



Committed to the future

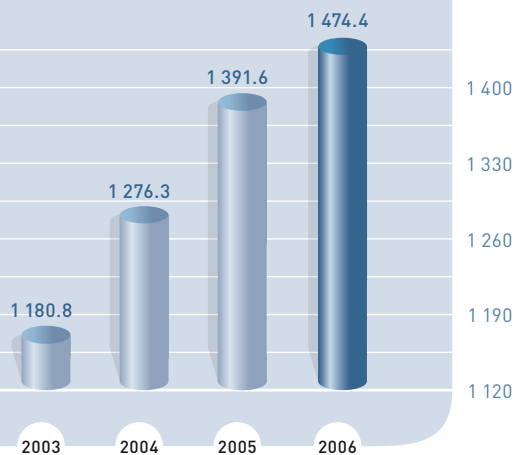


annual report 2006

> key figures

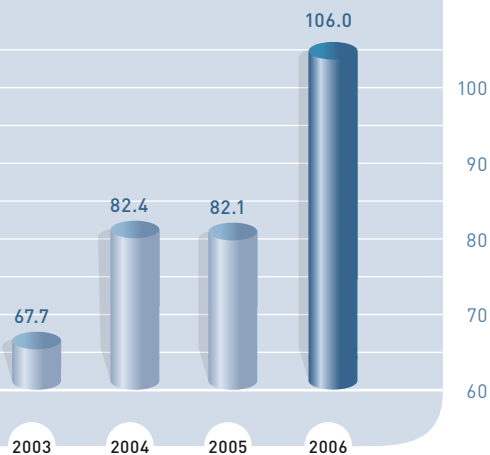
> Consolidated sales

IN MILLION EUR



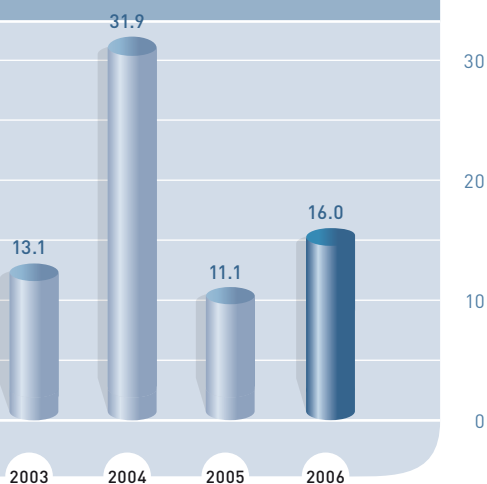
> Consolidated EBITDA

IN MILLION EUR



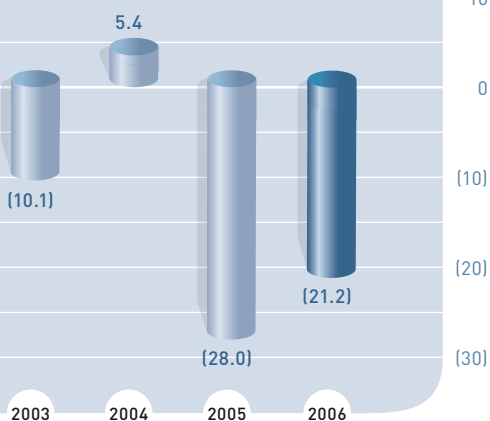
> Consolidated operating result

IN MILLION EUR



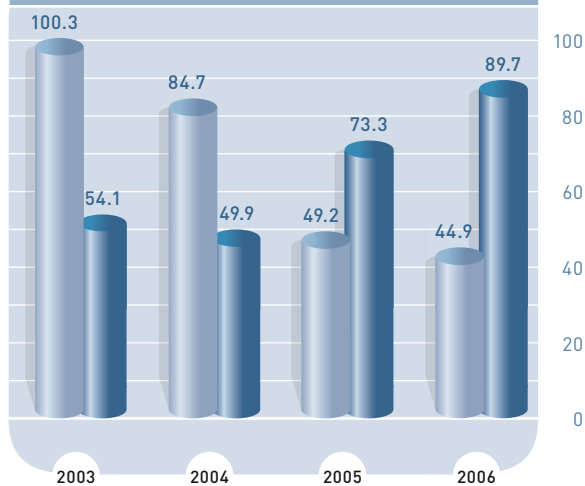
> Consolidated result for the period (Group share)

IN MILLION EUR



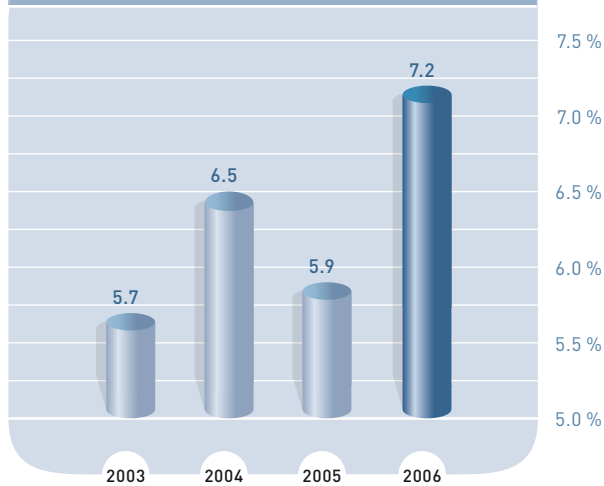
> Investments / Depreciation

IN MILLION EUR



INVESTMENTS DEPRECIATION

> EBITDA / Sales



> key figures

IN MILLION EUR	2006	2005	2004
Consolidated income statement			
Sales	1 474.4	1 391.6	1 276.3
EBITDA ⁽¹⁾	106.0	82.1	82.4
Operating result	16.0	11.1	31.9
EBIT ⁽²⁾	16.3	8.8	32.6
Financial result	(25.0)	(27.9)	(21.5)
Result before taxes	(8.7)	(19.1)	11.0
Result for the period after taxes (share of the Group)	(21.2)	(28.0)	5.4
Profitability ratios			
EBITDA / Sales	7.2%	5.9%	6.5%
Operating result / Sales	1.1%	0.8%	2.5%
EBIT / Sales	1.1%	0.6%	2.6%
Result for the period after taxes (share of the Group) / Sales	-1.4%	-2.0%	0.4%
ROE = Result of the period after taxes (share of the Group) / Total Equity (Group share) ⁽³⁾	-10.6%	-12.3%	2.2%
ROCE = Return on Capital Employed ⁽⁴⁾⁽⁶⁾	3.0%	1.5%	5.4%
Annual growth rates			
Sales	6.0%	9.0%	8.1%
EBITDA ⁽¹⁾	29.0%	-0.3%	21.8%
Operating result	44.2%	-65.2%	143.7%
EBIT ⁽²⁾	85.3%	-73.0%	139.7%
Result for the period after taxes (share of the Group)	-24.1%	n.r.	n.r.
Consolidated balance sheet			
Non-current assets	490.8	544.0	564.8
Current assets	428.5	402.5	420.2
TOTAL ASSETS	919.3	946.5	985.0
Equity - Minority Interests included	228.4	251.2	281.4
Provisions and Deferred Taxes	77.7	66.6	57.7
Long Term Interest-bearing Borrowings	227.7	273.7	295.5
Short Term Interest-bearing Borrowings	99.5	69.9	66.3
Other Payables and Short Term Liabilities	286.0	285.1	284.2
TOTAL LIABILITIES	919.3	946.5	985.0
Net Working Capital ⁽⁸⁾	130.9	100.4	124.1
Market Capitalisation (Dec 31st)	274.8	212.5	223.8
Minority Interests	38.2	39.8	37.6
Net Financial Debt ⁽⁵⁾	301.9	317.5	334.7
ENTERPRISE VALUE	615.0	569.8	596.1
Average Capital Employed ⁽⁶⁾	547.1	584.2	598.7
Financial structure ratios			
Net Financial Debt / Equity ⁽⁷⁾	132.2%	126.4%	119.0%
Equity / Total Assets ⁽⁷⁾	24.8%	26.5%	28.6%
Current ratio ⁽⁹⁾	1.12	1.14	1.20
Valuation ratios			
Price / Earnings (Market Capitalisation (Dec 31st) / Result for the period (Group share)) ⁽¹⁰⁾	n.r.	n.r.	41.7
Enterprise Value / EBITDA	5.8	6.9	7.2
Price / Book Value (=Market Capitalisation/Book Value (Group share))	1.4	1.0	0.9

(1) EBITDA = operating result + income from investments + depreciation, amortisation and impairment on assets

(2) EBIT = operating result + income from investments

(3) annual average of equity (Group share)

(4) EBIT / average capital employed

(5) financial debt less cash and cash equivalents

(6) capital employed = net intangible assets + goodwill + net property, plant & equipment + working capital

(7) shareholders' equity including minority interests

(8) current assets (less cash investments) - non-financial current liabilities

(9) current assets / current liabilities

(10) based on the share price of December 31st. Earnings = Result of the period (share of the Group) per share

IN MILLION EUR		2006	2005	2004
Investments versus depreciation				
Investments in intangible and tangible fixed assets		44.9	49.2	84.7
Depreciation [excluding amortisation on goodwill, including impairment]		89.7	73.3	49.9
Investments / Sales		3.0%	3.5%	6.6%
Consolidated sales per business line				
Flexible Foam		632.8	526.6	493.6
Bedding		375.1	366.8	368.3
Insulation		109.7	101.6	95.8
Automotive		426.9	461.9	376.7
Eliminations		(70.1)	(65.3)	(58.1)
TOTAL SALES		1 474.4	1 391.6	1 276.3
EBITDA per business line				
Flexible Foam		42.9	34.7	34.4
Bedding		25.0	24.9	20.9
Insulation		14.8	11.6	11.6
Automotive		26.0	21.0	25.7
Corporate		(2.8)	(10.0)	(10.1)
TOTAL EBITDA		106.0	82.1	82.4
AS % OF SALES OF THE BUSINESS LINE				
EBITDA margin				
Flexible Foam		6.8%	6.6%	7.0%
Bedding		6.7%	6.8%	5.7%
Insulation		13.5%	11.4%	12.1%
Automotive		6.1%	4.5%	6.8%
DATA PER SHARE				
Number of shares (Dec 31st)		28 628 900	28 333 010	28 333 010
Weighted average number of shares outstanding (before dilution)		28 316 816	27 935 210	27 935 210
Weighted average number of shares outstanding (after dilution)		28 316 816	27 935 210	28 543 971
IN EUR				
Data per share				
EBITDA ⁽¹⁾		3.74	2.94	2.95
Operating Result ⁽¹⁾		0.56	0.40	1.14
EBIT ⁽¹⁾		0.58	0.31	1.17
Current result before taxes ⁽¹⁾		(0.31)	(0.69)	0.39
Result for the period (share of the Group) - Basic ⁽¹⁾		(0.75)	(1.00)	0.19
Result for the period (share of the Group) - Diluted		(0.75)	(1.00)	0.19
Gross dividend		0.17	0.17	0.17
Pay-out ratio		n.r.	n.r.	88.0%
Net book value (Group share)		6.64	7.46	8.60
IN EUR				
Share prices				
Ordinary share	on December 31st	9.60	7.50	7.90
	lowest of the year	7.52	6.50	6.00
	highest of the year	10.30	8.36	8.70
	average daily volume traded (units)	35 914	26 952	14 386
VVPR Share	on December 31st	9.31	7.55	8.35

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

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INTRODUCTION

02



RECTICEL IN A NUTSHELL

A passion for comfort

Under the motto *A passion for comfort*, Recticel, as a manufacturer of polyurethane foam products, strives to make a real difference to daily comfort for all.

The Group, as a unique whole, concentrates on four selected fields of application: Flexible foams, Bedding, Insulation and Automotive. The Group mainly produces semi-finished products (Flexible foams and Automotive). Only in the Bedding and Insulation divisions does the Group produce finished goods, both consumables and durables, for end users. Within the Bedding division, mattresses and slat bases are marketed mainly under well-known brand names (including Beka, Epeda, Lattoflex, Literie Bultex, Schlaraffia, Sembella, Superba, Swissflex, etc.). The Insulation division supplies high-quality thermal insulation products. In addition, Recticel attaches great importance to innovation and technological progress. The Group's products are therefore used in ever growing numbers of new and existing applications.

As market leader in most of its activities, Recticel currently has over 100 establishments in 26 countries. The Group, with its 11,250 employees, is not only present throughout Europe, but also pursues a number of activities in the United States and Japan.

Recticel aims to achieve sustainable added value and steady profitable growth to the benefit of its customers and its shareholders.

Flexible foams

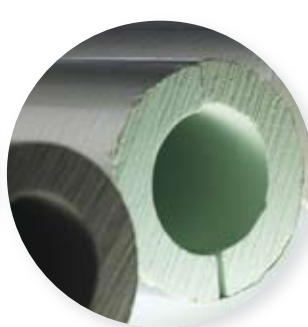


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Bedding



Insulation



Automotive



HIGHLIGHTS OF 2006 – BEGINNING 2007

➤ JANUARY 2006

INDUSTRIAL INSULATION

Recticel and the Irish group Kingspan established the 50/50 joint venture Kingspan Tarec Industrial Insulation. This new structure will give both groups the opportunity to utilise their technical expertise in industrial insulation to the full.

➤ MARCH 2006

ICOA, SPAIN

Recticel took over full control of ICOA, Spain, as a result of which, Recticel has become market leader in flexible foam in the Iberian Peninsula.

➤ SEPTEMBER 2006

PROSEAT

Recticel and the Canadian group Woodbridge decided to extend their cooperation further by integrating Woodbridge's moulded foam activities (seat cushions for the automotive industry) in the United Kingdom in the existing joint venture Proseat. As a result of the integration of the activities in the United Kingdom, Proseat has consolidated its leading position as independent moulded foam manufacturer in Europe.

INTERIORS SOLUTIONS

Recticel signed a declaration of intent with Nordwind Capital, a German private equity group from Munich, with a view to accommodating all the car interior trim activities in a new structure in which Recticel would take a minority stake of maximum 25%.

➤ NOVEMBER 2006

BALIM

Recticel concluded an agreement with LRM – Limburgse Reconversie maatschappij for the sale of 240 hectares of industrial estate for development, located in Lommel (Belgium). The sale was completed at the end of December 2006.

➤ FEBRUARY 2007

PROSEAT

Proseat, the joint venture between Recticel and the Canadian group Woodbridge, announced its intention to close the seat cushion production line (Automotive) in Wetteren (Belgium).

INTERIORS SOLUTIONS

Nordwind Capital informed Recticel that it was withdrawing from the *Memorandum of Understanding* signed on 25 September 2006. Consequently the Interiors Solutions division remains entirely within the Recticel Group.

➤ MARCH 2007

PROSEAT

The integration in Proseat of Woodbridge's moulded foam activities (seat cushions for the automotive industry) in the United Kingdom, announced in September 2006, was formally finalised.

LETTER TO THE SHAREHOLDERS

After a number of years in which difficult market developments, rising raw materials prices, wavering consumer confidence and major investment programmes put a dampener on the profitability of the Recticel Group, 2006 was to mark an important turning point. It quickly transpired that this was not a hollow statement. 2006 started with the integration of the Industrial Insulation division in the new 50/50 joint venture Kingspan Tarec Industrial insulation. This was followed in April with the takeover in full of ICOA of Spain, which enabled the Group to secure market leadership in Flexible foams in the Iberian Peninsula. In September, an agreement was reached for the further extension of the Proseat joint venture (car seat cushions), under which Canadian partner Woodbridge contributes its moulded foam activities in the United Kingdom to the existing joint venture structure. In November, an agreement was signed with LRM (*Limburgse Reconvertiemaatschappij*) concerning the sale of the industrial estates in Lommel (Belgium). On the other hand, the negotiations with the German private equity group Nordwind Capital on the partial sale of the Interiors Solutions division (interior trim for the automotive sector), announced in September 2006, were broken off at the end of February 2007.

FAVOURABLE UNDERLYING RESULTS

The result of the Interiors Solutions division in the U.S.A. left aside, the key issue was the strong recovery in structural profitability during the past year. Without the impairment on the American assets of the Interiors Solutions division, 2006 would have been a good year.

Sales rose by 6.0%, of which 5.4% is the result of pure internal growth. Nearly all activities contributed to this. Not only the passing on of the higher raw materials prices in our own selling prices, but also structurally higher volumes were the success factors here. In the Flexible foams sector, sales were again favourably influenced by better market prices for trim foam.

The improved profitability, which was already perceptible in the second half of 2005, continued in the course of the financial year. Here too, nearly all activities progressed. The results of the first six months, which were considerably better than those of the previous periods, were almost equalled in the second half of the year. Recticel recorded an EBITDA of EUR 106.0 million (+29.0% compared to 2005), which corresponds to an EBITDA margin on operating income of 7.2% (5.9% in 2005). As a result of the impairments (EUR 31.1 million) on the American assets of the Interiors Solutions business, the EBIT came to only EUR 16.0 million (+ 85.3% compared to 2005) or an EBIT margin on operating income of 1.1% (0.6% in 2005). The net result ended up at EUR -21.2 million, compared to a loss of EUR 28.0 million the previous year. Without these one-off impairments, the Group would have made a structural net profit in 2006 of EUR 9.9 million.

