Recticel	31 DEC 2011	31 DEC 2010
Current service cost	2 091	2 073
Interest cost	4 389	4 335
Expected return on plan assets	(2 493)	(2 198)
Amortisation of past service costs (gains)	7	42
Settlement / curtailment losses (gains)	73	(1 926)
Amortisation of actuarial net losses (gains)	428	377
<b>Expense recognised in the income statement</b>	<b>4 495</b>	<b>2 703</b>

Defined benefit pension plans - Provisions for defined benefit pension plans

in thousand EUR		
Group Recticel	31 DEC 2011	31 DEC 2010
<b>The amounts recorded in the balance sheet in respect of defined benefit plans are:</b>		
Defined benefit obligations - funded plans	74 665	72 427
Fair value of plan assets	(44 641)	(44 214)
<b>Deficit for funded plans (surplus)</b>	<b>30 024</b>	<b>28 213</b>
Defined benefit obligations - unfunded plans	15 748	13 710
<b>Funded status</b>	<b>45 772</b>	<b>41 923</b>
Unrecognised past service gain (cost)	(829)	(170)
Unrecognised actuarial (losses) gains	(11 051)	(8 022)
<b>Net liabilities at balance sheet date</b>	<b>33 892</b>	<b>33 731</b>
Short-term	3 529	3 871
Long-term	30 363	29 860

Group Recticel	31 DEC 2011	31 DEC 2010
<b>The key actuarial assumptions used at the balance sheet date (weighted averages) are:</b>		
Discount rate	4,50%	5,10%
Expected rate of return on plan assets	5,74%	5,80%
Future pension increases	2,00%	2,91%
Expected rate of salary increases	2,99%	2,99%

in thousand EUR		
Group Recticel	31 DEC 2011	31 DEC 2010
<b>Movements in plan assets:</b>		
<b>Real value of plan assets (1 January)</b>	<b>44 214</b>	<b>36 724</b>
Expected return on plan assets	2 493	2 198
Employer contributions	4 406	4 469
Employee contributions	0	0
Benefits paid (direct & indirect)	(4 943)	(150)
Actuarial gains (losses) on plan assets	(2 048)	951
Settlement gains / (losses)	(53)	(543)
Change in scope	0	0
Exchange rate differences	572	565
<b>Real value of plan assets (31 December)</b>	<b>44 641</b>	<b>44 214</b>



Group Recticel	31 DEC 2011	31 DEC 2010
Plan assets - portfolio mix:		
Shares	32%	27%
Bonds	7%	10%
Insurance contracts	56%	55%
Cash	0%	2%
Other	5%	5%

The expected rate of return takes into account the asset allocation.

in thousand EUR

Group Recticel	31 DEC 2011	31 DEC 2010
<b>The actual return on plan assets in the current period was as follows:</b>		
Actual return on plan assets	445	3 149

in thousand EUR

Group Recticel	31 DEC 2011	31 DEC 2010
<b>Variations in the liabilities for defined benefit plans:</b>		
<b>Defined Benefit Obligation (1 January)</b>	<b>86 137</b>	<b>78 656</b>
Current service costs	2 091	2 073
Employee contributions	0	0
Interest cost	4 389	4 335
Benefits paid (direct & indirect)	(4 943)	(150)
Actuarial (gains) losses on liabilities	1 337	2 187
Past service cost	666	(48)
Curtailment (gains) losses	(182)	(1 256)
Settlement (gains)/losses	182	(551)
Change in scope	0	0
Exchange rate differences	736	891
<b>Defined Benefit Obligation (31 December)</b>	<b>90 413</b>	<b>86 137</b>

Experience adjustments

in thousand EUR

Group Recticel	31 DEC 2011	31 DEC 2010	31 DEC 2009	31 DEC 2008	31 DEC 2007
Defined benefit obligations - all plans	90 413	86 137	78 656	78 779	131 891
Fair value of plan assets	(44 641)	(44 214)	(36 724)	(31 764)	(87 935)
<b>Funded status</b>	<b>45 772</b>	<b>41 923</b>	<b>41 932</b>	<b>47 015</b>	<b>43 956</b>
Experience adjustments to defined benefit obligations	(1 229)	1 778	(1 205)	(2 909)	1 292
Experience adjustments to plan assets	(2 048)	951	1 530	(9 462)	1 158
The expected contributions for the following years amount to:	3 636	3 830	3 738		

Defined contribution plans

in thousand EUR

Group Recticel	31 DEC 2011	31 DEC 2010
<b>Contributions paid by the Entity to defined contribution plans:</b>		
Contributions paid	4 915	3 912

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 by external

insurance companies. For the Swiss plans, the value of the fund investments (EUR 19.4 million at 31 December 2011) is well in excess of the guaranteed amounts.

## II.5.18. Provisions

For the year ending 2011

in thousand EUR										
Group Recticel	EMPLOYEE BENEFITS	TAX LITIGATION	OTHER LITIGATION	DEFECTIVE PRODUCTS	ENVIRONMENTAL RISKS	REORGANISATION	PROVISIONS FOR ONEROUS CONTRACTS	OTHER RISKS	FINANCIAL RISKS ON DISPOSAL SUBSIDIARIES	TOTAL
<b>At the end of the preceding year</b>	<b>38 835</b>	<b>141</b>	<b>370</b>	<b>3 248</b>	<b>6 653</b>	<b>22 790</b>	<b>4 459</b>	<b>971</b>	<b>300</b>	<b>77 767</b>
Movements during the year										
Expected returns on assets	(2 493)	0	0	0	0	0	0	0	0	(2 493)
Actualisation	4 604						180	7	0	4 791
Increases	4 070	0	0	353	1	2 966	0	184	0	7 574
Utilisations	(5 888)	0	(125)	(181)	(476)	(15 557)	(1 779)	0	(300)	(24 306)
Write-backs	(759)	(136)	(57)	(1 358)	0	(2 308)	(591)	(429)	0	(5 638)
Exchange rate differences	46	(5)	1	(66)	0	46	(4)	(6)	0	12
<b>At year-end</b>	<b>38 415</b>	<b>0</b>	<b>189</b>	<b>1 996</b>	<b>6 178</b>	<b>7 937</b>	<b>2 265</b>	<b>727</b>	<b>0</b>	<b>57 707</b>
Non-current provisions (more than one year)	35 289	0	169	1 949	5 888	2 067	2 164	727	0	48 253
Current provisions (less than one year)	3 126	0	20	47	290	5 870	101	0	0	9 454
<b>Total</b>	<b>38 415</b>	<b>0</b>	<b>189</b>	<b>1 996</b>	<b>6 178</b>	<b>7 937</b>	<b>2 265</b>	<b>727</b>	<b>0</b>	<b>57 707</b>

For the year ending 2010

in thousand EUR										
Group Recticel	EMPLOYEE BENEFITS	TAX LITIGATION	OTHER LITIGATION	DEFECTIVE PRODUCTS	ENVIRONMENTAL RISKS	REORGANISATION	PROVISIONS FOR ONEROUS CONTRACTS	OTHER RISKS	FINANCIAL RISKS ON DISPOSAL SUBSIDIARIES	TOTAL
<b>At the end of the preceding year</b>	<b>41 102</b>	<b>0</b>	<b>388</b>	<b>3 939</b>	<b>6 121</b>	<b>16 940</b>	<b>1 304</b>	<b>1 041</b>	<b>1 587</b>	<b>72 422</b>
Movements during the year										
Changes in scope of consolidation	(380)	0	0	0	0	(285)	0	0	0	(665)
Expected returns on assets	(2 198)	0	0	0	0	0	0	0	0	(2 198)
Actualisation	4 580	0	0	0	0	0	0	0	0	4 580
Increases	2 477	140	195	531	567	18 348	2 654	197	300	25 409
Utilisations	(5 891)	0	(131)	(351)	(42)	(6 778)	(818)	(134)	0	(14 145)
Write-backs	(1 015)	0	(82)	(934)	0	(4 288)	(65)	(173)	(1 587)	(8 144)
Transfer from heading to another	0	0	0	0	0	(1 397)	1 397	0	0	0
Exchange rate differences	159	1	0	63	7	250	(13)	40	0	507
<b>At year-end</b>	<b>38 834</b>	<b>141</b>	<b>370</b>	<b>3 248</b>	<b>6 653</b>	<b>22 790</b>	<b>4 459</b>	<b>971</b>	<b>300</b>	<b>77 766</b>
Non-current provisions (more than one year)	34 988	0	277	3 060	6 359	11 125	2 524	807	300	59 440
Current provisions (less than one year)	3 846	141	93	188	294	11 665	1 935	164	0	18 326
<b>Total</b>	<b>38 834</b>	<b>141</b>	<b>370</b>	<b>3 248</b>	<b>6 653</b>	<b>22 790</b>	<b>4 459</b>	<b>971</b>	<b>300</b>	<b>77 766</b>

The provisions for defective products are mainly related to warranties granted for products in the bedding division. The provisions are generally calculated on the basis of 1% 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 and additional restructuring plans in Belgium, France, Germany, The Netherlands, United Kingdom and the USA; and (ii) onerous contracts in Germany, Spain and the USA.

