

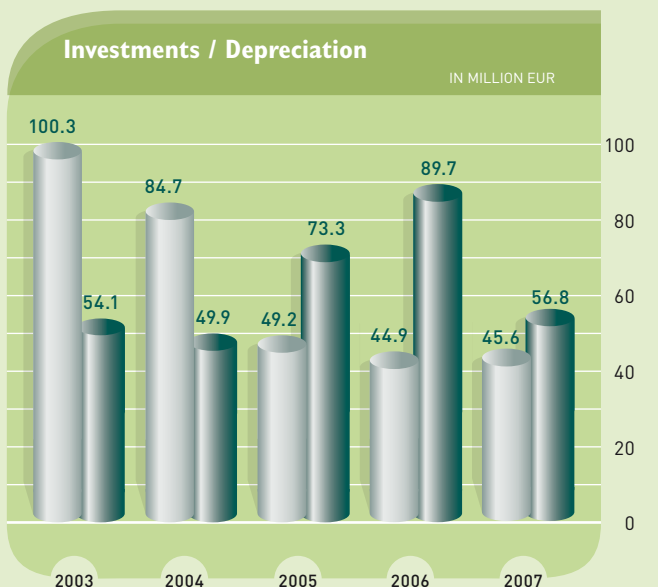
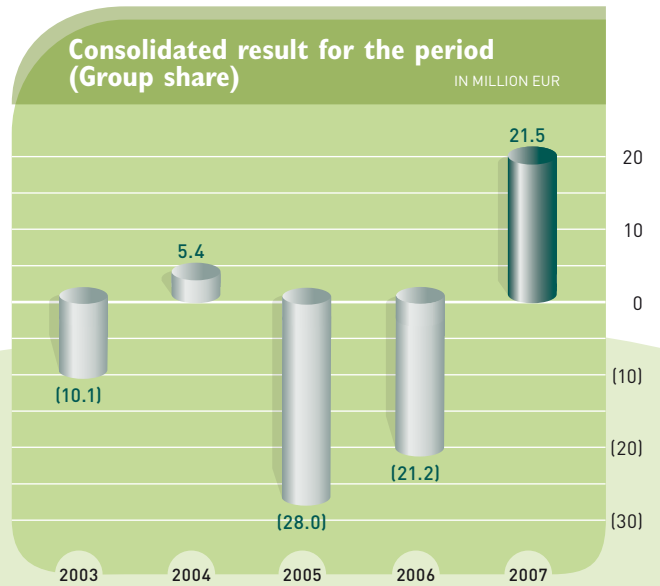
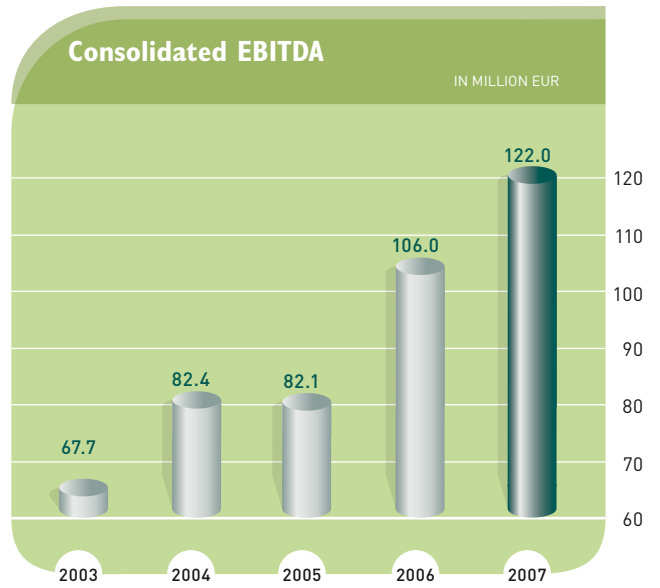


ANNUAL REPORT 20 07

a journey in equilibrium

RECTICEL
The passion for comfort

// key figures



INVESTMENTS DEPRECIATION

// key figures

IN MILLION EUR	2007	2006	2005
Consolidated income statement			
Sales	1 611.8	1 474.4	1 391.6
EBITDA ⁽¹⁾	122.0	106.0	82.1
Operating result	63.2	16.0	11.1
EBIT ⁽²⁾	65.2	16.3	8.8
Financial result	[28.7]	[25.0]	[27.9]
Result before taxes	36.5	[8.7]	[19.1]
Result for the period after taxes (share of the Group)	21.5	[21.2]	[28.0]
Profitability ratios			
EBITDA / Sales	7.6%	7.2%	5.9%
Operating result / Sales	3.9%	1.1%	0.8%
EBIT / Sales	4.0%	1.1%	0.6%
Result for the period after taxes (share of the Group) / Sales	1.3%	-1.4%	-2.0%
ROE = Result of the period after taxes (share of the Group) / Total equity (Group share) ⁽³⁾	10.6%	-10.6%	-12.3%
ROCE = Return on capital employed ⁽⁴⁾⁽⁶⁾	12.3%	3.0%	1.5%
Annual growth rates			
Sales	9.3%	6.0%	9.0%
EBITDA ⁽¹⁾	15.2%	29.0%	-0.3%
Operating result	295.7%	44.2%	-65.2%
EBIT ⁽²⁾	300.5%	85.3%	-73.0%
Result for the period after taxes (share of the Group)	n.r.	-24.1%	n.r.
Consolidated balance sheet			
Non-current assets	482.7	490.8	544.0
Current assets	407.9	428.5	402.5
TOTAL ASSETS	890.7	919.3	946.5
Equity - Minority interests included	248.3	228.4	251.2
Provisions and deferred taxes	72.5	77.7	66.6
Long term interest-bearing borrowings	161.6	227.7	273.7
Short term interest-bearing borrowings	150.8	99.5	69.9
Other payables and Short term liabilities	257.5	286.0	285.1
TOTAL LIABILITIES	890.7	919.3	946.5
Net working capital ⁽⁸⁾	119.1	130.9	100.4
Market capitalisation (Dec 31st)	289.3	274.8	212.5
Minority interests	32.5	38.2	39.8
Net financial debt ⁽⁵⁾	270.9	301.9	317.5
ENTERPRISE VALUE	592.7	615.0	569.8
Average capital employed ⁽⁶⁾	531.6	547.1	584.2
Financial structure ratios			
Net financial debt / Equity ⁽⁷⁾	109%	132%	126%
Equity / Total assets ⁽⁷⁾	27.9%	24.8%	26.5%
Current ratio ⁽⁹⁾	1.00	1.12	1.14
Valuation ratios			
Price / Earnings (Market capitalisation (Dec 31st) / Result for the period (Group share) ⁽¹⁰⁾	13.4	n.r.	n.r.
Enterprise value / EBITDA	4.9	5.8	6.9
Price / Book value (= Market capitalisation/Book value (Group share))	1.3	1.4	1.0

(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)
Average = [Equity (Group share) at the end of the previous period + Equity (Group share) at the end of the current period] / 2

(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
Average = [Capital employed at the end of the previous period + Capital employed at the end of the current period] / 2

(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 Dec 31st.

Earnings = result of the period (share of the Groupe) per share

IN MILLION EUR	2007	2006	2005
Investments versus Depreciation			
Investments in intangible and tangible fixed assets	45.6	44.9	49.2
Depreciation (excluding amortisation on goodwill, including impairment)	56.8	89.7	73.3
Investments / Sales	2.8%	3.0%	3.5%

Consolidated sales per business line			
Flexible foams	665.6	632.8	526.6
Bedding	396.4	375.1	366.8
Insulation	139.7	109.7	101.6
Automotive	490.4	426.9	461.9
Eliminations	(80.2)	(70.1)	(65.3)
TOTAL SALES	1 611.8	1 474.4	1 391.6

EBITDA per business line			
Flexible foams	41.8	42.9	34.7
Bedding	26.9	25.0	24.9
Insulation	24.6	14.8	11.6
Automotive	40.6	26.0	21.0
Corporate	(11.8)	(2.8)	(10.0)
TOTAL EBITDA	122.0	106.0	82.1

AS % OF SALES OF THE BUSINESS LINE

EBITDA margin			
Flexible foams	6.3%	6.8%	6.6%
Bedding	6.8%	6.7%	6.8%
Insulation	17.6%	13.5%	11.4%
Automotive	8.3%	6.1%	4.5%

DATA PER SHARE			
Number of shares (Dec 31st)	28 931 456	28 628 900	28 333 010
Weighted average number of shares outstanding (before dilution)	28 935 874	28 316 816	27 935 210
Weighted average number of shares outstanding (after dilution)	31 167 169	28 316 816	27 935 210

IN EUR

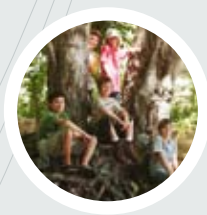
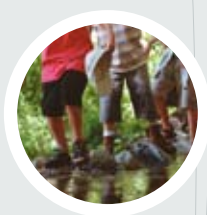
Data per share			
EBITDA ⁽¹⁾	4.22	3.74	2.94
Operating result ⁽¹⁾	2.18	0.56	0.40
EBIT ⁽¹⁾	2.25	0.58	0.31
Current result before taxes ⁽¹⁾	1.26	(0.31)	(0.69)
Result for the period (share of the Group) - Basic ⁽¹⁾	0.74	(0.75)	(1.00)
Result for the period (share of the Group) - Diluted	0.74	(0.75)	(1.00)
Gross dividend	0.25	0.17	0.17
Pay-out ratio	34%	n.r.	n.r.
Net book value (Group share)	7.46	6.64	7.46

IN EUR

Share prices				
Ordinary share	on December 31	10.00	9.60	7.50
	lowest of the year	8.95	7.52	6.50
	highest of the year	11.69	10.30	8.36
	average daily volume traded (units)	29 462	35 914	26 952
VVPR Share	on December 31	9.70	9.31	7.55

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

// Contents



0. // Introduction	02
Recticel in a nutshell	04
Highlights of 2007 - beginning 2008	05
Letter to the shareholders	07
Report by the Board of Directors	10
1. // The Recticel Group	14
Our mission	16
Our Group values - Our Group vision	17
Our Group strategy	18
Our objectives	19
Synergy	20
Corporate social responsibility	21
Research and development	22
Health, safety and the environment	24
Human Resources	27
2. // Activities	28
What is polyurethane?	30
Production plants	32
Flexible foams	34
Bedding	42
Insulation	48
Automotive	52
3. // Information for shareholders	60
Share information	62
Corporate Governance	68
Asset and risk management	76
4. // Financial section	79

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// Introduction





in search of opportunities

// 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. Although the Group mainly produces semi-finished products (Flexible foams and Automotive), in a number of divisions it also manufactures finished goods, both consumables and durables (Bedding and Insulation). Within the Bedding division, mattresses and slat bases are sold mainly under well-known brand names (including Beka, Epeda, Lattoflex, Literie Bultex, Schlaraffia, Sembella, Superba, Swissflex, etc.). The Insulation division supplies high-quality finished thermal insulation products, which can be used directly in building projects.

In addition, Recticel attaches great importance to innovation and technological progress, one of the results of which has been a revolutionary breakthrough among the giants of the automotive industry. The Group's various products are therefore used and processed in ever growing numbers of new and existing applications.

As market leader in most of its activities, Recticel currently provides work for a total of 11,590 employees in 130 establishments in 27 countries. The Group operates predominantly throughout Europe, but it also pursues a number of activities in the United States and Asia.

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

Recticel is quoted on NYSE Euronext in Brussels.

(NYSE Euronext: REC.BE – Reuters: RECTt.BR – Bloomberg: REC.BB)

REC
LISTED
NYSE
EURONEXT



➤ flexible foams



➤ bedding



➤ insulation



➤ automotive

// Highlights of 2007 – beginning 2008

→ 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).

Interior Solutions

Nordwind Capital informed Recticel that it was withdrawing from the Memorandum of Understanding signed on 25 September 2006. Consequently, the Interior 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.

→ MAY 2007

ESPE Oy – EWONA Oy

Recticel signed an agreement to take over the polyurethane and padding activities of Finlayson & Co (Finland) in Finland and Estonia. This expansion enabled Recticel to consolidate its market position in Northern Europe.

Proseat – Johnson Controls

Proseat and Johnson Controls decided to set up a new joint venture for the production of moulded foam seat cushions in Poland and Slovakia. This cooperation allows both partners to meet the future rising demand in Eastern Europe by producing cost-efficiently and in the vicinity of the customer.

Proseat – Foamline

Proseat and Foamline of Russia announced their plans for cooperation in the production of moulded foam seat cushions for the automotive sector in Russia, thereby allowing Proseat to take an important new step in the automotive industry market.

→ JULY 2007

Rec-Les

The decision to wind up was taken by Rec-Les, one of Recticel's three reference shareholders. As a result, the Recticel shares held by Rec-Les were distributed among its shareholders.

Compagnie du Bois Sauvage

Compagnie du Bois Sauvage increased its stake in Recticel by taking over 1 million Recticel shares from Rec-Les. As a result, the combined direct and indirect participation of Compagnie du Bois Sauvage in Recticel rose to 23.45%.

Subordinated convertible bond

Recticel placed a highly successful subordinated convertible bond for a total of EUR 57.5 million. The proceeds from this new placement were used to repay outstanding bank loans. Thanks to this new loan, the Group is able to further optimise its financial structure.

→ AUGUST 2007

Rec-Hold - Compagnie du Bois Sauvage

The shareholders of Rec-Hold, which has been Recticel's main reference shareholder since July 1998, decided to convert its indirect holding in Recticel into a direct holding. As a result of this reorganisation, Rec-Hold has become a full subsidiary of Compagnie du Bois Sauvage.

Compagnie du Bois Sauvage consolidated its holding in Recticel by taking over a Recticel share package previously held by Rec-Man & Co. As a result, the direct and indirect participation of Compagnie du Bois Sauvage in Recticel rose to 27.57%.

→ SEPTEMBER 2007

Gradient

Recticel signed a declaration of intent with regard to the acquisition of Gradient Ltd. (United Kingdom). Gradient operates within the flat roof market. This acquisition is to enable the building insulation division of the Recticel Group to take up its position more quickly and efficiently on the flat roof market.

Meanwhile the definitive agreements have been concluded and as from 1 April 2008 the results of Gradient are integrated in the Recticel figures.

→ JANUARY 2008

Compagnie du Bois Sauvage

Compagnie du Bois Sauvage consolidated its stake in Recticel by taking over an additional 700,000 Recticel shares previously held by Richelieu Finance, France. As a result, the direct and indirect participation of Compagnie du Bois Sauvage in Recticel rose to 29.71%. The participation of Richelieu Finance in Recticel has fallen to 4.33%.

Compagnie du Bois Sauvage, Vean and a number of other shareholders, together representing 37.72%, concluded a shareholders' agreement for three years to provide further support for the Group's strategy.

→ FEBRUARY 2008

New loan

Recticel concluded a club deal transaction with 10 prominent European banks for a new multi-currency loan of EUR 230 million. This new facility will mainly refinance the outstanding amounts under the existing syndicated loan of 2004, which expires at the end of 2008, and the EUR 50 million subordinated loan at 10%, expiring in July 2009.

// Letter to the shareholders

For Recticel, 2007 was the year of the redefinition of its Group strategy. The emphasis was shifted notably in the field of investments, in so far as the Flexible foams, Bedding and Insulation business lines are henceforth given more scope for growth.

It is a well-known fact that the Group was surprised at the beginning of 2007 by the breakdown of the negotiations concerning the partial sale of the Interior Solutions department (interior trim for the automotive sector). The Board of Directors reacted appropriately by undertaking an in-depth review of the Group strategy. In mid-2007, the Board of Directors came to the conclusion that the strategy followed by the Group is the right one, but that the various sectors must develop in a more balanced way. In concrete terms, it was decided to maintain a level of investment again in the coming years of EUR 45 million to EUR 60 million. This will give more breathing space, especially for the traditional Flexible foams, Bedding and Insulation business lines.

Balanced growth also means that Recticel will stabilise its Automotive business line at the present level and will accept orders for Interior Solutions more selectively. In other words, the strong growth of past years is standardised. Recticel is convinced that, with its present industrial network of 12 plants in Europe, the United States, China and Japan, it will be able to continue to serve its automotive customers who opt for the unique Colofast technology. Recovery in profits of the Interior Solutions division in the United States, without further investments, is high on the agenda and a restructuring plan is in progress.

The Group is convinced that with this renewed strategy it is ready to take full advantage of a number of significant market developments. In the Flexible foams sector and at Proseat (seat cushions – Automotive), new possibilities for expansion in Central and Eastern Europe are monitored closely and the Group's presence there is being reinforced. The development of new foam types and applications is becoming increasingly important and will be given full backing. Bedding has already opted decisively in favour of a targeted brand strategy years ago. Through innovation and diversification, the Group is responding to consumer demands in Western Europe today. At the same time it is important to build up a basis for growth in Central and Eastern Europe, since the retail market there is set for development in the future. Insulation, finally, is currently experiencing unprecedented growth, assisted by the keen interest in environment and energy matters. This offers high growth potential which Recticel will support with additional investment funds.

Confirmation of favourable underlying results

2007 was an important year for the Group, not only on account of the strong growth in sales and the good results, but especially because the fundamental strategy proved to be correct. In fact, with the problems with the Interior Solutions division in the USA under control, the possibilities for profitability of the other divisions rise sharply. Although this was already the trend in the 2006 results too, this was insufficiently reflected in them on account of the impairment in respect of the American assets of the Interior Solutions division that year. The improvement in the structural profitability was convincingly shown in all business lines during the past year. The Group may consequently be happy of its achievements, although there is still room left for improvement.

HIGHER SALES

Sales rose by EUR 137 million or +9.3% to EUR 1.6 billion. Of this, 5.4% is the result of purely organic growth. Although all activities contributed to this, the impressive progress in sales of the Insulation business line is particularly striking, standing at EUR +30 million or +27.3%! Favourable market conditions, high energy prices and greater environmental awareness were at the basis of this.

The Automotive business line too put up a better performance (rise in sales of EUR 63.4 million or +14.9% in total), despite difficult market conditions. Of this, 6.9% was the result of internal growth and 8.0% came from the integration of the seat cushion activities in the United Kingdom. The Interior Solutions division too grew by 5.6% and succeeded in winning new contracts.

In the other sectors, sales rose partly through the passing on of the higher raw materials prices in the own sales prices, but even importantly on account of structurally higher volumes. Only the composite foams division (Flexible foams) experienced a dip in sales, which was attributable to the sharp fall in the market price of trim foam.

