

ANNUAL REPORT 20

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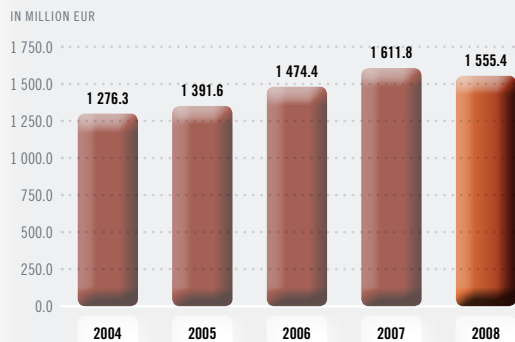


a confident belief in careful
stabilization

RECTICEL
The passion for comfort

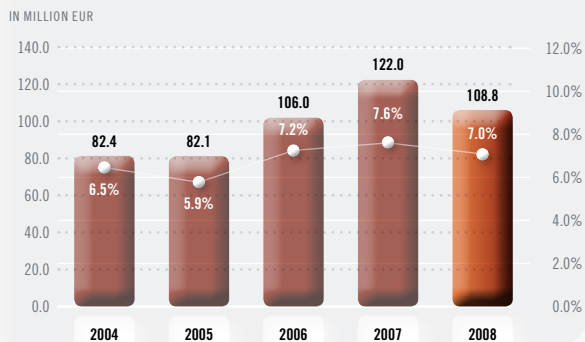
// Key figures

// Consolidated sales



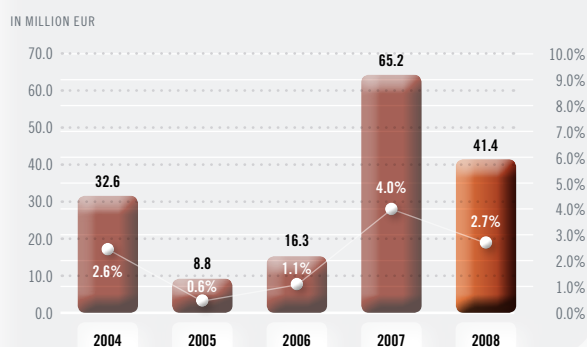
Sales

// Consolidated EBITDA & EBITDA margin



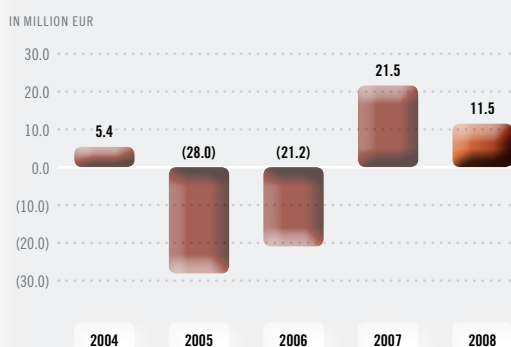
EBITDA EBITDA as % of sales

// Consolidated EBIT & EBIT margin



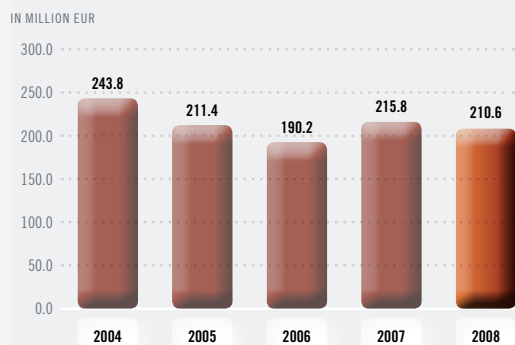
EBIT EBIT as % of sales

// Consolidated net result (Group share)



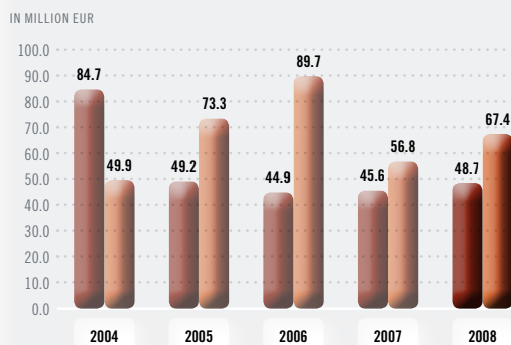
Consolidated net result (Group share)

// Shareholders' equity (Group share)



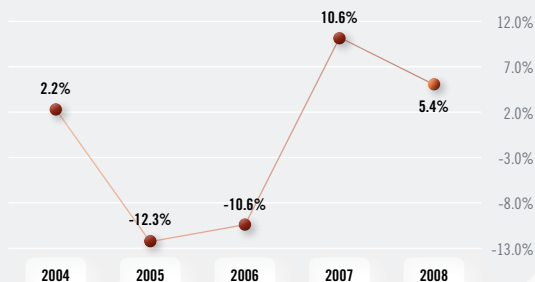
Shareholders' equity (Group share)

// Investments versus depreciation

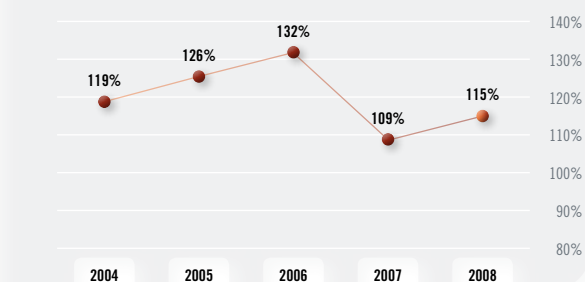


Investments Depreciation

// Return on equity (ROE)



// Net financial debt / Shareholders' equity (incl. minorities)



// Key figures

IN MILLION EUR

	2008	2007	2006	2005	2004
Consolidated income statement					
Sales	1 555.4	1 611.8	1 474.4	1 391.6	1 276.3
EBITDA ⁽¹⁾	108.8	122.0	106.0	82.1	82.4
REBITDA ⁽¹⁾	86.8	123.4	138.0	94.1	81.2
Operating result	41.1	63.2	16.0	11.1	31.9
EBIT ⁽²⁾	41.4	65.2	16.3	8.8	32.6
REBIT ⁽²⁾	31.7	67.9	49.9	12.5	31.3
Financial result	(26.4)	(28.7)	(25.0)	(27.9)	(21.5)
Result before taxes	15.0	36.5	(8.7)	(19.1)	11.0
Result of the period after taxes (share of the Group)	11.5	21.5	(21.2)	(28.0)	5.4
Profitability ratios					
EBITDA / Sales	7.0%	7.6%	7.2%	5.9%	6.5%
Operating result / Sales	2.6%	3.9%	1.1%	0.8%	2.5%
EBIT / Sales	2.7%	4.0%	1.1%	0.6%	2.6%
Result of the period after taxes (share of the Group) / Sales	0.7%	1.3%	-1.4%	-2.0%	0.4%
ROE = Result of the period after taxes (share of the Group) / Total equity (Group share) ⁽³⁾	5.4%	10.6%	-10.6%	-12.3%	2.2%
ROCE = Return on capital employed ⁽⁴⁾⁽⁶⁾	8.0%	12.3%	3.0%	1.5%	5.4%
Annual growth rates					
Sales	-3.5%	9.3%	6.0%	9.0%	8.1%
EBITDA ⁽¹⁾	-10.8%	15.2%	29.0%	-0.3%	21.8%
Operating result	-34.9%	295.7%	44.2%	-65.2%	143.7%
EBIT ⁽²⁾	-36.5%	300.5%	85.3%	-73.0%	139.7%
Result of the period after taxes (share of the Group)	-46.4%	n.r.	-24.1%	n.r.	n.r.
Consolidated balance sheet					
Non-current assets	479.0	482.7	490.8	544.0	564.8
Current assets	419.8	407.9	428.5	402.5	420.2
TOTAL ASSETS	898.8	890.7	919.3	946.5	985.0
Equity - Minority interests included	233.7	248.3	228.4	251.2	281.4
Provisions and deferred taxes	67.5	72.5	77.7	66.6	57.7
Long term interest-bearing borrowings	268.1	161.6	227.7	273.7	295.5
Short term interest-bearing borrowings	68.9	150.8	99.5	69.9	66.3
Other payables and short term liabilities	260.6	257.5	286.0	285.1	284.2
TOTAL LIABILITIES	898.8	890.7	919.3	946.5	985.0
Net working capital ⁽⁸⁾	105.7	119.0	130.9	100.4	124.1
Market capitalisation (December 31st)	118.0	289.3	274.8	212.5	223.8
Minority interests	23.1	32.5	38.2	39.8	37.6
Net financial debt ⁽⁵⁾	268.6	270.9	301.9	317.5	334.7
ENTERPRISE VALUE	409.7	592.7	615.0	569.8	596.1
Average capital employed ⁽⁶⁾	514.5	531.6	547.1	584.2	598.7
Financial structure ratios					
Net financial debt / Equity ⁽⁷⁾	115%	109%	132%	126%	119%
Equity / Total assets ⁽⁷⁾	26.0%	27.9%	24.8%	26.5%	29%
Current ratio ⁽⁹⁾	1.28	1.00	1.12	1.14	1.20
Valuation ratios					
Price / Earnings (Market capitalisation (Dec 31st) Result of the period (Group share)) ⁽¹⁰⁾	10.2	13.4	n.r.	n.r.	41.7
Enterprise value / EBITDA	3.8	4.9	5.8	6.9	7.2
Price / Book value (= Market capitalisation/Book value (Group share))	0.6	1.3	1.4	1.0	0.9

- (1) EBITDA = operating result + income from investments + depreciation, amortisation and impairment on assets; REBITDA = EBITDA minus non-recurring elements
(2) EBIT = operating result + income from investments
REBIT = EBIT minus non-recurring elements
(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 December 31st
Earnings = result of the period (share of the Group) per share

IN MILLION EUR

	2008	2007	2006	2005	2004	
Investments versus Depreciation						
Investments in intangible and tangible fixed assets	48.7	45.6	44.9	49.2	84.7	
Depreciation (excluding amortisation on goodwill, including impairment)	67.4	56.8	89.7	73.3	49.9	
Investments / Sales	3.1%	2.8%	3.0%	3.5%	6.6%	
Consolidated sales per business line						
Flexible foams	645.6	665.6	632.8	526.6	493.6	
Bedding	349.5	396.4	375.1	366.8	368.3	
Insulation	156.4	139.7	109.7	101.6	95.8	
Automotive	474.2	490.4	426.9	461.8	376.7	
Eliminations	(70.3)	(80.2)	(70.1)	(65.3)	(58.1)	
TOTAL SALES	1 555.4	1 611.8	1 474.4	1 391.6	1 276.3	
EBITDA per business line						
Flexible foams	31.2	41.8	42.9	34.7	34.4	
Bedding	16.9	26.9	25.0	24.9	20.9	
Insulation	27.3	24.6	14.8	11.6	11.6	
Automotive	50.1	40.6	26.0	21.0	25.7	
Corporate	(16.7)	(11.8)	(2.8)	(10.0)	(10.1)	
TOTAL EBITDA	108.8	122.0	106.0	82.1	82.4	
AS % OF SALES OF THE BUSINESS LINE						
EBITDA margin per business line						
Flexible foams	4.8%	6.3%	6.8%	6.6%	7.0%	
Bedding	4.8%	6.8%	6.7%	6.8%	5.7%	
Insulation	17.4%	17.6%	13.5%	11.4%	12.1%	
Automotive	10.6%	8.3%	6.1%	4.5%	6.8%	
DATA PER SHARE						
Number of shares (December 31st)	28 931 456	28 931 456	28 628 900	28 333 010	28 333 010	
Weighted average number of shares outstanding (before dilution)	28 931 456	28 935 874	28 316 816	27 935 210	27 935 210	
Weighted average number of shares outstanding (after dilution)	29 172 611	31 167 169	28 316 816	27 935 210	28 543 971	
IN EUR						
Data per share						
EBITDA ⁽¹⁾	3.76	4.22	3.74	2.94	2.95	
Operating result ⁽¹⁾	1.42	2.18	0.56	0.40	1.14	
EBIT ⁽¹⁾	1.43	2.25	0.58	0.31	1.17	
Result of the period (share of the Group) - Basic ⁽¹⁾	0.40	0.74	(0.75)	(1.00)	0.19	
Result of the period (share of the Group) - Diluted	0.40	0.74	(0.75)	(1.00)	0.19	
Gross dividend	0.17	0.25	0.17	0.17	0.17	
Pay-out ratio	43%	34%	n.r.	n.r.	88%	
Net book value (Group share)	7.28	7.46	6.64	7.46	8.60	
IN EUR						
Share prices						
Ordinary share	on December 31	4.08	10.00	9.60	7.50	7.90
	lowest of the year	4.08	8.95	7.52	6.50	6.00
	highest of the year	9.96	11.69	10.30	8.36	8.70
	average daily volume traded (units)	23 530	29 462	35 914	26 952	14 386
VVPR share	on December 31	4.20	9.70	9.31	7.55	8.35