STRATEGY: LOOKING BACK AND LOOKING FORWARD

The encouraging structural results of the past financial year were also the result of strategic decisions and efforts from previous years. To withstand the detrimental effects of the changed market situations, the Group was forced to adapt its industrial machinery and organisation several times. During the past years, various restructuring programmes were implemented in the various divisions. In this respect, the aim was always to minimise the consequences for customers, employees and commercial partners. The efforts made at that time were absolutely essential and mean that the Group is now better equipped to meet the future challenges with confidence. The effects of these interventions on the 2006 results were abundantly clear.

For the Interiors Solutions division (interior trim for cars), the lay of the land was somewhat different. The Colofast® spray technology developed and patented by Recticel has met with strong interest in recent years. To cope with this worldwide demand, a network of 11 plants was developed in Europe, the United States and Japan. In spite of this immense commercial success, the profitability of this division failed to match up to expectations. The major challenge for the Group was on the one hand to continue to meet the rising demand and high quality expectations of the automotive industry, and on the other hand to maintain a healthy balance sheet structure. Meeting customer expectations would mean that substantial additional investments have to be made, which would put further pressure on the financial capacity of the Group. After long and detailed consideration, it was ultimately decided to secure the future of the division by joining forces with an external partner. At the end of February 2007, the negotiations were halted by Nordwind Capital and the final contracts were not signed.

The strategic reprofiling of the Group, undertaken consistently, but flexibly and vigorously, over the past years, will guarantee a further sustainable improvement in market position and profitability. To achieve this, Recticel can bring to bear its many years of technological and industrial expertise. This, in combination with the strategic vision of the various markets in which the Group operates, ensures that Recticel is a unique and valuable whole. The breakdown in the negotiations with Nordwind Capital makes no difference to this, although the Group will be discussing in the course of 2007 how it must adapt its strategy to the new situation and with which resources.

OUTLOOK

The Group will be taking up the new challenges with ever greater insight and perseverance. Recticel remains *Committed to the Future*. For 2007, Recticel wishes to consolidate the recovery recorded during the past year and to develop it further. As in the past, this will be feasible only if the Group continues to distinguish itself by capitalising appropriately and flexibly on the ongoing

changes and developments on the various markets. In addition, this customer and market orientation will only be successful on a sustainable basis if it receives the ongoing support of continuous product and/or technological innovation and desire for quality. This future-oriented Group image will unerringly remain the main-spring of corporate social responsibility.

For 2007, Recticel is basing its expectations on the assumption that the positive trend in world economic growth of last year will continue. At regional level, the Group is assuming that the emerging markets of Central and Eastern Europe will continue to grow at the same rate as last year and that there will be modest improvements in the traditional markets of Western Europe.

The **Flexible foams** business line is not confining itself merely to the supply of bulk products, but is focusing ever more on high-quality solutions and new applications. Furthermore, the presence in Central and Eastern Europe forms an ideal safety net for the stagnating Western European market. New opportunities for expansion in Eastern Europe and Turkey will be followed attentively.

The **Bedding** business line evolves in a market which is recovering slowly but surely from a protracted economic slump. Productivity improvements, a more selective product mix, an innovative marketing approach and the deepening of our strategic alliances are ensuring a change in fortunes there too. The strategy adopted hitherto of actively promoting mainly brand products on these markets will continue unabated.

In the **Insulation** business line, our products are still a niche application. Stricter insulation standards offer great potential in construction. The planned start-up at the beginning of 2008 of a new production unit for building insulation in the United Kingdom is a concrete response to the rising demand for this type of products as a result of the changing legal framework governing insulation standards. In the Industrial insulation division, the joint venture with Kingspan will ensure further useful synergies and productivity improvements.

The **Automotive** business line has proved that it has acquired technical mastery in all its activities. Within the Seating division (seat cushions), Proseat has expanded from March 2007 to include the seat cushion activities in the United Kingdom which were previously held by joint venture partner Woodbridge. Proseat will further ensure that it can capitalise appropriately on important opportunities in Central and Eastern Europe.

For the Interiors Solutions division (interior trim for cars), 2007 is a new beginning. Whilst the obdurate problems in the United States have to be resolved as quickly as possible, new opportunities are presenting themselves for the European activities. Recticel's technological, industrial and market expertise must ensure that the Group holds all the aces to be able to allow the further development of this unique technology.

FREE FLOAT

2006 was to be an important year because on the one hand earlier commitments of the reference shareholders expired at the end of 2005 and on the other hand a number of fixed partners had previously announced that for internal strategic reasons they wished to reduce their stakes. As stated many times in the past, retiring shareholders have never been inclined to weigh with shares on the market and consequently on the share price. Some of the shares held in portfolio by Mercator, and to a lesser extent by REC-LES too, were the subject of a cautious, controlled sale and were quickly placed with a number of major Belgian and European institutional investors, as a result of which, the Recticel free float rose further from 47.33% (end-2005) to 51.44% at 31 December 2006.

All this led to the liquidity of the Recticel share steadily continuing to improve. Whereas in 2003 the average daily volume traded came to only 4,481 units, this rose to 35,914 in 2006.

The market price of the share reflected not only the growing interest in Recticel, but naturally also its strong performance in the past year. Between 1 January 2006 and 31 December 2006, the Recticel share rose 28% in value.

EXPRESSION OF THANKS

On behalf of the Board of Directors and the Management Committee, we wish to thank our shareholders and customers for their confidence during the past year. Recticel's achievements would also have been impossible without the help of our suppliers, bankers and trading partners. Our thanks are also extended to the employee representatives for their cooperation and willingness for dialogue. Finally, we wish to express our special thanks to our thousands of staff members whose ideas, dedication and energy made this a strong year.



Luc Vansteenkiste
Chief Executive Officer



Etienne Davignon
Chairman of the Board



REPORT BY THE BOARD OF DIRECTORS

08

- *INTERIORS SOLUTIONS REMAINS IN THE GROUP*
- *6% GROWTH IN SALES*
- *29% RISE IN EBITDA*
- *FURTHER REDUCTION IN NET FINANCIAL DEBT TO EUR 302 MILLION*
- *32% IMPROVEMENT GROSS OPERATING CASH FLOW*

Nordwind Capital, with which Recticel had been conducting exclusive negotiations since signing a *Memorandum of Understanding* on 25 September 2006, informed Recticel that it is withdrawing from the agreement. On 28 February 2007, the final date for signing the contracts, no agreement at all was therefore signed and the negotiations were stopped.

Meeting on 1 March 2007, the Board of Directors deems that it would be against the interests of the Recticel Group and its shareholders to change, to its disadvantage, the takeover conditions reached after long negotiations, in which Recticel was assisted by Fortis.

As a result of this, the Recticel Group retains this division, which overall records positive EBITDA, but is loss-making in the USA. The Group is nevertheless convinced that it will overcome the present difficulties despite the economic malaise on the American automotive market. For this to be achievable, the Board of Directors has given its approval to write off in full all the American assets of this division (*) (EUR 31.1 million) and to set aside an additional provision (EUR 7 million) for future costs concerning rent and reorganisation in America. This decision has the (non-cash) effect that Recticel closes the financial year 2006 with a net loss.

(*) The impairments recorded in 2005 related to the entire capitalised development and start-up costs of the American projects (cf. press report on the 2005 Annual Results, published on 10 March 2006).

Consolidated income statement

(All figures and tables contained in this press release have been compiled in accordance with the accounting and valuation principles of the International Financial Reporting Standards, as adopted within the European Union.)

IN MILLION EUR

	2006	2005	Δ
Sales	1 474.4	1 391.6	6.0%
Gross profit	235.6	187.6	25.6%
EBITDA	106.0	82.1	29.0%
Income from associates	1.0	1.5	-34.1%
Operating result	16.0	11.1	44.2%
Income from investments	0.3	(2.3)	n.r.
EBIT	16.3	8.8	85.3%
Interest income & expenses	(25.4)	(25.2)	1.0%
Other financial income & expenses	0.5	(2.7)	n.r.
Financial result	(25.0)	(27.9)	-10.6%
Result from ordinary activities before taxes	(8.7)	(19.1)	-54.7%
Income taxes	(10.4)	(6.2)	66.2%
Result from ordinary activities after taxes	(19.1)	(25.4)	-24.9%
Share of minority interests	(2.2)	(2.6)	-15.8%
Result for the period, share of the Group	(21.2)	(28.0)	-24.1%
Gross operating cash flow	97.8	73.9	32.3%

Condensed balance sheet

IN MILLION EUR

	31 DEC 2006	31 DEC 2005	Δ
Total assets	919	946	-2.9%
Equity – minority interests included	228	251	-9.1%
Net financial debt	302	317	-4.9%

GENERAL REVIEW

During the past year 2006, the Recticel Group performed significantly better in terms of both sales and EBITDA than in 2005, doing particularly well in all business lines especially in Europe.

The Group attributes this growth to higher volumes, operational improvements, the full effect of the restructuring carried out previously in Western Europe and successfully passing on the higher raw materials prices in its own selling prices. The global Interiors Solutions business (Automotive) also recorded positive EBITDA, this being attributable to the strong improvement in Europe and a substantial reduction in the operational losses in the USA. The American Interiors Solutions business still had to contend with volume and profitability problems, with negative EBITDA as a result. The Group consequently took the decision to write off in full all American assets of this subdivision (impairment of EUR 31.1 million) and to set aside an additional provision (EUR 7.0 million) for future costs concerning rent and reorganisation in America.

The **net sales** of the Group rose in 2006 by 6.0% to **EUR 1.47 billion**.

On a comparable basis, sales would have risen by 5.4%. The rest of this progression is explained on the one hand by exchange rate differences (+0.4%) and on the other hand by the following changes in the scope of consolidation (+0.6%):

- the integration of ICOA, Spain (Flexible foam) (since 1 April 2006)
- the partial sale of the window encapsulation business (Automotive – October 2005)
- the joint venture in industrial insulation (Kingspan Tarec Industrial Insulation)

Breakdown of net sales by business line

IN MILLION EUR

	2006	2005 (*)	Δ
Flexible foams	632.8	526.6	20.2%
Bedding	375.1	366.8	2.3%
Insulation	109.7	101.6	8.0%
Automotive	426.9	461.9	-7.6%
Eliminations	(70.1)	(65.3)	7.4%
Total	1 474.4	1 391.6	6.0%

(*) The operating income and EBITDA of certain activities within the Automotive business line have been credited to the Flexible foams business line since the beginning of 2006. The figures for 2005 have been restated to make them comparable with the figures for 2006.

Taking into account the lower sales of moulds for Interiors Solutions amounting to EUR 31.5 million, the net sales would have risen by 8.4%.

The increase is particularly marked in the Flexible foams and Insulation business lines and to a slightly lesser extent in Bedding.

EBITDA rose by 29% to **EUR 106.0 million**.

On a comparable basis and disregarding non-recurring elements (EUR -1.6 million in 2006, as opposed to EUR +8.2 million in 2005), EBITDA improved by 46% in 2006 compared to 2005. The non-recurring elements for 2006 mainly relate to various restructuring costs in Europe, the above-mentioned provision (set aside for USA) and the capital gain realised on industrial estate in Belgium (Balim).

Breakdown of EBITDA by business line

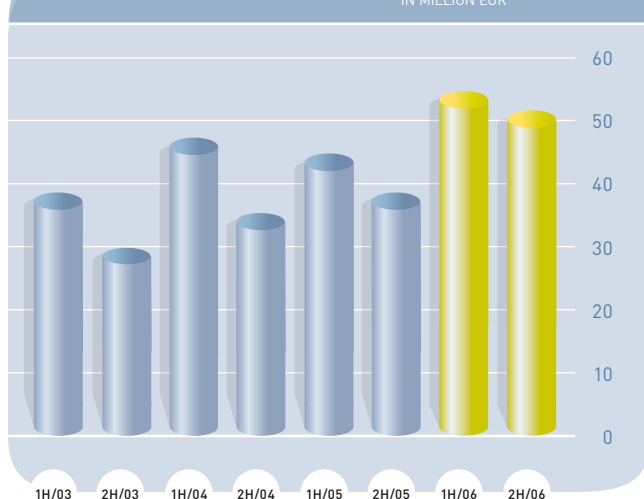
IN MILLION EUR

	2006	2005 (*)	Δ
Flexible foams	42.9	34.7	23.8%
Bedding	25.0	24.9	0.3%
Insulation	14.8	11.6	27.7%
Automotive	26.0	21.0	24.2%
Corporate	(2.8)	(10.0)	-72.1%
Total	106.0	82.1	29.0%

(*) The operating income and EBITDA of certain activities within the Automotive business line have been credited to the Flexible foams business line since the beginning of 2006. The figures for 2005 have been restated to make them comparable with the figures for 2006.

Trend in EBITDA

IN MILLION EUR



EBIT nearly doubled compared to 2005 closing at **EUR 16.3 million**. Before impairment and provision USA (2005 and 2006), EBIT would have risen by 153% (from EUR 21.5 million to EUR 54.4 million).

Financial expenses (EUR -25.0 million) improved by 10.6% as a result of positive exchange rate differences and the conversion of debts in USD into debts in currencies at lower interest rates.

The **income taxes and deferred taxes** increased from EUR -6.2 million in 2005 to **EUR -10.4 million** in 2006 and are accounted for as follows:

- company tax (EUR -12.6 million) payable by the subsidiaries in Central Europe, Germany and Sweden and on the capital gain realised on the sale of industrial land in Belgium
- net write-back of deferred taxes (EUR +2.2 million)

Under the impact of the above-mentioned factors, the Group recorded a **net loss (Group share)** of **EUR 21.2 million** compared to a loss of EUR 28.0 million in 2005.

Without the full write-off of the American assets and the additional provision, the Group would have made a profit of EUR 16.9 million.

MARKET SECTORS

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

SALE OF INDUSTRIAL ESTATE IN BELGIUM

In 2006, the Recticel Group entered into one of the biggest property deals in Belgium (in Lommel) by selling 240 hectares of industrial land to LRM NV, Limburg Investment Company (*Limburgse Reconversiematschappij*). This brought the large-scale clean-up project, under way for several years, to a successful conclusion. A capital gain was realised on this sale.

FINANCIAL SITUATION

The Group managed to reduce its net financial debt at the end of 2006 from EUR 317 million to EUR 302 million. Recticel continues to respect its commitments (financial covenants) to its creditors. The Group is confident that it will be able to reduce its financial debt further in the future.

PROSPECTS

After the value adjustments of 2006, the 2007 net result will certainly be positive and profitability will continue to rise. In particular, Interiors Solutions, which still recorded negative EBITDA of EUR -11.4 million in 2005 and including restructuring achieved slightly positive EBITDA of EUR +1.0 million in 2006, will continue its upward trend in terms of EBITDA in 2007. In view of this trend, the Board of Directors is confident that, barring unforeseen developments, for the Automotive business line as a whole, EBITDA will rise by at least EUR 10 million in 2007.

DIVIDEND

After examining the general prospects, the Board of Directors will propose to the Annual General Meeting on 15 May 2007 the payment of a dividend of EUR 0.17 gross per share (EUR 0.1275 net for ordinary shares and EUR 0.1445 net for VVPR shares).

1

THE RECTICEL GROUP

We strive to pass on our acquired
knowledge and skills
to future generations.



Committed to the future

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MISSION

Recticel wishes:

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

STRATEGY



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Recticel has for years consistently conducted a global strategy which focuses on three important components:

VOLUME

Recticel wishes to play a leading role in the supply of block foam in Europe. The supply is large, especially in the Flexible foams sector, and more specifically the foam fillings for seats and mattresses, and the entry threshold for new manufacturers is quite low.

The improved growth prospects in Central and Eastern Europe (Comfort foam) and in specific niche markets (Technical foams) will put the Group in a position to increase its market share further. In addition, Recticel attaches a great deal of importance to securing its future profitability. The Group aims to achieve this through further improvement of its own productivity and a more optimum spread and utilisation of its production machinery. The Group will always examine any acquisition opportunities arising attentively.

BRAND POLICY

To stand out more clearly within an often very competitive market and to secure its own products against the resultant price pressure, Recticel has opted for a strong brand policy. The Group uses strong brand names especially in Bedding, which is actually the major division within the Group which produces goods (mattresses and slat bases) intended for the end user.

Some are known mainly in their local market (Beka in Belgium, Epeda-Merinos in France, Schlaraffia in Germany, Superba in Switzerland, Ubica in the Netherlands, etc.). Other brands are typical examples of a pan-European approach and are distributed in several countries (Lattoflex, Literie Bultex, Swissflex, etc.).

TECHNOLOGY

Research and development, creativity and technological innovation underpin the Group's further expansion. The most important breakthrough in this field was undoubtedly the unique Colofast® spray technology, which has permitted revolutionary innovation of the interior finish of cars. In addition, sustained efforts in the field of research and development led to a number of types of technical foams (including hydrophilic foam types for medical applications), as too the new generation of insulation materials which have made a breakthrough in the construction industry, through their lightness, great strength and improved fire-resistance.

SYNERGY



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Recticel operates in four different sectors. Nevertheless, there are a number of areas where these various activities overlap, which the Group has fused together soundly.