IMPROVED PROFITABILITY

Profitability already improved perceptibly in 2006 and consolidated throughout 2007. In this respect too, nearly all the divisions forged ahead. These first-rate trends were partly attributable to favourable market conditions, the constant efforts for productivity improvements and the positive effects on the cost structure of the restructuring of past years. On the other hand, it has to be said that the burden of a number of charges has increased. For instance, the higher fuel prices led to a substantial rise in transport costs for distribution to customers. Likewise, the prices of a number of raw materials rose last year. The increase in these costs was passed on almost immediately in our sales prices, so the impact on results remained limited. During the second half of the year, it proved possible to repeat the recurring operational results of the first half of the year, which were considerably better than those of the previous periods.

Recticel achieved EBITDA of EUR 122.0 million (+15.2% compared to 2006), which corresponds to an EBITDA margin on sales of 7.6% (7.2% in 2006). During the second half of the year, EBITDA rose compared to the first half of 2007 in all sectors apart from Flexible foams. Taking account of the higher net costs of the support services (Corporate) during the second half of the year on account of non-recurring factors, the total EBITDA of the first half of the year was not matched in the second half.

EBIT amounted to EUR 65.2 million (EUR 16.3 million in 2006). As is known, the 2006 result was influenced to a large extent by the impairments (EUR 31.1 million) in respect of the American assets of the Interior Solutions activities (Automotive). The EBIT margin on sales consequently rose from 1.1% (in 2006) to 4.0%. The net result was a profit of EUR 21.5 million, compared to a loss of EUR 21.2 million the previous year.

Consolidation of the balance sheet structure

During the past year, the Group paid particular attention to consolidating the balance sheet structure. The Group wished to ensure the necessary long-term financial resources, especially in the context of its renewed strategy. Major loans expired at the end of 2008 and in mid-2009. In July 2007, the Group successfully placed a 10-year convertible loan of EUR 57.5 million on the market. In addition, a new 5-year syndicated loan of EUR 230 million was concluded in February 2008. Although these new resources give the necessary impetus to the Group, they will be used a priori

to repay the outstanding amounts of the aforementioned loans. Consequently, the Group's level of debt will not rise any further through these latter transactions. On the contrary, at the end of 2007, the level of debt had already fallen to 109% of equity.

Despite the adverse developments on the financial markets, both loans were concluded at favourable conditions, as a result of which the average credit margin on outstanding debts was reduced further.

Outlook

Although the outlook remains favourable in all our business lines, the present macroeconomic circumstances inevitably entail a number of uncertainties. For all that, the Group is convinced that by responding effectively to the new challenges, it must be in a position to improve the results of the past year. Partly thanks to the consolidation of the Group's financial structure, it must be possible, on the basis of its sound market positions, to ensure its future success and to create further shareholder value. Three points for attention will be of priority importance in this respect. Firstly, growth will have to be achieved in the fields with the highest profitability potential. Secondly, the cost structure of the organisation will be examined carefully. Especially regarding the purchasing policy, a sharp eye will be kept on the Group purchasing goods and services on the best terms. Fixed costs in turn will be kept in check and investment budgets will be focused on the most promising sectors, all this whilst not losing sight of the Group's long-term objectives. Thirdly, the Group will focus in the coming years on the further reduction of its financial debts in order in this way to improve its financial flexibility. Using the free cash flows as a priority to reduce the level of debt will enable the Group to achieve a gearing ratio of below 100%. These cash flows will have to be generated a priori from operations, through strict management of working capital and of course with disciplined investment budgets. Finally, the Group will have to pay the necessary attention to the further optimisation of its operation in order to allow the Group's inherent synergies to come fully into their own.

Changes in shareholders

Last year saw a number of changes in the shareholders. It had already long been known that a number of the first wave of reference shareholders would gradually reduce their stake in Recticel or convert it into direct participations by their own shareholders. This circumstance rendered the structure via the ad hoc company Rec-Hold superfluous, leading to its recent dissolution. Nevertheless, and this is important to underline, this fact at no time had any impact on the operations or created any significant pressure on the share price of the Group.

On the other hand, the shareholders of the Group have become significantly more international.

Since the completion of the strategic planning exercise in mid-2007, Compagnie du Bois Sauvage has increased its stake in Recticel several times. Although Compagnie du Bois Sauvage has already been Recticel's largest shareholder for many years, it can now be stated that this investor has reconfirmed its confidence in the Group by raising its stake, together with Entreprises et Chemins de Fer en Chine (parent company of Compagnie du Bois Sauvage), to 29.71%.

In addition, Compagnie du Bois Sauvage, together with a number of long-standing shareholders, including the CEO (VEAN), concluded a new shareholders' agreement for a period of three years. As a result of this commitment, it can now be affirmed that Recticel benefits from the 37.72% anchorage of a stable core of shareholders. This situation provides the Group with the necessary stability to carry on calmly developing its strategy.

Higher dividend

The commitment entered into with regard to the dividend policy has been applied consistently and reasonably by the Group. The Board of Directors has always started out from the principle of increasing the dividend each year, whenever possible. In addition, on appropriation of the profit, the attempt is made at all times to obtain the right balance between ensuring a stable dividend and maintaining sufficient possibilities for investment to guarantee the growth of the company and the balance sheet structure in the long term. After a number of difficult years (with net losses), during which a dividend of EUR 0.17 per share was still paid out, it is possible to increase the dividend this year to EUR 0.25 per share. The Group is confident in its ability to improve its profitability steadily and consequently to be able to strive for further increases in the dividend.

Expression of thanks

On behalf of the Board of Directors and the Management Committee, we wish to express our sincere thanks to our shareholders and customers for their confidence during the past year. The Group's achievements during the past year would 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 whose ideas, dedication, input and loyalty again made this a strong year.

Brussels, 06 March 2008



Luc Vansteenkiste
Chief Executive Officer



Etienne Davignon
Chairman of the Board



// Report by the board of directors

- **Return to profit**
 - Full benefit of restructuring efforts over the last three years
 - Gross profit up with 36% since 2005 with stable cost structure
- **Substantial improvement in Automotive operations**
- **Strong profitable growth in Insulation**
(Sales 2005-2007: +37.4% - EBITDA 2005-2007: +112.2%)
- **Further reduction net financial debt and successful refinancing**
 - Net financial debt: EUR 271 million
 - EUR 57.5 million 10 year convertible bond issue
 - EUR 230 million 5 year senior bank loan
- **Proposal to increase gross dividend by 47% to EUR 0.25 per share**

Key figures

IN MILLION EUR

	2007	2006	2005
Sales	1 611.8	1 474.4	1 391.6
Gross profit	255.0	235.6	187.6
<i>in % of Sales</i>	15.8%	16.0%	13.5%
EBITDA	122.0	106.0	82.1
<i>in % of Sales</i>	7.6%	7.2%	5.9%
EBIT	65.2	16.3	8.8
<i>in % of Sales</i>	4.0%	1.1%	0.6%
Result for the period after taxes (share of the Group)	21.5	(21.2)	(28.0)
Result for the period (share of the Group) per share - basic (in EUR)	0.74	(0.75)	(1.00)
Gross dividend per share (in EUR)	0.25⁽¹⁾	0.17	0.17
Equity - Minority Interests included	248.3	228.4	251.2
Net financial debt	270.9	301.9	317.5
Gearing	109%	132%	126%
Average Capital Employed	531.6	547.1	584.2
ROCE = Return on Capital Employed	12.3%	3.0%	1.5%
ROE = Result of the period after taxes (share of the Group) / Total Equity (Group share)	10.6%	-10.6%	-12.3%

⁽¹⁾ dividend proposal

General analysis

The positive trend and operational performance of the first half of 2007 was continued in the second half of the year. The Recticel Group achieved positive results in all divisions in both sales and EBITDA. The further rising raw materials prices could in general be passed on in the own sales prices.

Sales in 2007 rose by 9.3% to EUR 1,611.8 million. Progress was recorded for all business lines. The strong growth in Insulation and Automotive during the first half of 2007 pursued its course in the second half of the year.

On a comparable basis, sales rose by 5.4%. The most important changes in the scope of consolidation are:

- the integration of Icoa, Spain (Flexible foams) (since 1 April 2006)
- the consolidation of Teknofoam, Turkey (Flexible foams) (since 1 January 2007)
- the integration into the Proseat joint venture (Automotive) of Woodbridge's seat cushion activities in the United Kingdom (since 1 March 2007)
- the acquisition of Espe, Finland (Flexible foams) (since 1 July 2007)

In 2006 the main other changes in scope of consolidation versus 2005 were:

- the joint venture Kingspan Tarec Industrial Insulation (Insulation)
- the partial sale of the window encapsulation business in October 2005 (Automotive)

↳ Breakdown of sales by business line

IN MILLION EUR

	2007	2006	Δ
Flexible foams	665.6	632.8	5.2%
Bedding	396.4	375.1	5.7%
Insulation	139.7	109.7	27.3%
Automotive	490.4	426.9	14.9%
Eliminations	(80.2)	(70.1)	14.3%
TOTAL	1 611.8	1 474.4	9.3%

The Group achieved **EBITDA of EUR 122 million**, a 15.2% increase on the previous year. Here too, Insulation and Automotive achieved the greatest progress. The largest contribution to total EBITDA remains with Flexible foams.

↳ Breakdown of EBITDA by business line

IN MILLION EUR

	2007	2006	Δ
Flexible foams	41.8	42.9	-2.7%
Bedding	26.9	25.0	7.3%
Insulation	24.6	14.8	66.1%
Automotive	40.6	26.0	56.1%
Corporate	(11.8)	(2.8)	322.0%
TOTAL	122.0	106.0	15.2%

Net 'Corporate' results came at EUR -11.8 million, versus EUR -2.8 million in 2006. The main difference is explained by the non-recurring capital gain on the sale of industrial estate in Belgium (Balim) in 2006.

EBIT closed at **EUR 65.2 million**, compared to EUR 16.3 million in 2006. The main part of the EUR 48.9 million improvement is attributable to the non-recurring net expenditure of EUR 33.6 million incurred in 2006. The balance of the improvement is attributable to operational improvements. In 2007, net non-recurring elements amounted to EUR -2.6 million. In 2007, restructuring costs were incurred in Belgium, Germany and the United Kingdom. These costs were almost entirely offset by capital gains on participations and property holdings.

Financial result: EUR -28.7 million (EUR -25.0 million in 2006). Whereas net interest payments remained globally stable, the financial result was influenced mainly by the trend in 'other financial income and expenses'. The increase of the latter is primarily explained by exceptionally positive exchange rate differences in 2006, which could not be repeated in 2007.

The **income taxes and deferred taxes** rose from **EUR -10.4 million** to EUR -14.3 million for the following reasons:

- income taxes (EUR -9.3 million compared to EUR -12.6 million in 2006), mainly payable by subsidiaries in Eastern Europe, Germany and Sweden;
- deferred taxes (EUR -5.0 million compared to EUR 2.2 million in 2006) mainly as a consequence of the decline in the tax assets formerly set aside and the lower tax rate in Germany.

The Group recorded a **net profit (Group share)** of **EUR 21.5 million**, compared to a net loss in 2006 of EUR 21.2 million. In view of this strong result, the Board of Directors will ask the General Meeting on 20 May 2008 to raise the gross dividend from EUR 0.17 to EUR 0.25 per share, which represents an increase of 47%.

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.

Changes in shareholders

In August 2007, Rec-Hold (the historic reference shareholder of Recticel), as a result of shareholder reorganisation, became a full subsidiary of Compagnie du Bois Sauvage. Since then, Compagnie du Bois Sauvage has further strengthened its position as reference shareholder of Recticel.

Currently Compagnie du Bois Sauvage and Entreprises et Chemins de Fer en Chine (parent company of Compagnie du Bois Sauvage) together hold a 29.71% stake in Recticel.

Compagnie du Bois Sauvage, Veau and a number of other shareholders, together currently representing 37.72%, have concluded a shareholder agreement for a three-year period to lend further support to the Group's strategy.

Debt

After the successful placement in July 2007 of a convertible bond loan for an amount of EUR 57.5 million, the Recticel Group concluded a club deal transaction in February 2008 with 10 major European banks for a new multi-currency loan of EUR 230 million. This new loan will serve primarily to refinance the amounts still outstanding under the existing syndicated loan of 2004, which is due to expire at the end of 2008, and the EUR 50 million subordinated loan at 10%, expiring in July 2009.

At the end of 2007, the net financial debt amounts to EUR 271 million. The level of debt represents 109% of shareholders' equity, compared to 132% at the end of 2006.

Outlook

In spite of the present uncertain macroeconomic climate, the Group expects a further rise in both sales and profits in all its business segments for 2008.

Dividend

After examining the general prospects, the Board of Directors will propose to the Annual General Meeting of 20 May 2008 raising the gross dividend from EUR 0.17 to EUR 0.25 per share (EUR 0.1875 net for ordinary shares, EUR 0.2125 net for VVPR shares).



// The Recticel Group



advancing together as a team

// Our mission

a passion for comfort

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



a journey in equilibrium

// Our Group values

- ➔ Team spirit
- ➔ Entrepreneurship
- ➔ Creativity & innovation
- ➔ Respect for the environment and the individual
- ➔ Transparency and openness

// Our Group vision

- ➔ 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

// Our Group strategy

On the basis of its first-rate expertise in polyurethane foam, in terms of both material and production processes, and its vast experience in comfort marketing and technology, Recticel today is a cohesive Group with four business lines (Flexible foams, Bedding, Insulation and Automotive).

The Recticel Group has for many years played a prominent role in each of its business lines. Recticel has managed to secure this position through a well-thought-out combination of internal growth, acquisitions and technological innovations. Within the outlines of its mission, Group values and vision, Recticel has traced out an overall Group strategy for the company to achieve coherently and consistently.

The Group strategy is based on the balanced integration of the following pillars:

- striving for and managing volumes of production and sales
- safeguarding and expanding market positions, retaining sufficient profitability by applying a vigorous brand policy
- striving to maintain and broaden technical and technological expertise via research, development and innovation

Heedful of this Group strategy, Recticel considers it can excel on the basis of the following strengths:

- its significant presence in Central and Eastern Europe, which has been built up since 1990, both for the production of goods at low wage cost and to respond to strongly growing local consumer needs
- its adapted industrial network throughout 'old' Europe, allowing advantage to be taken flexibly of all new market trends and opportunities
- its extensive and competent research centre, which focuses on new PUR applications and the technology necessary for them

The Flexible foams business line and Proseat (Automotive – seat cushions) will further optimise their activities in Central and Eastern Europe and keep a close lookout for new opportunities for expansion. In addition, within the Flexible foams business line, the development of new foam types and applications is gaining ground through the ongoing efforts for creativeness and innovation.

The Bedding business line already opted resolutely in favour of a targeted brand strategy a couple of years ago in order to safeguard future growth in sales and to avoid price erosion. The required resources to support today's unique, diversified brand portfolio will vouch for this.

Environmental and energy issues are receiving a great deal of attention, with ever stricter insulation and energy standards and growing social awareness. This offers distinct growth potential for the Insulation business line and the necessary investment resources will be made available here too.

In recent years, the Group has devoted a significant proportion of its available resources within the Automotive business line to the further development of its unique, patented Colofast Spray® technology for the interior trim of cars; this is in order to be able to meet the demand of a large number of major car manufacturers. This has led to the Group's industrial network today consisting of 12 plants, 8 of which are in Europe, 2 in the United States and 2 in Asia. This expanded production network, combined with Recticel's technological, industrial and market expertise, ensures that the Group has sufficient means of production available to take advantage of the future market opportunities within this business line and to continue the further development and application of this technology. This does not alter the fact that Recticel is open to cooperation in all forms with third parties.

Accordingly, the Group forecasts that in the future it will need to invest significantly less in its Interior Solutions division. This allows priority to be given to the further development of the other business lines in the years to come.

This unique combination of related activities in a whole range of different markets, with a variety of products, applications and technologies, all based on polyurethane, makes Recticel a unique, balanced and valuable whole.

// Our objectives

Supported by the successful placement of a convertible bond loan (July 2007) and the refinancing (February 2008) of a number of expiring loans, and with due regard for strict balance sheet control, the Group is convinced that the most recent adjustment to the strategic focus will guarantee sound, balanced growth potential in both sales and profits.

In this context, the Group intends, on the basis of the existing position and with the resources currently available, by 2010:

- to be able to achieve an average overall ROCE (return on capital employed; EBIT / Average capital employed) of 12%
- to be able gradually to reduce its level of debt
- to be able to confine its annual investment budget, without acquisitions, to EUR 45-60 million

When fixing these objectives, the Group assumed that the slowdown in economic growth will remain limited.

// Synergy

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.

// Corporate social responsibility

Generally speaking, under corporate social responsibility, the aim, when defining and implementing business management, is not only to make a profit, but also to take sufficient account of both short-term and long-term economic, social, ecological, societal and cultural consequences.

In this context, Recticel, as a responsible organisation, has committed to conducting a policy in which the main emphasis lies on quality, safety, health and the environment. Externally, the Group tries to achieve this through strong relations and initiatives with its stakeholders. Internally, the Group has for a number of years introduced various guidelines and rules of conduct to demonstrate its integrity and sustainable business practices, as key elements of business management. In addition to the legislative framework, which ensures that companies conduct an ethically, environmentally and socially responsible business policy, Recticel wishes to underline its attitude to these subjects by adopting the following commitments and guidelines, among others:

- subscribing to the internationally recognised Responsible Care® Global Charter, in which Recticel undertakes to produce in as sustainable a manner as possible. This includes the Group's commitment to applying the best technology available in order to minimise environmental pollution as far as possible



Responsible Care

- subscribing to the product safety standards under the CertiPUR™ label. The CertiPUR™ label is awarded only after positive confirmation that the polyurethane products to be used in mattresses and seating satisfy in full the rigorous health, safety and environmental requirements. All the Group's comfort foam production plants have been awarded this label



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

ETHIBEL registration for sustainable investments

At the end of 2007, Recticel was included in two investment registers for sustainable investments of the independent consultancy and rating agency ETHIBEL, i.e. the ETHIBEL EXCELLENCE Investment Register and the ETHIBEL PIONEER Investment register.

The outstanding feature of the ETHIBEL PIONEER Investment Register is that it includes only pioneering companies with an above average score for their sector in the field of corporate social responsibility.

Both ETHIBEL Investment Registers are used as a basis for socially responsible investments (SRI), which are offered by a growing number of European banking institutions, fund managers and institutional investors.



ETHIBEL essentially offers investors three products based on the Investment Register: the ETHIBEL label, the ETHIBEL Sustainability Indices and the Forum ETHIBEL certificate. The ETHIBEL methodology is characterised by the integration of two important aspects of Corporate Social Responsibility, i.e. sustainable development and stakeholder involvement.