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

ANNUAL REPORT 20

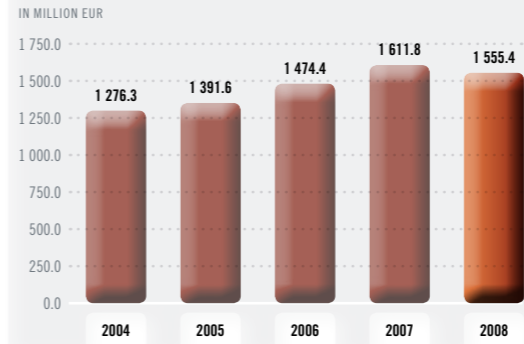
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a confident belief in careful
stabilization

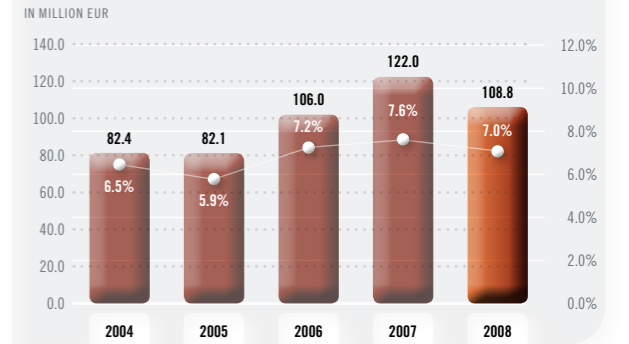


// Key figures

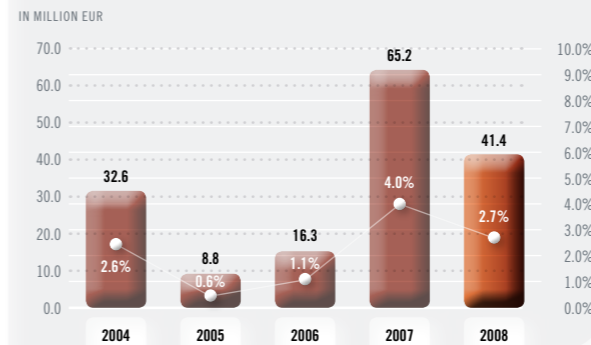
// Consolidated sales



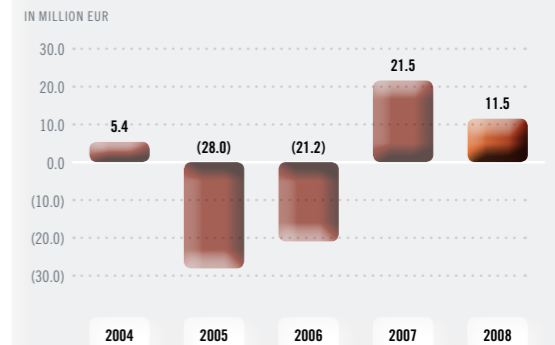
// Consolidated EBITDA & EBITDA margin



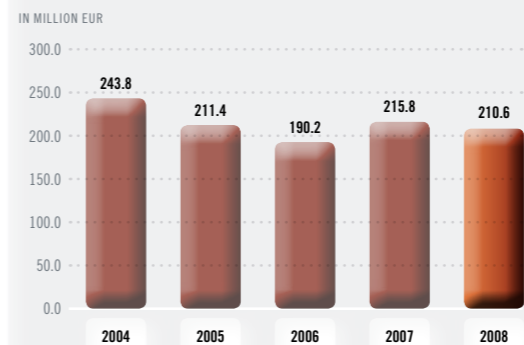
// Consolidated EBIT & EBIT margin



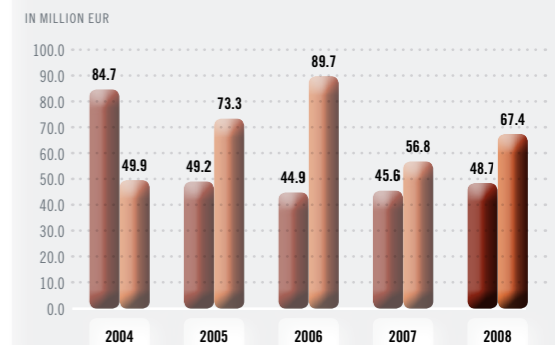
// Consolidated net result (Group share)



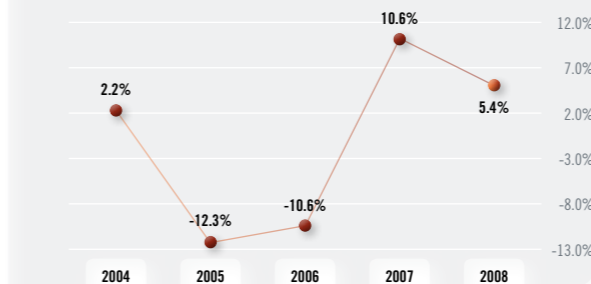
// Shareholders' equity (Group share)



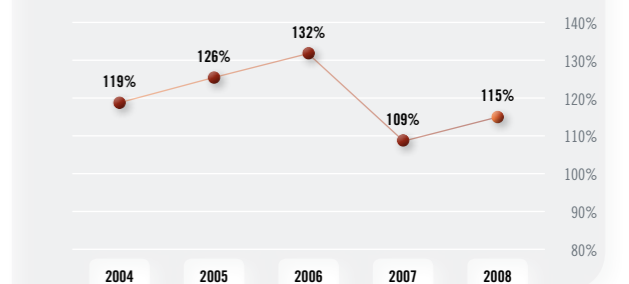
// Investments versus depreciation



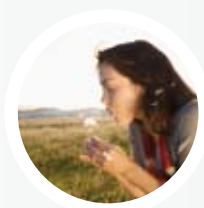
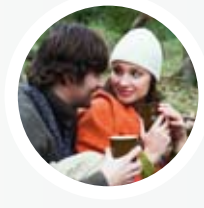
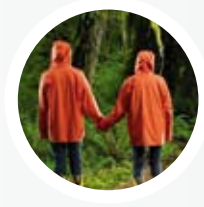
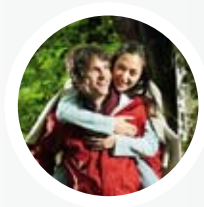
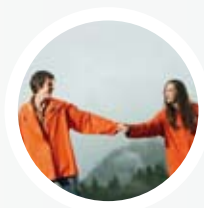
// Return on equity (ROE)



// Net financial debt / Shareholders' equity (incl. minorities)



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FUTURE OUTLOOK

This document contains certain quantitative and qualitative declarations and expectations regarding the future results and financial position of the Recticel Group. Naturally, such declarations cannot constitute any guarantee of future performance, since they entail a number of risks and uncertainties concerning future events and developments. Prudence is advisable when interpreting these future expectations, as the actual future results and events may be influenced by one or more internal or external factors. Consequently, the actual results and performance may differ significantly from the postulated outlook, objectives and possible declarations. The most important and most relevant risk and uncertainty factors are described in more detail in the chapter "Asset and risk management" of this annual report. Recticel makes no undertaking to provide updates on any changes and developments in these risk factors or to publicise their potential impact on the outlook, either immediately or with some delay.

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// INTRODUCTION



the strength to stand in a challenging environment



the passion for comfort

Under the motto *The 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. These insulation products are marketed under well-known brand names (Eurowall, Powerroof and Powerdeck).

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 11,388 employees in some 120 establishments in 27 countries. The Group operates predominantly throughout Europe, but it also pursues a number of activities in the United States and Asia. In 2008 the Group realised a turnover of EUR 1,555 million.

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 2008 and beginning 2009

☞ 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 mainly refinances the outstanding amounts under the syndicated loan of 2004, which would expire at the end of 2008, and the EUR 50 million subordinated loan at 10%, expiring in July 2009.

☞ APRIL 2008

GRADIENT Ltd

Recticel finalised the full acquisition of UK company Gradient Ltd. The Group had already signed a declaration of intent with regard to the acquisition in September 2007. Gradient Ltd operates within the flat roof market. This acquisition is to enable the building insulation division of the Recticel Group to assume its position more quickly and efficiently on the flat roof market in the United Kingdom.

☞ MAY 2008

CORPURA

AMS (Advanced Medical Solutions Group plc (United Kingdom)) and Recticel reached an agreement to form a joint venture relating to Corpura B.V., Recticel's fully owned subsidiary.

As a result of this transaction AMS has acquired 49.4% of the Corpura shares. Corpura is active in hydrophilic polyurethane foams, which is one of the largest and fastest growing segments of the advanced wound care market. It is an ideal material for the treatment of medium to high exudate chronic wounds and for delivery of active technologies to prevent infection and help accelerate wound healing.

☞ JULY 2008

NEW INSULATION PLANT

Recticel launched a new state-of-the-art plant in Stoke-on-Trent (United Kingdom) for the production of building insulation panels. With this new unit, the Group aims to boost its growth on the important British market for insulation materials in the construction industry.

PROSEAT

Proseat (joint venture between Recticel (51%) and Woodbridge (49%)) has signed an agreement for the takeover of all the shares of Indepol, a Spanish moulded foam manufacturer located near Barcelona.

In January 2005, Proseat already acquired a 25% interest in Indepol. By purchasing the remaining 75% of the shares, Proseat has now increased its stake in Indepol from 25% to 100%.

Through the earlier integration of Woodbridge's seat cushion activities in the United Kingdom (Manchester) in the Proseat joint venture (since 1 March 2007) and the full integration of Indepol of Spain now, Proseat further consolidates its leading position as independent moulded foam manufacturer in Europe and in particular within the Iberian peninsula.

☒ OCTOBER 2008

EXTERIORS - BASF

BASF took over the worldwide compounds' business of polyurethane (PU)-systems for glass encapsulation from Recticel for EUR 38.2 million.

The acquisition comprises the compounds' business from Recticel's exteriors division in Europe, the USA and Asia. BASF has acquired the aromatic polyurethane compounds' business as well as the patented aliphatic light stable compounds, which are known under the brand name Colofast®.

☒ DECEMBER 2008

BREKKE INDUSTRIER AS

Recticel took over the entire polyurethane foam production and polyurethane mattress activities of Brekke Industrier AS in Norway, Finland and Estonia. Through this new acquisition, Recticel has become the leading polyurethane foam manufacturer in Northern Europe.