## II.5.19. Financial liabilities

## II.5.19.1. Financial liabilities carried at amortised cost

in thousand EUR

Group Recticel	NON-CURRENT LIABILITIES USED		CURRENT LIABILITIES USED	
	31 DEC 2011	31 DEC 2010	31 DEC 2011	31 DEC 2010
<b>Secured</b>				
Financial leases	11 024	13 285	2 161	2 063
Bank loans	75 176	110 516	0	12 500
Bank loans - factoring with recourse	0	0	0	1 159
Discounted bills of exchange	0	0	0	1 987
<b>Total secured</b>	<b>86 200</b>	<b>123 801</b>	<b>2 161</b>	<b>17 709</b>
<b>Unsecured</b>				
Bonds & notes	44 546	39 780	14 500	0
Non-current bank loans with current portion	4 358	1 461	840	5 243
Other loans	2 111	2 082	268	334
Current bank loans	0	0	15 924	3 071
Bank loans - forfeiting	0	0	46	1 513
Bank overdraft	0	0	11 204	9 515
Other financial debts	0	0	22 737	8 306
<b>Total unsecured</b>	<b>51 015</b>	<b>43 323</b>	<b>65 519</b>	<b>27 982</b>
<b>Total liabilities carried at amortised cost</b>	<b>137 215</b>	<b>167 124</b>	<b>67 680</b>	<b>45 691</b>

in thousand EUR

Group Recticel	NON-CURRENT LIABILITIES UNUSED		CURRENT LIABILITIES UNUSED	
	31 DEC 2011	31 DEC 2010	31 DEC 2011	31 DEC 2010
<b>Secured</b>				
Bank loans	100 000	94 400	0	0
Bank loans - factoring with recourse	0	0	0	8 900
Discounted bills of exchange	0	0	900	8 400
<b>Total secured</b>	<b>100 000</b>	<b>94 400</b>	<b>900</b>	<b>17 300</b>
<b>Unsecured</b>				
Bank loans	0	0	47 400	66 100
<b>Total unsecured</b>	<b>0</b>	<b>0</b>	<b>47 400</b>	<b>66 100</b>
<b>Total liabilities carried at amortised cost</b>	<b>100 000</b>	<b>94 400</b>	<b>48 300</b>	<b>83 400</b>

At the end of 2011, the gross interest-bearing borrowings of the Group amounted to EUR 204.9 million, compared to EUR 212.8 million at the end of 2010, i.e. a reduction of EUR 7.9 million. This was achieved, in spite of higher raw material prices and substantial cash outlays for restructuring costs, thanks to strict management of capital expenditure and working capital and the increased use of the non-recourse factoring/forfeiting programs.

At the end of 2011, the weighted average lifetime of debts payable after one year was 4.84 years. The bonds and financial leases are at fixed interest rate.

Besides the drawn amounts under the "club deal" facility (EUR 75.0 million), the Group also had access at 31 December 2011 to EUR 84.5 million long term loan commitments of which EUR 18.3 million are maturing within one year. On top of this, the Group has also at its disposal EUR 100 million under the "club deal" facility and EUR 83.6 million undrawn short term credit lines.

The fair market value of floating rate borrowings is close to the nominal value. The interest cost for these variable interest rate borrowings ranges from 1.5% to 2.5% p.a. in EUR and to 2.00% p.a. in USD.

At balance sheet date the total borrowings were directly or synthetically (through currency swaps) denominated for 72.6% in EUR, 7.6% in GBP, 4.8% in CHF, 4.1% in SEK, 3.6% in CZK, 3.2% in USD, 2.8% in PLN and 1.3% in various other currencies.

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.

In July 2011, the Eurofoam joint venture concluded a new 5 years EUR 40 million private placement at a fixed interest rate of 4.02%. This new transaction temporarily increased the outstanding amounts under the existing private placements at Eurofoam to EUR 69 million. EUR 29 million of this total amount will be repaid in May 2012, leaving the balance (EUR 40 million) for 5 years.

The borrowings under the "club deal" are subject to bank covenants based on an adjusted leverage ratio, an adjusted interest cover and a minimum equity requirement. At end-2011, Recticel complied with all its bank covenants. On the basis of the

available budget and the business plan, management expects to be in a position to meet the bank covenants in the coming year.

As stated in the "club deal", the maximum dividend authorised for distribution amounts to the higher of (i) 50% of the consolidated net income of the Group for the previous financial year and (ii) EUR 8.0 million.

#### (i) Convertible bonds

The convertible bond loan was issued in July 2007, for a nominal amount of EUR 575 million, of which the Group bought back EUR 11.2 million during 2008, EUR 17.3 million in 2009 and EUR 1.4 million in 2011. Out of the remaining outstanding balance of EUR 27.7 million, EUR 24.6 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 into shares. The initial conversion price was set at EUR 14.34 per share. This conversion price is subject to adjustments in function of the dividend payments. The current conversion price (at 31 December 2011) is fixed at EUR 13.14. The bonds are convertible until 16 July 2017 into ordinary shares at the current conversion price at that time.

Unless the loan is redeemed, converted or cancelled earlier, 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 capital redemption under the lease agreements. Also see note II.5.21.

#### (iii) Bank loans – "club deal"

On 09 December 2011, Recticel concluded a new five-year "club deal" with 7 European banks for a multi-currency loan of EUR 175 million. This new loan was used to refinance the outstanding amounts under the "club deal" of 2008, due in February 2013 but reimbursed anticipatively in order to secure long term funding in view of difficult market circumstances.

### II.5.19.2. Other financial liabilities

in thousand EUR		
Group Recticel	31 DEC 2011	31 DEC 2010
Interest rate swaps	6 874	5 545
Premium for derivative instruments	1	0
Interest charges on foreign currency swaps	75	0
Trading/economic hedge	1 687	1 054
Options on currencies - seller	0	18
<b>Derivatives at fair value</b>	<b>8 637</b>	<b>6 617</b>
Other financial debt	12 732	460
Interest accruals	1 368	1 229
<b>Total</b>	<b>22 737</b>	<b>8 306</b>

## II.5.20. Other amounts payable

Group Recticel	in thousand EUR			
	NON-CURRENT LIABILITIES		CURRENT LIABILITIES	
	31 DEC 2011	31 DEC 2010	31 DEC 2011	31 DEC 2010
Trade payables	64	147	0	0
Customers' deposits	162	162	6	6
Other amounts payable	127	201	55	72
<b>Total other debts payable</b>	<b>353</b>	<b>510</b>	<b>61</b>	<b>78</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 2011	31 DEC 2011	31 DEC 2010	31 DEC 2010
Lease payments due within one year	2 938	2 161	2 957	2 063
Between one and five years	10 392	8 662	10 915	8 709
Over five years	2 445	2 362	5 103	4 576
<b>Total lease payments</b>	<b>15 775</b>	<b>13 185</b>	<b>18 975</b>	<b>15 348</b>
Future financial charges	(2 591)		(3 627)	
<b>Present value of lease obligations</b>	<b>13 184</b>	<b>13 185</b>	<b>15 348</b>	<b>15 348</b>
Less amounts due for settlement within 12 months		(2 161)		(2 063)
<b>Amounts due for settlement after 12 months</b>		<b>11 024</b>		<b>13 285</b>

The financial leases were contracted by the operating affiliates to finance buildings and equipment amounting to EUR 15.8 million, with a funding cost ranging from 5% p.a. to 9.5% p.a.

## II.5.22. Derivative financial instruments and financial risks

### 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

in thousand EUR		
Group Recticel	31 DEC 2011	31 DEC 2010
<b>Financial assets</b>		
<b>Fair value through profit or loss ("FVTPL")</b>		
Interest rate swaps	0	217
Trading/Economic hedge	408	462
Currency options - buyer	0	292
Premium for derivatives instruments	67	98
<b>Derivatives instruments in designated hedge accounting relationship</b>	<b>475</b>	<b>1 069</b>
Trade receivables	132 980	141 915
Other receivables	33 920	28 531
Loans	13 405	42 623
Cash & cash equivalents	54 575	53 938
<b>Loans and receivables (including cash and cash equivalents)</b>	<b>234 880</b>	<b>267 007</b>
<b>Trading investments</b>	<b>205</b>	<b>181</b>
<b>Financial liabilities</b>		
Interest rate swaps	6 874	5 545
Interest charges on foreign currency swaps	75	0
Trading/Economic hedge	1 687	1 054
Currency options - seller	0	18
Derivative instruments in designated hedge accounting relationships	8 636	6 617
Financial liabilities at amortised cost	196 254	206 195

## Fair value measurements recognized in the consolidated balance sheet

in thousand EUR				
Group Recticel	QUOTED PRICES (UNADJUSTED) IN ACTIVE MARKETS	OBSERVABLE MARKET INPUTS (OTHER THAN QUOTED PRICES IN ACTIVE MARKETS)	INPUTS NOT BASED ON OBSERVABLE MARKET DATA	TOTAL
Trading/economic hedge	0	0	408	408
<b>Total hedging assets</b>	<b>0</b>	<b>0</b>	<b>408</b>	<b>408</b>
Short term investments - gross	0	0	205	205
<b>Total trading investments</b>	<b>0</b>	<b>0</b>	<b>205</b>	<b>205</b>
				0
Interest rate swaps	0	0	6 874	6 874
Interest from foreign currency swaps	0	0	75	75
Trading/economic hedge	0	0	1 687	1 687
<b>Total hedging liabilities</b>	<b>0</b>	<b>0</b>	<b>8 636</b>	<b>8 636</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. The main hedging instruments used to convert floating rate debt into fixed rate debt are Interest Rate Swaps (IRS) or Interest Rate Caps (CAPs). The amount of fixed rate arrangements in relation to total financial debt is reviewed on an ongoing basis by the Finance Committee and adjusted as and when deemed appropriate. In this, the Finance Committee aims at maintaining an appropriate balance between fixed and floating rate arrangements based on a philosophy of sound spreading of interest rate risks.