Additional information about Forum ETHIBEL and the ETHIBEL Investment Registers can be found on www.ethibel.org.

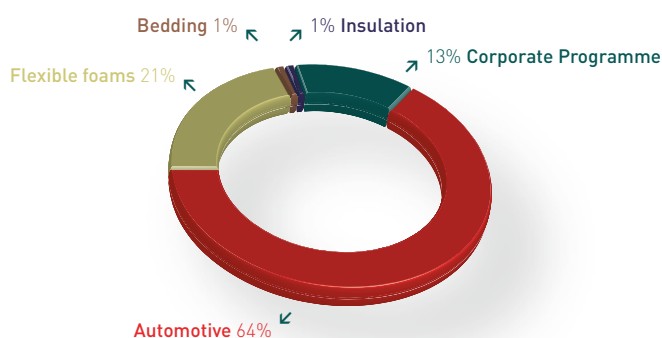
// Research and development

Recticel has always attached a great deal of importance to innovation and will continue to do so in the future. Innovative ideas, technological improvements and new product developments are the keys to continuity and added value.

Recticel has for many years run its own Research and Development Centre (the IDC – *International Development Center*) to be able to respond to the different challenges imposed on producers by the various product markets. Moreover, it has appeared that centralised research activities are the best guarantee to capitalise on the future needs efficiently and flexibly. Alongside the development of new or improved products, the necessary attention is also paid to the further optimisation of existing production processes in all business lines. Although the Automotive business line still accounts in relative terms for the lion's share of the budget, in the coming years the distribution among the various business lines will be far more even.

Not only Recticel's own activities, but also the various joint ventures can call on the expertise of the Research and Development team. As a result, the operational resources assigned are used more efficiently and 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. Just as in other fields, pooling knowledge will not only boost efficiency, but also speed up developments.

Research and Development Budget 2007
EUR 15.2 million
(+2.7% compared to 2006)



Alongside the search for commercial or technological success, Research and Development also pays considerable attention to clean technology and ecologically sound products and production methods. In this way, Research and Development contributes to the Group's unique industrial position and 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 three new patents during the past year and work was carried out on the following projects, among others:

- development of a new generation of Colofast® skins, known as Colosense®. These Colosense® materials have the advantage over their predecessors of better touch and feel ('haptic') properties, as well as greater flexibility
- production improvements in which further elements can be integrated into the Colofast Spray® process in a single step
- research into lightweight polyurethane structures for the automotive sector

- development of a Colofast®-based process for the finishing of solar cells and panels
- research and development of new foam types based on renewable vegetable materials (including polyols based on natural crops)
- research into specific polyurethane foam types for acoustic and vibration-absorbing applications
- research into the use of trim foam as underlay for sports facilities (both indoor and outdoor)
- extension of the range of viscoelastic foam types
- extension of the range of UV-stable foams (including BodyFoams®)
- development of new fireproof foam types for applications outside the construction sector



Corporate Programme

The Corporate Programme, started in 2006, reached cruising speed during the past year. The Corporate Programme is based on the idea that certain new developments must be started from broad generation and evaluation of ideas and end with generic platform projects as a breeding ground for the existing specific business environments.

This approach means that the result of the platform projects must provide new building blocks which must lead to specific products or processes in subsequent business line projects.

It is expected that various platform projects will be in the pipeline by 2008, with the objective of expanding and reinforcing the properties of the range of PU materials. These platform projects are financed independently of the business lines. The targeted deployment of resources in the International Development Centre is also sought within other sectors.

// Health, safety and the environment

Recticel includes topics such as health, safety and the environment in its general *Safety, Health & Environment Policy*. The policy described in this incorporates not only the basic principles for daily thought and action, but also the common aims for all staff members to ensure that Recticel meets its social and industrial commitments with the greatest care.

The important point here is not to confine health, safety and the environment solely to its own staff, subcontractors and the immediate environment of the plants, but also to apply the policy in a far broader context, for instance including buyers and end-users of the goods produced.

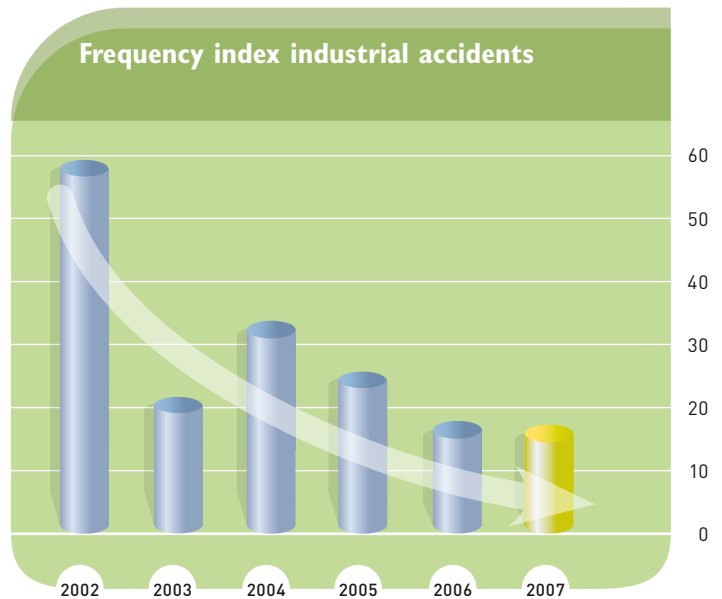
In practice, the attempt is made to map out precisely all possible health, safety and environmental risks in the operations. After an in-depth evaluation, the necessary protective measures are defined and implemented to reduce these risks and their consequences to an acceptable minimum. In this respect, the Group tries where possible to go a step further than the legal minimum requirements.

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.

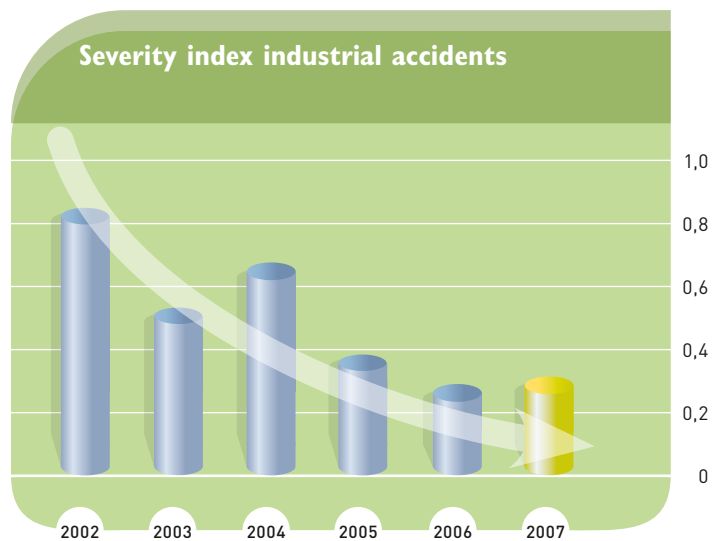
Safety

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

- zero accidents is the ultimate goal
- safety campaigns are launched on most sites very regularly to keep the subject to the forefront
- information exchange sessions are organised regularly at Group level, with a view to preventing accidents and/or reducing the risk factors
- efforts are made to integrate the Group safety policy as quickly as possible at new acquisitions and/or joint ventures



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



$$\text{SEVERITY} = \frac{\text{NUMBER OF DAYS OFF WORK X 1,000}}{\text{NUMBER OF HOURS WORKED}}$$



☑ Presentation of the European Aviation Safety Agency certificate in the Netherlands.

left: dhr J.D. Steenbergem from the Transport, Public Works and Water Management Inspectorate.

right: dhr Johan van Blitterswijk from Recticel Nederland

During the past year, a number of significant results were achieved with regard to safety.

- in the Netherlands, the EASA21 (European Aviation Safety Agency) certificate was awarded, which is recognition that the Group can supply safe products to the aviation industry
- in the Netherlands, the subsidiary Corpura was awarded the ISO13485 certificate, which is confirmation of the safety of its products for medical applications

In the near future, in addition to the sustained daily efforts, additional attention will be paid to the following as regards safety:

- implementing a modernised internal reporting system, which on the one hand is designed to boost the efficiency of the information flows and on the other hand must lead to more active communication
- integrating health, safety and environmental indicators in the monthly Group reporting
- updating the existing *Group Safety, Health & Environment Manual*

Environment

Generally speaking, Recticel's activities in principle generate little pollution. Despite this basic premise, the Group strives if not to eliminate the possible environmental impact resulting from its industrial activities, then at least to limit it as far as possible. The Group aims to achieve this by constantly improving and optimising its processes with a view to rational use of natural resources and limiting raw materials, waste, airborne emissions, etc.

The most important commitments, initiatives and achievements in relation to the environment in 2007 are:

- **Environmental commitment:** the implementation and monitoring of new and existing measures in accordance with the international *Responsible Care Charter* signed. The implementation of these programmes is not confined merely to the existing subsidiaries of the Group, but is imposed as quickly as possible on the newly acquired companies.
- **Care systems:** a project is currently under way at various sites to introduce an environmental and/or safety system. Naturally, the sites which come under the serious accident prevention legislation are the first to be considered for this.
- **Soil:** the Group has always assumed its responsibilities for historical pollution. Consultation on this with the competent authorities always takes place in a constructive manner. Rehabilitation measures are carried out where necessary. The start-up of a pilot project in Wetteren (Belgium) is worth mentioning, in which polluted groundwater is purified using ozone. This technology is the result of our own research in cooperation with the firm IGAS. In 2007, a patent was obtained for this technology.
- **Air:** the Group strives to limit emissions of harmful substances as far as possible. In the context of the ever stricter CO₂ emission standards, it can be stated that none of the Group's sites 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 consequently does not require priority attention.

- **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 the usual raw materials. This so-called *Rebound* foam is then in turn processed further into finished and semi-finished products (see Flexible foams – Composite foams). The most significant waste product is thus recycled.
- **Energy:** efficient energy management is one of the new priorities of the Group. In this connection, various projects were implemented in the past year, the results of which will be visible only in 2008 and the subsequent years. In 2008, new initiatives will be added to these projects. In concrete terms, on the Wetteren site (Belgium) in 2007, about half the heating capacity was converted from heavy fuel oil to more ecologically sound natural gas.
- **Transport:** reconfirmation of the service agreement signed in 2006 with the Swiss group SGS concerning an Emergency Response System, under which calls can be made round-the-clock to a manned emergency number for appropriate information in the event of emergencies arising from accidents during the transport of chemicals. If our customers are faced with emergencies, they too can call this emergency number.

REACH

(Registration, Evaluation and Authorisation of Chemicals)

REACH is the result of a review of the chemicals regulations in the EU. The aim is to arrive at a uniform system for existing and new substances produced or imported in the EU. The aim of REACH is:

- to protect human health and the environment
- to enhance the competitiveness of the chemicals industry in the EU

REACH came into force on 1 June 2007. A steering group has been set up to assess its consequences and impact for the Recticel Group, with representatives of all business lines, the Research and Development Centre, the Health, Safety and the Environment Department and the Legal Affairs Department. On first analysis, there are two strands which require specific attention, i.e. (I) the Group as a downstream user of chemicals and (II) the Group as a manufacturer of compounds based on isophorone diisocyanate (IPDI). As a user and manufacturer of chemicals, attention must focus in particular on the potential deselection of certain substances from the market. As a manufacturer of IPDI trimer, the necessary efforts must be made to ensure its registration and acceptance.

// Human resources

The success of Recticel's strategy to a large extent hinges on the drive, motivation, creativity and, in short, the abilities of its staff. The efficient and correct management of this human capital must consequently lead to a sustainable, balanced 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.

▾ Staff 2006 - 2007

(SITUATION AT 31 DECEMBER)

	2006	2007		Δ
Germany	2 428	2 394	20.7%	-34
France	1 733	1 696	14.6%	-37
Belgium	1 702	1 646	14.2%	-56
Poland	900	968	8.4%	68
Czech Republic	876	881	7.6%	5
United Kingdom	541	749	6.5%	208
USA	452	468	4.0%	16
Austria	446	461	4.0%	15
The Netherlands	406	412	3.6%	6
Romania	345	362	3.1%	17
Spain	301	276	2.4%	-25
Switzerland	232	243	2.1%	11
Hungary	238	240	2.1%	2
Italy	207	229	2.0%	22
Sweden	215	215	1.9%	0
Finland	0	102	0.9%	102
Turkey	30	66	0.6%	36
Bulgaria	30	40	0.3%	10
Lithuania	36	40	0.3%	4
Slovakia	43	22	0.2%	-21
Estonia	20	19	0.2%	-1
Ukraine	14	16	0.1%	2
Japan	18	13	0.1%	-5
Greece	13	13	0.1%	0
Serbia	11	12	0.1%	1
People's Republic of China	4	6	0.1%	2
Moldovia	1	1	0.0%	0
TOTAL	11 242	11 590	100%	348

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 .



	2006	2007		Δ	
Western-Europe (EU)	7 992	8 193	70.7%	201	2.5%
Western-Europe (non-EU)	232	243	2.1%	11	4.7%
Eastern-Europe (EU)	2 488	2 572	22.2%	84	3.4%
Eastern-Europe (non-EU)	26	29	0.3%	3	11.5%
Rest of the world	504	553	4.8%	49	9.7%
TOTAL	11 242	11 590	100%	348	3.1%

The increase in staff in Western Europe in 2007 is attributable mainly to the integration within Proseat of the car seat activities in the United Kingdom and the acquisition of ESPE OY and EWONA OY in Finland.



2.

// Activities



// Flexible foams



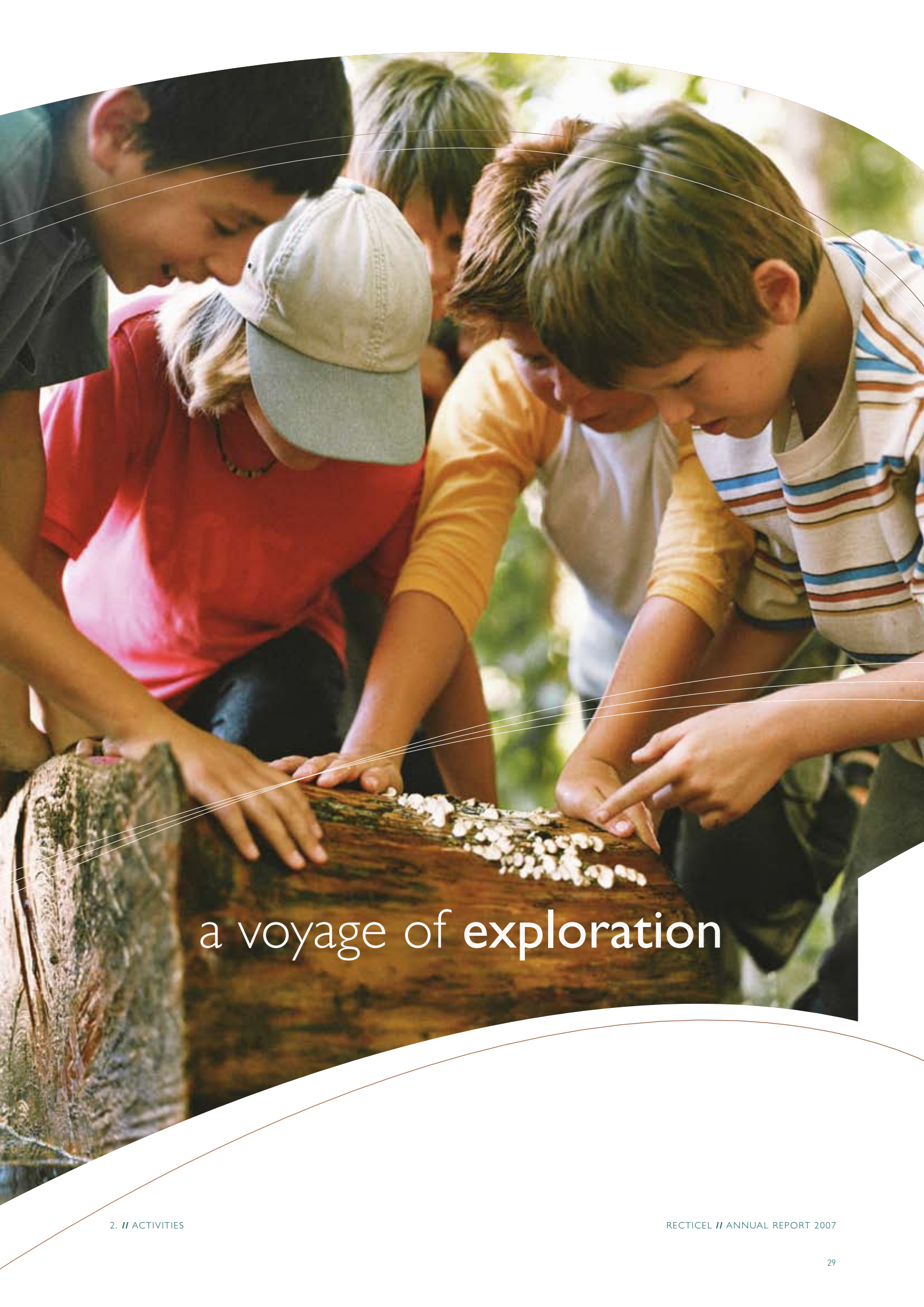
// Bedding



// Insulation

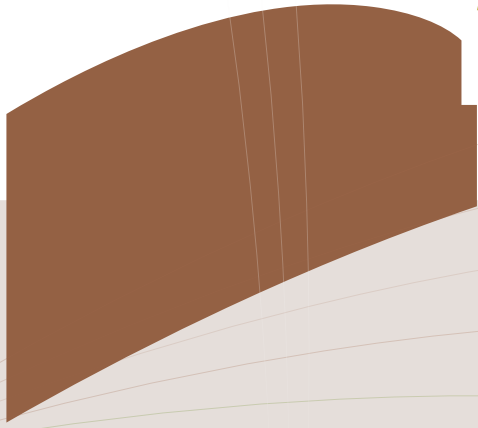


// Automotive



a voyage of exploration

// 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 walls
- the volume-solid matter/air ratio
- the concentration of the cell membranes (air permeability/open cell structure)

Polyurethane applications

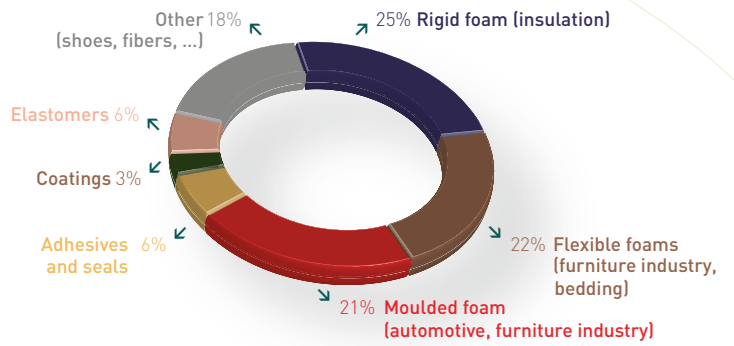
PU is used in a large number of strongly diversified applications, such as filler for seats, chairs and seat cushions, mattress centres, car seats, encapsulation of car windows, shoes and textiles, thermal insulation (buildings, industrial installations, refrigerators, etc.), sound insulation, adhesives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

The great advantage of PU foam is its great flexibility in meeting the various applications and requirements, 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



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

Recticel also produces rigid polyurethane foams, which are used primarily for 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.