☒ DECEMBER 2008 - JANUARY 2009

BUY-BACK OF CONVERTIBLE BONDS

Given the sharp falls on the international convertible bond markets, Recticel decided to buy back EUR 12.1 million of the original EUR 57.5 million subordinated convertible bond loan. The purchase price of these bonds amounted to 52.5% of their nominal value, after inclusion of transaction costs.

// Letter to the shareholders

2008 was an atypical year for Recticel in various respects. Just as in other businesses and sectors, the Group's results in the last quarter of the year were particularly hard hit by the slump in the world economy in general and in the automotive sector in particular. As a result, the advances made at various levels during the first six months could not be maintained in the second half of the year.

When defining the objectives for the medium term (2010) last year, our Group had assumed that the economic slowdown would remain limited on the whole. In retrospect, we have to acknowledge that the economic recession has proved to be far deeper than originally estimated. Nevertheless, from the operational point of view, Recticel finally achieved progress, or at least limited damage, in all its business lines, bar Automotive. Following on from this, the Group was actually able to consolidate its position further in a number of its markets.

For that matter, it has always been the Group's strategy to operate in a balanced, consistent manner in a variety of markets and sectors. We have always been convinced that this diversification in activities allows healthy results to be recorded, even in a weaker economic climate. Although the present economic recession is more or less general, the markets and sectors in which Recticel operates are reacting in very different ways. Not only do these markets follow their own logic, but also they have development cycles which are rarely synchronised. It is the Group's firm belief that in the current economic context it is sufficiently well-armed to maintain its positions in the various markets, if not to consolidate them further, and in this way to offer its stakeholders the necessary stability.

From the strategic point of view, Recticel again took a number of steps in 2008 to consolidate its market positions further. Towards the end of the year, it took over a number of activities of the Nordic Brekke Industrier AS, one of the leading players in the flexible foams market in Northern Europe. Earlier in the year, Recticel also consolidated its presence in the United Kingdom. In addition to the takeover of the British Gradient Ltd, the construction insulation division also started up a new state-of-the-art plant in Stoke-on-Trent for the production of thermal insulation panels. The Automotive business line, for its part, redirected the focus of its activities somewhat. After Proseat had first further increased its stake in the Spanish Indepol (car seat cushions) to 100%, the Group decided at the end of 2008 to dispose of its worldwide polyurethane systems customer portfolio for car window encapsulation (exteriors). These various steps underline our Group strategy, which in principle

consists of holding leading positions in our various markets. All these decisions are entirely in keeping with the strategic orientations announced at the end of 2007, in which it was opted for more balanced growth of all sectors and for stabilisation of the Automotive business line, coupled with a reduction in debt.

From the financial standpoint, Recticel has also made the necessary efforts for further optimisation of the funds deployed. Disciplined management of working capital, in combination with intelligent and sensible reduction of the investment budget (excluding acquisitions), has contributed to a slight fall in the Group's net financial debt at the end of 2008, in spite of the economic slowdown. Nevertheless, despite the buy-back of part of its convertible loan, the Group must continue to work as a priority on reducing the level of its financial debt.

The Group is abiding by its growth strategy in carefully chosen sectors, but in these uncertain times prudence is called for. This means that in 2009, the priority focus will be on cash flow and profitability. Investments will be scaled right down and cost-saving plans implemented.

In the context of the present difficult economic climate, the Group will more than ever have to show sufficient creativity, innovation and customer-orientation. Not only must this be emphasised and underpinned by the quality of our products, but also our characteristic service to customers and other stakeholders will have to be more clearly on display in all our actions. In short, working with Recticel must therefore be synonymous with reliability and superior quality of goods and outstanding service.

2008 Results

As already mentioned above, the positive trend in sales and results of past years continued in all business lines during the first nine months of the year. However, the progress made during this period was entirely wiped out by the world economy and the automotive market grinding to a halt in the fourth quarter. Measures were immediately taken at all levels for Recticel to adjust to this new reality.

In 2008, the Group still recorded sales amounting to EUR 1,555 million, which represents a fall of 3.5%. Flexible foams and Automotive were down 3.0% and 3.3% respectively. Bedding, on the other hand, was able to maintain its position on a comparable basis (sales: -0.7%), whilst Insulation was still able to progress by an impressive 12%. Favourable market conditions, high energy prices and heightened environmental awareness were at the basis of this.

Recticel recorded an EBITDA of EUR 108.8 million (-10.8% compared to 2007), which corresponds to an EBITDA margin on operating income of 7.0% (7.6% in 2007). In line with the lower sales, the results fell in the second half of the year as a consequence of more difficult market conditions. On the other hand, at the end of 2008, a non-recurring capital gain was recorded on the sale of the specialised compounds and customer portfolio (cfr. exteriors) to BASF.

The EBIT came to EUR 41.4 million (EUR 65.2 million in 2007). As is known, the 2008 result was largely influenced by a number of impairments (EUR 12.3 million) on predominantly automotive activities and additional restructuring costs in the various sectors. The EBIT margin on operating income consequently fell from 4.0% (in 2007) to 2.7%. The net result ended up as a profit of EUR 11.5 million, compared to a profit of EUR 21.5 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. At the beginning of 2008, the Group considered it essential to guarantee the necessary financial resources for the long term. Substantial loans were expiring in particular at the end of 2008 and mid-2009. Following the issue in July 2007 of a 10-year convertible loan amounting to EUR 57.5 million, in February 2008, the Group concluded a new 5-year club deal for EUR 230 million. Although these new resources have given the Group the necessary breathing space, they will be used primarily for the repayment of the outstanding amounts under existing loans.

Transparency and open communication

Last year, Recticel was awarded the prestigious ABAF-BVFA (Belgian Association of Financial Analysts) Prize for Best Annual Report 2007. This recognition once again underlines that our Group attaches the greatest importance to informing its stakeholders as fully and transparently as possible. We therefore hope that this new annual report provides you with the necessary information to allow you to form the clearest possible picture of our Group.

Competence and talent management

In 2008, the first preparations were made to develop an innovative personnel policy within the Group. To attract and retain dedicated, enthusiastic and specialised staff will be more than ever before of decisive importance to achieve success in the future. Recticel has already shown on several occasions in the past that it is prepared to call itself and its working methods into question. As regards the human resources policy, we think that the time is now ripe, with more vision and energy, to trace out new guidelines for the future. The definition of the Group's future needs and the determination of the qualities and potential of all our staff are the key factors here. In the coming years, these two factors will be geared to one another as efficiently as possible through proactive competence and talent management.

Outlook

In the present uncertain macroeconomic climate, it is very difficult, and therefore delicate, to make precise quantitative forecasts. Nevertheless, we think that Recticel is sufficiently well-armed to face up to the various challenges with courage, confidence and vigour.

In concrete terms, the Group has already implemented a large number of measures to maintain profitability. Depending on the countries and the local market conditions, steps have been taken in the field of redundancies, reorganisations and ongoing actions to limit or reduce operating costs.

Dividend

The Group has always applied the commitment entered into with regard to dividend policy consistently and reasonably. The Board of Directors has always started from the principle of increasing the dividend each year, whenever possible. In addition, when appropriating the profit, the attempt is always made to find the right balance between the guarantee of a stable dividend and maintaining sufficient investment opportunities to secure the growth of the company and the balance-sheet structure in the longer term. In the past, even in a number of difficult years (including a few with a net loss), the Group has paid a dividend of EUR 0.17 per share. After good results in 2007, the dividend was even raised to EUR 0.25 per share. In the present extremely uncertain macroeconomic climate and in view of the lower results for 2008, it is reasonable to reduce the dividend once more to EUR 0.17 per share.

Expression of thanks

Finally, on behalf of the Board of Directors and the Management Committee, we wish to thank all our shareholders and customers for their confidence during the past year. The Group's achievements in the past year would also have been impossible without the contribution of our suppliers, financial and other trading partners. Our thanks are also extended to the employee representatives for their steadfast cooperation and willingness for dialogue. We also wish in particular to express our special thanks to our thousands of staff members whose ideas, dedication, input and loyalty have made this once again an unforgettable year

Brussels, 6 March 2009



Luc Vansteenkiste
Chief Executive Officer



Etienne Davignon
Chairman of the Board



// RECTICEL – ANNUAL RESULTS 2008

- ➔ Sales of EUR 1,555.4 million
- ➔ Result for the period (share of the Group): EUR 11.5 million
- ➔ EBITDA 2H/08: EUR 45.7 million compared to 1H/08: EUR 63.1 million
- ➔ 2H/08 affected by evolution of automotive sector
 - ⊖ falling volumes in Automotive
 - REBITDA⁽¹⁾ 2H/08: EUR -1.9 million compared to 1H/08: EUR +25.1 million
- ⊖ significant slowdown in automotive market also affects Flexible foams (technical foams division)
- REBITDA⁽¹⁾ 2H/08: EUR 11.3 million compared to 1H/08: EUR 23.4 million
- ➔ Adjustment measures taken since end-2008 in order to deal with the economic environment
- ➔ Proposal to pay gross dividend of EUR 0.17 per share

(1) REBITDA = EBITDA - non-recurring elements

// KEY FIGURES

IN MILLION EUR

	2008	2H/2008	1H/2008	2007	Δ 08/07	2007 RESTATE ⁽⁵⁾	Δ 08/07
Sales	1 555.4	731.5	823.9	1 611.8	-3.5%	1 580.0	-1.6%
Gross profit	220.8	89.6	131.3	255.0	-13.4%	245.7	-10.1%
as % of sales	14.2%	12.2%	15.9%	15.8%		15.6%	
EBITDA⁽⁴⁾	108.8	45.7	63.1	122.0	-10.8%	119.2	-8.7%
as % of sales	7.0%	6.3%	7.7%	7.6%		7.5%	
EBIT	41.4	5.1	36.3	65.2	-36.5%	63.0	-34.3%
as % of sales	2.7%	0.7%	4.4%	4.0%		4.0%	
Result for the period (share of the Group)	11.5	(6.3)	17.8	21.5	-46.4%	21.5	-46.4%
Result for the period (share of the Group) per share - Basic (in EUR)	0.40	(0.22)	0.62	0.74	-46.4%	0.74	-46.4%
Gross dividend per share (in EUR)	0.17⁽¹⁾	-	-	0.25	-32.0%	-	
Equity, minority interests included	233.7⁽⁶⁾	233.7	260.7	248.3⁽⁶⁾	-5.9%		
Net financial debt	268.6	268.6	320.4	270.9	-0.9%		
Debt ratio	115%	115%	123%	109%			
Average capital employed ^{(2) (3)}	551.3	545.3	557.3	536.7	2.7%		
ROCE = Return on capital employed ⁽³⁾	7.5%	1.9%	13.0%	12.2%			
ROE = Result for the period (share of the Group) / Equity (share of the Group) ⁽³⁾	5.2%	-5.7%	16.0%	10.8%			

(1) – Proposed dividend payment.

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

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

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

(5) Restated on the basis of proportional consolidation of Copirel SAS to be comparable with the consolidation method applied for the 2008 financial year as a whole.

(6) See annex 'Statement of changes in shareholders' equity'.

General analysis

The positive trend and operational performance of the first half of 2008 could not be sustained in the second half of the year. In particular, the abrupt slowdown in the economy in general and in the automotive sector in particular depressed the results of the final months.

Compared to 2007, **sales** fell in 2008 by 3.5% to **EUR 1,555.4 million**. Exchange rate differences had a net impact of -0.48% on sales.

Taking account of the change in the method of consolidation for Copirel SAS (Bedding France) to proportional consolidation as of 1 January 2008 (50% instead of 100%), sales were only 1.6% down on the previous year's figures.