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 for EUR 75 million. The forward starting portion of the IRS portfolio will cover it from February 2013 until February 2018 (EUR 50 million). The total IRS portfolio (EUR 125 million) qualifies for hedge accounting under the rules of IAS 39.

The weighted average life of the total IRS portfolio is 3.8 years.

Group Recticel		OUTSTANDING IRS PORTFOLIO AS OF 31 DEC 2011							
START	MATURITY	RATE	2011	2012	2013	2014	2015	2016	2017
23/12/08	28/02/13	4,32%	35 000	35 000	0	0	0	0	0
23/12/08	28/02/13	4,31%	15 000	15 000	0	0	0	0	0
23/12/11	22/02/13	3,41%	12 500	12 500	0	0	0	0	0
23/12/11	22/02/13	3,47%	12 500	12 500	0	0	0	0	0
22/02/13	22/02/18	3,96%	0	0	25 000	25 000	25 000	25 000	25 000
22/02/13	22/02/18	3,80%	0	0	12 500	12 500	12 500	12 500	12 500
22/02/13	22/02/18	3,64%	0	0	12 500	12 500	12 500	12 500	12 500
Average rate		3,84%	75 000	75 000	50 000	50 000	50 000	50 000	50 000



### 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.

#### Equity impact

If the interest rates yield curve had risen by 100 basis points, with all other parameters unchanged, the Group's profit in 2011 would not have been impacted by the change in 'marked-to-market' value of the derivatives. However the reserves in equity would have increased by EUR 3.5 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 4.2 million in 2010).

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 3.5 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 4.2 million in 2010).

The sensitivity to 'marked-to-market' value of the interest rate derivatives decreased in 2011 compared to 2010, due to the effect of a change of a reduced nominal amount of the total portfolio.

#### Profit and loss impact

If the interest rates yield curve had risen by 100 basis points, with all other parameters unchanged, the Group's profit in 2011 would have decrease by EUR 0.9 million (debt with floating rate without hedge).

Conversely, if the interest rates yield curve would have fallen by 100 basis points, with all other parameters unchanged, the Group's profit in 2011 would have increased by EUR 0.9 million.

### 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 45.6 million and with a total fair value of EUR -1.0 million. The currency swap contracts, maturing under 12 months, have a notional value of EUR 52.9 million, corresponding to a total fair value of EUR -0.36 million. At balance sheet date, no currency option contracts were outstanding. 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 hedge of this type to lower the net investments in CHF for an amount of CHF 8 million. 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.

#### Overview of forward exchange contracts

in thousand EUR				
Group Recticel	NOMINAL VALUE	MARKET VALUE AT 31 DEC 2011	RECOGNISED IN THE INCOME STATEMENT OF 2011	RECOGNISED IN THE INCOME STATEMENT OF PREVIOUS YEARS
Forward purchasing contracts less than 6 months	23 357	(526)	(526)	(82)
Forward purchasing contracts more than 6 months	5 400	(34)	(34)	(1)
Forward sale contracts less than 6 months	10 200	(261)	(261)	(95)
Forward sale contracts more than 6 months	6 600	(172)	(172)	49
<b>Total forward exchange contracts</b>	<b>45 557</b>	<b>(993)</b>	<b>(993)</b>	<b>(129)</b>

#### Overview of currency swap contracts

in thousand EUR				
Group Recticel	NOMINAL VALUE	MARKET VALUE AT 31 DEC 2011	RECOGNISED IN THE INCOME STATEMENT OF 2011	RECOGNISED IN THE INCOME STATEMENT OF PREVIOUS YEARS
Sales / Purchases	35 757	(382)	(382)	(249)
Purchases / Sales	17 188	26	26	(35)
<b>Total currency swap contracts</b>	<b>52 945</b>	<b>(356)</b>	<b>(356)</b>	<b>(284)</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 recognised in the balance sheet and which are due and past 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 2011 compared to 2010, due to larger positions.

Group Recticel	in thousand EUR									
	EUR/USD		EUR/CHF		EUR/GBP		EUR/CZK		EUR/SEK	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Historical average variation	10%	10%	5%	5%	10%	10%	5%	5%	5%	5%
Profit or (loss)	205	170	50	79	2 284	1 647	889	59	34	126

### 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 575 million convertible bond loan concluded in July 2007 and expiring in July 2017 (with a put option in 2014) (of which EUR 11.2 million was bought back in 2008, EUR 173 million in 2009 and EUR 1.4 million in 2011). It also includes the 5-year "club deal" concluded on 09 December 2011 for an amount of EUR 175 million. In addition, the Group still holds EUR 55.5 million in other long-term debt.

In addition to these long-term loans, the Group has a diversified range of short-term financing sources, including non-recourse factoring and forfeiting programmes.

The diversified financing structure and the availability of committed unused credit facilities for EUR 183.6 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 2011, Recticel complied with all its bank covenants. On the basis of the 2012 budget, the management expects to be in a position in the coming year to meet its bank covenants.

As stated in the "club deal", the maximum dividend authorised for distribution amounts to the higher of (i) 50% of the consolidated net income of the Group for the previous financial year and (ii) EUR 8.0 million.

The private placement facility contracted by the Eurofoam group as well as the convertible bond issued by Recticel are not subject to any financial covenants.

For the year ending 2011

in thousand EUR

Group Recticel	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	17 337	28 812	25 238	71 387	(12 341)	59 046
Financial leases	2 938	10 392	2 445	15 775	(2 590)	13 185
Bank loans	3 499	89 637	0	93 136	(12 762)	80 374
Other loans	234	920	1 854	3 008	(629)	2 379
<b>Total interest-bearing borrowings - long term</b>	<b>24 008</b>	<b>129 761</b>	<b>29 537</b>	<b>183 306</b>	<b>(28 322)</b>	<b>154 984</b>
Bank loans	15 924					
Bank loans - forfeiting	46					
Bank loans - factoring with recourse	0					
Discounted bills of exchange	0					
Bank overdraft	11 204					
Other financial debt	10 671					
Current accounts & cash pooling	2 024					
Accrued liabilities - financial short term	264					
Deferred income - financial short term	1					
<b>Total interest-bearing borrowings - short term</b>	<b>40 134</b>					
Interest rate swaps	0	2 496	4 378	6 874	0	6 874
Premium for derivative instruments	1					
Interest from FX swaps	75					
Trading/economic hedge	1 687					
Currency options - seller	0					
<b>Derivative instruments at fair value</b>	<b>1 763</b>	<b>2 496</b>	<b>4 378</b>	<b>6 874</b>	<b>0</b>	<b>6 874</b>
<b>Grand total financial debt due within one year</b>	<b>65 905</b>					

For the year ending 2010

in thousand EUR

Group Recticel	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	1 165	3 543	837	5 545	0	5 545
Hedging contracts	0					
Trading/economic hedge	1 054					
Currency options - seller	18					
<b>Derivative instruments at fair value</b>	<b>2 237</b>	<b>3 543</b>	<b>837</b>	<b>5 545</b>	<b>0</b>	<b>5 545</b>
<b>Grand total financial debt due within one year</b>	<b>43 852</b>					

### II.5.23. Trade and other payables

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The Group accepted shorter payment terms under the contracts offering

substantial cash discounts. Consequently, the level of trade payables decreased compared to the previous year.

The item "Other payables" relates principally to (i) the reversal of various operational accruals.

## II.5.24. Business combinations and disposals

During 2011 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 2011, the net financial debt amounted to EUR 150.1 million (end 2010: EUR 158.7 million). The level of debt represents 60% of equity (2010: 66%). 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 2011	31 DEC 2010
Payments due within one year	(26 523)	(26 681)
Between one and five years	(56 069)	(53 007)
Over five years	(25 821)	(35 243)
<b>Minimal future payments (not discounted)</b>	<b>(108 413)</b>	<b>(114 931)</b>

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.

in thousand EUR		
Group Recticel	31 DEC 2011	31 DEC 2010
Operating lease - land and buildings	(21 411)	(22 030)
Operating lease - plant, machinery and equipment	(3 029)	(4 125)
Operating lease - furniture	(1 787)	(1 292)
Operating lease - vehicles	(7 831)	(7 710)
<b>Total</b>	<b>(34 058)</b>	<b>(35 157)</b>

The above table comprises the recognised lease amounts of the exercise.