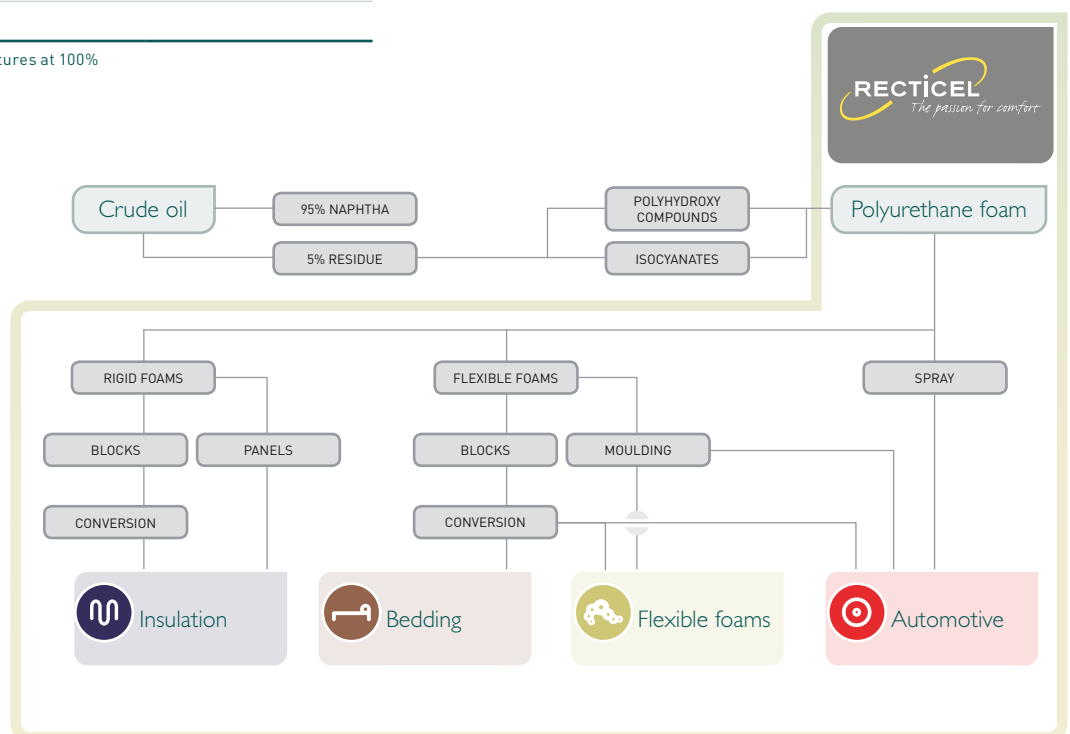
World production of plastics	245 million tonnes
World production of polyurethane (PU)	10.5 million tonnes <small>(source: Bayer 2006)</small>
European production of polyurethane	5 million tonnes
World production of flexible foam	3.2 million tonnes <small>(source: Bayer 2006)</small>
European production of flexible foam	1.1 million tonnes
Recticel production ⁽¹⁾ of flexible foam	250,000 tonnes

(1) Recticel, including joint ventures at 100%

List of concepts:

- **polyol**: synonym for PU polyalcohol, which is obtained from propylene oxide
- **isocyanate**: highly reactive substance which 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.



// Production plants

In addition to the above-mentioned production plants, Recticel has some 80 other conversion units or sales offices in Europe, the United States and Asia. The Group is active in 27 countries.

Flexible foams ⁽¹⁾

Austria	Kremsmünster Linz
Belgium	Wetteren
Finland	Kouvola
France	Langeac Louviers Trilport
Germany	Bexbach Burkhardtsdorf Ebersbach
Hungary	Sajobabony
Italy	Gorla Minore
Moldavia	Chisinau
Poland	Zgierz
Romania	Sibiú
Spain	Catarroja Ciudad Rodrigo La Eliana Legutiano
Sweden	Gislaved
The Netherlands	Etten-Leur Kesteren Wijchen
United Kingdom	Alfreton
USA	Deer park Irvine

Bedding

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

Insulation

Belgium	Wevelgem Turnhout
United Kingdom	Glossop Stoke-on-Trent

Automotive

Belgium	Hulshout Wetteren
Czech Republic	Mlada Boleslav Most
France	Trilport
Germany	Espelkamp Mallersdorf Rheinbreitbach Rüsselsheim Schönebeck Unterriexingen Wackersdorf
Italy	Bruzolo
Japan	Nagoya
People's Republic of China	Ningbo
Poland	Bielsko Biala Zory
Slovakia	Lucenec
Spain	Santpedor
United Kingdom	Manchester
USA	Auburn Hills, MI Clarkston, MI Tuscaloosa, AL

⁽¹⁾ for Flexible foams, only the foaming plants are listed in Europe



// U.S.A.



// Asia

// Europe



Flexible foams

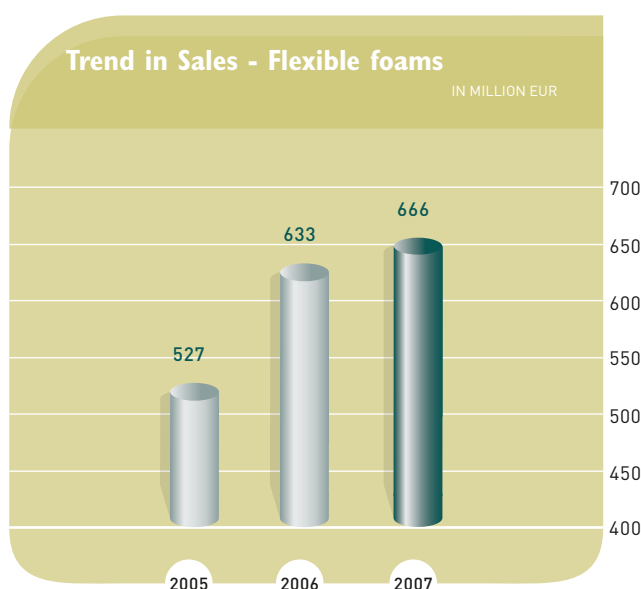




// Flexible foams

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

The business line consists of three segments: comfort, technical foams and composite foams, which are distinguished by the characteristic properties of the types of foam, the individual character of the production process or the typical possible applications of the foam.



Flexible foams

IN MILLION EUR

	2007	2006	2005 *
Sales	665.6	632.8	526.6
Growth rate in sales (%)	5.2%	20.2%	6.7%
EBITDA	41.8	42.9	34.7
EBITDA margin (as % of sales)	6.3%	6.8%	6.6%
EBIT	26.4	27.9	21.3
EBIT margin (as % of sales)	4.0%	4.4%	4.0%
Investments in intangible (excluding goodwill) and tangible fixed assets	17.8	19.4	13.7
Investments as % of sales	2.7%	3.1%	2.6%

* Sales, EBITDA, EBIT and investments for certain activities within the Automotive business line have been imputed to the Flexible foams business line since the beginning of 2006. The 2005 figures have been restated to make them comparable with the 2006 and 2007 figures.



→ Strategy

- Leadership through larger volumes and innovation.
- Growth of Comfort mainly in Central and Eastern Europe.
- Growth of technical foams.
- Development of new applications for rebound foam (agglomerated trim foam) in order to become less dependent on the highly volatile market prices for trim foam.
- Consolidation of the European flexible foam market.

→ Targets for 2010

- Average annual growth in sales of about 3.5%.
- An EBITDA/sales margin of 8%.

The **comfort** segment manufactures flexible polyurethane foam, which is converted into filling for all kinds of seating and mattresses.

Long slabstock is made during the production process, which is then cut into smaller, transportable pieces. These pieces are then cut and finished in Recticel's own workshops or are delivered directly to customers in the seating and mattress industry.

In some cases, especially for large standard series, certain components for the seating industry are produced in moulds so that subsequent cutting is unnecessary. Generally speaking, the present comfort market rarely asks for major production series in view of the breadth of the product range and extensive customisation.

The **technical foams** segment, on the other hand, specialises mainly in the manufacture of specific types of foams intended for smaller niche markets, for the most part with advanced technical applications and the accompanying strict product specifications. Technical foams are used in a very wide range of applications, including sponges, scourers, filters, paint rollers, airtight and watertight seals, packaging, sound insulation, rechargeable batteries, cosmetics, extremely fire-resistant foam types for high-risk clothing, light-resistant foam types for clothing applications, outdoor applications (Dryfeel®), etc ...

Although technical foams are manufactured and cut in a comparable fashion to comfort foam, there is a major difference between them. Technical foams are post-treated in specific cases to obtain the required properties. The very specific applications and the strict requirements these types of foam must often meet underline the importance of foam technology and chemical know-how. Extra post-treatments, such as reticulation, impregnation, etc., are necessary to adapt the physical or chemical properties precisely to the requirements of the application.

A large amount of trim foam is left over after the conversion of flexible foam. **Composite foams**, a separate segment, converts the trim foam into new products. Although in recent years the emphasis has been placed increasingly on limiting the quantity of unavoidable offcuts, Recticel tries to discover ever more new applications for these residues. The offcuts from the conversion process are cut into small flakes which are mixed with a binder and amalgamated into slabstock. These blocks are in turn cut into rolls or specific components. Typical applications include sound insulation for the construction industry, the shoe industry, energy and shock absorption, sports facilities and the outdoor market. These products are 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® (underlay for sports fields with artificial grass).

The trim foam which Recticel cannot convert itself is mainly sold on the open market. There is a substantial market for polyurethane trim foam in the United States, where this trim foam is mainly converted into underlay for fitted carpet.



➤ 'B Flat' by LEOLUX

2007

SALES

For the year 2007, **comfort** (EUR 404.0 million, +9.8%) and **technical foams** (EUR 234.2 million, +2.7%) followed a positive trend compared to the previous year. Growth in sales in these activities is explained partly by the integration of Espe, Ewona, Icoa and Teknofoam, as well as by the passing on of the raw materials price rises to the market. Organic growth for the entire **Flexible foams** business line amounted to 1.1%.

As a result of the acquisition and successful integration of the Finnish companies Espe and Ewona, Flexible foams has been able to consolidate its market position in Northern Europe.

Flexible foams acquired a 70 000 m² industrial site in Turkey, with the intention to start up the construction of a new foaming unit in 2008, which will become operational in the course of 2009.

As already announced, in the first half of 2007 market prices for trim foam slumped compared to 2006, with a negative impact on the **composite foams** sector (EUR 27.4 million, -25.6%). On the other hand, a breakthrough was achieved in this segment in the world of underlay for artificial sports fields (including football fields), an area with a promising future.

EBITDA

Although the **Flexible foams** business line had to contend with sharply falling prices for trim foam, after the very high prices in 2006, it was able to offset this decline almost entirely thanks to the strong performance in technical foams. In addition, it is also necessary to take into account non-recurring elements amounting to EUR -2.7 million net.

Despite the positive effect of reorganisations and optimisation of the industrial activities in Western Europe and growing activities in Eastern Europe, profitability slightly decreased in the **comfort** segment. This was attributable mainly to the falling results in Spain, the Netherlands and Germany, partly impacted by the above mentioned non-recurring elements. It should be pointed out that profitability recovered in the second half of 2007 compared to the first half.

Compared to 2006, profitability in the **technical foams** sector rose sharply in 2007.

The new product line BodyFoams[®], launched in September, met a positive reception from the market. The PU foam types grouped under this brand name, based on the unique light-stable Bulfast foams, will enhance Recticel's image still further as market leader and co-developer in the lingerie market.

After the record prices for trim foam in 2006, prices fell considerably in 2007. To be able to stop this high volatility, the Group is continuing unabated the development of its industrial network for the production of rebound foam in the direction of new and innovative applications. This has in the meantime already been successful in various market segments, such as indoor and outdoor sports fields, acoustics and vibration dampening, packaging, etc.



➤ 'Pumpkin' by LIGNE ROSET

Comfort

COMPETITIVE SITUATION

Generally speaking, there are few alternatives to polyurethane foam as filling material for seating. In the mattress market, the market share of full-foam mattresses is gradually increasing and currently amounts to about 30%. On the other hand, however, the production of PU foam has a low entry threshold, as a result of which the European market was for a long time highly fragmented. Nowadays, under the impact of wage costs, the transfer of a significant proportion of the activities to Central and Eastern Europe and the need for a pan-European approach, the European PU market has become far more concentrated. In Europe, there are still currently 65 foaming plants in operation. A handful of market players have now achieved a true European dimension. The three most important market players in Europe, i.e. Recticel, the Vita group and the American Carpenter, are all characterised by the distribution of their manufacturing and conversion plants throughout various European countries. Recticel and the Vita group are the frontrunners, with a market share of about 22% each, followed by the American Carpenter. The rest of the market (about 45%) is divided among smaller manufacturers, which are significant mainly in their local markets (e.g. Olmo in Italy). Two players operate specifically for Central and Eastern Europe in various countries of this region, namely Foamline of Russia and Organika of Poland.

STRATEGY AND PROSPECTS: SHAPING THE FUTURE

With a view to securing further growth in sales and profitability within the Comfort division, the Group relies on the following factors:

Internal growth

Despite the maturity of the market in comfort foam, the European seating sector as a whole is still growing. Generally speaking, it is in line with the growth in gross domestic product (GDP). Central and Eastern Europe in particular are the driving force here. The resulting rise in the volume of foam corresponds to some 10,000 tonnes per year. In Western Europe, growth is expected mainly from the technical foams division, partly under the impetus of research and development initiatives. 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 line will also be able to benefit indirectly from the continuing rising market demand for mattresses with a polyurethane centre.



➤ 'Portofino' by PASSE PARTOUT



➤ 'Moby Cosy' by PASSE PARTOUT

Geographical expansion

Recticel possesses a very extensive manufacturing network in Western, Central and Eastern Europe and recently in Turkey and Moldavia. The activities in Central and Eastern Europe, via the joint venture Eurofoam, have experienced strong growth 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.

Despite the considerable potential of the Central and Eastern European market, the Group is still on the look-out for new developments in the Western European markets. In 2006, Recticel took over ICOA of Spain and was able to consolidate its position in Northern Europe through the takeover of the Finnish companies Espe Oy and Ewona Oy in 2007.

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

Technical quality improvements and the introduction of new viscoelastic types of foam (ensuring 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) are designed to ensure that the Group can maintain and further expand its prominent position in these niche markets. This applies for both comfort and technical types of foam.



➤ 'Alster' by LIGNE ROSET



Technical foams

COMPETITIVE SITUATION

Recticel has always strived for a prominent position 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 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 not only require considerable investments, but also imply ongoing 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 the Vita group, have proved able to play a prominent 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

A characteristic of the technical foams sector is that it mainly manufactures products with high(er) added value intended for specific niche markets. Recticel has already been able to achieve significant breakthroughs in a number of markets. Examples are: Bulfast (the light-stable foam intended for the clothing industry (including bra cups)), hydrophilic foams for medical and cosmetic applications (via subsidiary Corpura), etc.

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 this segment, attention will be paid mainly to the conversion activities for the automotive industry (Skill III applications), sound insulation, high-quality grades of foam for the lingerie sector and extremely fire-resistant types of foam.

↳ Technical foam for bra cups (BodyFoams®)





➤ Hydrophilic foams for medical and cosmetic applications (Corpura)

Composite foams

COMPETITIVE SITUATION

As a major European polyurethane manufacturer, it is logical that Recticel also holds a significant market position in the field of composite foams. In Europe, alongside Recticel, the Vita group, the Austrian Greiner group, the American Carpenter and the Belgian Agglorex are the other principal operators in this segment.

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 fitted carpets. Historically, the market prices for trim foam have always been rather volatile.

To cushion the effect of this volatility on profitability, 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 convert it itself 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, Spain, Italy and Finland.

The new composite foam products are sold inter alia under brand names, such as Recmat® (sound insulation for use under floor coverings), Recfoam® (sound insulation, reinforcement for seating, packaging material, etc.), Re-bounce® (underlay for sports fields) or Animate® (cattle mats).

The transformation of trim foam into new rebound products will continue to grow in importance in the coming years. Promising projects include indoor and outdoor sports facilities, applications in the acoustics world and shock absorption, etc. It is also a typical example of how Recticel tries to find solutions through a pragmatic approach in support of its objective of corporate social responsibility.



➤ Quality underlay for sports facilities (Re-bounce®)

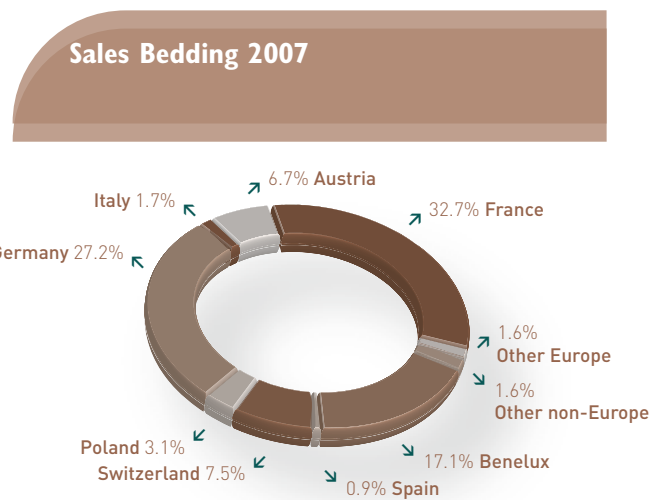
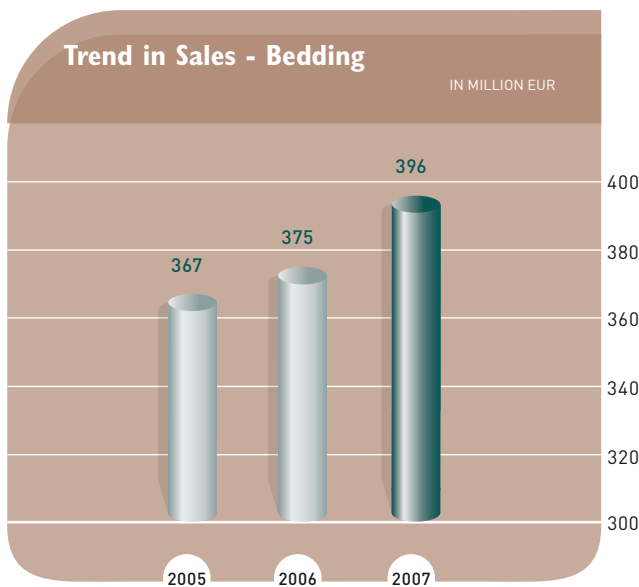
Bedding





// Bedding

The Bedding business line develops, manufactures and markets finished mattresses, slat bases and bed bases. This business line, with its pronounced business-to-consumer character, is for that matter one of the leading European manufacturers of mattresses and bed bases. Its prominence is attributable primarily to the unique range of strong brands it markets.