In addition, the following changes in the scope of consolidation must be taken into account:

- The integration into the Proseat joint venture (Automotive) of Woodbridge's seat cushion activities in the United Kingdom (since 1 March 2007).
- The integration of Espe oy and Ewona oy, Finland (Flexible Foams) (since 1 July 2007).
- The integration of Gradient, UK (Insulation) (since 1 April 2008).
- The integration of hitherto non-consolidated entities: Transfoam s.l. and Transfoamados Ebaki s.l. (both Flexible foams, Spain), Teknofoam Hellas e.p.e. (Flexible foams, Greece) and Ningbo RIS Automotive Interior Solutions Co. Ltd. (Automotive, China).

// BREAKDOWN OF SALES BY BUSINESS LINE

IN MILLION EUR

	2008	2H/2008	1H/2008	2007	Δ 08/07	2007 RESTATED ⁽¹⁾	Δ 08/07
Flexible foams	645.6	304.1	341.5	665.6	-3.0%	665.6	-3.0%
Bedding	349.5	180.8	168.7	396.4	-11.8%	352.2	-0.7%
Insulation	156.4	77.2	79.2	139.7	12.0%	139.7	12.0%
Automotive	474.2	205.6	268.6	490.4	-3.3%	490.4	-3.3%
Eliminations	(70.3)	(36.2)	(34.1)	(80.2)	-12.4%	(67.7)	3.8%
Total	1 555.4	731.5	823.9	1 611.8	-3.5%	1 580.0	-1.6%

(1) Restated on the basis of proportional consolidation of Copirel SAS to be comparable with the consolidation method applied for the 2008 financial year as a whole.

Group **EBITDA** amounted to **EUR 108.8 million**, down 10.8% compared to the previous year. On the other hand, the Insulation and Automotive business lines recorded growth.

It should be pointed out in this respect that the EBITDA of the Automotive business line was favourably influenced by a net non-recurring capital gain on the sale of the compounds and a customer portfolio (cfr. exteriors) to BASF. Disregarding this, the Flexible foams business line continues to make the largest contribution to total EBITDA.

// BREAKDOWN OF EBITDA BY BUSINESS LINE

IN MILLION EUR

	2008	2H/2008	1H/2008	2007	Δ 08/07	2007 RESTATE ⁽¹⁾	Δ 08/07
Flexible foams	31.2	8.7 ⁽³⁾	22.6	41.8	-25.2%	41.8	-25.2%
Bedding	16.9	9.1	7.8	26.9	-37.1%	24.0	-29.6%
Insulation	27.3	12.6	14.7	24.6	11.1%	24.6	11.1%
Automotive	50.1 ⁽²⁾	25.0	25.1	40.6	23.4%	40.6	23.4%
Eliminations	(16.7)	(9.5)	(7.2)	(11.8)	41.7%	(11.8)	41.7%
Total	108.8	45.7	63.1	122.0	-10.8%	119.2	-8.7%

(1) Restated on the basis of proportional consolidation of Copirel SAS to be comparable with the consolidation method applied for the 2008 financial year as a whole.

(2) Including non-recurring elements.

(3) Including restructuring costs and restructuring provisions.

The fall is mainly attributable to the difficult second half of the year. EBITDA was also influenced by a number of non-recurring elements (net EUR +22.0 million). These non-recurring elements related chiefly to restructuring costs in the Automotive business line (Germany, Spain and Belgium), the Flexible foams business line (Spain and the United Kingdom) and the Bedding business line (Switzerland), and capital gains, of which the sale of the customer portfolio and the specialised compounds (Automotive – exteriors) to BASF at the end of 2008 is the most important.

The **financial result** came to **EUR -26.4 million** (EUR -28.7 million in 2007).

The net interest charges (EUR -24.4 million) fell slightly by EUR 0.8 million, in spite of the effect of higher market interest rates. This fall is attributable to the fact that a considerable proportion of the financial debt was contracted at fixed interest (including the convertible bond loan at 5% p.a.) and that the interest rate risk was further hedged by means of derivatives. At the beginning of 2008, a syndicated loan was refinanced at more favourable conditions. The average outstanding debt remained stable compared to 2007.

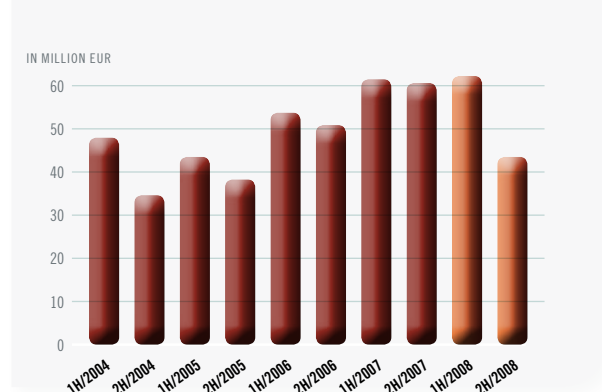
In addition to the lower net interest charges, the financial result was also influenced by the more favourable trend in the item 'other financial income and expenses' (EUR -2.0 million). The reduction in the latter compared to 2007 (EUR -3.6 million) is mainly attributable to lesser negative exchange rate differences (hedging of exchange rate risks in CZK) and the capital gain on the purchase of own convertible bonds at the end of 2008.

Income taxes and deferred taxes fell from EUR -14.3 million to **EUR -10.4 million** and comprise the following:

- Income taxes (EUR -4.4 million, compared to EUR -9.3 million in 2007), mainly payable by subsidiaries in Eastern Europe, Germany and Sweden.
- Deferred taxes (EUR -6.0 million, compared to EUR -5.0 million in 2007).

Minority interests (EUR 6.9 million compared to EUR -0.6 million in 2007) relate mainly to Proseat (Automotive).

// Evolution EBITDA 2004 - 2008



EBIT closed at **EUR 41.4 million**, compared to EUR 65.2 million in 2007.

In 2008, the net non-recurring elements amounted to EUR +9.7 million (EUR -2.6 million in 2007). These concerned the above-mentioned non-recurring EBITDA elements, as well as a number of extraordinary impairments on assets in the Automotive (Interior Solutions) and Bedding (Switzerland) business lines.

The Group recorded a **net profit (Group share)** in 2008 of **EUR 11.5 million**, compared to a net profit in 2007 of EUR 21.5 million.

In view of the current extremely uncertain macroeconomic climate, the Board of Directors will ask the General Meeting of Shareholders on 12 May 2009 to reduce the gross dividend from EUR 0.25 to EUR 0.17 per share. This is in line with a payment ratio of 42.6% or a gross dividend yield on the basis of the closing price of 5 March 2009 of 7.59%.

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.

Financial situation

In February 2008, the Recticel Group concluded a club deal transaction with 10 major European banks for a new 5-year (maturing in 2013) multi-currency loan of EUR 230 million. This loan was concluded at more favourable conditions than the previous syndicated loan of 2004 and in the meantime has been used to repay in full the amounts still outstanding under the previous loan, which was due to expire at the end of 2008. This new loan will also refinance the EUR 50 million subordinated loan at 10%, which expires in July 2009.

The net financial debt fell slightly from EUR 270.8 million (at the end of 2007) to EUR 268.6 million at the end of 2008. The level of debt therefore amounts to 115% of equity, as opposed to 109% at the end of 2007.

Adjustment measures

To face up to the various challenges in the current turbulent market conditions, Recticel is making every endeavour to react as best it can. Where appropriate, planned investments and costs are scaled down, the working capital is managed optimally and redundancies on economic grounds are introduced.

In this context, the Group has also announced the intention of already reorganising a number of production sites now. These reorganisations (in Spain, France, the United Kingdom and Germany) could affect a total of about 375 jobs. If the economic decline

continues, the Group does not preclude having to take additional measures.

Outlook

The adjustment measures will produce their effects in 2009. The unpredictability of the current economic situation obliges the Group to assess the impact of these measures on an ongoing basis and, if necessary, to step in quickly to make adjustments.

Dividend

After noting the general prospects, the Board of Directors will propose to the General Meeting of Shareholders on 12 May 2009 a gross dividend of EUR 0.17 per share (EUR 0.1275 net for ordinary shares, EUR 0.1445 net for VVPR shares), which compares to EUR 0.25 of last year.

Profit appropriation policy

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

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

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

	IN EUR
Profit for the financial year	+ 5 354 144.24
Profit brought forward from previous year	+ 28 809 848.99
Results to be appropriated	= 34 163 993.23
Gross dividend	- 4 918 347.52
Statutory directors fees	- 73 922.20
Profit to be carried forward	= 29 171 723.51

01

// The Recticel Group

A photograph of a man and a woman in a lush green forest. The man is carrying the woman on his shoulders. They are both smiling and looking towards the camera. The man is wearing a red jacket and grey pants, and the woman is wearing a light blue jacket and blue pants. They are standing on a wooden boardwalk that winds through the forest. The trees are tall and thin, with moss growing on their trunks. The foliage is dense and vibrant green. The overall atmosphere is peaceful and natural.

a chosen course of action
based on clear insight

// Our mission

the passion for comfort

// Recticel wishes in a consequent manner:

- ➔ 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



// Our Group values

- ➔ Creativity & innovation
- ➔ Team spirit
- ➔ Responsible entrepreneurship
- ➔ Respect for the individual, the environment and business partners
- ➔ Search for excellence

// Our Group vision

- ➔ Customer oriented 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

When defining its strategy, Recticel in principle has allowed itself to be guided by its first-rate expertise in polyurethane foam, in terms of both material and production processes, on the one hand, and its years of experience in comfort marketing and technology, on the other. Consequently, Recticel can today be justifiably considered as a unique, cohesive Group organised around four business lines (Flexible foams, Bedding, Insulation and Automotive).

In each of its business lines, the Group has for many years held prominent market positions. Recticel has managed to secure these positions through a well-thought-out combination of market-oriented 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 organisation to achieve coherently and consistently.

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

1. Recticel aims for the best possible achievement and management of volumes of production and sales.
2. Recticel invests in strong brand names so as to secure and expand its market positions. By keeping to a vigorous brand policy, the Group intends to be well-armed to ensure sufficient profitability.
3. Via research, development and innovation, Recticel aims to have the necessary capacities in each of its business lines not only to maintain its technical and technological expertise in polyurethane foam, but where possible to broaden it further.

Heedful of this Group strategy, Recticel intends to be among the best in the class on the basis of its following **strengths**:

- ☒ Recticel has built up a strong presence in Central and Eastern Europe since 1990. This presence is very important because it enables the Group to produce at a lower cost. On the other hand, this local presence is of crucial importance as it allows its response to be flexible and targeted to the ever growing local consumer needs.
- ☒ In addition to its production infrastructure in the emerging markets of Central and Eastern Europe, the Group also has a valuable, adapted industrial network throughout the 'old' Europe. In contrast to the activities in Central and Eastern Europe, the Group's preferred policy in Western Europe is to respond to all kinds of new needs, market trends and specific opportunities.
- ☒ Recticel is one of the few operators with an extensive, competent research centre at its disposal, which focuses on new PUR applications and the research and production 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 future development of its unique, patented Colofast Spray® technology for the interior trim of cars, with a view to being 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 11 plants, 8 of which are in Europe, 2 in the United States and 1 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.

// Synergy

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

Technology

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

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. All plants, including the joint ventures, benefit from this. The Group has also taken steps to ensure that purchases of other strategic raw materials are far more cost-efficient. For instance, initiatives have been taken in the Bedding business line to ensure optimum combination of purchases of latex, textiles and metal components.

Complementarity

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 division, for example, are used in the automotive industry and polyurethane

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

Given the nature of the various markets in which the Group operates, it is necessary to devise marketing strategies tailored to the individual markets. Nevertheless, there are also parallels. For instance, the major advertising campaign for Literie Bultex® (Bedding business line) 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 visibility.