### II.6.2. Other off-balance sheet items

in thousand EUR		
Group Recticel	31 DEC 2011	31 DEC 2010
Guarantees given or irrevocably promised by Recticel SA/NV as security for debts and commitments of companies	63 805	54 400

These guarantees include mainly parental corporate guarantees and letters of comfort for commitments contracted by subsidiaries with banks (EUR 40.6 million), lessors (EUR 13.0 million), suppliers (EUR 1.8 million), governmental institutions (EUR 6.4 million) and other third parties (EUR 2.0 million).

As already mentioned above, in December 2011, Recticel SA/NV and Recticel International Services SA/NV concluded a joint credit facility agreement ("club deal") amounting to EUR 175 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 175 million plus interest and related costs.

### II.6.3. Share-based payments

Since 1993, the Recticel Group has implemented a Group Stock Option Plan for its leading managers. 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 2011

ISSUE	NUMBER OF WARRANTS ISSUED	NUMBER OF WARRANT NOT YET EXERCISED	EXERCISE PRICE (IN EUR)	EXERCISE PERIOD
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
May 2011	354 500	354 500	7.69	01/Jan/15 - 29/May/17
Dec 2011	438 000	438 000	4.03	01/Jan/15 - 21/Dec/17
<b>Total</b>	<b>2 660 500</b>	<b>2 660 500</b>		

The expense recognised for the year for the share-based payments amounts to EUR 0.405 million.

A more general overview showing the trend during 2011 is given below.

In units	2011	2010
Options - end of period	2 660 500	1 968 000
Weighted average exercise price (in EUR)	6.40	6.85
Outstanding at the beginning of the period	1 968 000	2 375 990
Granted during the period	792 500	0
Expired during the period <sup>(1)</sup>	100 000	407 990
Exercised during the period	0	0
Outstanding at the end of the period	2 660 500	1 968 000
Exercisable at the end of the period	744 000	406 000
In the money at the end of the period	978 000	1 124 000

<sup>(1)</sup> For 2011: 100,000 options issued in 2002 with an exercise price of EUR 9.50. For 2010: 407,990 options issued in 2001 with an exercise price of EUR 8.67.

The options outstanding at 31 December 2011 had a weighted average exercise price of EUR 6.40, and a weighted average remaining contractual life of 5.00 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 2011 no stock options were exercised, and two new warrant plans 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. The theoretical value of the warrants at issuance is calculated by applying the Black & Scholes formula, and taking into account certain hypotheses regarding dividend payment (last dividend compared to share price), interest rate (Euribor 5 years) and volatility (stock market data on the Recticel share).

#### II.6.4. Events after the balance sheet date

End January 2012, Eurofoam, the 50/50 joint venture between Recticel and the Austrian group Greiner, announced its decision to streamline its flexible foam operations in Germany by closing its loss-making comfort foam production and converting unit in Bexbach by end June 2012. The planned redeployments affect 88 employees. This 'post balance sheet date event' had no impact on the 2011 results. The necessary provisions will be constituted in the financial statements of 2012.

#### II.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	INTEREST-BEARING BORROWINGS	TRADE PAYABLES	REVENUES	PURCHASES
ARTE srl	0	283	1 613	0	107	218	(610)
BPP Spol. sro	0	36	175	0	0	832	0
Caria sp. zoo	0	178	0	0	0	1 072	0
Eurofoam Bohemia sro	0	805	0	0	0	1 101	(993)
Eurofoam Deutschland Schaumstoffe GmbH	0	567	0	0	778	8 012	(9 508)
Eurofoam Gdansk	0	333	0	0	0	1 498	(153)
Eurofoam GmbH	0	109	0	10 545	459	1 162	(3 115)
Eurofoam Industry	0	150	0	0	0	1 394	0
Eurofoam Polska	0	86	0	0	333	966	(2 281)
Eurofoam Poznan	544	610	0	0	0	2 227	(120)
Eurofoam TP	0	28	0	0	0	795	0
Group Greiner	0	259	0	0	98	1 375	(525)
Group Kingspan	0	0	0	464	3		0
Group Woodbridge	0	128	114	100	493		(9 292)
Litfoam UAB	0	262	0	0	0	792	0
Porolon Limited	0	110	0	0	0	925	0
Proseat GmbH	0	126	0	0	0	5 465	(86)
Proseat Manufacturing SLU	0	81	0	0	0	6 798	0
Proseat sro	0	67	0	0	0	6 407	0
<b>TOTAL</b>	<b>544</b>	<b>4 218</b>	<b>1 902</b>	<b>11 109</b>	<b>2 271</b>	<b>41 039</b>	<b>(26 683)</b>

## Transactions with Directors and companies linked to Directors

COUNTERPARTY	CLASSIFICATION	IN THOUSAND EUR
Group Sioen	Sales	185
Group Sioen	Purchases	1 305

## 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 remuneration report in the section 'Corporate Governance' of this annual report.

## Gross remuneration for the members of the Board of Directors

in EUR						
NAME	DIRECTOR'S FEES 2011	ATTENDANCE FEES	AUDIT COMMITTEE 2011	REMUNERATION AND APPOINTMENT COMMITTEE 2011	DIRECTORS' FEES PAID IN 2011 REGARDING 2010	REMUNERATION FOR SPECIAL ASSIGNMENTS
DAVIGNON Etienne	18 000.00	16 500.00	10 000.00	-	21 346.52	-
OLIVIER CHAPELLE BVBA	9 000.00	8 250.00	-	-	-	-
PAQUOT Guy	9 000.00	6 600.00	-	-	10 673.26	-
VEAN NV	-	-	-	-	-	-
BERGEN André Comm. Venn.	7 450.00	4 950.00	11 250.00	2 500.00	-	-
DE SMEDT Pierre-Alain	5 760.99	3 300.00	-	-	-	-
DOUMIER Vincent	9 000.00	6 600.00	10 000.00	-	10 673.26	-
LOUIS VERBEKE BVBA	9 000.00	8 250.00	-	2 500.00	10 673.26	-
MERCATOR Verzekeringen NV	-	-	-	-	3 830.68	-
POL BAMELIS NV	3 239.01	3 300.00	-	-	10 673.26	-
SOGELAM NV	9 000.00	8 250.00	-	3 750.00	10 673.26	-
VANDEPOEL Wilfried	9 000.00	6 600.00	7 500.00	-	10 673.26	-
VAN DOORSLAER Tonny	9 000.00	6 600.00	10 000.00	-	10 673.26	-
WENDEL Klaus	1 550.00	1 650.00	3 750.00	-	10 673.26	-
ZOETE Jacqueline	9 000.00	6 600.00	-	-	6 842.58	-

## Gross remuneration for the members of the Management Committee

in EUR						
TOTAL COST FOR THE COMPANY	OLIVIER CHAPELLE SPRL REPRESENTED BY OLIVIER CHAPELLE		OTHER MEMBERS OF THE MANAGEMENT COMMITTEE		TOTAL	
	2011	2010	2011	2010	2011	2010
Number of persons	1	1	12	10	13	11
Basic salary	442 000	442 000	2 842 930	2 172 581	3 284 930	2 614 581
Variable remuneration	280 000	200 000	614 857	790 935	894 857	990 935
Subtotal	722 000	642 000	3 457 787	2 963 516	4 179 787	3 605 516
Pensions	0	0	101 125	123 183	101 125	123 183
Other benefits	95 654	94 284	214 924	263 548	310 578	357 832
<b>Total</b>	<b>817 654</b>	<b>736 284</b>	<b>3 773 836</b>	<b>3 350 247</b>	<b>4 591 490</b>	<b>4 086 531</b>

## II.6.7. Joint ventures

The share of joint venture companies in the consolidated financial statements is as follows:

in thousand EUR		
Group Recticel	31 DEC 2011	31 DEC 2010
<b>ASSETS</b>		
Intangible assets	2 191	2 872
Goodwill	9 876	9 898
Plant, property & equipment	50 713	54 402
Other financial investments	4	290
Available for sale investments	10	10
Non-current receivables	1 494	2 488
Deferred tax	300	292
<b>Non-current assets</b>	<b>64 588</b>	<b>70 252</b>
Inventories and contracts in progress	24 544	25 294
Trade receivables	43 063	44 878
Other current receivables	5 673	4 976
Income tax receivables	791	106
Deferred tax	0	77
Available for sale investments	0	2
Cash and cash equivalents	7 224	10 646
<b>Current assets</b>	<b>81 295</b>	<b>85 979</b>
<b>TOTAL ASSETS</b>	<b>145 883</b>	<b>156 231</b>
<b>LIABILITIES</b>		
Hedging and translation reserves	(10 563)	(8 729)
Consolidated reserves	70 972	70 507
<b>Equity, minority interests included</b>	<b>60 409</b>	<b>61 778</b>
Pensions and similar obligations	6 016	6 046
Provisions	648	592
Deferred tax	2 507	2 485
Interest-bearing borrowings	44 300	41 717
<b>Non-current liabilities</b>	<b>53 471</b>	<b>50 840</b>
Pensions and similar obligations	163	173
Provisions	404	5 714
Interest-bearing borrowings	7 327	5 561
Trade payables	19 075	22 008
Income tax payables	141	2 479
Other amounts payable	4 893	7 678
<b>Current liabilities</b>	<b>32 003</b>	<b>43 613</b>
<b>TOTAL LIABILITIES</b>	<b>145 883</b>	<b>156 231</b>
<b>INCOME STATEMENT</b>		
<b>Sales</b>	<b>317 291</b>	<b>308 588</b>
Distribution costs	(10 891)	(11 289)
Cost of sales	(250 390)	(244 782)
<b>Gross profit</b>	<b>56 010</b>	<b>52 517</b>
General and administrative expenses	(14 499)	(14 667)
Sales and marketing expenses	(8 588)	(9 055)
Research and development expenses	(2 306)	(2 350)
Other operating revenues and expenses	(19 636)	(19 432)
Result from investments available for sale	0	66
<b>EBIT</b>	<b>10 981</b>	<b>7 079</b>
Interest income	117	280
Interest expenses	(2 919)	(2 410)
Other financial income and expenses	(1 362)	(267)
<b>Financial result</b>	<b>(4 164)</b>	<b>(2 397)</b>
<b>Result of the period before taxes</b>	<b>6 817</b>	<b>4 682</b>
Income taxes	(1 979)	(3 136)
<b>Result of the period after taxes</b>	<b>4 838</b>	<b>1 546</b>