↳ Bedding

IN MILLION EUR

	2007	2006	2005
Sales	396.4	375.1	366.8
Growth rate in sales (%)	5.7%	2.3%	-0.4%
EBITDA	26.9	25.0	24.9
EBITDA margin (as % of sales)	6.8%	6.7%	6.8%
EBIT	19.4	17.4	16.8
EBIT margin (as % of sales)	4.9%	4.6%	4.6%
Investments in intangible (excluding goodwill) and tangible fixed assets	6.3	4.6	3.7
Investments as % of sales	1.6%	1.2%	1.0%



➤ Olivier Strelli for BEKA

Facts & Figures

- ➔ **Annual European production:** about 25 million mattresses.
- ➔ **Recticel's production in 2007:** 2.9 million mattresses and 0.8 million slat bases.
- ➔ **Number of production plants:** Recticel has 16 plants distributed in Belgium, Germany, France, Austria, Poland, Romania 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.

➔ Strategy

- ➔ Consolidation and further expansion of the strong position through targeted brand policy.
- ➔ Strengthening of market position through product diversification.
- ➔ Intensification of geographical development (especially in Central and Eastern Europe).

➔ Targets for 2010

- ➔ Average annual growth in sales of 4%.
- ➔ An EBITDA/sales margin exceeding 7%.

The **brands**, which are mostly very well known in their respective local markets, include Beka (Belgium), Epeda (France), Merinos (France), Schlaraffia (Germany), Sembella (Austria), Superba (Switzerland), Ubica (Netherlands), etc.

The Group markets other brands more widely. For instance, Lattoflex and Swissflex are well known in Europe in the up-market segment. Literie Bultex in turn is recognised in various countries as the bedding brand.

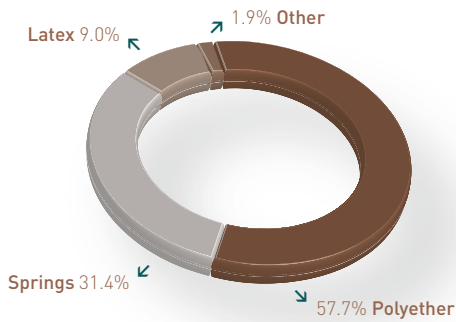
The aim of all these brands is to boost the health and well-being of the consumer through a good night's rest. Constant innovations with the use of various technologies (mattresses with polyurethane foam, latex and/or springs and bed bases in wood and/or plastic) contribute to this. For that matter, the discerning consumer shows an increasing propensity to invest more in good bedding. However, because it is difficult for consumers to assess the quality of bedding correctly, they willingly place their trust in a good, strong brand.

The clientele are well distributed and include both independent bedding specialists and furniture businesses, as well as distribution groups (Conforama, But, Begros, Beter Bed, Matratzen Concord, Jysk, etc.).

In other cases, such as at Jysk, Recticel often develops bedding with its customers which is then placed on the market under the customer's private label.

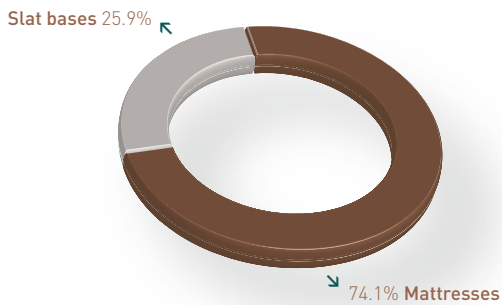


**Sales Bedding 2007:
mattresses per technology**

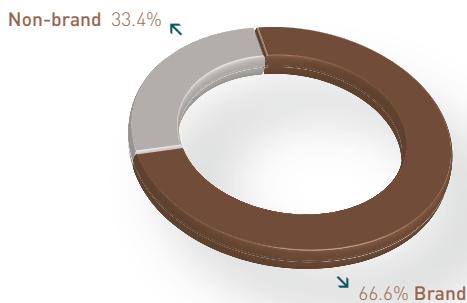


➤ 'Surinam' by MERINOS

**Sales Bedding 2007:
mattresses and slat bases**



**Sales Bedding 2007:
brand versus non-brand**



2007

SALES

The **Bedding** business line performed well and even above the general market trend. Almost all countries succeeded in raising average sales prices thanks to product innovation, which resulted in rising volumes and sales. Both segments, brand and non-brand, experienced a positive trend with accelerated growth of the brand segment during the second half of the year.

In Germany, sales in both the brand and non-brand segments developed favourably, despite the pressure of the higher raw materials prices. Within the brand segment, the Sensipur line (visco-elastic foam type) was a great success, partly thanks to a TV advertising campaign.

In France, a breakthrough was made with the Epeda and Merinos brands, which allowed continuation in the second half of 2007 of the positive trend during the first half of the year.

Benelux was characterised in 2007 by the rapidly growing success of pocket-spring mattresses and box-spring beds. Sales followed a rising trend in the non-brand segment in 2007. In the brand segment, both Beka and Lattoflex successfully launched a completely new product line on the market. Ubica's new range also met with a positive reception from customers in the Netherlands.

In Poland, the Bedding business line managed to consolidate its market position further in a relatively strongly growing market. The new cover plant in Romania was successfully launched.



➤ LATTOFLEX '50 years'



➤ 'Concept bed' by LATTOFLEX

EBITDA

Within the **Bedding** business line, EBITDA rose by 7.3% to EUR 26.9 million. This includes a net effect of non-recurring elements amounting to EUR 0.4 million.

With the exception of Switzerland, results improved in all countries in both the brand and non-brand segments, despite the continuing pressure of the rising raw materials prices. In France and the Benelux countries, a distinct improvement was achieved in EBITDA.

Switzerland, on the other hand, had to contend in 2007 with the effects of improvement programmes for the optimisation of the logistics and production network and unfavourable exchange rates, among other factors. The launch of the new products for Swissflex experienced some delay as a result of start-up difficulties.



➤ 'Winx X3'-slat base & 'Air S Balance'-mattress by LATTOFLEX

STRATEGY AND PROSPECTS: SHAPING THE FUTURE

Market trends

European market studies have shown that the consumer is becoming increasingly aware of the importance of good bedding and that the replacement cycle is becoming ever shorter. At present, campaigns by the entire industry are focusing on enhancing consumer awareness that it is worth investing more in a higher quality bed. This allows the creation of added value through strong innovations.

In addition, the consumer has become ever more sensitive to bedroom design. As a result, manufacturers today pay far more attention to the combination of design and comfort. This trend towards more decorative bedding is expected to continue in most European countries. Recticel's response to this is to call on both internal and external designers to assist it in its product development.

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



Profitability

To face up to the various challenges in these demanding markets, Recticel focuses mainly on constant optimisation and renewal of its product mix, which is essentially divided into brand and non-brand articles. In addition, the Group aims to further streamline its production machinery. These efforts are ultimately to lead to a further improvement in the profitability of the business line.

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 non-brand products.

Recticel has also taken steps to further centralise and optimise its purchasing policy as regards strategic raw materials (latex, springs and textiles).

During the past year, the new unit in Romania for the manufacture of mattress covers entered into production. In time, this presence can also be a perfect operating base 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. This joint venture is the absolute market leader in France, with brands such as Literie Bultex, Epeda and Merinos.



↳ 'Eleganza spirit' by SCHLARAFFIA

Although new acquisitions are never 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 taking over the Treca and Dunlopillo brands in 2006 (previously belonging to the Oniris group).

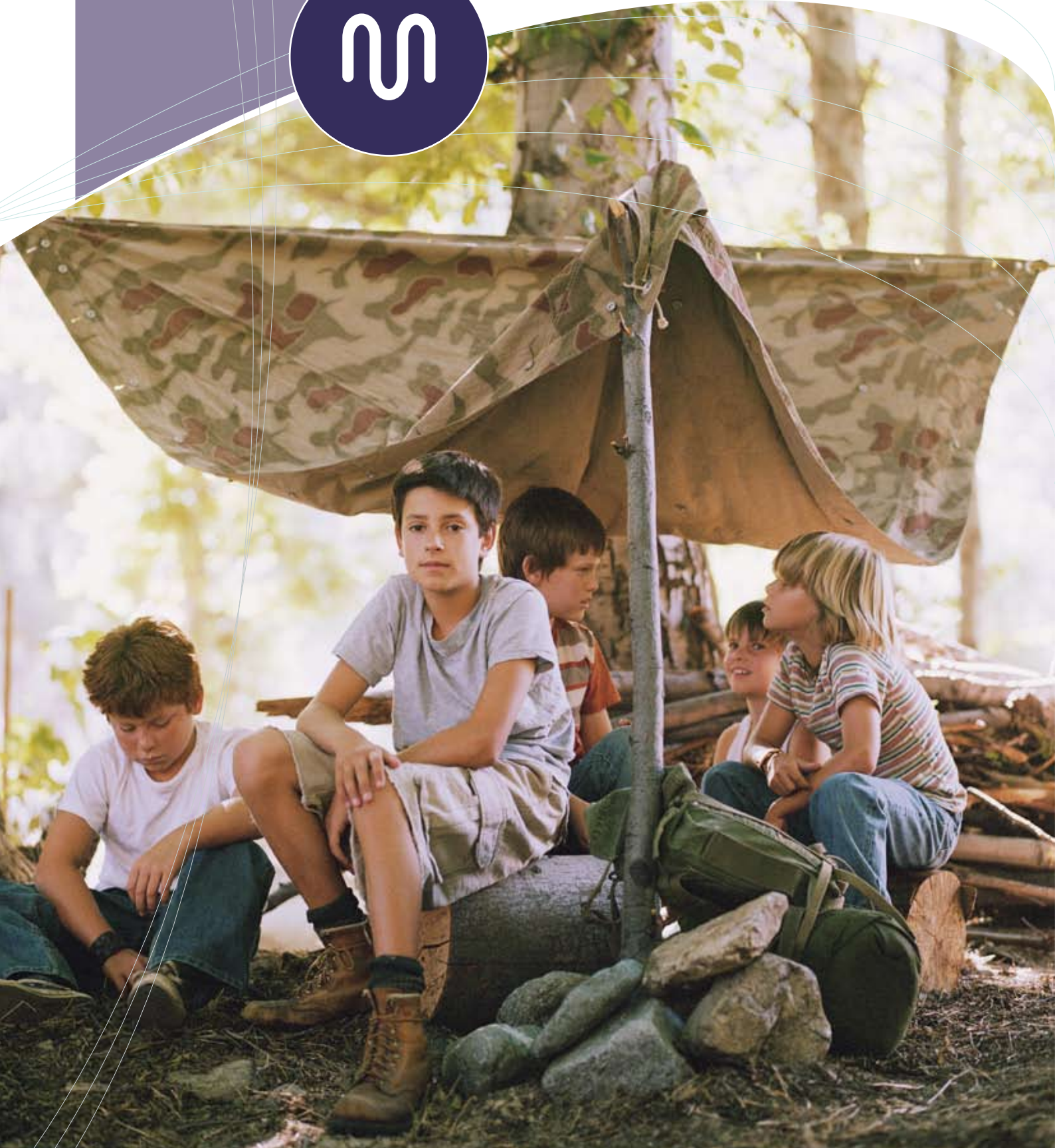
Recticel and its partners have a market share of at least 15% in all countries where they are present.



↳ 'Dédicace' by EPEDA

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

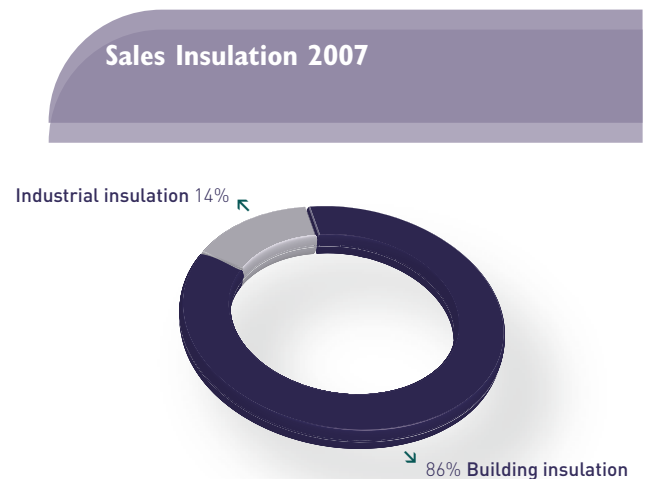
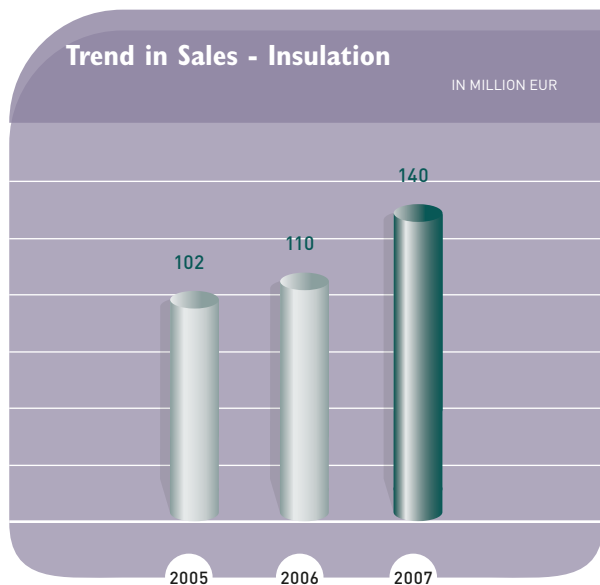
Insulation





// Insulation

The Insulation business line is built up around two sectors: building insulation and industrial insulation. In both sectors, Recticel manufactures thermal insulation material in rigid polyurethane foam (PU) and polyisocyanurate foam (PIR).



Insulation

IN MILLION EUR

	2007	2006	2005
Sales	139.7	109.7	101.6
Growth rate in sales (%)	27.3%	8.0%	6.1%
EBITDA	24.6	14.8	11.6
EBITDA margin (as % of sales)	17.6%	13.5%	11.4%
EBIT	22.4	12.3	9.3
EBIT margin (as % of sales)	16.1%	11.2%	9.2%
Investments in intangible (excluding goodwill) and tangible fixed assets	5.6	2.8	2.1
Investments as % of sales	4.0%	2.6%	2.1%



In **building insulation**, PU/PIR foam panels are manufactured for thermal insulation of walls, floors and roofs. These products are used in a wide variety of applications, ranging from residential, commercial, industrial, public and logistics to agricultural buildings. The business line has production sites in Wevelgem (Belgium) and also from June 2008 in Stoke-on-Trent (United Kingdom).

On the other hand, the **industrial insulation** division mainly manufactures slabstock in rigid PU/PIR and phenol foam. These blocks are then cut into panels for insulation of refrigerated vehicles and LNG storage installations or 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 is developed via the 50/50 joint venture Kingspan Tarec Industrial Insulation (KTII). The latter results from cooperation with the Irish group Kingspan. KTII has production sites in Turnhout (Belgium) and in Glossop (United Kingdom). This joint venture is world market leader in a stable market sector.



➤ Cavity wall insulation by EUROWALL

Strategy

- Ongoing strengthening of competitiveness.
- Controlled growth through geographical development.

Targets for 2010

- Average annual growth in sales of 10%.
- An EBITDA/sales margin exceeding 15%.

2007

SALES

Sales of **building insulation** (EUR 120.4 million, +31.6%) rose spectacularly in 2007.

The year 2007 was characterised by rising volumes on account of more rigorous insulation standards, higher energy prices and growing social environmental awareness of the need for more and better home insulation.

Planned investments in the Wevelgem plant (Belgium) and the new production plant in Stoke-on-Trent (United Kingdom), which is scheduled to become operational in July 2008, are to place the building insulation segment in a position to cater for the sharply rising demand in the market.

In September 2007, a letter of intent was signed with regard to the takeover of Gradient Ltd. in the United Kingdom, a firm that operates mainly in the flat roof market. Through this takeover, Recticel aims to assume its market position on the flat roof market more quickly and more efficiently and thereby to offer better service to its customers and partners.

Sales of **industrial insulation** too (Kingspan Tarec Industrial Insulation) (EUR 19.3 million, +6.1%) rose further in 2007. The market for finished insulation components in the United Kingdom experienced constant growth and the Belgian team succeeded in winning a number of good export orders.



Industrial insulation



EBITDA

High volumes in **building insulation** resulted in 2007 in a record EBITDA result with good profitability and positive results in all countries.

Industrial insulation aimed for and achieved constant improvement in profitability in 2007. This is primarily attributable to sound growth in the United Kingdom, combined with better operating results after the move and successful re-start of continuous production in Glossop (United Kingdom).

COMPETITIVE SITUATION

The European insulation for the construction industry market is rather fragmented on account of the fact that there are various product categories. Mineral insulation wool, such as glass wool and rock wool, form the largest group, followed by polystyrene (expanded (EPS) and extruded (XPS)), polyurethane and other materials.

Within the sector of polyurethane building insulation, the market is divided among a large number of suppliers. Recticel is one of the few European players operating in different countries in building insulation. Alongside Recticel, Kingspan (Ireland and the United Kingdom) and Ecotherm (Netherlands) are well-known names. With the new plant in the United Kingdom, where PIR/PUR has the largest market share for insulation material, the Group will be consolidating its position further. 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), Pureen (Germany) and Quinn (Ireland).

**STRATEGY AND PROSPECTS:
SHAPING THE FUTURE**

It is generally assumed that growth in insulation activities in the coming years will stem mainly from heightened awareness concerning global warming and the associated new, stricter European energy and insulation standards. In addition to these ethical and legal factors, the present high energy prices are also a



Insulation for refrigerated vehicles

convincing argument to prompt the consumer to make targeted investments in high-quality insulation materials to keep the energy bill under control in the future.