Recycling

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

// Corporate social responsibility

At Recticel, we start out from the idea that corporate social responsibility is a harmonious combination of various factors. Fundamentally, we think that corporate social responsibility integrates profitable economic growth, responsible social partnership, ecological use of natural raw materials and the development and well-being of employees. Recticel endeavours to include these sometimes conflicting aspects in a sound, balanced way in the day-to-day management. In this respect, both the short-term and the long-term consequences for the present and future generations are taken into account.

Already for many years, Recticel, as a responsible organisation, has committed to conducting a sustainable policy based on the following specific pillars: quality, health, safety and environment. To achieve its objectives, the Group has a preference for developing strong relations and initiatives with all its stakeholders. At organisational level, the Group has therefore already for a number of years been introducing various guidelines and rules of conduct internally 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.

Corporate social responsibility in the emerging countries

Recticel has already been operating in Central and Eastern Europe since 1990. Although the switch of production to Eastern Europe was prompted initially by the relocation of the furniture industry, Recticel has also always recognised the growth potential of these new markets. Recticel has never underestimated the challenges in these new regions and, what is more, has viewed the trend more as an important strategic opportunity. To take full advantage of these possibilities, Recticel's objective has always been to comply with all the fundamental legal and ethical principles of corporate social responsibility. From the environmental point of view too, there were a number of basic principles which have been followed. Today, this policy has led to the difference between the 'turnover by origin' and the 'turnover by destination' becoming far smaller. In other words, the production of goods now takes place closer to the end markets, which ultimately economises on transport costs. In addition, the exchange rate risk has also been reduced and it is possible to draw on a wider network of local market knowledge and technical skills. For the past couple of years, Recticel has also been operating in China, although for the time being still on a prudent, small scale.

Admission to the universe of sustainable investments

ETHIBEL

Recticel has been selected since the end of 2004 for inclusion in two investment registers for sustainable investments of the independent consultancy and rating agency ETHIBEL, i.e. the ETHIBEL Pioneer Investment Register and the ETHIBEL Excellence Investment Register (see www.ethibel.org). On 21 December 2008, these inclusions were again confirmed, as a result of which Recticel's corporate social responsibility (CSR) profile is continuously monitored.

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.

Forum 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 ETHIBEL Investment Registers can be found on www.ethibel.org.

Kempen/SNS SRI Universe

Furthermore, in mid-2008, after in-depth screening, Recticel was included for the first time in the Kempen/SNS SRI (Socially Responsible Investment) universe. This means that the ethical Orange SeNSE Funds of the Dutch Kempen/SNS can invest in Recticel. In the arguments in favour of inclusion, Recticel was commended for the significant progress it was making in the field of ethical, social and environmental policy, as well as in the implementation and reporting on this. In addition, a special mention was made of the Group's Business Control Guide and the related Safety, Health & Environment (SHE) Manual, which contains all the relevant rules, guidelines and sanctions to be complied with by all staff and the Group. Finally, it was recognised by the initiators that the health and environmental guidelines used by Recticel are particularly comprehensible and specific mention was made of the very clear formulation of the SHE management system.



// Research and development

As a socially responsible, future-oriented company, Recticel has always attached considerable importance to technological innovation. The Group will continue to promote this policy and attitude consistently and coherently in the future. Innovative ideas, technological improvements and new product developments are now the keys to sustainable progress, continuity and added value.

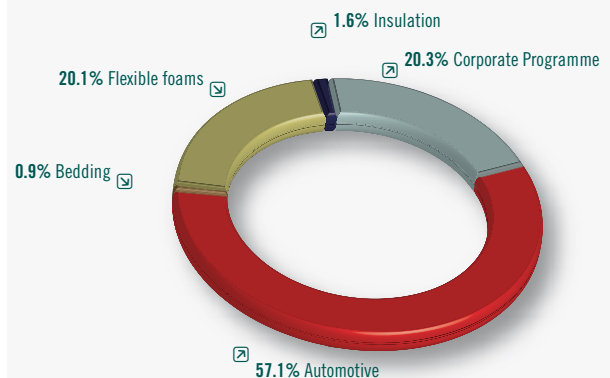
Customers and other stakeholders inevitably experience both ongoing and occasional needs at various levels, for which it is not always possible to give a ready-made answer immediately. With its constant concern to serve its customers with the best products and most attentive service, the Group has for many years run its own Research and Development Centre (the IDC – International Development Centre). Not only are concrete responses provided to ad hoc inquiries, but also solutions are drawn up essentially to future challenges and developments. Although the combination of environmental concerns, profitability targets and the commercial pressure of the markets represent a major challenge for the Group, Recticel views these phenomena more as structural opportunities. An example of this is the ever greater call to be able to step up the offer of new, more sustainable and lighter materials and products, which then possibly also integrate various functionalities with one another.

In the organisation of the research and development activities, it has appeared that centralised research activities are the best guarantee to capitalise on the specified needs more cost-efficiently and flexibly. Naturally, a great deal of attention is concentrated first and foremost on the development of new products with specific functionalities. However, alongside this, the IDC also focuses on the improvement of existing products and the further optimisation of existing production processes. Regarding the latter, endeavours are made to reduce the general consumption of raw materials and the volume of residual products and to enhance the efficiency of the production flows.

The IDC has a budget for this, which it distributes judiciously among the various business lines. Although the Automotive business line still accounts for the lion's share of the budget, the distribution among the various business lines is becoming far more even.

The various joint ventures can also call on the expertise of the Research and Development team. This creates a win-win situation. For the joint ventures, this means that recourse can be had more cheaply to valuable research and development services. On the other hand, as a result of the greater critical mass, the operational resources assigned can be used more efficiently. By providing access for all levels of the Group to the specialists of the Research and Development team, all communication channels with the various markets remain fully open, which is a must for good market-driven development. Just as in other fields, pooling know-how will not only increase efficiency, but at the same time speed up developments and boost creativity.

// 2008 Expenditure budget for Research and Development EUR 15.9 million (+4.8% compared to 2007)



www.idcpuresearch.com

In its endeavours also to make a contribution to the sustainability of business management, the Research and Development team also pay 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 welfare of all.

Applications have been made for 7 new patents during the past year and specifically work was carried out and/or significant advances were made regarding the following projects, among others:

- Further improvement of biofoams, which consist of an ever larger percentage of basic raw materials from renewable sources, with it also being possible to use these foam types in previously less accessible fields of application (including foam for bra cups, technical foams for watertight and airtight seals, etc.).
- Development of various types of technical foams for a very wide variety of applications, such as:
 - ☒ PureFoams (biofoams).
 - ☒ Polyurethane foam based on MDI isocyanates, which provides flexible foam with a more rigid or more sturdy structure.
 - ☒ A new type of vibration-absorbing foam for use in heavy-duty conditions (e.g. under railway lines, heavy machinery, etc.).
 - ☒ New very fine-celled and opened-celled reticulated Bulpren® foam for applications in non-damp environments, etc.
- Approval received from a number of car manufacturers for the 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.
- Research into further optimisation of the production of dashboard and door panel skins in the Colofast Spray® process, with a view to avoiding a number of 'lost' pieces of skin having to be punched out at a later stage.
- Research into further improvements in the sensation of foam and keeping end-foam clean.
- Development of a new generation of Colofast® materials with still fewer emissions of volatile compounds.

Corporate Programme

The Corporate Programme, started in 2006, is based on the principle 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 or for new business environments.

This approach entails new building blocks being created which must then lead to specific products or processes.

Feasibility studies are carried out very systematically, in which the provisional ideas and findings are first tested for feasibility before turning them into large(r) projects.

In the past year, a number of interesting platform projects were in the pipeline. Although it did not prove possible to create any end products for commercial launch, good progress was made.

Promising results were found for specific absorption and acoustic applications. Interesting findings were also recorded in the field of lightweight materials. Furthermore, the first steps were taken in a new series of functional polyurethane products which have an active chemical function for a number of applications. Interesting avenues for exploration were also developed in the search for combinations of polyurethane with other materials, chiefly in an open innovation model with external development partners. In 2009, the search for new materials is being stepped up.

// Health, safety and the environment

Aspects such as health, safety and the environment have always played a prominent role at Recticel. The most important policy provisions on the subject are established in the general Safety, Health & Environment Policy (SHE), which last year was fully revised and adapted to the new needs. These basic rules for SHE not only serve as a reference for daily thought and action, but also incorporate the common aims for all staff members to ensure that Recticel meets its social and industrial commitments with the greatest care.

The scope regarding health, safety and the environment is not confined solely to its own staff, subcontractors and the immediate environment of the plants, but also extends to target groups such as buyers and end-users of the goods produced.

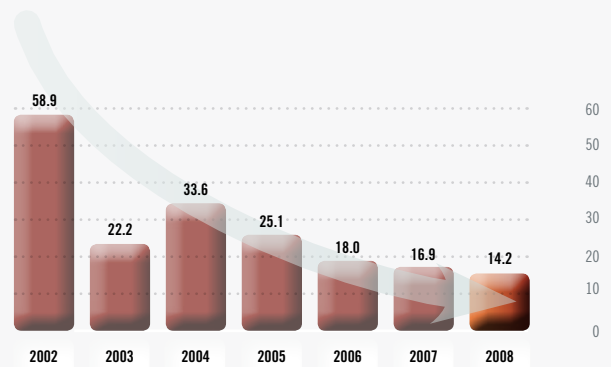
In practice, the attempt is made to map out precisely all possible health, safety and environmental risks in the operations. After an in-depth evaluation, the necessary protective measures are then defined and implemented to reduce these risks and their consequences to an acceptable minimum. In this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

Safety

The key elements of Recticel's safety policy are:

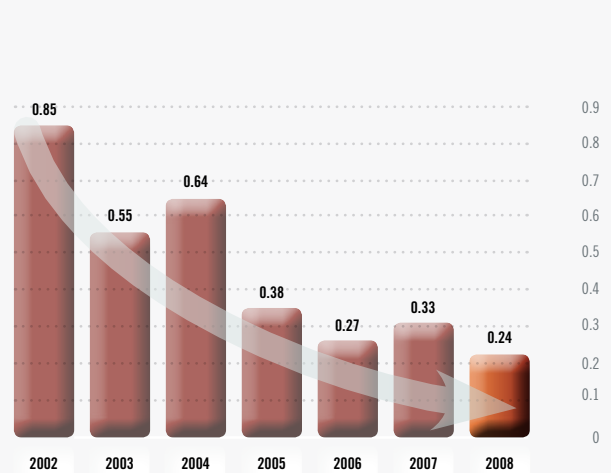
- Zero accidents is the ultimate goal.
- Safety campaigns are launched on most sites very regularly to keep the subject to the forefront.
- Information exchange sessions are organised regularly at Group level, with a view to preventing accidents and/or reducing the risk factors.
- Efforts are made to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

// Frequency index industrial accidents



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

// Severity index industrial accidents



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

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

- Revision and updating of the entire Safety, Health & Environment (SHE) Manual.
- In consultation with the European Works Council, greater attention and improved recording of 'near accidents'. 'Near accidents' are events which have not caused an accident, but where the combination of factors could in fact have caused one.
- The implementation of a modernised internal accident reporting system, which is designed on the one hand to improve the efficiency of the information flows and on the other hand to lead to more active communication.
- The integration of safety indicators in the monthly Group reporting.

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

- General improvement of internal communication.
- Preventive measures (in cooperation with the works doctor) concerning the effects of exposure to TDI.
- Preparation, monitoring and implementation of the new safety and environmental requirements under the Global Harmonisation System (GHS). GHS is the new worldwide standardised labelling system which will become compulsory from 2010-2011. These new standards, as information requirements, will basically have important administrative consequences for the Group.