## II.6.8. Exchange rates

in EUR					
Group Recticel		CLOSING RATE		AVERAGE RATE	
		2011	2010	2011	2010
Bulgarian Lev	BGN	0.511300	0.511300	0.511300	0.511300
Swiss Franc	CHF	0.822639	0.799744	0.811290	0.724457
Yuan Renminbi	CNY	0.122567	0.113353	0.111161	0.111467
Czech Crown	CZK	0.038779	0.039903	0.040667	0.039551
Estonian Crone	EEK	-	-	0.063912	0.063912
Pound Sterling	GBP	1.197175	1.161778	1.152227	1.165713
Forint	HUF	0.003179	0.003598	0.003579	0.003630
Indian Rupee	INR	0.014553	0.016734	0.015412	0.016505
Yen	JPY	0.009980	0.009204	0.009012	0.008603
Lithuanian Litas	LTL	0.289620	0.289620	0.289620	0.289620
Moroccan Dirham	MAD	0.089870	0.089568	0.088695	0.089652
Moldova Lei	MDL	0.065584	0.061967	0.061256	0.061031
Norwegian Krone	NOK	0.128966	0.128205	0.128314	0.124933
Zloty	PLN	0.224316	0.251572	0.242682	0.250334
Romanian Leu (new)	RON	0.231305	0.234632	0.235900	0.237408
Serbian Dinar	RSD	0.009337	0.009486	0.009794	0.009666
Russian Rouble	RUB	0.023943	0.024498	0.024459	0.024837
Swedish Krona	SEK	0.112208	0.111539	0.110744	0.104852
Turkish Lira (new)	TRY	0.409299	0.483232	0.427750	0.500865
Ukrainian Hryvnia	UAH	0.095745	0.094607	0.089597	0.095330
US Dollar	USD	0.772857	0.748391	0.718414	0.754309

## II.6.9. Staff

in units						
Group Recticel	2011			2010		
	FULLY CONSOLIDATED	PROPORTIONALLY CONSOLIDATED	TOTAL	FULLY CONSOLIDATED	PROPORTIONALLY CONSOLIDATED	TOTAL
Management Committee	12	0	12	11	0	11
Employees	1 880	596	2 476	1 871	635	2 506
Workers	4 689	1 528	6 217	4 690	1 466	6 156
<b>Average number of people employed</b>	<b>6 581</b>	<b>2 124</b>	<b>8 705</b>	<b>6 572</b>	<b>2 101</b>	<b>8 673</b>
Average number of people employed in Belgium	1 238	82	1 320	1 251	134	1 385
<b>Remuneration and social charges (in thousand EUR)</b>	<b>(267 578)</b>	<b>(65 927)</b>	<b>(333 505)</b>	<b>(270 107)</b>	<b>(63 944)</b>	<b>(334 051)</b>

## II.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 2011.

in thousand EUR		
Group Recticel	DELOITTE	OTHERS
Audit fees	850	448
Other legal missions	74	9
Tax services	706	71
<b>Total fees in 2011</b>	<b>1 630</b>	<b>528</b>

In the above overview the fees of the joint venture companies are included at 100%.

## II.6.11. Contingent assets and liabilities

### TERTRE

1. Carbochimique, which was progressively integrated into Recticel in the 1980s and early 1990s, owned the Tertre industrial site, where various carbochemical activities in particular had been carried on since 1928. These activities were gradually spun off and are now carried on by different companies, including Yara and Erachem (Eramet group). Finapal, a Recticel subsidiary, retained ownership of some plots on the site, chiefly old dumping site and settling ponds that have now been drained.

In 1986, Recticel sold its 'fertiliser' division, which included the Tertre site activities, to Kemira, since taken over by Yara. As part of the deal, Recticel contracted to put an old settling pond (the "Valcke pond") 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 created for it. In order to protect its rights, Yara issued a writ of summons against Recticel pursuant to this obligation in July 2003. Yara'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 Valcke pond and has appointed an expert for the examination of two additional requirements. The other appeals raised by the company Yara have been rejected. After appeal had been filed by Yara, a Settlement Agreement was negotiated and executed by the parties in the course of 2011, putting a final end to the litigation. Under the Settlement Agreement, Yara and Recticel commit to work out together a combined remediation plan covering four polluted spots on the Tertre site, among which the Valcke pond and a dumping site belonging to Finapal, and to share all the costs related thereto.

The parties plan to submit the plan to the Walloon Authorities for approval in the course of 2012.

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 has been studied with Erachem and a provision has been raised for it in the Recticel Group accounts. The proposed plan, covering both the Erachem waste dump and a Finapal settling pond, was submitted to the Office Wallon des Déchets in April 2009 and has been approved by the Administration. The implementation of the plan should start in 2012 and be completed in 2014.

### 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 Alfreton, 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.

A request for information was addressed by the Commission to the Company at the end of December 2011, to which answers were given in due time. 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 2010. Recticel has received a request for information from the Spanish authority, but Recticel premises in Spain were not visited by the authority.

### INSPECTION BY THE FEDERAL CARTEL OFFICE (Germany)

On August 4th 2011, the German Federal Cartel Office has started an investigation covering the sector of Mattress and Bedbase manufacturers in Germany. Recticel bedding affiliate Recticel Schlaffkomfort GmbH in Bochum was included in the investigation.

The representatives of the Federal Cartel Office requested certain information, which was provided to them. Recticel Schlaffkomfort GmbH is cooperating fully with the Federal Cartel Office investigation.

At this time, Recticel has not received any further request for information, nor any formal objections from the Federal Cartel Office.

The Group's potential exposure is summarized as follows:

The Office has given Recticel Schlaffkomfort no indications regarding its findings. At this stage, therefore, the Group is not in a position to predict what the position of the Office in relation with the case will be, and hence currently is unable to assess its possible financial consequences.

### 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 2011 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	31 DEC 2011	31 DEC 2010
<b>ASSETS</b>		
<b>FIXED ASSETS</b>		
I. Formation expenses	0	0
II. Intangible assets	13 709	5 329
III. Tangible assets	55 493	53 606
IV. Financial assets	589 760	619 424
<b>CURRENT ASSETS</b>		
V. Amounts receivable after one year	11 721	11 720
VI. Inventories and contracts in progress	26 068	24 016
VII. Amounts receivable within one year	56 684	71 645
VIII. Cash deposits	0	0
IX. Cash	320	795
X. Deferred charges and accrued income	1 889	1 713
<b>TOTAL ASSETS</b>	<b>755 645</b>	<b>788 248</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	66 983	63 046
VI. Investment grants	134	170
VII. A. Provisions for liabilities and charges	17 798	22 291
B. Deferred taxes	0	0
VIII. Amounts payable after one year	71 165	79 467
IX. Amounts payable within one year	401 726	422 992
X. Accrued charges and deferred income	6 808	9 251
<b>TOTAL LIABILITIES</b>	<b>755 645</b>	<b>788 248</b>

in thousand EUR		
Group Recticel	31 DEC 2011	31 DEC 2010
<b>PROFIT AND LOSS ACCOUNT</b>		
<b>I. Operating revenues</b>	<b>395 953</b>	<b>377 822</b>
II. Operating charges	(367 734)	(355 202)
<b>III. Operating profit (loss)</b>	<b>28 219</b>	<b>22 620</b>
IV. Financial income	19 994	43 804
V. Financial charges	(21 110)	(16 600)
<b>VI. Current result before tax</b>	<b>27 103</b>	<b>49 824</b>
VII. Extraordinary income	54 003	4 389
VIII. Extraordinary charges	(69 068)	(10 513)
<b>IX. Profit (loss) for the year before taxes</b>	<b>12 038</b>	<b>43 701</b>
X. Income taxes	0	0
<b>XI. Profit (loss) for the year after taxes</b>	<b>12 038</b>	<b>43 701</b>
XII. Transfer to untaxed reserves	0	0
<b>XIII. Profit (loss) for the period available for appropriation</b>	<b>12 038</b>	<b>43 701</b>