The problem of the greenhouse effect, CO₂ emissions and global warming time and again draw 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 greater opportunities to save on CO₂ emissions compared to other technical efficiency measures in the construction industry.

In most cases, better insulation means using greater thicknesses of traditional materials. However, the increased weight and volume associated with these 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 more strongly than that of other insulation materials in the coming years.

In response to the forecasted rising demand and the considerable potential of the British insulation market, Recticel will be starting up a new production unit in mid-2008 in Stoke-on-Trent (United Kingdom). New investments are also planned in the Wevelgem plant (Belgium) with a view to increasing capacity to meet the growing demand for insulation material.

In the medium term, it is expected that a substantial market will develop for high-quality insulation products in Central and Eastern Europe. The Group is examining how and when it can best respond to this trend.

Automotive

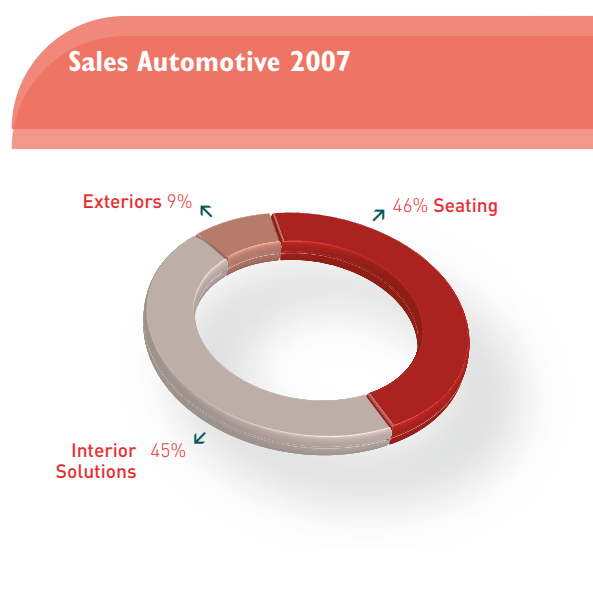
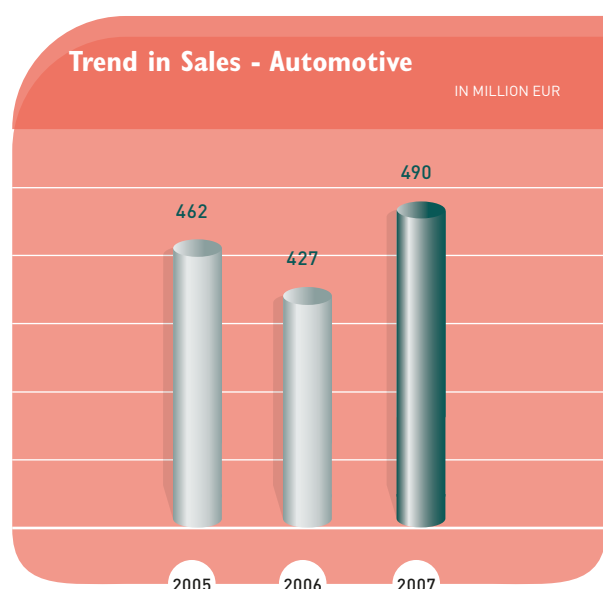




// Automotive

The Automotive business line consists of three strategic activities involving the manufacture of car components in polyurethane foam. In this segment, the Group concentrates in particular on:

- the production of moulded seat cushions (Seating) via the joint venture Proseat (51/49 Recticel/Woodbridge)
- the production of interior trim with Colofast Spray®, named after the unique, patented technology (Interior Solutions)
- the production of light-stable polyurethane Colofast® compounds which are not only used in the Interior Solutions division, but are also sold as a basic material for car window encapsulation (Exteriors)



Automotive

IN MILLION EUR

	2007	2006	2005 *
Sales	490.4	426.9	461.9
Growth rate in sales (%)	14.9%	-7.6%	22.6%
EBITDA	40.6	26.0	21.0
EBITDA margin (as % of sales)	8.3%	6.1%	4.5%
EBIT	10.4	-37.6	-28.0
EBIT margin (as % of sales)	2.1%	-8.8%	-6.1%
Investments in intangible (excluding goodwill) and tangible fixed assets	13.6	15.4	28.5
Investments as % of sales	2.8%	3.6%	6.2%

* Sales, EBITDA, EBIT and investments for certain activities within the Automotive business line, have been imputed to the Flexible foams business line since the beginning of 2006. The 2005 figures have been restated to make them comparable with the 2006 and 2007 figures.



➤ IAA-International Motor Show - stand Interior Solutions (Frankfurt September 2007)

2007

➔ Strategy

- ➔ Growth through geographical development.
- ➔ Maintaining competitiveness through technological innovations.
- ➔ Improvement in profitability.

➔ Targets for 2010

- ➔ An average annual growth in sales of about 3%.
- ➔ An EBITDA/sales margin exceeding 10%.

SALES

In 2007, sales of the **Automotive** business line rose by 14.9% in a sluggish worldwide car market.

This growth was achieved inter alia by the launch of new projects in **Interior solutions** (EUR 221.1 million, +5.6%). In 2007, the new Mercedes C-class was launched simultaneously from three plants. At the same time, new projects were awarded for Volvo, Saab, Peugeot and Scania. These contracts will be started in the course of 2008-2010.

However, the main contribution to the rise in sales came from **Seating** (Proseat) (EUR 225.1 million, +31.7%, of which 11.7% in internal growth) through the integration of the Woodbridge activities in the United Kingdom in Proseat (51/49), the joint venture between Recticel and Woodbridge, Canada. In addition, Proseat also increased its volumes from the Czech Republic and Germany.

In 2007, Proseat and Johnson Controls proceeded to set up a new production joint venture in Poland and Slovakia in order to offer the necessary support to the future growth of the Eastern European markets. Proseat also announced its intention in 2007 to cooperate with Foamline in Russia. The cooperation with Foamline should enable Proseat to expand and optimise its activities in this growth market.





➤ Colofast Spray® for VOLVO S 80

Within the **Exteriors'** segment (EUR 44.2 million, -4.2%), activities developed in Asia and more specifically China. The overall sales were however negatively influenced by the dollar rate.

EBITDA

The EBITDA of the **Automotive** business line rose by 56.1% to EUR 40.6 million (including net non-recurring elements amounting to EUR 1.0 million), which is EUR 14.6 million better than in 2006.

Within the **Interior solutions** segment, the 2006 results in Europe were confirmed in 2007, with better profitability in all European plants as a result.

In the United States, the Fountain Inn factory was closed. The production activities of Fountain Inn were transferred to Clarkston. This transfer and the start-up of the Buick Enclave project (General Motors) resulted in stabilisation and improvement in the performance of the Clarkston plant.

After the very negative USA results in 2006, the EBITDA from USA operations remains negative in 2007, although significant improvements were realised.

Within the **Seating** division (Proseat), profitability fell compared to 2006. The result was negatively influenced by the production line closure costs in the Wetteren plant (Belgium).

The profitability of the **Exteriors'** segment was satisfactory, but in 2007 had to contend with the negative impact of the dollar rate.





**STRATEGY AND PROSPECTS:
SHAPING THE FUTURE**

During the past decade, the Group has achieved remarkable growth in the Automotive business line. In particular, Interior Solutions made a significant contribution to this, with its unique, patented Colofast Spray® technology.

However, despite the considerable potential of the Colofast Spray® technology, Recticel decided in 2007 to undertake a fundamental review of its ambitions for the division. After the negotiations fell through (at the beginning of 2007) which would have permitted further development of the potential of the Interior Solutions division via a new partnership, it was decided to retain the entire division within the Group. The consequence of this for the future is that the focus is no longer on strong growth, but on the division concentrating as a priority on improving its overall profitability. In this context, Recticel therefore aims henceforth to be far more selective in its choice of contracts and only retain projects with a better guarantee of profitability.

The Seating division, which is run via de joint venture Proseat, will in future focus mainly on responding as efficiently as possible to the new needs of the automotive industry, which is moving ever more towards Central and Eastern Europe.

Finally, the challenge for the Exteriors division in the future will lie mainly in the search for new applications outside the present traditional automotive activities (interior trim and encapsulation of car windows).

**Interior Solutions:
improving profitability with controlled growth**

Despite the non-occurrence of the hiving off of Interior Solutions, the Group is convinced that this activity will develop further in the coming years within its present production infrastructure. The unique, patented Colofast Spray® technology continues to receive constantly growing attention from a large number of car manufacturers.

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. As a first step, the American activities were further optimised during the past year by reducing the number of production sites from three to two. The Fountain Inn plant (South Carolina) was closed down definitively and the entire production was transferred to the Clarkston plant (Michigan).

At commercial level, the new generation of Colo-Sense® dashboard skins was launched. These new patented skins combine better touch and feel (haptic) properties with competitive pricing. On the basis of their better quality and the innovative character of these products, various new contracts were concluded during the past year which will be started up in the course of 2008-2009-2010. As a result, production capacity will be increased in the Czech Republic.

Additional expansion may occur in the future in China. Components are already currently made for Skoda in the Ningbo plant.

OVERVIEW OF CURRENT CONTRACTS	
MANUFACTURER	MODEL
BMW	3. Series • 5. Series • 6. Series • 7. Series • Z4
General Motors	Buick Enclave • Cadillac Seville
Honda	Acura • Civic • Inspire
Kenworth	Truck
Mercedes	A-Class • B-Class • C-Class • E-Class • Grand Sports Tourer • M-Class • R-Class • S-Class • SLK • Viano
Opel	Astra • Zafira
Peterbilt	379
Saab	9.3 (from 2009)
Scania	Ciute (from 2008)
Skoda	Octavia • Superb
Toyota	Lexus GS
Volkswagen	Passat • Passat coupé
Volvo	S70 • S80 • V50/S60 • XC60 (from 2008)



proseat

**Proseat seat cushions:
strategic location policy and product innovation**

With a workforce about 2,000 strong, divided among thirteen production sites in nine countries, Proseat today is one of the largest seat cushion manufacturers for the European automotive industry. Proseat is the joint venture between Recticel and Woodbridge, Canada. Since 2007, this joint venture, following the contribution of Woodbridge's seat cushion activities in the United Kingdom, is 51% controlled by Recticel and 49% by the Woodbridge group. In addition to the production of seat components, Proseat also possesses the necessary competence for the production of finished products, such as headrests, armrests and side panels for car seats.

Since the 1990s, the automotive industry has been undergoing far-reaching, radical changes as a result of the more or less saturated markets in North America, Japan and Western Europe. As a result, new value chains and changes in the location policy have become the crucial challenges for suppliers. In this context, Proseat has deliberately opted on the one hand for a dynamic location strategy by scaling down excess capacity in certain markets and offsetting this with expansion in the developing Eastern European regions. On the other hand, Proseat has forged ahead in recent years in the development of new complex seat cushion components.

Immediate customer proximity

At the beginning of 2007, Proseat decided to combine all its establishments in Belgium within the Hulshout plant (Belgium). As a result of the falling capacity utilisation rate in its Belgian plants (Wetteren and Hulshout), Proseat was forced to carry out this reorganisation in order to avoid shortly having two loss-making establishments in Belgium.

In addition, however, and in keeping with its location strategy, Proseat concluded an agreement in May 2007 with Johnson Controls to set up a new joint venture for the production of moulded foam seat cushions in Lucencec (Slovakia) and Zory (Poland). Proseat holds a 35% stake in this new company. The cooperation between Proseat and Johnson Controls enables both firms to meet the future rising demand in Eastern Europe by manufacturing in close proximity to the customer and cost-effectively.

Finally, last year Proseat also announced a further new cooperative venture with Foamline, Russia. Through this initiative, Proseat hopes to be able to respond efficiently to the growing automotive market in Russia.

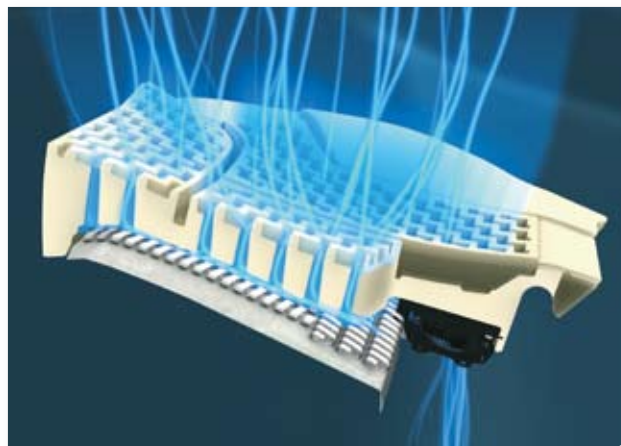


➤ IAA-International Motor Show - stand Proseat (Frankfurt September 2007)

New products for new needs

As regards product development, Proseat has concentrated in recent years on two important fields, namely comfort and weight reduction. It is natural for a seat cushion manufacturer to concentrate on comfortable foam components. But the growing pressure from car manufacturers for systematic weight reduction also places additional pressure on suppliers.

In response to these new challenges, Proseat launched *compact.foam*, which enables it to reduce the cushion height to 20%. With this new *compact.foam*, seat cushions weigh significantly less, but nevertheless retain all their upholstery properties.



➤ The new PROSEAT Climate Seat generation

In addition, Proseat also launched *comfort.sense* foam, which has the distinguishing feature that the moulded seat is also given a special surface structure. As a result, the additional intermediate layer in the seat covering can be dispensed with, thereby significantly improving the breathability. The surface structure of these components is designed in such a way that functional components, such as for example heating for seats, can easily be integrated.

As regards the design of the rear seats, there are increasing efforts to replace heavy metal components with lightweight plastic components in expanded polypropylene (EPP). These PU/EPP modules supplied by Proseat not only save weight, but also achieve a so-called *anti-submarine* effect, which prevents passengers from slipping out from under their seatbelts in the event of a collision. In this context, in mid-2007, Proseat forged a strategic alliance with Storopack. This family-run firm, established in 1874 and currently employing 2,632 people, is a major producer of custom-made technical moulded parts made of expandable foams. With the combined expertise in polyurethane (Proseat) and EPP (Storopack), Proseat has created a product mix which will give it a significant lead in its market.

Finally, there is *CompoLite*, a new Proseat development in the production of *composite* materials consisting of 100% polyurethane. These components combine very high rigidity with exceptionally low weight. *CompoLite* consists of open-cell PU flexible foam bonded with fibreglass fleece and combined with PU rigid foam using spray technology. The result is three-dimensional components which can be used as structural elements in a large number of applications.

Proseat Facts & Figures

- ➔ **Market position:**
One of the European market leaders in the production of moulded seat cushions for the automotive industry (market share about 22%, and in Central Europe about 27%); but together with Woodbridge world leader.
- ➔ **Market penetration:**
At least 9 million cars are manufactured each year in Europe which incorporate Proseat components, which amounts to 40% market penetration .
- ➔ **Volume of production:** 220,000 units per day.
- ➔ **Alliances:**
Gestind (in Italy and Poland; 50/50 Proseat/Toscana Gomma), the production joint venture to be newly established with Johnson Controls in Poland and Slovakia and Indepol (Spain; 25/75 Proseat/private owners).
- ➔ **Annual turnover 2007:** EUR 207 million.
- ➔ **Headquarters:** Mörfelden-Walldorf (Germany).
- ➔ **Number of production plants:**
13 plants distributed in Belgium, Germany, France, Italy, Poland, Slovakia, Spain, Czech Republic and the United Kingdom.
- ➔ **Workforce:** About 2,000 people.



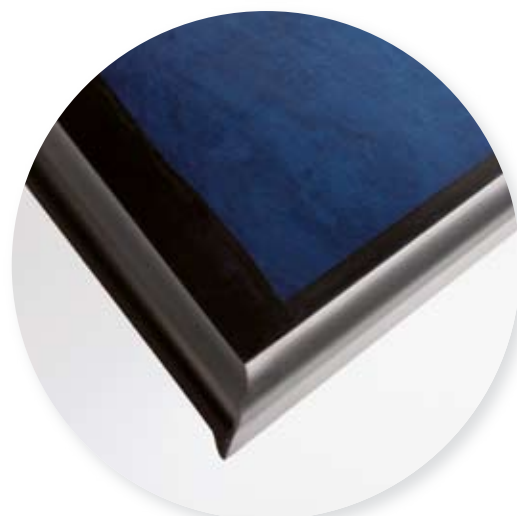
↖ Encapsulation Panoramic Windscreen for OPEL ASTRA

Exteriors

With the development of the light stable 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 compound 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 (Interior Solutions). After the sale of the window encapsulation activities 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 compounds developed in-house is processed in the Interior Solutions division.

On the basis of new contracts for the EPSILON platform at General Motors and the stable growth in the Asian market, the prospects remain favourable for this activity.

In addition to automotive applications, Exteriors is also trying to find new industrial applications for this valuable material. For instance, the encapsulation of photovoltaic solar panels seems to hold out promising prospects. In the United States, the skylight and sliding roof market also offers great potential for this material.



↗ Encapsulation of photovoltaic solar panels.

3.

// Information to
shareholders





maintaining **balance**

// Share information

Number of shares

As a result of a number of warrants being exercised, the number of Recticel shares in issue rose from 28,628,900 to 28,931,456 (situation at 31 December 2007). The shares are quoted on NYSE Euronext in 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	28 499 141	98.51%	Continuous market	REC	BE0003656676
VVPR ⁽¹⁾	432 315	1.49%	Fixing market	RECV	BE0005121778
Total	28 931 456	100%			

[1] VVPR = Reduced withholding tax

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

Under the new Belgian legislation, which entered into force on 1 January 2008, all bearer shares (printed or deposited in a securities account with a financial institution) will in future be converted into dematerialised shares. By 1 January 2014, all shares will be registered and/or dematerialised.

All shares deposited in a securities account on 1 January 2008 have been automatically converted into dematerialised shares. As far as the existing bearer shares which were not deposited in a securities account are concerned, various proposals will be made from 2008 so as to convert them as quickly and efficiently as possible, at minimum expense, into dematerialised shares. In practice, this can occur by:

- depositing the bearer shares in a securities account with a financial institution with the request to convert them into dematerialised shares (subject to payment of bank charges and tax) or

- depositing the bearer shares with Recticel (for the attention of Mr Dirk Verbruggen - Olympiadenlaan 2, B-1140 Brussels (Evere)) with the message to record the number of shares deposited in the Recticel register of shareholders. This will be free of charge. This option also has the added advantage that all public information concerning Recticel and invitations to meetings of shareholders will be sent directly to those registered.