TECHNOLOGY

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

PURCHASING POWER

There is a centralised purchasing policy for chemical raw materials (mainly polyols and isocyanates). This has enabled Recticel to acquire an important position as buyer of these raw materials, for that matter the second largest in the world. All plants benefit from this. The Group has also taken steps to combine purchases of other strategic raw materials, such as latex, textiles and metal components for the Bedding business line.

OVERLAPPING OF THE BUSINESS LINES

Although the Group's joint activities have been divided into four different business lines, it is sometimes difficult to draw firm lines between them and to mark off all the applications strictly.

A large number of products of the Technical foams sector, for example, are used in the automotive industry and mattress centres for the Bedding business line are supplied by the Flexible foams division. These, and other examples, clearly show that there is overlapping between the various business lines which in a large number of cases can therefore be considered as complementary. In this way, certain business lines derive benefit from the possibilities offered by others, which is a clear illustration of the economies of scale which this complementarity entails.

MARKETING

All business lines are characterised by the need for their own specific marketing strategy. For all that, there are also parallels. For instance, the large-scale advertising campaign in the Bedding business line for Literie Bultex® also paved the way for the brand name Comfort Bultex®. 'Comfort Bultex' has grown in the Flexible foams business line since 1995 to become the only filling material able to gain a competitive advantage from its brand name and its visibility.

RECYCLING

Offcuts of foam left over from the conversion process are recycled. In this way, the trim foam from various activities is manufactured into new, rebound foam which in turn is used for applications in all the business lines.

GROUP VALUES

GROUP VISION

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- *TEAM SPIRIT*
- *ENTREPRENEURSHIP*
- *CREATIVITY & INNOVATION*
- *RESPECT FOR THE ENVIRONMENT AND THE INDIVIDUAL*
- *TRANSPARENCY AND OPENNESS*

- *INDUSTRIAL GROUP*
- *FOCUS ON EUROPE*
- *DIVERSIFIED BUT RELATED ACTIVITIES BASED ON POLYURETHANE*
- *SUSTAINABLE, PROFITABLE AND BALANCED GROWTH*
- *EXPANSION THROUGH INNOVATION, ORGANIC AND GEOGRAPHICAL GROWTH, TARGETED TAKEOVERS AND STRATEGIC ALLIANCES*

CORPORATE SOCIAL RESPONSIBILITY



The basic principle of sustainable corporate social responsibility is business management which, in both definition and implementation, takes account not only of profit objectives, but also of economic, social, ecological, societal and cultural effects, both short-term and long-term.

Recticel, as a responsible organisation, has committed to conducting a policy and to developing relations with its stakeholders, in which the main emphasis lies on quality, safety, health and environment. In this context, the Group has introduced various guidelines and conduct of business rules for a number of years to promote sustainable corporate social responsibility.

Integrity and sustainable business practices are considered increasingly as key elements of business management. The legislation for that matter provides that companies should conduct an ethically, environmentally and socially responsible business policy. Recticel's attitude to these subjects is expressed in the following commitments and guidelines, among others:

- subscribing to the internationally recognised Responsible Care® Global Charter, in which Recticel undertakes to ensure the most sustainable production possible. Moreover, the Group commits to applying the best technology available in order to minimise environmental pollution as far as possible



- Recticel's Group Safety, Health & Environment Manual
- Recticel's Business Control Guide, which lays down the basic control procedures to supplement and support the general accounting and cost controlling rules

- Recticel's Approval Authority Guide, which lays down in practice the distribution of powers within the Group regarding financial, social, information technology, organisational, legal and public matters, etc.

ETHIBEL LABEL FOR SUSTAINABLE INVESTMENTS

At the end of June 2001, Recticel was included by ETHIBEL in its investment register for sustainable investments.



The non-profit association ETHIBEL is an independent consultancy and rating agency for socio-ethical and ecological investments. ETHIBEL conducts in-depth corporate studies which integrate internal and external social policy data into the financial-economic analysis. Only shares which are efficient in these fields are included in the ETHIBEL investment register.



Financial products, which invest exclusively in securities selected by ETHIBEL on the basis of the above-mentioned studies, receive the ETHIBEL label. This collective European quality mark (registration number 881.953) guarantees the high socio-ethical and ecological content of a financial product.

Inclusion in the ETHIBEL investment register lasts for a period of three years, unless new data give rise to exclusion. Up-to-date information on the investment register is obtainable only from ETHIBEL (www.ethibel.be).

At the end of 2004, the inclusion of Recticel in the register was reconfirmed by Ethibel.

RESEARCH AND DEVELOPMENT

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Innovation is of prime importance for Recticel and the Group will continue to deploy sufficient human and financial resources for this in the future. Innovation is the key to continuity and added value. Recticel already set up its own Research & Development Centre (*IDC – International Development Centre*) several years ago to face up to the different challenges imposed by the various product markets. Moreover, it appeared that centralised research activities are the best guarantee of capitalising on the future needs efficiently and flexibly. Efforts not only focus on the development of new or improved products, but also the necessary attention is paid to improving and/or redesigning existing production processes. Although in recent years Recticel has concentrated to a large extent on the development and expansion of the Interiors activities (interior trim for cars), it must be pointed out that the other divisions too have always been able to count on the necessary attention and interest as far as research and development were concerned. One example of this is research into the development of hydrophilic types of foam for use mainly in cosmetic and medical applications, such as dressings.

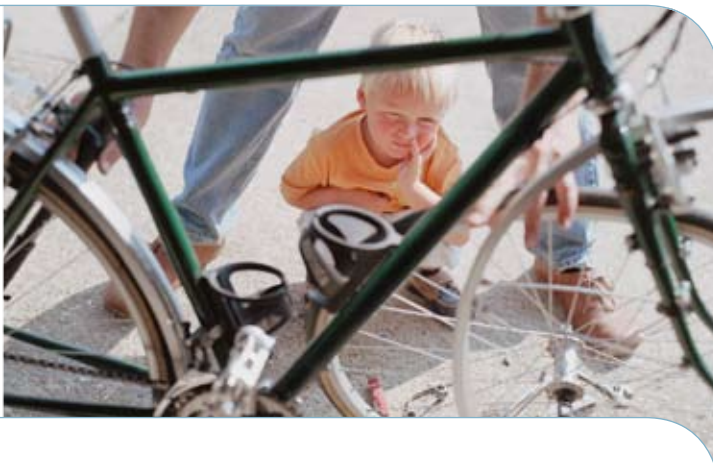
It is not only Recticel's own activities which can call on the expertise of the Research & Development team, but also the various joint ventures can avail themselves of the services of the IDC. As a result, not only are the operational resources assigned used more efficiently, but this also ensures that all communication channels with the various markets remain fully open. Active and constructive interaction between the research team and those who are directly in contact with the markets is the positive way forward for all parties concerned. Pooling knowledge not only increases efficiency but also speeds up developments.

Research & Development focuses not only on the search for commercial or technological success. Attention to clean technology and ecologically sound products and production methods are just as important. In this way, Research & Development not only contribute to the Group's unique industrial position, but also to the prosperity of all.

To carry out its mission, the IDC is mainly driven by results. The results and follow-up to new inventions and discoveries are monitored internally via a balanced score card registration system. Applications have been made for four new patents during the past year.

In 2006, attention focused in particular on the following projects:

- research into the use of renewable raw materials (including polyols derived from crops)
- extension of the range of visco-elastic foam types
- research into the reduction of emissions from volatile substances in the end product
- expansion of knowledge in acoustics, including via reverberation chamber
- research into the use of trim foam as underlay for sports fields
- development of industrialisation of moulded rebound foam (moulded pieces from recycled trim foam)
- development of a new generation of Colofast materials (Colosense® and Colomotion®)
- further development on possible integration of other materials in the Colofast Spray production process



- testing of WST (Window Spray Technology). This technique offers a solution to the treatment and encapsulation of windows with complex forms (including car windows, dormer windows and skylights, solar panels, etc.)
- setting up the Corporate Programme which will offer guidance especially to long-term projects (see below)

RENEWED FOCUS

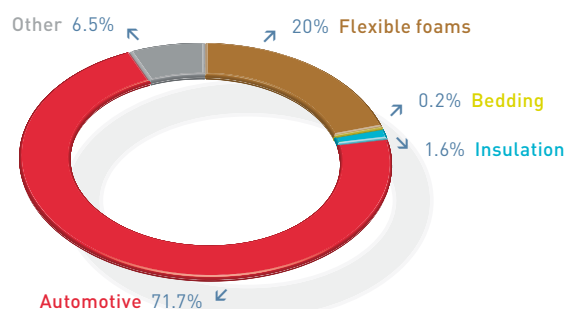
In the course of 2006, the organisation of the International Development Centre (IDC), based in Wetteren (Belgium), underwent a full face-lift.

The most important new component in the outlook is the extension of the present activities (sector-related projects and support) to the full Research & Development process, starting from broad generation and evaluation of ideas and ending with generic platform projects outside the existing specific business environments. This extension is included in the Corporate Programme launched in 2006.

Essentially, this means that development will be based on new ideas and new fields which will give rise to generic platform projects. This approach entails that the result of the platform projects must provide new building blocks which in subsequent business line projects lead to specific products or processes.

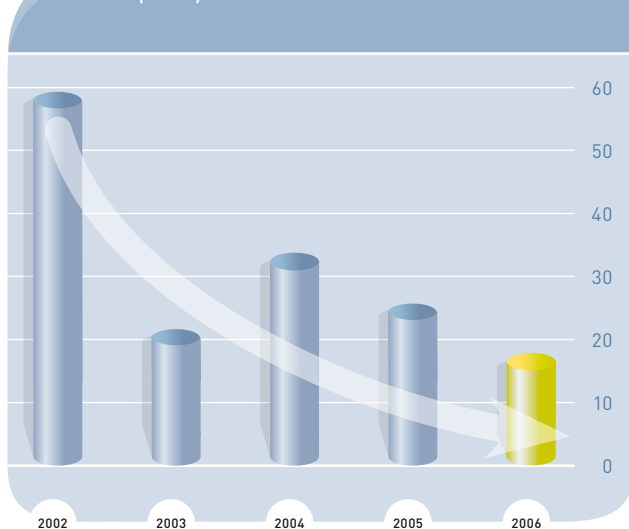
These platform projects are funded independently of the business lines. In addition, results used too little or not at all internally will be turned to effect externally.

► Budget 2006 Research and Development: EUR 14.8 million



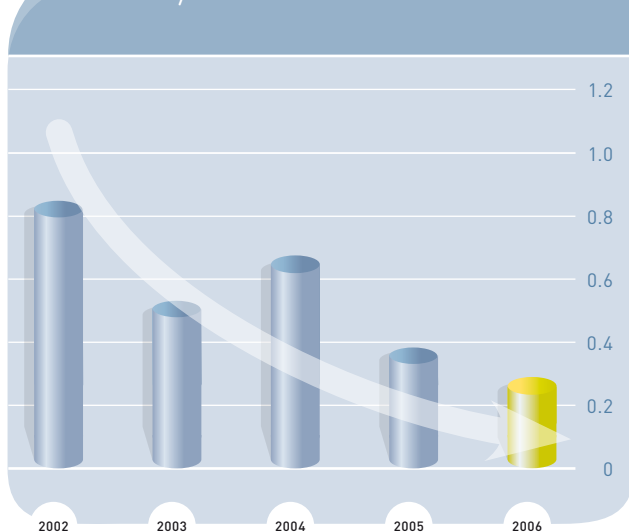
HEALTH, SAFETY AND THE ENVIRONMENT

> Frequency index industrial accidents



$$\text{FREQUENCY} = \frac{\text{NUMBER OF ACCIDENTS} \times 1,000,000}{\text{NUMBER OF HOURS WORKED}}$$

> Severity index industrial accidents



$$\text{SEVERITY} = \frac{\text{NUMBER OF DAYS SICK LEAVE} \times 1,000}{\text{NUMBER OF HOURS WORKED}}$$

Health, safety and the environment are described in detail in Recticel's Safety, Health & Environment Policy. This policy incorporates not only Recticel's basic principles for daily thought and action, but also an aim for all staff members to ensure that Recticel meets its social and industrial objectives with the greatest care.

Health, safety and the environment relate not only to its own staff members, the staff of subcontractors and the immediate environment of the plants, they also apply to the far broader context of all users who buy the Group's products.

In concrete terms, it is attempted to identify precisely and evaluate all possible risks to health, safety and the environment in operations, after which the necessary protective measures can be defined and implemented to minimise these risks and their consequences. The measures taken or to be taken are not confined to the statutory requirements, but try where possible to go a step further. In addition to tracing out the main outlines, it is of course also very important to establish sufficient benchmarks and to compare them with the actual performance indicators.

SAFETY

The key elements of Recticel's safety policy are as follows:

- zero accidents is the standard strived for
- a safety campaign is conducted on various sites each year. In 2006, there was the '10 point Safety programme' in Wetteren (Belgium).
- local reporting of accidents is included in, and adapted to, the standardised accident reporting at Group level

- regular organisation of information exchange sessions at Group level with a view to preventing accidents and/or reducing the risk factors
- integrating Recticel's safety policy as quickly as possible in the companies newly taken over and/or the joint ventures
- pronounced attention to raising safety on the shop floor has been expressed in recent years in a significant decline in the frequency index for industrial accidents. In addition, the severity of the registered accidents on the shop floor is declining.

ENVIRONMENT

It is self-evident that the main environmental concern for an industrial undertaking must be to prevent the industrial activities having any impact on the living environment or at least to keep it to a minimum. In general, it can be stated that Recticel's activities generate little pollution. The Group aims continuously to optimise its processes with a view to limiting, for example, waste and airborne emissions as a result of the industrial activities. Furthermore, the Group attaches a great deal of importance to the rational use of other natural resources with a view to reducing the pressure on the environment. Dealing rationally with energy is therefore one of the top priorities at present.

Finally, it appears, after performing the necessary environmental risk analyses, that certain environmental risks remain that can be reduced substantially with a professional approach. Especially for storage and logistics of liquid basic raw materials, extra measures are being taken to substantially limit the chances of environmental accidents and their possible consequences.

The most important commitments, initiatives and achievements in relation to the environment in 2006 are:

- **Environmental commitment:** the implementation and monitoring of new and existing measures in accordance with the international Responsible Care Charter signed. At the moment, an international initiative is under way to update the content of this Responsible Care Charter and the Group is keeping a close eye on this development.
- **Environmental commitment:** subscribing to the IMT (*Integrale Milieu Taakstelling*) charter in the Netherlands which mainly defines general and sectoral measures which must be taken by companies with a view to minimising the impact of production and product on the environment.
- **Care systems:** on various sites, a project is currently under way to introduce an environmental and/or safety system. Naturally, the sites which come under the law to prevent serious accidents are the first to be considered for this. In this context, both an ISO 14001 and an OHSAS 18001 certificate were awarded in Wetteren (Belgium) in 2006.
- **Soil:** the Group has always assumed its responsibility for historical pollution. Consultation on this with the competent authorities always takes place in a constructive manner. Rehabilitation measures are carried out where necessary.
- **Air:** in the context of the ever stricter legislation, the Group strives to limit emissions of harmful substances as far as possible.



For instance, the Group already decided years ago to stop using HCFCs in the production process. The limitation of airborne emissions was one of the greatest challenges a few years ago. For example, on one of the largest sites (Wetteren), the annual airborne emissions were reduced to about 10% over a period of about 10 years. At present, the reduction in the use of volatile solvents and solvent-based adhesives represents a significant improvement. None of the sites of the Group come within the scope of the European Emissions Trading Directive.

- **Water:** generally speaking, little or no process water is needed for the manufacture of polyurethane foam. Water pollution is consequently not a priority for attention. The collection, buffering, infiltration and reuse of rainwater on the other hand constituted new challenges for 2006 and the following years.
- **Waste:** the most important waste product consists of trim foam which is left over from the cutting process. Although there is a market for this trim foam, the Group is striving to find new applications and technologies in which this material can be reprocessed. For instance, by means of the Mobius technology, offcuts are pulverised and then used as a raw material for new polyurethane foam. Another solution consists of mixing the flaked offcuts with ordinary raw materials. This so-called Rebond® foam is then in turn processed further into finished and semi-finished products. The most significant waste product is recycled.
- **Energy:** efficient energy management is one of the new priorities of the Group. To start with, the Group focuses its efforts on the implementation of an energy reduction programme consisting of avoiding energy peak loads as far as possible. This programme defines targets for both the Group as a whole and for the individual sites. In addition, an energy agreement was signed in 2006 for the site in Wetteren (Belgium), which was followed by an external energy audit. On the basis of this audit, an energy plan will be drawn up in 2007 designating the energy projects with the greatest reduction potential. In the Netherlands too, the 'MJA Agreement' (*Meerjaren Afpraak Energie-Efficiëntie* – Multi-annual Energy Efficiency Agreement) was concluded with the government, under which the participating companies undertake to produce with maximum efficiency of energy input in order to keep CO₂ emissions to the minimum.
- **Transport:** signature in 2006 with the Swiss group SGS of an Emergency Response System, under which round-the-clock calls can be made to a manned emergency number for appropriate information in the event of emergencies arising from accidents during the transport of chemical raw materials. If our customers are faced with emergencies, they too can call this emergency number.