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
<b>Group Recticel</b>		
Profit for the financial year		12 037 723.14
Profit brought forward from previous year	+	63 045 822.56
Results to be appropriated	=	75 083 545.70
Gross dividend <sup>(1)</sup>	-	8 100 807.68
Profit to be carried forward	=	66 982 738.02

<sup>(1)</sup> Gross dividend per share of EUR 0.28, resulting in a net dividend after tax of EUR 0.21 per ordinary share, and EUR 0.2212 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 2011 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 2011



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## Recticel NV/SA

### Statutory auditor's report on the consolidated financial statements for the year ended 31 December 2011 to the shareholders' meeting

*The original text of this report is in Dutch and French*

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 2011, 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 728,124 (000) EUR and the consolidated income statement shows a consolidated profit (group share) for the year then ended of 17,418 (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 0429.053.863 - RPR Brussel/RPM Bruxelles - IBAN BE 17 2300 0465 6121 - BIC GEBABEBB

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 2011, 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". Furthermore the group is subject to an investigation by the German Federal Cartel Office in the framework of an investigation covering the sector of mattress manufacturers and dealers in Germany. At this stage the group is not in a position to predict what the position of the Commission or the German Federal Cartel Office in relation with the cases 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, 23 April 2012

**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 (2003-2011)

in thousand EUR

Group Recticel	31 DEC 2011	31 DEC 2010	31 DEC 2009	31 DEC 2008	31 DEC 2007	31 DEC 2006	31 DEC 2005	31 DEC 2004	31 DEC 2003
<b>ASSETS</b>									
Intangible assets	12 580	13 307	14 301	20 104	19 779	18 838	21 039	25 069	23 881
Goodwill	34 688	34 365	33 311	39 164	37 555	43 616	43 626	42 307	42 197
Property, plant & equipment	255 347	270 979	286 789	336 560	349 381	342 262	381 136	408 294	373 716
Investment property	3 331	896	896	896	896	896	11 466	10 894	10 227
Interest in associates	12 957	15 451	15 697	13 626	11 078	9 175	6 749	4 804	4 193
Other financial investments	3 399	1 151	1 999	11 446	2 565	3 335	3 300	3 433	2 806
Available for sale investments	121	86	85	197	77	357	356	3 038	5 698
Non-current receivables	8 305	10 070	9 605	5 005	5 024	5 164	11 586	3 674	3 913
Deferred tax	50 290	55 739	43 365	52 020	56 367	67 158	64 714	63 302	59 306
<b>Non-current assets</b>	<b>381 018</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	116 002	113 671	105 827	120 035	127 852	129 913	118 916	120 138	108 538
Trade receivables	132 910	141 783	142 104	170 117	175 496	183 963	179 282	192 253	188 915
Other receivables	39 567	62 285	58 016	60 095	61 825	88 333	77 558	79 884	44 982
Income tax receivables	3 847	3 552	4 367	1 130	1 315	1 032	661	855	2 165
Available for sale investments	205	181	156	293	411	531	483	595	863
Cash and cash equivalents	54 575	53 938	41 388	68 151	41 049	24 723	25 626	26 468	24 096
<b>Current assets</b>	<b>347 106</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>728 124</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 2011	31 DEC 2010	31 DEC 2009	31 DEC 2008	31 DEC 2007	31 DEC 2006	31 DEC 2005	31 DEC 2004	31 DEC 2003
<b>LIABILITIES</b>									
Capital	72 329	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	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>179 342</b>	<b>176 501</b>	<b>174 270</b>	<b>174 270</b>	<b>174 270</b>
Retained earnings	85 191	75 179	67 582	51 222	47 453	25 492	47 429	80 739	81 795
Hedging and translation reserves	(15 739)	(12 853)	(21 395)	(19 951)	(10 964)	(11 793)	(10 292)	(11 223)	(14 467)
Equity before non-controlling interests	248 794	241 668	225 529	210 613	215 831	190 200	211 407	243 786	241 598
Non-controlling interests	0	0	429	23 090	32 491	38 203	39 828	37 565	30 066
<b>Total equity</b>	<b>248 794</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	35 289	34 988	37 209	40 155	45 235	48 365	45 218	40 459	38 322
Provisions	12 964	24 452	23 008	17 893	17 681	21 957	14 540	12 298	17 965
Deferred tax	9 134	8 800	8 187	9 429	9 549	7 408	6 792	4 934	5 742
Subordinated loans	0	0	0	89 014	97 495	49 614	49 464	49 327	35
Bonds and notes	44 546	39 780	39 368	14 500	15 040	14 869	14 500	0	0
Financial leases	11 024	13 285	15 986	19 346	21 214	23 424	29 913	12 674	14 571
Bank loans	79 534	111 977	128 200	140 161	22 085	137 601	177 547	230 988	231 364
Other loans	2 111	2 082	2 201	5 123	5 794	2 214	2 302	2 540	2 690
Interest-bearing borrowings	137 215	167 124	185 755	268 144	161 628	227 722	273 726	295 529	248 660
Other amounts payable	353	510	359	1 782	462	3 938	1 159	984	7 694
<b>Non-current liabilities</b>	<b>194 955</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	3 126	3 846	3 893	4 674	4 083	4 529	4 073	6 362	6 804
Provisions	6 328	14 480	8 312	8 516	5 443	5 202	3 833	7 798	7 733
Interest-bearing borrowings	67 680	45 691	47 740	68 872	150 765	99 474	69 878	66 276	83 041
Trade payables	119 274	141 887	114 208	146 993	160 443	173 134	179 611	166 900	125 397
Income tax payables	3 974	7 542	4 712	3 389	9 659	5 212	1 063	947	1 316
Other amounts payable	83 993	86 466	98 565	95 289	77 400	93 952	95 370	101 170	81 158
<b>Current liabilities</b>	<b>284 375</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>728 124</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	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>INCOME STATEMENT</b>									
<b>Sales</b>	<b>1 378 122</b>	<b>1 348 430</b>	<b>1 276 662</b>	<b>1 555 450</b>	<b>1 611 788</b>	<b>1 474 422</b>	<b>1 391 558</b>	<b>1 276 319</b>	<b>1 180 773</b>
<b>Distribution costs</b>	<b>(65 182)</b>	<b>(64 768)</b>	<b>(62 061)</b>	<b>(74 528)</b>	<b>(76 777)</b>	<b>(68 668)</b>	<b>(63 782)</b>	<b>(63 442)</b>	<b>(58 986)</b>
<b>Cost of sales</b>	<b>(1 101 628)</b>	<b>(1 066 780)</b>	<b>(982 511)</b>	<b>(1 260 090)</b>	<b>(1 279 997)</b>	<b>(1 170 165)</b>	<b>(1 140 184)</b>	<b>(1 002 560)</b>	<b>(927 416)</b>
<b>Gross profit</b>	<b>211 312</b>	<b>216 882</b>	<b>232 090</b>	<b>220 832</b>	<b>255 014</b>	<b>235 589</b>	<b>187 592</b>	<b>210 317</b>	<b>194 371</b>
General and administrative expenses	(85 059)	(80 367)	(82 166)	(90 587)	(88 537)	(88 826)	(89 722)	(85 121)	(76 883)
Sales and marketing expenses	(73 836)	(74 331)	(81 040)	(88 077)	(89 454)	(87 070)	(75 845)	(75 084)	(73 809)
Research and development expenses	(14 820)	(15 794)	(13 941)	(17 006)	(17 936)	(18 224)	(16 362)	(18 055)	(17 750)
Impairments	(5 260)	(10 800)	(10 362)	(12 280)	(1 400)	(32 042)	(11 912)	-	-
Other operating revenues (expenses)	8 363	(10 075)	31	26 367	5 561	5 537	15 893	(799)	(13 475)
<b>Income from associates</b>	<b>1 741</b>	<b>935</b>	<b>1 608</b>	<b>1 899</b>	<b>(24)</b>	<b>1 013</b>	<b>1 538</b>	<b>611</b>	<b>623</b>
Income from investments	(406)	1 164	7	265	2 013	312	(2 291)	684	502
<b>EBIT</b>	<b>42 035</b>	<b>27 614</b>	<b>46 227</b>	<b>41 413</b>	<b>65 237</b>	<b>16 289</b>	<b>8 891</b>	<b>32 553</b>	<b>13 579</b>
Interest income and expenses	(13 270)	(11 770)	(16 919)	(24 414)	(25 181)	(25 441)	(25 199)	(19 351)	(13 976)
Other financial income and expenses	(3 414)	(5 325)	3 125	(2 022)	(3 566)	479	(2 735)	(2 180)	(3 964)
<b>Financial result</b>	<b>(16 684)</b>	<b>(17 095)</b>	<b>(13 794)</b>	<b>(26 436)</b>	<b>(28 747)</b>	<b>(24 962)</b>	<b>(27 934)</b>	<b>(21 531)</b>	<b>(17 940)</b>
<b>Result of the period before taxes</b>	<b>25 351</b>	<b>10 519</b>	<b>32 433</b>	<b>14 977</b>	<b>36 490</b>	<b>(8 673)</b>	<b>(19 043)</b>	<b>11 022</b>	<b>(4 361)</b>
Income taxes	(7 933)	4 108	(12 396)	(10 378)	(14 325)	(10 380)	(6 244)	196	(2 753)
<b>Result of the period after taxes</b>	<b>17 418</b>	<b>14 627</b>	<b>20 037</b>	<b>4 599</b>	<b>22 165</b>	<b>(19 053)</b>	<b>(25 287)</b>	<b>11 218</b>	<b>(7 114)</b>
Share of minority interests	0	(188)	703	6 949	(626)	(2 179)	(2 587)	(5 851)	(2 943)
<b>Share of the Group</b>	<b>17 418</b>	<b>14 439</b>	<b>20 740</b>	<b>11 548</b>	<b>21 539</b>	<b>(21 232)</b>	<b>(27 874)</b>	<b>5 367</b>	<b>(10 057)</b>

## VIII. Asset & risk management

Assisted in its work by the Audit Committee, the Board of Directors determines the Group's risk management policy, taking the significance of the general corporate risks that it is prepared to accept into account.