↘ Distribution among shareholders (by category at 01 February 2008)

SHAREHOLDER	ORDINARY SHARES ⁽¹⁾	VVPR SHARES ⁽¹⁾	TOTAL ⁽¹⁾
Shareholder group around Compagnie du Bois Sauvage (including VEAN nv, Sihold nv, Lennart nv & co, Sallas b.m.) ⁽²⁾	10 755 337	157 645	37.72%
Bestinver Gestion, Spain	3 657 060	0	12.64%
Mercator Insurances, Belgium	1 786 962	79 043	6.45%
Richelieu Finance, France	1 251 700	0	4.33%
Rec-Man & Co.	295 836	0	1.02%
Other (Public)	10 752 246	195 627	37.84%
Total	28 499 141	432 315	100%

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

(2) Of these, Compagnie du Bois Sauvage and Entreprises et Chemins de Fer en Chine (parent company of the Compagnie du Bois Sauvage) hold a total of 8,596,030 shares or 29.71% of the total shares in issue.

↘ Shareholder movements

IN THOUSAND EUR

SUBSCRIBED CAPITAL AT 31.12	2007	2006	2005	2004
Subscribed capital	72 329	71 572	70 833	70 833

% OF OUTSTANDING SHARES

SHAREHOLDERS AT 31.12	2007	2006	2005	2004
Shareholder group around Compagnie du Bois Sauvage (including VEAN nv, Sihold nv, Lennart nv & co, Sallas b.m.) ^{(2) (4)}	35.30%	-	-	-
Rec-Hold, Belgium ⁽¹⁾⁽²⁾	-	27.03%	27.31%	27.31%
Rec-Les, Belgium ⁽¹⁾	-	9.10%	12.84%	14.75%
Mercator Insurances, Belgium	6.45%	8.77%	8.86%	15.39%
Richelieu Finance, France	7.00%	7.08%	-	-
Bestinver Gestion, Spain	12.64%	6.56%	-	-
Fidelity Investments International, United Kingdom	-	-	-	5.01%
Rec-Man & Co, Belgium ⁽³⁾	1.20%	3.60%	3.65%	3.65%
Other (Public)	37.08%	37.86%	47.33%	33.89%

(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.

(2) In the course of 2007, Compagnie du Bois Sauvage increased its holding in Recticel via a number of transactions, including the conversion of the indirect participation via Rec-Hold into a direct participation. In the context of this reorganisation, a shareholders' agreement was also signed with a number of longstanding shareholders of Rec-Hold (i.e. VEAN, Sinvest, Lennart and Sallas).

(3) Rec-Man is the ad hoc company which was originally set up by 40 owner-managers of Recticel in 1998 after Rec-Hold took over the Société Générale shares.

(4) Of which 28.65% held by Compagnie du Bois Sauvage only.

Movements in the share

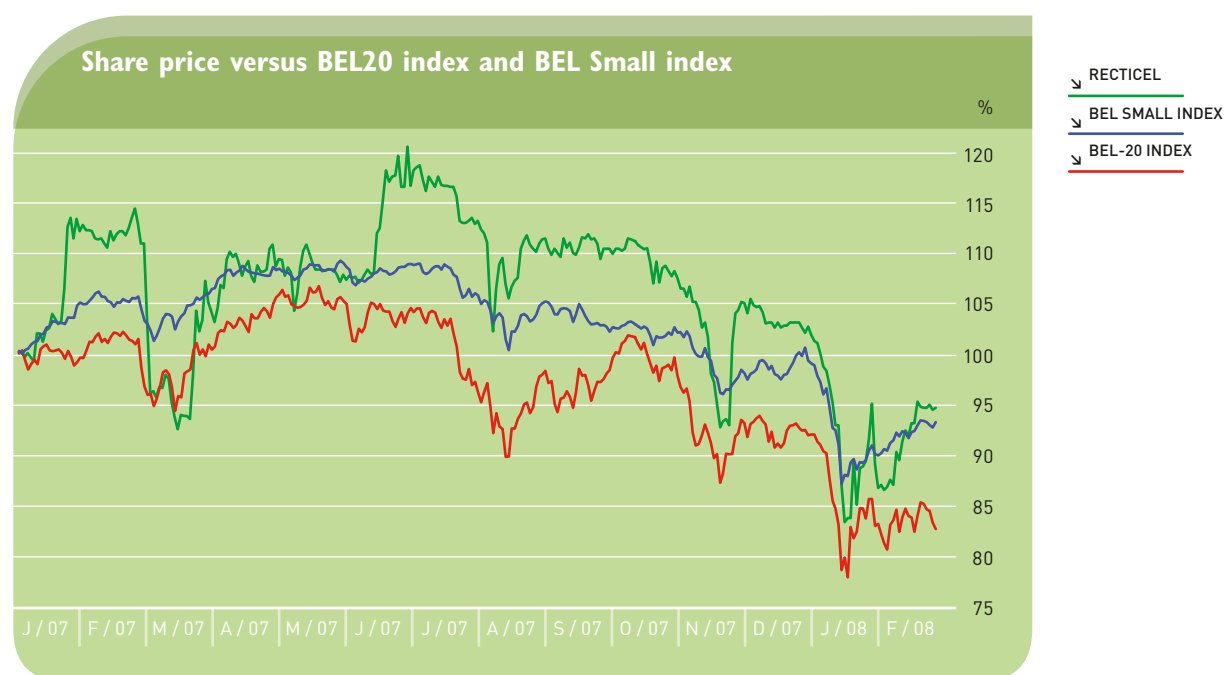
2007 was a difficult and changeable year on the stock markets. On 31 December 2007, the DJ EURO STOXX 50 stood at 4,399.72, which is 6.8% higher than one year previously. The Belgian benchmark index BEL-20, on the other hand, fell 5.95% to 4,127.47. The Recticel share gained 4.2%.

The VVPR share, which is far less liquid, rose by 4.2% over the same period from EUR 9.31 to EUR 9.70. The VVPR share reached a high of EUR 11.40 on 4 July 2007. Its low of EUR 8.80 was reached on 15 and 21 March 2007.

The price of the Recticel share can be consulted directly on the following websites: www.recticel.com and www.euronext.com.

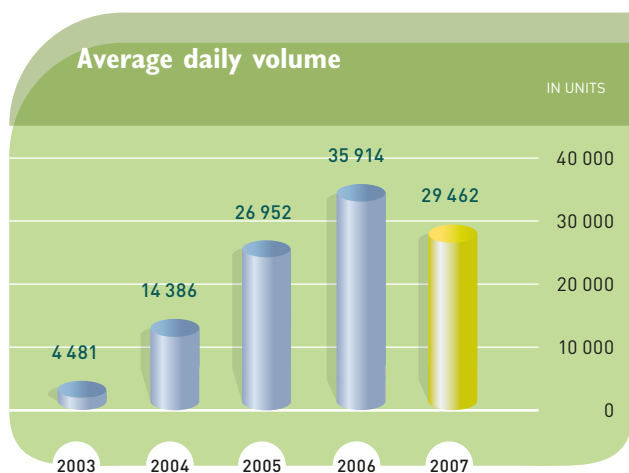
↘ Recticel share (ordinary)

	2007	2006	Δ 07/06
Closing price 31 December	EUR 10.00	EUR 9.60	4.2%
High	EUR 11.69 (3 jul)	EUR 10.30 (1-3-9 & 10 nov)	13.5%
Low	EUR 8.95 (15 maart)	EUR 7.52 (2 jan)	19.0%
Market capitalisation (at 31 December) (in million)	EUR 289.3	EUR 274.6	5.4%
Total number of shares traded as % of total number of shares in issue (at 31 December)	7 512 863 26.4%	9 122 118 32.4%	-17.6%
Average daily volume (number of shares)	29 462	35 914	-18.0%



Liquidity of the share

After an exceptional year in 2006, it proved impossible to continue the trend in 2007. Despite the lower average daily volume in 2007, activity in the Recticel share was nevertheless still to be termed as satisfactory. At 29,462 shares, the volume is still significantly higher than in most of the previous years.



As a result of the gradual reduction in the Recticel holdings of a number of the original reference shareholders, the steady entry of a number of foreign institutional investors and the generally growing interest of private and institutional investors, the Group was able to gradually increase the volume of the free float from 33.47% in 2003 to 57.05% at the end of 2007.

KBC Securities acts as liquidity provider for the Recticel share.

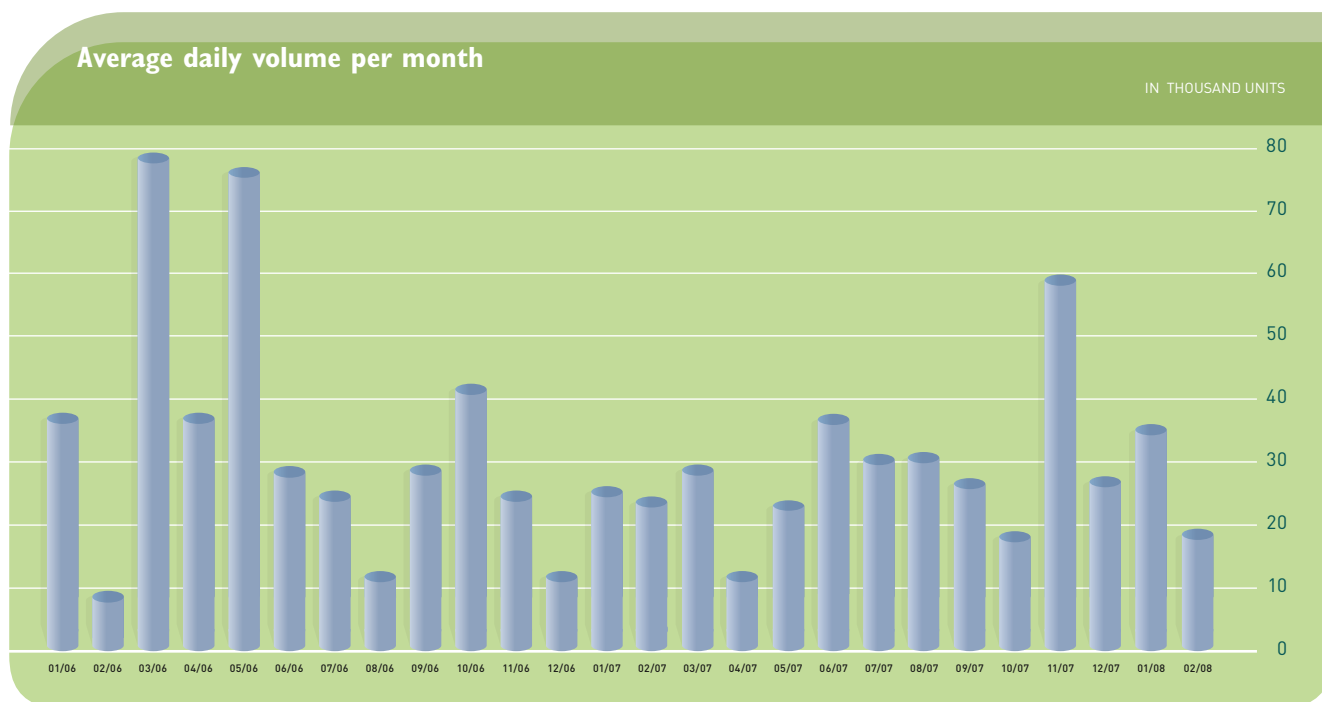
Inclusion in indexes

Following the abolition of the Euronext NextPrime quality segment on 31 December 2007, the Recticel share is still included in the following share indexes:

INDEX	WEIGHTING OF RECTICEL IN INDEX
NYSE Euronext BEL Chemicals	1.94%
NYSE Euronext BEL Basic Materials	1.69%
NYSE Euronext BEL Small index	2.92%
IN.Flanders index	2.20%

The BEL SMALL index is the benchmark for the Belgian small caps on Euronext. This reference indicator was launched on 1 March 2005 and consists of 59 shares. Recticel's weighting in this index fell from 3.81% in 2006 to 2.92% last year.

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 strong emphasis on sustainability and corporate social responsibility policy. Recticel's weighting in this index since 28 September 2007 stands at 2.20% (as opposed to 2.10% in 2006).



Stock option plans

ISSUE	NUMBER OF WARRANTS ISSUED	NUMBER OF WARRANTS NOT YET EXERCISED	EXERCISE PRICE (IN EUR)	EXERCISE PERIOD
Jan 1999	330 232	329 232	9.79	01 Jan 03 - 30 Dec 08
Dec 1999	330 640	329 640	9.70	01 Jan 03 - 08 Dec 08
2000	333 320	333 320	9.60	01 Jan 04 - 06 Dec 09
2001	439 160	407 990	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
May 2007	48 000	48 000	10.47	01 Jan 11 - 01 May 13
Dec 2007	390 000	390 000	9.78	01 Jan 11 - 02 Dec 13
Total	2 277 352	2 244 182		

Stock option plans

In May and December 2007, two new warrant plans were issued in favour of the senior international executives of the Recticel Group.

The present outstanding stock option plan (at 1 January 2008) can be summarised as follows (see table above).

In mid-2007, Recticel issued a 10-year convertible bond loan for a total amount of EUR 57.5 million. This bond loan can be converted by its holders into ordinary Recticel shares at a basic conversion price of EUR 14.34. As a result of this, theoretically a total of 4,010,490 new shares can be created. The table below provides an overview of the potential total dilution effect.

ORDINARY SHARES	PRESENT NUMBER OF SHARES IN ISSUE	PRESENT % OF TOTAL NUMBER OF SHARES IN ISSUE	% SHARES IN ISSUE IN THE CASE OF DILUTION
Existing	28 499 141	98.5%	81.0%
New from exercise of warrants	2 244 182	-	6.4%
New from conversion of bond loan	4 010 490	-	11.4%
VVPR SHARES			
Existing	432 315	1.5%	1.2%
		100%	100%

Monitoring by financial analysts

At the beginning of 2008, 5 sell-side analysts were monitoring the Recticel share. Recticel has always recognised the importance of active coverage by analysts. By being available at all times to financial analysts, 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 past years, this has led to the share becoming better known and to ongoing improvement in the liquidity of the share.

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

INSTITUTION	ANALYST
Bank Degroof	Bernard Hanssens
Fortis	Mark Gevens
ING Financial Markets	Luc Struelens
KBC Securities	Wim Hoste
Petercam	Jan Van den Bossche – Emmanuel Carlier

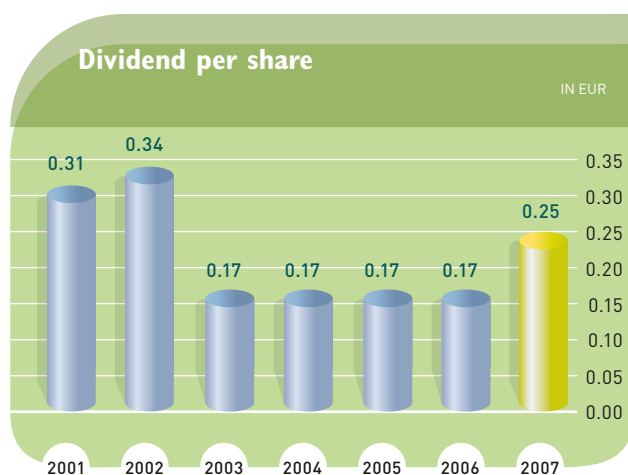
Most of the analyst reports are available for information free of charge on the Recticel website (www.recticel.com).

Dividend policy

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

The basic principles for the dividend pay-out have been clearly defined. The Group's dividend policy aims to increase the dividend whenever possible. 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 preference and ordinary shares were placed on an equal footing) and 2003 rose by an average of 10.8% each year. Between 2004 and 2007, in spite of the losses of 2003, 2005 and 2006, a dividend was nevertheless paid of EUR 0.17 per share. For 2007, the dividend is increased to EUR 0.25 per share.



Dividend payment

Subject to approval of the appropriation of profit by the Annual General Meeting of 20 May 2008, a dividend will be paid of EUR 0.25 gross per share (for ordinary shares: EUR 0.1875 net [-25% withholding tax]) and for VVPR shares: EUR 0.2125 net [-15% withholding tax]). This dividend will be payable from 30 May 2008 on presentation of coupon No 14 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 0.25
Date of payment of dividend	30 May 2008
On presentation of coupon	N° 14

FINANCIAL CALENDAR FOR SHAREHOLDERS	
Trading update 1st quarter 2008	07 May 2008 (before stock exchange opens)
Annual General Meeting	20 May 2008
Date of payment of dividend	30 May 2008
Announcement of results 1st half 2008	28 August 2008 (before stock exchange opens)
Trading update 3rd quarter 2008	07 November 2008 (before stock exchange opens)
Announcement of annual results 2008	06 March 2009 (before stock exchange opens)
Trading update 1st quarter 2009	07 May 2009 (before stock exchange opens)
Annual General Meeting	12 May 2009

// 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 fourteen members. There are three independent directors, including the Chairman. The Managing Director represents both a reference shareholder and the management. Seven 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 2007 and up to the present.

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 S.A. 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	2011		MC
Vincent DOUMIER ⁽⁴⁾	Director	Non-executive	1955	2011	Compagnie du Bois Sauvage N.V. Managing Director	
Henk JANSSEN ⁽⁵⁾	Director	Non-executive	1958	2010	Mercator Insurance N.V. Managing Director	
Guy PAQUOT	Director	Non-executive	1941	2009	Compagnie du Bois Sauvage N.V. Director	RAC
Jean-Jacques SIOEN	Director	Non-executive	1935	2009	Sioen Industries N.V. Director and Managing Director	
Wilfried VANDEPOEL	Director	Non-executive	1945	2009	Lessius Corporate Finance N.V. Managing Director	AC
Tonny VAN DOORSLAER	Director	Non-executive	1951	2010	Spector Photo Group N.V. Managing Director	AC
Louis H. VERBEKE ⁽⁶⁾	Director	Independent	1947	2009	Allen & Overy Belgium Senior Partner	RAC
Klaus WENDEL	Director	Independent	1943	2010		AC
Robert WESTDIJK	Director	Executive	1943	2010		MC

(1) in his capacity as Managing Director of Veau N.V.

(2) in his capacity as Managing Director of Pol Bamelis N.V.

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

(4) since 9 October 2007

(5) in his capacity as Managing Director of Mercator Insurance N.V.

(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

On the proposal of the Board of Directors, after consultation of the Remuneration and Appointments Committee, the Extraordinary General Meeting of 9 October 2007 appointed Mr Vincent Doumier as director for a four-year term of office which will expire at the close of the Annual General Meeting of 2011.

The term of office of the director of VEAN NV, represented by Mr Luc Vansteenkiste, expires at the close of the Annual General Meeting of 2008. 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 2012.

The Board of Directors will propose to the Annual General Meeting of 20 May 2008 the appointment of the company SOGELAM SA, represented by Mr Luc Willame, located in 1150 Brussels, avenue Grandchamps 282, as company director for a four-year term of office which will expire at the close of the Annual General Meeting of 2012.