HUMAN RESOURCES



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	2005 (*)	2006 (*)		Δ
Germany	2 515	2 428	21.6%	-87
France	1 906	1 733	15.4%	-173
Belgium	1 693	1 702	15.1%	9
Poland	838	900	8.0%	62
Czech Republic	857	876	7.8%	19
United Kingdom	548	541	4.8%	-7
USA	516	452	4.0%	-64
Austria	426	446	4.0%	20
The Netherlands	394	406	3.6%	12
Romania	317	345	3.1%	28
Spain	185	301	2.7%	116
Hungary	227	238	2.1%	11
Switzerland	248	232	2.1%	-16
Sweden	222	215	1.9%	-7
Italy	206	207	1.8%	1
Slovakia	40	43	0.4%	3
Lithuania	28	36	0.3%	8
Turkey	30	30	0.3%	0
Bulgaria	25	30	0.3%	5
Estonia	17	20	0.2%	3
Japan	22	18	0.2%	-4
Ukraine	12	14	0.1%	2
Greece	13	13	0.1%	0
Serbia	7	11	0.1%	4
People's Republic of China	0	4	0.0%	4
Moldavia	0	1	0.0%	1
Total	11 292	11 242	100%	-50

(*) Full-time and part-time employees, excluding temporary workers and those medically unfit for work and including all employees of joint ventures in which Recticel has at least 50% control.

Recticel is aware that the success of a Group to a large extent hinges on the motivation and capacities of its staff. Correct management of the human capital must consequently lead to a sustainable long-term relationship with all employees. This basic principle is for that matter included in the Group mission statement, which emphasises that all employees must be offered the opportunity to develop their individual talents within the framework of the Group strategy.

2

ACTIVITIES

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Transferring knowledge through a chain of generations.



WHAT IS POLYURETHANE?

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

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

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

POLYURETHANE APPLICATIONS

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

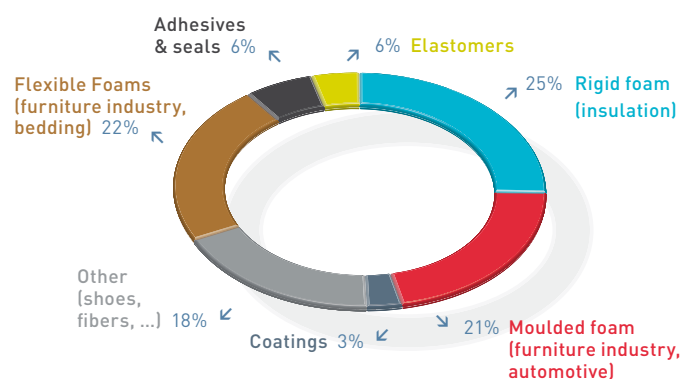
The great advantage of PU foam is its great flexibility in meeting the various applications and requirements, through its density, elasticity, durability, weight, safety, design and of course its affordability too.

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

The estimated annual growth of the European market for seating furniture comes to 2% to 3% or 10 000 tonnes of PU foam.

► Polyurethane applications

Source: Bayer 2003



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

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

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

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

POLYURETHANE FOAM PRODUCTION DIAGRAM

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

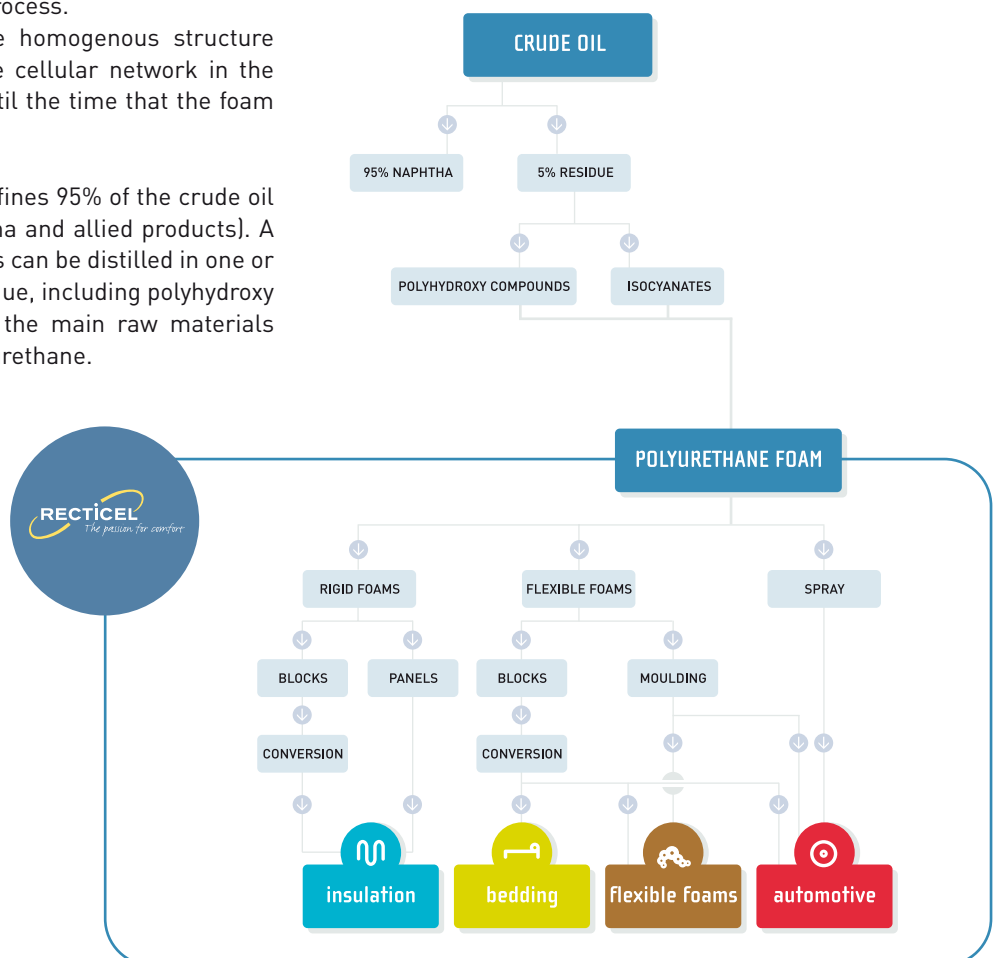
List of concepts:

- **polyol**: synonym for PU polyalcohol, which is obtained from propylene oxide
- **isocyanate**: highly reactive substance with easily binds with other substances (such as alcohols). The structure of these alcohols determines the rigidity of the PU foam.
- **blowing agent**: carbon dioxide is obtained from the reaction between isocyanate and water. This gas acts as a blowing agent in the production of flexible foam.
- **catalyst**: speeds up the reaction process and ensures equilibrium in the polymerisation and the blowing reaction. Catalysts determine the foaming speed of the process.
- **stabiliser**: ensures the homogenous structure and stabilisation of the cellular network in the reaction process up until the time that the foam has fully risen.

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

World production of plastics	150 million tonnes
World production of polyurethane (PU)	9.8 million tonnes
Source: Bayer 2003	
European production of polyurethane	4.5 million tonnes
European production of flexible foam	1 000 000 tonnes
Recticel production of flexible foam (*)	230 000 tonnes

(*) Recticel, including joint ventures at 100%



PRODUCTION PLANTS



FLEXIBLE FOAMS

Belgium: Wetteren
France: Langeac
 Louviers
 Trilport
The Netherlands: Etten-Leur
 Kesteren
 Wijchen
Germany: Bexbach
 Burkhardtsdorf
 Ebersbach
UK: Alfreton
Sweden: Gislaved
Austria: Kremsmünster
 Linz
Italy: Gorla Minori
Spain: Catarroja
 Ciudad Rodrigo
 La Eliana
 Legutiano
Poland: Zgierz
Hungary: Sajobabony
Romania: Sibiú
USA: Deer Park, NY
 Irvine, CA



AUTOMOTIVE

Belgium: Wetteren
 Hulshout
France: Trilport
Germany: Espelkamp
 Mallersdorf
 Rheinbreitbach
 Rüsselsheim
 Schönebeck
 Unterriexingen
 Wackersdorf
Italy: Bruzolo
Japan: Nagoya
Poland: Bielsko Biala
Spain: Santpedor
Czech Republic: Mlada Boleslav
USA: Auburn Hills, MI
 Clarkston, MI
 Fountain Inn, SC
 Tuscaloosa, AL
UK: Manchester



BEDDING

Belgium: Geraardsbergen
 Hulshout
France: Langeac
 Limoges
 Masevaux
 Noyen
 Perriers
 Vesoul
Germany: Hassfurt
 Jöhstadt
 Wattenscheid
Austria: Timelkam
Switzerland: Büron
 Flüh
Poland: Lodz
Romania: Miercurea Sibiului



INSULATION

Belgium: Wevelgem
 Turnhout
UK: Glossop

In addition to the above-mentioned production plants, Recticel has some 60 other converting units or sales offices in 26 countries.





FLEXIBLE FOAMS

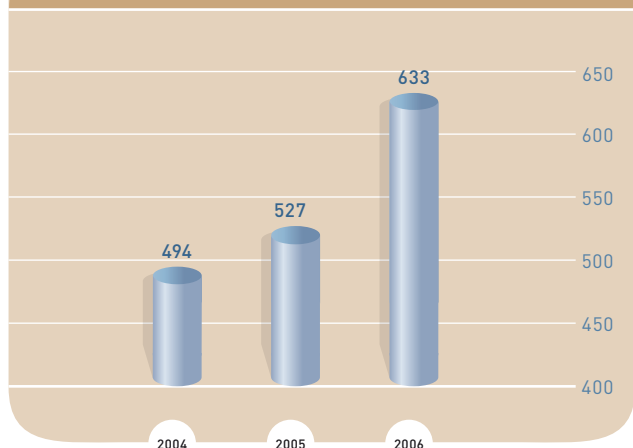
The Flexible foams business line concentrates on the manufacture, conversion and marketing of predominantly semi-finished goods in flexible polyurethane foam.

The business line consists of three sectors: Comfort, Technical foams and Composite foams, which are each distinguished by the typical properties of the types of foam, the individual character of the production process or the typical possible applications of the foam.

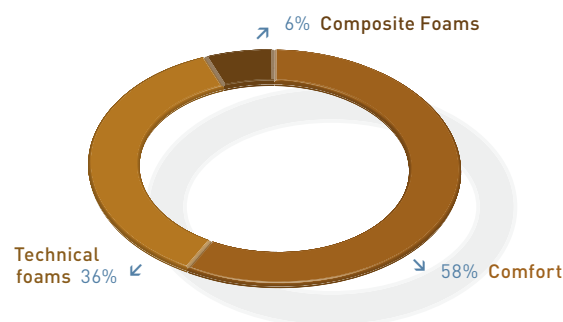
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Trend in Sales – Flexible Foams

IN MILLION EUR



Sales Flexible Foams 2006



Flexible Foams

IN MILLION EUR

	2006	2005	2004
Sales	632.8	526.6	493.6
Growth rate in sales (%)	20.2%	6.7%	2.5%
EBITDA	42.9	34.7	34.4
EBITDA margin (as % of sales)	6.8%	6.6%	7.0%
EBIT	27.9	21.3	21.8
EBIT margin (as % of sales)	4.4%	4.0%	4.4%
Investments in intangible (excluding goodwill) and tangible fixed assets	19.4	13.7	13.6
Investments as % of sales	3.1%	2.6%	2.7%
Capital employed at 31 Dec.	248.9	192.9	180.9

(*) The operating income, EBITDA, EBIT, investments and capital employed for certain activities within the Automotive business line have been imputed to the Flexible Foams business line since the beginning of 2006. The 2005 and 2004 figures have been restated to make them comparable with the 2006 figures.



➤ 'Vol de rêve' by LEOLUX

Recticel's **comfort** business sector manufactures flexible polyurethane foam and converts it into filling for all kinds of seating and mattresses.

Long slabstock is made during the manufacturing process, which is then cut into smaller, transportable pieces. These smaller foam blocks are in some cases delivered directly to customers in the furniture and mattress industry.

In other cases, Recticel cuts them to customer specifications into finished products (seat pads, backs, armrests, mattress centres).

Some components for the furniture industry are produced in moulds so that subsequent cutting is unnecessary. This last technique is used mainly for large standard series.

Whereas the comfort business sector focuses mainly on bulk products, the **technical foams** business sector produces specialised types of foams for smaller niche markets. Technical types of foam are used daily in a very wide range of applications, including in household situations (sponges, scourers, sound insulation, liners and fillings in textiles, cosmetics, etc.), technical applications (filters, paint rollers, airtight and watertight seals, packaging, etc.) and high-tech materials (reticulated foam for mobile phone or portable computer batteries, types of foam for dressings and other medical and paramedical applications (Foam for Care®), mattresses (Sensus®), types of foam with special fire-resistant or fire-limiting characteristics, outdoor applications (Dryfeel®), etc.).

Just like flexible foam for comfort applications, technical foams are manufactured in the form of slabstock, which is then cut. The very specific applications and strict requirements which these types of foams must often meet accentuate the importance of foam technology and chemical know-how. Sometimes extra post-treatment is necessary (reticulation, impregnation, etc.) which adapts the physical or chemical properties to the requirements of the application. In other cases, technical foams are used to laminate other materials, such as textiles, leather, etc.

The **composite foams** business sector processes trim foam from the conversion process into new products. Although in recent years the emphasis has been placed increasingly on limiting the quantity of unavoidable off-cuts, Recticel tries to discover ever more new applica-



➤ 'DS-57' by DE SEDE of Switzerland



tions for these residues. The off-cuts from the conversion process are cut into small flakes which are mixed with a binder and amalgamated into slabstock. These blocks are then in turn cut into smaller parts and sold as Recmat® (sound insulation for use under floor coverings), Recfoam® (sound insulation in cars, reinforcement for seating, packaging material, etc.), Animate® (cattle mats) or Re-bounce® (a.o. underlay for sports fields with artificial grass).

The volume of trim foam which Recticel does not convert itself is sold on the market. There is a substantial market for polyurethane trim foam especially in the United States. This trim foam is mainly converted locally into underlay for use under floor coverings.

2006

SALES

The various subsectors of the Flexible foam business line (Comfort, Technical foams and Composite foams) recorded improvements on the previous year. This growth was achieved through the integration of ICOA (Spain), the good performance of the North American Soundcoat (acoustics), the increased market share of polyurethane as filler for mattresses, the higher volumes and the higher market prices for trim foam.

EBITDA

Better operating results, the effect of the restructuring carried out (including in France, Spain, Germany and the United Kingdom) and the better selling prices for trim foam were the main contributing factors to the improved profitability. In the second half of the year, the Group again had to contend with raw materials price rises, which could still not be passed on sufficiently in its own selling prices.

➤ 'DS-600' by DE SEDE
of Switzerland



As regards the future, the Group is currently completing major investment projects (notably in Poland and Spain). For 2007, there are plans to build a foam production unit in Turkey. In addition, the Group recently placed the 'Arcadia' foam family on the market, produced from soybean-oil-based raw materials.



COMFORT

COMPETITIVE SITUATION

Overall, the production of PU foam is characterised by a low entry threshold, as a result of which the European market was for a long time highly fragmented. The rising demand for customised solutions and quality, the transfer of a large proportion of the activities to Central and Eastern Europe and the need for a pan-European approach have prompted an inevitable concentration movement. Only a few players have today achieved a true European dimension. Recticel and British Vita are the front-runners, with a market share of about 22% each, followed by the American Carpenter. All three are characterised by the spread of their manufacturing and conversion plants throughout a number of European countries. The rest of the market (about 50%) is divided among a large number of smaller manufacturers which are significant mainly in their local markets (e.g. Olmo in Italy).

STRATEGY AND PROSPECTS: SHAPING THE FUTURE

The Group wishes to secure further growth in its sales and profitability by various means.

Internal growth

Although the market in comfort foam can in general be termed as mature, the European sector for seating as a whole is still growing by about 3% per year, especially in Central and Eastern Europe. This average rise corresponds to some 10 000 tonnes of foam per year. On the basis of its present market share, geographical spread, technological edge in manufacturing and conversion and adapted marketing approach, Recticel considers itself to be sufficiently well-prepared to achieve internal growth in the coming years at least equivalent to that of the market as a whole. The Flexible foams business sector will also be able to benefit indirectly from the rising market demand for mattresses with a polyurethane centre.



➤ 'DS-207' by DE SEDE of Switzerland



➤ 'Pas si classique' and 'Malhoun' by LIGNE ROSET (photography Roset SA)

Geographical expansion

Recticel possesses a very extensive manufacturing network in Western, Central and Eastern Europe. The activities in Central and Eastern Europe, via the joint venture Eurofoam, have grown strongly since the early 1990s. For the coming years, Central and Eastern Europe will remain important, since the annual consumption of polyurethane for the local market is still far below the Western European average.

At the same time, Recticel is busy building up a strong position in Southern Europe. The takeover of ICOA in Spain in 2006 was a further step towards leadership in these important markets.

Although new acquisitions are not precluded a priori, major takeovers are in principle not on the agenda for the coming years. Recticel considers that its present position is sufficient in the various countries for the successful implementation of its strategy.

Innovation

Finally, Recticel also expects growth through the introduction of new types of visco-elastic foam (ensures better distribution of pressure), antibacterial foam qualities, Foam for Care® (paramedical foam products, such as wheelchair cushions, orthopaedic devices, anti-bedsore mattresses, etc.) and the development of types of foam from vegetable raw materials (natural oil-based polyol foams or NOP-based foams).