Business and management imply dealing with external and internal uncertainties. These uncertainties imply that decisions intrinsically involving potential risks are constantly being taken at all levels. For this reason, and also because a company must be able to achieve its objectives, it is important to outline, assess, quantify and grade corporate risks as precisely as possible. An appropriate, adapted risk management system that can also draw on efficient monitoring mechanisms and best practices must avoid any adverse effects of potential risks on the company and its value or at least control or minimise those effects.

In 2008, the Management Committee drew up a list of the main corporate risks faced by the Recticel Group within the framework of its activities.

In 2010, it was decided to review this list in order then to define the processes to be implemented to control and limit the risks thus identified.

To this end, a specialist external consultant was hired to assist the Management Committee and steer the risk assessment and definition work.

The assessment work was eventually completed in 2011 and the Recticel Group's new list of corporate risks was drawn up by the Management Committee and then approved by the Board of Directors.

This resulted in a current list of 16 major risks for which specific working groups have been created so that, initially, an appropriate, specific action plan can be drawn up for each identified risk, followed by the implementation and monitoring thereof.

However, it should be pointed out that this selection is in no way an exhaustive list of all the risks identified during the assessment process. It is a matter, above all, of prioritising the processing of certain risks, yet without overlooking or sidelining all other risks that also remain subject to ongoing supervision and control.

Furthermore, risks can always arise that the company has not yet been able to define in full and which, for the time being, are regarded as having a minor influence but which could subsequently impact on the company's results. The Group's risk management systems attempt to identify internal and external risks in time. The impact of some of these risks is absorbed and limited by the provisions of Recticel's General Terms and Conditions (of Trade), or GTC, available on the Group's website ([www.recticel.com](http://www.recticel.com)).

This list of major risks will also be thoroughly revised as of 2013 based on a clearly defined methodology.

### RISK FACTORS

The items dealt with below are the most relevant risk factors for the Recticel Group, as defined during the assessment process described above.

#### **1. Price and source of raw materials**

As a manufacturer and converter of polyurethane, the Group is sensitive to fluctuations in the prices of chemical raw materials. Essentially, these are polyols and isocyanates (TDI and MDI). Although these base materials are petroleum derivatives, their price evolution differs considerably from that of petroleum products on the global market. One of the main reasons for this difference is that polyols and isocyanates are clearly farther along the petroleum conversion value chain. Excess volatility of raw materials prices or their scarcity or shortage may have a negative effect on Recticel's results and financial situation.

Chemical raw materials represent, on average, nearly 40% of the cost price. For certain Flexible Foam and Insulation applications, this share may be even higher.

These raw materials are purchased on the open market. It is not possible to hedge against changes in raw materials prices.

The purchase of chemical raw materials is centralised and the relevant central department negotiates the supply contracts.

#### **2. Compliance with laws and regulations. Contractual obligations**

Failure to comply with the various laws and regulations governing the Group's activities is likely to have a negative impact on these activities and invoke its liability.

These activities are particularly subject to various environmental laws and regulations that are likely to expose the Group to major compliance costs or legal proceedings.

Furthermore, the Group may incur other major costs following the non-fulfilment of its contractual obligations or also in cases where the negotiated contractual provisions in place prove to be insufficient, or even inadequate.

#### **3. Reputation, communication, phobia of the chemical industry**

The reputation of the Recticel Group and its capacity as the supplier of reliable and ethical products could be tarnished during events or accidents that are totally beyond its control or also as a result of its own acts. This can also apply if there is a wave of public mistrust of chemical products and their inherent danger that could affect the chemical industry as a whole and Recticel in particular, as well as in the case of poor or unfortunate communication.

#### **4. Competition and new operators**

There is a risk to the Recticel Group's annual sales and market share not only due to newcomers that are clearly competing with Recticel, but also as regards the current competition, which can at any time launch brand-new or revolutionary products on the market, challenging Recticel's competitive position.

#### **5. Business interruption**

This relates to any risk of interruption to manufacturing or distribution activities following an incident, accident or any other unexpected event at one or more plants.

## **6. Structure and concentration of lopsided activities**

An overly large concentration of activities on certain clients, certain technologies, and even on certain markets or geographic sectors is regarded as a significant risk that could have adverse consequences or conflict with the development of the Group's activities or the achievement of strategic objectives.

## **7. Evaluation of projects and investments**

The danger lies in an incorrect or inadequate evaluation of a planned investment or otherwise compared with its strategic alignment and financial return, as well as the level of risk associated with it.

This evaluation is currently made on the basis of Group investment guidelines and their assessment.

## **8. Safety, health and the environment**

Due to the nature of its activities, the Recticel Group is exposed to environmental risks. The Group uses potentially hazardous products (chemicals and the like) as part of its development activities and manufacturing processes. Pollution can never be ruled out. The Group prevents pollution by adopting appropriate industrial policies. Scenarios precisely outlining the *modus operandi* for tackling this type of crisis and managing the consequences thereof have been circulated throughout the organisation.

It goes without saying that the handling of these same products constitutes a health risk for staff, customers and any other visitor, particularly in the event of failure to comply with the safety rules issued by Recticel.

## **9. Product liability**

Recticel produces and sells both semi-finished and finished consumer durable goods (bedding and insulation). In both cases, the Group is exposed to any complaints relating to product liability. Recticel tries to offset or limit these risks by means of product guarantees provided for in the conditions of sale and through the application of a strict quality control system. To protect itself from the adverse effects of product liability, the Group has effected general and product-specific insurance policies.

## **10. Efficiency and capacity**

As regards efficiency, the risk lies in maintaining or improving activities in terms of equipment and technologies at production plants and in controlling and streamlining costs and competitiveness for internal departments.

As regards capacity, it is a question of meeting our customers' needs while also optimally spreading our various entities' overheads and controlling unit costs and margins.

## **11. Gauging performance**

Any omission or error in the selection, measurement and reporting of financial and non-financial performance indicators may have adverse effects on the execution and monitoring of the Group's strategic plans.

## **12. Talent management**

For the Group, it is a matter of adapting its human resources to the needs associated with its strategic plan. To this end, appropriate Performance Management, Succession Plans and Leadership Styles should be implemented to achieve objectives.

## **13. Taxation**

Firstly, this concerns the risk associated with compliance with the tax laws and provisions in force in the different countries in which the Recticel Group has a presence and operates.

Secondly, it is a question of correctly and precisely planning the tax consequences associated with the fluctuation in earnings before interest and taxes (EBIT) and the structural or contractual reorganisation of the Group's activities.

## **14. Intellectual property**

Recticel owns numerous patents and has a number of patents pending for multiple products and software systems. The Group is also the holder of numerous trademarks in several countries. Recticel relies on a combination of patent and trademark rights, copyright and laws on brand names and industrial secrets, confidentiality procedures, trade secrets, contractual provisions and licence agreements to define and protect ownership.

On the other hand, the Group uses its best endeavours, *inter alia*, via a technological monitoring system, to scrupulously comply with third-party intellectual rights. Although Recticel is convinced that its products do not infringe third-party intellectual rights, the fact that future actions may be brought for such infringements cannot be ruled out.

## **15. Information, Communication and Technology (ICT) risks**

Today, most of Recticel's operations and methods are conducted and monitored by central information processing systems. The risk is defined as the breakdown in or unreliability of these systems.

## **16. Risks relating to joint ventures and associates**

Although the Group does its utmost to identify and manage the potential risks in the same way (albeit adapted to the nature of the risk), this is not always possible and cannot always be imposed. In the case of joint ventures and associated companies, as well as medium and long-term cooperation, there may be divergent views *vis-à-vis* the other partner, so that treatment similar to that adopted by the Group may be limited, or even made impossible. The varying approaches towards these risks may have consequences that differ from those that the Group would have incurred or agreed to incur.

## **RISK MONITORING**

Operational and industrial risks are usually covered by centrally managed insurance contracts. The conditions governing these contracts are reviewed on a regular basis. Recticel owns two reinsurance subsidiaries, whose principal task consists of reinsuring the Group's own risk associated with the excesses that are payable by the Group under external insurance policies.

The risks and uncertainties for which provisions have been raised in accordance with IFRS rules are explained under the heading II.5.18. of the financial section of the annual report. More precisely, these are provisions for litigation, product guarantees, environmental risks and reorganisation charges.