Environment

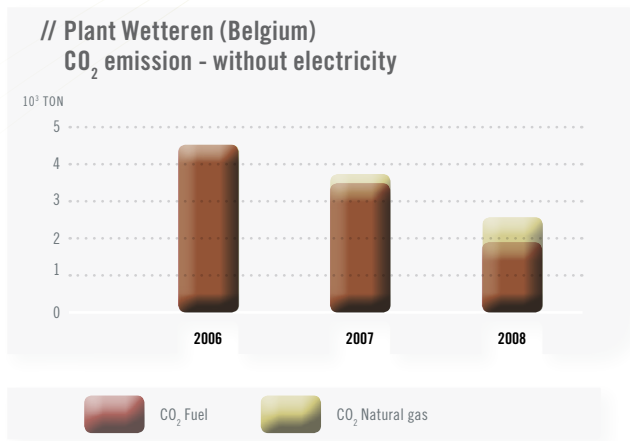
Generally speaking, Recticel belongs to a low to medium carbon-intensive sector, since no fossil fuel consumption is needed for the manufacture and conversion of PU foam. In other areas too, the Group's activities generate little pollution.

Despite this favourable basic premise, Recticel nevertheless strives to preclude any environmental impact, or 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 and airborne emissions, etc. In this context, an important point is that Recticel was one of the initiators for the introduction of the Certipur-label via the European sector organisation (see chapter on Corporate Social Responsibility).

In addition, Recticel is also well placed to offer a response to the ever rising demand for solutions to environmental problems outside manufacturing. Recticel's technological expertise in polyurethane materials enables innovative solutions to be offered to new needs of industrial partners and end-consumers. Recticel has, for example, supplied the following practical responses to the CO₂ challenges:

- The use of rigid polyurethane foam for thermal insulation of buildings, thereby drastically reducing heating costs and therefore CO₂ emissions.
- The increasing use of polyurethane products in the automotive sector, for example, with a view to reducing the weight of cars, which in turn leads to lower fuel consumption.
- The use of lightweight innovative polyurethane foams to replace heavier metal and wood in furniture. Lighter end-products in turn contribute to lower fuel consumption in transport.

- The reuse of offcuts from the conversion process in new products and applications reduces the volume of waste.



REACH (Registration, Evaluation and Authorisation of Chemicals)

REACH is the result of a review of the chemicals regulations in the EU, with a view to arriving at a uniform system for existing and new substances produced or imported in the EU. The main aims of the REACH regulations are:

- To protect human health and the environment.
- To boost the competitiveness of the chemicals industry in the EU.

REACH in fact came into force on 1 June 2007, but is still developing. A working group was set up some years ago within Recticel, which keeps a close eye on these developments, especially with a view to assessing the consequences and impact of the various measures on the activities of the Group. This steering group consists of representatives from all business lines, the Research and Development Centre, the Health, Safety and the Environment Department and the Legal Affairs Department.

For Recticel, it has emerged that two aspects of REACH are of importance, i.e.

- The Group as a downstream user of chemicals (about 95% of all materials concerned).
- The Group as a manufacturer of compounds based on isophorone diisocyanate (IPDI) (about 5% of all materials concerned).

As a user and processor 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 that it is registered and accepted.

Overall, 2008 was primarily the year of pre-registrations. During the past year, Recticel turned its attention in particular to three groups of chemicals:

- The crucial chemicals (polyols, isocyanates (TDI and MDI), etc.).
- Other critical chemical raw materials and additives (catalysts, stabilisers, etc.).
- Other additives (e.g. locally obtainable and easily replaceable products, such as additives, release agents, etc.).

It is self-evident that attention was focused as a priority on the first category. In consultation with the umbrella sector organisation (Europur and ISOPA), various suppliers were contacted and chased up to check whether they will be having these crucial chemicals registered and accepted. On the basis of the information available, it appears that the Group will still be able to get hold of these chemicals in the future.

// Human resources

The staff play a key role in the daily life of the Group, a fact which is confirmed by various key elements, principles and initiatives.

One of the pillars of Recticel's Group mission is the basic principle that all employees must be offered the opportunity to develop their individual talents within the framework of the Group strategy. Moreover, the Group is convinced that successful implementation of its strategy to a large extent depends on the drive, motivation, creativity and, in short, the abilities of all its staff. For that matter, the most important Group values emphasise this basic principle. Recticel considers values such as team spirit, a sense of responsibility, entrepreneurship, respectful behaviour, professionalism and striving for excellence to be of paramount importance.

If Recticel wishes to excel as an organisation, it is naturally insufficient to confine itself to the definition of a number of basic principles. In concrete terms, it is important for the Group to be able to attract, retain and develop the right human talent and potential. The resourceful, efficient and targeted management of this human capital must therefore lead to a sustainable, balanced, long-term relationship with all employees. Recticel is absolutely convinced that this focus is the best means of ensuring a constructive win-win situation.

In this context, the Group insists on attracting and retaining people first and foremost on the basis of their intrinsic qualities and skills needed for the correct performance of each specific job. In addition, Recticel also tries to create the necessary climate in which employees can upgrade and hone their specific skills on an ongoing basis.

Through this, Recticel wishes not only to forge links with other initiatives in the field of corporate social responsibility, but also to achieve its ambition to become a more effective organisation through a targeted human resources policy.

During the past year, a first impetus was given within the Group to further professionalisation of the talents management of the human capital. Preliminary analysis indicated that the Group chiefly needs staff with a number of specific key skills. This study showed the most important key skills needed to be: results orientation, business acumen, building talents and teams, personal flexibility, customer orientation and effective communication skills. The intention in the coming years is through all kinds of initiatives, including targeted instruction and training programmes, to upgrade these skills further and have them taken on board.

Alongside this content aspect, Recticel will also be developing a new job classification system for its executives, with a view to better definition and coordination of the job types, the various management role patterns and the associated remuneration system. This new system is designed to enable the Group to create a more transparent career and remuneration policy which will place Recticel in the position to evaluate the various management functions more effectively in the future on the basis of objective criteria.

// STAFF 2007-2008

(SITUATION AT 31 DECEMBER)

	2007	2008		Δ
Germany	2 394	2 263	19.9%	-131
France	1 696	1 668	14.6%	-28
Belgium	1 644	1 633	14.3%	-11
Czech Republic	881	943	8.3%	62
Poland	968	936	8.2%	-32
United Kingdom	749	686	6.0%	-63
Austria	461	477	4.2%	16
Romania	362	410	3.6%	48
The Netherlands	412	391	3.4%	-21
USA	468	390	3.4%	-78
Spain	276	265	2.3%	-11
Hungary	240	250	2.2%	10
Switzerland	243	215	1.9%	-28
Sweden	215	212	1.9%	-3
Finland	102	170	1.5%	68
Norway	0	114	1.0%	114
Moldavia	1	65	0.6%	64
Turkey	66	64	0.6%	-2
Estonia	19	61	0.5%	42
Bulgaria	40	41	0.4%	1
Lithuania	40	34	0.3%	-6
People's Republic of China	6	25	0.2%	19
Slovakia	22	22	0.2%	0
Ukraine	16	18	0.2%	2
Serbia	12	17	0.1%	5
Greece	13	13	0.1%	0
Russia	0	5	0.0%	5
Japan	13	0	0.0%	-13
TOTAL	11 359	11 388	100%	29

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. (situation at 31 December).

The decrease in staff in Western Europe in 2008 is attributable mainly to the closure of the flexible foam activities in Lünen (Germany), the staff reductions for

- (i) the German car seat activities at Proseat,
- (ii) the British and Dutch Flexible foams activities and
- (iii) a number of Bedding plants in France and Switzerland. Furthermore, staff numbers fell in the USA and Japan as a result of the fall-off in activity in Interior Solutions.

On the other hand, these staff reductions were offset in full by

- (i) the integration of new staff in the United Kingdom (Stoke-on-Trent (Insulation)),
- (ii) the expansion of a number of Flexible foams and car seat cushion activities in Eastern Europe and
- (iii) the acquisition of the Brekke group (Flexible foams in Norway, Finland and Estonia).

	2007	2008		Δ
Western Europe (EU)	7 962	7 778	70.7%	-184 -2.3%
Western Europe (non-EU)	243	329	2.1%	86 35.4%
Eastern Europe (EU)	2 572	2 697	22.2%	125 4.9%
Eastern Europe (non-EU)	29	100	0.3%	71 244.8%
Rest of the world	553	484	4.8%	-69 -12.5%
TOTAL	11 359	11 388	100%	29 0.3%

02

// Activities



// Flexible foams



// Bedding



// Insulation



// Automotive

A photograph of two people walking away from the camera on a dirt path in a lush, green forest. They are wearing bright orange hooded raincoats and yellow rubber boots with black patterns. The forest is dense with tall trees and many ferns. The scene is captured from a low angle, looking down the path. The top of the image has a curved white border.

taking the opportunities
to maintain
competitiveness

// 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

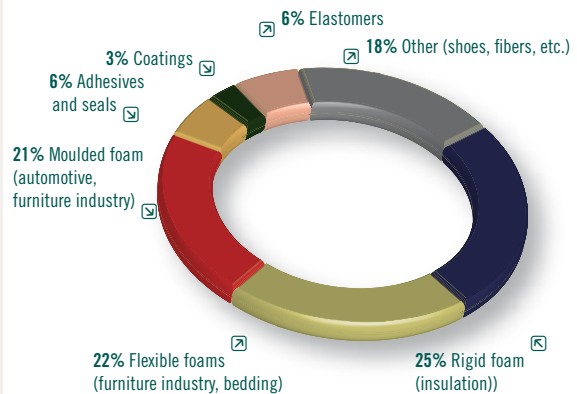
PU is used in a large number of strongly diversified applications, such as filler for seats, chairs and seat cushions, mattress centres, car seats, encapsulation of car windows, shoes and textiles, thermal insulation (buildings, industrial installations, refrigerators, etc.), sound insulation, adhesives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

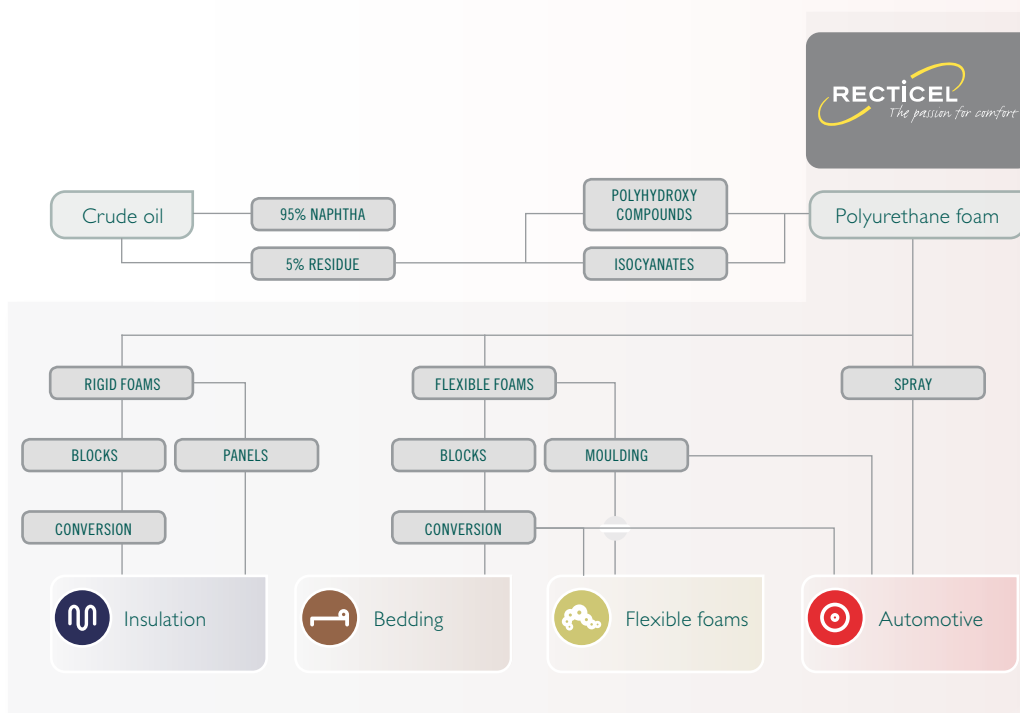
The petrochemical industry refines 95% of the crude oil it processes into fuels (naphtha and allied products). A wide variety of other chemicals can be distilled in one or more stages from the 5% residue, including polyhydroxy compounds and isocyanates, the main raw materials used in the production of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

World production of plastics	260 million tonnes <small>(source: PlasticEurope Market Research Group 2007)</small>
World production of polyurethane (PU)	12.3 million tonnes <small>(source: Bayer 2007)</small>
European production of polyurethane	4.8 million tonnes <small>(source: Bayer 2007)</small>
World production of flexible foam	3.2 million tonnes
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.