TECHNICAL FOAMS

36

COMPETITIVE SITUATION

Recticel has always strived for leadership among European polyurethane manufacturers: first of all internal growth, then targeted acquisitions and finally continuous efforts in the field of research and development have placed Recticel at the top of its sector.

In contrast to the comfort foam business sector, technical foams as a whole are better protected. The technological know-how and the complexity of the manufacturing and conversion process for technical foams require not only considerable investments, but also imply continuous financial commitments to research and development. It is precisely for this reason that there are few manufacturers of technical foams. A few large groups, such as Recticel and British Vita, have proved able to play a pioneering role at European level. In addition to medium-sized players, such as the German-Swiss concern Foam Partner, there are various smaller local players, such as Otto Bock in Germany. The Italian market is dominated mainly by Orsafoam (in which Recticel has a 33% stake) and Toscana Gomma (Olmo).

STRATEGY AND PROSPECTS: SHAPING THE FUTURE

In the technical foams business sector, Recticel's activities constantly focus on products with high added value intended for specific niche markets. Recticel has been able to achieve significant breakthroughs in a number of markets. Examples are Bulfast (the light-stable foam intended for the textiles manufacturing industry (including bra cups)), hydrophilic foams for medical and cosmetics applications (via subsidiary Corpura), Sensus (the viscoelastic foam which is converted into quality mattresses) and acoustics material.

Continuing the past trend, Recticel considers that further annual growth of about 5% in its technical foams activities is feasible, not including possible external growth through takeovers. The challenge lies in developing new types of foam, new applications and/or new markets especially through creativity and innovation.

In spite of the limited number of players in Europe, external growth through acquisition is still possible. For instance, at the beginning of 2006, Recticel took over ICOA of Spain, as a result of which the Group was able to further consolidate its position in the Iberian Peninsula.



➤ technical foams for bra cups (BULFAST)



underlay for sports facilities (Re-bounce®)

COMPOSITE FOAMS

STRATEGY AND PROSPECTS: SHAPING THE FUTURE

Converting the flexible foam slabstock inevitably results in a certain quantity of trim foam. Originally, this trim foam was sold in bags on the open market. The United States has always been an important sales market for these products, where they are recycled mainly as underlay for use under floor coverings. On the other hand, the market prices for trim foam have always been quite volatile.

To mitigate the effect of this volatility on profitability somewhat, Recticel has strived, via a preventive approach and technological innovations, on the one hand to bring about substantial reductions in the quantity of trim foam and on the other hand to use this for new purposes.

In the latter case, the trim foam is cut into small flakes which are mixed with a binder and amalgamated into large blocks of rebound foam. This technique has already been applied for several years in plants in the Netherlands, France and Spain.

The new products are sold under brand names such as Recmat® (sound insulation for use under floor coverings), Recfoam® (sound insulation, reinforcement for seating, packaging material, etc.), Re-bounce® (a.o. underlay for sports facilities) and Animate® (cattle mats).

With the takeover of Multy Mousse (Belgium) at the beginning of 2006 and the investment in a new production unit in Legutiano (Spain), the Group confirms the importance of developing an industrial network for the conversion of rebound foam into new products with added value.

The transformation of trim foam into new rebound products will grow in importance in the coming years. It is a typical example of how Recticel tries to find solutions through a pragmatic approach in support of its objective of corporate social responsibility.



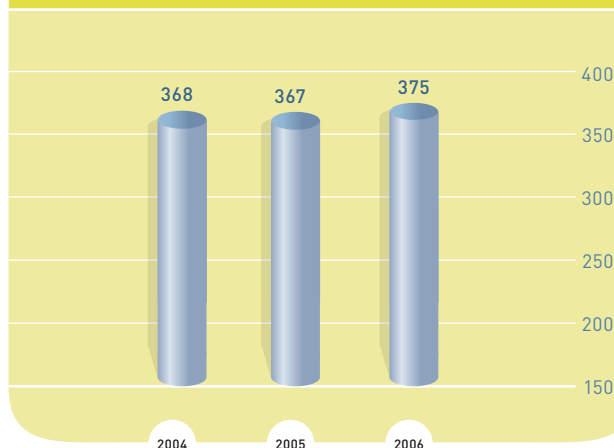
BEDDING

The Bedding business sector develops, manufactures and markets finished mattresses and slat bases. Alongside Insulation, this division is the only activity within the Recticel Group with a pronounced business-to-consumer character.

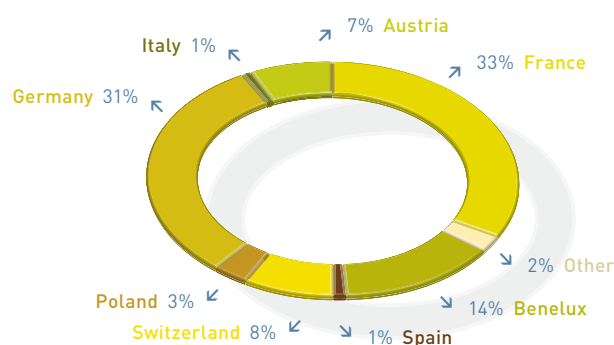
In recent years, Recticel has developed into one of the leading manufacturers of mattresses and slat bases in Europe.

Trend in Sales – Bedding

IN MILLION EUR



Sales Bedding 2006: geographic split



Bedding

IN MILLION EUR

	2006	2005	2004
Sales	375.1	366.8	368.3
Growth rate in sales (%)	2.3%	-0.4%	1.4%
EBITDA	25.0	24.9	20.9
EBITDA margin (as % of sales)	6.7%	6.8%	5.7%
EBIT	17.4	16.8	11.5
EBIT margin (as % of sales)	4.6%	4.6%	3.1%
Investments in intangible (excluding goodwill) and tangible fixed assets	4.6	3.7	6.1
Investments as % of sales	1.2%	1.0%	1.6%
Capital employed at 31 Dec.	92.1	96.7	109.7



» Winx Select Latex Air by LATTOFLEX

Within this universe, Recticel has diversified sufficiently by on the one hand offering a range of mattresses applying different technologies (i.e. spring mattresses, mattresses with a latex centre or a polyurethane foam centre) and slat bases made of wood or plastic and on the other hand maintaining a prominent presence in various European countries.

To stand out in a very competitive market with its permanent risk of price erosion, Recticel strives to sell a large proportion of its bedding under strong brand names. These **brands** are usually established in a local market, such as Beka (Belgium), Schlaraffia (Germany), Ubica (Netherlands), Sembella (Austria), Superba (Switzerland), Epeda (France), Merinos (France), etc.

A number of brands attempt however to cover a wider market. For instance, Lattoflex, Literie Bultex and especially Swissflex are concepts known in most European countries and so not only in their home countries.

In some cases, bedding is sold without brand name and the customer gives its own **private label** to the product.

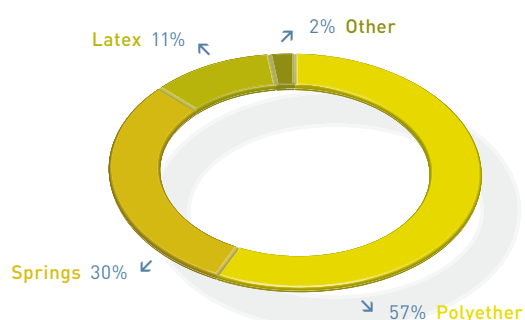
The customer basis is quite diversified and includes both large distribution groups (Conforama, But, Begross, Kingfisher, etc.), shop formulas (Beter Bed, Matratzen Concord, etc.) and smaller local independent specialised businesses.

FACTS & FIGURES

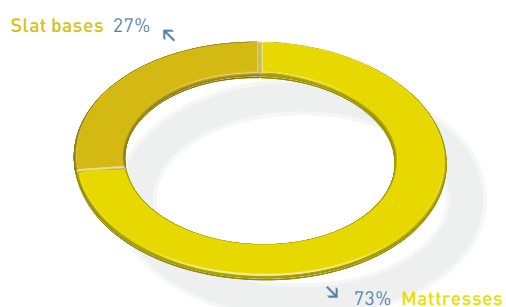
- **Annual European production:**
about 25 million mattresses
- **Recticel's production in 2006:**
2.8 million mattresses
and 0.9 million slat bases
- **Number of production plants:**
Recticel has 15 plants distributed in Belgium, Germany, France, Austria, Poland and Switzerland.
- Bedding is subject to seasonal influences. Traditionally, more mattresses and bases are sold in the second half of the year. Targeted marketing campaigns try to distribute sales more evenly over the year and to limit peaks and troughs.



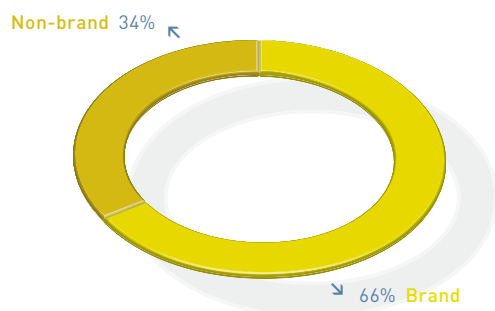
➤ Sales Bedding 2006:
mattresses per technology



➤ Sales Bedding 2006:
mattresses & slat bases



➤ Sales Bedding 2006:
brand versus non-brand



➤ 'Livante' by BEKA

2006

SALES

Sales rose in virtually all countries in both the *brand* and the *non-brand* segments.

In France, the Epeda/Merinos *brand* segment put up a strikingly better performance than in 2005, a positive trend which has continued in the first 2 months of 2007. Also in France, a new product range was launched with the support of an appropriate marketing campaign.

EBITDA

Both the *brand* and the *non-brand* segments recorded significantly better profitability. EBITDA developed very positively in most countries, despite the persisting pressure of rising raw materials prices.



In spite of the significant capital gain on the sale of the 49% stake in Ceadesa, Spain, during the first half of 2005, the Group, as expected, was able to equal the 2005 result in 2006. The recurrent EBITDA improved by EUR 5 million or 25%.

As already announced previously, the Group has also decided to start up a mattress cover factory in Romania, which will be operational in the first half of 2007.

STRATEGY AND PROSPECTS: SHAPING THE FUTURE

Market trends

Between 2001 and 2004, Europe was hit by sluggish consumer confidence. The bedding market consequently steadily dwindled during those years. In 2005, this decline was brought to a halt. The first tentative signs of recovery recorded at that time were confirmed during the past year. Recticel expects the Bedding sector to continue to experience cautious, modest growth at European level.

As a result of the highly divergent local consumption patterns, the European bedding market remains highly fragmented. The markets in the various countries where Recticel operates will therefore continue to develop differently, as for that matter has happened on several occasions in the past.



➤ 'Uptown-Urban Rest' by BEKA (design Olivier Strelli)



➤ 'Skyline - Stormy Curl' by BEKA (design Olivier Strelli)

In general, the trend on the market remains positively oriented because consumers are becoming increasingly aware of the importance of good bedding.

Profitability

To face up to the various challenges in these turbulent markets, Recticel is aiming mainly for further optimisation of its product mix, notably *brands* versus *non-brand* articles and streamlining of its production machinery. These efforts are ultimately to lead to further growth in the profitability of the division.

The mattress production process has been fundamentally optimised, restructured and automated in recent years. Plant dedication enables optimum utilisation of the production machinery today, with some plants concentrating solely on brand products and others on products without brand name.

Recticel has also taken steps to centralise its purchasing policy further as regards strategic raw materials (latex, springs and textiles). During the past year, the Group decided to set up a unit in Romania for the production of mattress covers. This entity became operational since March 2007. This presence can in time also be a perfect operating position for the local bedding markets in Central and Eastern Europe.



Strategic cooperation

An important link in the growth of the sector is the development of the strategic alliance with Pikolin, Spain. The Group is the absolute market leader in France, with brands such as Literie Bultex, Epeda and Merinos.

Although new acquisitions are not precluded a priori, in principle they are not on the agenda for the coming years. Recticel considers that its present position in the various countries is sufficient to carry out its strategy successfully.

COMPETITIVE SITUATION

The European bedding market is dominated by two European groups. Apart from Recticel, the Swedish Hilding Anders (Crown Bedding, Pullman, Slumberland, etc.) also plays a prominent role. In addition, there is also the Cauval (Simmons) group in France, which has risen in importance since its takeover in 2006 of the Treca and Dunlopillo brands (previously belonging to the Oniris group).

Recticel and its partners have a market share of at least 15% in all countries where they are present.



↙ 'Modia' slat base
by SCHLARAFFIA



↙ pocket spring mattress
with 'Sensipur' by SCHLARAFFIA



↙ 'Grand Luxe - Noblesse'
by SUPERBA

› Brands per country

Belgium	Beka • Lattoflex • Literie Bultex • Swissflex
Germany	Schlaraffia • Superba • Sembella • Swissflex • Matratzen Bultex
France	Literie Bultex • Epeda • Merinos • Lattoflex • Swissflex
The Netherlands	Ubica • Swissflex • Lattoflex
Austria	Sembella • Swissflex
Switzerland	Superba • Swissflex • Lattoflex





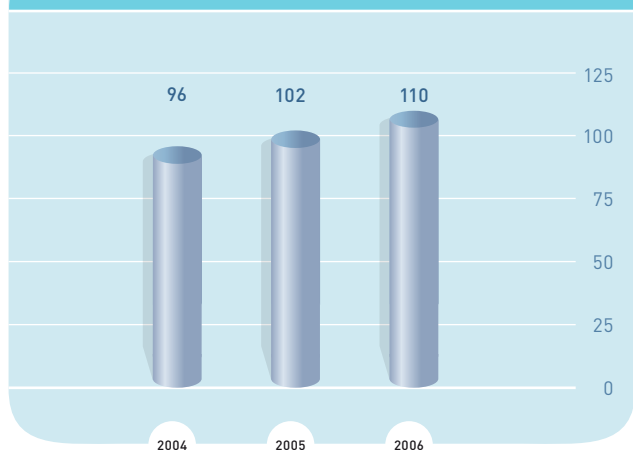
INSULATION

The Insulation sector rests on two pillars: insulation for the construction industry and industrial insulation. In both branches, Recticel manufactures thermal insulation material in rigid polyurethane foam (PU).

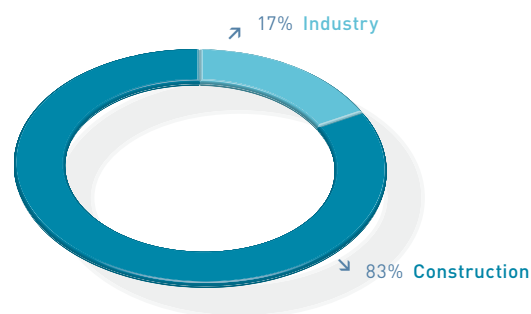
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Trend in Sales – Insulation

IN MILLION EUR



Sales Insulation 2006



Insulation

IN MILLION EUR

Sales	
Growth rate in sales (%)	
EBITDA	
EBITDA margin (as % of sales)	
EBIT	
EBIT margin (as % of sales)	
Investments in intangible (excluding goodwill) and tangible fixed assets	
Investments as % of sales	
Capital employed at 31 Dec.	

	2006	2005	2004
Sales	109.7	101.6	95.8
Growth rate in sales (%)	8.0%	6.1%	0.1%
EBITDA	14.8	11.6	11.6
EBITDA margin (as % of sales)	13.5%	11.4%	12.1%
EBIT	12.3	9.3	9.6
EBIT margin (as % of sales)	11.2%	9.2%	10.0%
Investments in intangible (excluding goodwill) and tangible fixed assets	2.8	2.1	1.7
Investments as % of sales	2.6%	2.1%	1.8%
Capital employed at 31 Dec.	29.0	28.6	25.7



In insulation for the construction industry, PU foam panels are manufactured for thermal insulation of walls, floors and roofs. These products are used in a wide range of applications, ranging from residential to industrial to logistics to agricultural buildings.

On the other hand, the industrial insulation division mainly manufactures slabstock in rigid polyurethane and phenolic foam. These blocks are then cut into panels for insulation of refrigerated vehicles or they are cut or milled into specific shapes (plates, T-pieces, segments and bends) to insulate piping in buildings and industrial installations. In contrast to insulation for the construction industry, industrial insulation has been developed via the 50/50 joint venture Kingspan Tarec Industrial Insulation (KTII). The latter results from cooperation with the Irish group Kingspan, through which KTII has a production site in Turnhout (Belgium) and in Glossop (United Kingdom).

2006

SALES

Both insulation for the construction industry and industrial insulation followed a positive trend, including the effect of the change in the scope of consolidation as a result of the new Kingspan Tarec Industrial Insulation joint venture (EUR – 11.8 million).

The sales of the Insulation business line grew thanks to increasing volumes.

EBITDA

The profitability of the Insulation business line progressed in all subsectors. This was the result in particular of improved efficiency and the synergies deriving from the joint venture with Kingspan.

The strongly increased demand for insulation products throughout Europe, supported by the legislation which imposes stricter insulation standards, also opens up fine prospects for the future. In order to be able to meet this rising demand, a start is being made in 2007 on the construction of a new plant in the United Kingdom, which will become operational in the course of 2008.