Recticel's Internal Audit Department is involved in implementing control procedures in the broadest sense and ensures that they are complied with. It also plays a major role in the permanent monitoring of corporate risks and contributes to the basic considerations regarding these risks in the Group.

# Key Figures

in million EUR

Group Recticel	2007	2008	2009	2010	2011
<b>Consolidated income statement</b>					
Sales	1 611,8	1 555,5	1 276,7	1 348,4	1 378,1
Gross profit	255,0	220,8	232,1	216,9	211,3
REBITDA	123,4	86,8	106,9	104,0	88,6
EBITDA	122,0	108,8	102,3	83,5	88,8
REBIT	67,9	31,7	61,2	58,9	47,1
EBIT	65,2	41,4	46,2	27,6	42,0
Financial result	(28,7)	(26,4)	(13,8)	(17,1)	(16,7)
Result of the period before taxes	36,5	15,0	32,4	10,5	25,3
Income taxes	(14,3)	(10,4)	(12,4)	4,1	(7,9)
Result of the period after taxes	22,2	4,6	20,0	14,6	17,4
of which Result of the period after taxes (share of the Group)	21,5	11,5	20,7	14,4	17,4
<b>Profitability ratios</b>					
Gross profit / Sales	15,8%	14,2%	18,2%	16,1%	15,3%
REBITDA / Sales	7,7%	5,6%	8,4%	7,7%	6,4%
EBITDA / Sales	7,6%	7,0%	8,0%	6,2%	6,4%
REBIT / Sales	4,2%	2,0%	4,8%	4,4%	3,4%
EBIT / Sales	4,0%	2,7%	3,6%	2,0%	3,0%
Result of the period after taxes (share of the Group) / Sales	1,3%	0,7%	1,6%	1,1%	1,3%
ROE = Result of the period after taxes (share of the Group) / Total equity (Group share)	10,6%	5,4%	9,4%	6,3%	7,1%
ROCE = Return on (average) capital employed	12,3%	7,5%	10,1%	6,4%	10,3%
<b>Annual growth rates</b>					
Sales	9,3%	-3,5%	-17,9%	5,6%	2,2%
REBITDA	-10,6%	-29,7%	23,1%	-2,7%	-14,8%
EBITDA	15,2%	-10,8%	-6,0%	-18,3%	6,3%
REBIT	35,9%	-53,3%	93,1%	-3,7%	-20,0%
EBIT	300,5%	-36,5%	11,6%	-40,3%	52,2%
Result of the period after taxes (share of the Group)	n.r.	-46,4%	79,6%	-30,4%	20,6%
<b>Consolidated balance sheet</b>					
Non-current assets	482,7	479,0	406,0	402,0	381,0
Current assets	407,9	419,8	351,9	375,4	347,1
<b>TOTAL ASSETS</b>	<b>890,7</b>	<b>898,8</b>	<b>757,9</b>	<b>777,5</b>	<b>728,1</b>
Total Equity	248,3	233,7	226,0	241,7	248,8
Non-current liabilities	234,6	337,4	254,5	235,9	195,0
Current liabilities	407,8	327,7	277,4	299,9	284,4
<b>TOTAL LIABILITIES</b>	<b>890,7</b>	<b>898,8</b>	<b>757,9</b>	<b>777,5</b>	<b>728,1</b>
Net working capital	119,0	105,7	92,8	85,4	85,1
Market capitalisation (December 31st)	289,3	118,0	145,5	229,4	131,9
Non-controlling interests	32,5	23,1	0,4	0,0	0,0
Net financial debt	270,9	268,6	192,0	158,7	150,1
<b>ENTERPRISE VALUE</b>	<b>592,7</b>	<b>409,7</b>	<b>337,9</b>	<b>388,1</b>	<b>282,0</b>
Average capital employed	531,6	514,5	458,9	422,5	408,9
<b>Financial structure ratios</b>					
Net financial debt / Total equity (including non-controlling interests)	109%	115%	85%	66%	60%
Total equity (including non-controlling interests) / Total assets	28%	26%	30%	31%	34%
Current ratio	1,0	1,3	1,3	1,3	1,2
<b>Valuation ratios</b>					
Price / Earnings (Market capitalisation (Dec 31st) / Result of the period (Group share))	13,4	10,2	7,0	15,9	7,6
Enterprise value / EBITDA	4,9	3,8	3,3	4,6	3,2
Price / Book value (=Market capitalisation/Book value (share of the Group))	1,34	0,56	0,65	0,95	0,53

in million EUR					
Group Recticel	2007	2008	2009	2010	2011
<b>Consolidated sales per business line</b>					
Flexible Foams	665,6	645,6	570,6	602,7	596,2
Bedding	396,4	349,5	312,6	293,3	292,2
Insulation	139,7	156,4	166,5	187,4	223,1
Automotive	490,4	474,2	289,4	324,9	324,8
Eliminations	(80,2)	(70,3)	(62,4)	(59,9)	(58,1)
<b>Total sales</b>	<b>1 611,8</b>	<b>1 555,5</b>	<b>1 276,7</b>	<b>1 348,4</b>	<b>1 378,1</b>
in million EUR					
<b>EBITDA per business line</b>					
Flexible Foams	41,8	31,2	45,1	22,2	22,6
as % of sales	6,3%	4,8%	7,9%	3,7%	3,8%
Bedding	26,9	16,9	41,1	17,3	16,6
as % of sales	6,8%	4,8%	13,1%	5,9%	5,7%
Insulation	24,6	27,3	40,3	35,5	39,5
as % of sales	17,6%	17,4%	24,2%	18,9%	17,7%
Automotive	40,6	50,1	(6,9)	26,9	24,4
as % of sales	8,3%	10,6%	-2,4%	8,3%	7,5%
Corporate	(11,8)	(16,7)	(17,3)	(18,3)	(14,3)
<b>Total EBITDA</b>	<b>122,0</b>	<b>108,8</b>	<b>102,3</b>	<b>83,5</b>	<b>88,8</b>
<b>as % of sales</b>	<b>7,6%</b>	<b>7,0%</b>	<b>8,0%</b>	<b>6,2%</b>	<b>6,4%</b>
in million EUR					
<b>EBIT per business line</b>					
Flexible Foams	26,4	14,5	25,8	1,2	7,5
as % of sales	4,0%	2,2%	4,5%	0,2%	1,3%
Bedding	19,4	9,1	33,8	11,5	10,9
as % of sales	4,9%	2,6%	10,8%	3,9%	3,7%
Insulation	22,4	24,5	37,2	32,1	35,8
as % of sales	16,1%	15,7%	22,3%	17,2%	16,1%
Automotive	10,4	9,7	(32,2)	1,6	2,8
as % of sales	2,1%	2,0%	-11,1%	0,5%	0,8%
Corporate	(13,3)	(16,4)	(18,3)	(18,8)	(15,0)
<b>Total EBIT</b>	<b>65,2</b>	<b>41,4</b>	<b>46,2</b>	<b>27,6</b>	<b>42,0</b>
<b>as % of sales</b>	<b>4,0%</b>	<b>2,7%</b>	<b>3,6%</b>	<b>2,0%</b>	<b>3,0%</b>
in million EUR					
<b>Investments versus Depreciation</b>					
Investments in intangible and tangible fixed assets	45,6	48,7	24,1	35,2	33,4
Depreciation (excluding amortisation on goodwill, including impairment)	56,8	67,4	56,1	55,9	46,2
Investments / Sales	2,8%	3,1%	1,9%	2,6%	2,4%
<b>Key figures per share</b>					
Number of shares (31 December)	28 931 456	28 931 456	28 931 456	28 931 456	28 931 456
Weighted average number of shares outstanding (before dilution)	28 935 874	28 931 456	28 931 456	28 931 456	28 931 456
Weighted average number of shares outstanding (after dilution)	31 167 169	29 172 611	28 931 456	29 329 026	33 769 050
in EUR					
REBITDA	4,27	3,00	3,69	3,60	3,06
EBITDA	4,22	3,76	3,54	2,89	3,07
REBIT	2,35	1,10	2,11	2,04	1,63
EBIT	2,25	1,43	1,60	0,95	1,45
Result of the period (share of the Group) - Basic <sup>(1)</sup>	0,74	0,40	0,72	0,50	0,60
Result of the period (share of the Group) - Diluted	0,74	0,40	0,72	0,49	0,55
Gross dividend	0,25	0,17	0,25	0,27	0,28
Pay-out ratio	34%	43%	35%	54%	47%
Net book value (Group share)	7,46	7,28	7,80	8,35	8,60
Price / Earnings ratio <sup>(2)</sup>	13,4	10,2	7,0	15,9	7,6
(1) calculated on the basis of the weighted average number of shares outstanding (before dilution effect)					
(2) based on the share price of 31 December. Earnings = Result of the period (share of the Group) per share					
in EUR					
<b>Share prices (in EUR)</b>					
on 31 December	10,00	4,08	5,03	7,93	4,56
lowest of the year	8,95	4,08	1,95	5,04	3,78
highest of the year	11,69	9,96	6,00	8,64	8,20
average daily volume traded (units)	29 462	23 530	31 981	68 246	36 840



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

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