// Production plants

In addition to the below-mentioned production plants, Recticel has 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
Estonia	Tallinn
Finland	Kouvola Rauma
France	Langeac Louviers Trilport
Germany	Bexbach Burkhardtsdorf Ebersbach
Hungary	Sajobabony
Italy	Gorla Minore
Moldavia	Chisinau
Norway	Åndalsnes Oysand
Poland	Zgierz
Romania	Sibiu
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 Jöhstadt Wattenscheid
Poland	Lodz
Romania	Miercurea Sibiului
Switzerland	Büren Flüh

Insulation

Belgium	Wevelgem Turnhout
United Kingdom	Glossop Stoke-on-Trent

Automotive

Belgium	Hulshout Wetteren
Czech Republic	Mlada Boleslav Most
France	Trilport
Germany	Masevaux Mallersdorf Rheinbreitbach Rüsselsheim Schönebeck Unterriexingen Wackersdorf
Italy	Bruzolo
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



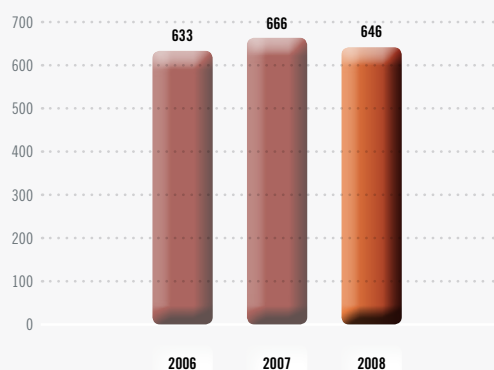
// Flexible foams

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

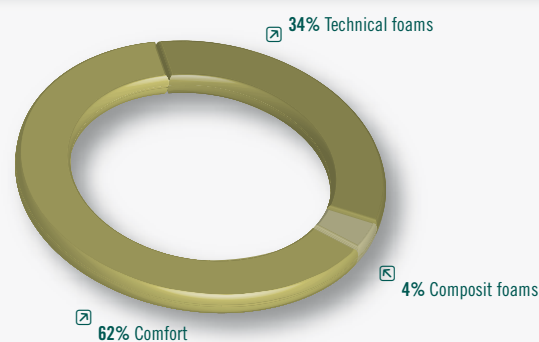
The business line is structured around three segments: comfort, technical foams and composite foams, which are distinguished by the characteristic properties of the types of foam, the individual character of the production process or the typical possible applications of the foam.

// Trend in sales - Flexible foams

IN MILLION EUR



// Sales Flexible foams 2008



// FLEXIBLE FOAMS

IN MILLION EUR

	2008	2007	2006
Sales ⁽¹⁾	645.6	665.6	632.8
Growth rate in sales (%)	-3.0%	5.2%	20.2%
EBITDA	31.2	41.8	42.9
EBITDA margin (as % of sales)	4.8%	6.3%	6.8%
EBIT	14.5	26.4	27.9
EBIT margin (as % of sales)	2.2%	4.0%	4.4%
Investments in intangible (excluding goodwill) and tangible fixed assets	10.8	17.8	19.4
Investments as % of sales	1.7%	2.7%	3.1%

(1) before eliminations of intra-Group transactions



// 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 bonded 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.

Activities

The **COMFORT** segment manufactures flexible polyurethane foam which is then converted and cut to size for use in all kinds of seating and mattresses.

Long slabstock is made during the production process, which is then cut into smaller, transportable pieces. At the next stage, these pieces are cut and finished in Recticel's own workshops or are delivered directly to customers in the seating and mattress industries. In addition to traditional flexible foam grades, special types are also offered, including viscoelastic foam types (Sensus®) or foam for specific market segments, including Foam for Care® (paramedical applications).

In other cases, such as for large standard production series, certain components for the seating industry are produced in moulds so that subsequent cutting is unnecessary. However, nowadays major production series are rarely in demand. As a result of extensive customisation, smaller series for specific customers or products have become the norm. An exception to this within Europe is the Scandinavian furniture market, which still has a strong focus on moulded components. The recently acquired Norwegian group Brekke is an important player in this field.

In contrast to the comfort department, the **TECHNICAL FOAMS** segment specialises mainly in the manufacture of specific types of foams for smaller niche markets. These foam types are intended mainly for advanced technical applications, with the products usually having to meet strict specifications. Technical foam types are now used in a very wide range of applications, including sponges, scourers, filters, paint rollers, airtight and watertight seals, packaging, sound insulation, energy and shock absorption, rechargeable batteries, dressings, 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 fundamental difference between them. In certain cases, technical foams have to be post-treated (e.g. reticulation, impregnation, etc.) to obtain the specific properties. The very specific applications and the strict requirements these foams must often meet underline the importance of foam technology and chemical know-how. Extra post-treatments are often necessary to adapt the physical or chemical properties of the foam precisely to the requirements of the ultimate application.

A large amount of trim foam is left over after the conversion of flexible foam. **COMPOSITE FOAMS**, a separate segment, converts this 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 packaging material, sound insulation for the construction industry, the shoe industry, 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.) or Re-bounce® (underlay for sports fields with artificial grass).

The trim foam which Recticel does not 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 converted into underlay for fitted carpet.



Competitive situation

Comfort

Generally speaking, there are few alternatives to polyurethane foam as filling material for seating. In addition, it is striking that the market share of full-foam mattresses is constantly increasing in the mattress market. On the other hand, however, the production of polyurethane 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 polyurethane market has become far more concentrated. In Europe, there are still currently about 60 to 65 foaming plants in operation and about 500 converters. Only a handful of market players have now achieved a true European dimension. The three most important market players in Europe, i.e. Recticel, the British 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 mainly divided among smaller manufacturers, which for the most part are significant only 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.

Technical foams

Recticel's objective has always been to hold 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 segment, 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 major investments, but also imply ongoing financial commitments to research and development. Because the entry threshold for technical foams is far higher, the number of manufacturers of technical foams remains rather limited. Only 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, Orsafoam (in which Recticel has a 33% stake) and Toscana Gomma (Olmo) in Italy and Flexipol in Spain. Then again, Inoac in Japan and Foamex in the US focus more on a number of export markets.

Composite foams

It goes without saying that Recticel, as a major European polyurethane manufacturer, accumulates large volumes of trim foam. In order to be less reliant on the extremely volatile market prices for trim foam, the Group has for many years been working on the expansion of the composite foams division, which converts these residues into (semi-)finished products. Recticel currently converts only its own trim foam. 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.



☑ *Ligne Roset*



➔ **Geographical expansion**

Recticel possesses a very extensive manufacturing network in Western, Central and Eastern Europe.

The activities in Central and Eastern Europe, via the joint venture Eurofoam, have 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. For instance, Recticel was able to consolidate its position in Northern Europe through the takeover of the Finnish Espe Oy and Ewona Oy in 2007 and the Norwegian group Brekke in 2008.

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 types of foam are designed to ensure that the Group can maintain and further expand its prominent position in the comfort foam market. Examples of innovative foam products include Foam for Care® (paramedical foam products, such as wheelchair cushions, orthopaedic devices, new revolutionary anti-bedsore mattresses, etc.) and antibacterial types of foam from vegetable raw materials (natural oil-based polyol foams or NOP- based foams).



Foam for paramedical applications (Foam for Care®) ☑

Strategy and prospects: shaping the future

Comfort

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, this market parallels the trend in gross domestic product (GDP). Central and Eastern Europe in particular have a pioneering role because GDP growth in these countries is stronger than in Western Europe. In Western Europe, growth is expected mainly from the technical foams division, partly under the impetus of research and development initiatives. In addition, Western Europe can also still rely on increasing volumes of comfort foam for mattress fillings (also see Bedding business line).

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.



☑ *Technical foams (Bulfast)*

Continuing the past trend, Recticel considers that further annual growth in its technical foams activities is feasible. However, as a result of the present crisis in the heavy goods vehicles sector and the automotive industry, this figure (without acquisitions) will be lower in the coming years than the previously estimated 5% per year. The challenge lies mainly in developing new types of foam, new applications and/or new markets through creativity and innovation. In this context, development activity is continued unabated. Various innovations are in their final test phase. These innovations mostly target new niche segments.

Technical foams

➔ Geographical expansion

In the technical foams sector too, Recticel possesses a very extensive manufacturing and conversion network in Western, Central and Eastern Europe, in the USA (acoustics via subsidiary Soundcoat) and recently in China (conversion plant), and there are prospects of further extensions. An initial impetus has been given for the construction of a new foaming plant in Turkey, which is scheduled to be operational from 2010.

➔ Innovation

The development of new foam qualities (for example, with antibacterial effect) is designed to ensure that the Group can maintain and further expand its leadership in various niche markets.

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 the joint venture Corpura), 'EPDM-like' foam qualities to replace EPDM components in the automotive industry, foam types for polishing pads for car bodywork (for manufacture and repairs), etc

☑ *Technical foam for bra cups (BodyFoams®)*





Construction of an artificial outdoor football field (Re-bounce®)

Composite foams

→ Innovation and sustainable development

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 very 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 bonded 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.), or market references, such as Re-bounce® (underlay for sports facilities).

The transformation of trim foam into new bonded products will continue to grow in importance in the coming years. Promising projects include indoor and outdoor sports facilities, applications in acoustics and shock absorption, etc.

In the context of corporate social responsibility, composite foams are a typical example of how Recticel tries to find creative solutions through a pragmatic approach for the conversion of its polyurethane trim foam.

Structure of an artificial outdoor sports field





// EUROFOAM FACTS & FIGURES:

→ Joint venture partners	Recticel / Greiner Group (Austria) (50/50).
→ Market position	One of the market leaders in the production and conversion of comfort foam and technical foams in Germany, Austria and Central and Eastern Europe.
→ Volume of production	120,000 tonnes per year.
→ Alliances	participations in joint ventures in Bulgaria, Latvia, Moldavia, Ukraine, Romania, Russia, Serbia, Slovakia, Czech Republic and Belarus.
→ Annual sales 2008	EUR 396 million.
→ Number of establishments	Network of more than 40 establishments in Bulgaria, Germany, Estonia, Hungary, Lithuania, Moldavia, Austria, Poland, Romania, Russia, Serbia, Slovakia and Czech Republic.
→ Workforce	About 2,500 people.



www.euro-foam.com

Market evolution in 2008

Sales

Sales in the Flexible foams business line fell in 2008 as a result of the weak economic climate in the second half of the year. Spain was particularly hard hit. The situation was also more difficult in the United Kingdom, partly on account of the depreciation of the pound sterling against the euro.