Mr Luc Willame was Chairman of AGC Flat Glass (Asahi Glass) until 2005 and holds several directorships, including at Compagnie du Bois Sauvage SA. He is also Chairman of the Brussels Regional Development Agency.

The company SOGELAM, represented by Mr Luc Willame, meets the functional, family and financial criteria of independence laid down by law. None of the criteria precluding the capacity of independent director, listed under points 1, 2 and 3 of Article 524, § 4 of the Companies Code, apply to it. Furthermore, the company SOGELAM, represented by Mr Luc Willame, declares, and the Board of Directors considers, that it maintains no links with any company of a nature to jeopardise its independence.

The company SOGELAM, represented by Mr Luc Willame, also meets the criteria of independence provided for in the Belgian Corporate Governance Code. It must be pointed out that Mr Luc Willame occupies the post of director of the reference shareholder Compagnie du Bois Sauvage. However, in view of his status of independent director of Compagnie du Bois Sauvage, the Board of Directors is of the opinion that the company SOGELAM, represented by Mr Luc Willame, nevertheless meets the independence criteria.

The Board of Directors proposes appointing the company SOGELAM as independent director.

Operation of the Board of Directors

The Board of Directors met seven times in 2007. One meeting focused on the 2007 budget, two meetings dealt mainly with approving the annual accounts at 31 December 2006 and the interim accounts at 30 June 2007, and the other meetings were devoted mainly to the dossier on the issue of the convertible bond loan. Two meetings covered the new editions of the Recticel Group Stock Option Plan. One meeting was held by teleconferencing.

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

The written decision-making procedure was not used in 2007.

During 2007, no conflicts of interests 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, Mr Robert Westdijk and Mr Marc Clockaerts 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 2 May 2007 and 3 December 2007.

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

**INDIVIDUAL PERCENTAGE ATTENDANCE OF THE DIRECTORS
AT THE MEETINGS IN 2007**

Etienne DAVIGNON	86%
Luc VANSTEENKISTE	100%
Pol BAMELIS	57%
Vincent DOUMIER	0% (1 meeting)
Edouard DUPONT	71%
Marc CLOCKSARTS	57%
Henk JANSSEN	57%
Guy PAQUOT	71%
Jean-Jacques SIOEN	29%
Wilfried VANDEPOEL	86%
Tonny VAN DOORSLAER	86%
Louis VERBEKE	71%
Klaus WENDEL	57%
Robert WESTDIJK	71%

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 considers that it complies with the spirit of these provisions, since, according to the Audit Committee Charter, in the event 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 2007 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 four times in 2007. Two meetings were devoted primarily to examining the annual accounts at 31 December 2006 and the interim accounts at 30 June 2007. Two meetings were devoted to the internal audit programme, risk management, taxation and accounting issues relating to IFRS.

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	50%
Louis VERBEKE ⁽¹⁾	Member	100%

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

The Remuneration and Appointments Committee met twice in 2007.

One meeting dealt with the remuneration and bonuses of the executive management 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 Veau, registered office Stationsstraat 172, 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 hereafter.

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



➤ **Standing left to right:**
Philippe Jous, Jean-Pierre Mellen, Paul Werbrouck, Caroline Deschaumes, Jean-Pierre De Kesel, Marc Clockaerts
Sitting left to right:
Robert Westdijk, Jan De Moor, Betty Bogaert, Luc Vansteenkiste, Ward Dupont, Bart Wallaëys

EXECUTIVE MANAGEMENT

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 & Corporate Communication Manager
Caroline DESCHAUMES ⁽⁴⁾	Group General Manager Bedding
Edouard DUPONT	Group General Manager Flexible foams
Philippe JOUS	Corporate General Counsel
Jean-Pierre MELLEEN	Chief Financial Officer
Bart WALLAËYS	Group Manager Research and Development
Paul WERBROUCK ⁽⁵⁾	Group General Manager Insulation
Robert WESTDIJK	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

(5) since 1 January 2008

Publication of the emoluments of the directors and members of the executive management

GROSS EMOLUMENTS OF THE DIRECTORS

NAME	EMOLUMENTS 2007	AUDIT COMMITTEE 2007	REMUNERATION AND APPOINTMENTS COMMITTEE 2007	DIRECTORS' FEES PAID IN 2007 CONCERNING 2006
Active Directors				
Etienne DAVIGNON	EUR 19 800.00	EUR 10 000.00	EUR 3 750.00	EUR 13 300.12
VEAN N.V.	EUR 11 550.00			
Vincent DOUMIER				
Edouard DUPONT	EUR 8 250.00			
EMSEE B.V.B.A.	EUR 6 600.00			
Louis VERBEKE B.V.B.A.	EUR 8 250.00		EUR 2 500.00	EUR 6 650.06
MERCATOR Insurance N.V.	EUR 6 600.00			EUR 6 650.06
Guy PAQUOT	EUR 8 250.00		EUR 2 500.00	EUR 6 650.06
Pol BAMELIS NV	EUR 6 600.00			EUR 6 650.06
Jean-Jacques SIOEN	EUR 3 300.00			EUR 6 650.06
Wilfried VANDEPOEL	EUR 9 900.00	EUR 10 000.00		EUR 6 650.06
Tonny VAN DOORSLAER	EUR 9 900.00	EUR 10 000.00		EUR 6 650.06
Klaus WENDEL	EUR 6 600.00	EUR 15 000.00		EUR 6 650.06
Robert WESTDIJK	EUR 8 250.00			
Director whose term of office ended in 2006				
ORIGO MANAGEMENT B.V.B.A.				EUR 6 650.06

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

IN EUR

TOTAL COST TO THE COMPANY	VEAN NV REPRESENTED BY LUC VANSTEENKISTE		OTHER MEMBERS OF THE MANAGEMENT COMMITTEE		TOTAL	
	2007	2006	2007	2006	2007	2006
Number of persons	1	1	11	9	12	10
Basic salary	499 600	499 600	2 694 975	2 098 400	3 194 575	2 598 000
Variable remuneration	324 740	270 000	1 160 975	624 981	1 485 715	894 981
Pensions, insurance (group insurance) and other benefits in kind	17 550	17 548	481 766	418 917	499 316	436 465
Total	841 890	787 148	4 337 717	3 142 298	5 179 607	3 929 446

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.
- * Pursuant to a change in the base of calculating pensions and insurances, the 2006 figures have been adjusted accordingly.

SHARES, STOCK OPTIONS AND OTHER RIGHTS TO ACQUIRE SHARES

The Board of Directors gave its approval on 2 May 2007 for a new tranche of the Recticel Group Stock Option Plan to be issued. This tranche comprised 48,000 warrants.

The warrants can be exercised at a price of EUR 10.47 per warrant during the exercise period, which runs from 1 January 2011 to 1 May 2013.

This tranche was confined to the senior executives of the Interior Solutions division, since they were not eligible for the December 2006 series on account of the planned hive-off of the division, which ultimately did not take place. 15,000 stock options were granted to a member of the Management Committee.

The Board of Directors gave its approval on 3 December 2007 for a new tranche of the Recticel Group Stock Option Plan to be issued. This tranche comprises 390,000 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 9.78 per warrant during the exercise period, which runs from 1 January 2011 to 2 December 2013.

20,000 stock options were granted to Mr Luc Vansteenkiste, Managing Director of Vean NV, and 146,500 options were granted to the other members of the Management Committee.

Although Article 7.17 of the Lippens Code provides for disclosure 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 that concerning remuneration in general, i.e. individually for the CEO and as a lump sum for the other members of the Management Committee.

During 2007, 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 externally to the Management Committee in 2007.

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 exceeding the threshold amount of EUR 1 million have taken place between the Sioen Group and the Recticel Group, mainly as a consequence of joint product development. 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 are in application since 2006.

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

As announced at the end of August 2007, the shareholders of Rec-Hold, Recticel's reference shareholder, decided to convert their participations in Rec-Hold into direct participations in Recticel. Subsequently, they signed a new shareholders' agreement for a period of three years.

The participating shareholders are:

NAME	NUMBER OF SHARES	%
Compagnie du Bois Sauvage S.A	8 288 006	28.65
Vean N.V.	817 188	2.82
Sihold N.V.	745 105	2.58
Lennart N.V. and associates	651 282	2.25
Entreprises et Chemins de Fer en Chine S.A.	308 024	1.06
Sallas	103 377	0.36
Total	10 912 982	37.72

The agreement provides that the shareholders will jointly support Recticel's strategy and that they will adopt a common position at General Meetings. Provision is also made for a first refusal right and resale right in one another's favour.

These shareholders, associated by a shareholders' agreement, also act in consultation with Rec-Man & Co SCA, a company of Recticel managers, which holds 295,836 Recticel shares (1.02%), and other Recticel managers.

External audit

The external audit of Recticel NV/SA's annual and consolidated accounts was commissioned by the 2007 General Meeting from the limited liability cooperative company "Deloitte Bedrijfs-revisoren", represented by Mr William Blomme and/or Mr Kurt Dehoorne.

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 2007 General Meeting 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 265,000 per year.

The aggregate amount of the Auditor's fees for additional services to the Recticel Group comes to EUR 891,335.11, or, excluding additional audit assignments, statutory engagements and corporate finance, to EUR 769,435.11. Since the total fees for the Auditor's statutory services at Group level amount to EUR 838,461.75, the limit prescribed in Article 133 of the Companies Code has not been exceeded at Group level.

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

The Auditor's current term of office was renewed in 2007 and expires at the close of the Annual General Meeting of 2010.

// Asset & risk management

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. The effect of some of these is cushioned and limited by the provisions of Recticel's *General Terms and Conditions (of Trade)* – "GTC", which are available for consultation on the website www.recticel.com.

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 operating 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 trademarks 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 section).

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.

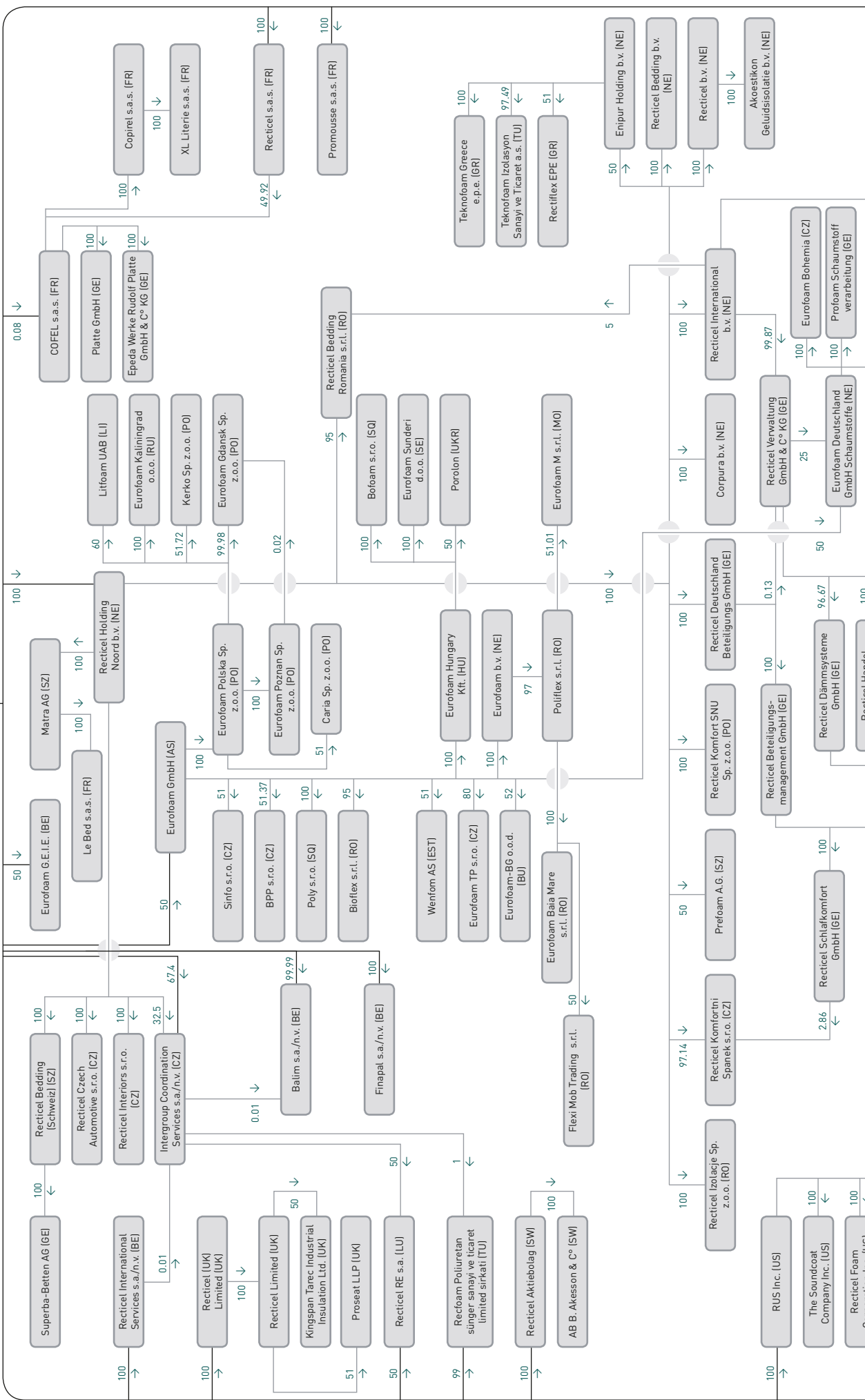
The risks and contingencies for which provisions have been set aside through application of the IFRS rules, are explained under note III.5.18 to the consolidated financial annual report. This refers more specifically to the provisions for litigation, product liability, environmental risks and costs of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

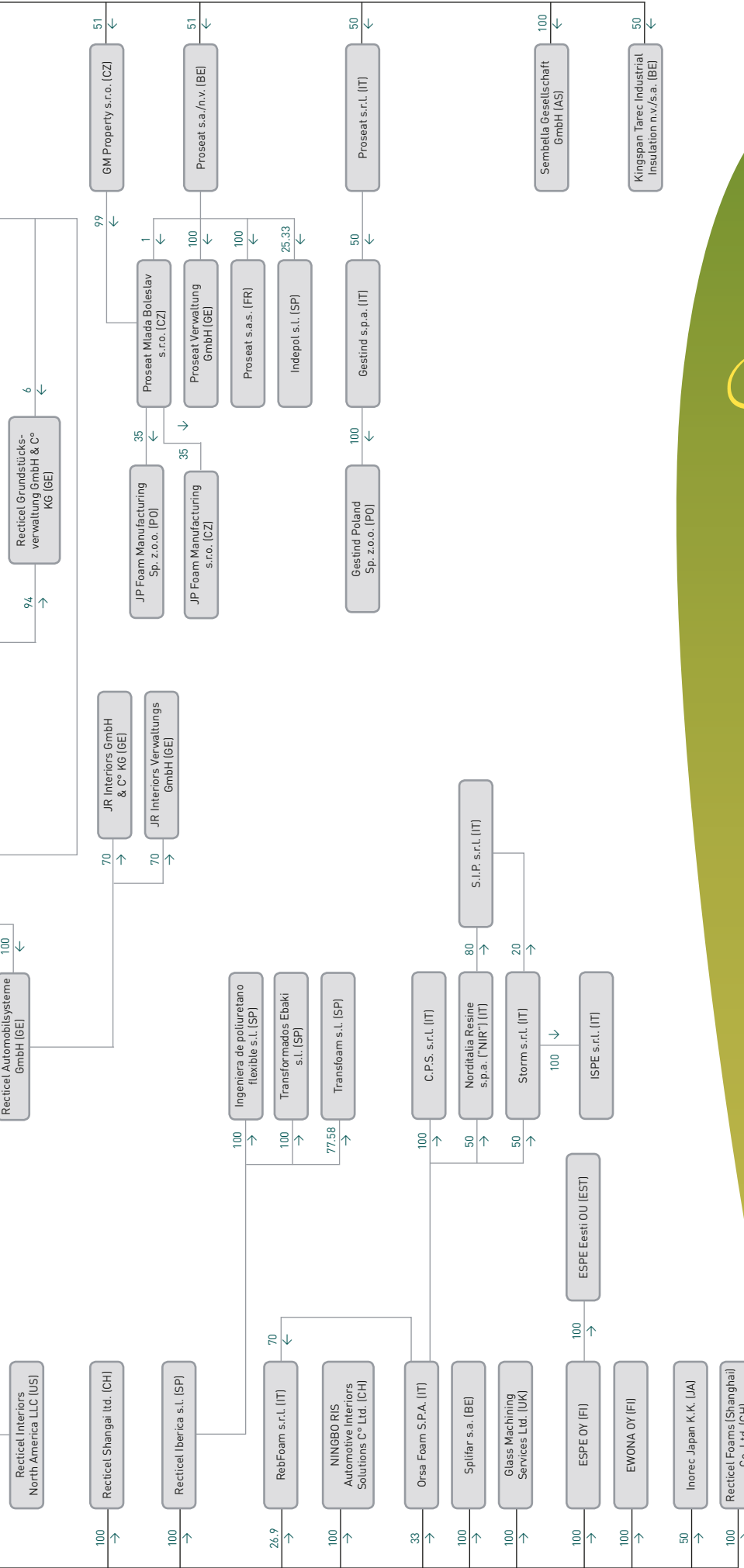
Recticel's Internal Audit Department participates in the implementation and operation of the control procedures in the broad sense and contributes to the in-depth discussions on the business risks within Recticel.

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 31/12/2007





// organigram



- (AS) Austria
- (BE) Belgium
- (BU) Bulgaria
- (CH) China
- (CT) Croatia
- (CZ) Czech Republic
- (ESt) Estonia
- (FI) Finland
- (FR) France
- (GE) Germany
- (GR) Greece
- (HU) Hungary
- (IT) Italy
- (JA) Japan
- (LI) Lithuania
- (LU) Luxembourg
- (NE) Netherlands
- (MO) Moldova
- (PO) Poland
- (RO) Romania
- (RU) Republic of Belarus
- (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

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Financial calendar for shareholders

First quarter 2008 trading update	07 May 2008 (before market opening)
Annual General Meeting 2008	20 May 2008
Payment of dividend (coupon No 14)	30 May 2008
Announcement of the half-yearly results 2008	28 August 2008 (before market opening)
Third quarter 2008 trading update	07 November 2008 (before market opening)
Announcement of the yearly results 2008	06 March 2009 (before market opening)
First quarter 2009 trading update	07 May 2009 (before market opening)
Annual General Meeting 2009	12 May 2009

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