COMPETITIVE SITUATION

A distinction should be made between various product categories for insulation for the construction industry in Europe. Mineral insulation wool, such as glass wool and rock wool, form the largest group, followed by polystyrene, polyurethane and other materials. The insulation materials market is consequently highly fragmented.

Within the polyurethane insulation sector for the construction industry, the market is divided among a large number of suppliers. Alongside Recticel, Kingspan (Ireland and the United Kingdom) and Ecotherm (Netherlands) are well-known names. Otherwise, the market is divided among a large number of smaller or predominantly locally organised manufacturers, such as Bauder (Germany), Celotex (United Kingdom), Efisol (France) and Pureen (Germany).



STRATEGY AND PROSPECTS: SHAPING THE FUTURE

Growth in insulation activities in the coming years will stem mainly from increasing activities in the construction industry and new and stricter energy standards. The present high energy prices enhance consumer awareness of the fact that a suitable investment in high-quality insulation will prove in the future to have been a wise decision.

In connection with this, the problem of the greenhouse effect, CO₂ emissions and global warming constantly draws attention to the importance of good insulation. A large part of the Kyoto standards which the industrialised countries signed up to can be achieved through better insulation. Insulation offers better opportunities to save on CO₂ emissions compared to other technical measures in the construction industry.

In most cases, better insulation means using larger thicknesses of traditional materials. However, the increased weight and volume associated with greater thicknesses limit their practical application. Because it provides better insulation for an equal thickness and is extremely light, polyurethane foam offers a solution here. Recticel consequently expects the polyurethane market to expand strongly in the coming years.

As a result of the high potential of the British market, which is a polyurethane market par excellence, Recticel decided to embark on the construction of a new plant on English soil in 2007. This unit will be operational at the beginning of 2008.

In the medium term, there will also be considerable potential for high-quality insulation products in Central and Eastern Europe, partly as a result of the application of the stricter European energy standards.







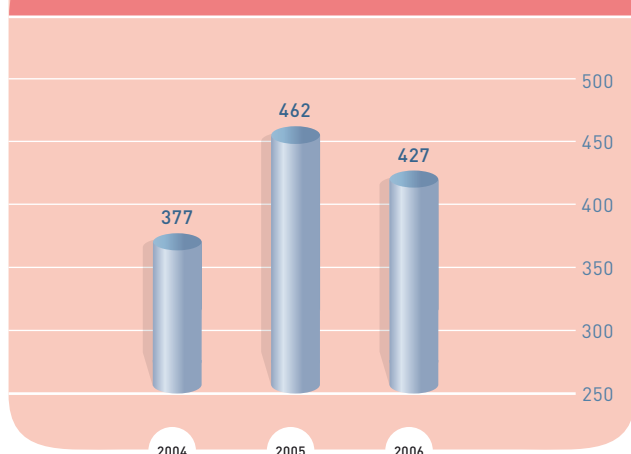
AUTOMOTIVE

In a market which is pre-eminently characterised and associated with the globalisation of the world economy, Recticel has shown its exceptional ability to develop in recent years. Despite the relative maturity of the automotive market, Recticel has experienced strong growth in this sector. On the one hand, this was the consequence of the increasing use of polyurethane foam in general in the automotive industry. On the other hand, Recticel distinguished itself in its development and marketing of a revolutionary technique for the production of innovative, high-quality interior trim.

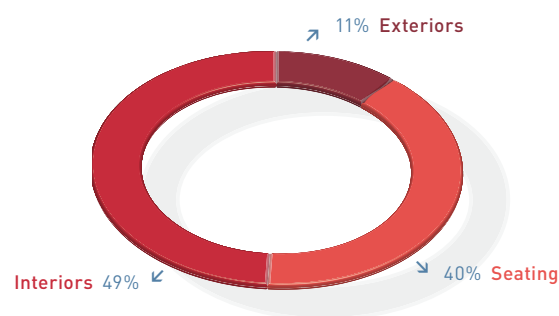
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Trends in Sales – Automotive

IN MILLION EUR



Composition Sales Automotive 2006



Automotive

IN MILLION EUR

	2006	2005	2004
Sales	426.9	461.9	376.7
Growth rate in sales (%)	-7.6%	22.6%	26.0%
EBITDA	26.0	21.0	25.7
EBITDA margin (as % of sales)	6.1%	4.5%	6.8%
EBIT	(37.6)	(28.0)	0.4
EBIT margin (as % of sales)	-8.8%	-6.1%	0.1%
Investments in intangible (excluding goodwill) and tangible fixed assets	15.4	28.5	61.1
Investments as % of sales	3.6%	6.2%	16.2%
Capital employed at 31 Dec.	169.3	228.4	258.3

(*) The operating income, EBITDA, EBIT, investments and capital employed for certain activities within the Automotive business line, have been imputed to the Flexible Foams business line since the beginning of 2006. The 2005 and 2004 figures have been restated to make them comparable with the 2006 figures.



➤ Colofast Spray®

During the past year, Recticel's Automotive business line has concentrated primarily on the following strategic activities:

- the production of moulded seat cushions
- the production of interior trim components or 'Spray', named after the unique, patented technology.

2006

SALES

The lower operating income mainly results from the partial disinvestment from the window encapsulation business (EUR -4.9 million) in the first half of 2005 and the lower sales of moulds in the Interiors Solutions sub-sector (EUR 31.5 million). On the other hand, sales in the seating subsector (Proseat) rose.

EBITDA

The overall profitability of the Automotive sector progressed.

Predominantly thanks to the good performance in the European plants, the **Interiors Solutions** division as a whole managed to generate slightly positive EBITDA.

In the Czech factory, the Volvo S80 was started up successfully, in four European plants the interior for the Mercedes C-class was launched smoothly and in China, a start was made in Ningbo for the Skoda Octavia.

During 2006, a new generation of interior skins (Colosense®) was introduced, which met with a positive reception on the market.

Although the **Seating** division (Proseat) managed to increase its operating income in 2006, profitability was under pressure as a result of delays in passing on higher raw materials prices and the start-up of a new plant in the Czech Republic.

The turnover of the **Exteriors** division fell as a result of the partial disinvestment from window encapsulation. Despite this fall in sales, this subsector managed to maintain its profit level.

STRATEGY AND PROSPECTS: SHAPING THE FUTURE

After the nearly entire disinvestment from the window encapsulation business in 2005 and the aborted divestment from the Interiors Solutions division, the Group Recticel will re-evaluate in the course of 2007 its initial business plan for the Automotive business line.



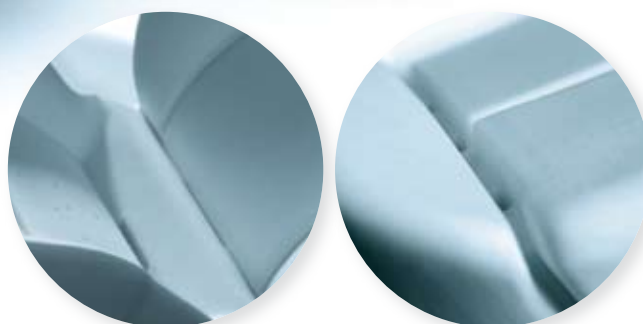
Audi TT



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proseat



Proseat seat cushions

In recent years, Recticel has expanded its activities considerably in this business sector. This performance was mainly the result of the R&D efforts made and the carefully thought out geographical presence in Europe. To consolidate and further build on this successful position, cooperation was launched with Woodbridge of Canada in 2000. This cooperation has gradually strengthened and now the European seat cushion activities of both partners are undertaken integrally in the joint venture Proseat. From 2007, this joint venture, following the contribution of Woodbridge's seat cushion activities in the United Kingdom, will be 51% controlled by Recticel.

Proseat is now the European leader in the production of moulded seat cushions for the automotive industry. Growth notably in Central and Eastern Europe will increase in importance over the coming years. It has been forecasted that the production of the European motor industry will rise within the next five years from 17.1 million to 19 million cars per year, of which a large proportion will be manufactured in Central and Eastern Europe.

Proseat is aiming firstly for a recovery in profitability and prudent annual growth in turnover.



➤ Colofast Spray®

PROSEAT FACTS & FIGURES

- ➔ **Market position:**
One of the European market leaders in the production of moulded seat cushions for the automotive industry (about 22% market share), but together with Woodbridge world leader
- ➔ **Market penetration:**
At least 5 million cars are manufactured each year in Europe which incorporate Proseat components
- ➔ **Volume of production:**
150 000 units per day
- ➔ **Alliances:**
Gestind (Italy and Poland; 50/50 Proseat/Toscana Gomma) and Indepol (Spain; 25/75 Proseat/private owners)
- ➔ **Annual turnover 2006:**
EUR 171 million
- ➔ **Headquarters:**
Mörfelden-Walldorf (Germany)
- ➔ **Number of production plants:**
8 plants distributed in Belgium, Germany, France, Czech Republic and the United Kingdom
- ➔ **Workforce:**
1 477 people

Interiors Solutions

Despite the non-occurrence of the disinvestment from Interiors Solutions, the Group is convinced that this activity will expand further in the coming years. The unique, patented Colofast Spray technology continues to receive constantly growing attention from a large number of car manufacturers.

To maximise the opportunities for growth in this activity and to meet the considerable investment requirements, Recticel deemed the best solution to be to expand this division further in the future with the German private equity group Nordwind Capital. Although this course has now been abandoned, the Group is still confident in the division's chances of success. The European activities are still doing well and there is no reason to assume that this will not carry on in the future. The American activities, on the other hand, will be monitored attentively.

Exteriors

With the development of the light-stable/colour-fast Colofast, Recticel has undoubtedly been able to offer new impetus to polyurethane as a valuable alternative to other traditional materials. Applications have met with great interest, especially in the automotive industry. The patented light-stable Colofast material was first used as a raw material in car window encapsulation. At a later stage, this aliphatic material was used in the unique Colofast Spray process for the production of interior trim for cars (Interiors Solutions). After the sale of the window encapsulation business in 2005, Recticel continues to produce PU-RIM ready-to-use compounds (in Belgium and the USA) and to market them worldwide. In addition, a significant portion of these basic raw materials developed in-house is processed in the Interiors Solutions division.

3.

INFORMATION TO SHAREHOLDERS

Together we will keep on meeting everyone's desire for greater comfort in everyday life.



SHARE INFORMATION

NUMBER OF SHARES

The number of Recticel shares in issue at 31 December 2006 came to 28 628 900, compared to 28 333 010 the previous year. The shares are quoted on Euronext (Brussels) and are distributed as follows:

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

Type of shares

TYPE	NUMBER	%	MARKET SEGMENT	CODE	ISIN NUMBER
Ordinary	28 196 585	98.49%	Continuous market	REC	BE0003656676
VVPR ⁽¹⁾	432 315	1.51%	Spot market	RECV	BE0005121778
Total	28 628 900	100%			

(1) VVPR = reduced withholding tax

Reuters code: RECTt.BR Bloomberg code: REC.BB

Distribution among shareholders (by category at 31 December 2006)

SHAREHOLDER	ORDINARY SHARES ⁽¹⁾	VVPR SHARES ⁽¹⁾	TOTAL ⁽¹⁾
Rec-Hold, Belgium	7 624 762	114 112	27.03%
Rec-Les (Lessius), Belgium	2 542 320	61 621	9.10%
Mercator Insurances, Belgium	2 431 587	79 043	8.77%
Richelieu Finance, France	2 026 413	0	7.08%
Bestinver Gestion, Spain	1 878 540	0	6.56%
Rec-Man & Co., Belgium	1 031 674	0	3.60%
Public	10 661 289	177 539	37.86%
Total	28 196 585	432 315	100%

(1) Since each share confers one voting right, the percentages also tally with the voting control.

Shareholder movements

IN THOUSAND EUR

SUBSCRIBED CAPITAL AT 31.12	2006	2005	2004	2003
Subscribed capital	71 572	70 833	70 833	70 833

IN %

SHAREHOLDERS AT 31.12

Rec-Hold, Belgium ⁽¹⁾	27.03%	27.31%	27.31%	42.06%
Rec-Les (Lessius), Belgium ⁽¹⁾	9.10%	12.84%	14.75%	-
Mercator Insurances, Belgium	8.77%	8.86%	15.39%	19.68%
Richelieu Finance, France	7.08%	-	-	-
Bestinver Gestion, Spain	6.56%	-	-	-
Fidelity Investments International, United Kingdom	-	-	5.01%	-
Rec-Man & Co, Belgium	3.60%	3.65%	3.65%	4.78%
Other (public)	37.86%	47.33%	33.89%	33.47%

(1) Until 2004, Lessius' participation in Recticel was held via Rec-Hold. In 2004, this indirect holding was converted into a direct participation via Rec-Les.

REC-HOLD AND REC-MAN

Rec-Hold, Recticel's reference shareholder, is the holding company set up in July 1998 in the context of the takeover of the stake in Recticel held by Société Générale de Belgique. Following the reorganisations of 2003 and 2004, the main investors of Rec-Hold are Compagnie du Bois Sauvage, VEAN NV (the investment partnership of Luc Vansteenkiste (CEO)), Sinvest NV and Lennart NV. Rec-Man is the ad hoc company originally set up by 40 owner-managers of Recticel in 1998 after Rec-Hold took over the Société Générale shares.

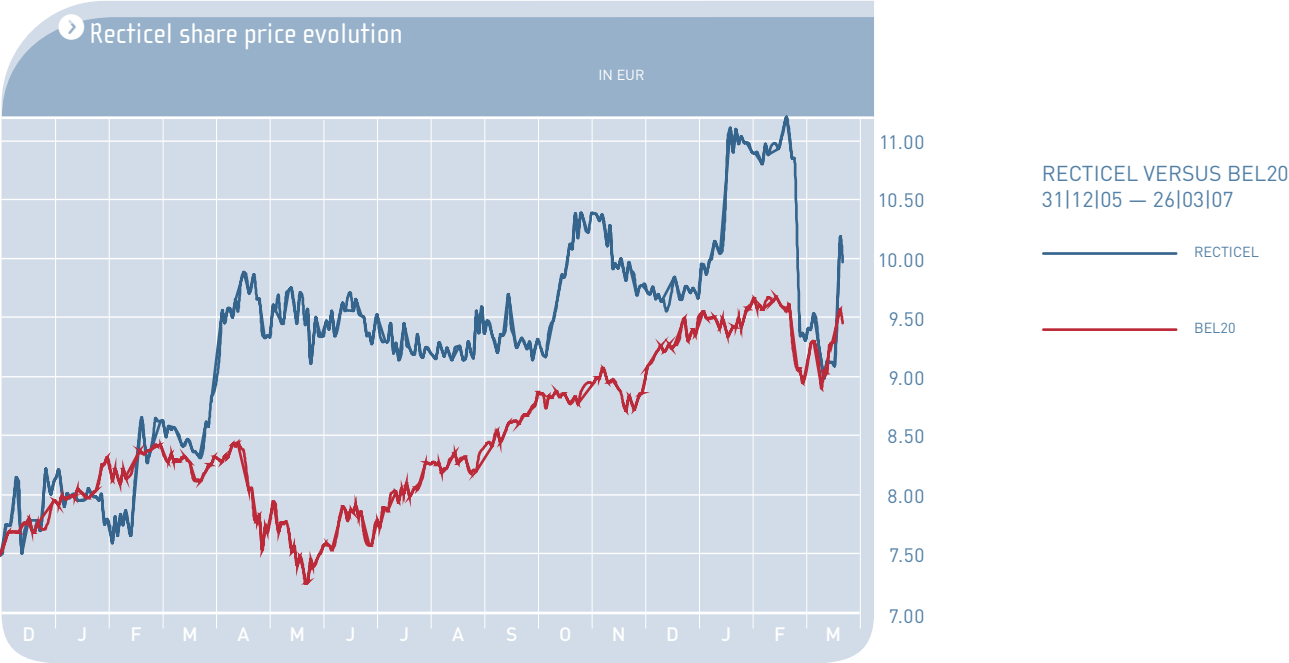
Also see additional information on page 65: 'Relations with the reference shareholders'.

MOVEMENTS IN THE SHARE

2006 was a good year for equity investors. On 31 December 2006, the DJ EURO STOXX 50 stood at 4 119.94, which is 15.1% higher than one year previously. The Belgian benchmark index BEL-20 rose 22.7% to 4 388.53. The Recticel share rose 28.0% last year.

Recticel share

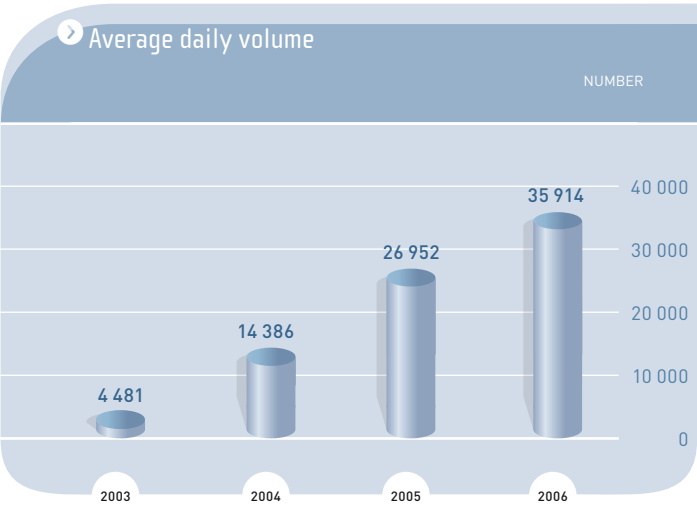
	2006	2005	Δ
Closing price 31 Dec	EUR 9.60	EUR 7.50	28.0%
High	EUR 10.30 (1/3/9/10 Nov)	EUR 8.36 (10 Jan)	
Low	EUR 7.52 (2 Jan)	EUR 6.50 (10/16 Jun)	
Market capitalisation (at 31 Dec) (in million)	EUR 274.6	EUR 212.5	29.2%
Total number of shares traded	9 122 118	6 966 686	30.9%
as % of total number of shares in issue (at 31 Dec)	31.9%	24.6%	
Average daily volume (number of shares)	35 914	26 952	33.3%



The VVPR share, which is far less liquid, rose by 23.3% over the same period from EUR 7.55 to EUR 9.31. The VVPR share reached a high of EUR 10.15 on 15 November 2006. Its low of EUR 7.45 was reached on 12 January 2006.

LIQUIDITY OF THE SHARE

The trend emerging in recent years continued in 2006. 2006 was once again an unusual year in which the average daily volume hit a new record level of 35 914 shares.

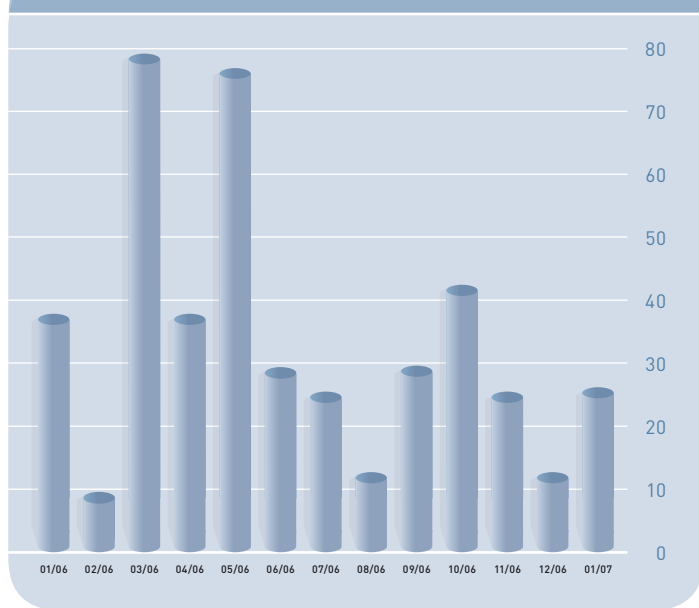


The increase in the average daily volume from 4 481 shares (2003) to 35 914 shares (2006) is mainly attributable to a concurrence of a number of circumstances, such as the gradual reduction in Recticel holdings of a number of the original reference shareholders (Mercator Insurances and Rec-Les respectively), the steady entry of a number of foreign institutional investors, the gradual increase in the free float (from 33.47% in 2003 to 51.44% at the end of 2006), the growing interest of private and institutional investors in general and, last but not least, the result of the sustained investor relations efforts at home and abroad over the past years.

To continue to support the improved liquidity of the share in the future, Recticel appointed KBC Securities as liquidity provider at the end of November 2006.

> Average daily volume per month

IN THOUSAND UNITS



INCLUSION IN INDEXES

In the context of the NextPrime segment, Recticel is classified under the heading 'Chemicals – Advanced Materials'.



The Recticel share is included in three share indices, namely the Euronext NextPrime All index, the Euronext BEL SMALL index and the IN.flanders index.

The NextPrime All index is a general small-cap share index constructed around 111 shares which form part of the Euronext NextPrime quality segment. Recticel's weighting in this index is 0.33%.

The BEL SMALL index is the new benchmark for the Belgian small caps on Euronext. This reference indicator was launched on 1 March 2005 and consists of 47 shares. Recticel's weighting in this index is 3.81%.

The IN.flanders index is a unique share index with a strong focus on sustainability, developed by Tijd Beursmedia in cooperation with KBC Asset Management and Voka. The IN.flanders index combines the share prices of the 60 largest employers in Flanders. This index places a strong emphasis on sustainability and corporate social responsibility policy. Recticel's weighting in this index since 29 September 2006 stands at 2.10%.

STOCK OPTION PLANS

In 2006, for the first time since 2002, a new warrant plan was issued in favour of the senior international executives of the Recticel Group.

The present outstanding stock option plan (at 1 January 2007) can be summarised as follows:

The total number of warrants not yet exercised therefore amounts to 7.04% of the potentially fully diluted number of shares (after exercise).

> Warrant plans

ISSUE	NUMBER OF WARRANTS ISSUED	NUMBER OF WARRANTS NOT YET EXERCISED	EXERCISE PRICE IN EURO	EXERCISE PERIOD
1998	329 512	329 512	9.47	01/Feb/00 – 31/Dec/07
Jan 1999	330 232	330 232	9.79	01/Jan/03 – 30/Dec/08
Dec 1999	330 640	330 640	9.70	01/Jan/03 – 08/Dec/08
2000	333 320	333 320	9.60	01/Jan/04 – 06/Dec/09
2001	439 160	439 160	8.67	01/Jan/05 – 06/Dec/10
2002	100 000	100 000	9.50	01/Jan/06 – 05/Dec/11
2006	306 000	306 000	9.65	01/Jan/10 – 21/Dec/12
Total	2 168 864	2 168 864		

MONITORING BY FINANCIAL ANALYSTS

At the beginning of 2007, 6 sell-side analysts were monitoring the Recticel share. Recticel has always recognised the importance of active coverage by analysts. Through this, Recticel hopes to be able to count on a constantly high level of attention from both private and professional investors, at home and abroad. In conjunction with the sustained investor relations efforts over past years, this has led to a steady rise in volumes traded and therefore in the liquidity of the share.

The institutions actively monitoring Recticel and which also publish regular sell-side analysis reports on it are (in alphabetical order):

Financial coverage

INSTITUTION	ANALYST
Bank Degroof	Bernard Hanssens
Delta Lloyd Securities *	Serge Pattyn
Fortis	Mark Gevens
ING Financial Markets	Luc Struelens
KBC Securities	Wim Hoste
Petercam	Jan Van den Bossche

* At the beginning of 2007, Delta Lloyd Securities decided to discontinue its sales activities, as a result of which henceforth no further reports on Recticel will be published by Delta Lloyd Securities.

Most of the analyst reports are made available free of charge for information on the Recticel website (www.recticel.com).

DIVIDEND POLICY

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

The basic principles for the dividend pay-out were clearly defined. Recticel wishes to allow a prudent increase in dividends in the coming years. As regards profit appropriation, the Board of Directors will try to achieve the right balance between guaranteeing a stable dividend and maintaining sufficient possibilities for investment to secure the growth of the company and the balance sheet structure in the longer term.

In spite of the significant investments and acquisitions undertaken in recent years involving substantial financial resources, the Group has nevertheless been in a position to pay a gross dividend which between 1999 (the year when the preferential and ordinary shares were placed on an equal footing) and 2003 rose each year by 10.8% on average. Between 2004 and 2006, in spite of the loss of 2003 and 2005, a dividend was nevertheless paid of EUR 0.17 per share. For 2006, the dividend is maintained.

DIVIDEND PAYMENT

Subject to approval of the appropriation of profit by the Annual General Meeting of 15 May 2007, a dividend will be paid of EUR 0.17 gross per share (for ordinary shares: EUR 0.1275 net (-25% withholding tax) and for VVPR shares: EUR 0.1445 net (-15% withholding tax)). This dividend will be payable from 31 May 2007 on presentation of coupon N° 13 at branches of the following banks: Bank Degroof – Dexia Bank – Fortis Bank – KBC.

Dividends in respect of registered shares will be paid by transfer to the shareholders' bank accounts.

Dividend

Gross dividend per share	EUR 0.17
Date of payment of dividend	31 May 2007
On presentation of coupon	N° 13

Financial calendar for shareholders

Annual General Meeting	15 May 2007
Date of payment dividend	31 May 2007
Announcement of results 1st half of 2007	28 August 2007 (before stock exchange opening)
Announcement of annual results 2007	mid-March 2008
Annual General Meeting	20 May 2008

CORPORATE GOVERNANCE

Since 1 January 2006, in accordance with the provisions of the Belgian Corporate Governance Code, Recticel has published its Corporate Governance Charter on its website (www.recticel.com). Interested parties are invited to download the Charter there or request a copy from the registered office of the company. The Charter contains a detailed description of the corporate governance structure and policy of the company.

This section contains more factual information on corporate governance in general and the application of the Code at Recticel during the past financial year in particular.

COMPOSITION OF THE BOARD OF DIRECTORS

Recticel's Board of Directors comprises thirteen members. There are three independent directors, including the Chairman. The Managing Director represents both a reference shareholder and the management. Six other directors represent reference shareholders and three other directors represent the management. The table below provides an overview of the members of Recticel's Board of Directors during the financial year 2006 and up to the present.

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Composition of the Board of Directors

NAME	OFFICE	TYPE	YEAR OF BIRTH	TERM OF OFFICE ENDS	MAIN OCCUPATIONS OUTSIDE RECTICEL	COMMITTEE MEMBERSHIP
Etienne DAVIGNON	Chairman	Independent	1932	2009	Suez-Tractebel SA Vice-Chairman	RAC; AC
Luc VANSTEENKISTE ⁽¹⁾	Managing Director	Executive	1947	2008		MC
Pol BAMELIS ⁽²⁾	Director	Non-executive	1939	2010		
Edouard DUPONT	Director	Executive	1945	2009		MC
Marc CLOCKAERTS ⁽³⁾	Director	Executive	1950	2007		MC
Henk JANSSEN ⁽⁴⁾	Director	Non-executive	1958	2010	Mercator Insurances NV Chairman of the Management Committee	
Guy PAQUOT	Director	Non-executive	1941	2009	Compagnie du Bois Sauvage Chairman	RAC
Piet SERRURE ⁽⁵⁾	Director	Non-executive	1954	31/12/2006	BECAP PE Asset Managers & Advisors Associate	
Jean-Jacques SIOEN	Director	Non-executive	1935	2009	Sioen Industries NV Chairman	
Wilfried VANDEPOEL	Director	Non-executive	1945	2009	Lessius Corporate Finance NV Managing Director	AC
Tonny VAN DOORSLAER	Director	Non-executive	1951	2010	Spector Photo Group NV Managing Director	AC
Louis H. VERBEKE ⁽⁶⁾	Director	Independent	1947	2009	Allen & Overy België Senior Partner	RAC
Klaus WENDEL	Director	Independent	1943	2006		AC
Robert WESTDIJK	Director	Executive	1943	2010		MC

(1) in his capacity as Managing Director of Veau NV

(2) in his capacity as Managing Director of Pol Bamelis NV

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

(4) in his capacity as Managing Director of Mercator Insurances NV

(5) in his capacity as Manager of Origo Management BVBA

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

AC = Audit Committee

MC = Management Committee

RAC = Remuneration and Appointments Committee

CHANGES SINCE THE PREVIOUS ANNUAL REPORT – STATUTORY APPOINTMENTS – PROPOSAL OF NEW DIRECTORS

ORIGO MANAGEMENT BVBA, represented by Mr Piet Serrure, resigned as of 31 December 2006. The Board of Directors decided not to provide for a successor.

The directorship of EMSEE BVBA, represented by Mr Marc Clockaerts, expires at the close of the Annual General Meeting of 2007. In accordance with the advice of the Remuneration and Appointments Committee, the Board of Directors will propose to the Annual General Meeting re-election for a further four-year term of office which will expire at the close of the Annual General Meeting of 2011.

OPERATION OF THE BOARD OF DIRECTORS

The Board of Directors met ten times in 2006. One meeting focused on the 2006 budget, two meetings dealt mainly with approving the annual accounts at 31 December 2005 and the interim accounts at 30 June 2006, and the other meetings were devoted mainly to the dossier on the sale of the Interiors Solutions division. One meeting also covered the new edition of the Recticel Group Stock Option Plan. Two meetings were held by teleconferencing.

Each meeting also deals with the corporate strategy, a business review per division and the most important current investment acquisitions and/or disposals. Other matters (human resources, financing, external communication, litigation and legal issues, delegations of authority, etc.) are discussed as and when necessary.

During 2006, the written decision-making procedure was used once to approve the establishment of a closed period in the context of the dossier on the sale of the Interiors Solutions division.

During 2006, no conflicts of interest arose between a director and the company as referred to in Articles 523 and 524 of the Companies Code, except in the context of the Stock Option Plan, when Mr Luc Vansteenkiste, Mr Edouard Dupont and Mr Robert Westdijk had a conflict of interests. The above-mentioned articles were applied. Reference is made here to the annual report which contains an extract from the minutes of 22 December 2006 on this subject.

Mr Philippe Jous, Corporate General Counsel, acts as secretary to the Board of Directors, assisted in this by Mr Dirk Verbruggen, Company Secretary.

The individual percentage attendance of the directors at the meetings in 2006 was as follows:

NAME	PERCENTAGE ATTENDANCE
Etienne Davignon	100%
Luc Vansteenkiste	100%
Pol Bamelis	60%
Edouard Dupont	90%
Marc Clockaerts	100%
Henk Janssen	40%
Piet Serrure	80%
Guy Paquot	70%
Jean-Jacques Sioen	50%
Wilfried Vandepoel	100%
Tonny Van Doorslaer	100%
Louis Verbeke	80%
Klaus Wendel	90%
Robert Westdijk	90%

COMMITTEES SET UP BY THE BOARD OF DIRECTORS

THE AUDIT COMMITTEE

The Audit Committee currently has four members, all non-executive directors, including two independent directors.

The composition of the Audit Committee does not comply with principle 5.2./1 of the Belgian Corporate Governance Code, which provides that a majority of the Committee must consist of independent directors. However, Recticel aims to comply with the spirit of these provisions, since it is provided in the Audit Committee Charter that, in case of an equal number of votes for and against, the Chairman of the Audit Committee, who must be an independent director, has the casting vote.

The table below lists the members of the Audit Committee during the 2006 financial year and to the present.

NAME	OFFICE	PERCENTAGE ATTENDANCE
Klaus Wendel	Chairman	100%
Etienne Davignon	Member	100%
Wilfried Vandepoel	Member	100%
Tonny Van Doorslaer	Member	100%

The Audit Committee met five times in 2006. Two meetings were devoted primarily to examining the annual accounts at 31 December 2005 and the interim accounts at 30 June 2006. One meeting was devoted to the internal audit programme, risk management and accounting issues relating to IFRS. Two additional meetings dealt mainly with questions arising from the dossier on the sale of the Interiors Solutions division.

THE REMUNERATION AND APPOINTMENTS COMMITTEE

The Remuneration and Appointments Committee consists of three members, all non-executive directors, including two independent directors. Its composition is as follows:

NAME	OFFICE	PERCENTAGE ATTENDANCE
Etienne Davignon	Chairman	100%
Guy Paquot	Member	100%
Louis Verbeke ⁽¹⁾	Member	100%

(1) in his capacity as Manager of Louis Verbeke BVBA

The Remuneration and Appointments Committee met three times in 2006.

One meeting dealt with the remuneration and bonuses of the executive management. One meeting was devoted to the new appointments of directors and one meeting related to the new edition of the Stock Option Plan.

EXECUTIVE MANAGEMENT

The Board of Directors has assigned the executive management of the company to the public limited liability company Vean, registered office 172 Stationsstraat, 9260 Wichelen (Schellebelle), represented by its Managing Director and permanent representative, Mr Luc Vansteenkiste.

The Managing Director is assisted by the Management Committee, the members of which are listed below:

NAME	OFFICE
Luc VANSTEENKISTE ⁽¹⁾	Chief Executive Officer
Betty BOGAERT	Group ICT & Business Support Manager
Marc CLOCKAERTS ⁽²⁾	Group General Manager Automotive
Jean-Pierre DE KESEL ⁽³⁾	Deputy General Manager Bedding
Jan DE MOOR	Group Human Resources & Communication Manager
Caroline DESCHAUMES ⁽⁴⁾	Group General Manager Bedding
Edouard DUPONT	Group General Manager Flexible Foams
Philippe JOUS	Corporate General Counsel
Jean-Pierre MELLE	Chief Financial Officer
Bart WALLAEYS	Group Manager Research and Development
Robert WESTDIJK	Group General Manager Insulation & Group Purchasing Manager

(1) in his capacity as Managing Director and permanent representative of Vean NV

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

(3) since 1 February 2007

(4) until 1 February 2007: Deputy General Manager Bedding

The Management Committee has an advisory function and is not an executive committee within the meaning of the Companies Code.

PUBLICATION OF THE EMOLUMENTS OF THE DIRECTORS AND MEMBERS OF THE EXECUTIVE MANAGEMENT

GROSS EMOLUMENTS OF THE DIRECTORS

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NAME	EMOLUMENTS 2006	AUDIT COMMITTEE 2006	REMUNERATION AND APPOINTMENTS COMMITTEE 2006	DIRECTORS' FEES PAID IN 2006 CONCERNING 2005
Active Directors				
DAVIGNON Etienne	EUR 33 000.00	EUR 12 500.00	EUR 3 750.00	EUR 12 284.80
VEAN N.V.	EUR 16 500.00			
DUPONT Edouard	EUR 14 850.00			
EMSEE B.V.B.A.	EUR 16 500.00			
LOUIS VERBEKE B.V.B.A.	EUR 13 200.00		EUR 2 500.00	EUR 3 853.72
MERCATOR Insurances N.V.	EUR 6 600.00			EUR 6 142.40
PAQUOT Guy	EUR 11 550.00		EUR 2 500.00	EUR 6 142.40
POL BAMELIS NV	EUR 9 900.00			EUR 6 142.40
SIOEN Jean-Jacques	EUR 8 250.00			EUR 6 142.40
VANDEPOEL Wilfried	EUR 16 500.00	EUR 12 500.00		EUR 6 142.40
VAN DOORSLAER Tonny	EUR 16 500.00	EUR 12 500.00		EUR 6 142.40
WENDEL Klaus	EUR 13 200.00	EUR 18 750.00		EUR 1 985.76
WESTDIJK Robert	EUR 14 850.00			
Directors whose term of office ended in 2006				
ORIGO MANAGEMENT BVBA	EUR 13 200.00			EUR 6 142.40
Directors whose term of office ended in 2005				
ANCION Alfred †				EUR 2 844.01
TER LANDE INVEST N.V.				EUR 6 142.40
VERBEKE Louis				EUR 2 288.67

Since 2006, the directors receive payment of EUR 1 650 per meeting attended, with double for the chairman. The members of the Audit Committee receive EUR 2 500 per meeting attended and the chairman EUR 3 750. The members of the Remuneration and Appointments Committee are entitled to EUR 2 500 per year and the chairman EUR 3 750.

Persons who are acting personally as executive directors (Edouard Dupont and Robert Westdijk) cede their emoluments in full to Recticel NV/SA.

Emoluments of persons who are executive directors via a company (Vean NV and Emsee BVBA) are credited to their overall remuneration package.

The payment of directors' fees as part of the company profits to the directors in accordance with the articles of association possibly constitutes performance-related remuneration as referred to in Article 7.4. of the Lippens Code, which rejects such remuneration. Recticel opted to maintain this payment provided for under the articles of association for historical reasons and because of the fact that the Annual General Meeting of Shareholders ultimately decides on whether or not to award it.

Since 2006, the directors' fees are divided into equal parts and, where appropriate, distributed pro rata temporis among the non-executive directors, apart from the chairman, who receives 200%.

GROSS EMOLUMENTS OF THE MANAGEMENT COMMITTEE

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TOTAL COST TO THE COMPANY

	VEAN NV REPRESENTED BY LUC VANSTEENKISTE		OTHER MEMBERS OF THE MANAGEMENT COMMITTEE		TOTAL	
	2006	2005	2006	2005	2006	2005
Number of persons	1	1	9	9	10	10
Basic salary	499 600	499 600	2 098 400	2 050 532	2 598 000	2 550 132
Variable remuneration	270 000	270 000	624 981	476 230	894 981	746 230
Pensions, insurance (group insurance) and other benefits in kind	17 548	16 795	290 967	280 835	308 515	297 630
Total	787 148	786 395	3 014 348	2 807 597	3 801 496	3 593 992

Comments:

- Where appropriate, the above-mentioned amounts include the social security contributions paid by the company and therefore represent the gross cost to the company.
- VEAN NV and the other members of the Management Committee also have the use of a company car.
- Since he became a member only on 1 February 2007, the amount of the remuneration for Mr Jean-Pierre De Kesel, Deputy General Manager Bedding, is not included in this table.

SHARES, STOCK OPTIONS AND OTHER RIGHTS TO ACQUIRE SHARES

The Board of Directors gave its approval on 22 December 2006 for a new tranche of the Recticel Group Stock Option Plan to be issued. This tranche comprises 306 000 warrants, which are granted to the members of the Management Committee and to other senior Group executives in Belgium and the subsidiaries abroad.

The warrants can be exercised at a price of EUR 9.65 per warrant during the exercise period, which runs from 1 January 2010 to 21 December 2012.

20 000 share options were granted to Mr Luc Vansteenkiste, Managing Director of VEAN NV, and 99 000 options were granted to the other members of the Management Committee.

Although Article 7.17 of the Lippens Code provides for announcement on an individual basis of the options granted to the CEO and the other members of the Management Committee, Recticel decided to publish this information in the same way as for the remuneration in general, i.e. individually for the CEO and as a lump sum for the other members of the Management Committee.

During 2006, no shares or other rights to acquire shares were granted to the members of the Board of Directors or to the members of the Management Committee.

MAIN CONTRACTUAL PROVISIONS FOR THE RECRUITMENT AND DISMISSAL OF MEMBERS OF THE MANAGEMENT COMMITTEE

No new members were recruited to the Management Committee in 2006.

Most of the agreements with the existing Management Committee members contain no arrangements for severance of contract, which is consequently decided by the ordinary law on the subject. Such arrangements are in place for a number of members, which are related to their seniority. More specifically, such arrangements provide for severance pay approximately equal to one month of remuneration per year of service.

TRANSACTIONS AND OTHER CONTRACTUAL RELATIONSHIPS BETWEEN THE COMPANY AND AFFILIATED COMPANIES AND THE DIRECTORS AND MEMBERS OF THE MANAGEMENT COMMITTEE

Chapter VII.1 of the Recticel Corporate Governance Charter explains the policy of Recticel NV/SA concerning such transactions which do not come under the conflict of interests rules.

Commercial transactions have taken place between the Sioen Group and the Recticel Group, mainly as a consequence of joint product development, which exceed the threshold amount of EUR 1 million. The scale of these transactions is consequently disclosed in Annex III.6.5 to the financial part of this consolidated annual report.

No other applications have arisen in this connection.

INSIDER TRADING AND MARKET MANIPULATION

The company policy on the prevention of insider trading and market manipulation is set out in chapter VII.2 of the Recticel Corporate Governance Charter.

These measures include the introduction of restrictions on the performance of transactions («*closed periods*»), which have been in application for the first time this year.

Mr Dirk Verbruggen has been appointed Compliance Officer and is responsible for monitoring compliance with these rules.

Accordingly, transactions performed will be disclosed at the appropriate time.

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.

RELATIONS WITH THE REFERENCE SHAREHOLDERS

Recticel NV/SA's reference shareholders are Rec-Hold NV (27.03%), Rec-Les NV (9.1%) and Mercator Insurances NV (8.77%).

Rec-Hold NV and Recticel NV/SA have four directors in common, namely Luc Vansteenkiste/Vean NV, Guy Paquot, Tonny Van Doorslaer and Jean-Jacques Sioen.

The shareholders' agreement between Rec-Hold NV, Rec-Les NV and Mercator Insurances NV of 3 November 2003 ended as of 31 December 2006.

One agreement still remains in force between Rec-Hold NV and Recticel NV/SA for the supply of services (accounting, administration and others) by Recticel to Rec-Hold. This is a customary transaction concluded on normal market terms and guarantees for transactions of this kind. Consequently, no transactions occurred in 2006 which would have given rise to the application of Article 524 §1 of the Companies Code.

EXTERNAL AUDIT

The external audit of Recticel NV/SA's annual and consolidated accounts was commissioned by the 2004 General Meeting from the limited liability cooperative company '*Deloitte Bedrijfsrevisoren*', represented by Mr William Blomme.

The Auditor conducts its audit in accordance with the standards of the Belgian Institute of Company Auditors and reports on whether the company's annual and consolidated accounts give a true and fair view of the assets, financial position and results of the company. The Audit Committee examines and discusses these six-monthly reports with the Auditor in attendance; they are then examined by the Board of Directors.

The General Meeting of 2004 fixed the Auditor's fees for the audit of the annual and consolidated accounts, as prescribed in Article 134, §1 of the Companies Code, at EUR 190 000 per year.

The aggregate amount of the Auditor's fees for additional services to the Recticel Group amount to EUR 1 336 831.49, or excluding statutory engagements to EUR 1 334 331.49. Since the fees for the Auditor's statutory services amount to EUR 1 121 124.30, the limit prescribed in Article 133 of the Companies Code has been exceeded at Group level.

Of the aggregate amount of EUR 1 336 831.49 in fees for additional services, the amount of EUR 579 796.35 was invoiced to Recticel NV/SA. The statutory limit was therefore also exceeded at the level of Recticel NV/SA.

Details of these fees are given in the financial part of this annual report (section III.6.10).

The Board of Directors, acting in its capacity as Audit Committee within the meaning of Article 133 of the Companies Code and in accordance with Article 20 of the articles of association, approved the exceeding of the limits at company and Group levels, in view of their specific nature.

The Auditor's current term of office expires at the close of the Annual General Meeting of 2007.

On the recommendation of the Audit Committee, the Board of Directors decided at its meeting of 1 March 2007 to propose to General Meeting renewing the term of office of the Auditor '*Deloitte Bedrijfsrevisoren*' for a further three-year term, which will end at the close of the Annual General Meeting of 2010.

ASSET & RISK MANAGEMENT

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Entrepreneurship is often fraught with external and internal uncertainties. These uncertainties, and the attendant risks, must be defined, estimated and managed as precisely as possible to avoid or at least to minimise their potential detrimental consequences for the company and its value. The following are the most relevant risk factors for the Recticel Group, although it must be expressly stated that this is not an exhaustive list. Risks may arise which the company has not yet been able to assess in full and which are currently considered not to have any substantial impact but which could have a material detrimental impact on the results of the company at a later stage. The Group's risk management systems aim to identify internal and external risks in good time.

RAW MATERIALS PRICES

As a manufacturer and converter of polyurethane, the Group is sensitive to price fluctuations of chemical raw materials; this refers in particular to polyols and isocyanates (TDI and MDI). Although these basic raw materials are derived from petroleum, their market prices follow different trends from those of petroleum products on the world market. An important reason for this lies in the fact that polyols and isocyanates are further down the petroleum processing value chain. Changes in the raw materials prices or failure to receive the necessary basic materials on time could have a negative impact on Recticel's business management, company results and financial situation.

On average, the costs of chemical raw materials account for about 40% of the cost price. For some applications, such as comfort foam or insulation material, this percentage may be even higher.

These raw materials are purchased on the open market. There are no possibilities for structural hedging against price fluctuations in raw materials. In so far as the market allows, raw materials price variations are passed on in the selling prices.

The purchase of chemical raw materials is fully centralised and the central purchase organisation negotiates the delivery contracts.

MARKET – TECHNOLOGY – COMPETITION

Like any company, Recticel too has to face up to market, technological and competition risks. Although in the more traditional activities the markets are no longer growing strongly and the technological developments remain relatively limited, the Group has to keep a very close eye on its competitive position. The Flexible foams sector in Europe is still characterised by considerable fragmentation in the number of players. There is still a tendency towards consolidation. The Insulation sector has particular growth potential, but has to take account of alternative insulation materials, such as mineral wool, for example. In the Bedding sector, keen competition still prevails with the resultant significant price erosion in some cases (especially in the non-brand product sector). The Automotive sector is in turn confronted by unremitting technological developments in combination with cut-throat competition between the motor manufacturers, which up the pressure on their suppliers.

PRODUCT LIABILITY

Recticel manufactures and sells both semi-finished and finished goods in the form of consumables (Bedding) and durables (Insulation). In both cases, the Group may be exposed to product liability claims. The Group tries to absorb these risks or to limit them through the product guarantees provided for in the conditions of sale and by applying a strict quality control system. To protect itself against harmful consequences of product liability, the Group has at the same time concluded a number of appropriately applied general and product-related insurance policies.

CREDIT AND OTHER FINANCIAL RISKS

Credit risks derive from the deferred payment facilities granted to customers. The credit risks are mostly covered by credit insurance which the Group has centralised and harmonised. However, the Group does bear

some risks itself. Adjustments are made to the integrated credit policy, system and management, as well as monitoring procedures, on an ongoing basis.

Other financial risks mainly include risks of loss through interest rate or exchange rate positions falling in value. Under its aggregate financial policy, the Group manages a portfolio of financial derivatives to cover these risks. The Group has no intention of using these instruments to participate in speculative or leveraged transactions. Derivative contracts concluded may vary over time, as a result of which they may have an impact on the financial result on the balance sheet date.

DAMAGE TO PROPERTY

The Group's various factories and establishments are analysed regularly and on an ongoing basis for their risk of depreciation (*risk mapping*). Depending on the findings, on the one hand the necessary steps are taken to avoid the risks or in any case to minimise them and on the other hand the necessary insurance policies are taken out to cover material damage and loss resulting from interruption of business.

HEALTH – SAFETY – ENVIRONMENT

In the various countries in which the Group operates, it is subject to various health, safety and environmental requirements. Recticel provides the necessary resources to meet all the minimum requirements. The Group now considers that the present costs and those which can reasonably be expected in order to comply with all legal provisions have been covered. There can be no certainty that this will remain so in the future, for example if there are changes to the legal framework.

Given the nature of its activities, Recticel still incurs environmental risks. The Group uses potentially dangerous substances and chemicals in the product development and manufacturing processes. There are risks of accidental pollution. Specifications with precise operat-

ing procedures to handle such crisis situations and their consequences have been widely distributed within the organisation.

INTELLECTUAL PROPERTY

Recticel owns a large number of patents and has several patent applications under way relating to a large number of products and software systems. In addition, the Group also owns a large number of trade mark rights in various countries. Recticel relies on a combination of patents, copyright and trade mark rights and the laws on trade-marks and secrets, confidentiality procedures, trade secrets, contractual provisions and licensing schemes to establish and protect its rights of ownership.

On the other hand, the Group strives scrupulously to respect the intellectual property rights of third parties. Although Recticel is not aware of products which infringe the intellectual property rights of third parties, it cannot be precluded that the latter may complain of such infringements in the future.

LIQUIDITY RISK

A liquidity risk arises if the financing of the current activities is no longer possible at acceptable conditions. Although this risk does not arise at present, this does not mean that it may not do so in the future. To limit such a risk, the Group's treasury policy is conducted centrally, including regular liquidity planning. In addition, the Group maintains sufficient, appropriate operating resources to secure the liquidity position.

OPERATIONAL RISKS

The operational risk is the chance of loss resulting from inadequacies or shortcomings in the operating procedures and systems, human error or external events. Operational risks also include legal risks, which may lead to litigation.

As regards risks associated with internal working methods and systems, various control procedures are used which are regularly evaluated, improved and if necessary extended by the Group's Internal Audit Department.

RISKS RELATING TO JOINT VENTURES AND ASSOCIATES

Although efforts are made to identify and manage the various potential risks within the Group in the same way (but adapted to their nature), this is not always possible or enforceable. In the case of joint ventures and associates, differing views from the other partner(s) may arise, as a result of which – according to the Group – specific treatment of the risks may be limited or even prevented. The different approaches to these risks may lead to consequences other than those which the Group would have incurred or would have wished to incur.

INFORMATION, COMMUNICATION AND TECHNOLOGY (ICT) RISKS

Nowadays, the vast majority of Recticel's actions and procedures are directed and monitored via centrally managed information systems. Measures have been taken to guarantee their availability.

DISPUTES

See 'Contingent Assets and Liabilities' (section III.6.11 in the financial part).

General operational or industrial risks are usually covered by centralised insurance, the terms of which are reviewed regularly to ensure effective, appropriate cover of the risks. The Group has a reinsurance subsidiary, the main activity of which is reinsurance within the Group of its own risk associated with the deductibles for which, according to the external insurance policies, the Group is liable.

The risks and contingencies for which provisions have been set aside through application of the IFRS rules, are explained under note III.5.18 to the consolidated financial annual report. This refers more specifically to the provisions for litigation, product liability, environmental risks and costs of reorganisation.

Recticel's Internal Audit Department participates in the implementation and operation of the control procedures in the broad sense and contributes to the in-depth discussions on the business risks within Recticel.

The Board of Directors, with the assistance of the Audit Committee, determines the Group's policy by integrating the dimension of the general management risks it is prepared to assume in the discussions.

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

Situation on 31/12/2006



(AS) Austria
(BE) Belgium
(BU) Bulgaria
(CH) China
(CT) Croatia
(CZ) Czech Republic
(EST) Estonia
(FR) France
(GE) Germany
(GR) Greece

(HU) Hungary
(IT) Italy
(JA) Japan
(LIT) Lithuania
(LU) Luxemburg
(NE) Netherlands
(MO) Moldavia
(PO) Poland
(RO) Romania
(ROB) Republic of Belarus
(RU) Russia
(SE) Serbia

(SLR) Slovenian Republic
(SQ) Slovakia
(SP) Spain
(SW) Sweden
(SZ) Switzerland
(TU) Turkey
(UK) United Kingdom
(US) United States of America
(UKR) Ukraine

organigram

RECTICEL
The passion for comfort

> colophon

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This annual report can be downloaded at www.recticel.com

Concept: www.linknv.be
Coordination: Michel De Smedt
Thanks to all colleagues who contributed to
the production of this annual report.

> Shareholders' calendar

Annual general meeting	15 May 2007
Dividend payment	31 May 2007
Announcement of results 1st half 2007	28 August 2007 (before opening of the stock market)
Announcement of annual results 2007	mid-March 2008
Annual general meeting	20 May 2008

Committed to the future



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