Nevertheless, **COMFORT** (EUR 403.4 million, -0.2%) managed to stabilise its sales, partly thanks to the integration of the Finnish companies Espe and Ewona. The acquisition of the Norwegian group Brekke at the end of 2008 had no impact on sales, however.

The output of **TECHNICAL FOAMS** (EUR 218.0 million, -6.9%) and **COMPOSITE FOAMS** (EUR 24.2 million, -11.7%) fell as a result of the economic downturn from the second half of the year. Technical foams were confronted in particular by falling demand from industry and the automotive sector.

Sales of **COMPOSITE FOAMS** (EUR 24.2 million) fell by 11.7%, with relatively stable trim foam prices. The demand for bonded foam has risen quite significantly compared to 2007. An important breakthrough was achieved within that segment in the world of underlay for artificial grass fields (including football pitches), a business area with a promising future.

EBITDA

Although the profitability of the **FLEXIBLE FOAMS** business line suffered from the weak economic climate in the second half of the year, the falling results are mainly attributable to technical foams.

In addition, non-recurring elements amounting to EUR -3.5 million net still have to be taken into account. These non-recurring elements concern first and foremost restructuring costs in France, Spain and the United Kingdom.

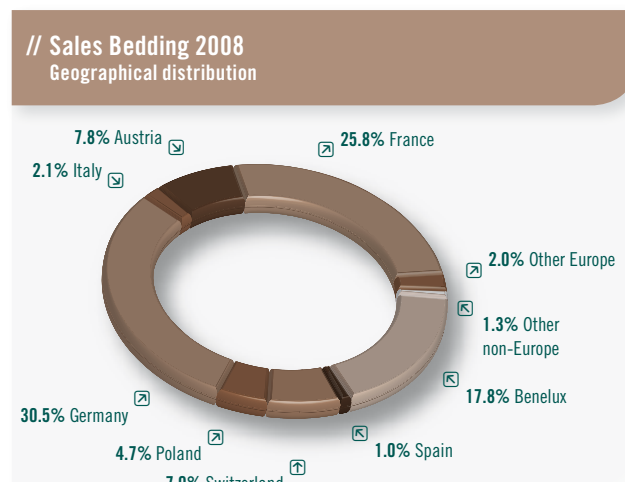
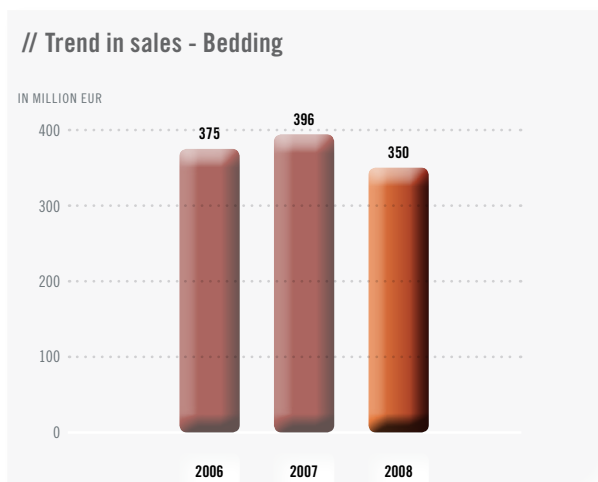
Bedding





// Bedding

The Bedding business line focuses in particular on developing, manufacturing and marketing fully finished mattresses, slat bases and bed bases. As one of the leading manufacturers of mattresses, slat bases and bed bases in Europe, the Group endeavours for prominence in its markets mainly through its presence with strong brand names. The Group in fact possesses a unique portfolio of strong brands in this typical business-to-consumer market.



// BEDDING

IN MILLION EUR

	2008	2007	2006
Sales ⁽¹⁾	349.5	396.4	375.1
Growth rate in sales (%)	-11.8%	5.7%	2.3%
EBITDA	16.9	26.9	25.0
EBITDA margin (as % of sales)	4.8%	6.8%	6.7%
EBIT	9.1	19.4	17.4
EBIT margin (as % of sales)	2.6%	4.9%	4.6%
Investments in intangible (excluding goodwill) and tangible fixed assets	4.5	6.3	4.6
Investments as % of sales	1.3%	1.6%	1.2%

(1) before eliminations of intra-Group transactions



Swissflex



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

The Group markets other brands beyond the national or regional frontiers. Lattoflex® and Swissflex®, for example, are familiar names in the up-market segment in Europe. The Bultex® brand, in turn, is a household name for comfort mattresses with a polyurethane centre in various countries.

Fundamentally, the aim of all these brands is to boost the health and well-being of the consumer through a good night's rest on high-quality products. Constant product innovations with the use of various technologies (mattresses with polyurethane foam, latex and/or springs and bed bases in wood and/or plastic) are designed to contribute to this. In this context, it is for that matter worth noting that the discerning consumer shows an increasing propensity to invest more in good bedding. For all that, it is still difficult for consumers to estimate and assess the quality of bedding correctly.

// 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 and Scandinavia).

A good, strong brand is therefore crucial to give consumers the necessary confidence in their ultimate purchase decision.

The clientele of the business line is well distributed and includes both independent bedding specialists and furniture businesses, as well as major distribution groups (Begros, Beter Bed, But, Carrefour, Conforama, Leenbakker, etc.).

In other cases, such as at the Dänishes Bettenlager (Jysk) or Matratzen Concord, Recticel very often develops bedding with its customers which is then placed on the market under the customer's private label.

// FACTS & FIGURES:

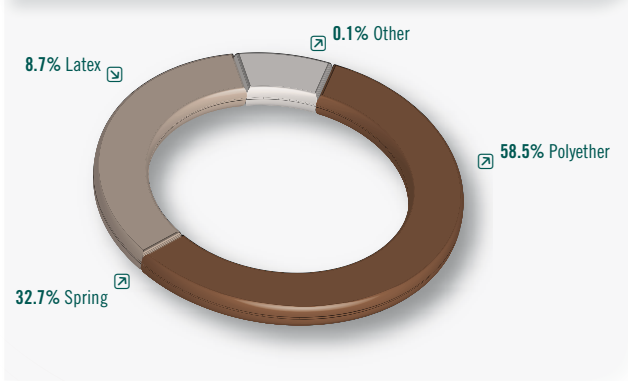
- Annual European production: About 25 million mattresses.
- Recticel's production in 2008: 2.9 million mattresses and 0.8 million slat bases.
- Number of production plants: Recticel has 16 plants distributed in Belgium (2), Germany (3), France (6), Austria (1), Poland (1), Romania (1) and Switzerland (2).
- 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.



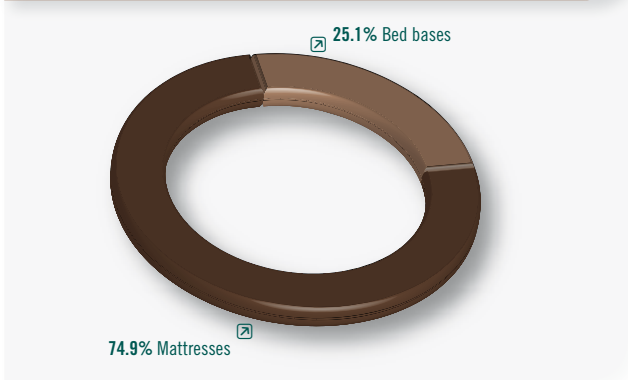
☞ Ten years Olivier Strelli for Beka.
(left to right, Jean-Pierre De Kesel, Olivier Strelli and Luc Vansteenkiste)



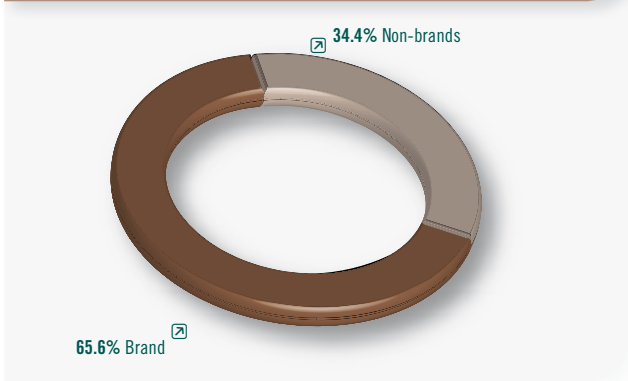
// Sales Bedding 2008
Mattresses per technology



// Sales Bedding 2008
Mattresses & bed bases



// Sales Bedding 2008
Brand versus non-brand



Strategy and prospects: shaping the future

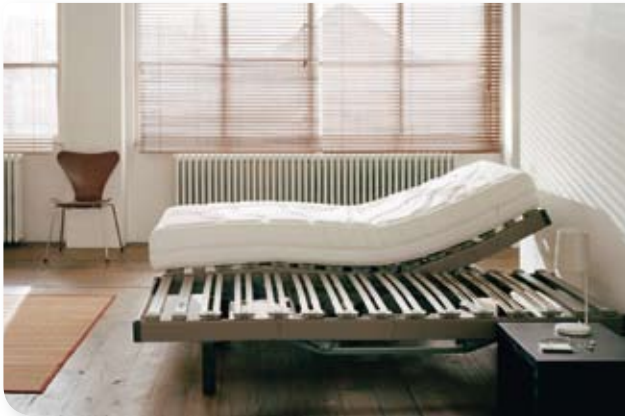
Market trends

For a number of years, two major trends have emerged on the bedding market. On the one hand, consumers are paying ever more attention to the quality of a night's rest. On the other hand, consumers have also become very sensitive to the aesthetic aspects of bedding.

European market studies have shown that consumers are becoming increasingly aware of the importance of good bedding. This process of growing awareness has led to ever shorter replacement cycles for mattresses, slat bases and/or bed bases. This phenomenon is also for that matter boosted by various media campaigns organised at regular intervals by the industry to enhance consumer awareness that it is ultimately worthwhile to invest more in a higher quality bed.

In addition, the consumer has become increasingly sensitive to bedroom design. Although the comfort aspect plays a crucial role, ever more attention is currently being paid to the design phenomenon. This trend towards more decorative bedding is expected to continue in most European countries. Recticel's response is to call on both internal and external designers to assist it in its product development.





 *Lattoflex*

Although a number of developments are manifesting themselves to more or less the same extent in the various markets, significant differences and divergences of the local consumption patterns in the various European countries cannot be ignored. One consequence of this is 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 regularly been the case in the past.

The falling consumer confidence resulting from the current macroeconomic malaise will probably also be reflected in the propensity to purchase bedding. It is expected that this will manifest itself predominantly in a shift in the product mix.

Profitability

To respond to the various challenges in these demanding markets, Recticel focuses principally on constant optimisation and renewal of its product mix (brand versus non-brand articles). In addition, the Group aims to further streamline and perfect 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. Other operations, such as the production of mattress covers, now takes place in Romania. This presence, as well as that of the Flexible foams business line in Central and Eastern Europe, is considered to be a perfect operating base for the local bedding markets. For that matter, the Group can already rely on growing interest in mainly non-brand products in Poland.

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



 *Sembella*

and textiles), which is all to the good as far as profitability is concerned.

In the current economically challenging environment, the Group thinks it can maintain the level of its profitability: on the one hand, by responding flexibly to market developments thereby bolstering sales and, on the other, by keeping a close eye on the cost structures.

Strategic cooperation

An important link in the growth of the sector is the development of the strategic alliance with Pikolin, Spain. This joint venture (COFEL group) is the absolute market leader in France, with brands such as Bultex®, Epeda® and Merinos®.

There are no real plans for new alliances in the foreseeable future. Not only strategic partnerships, but also new takeovers in the bedding sector seem very unrealistic in the present economic context. Not only that, but Recticel also considers that its present position in the various countries is sufficient to be able to implement its strategy successfully.

Competitive position

The European bedding market is dominated mainly by two European groups: Recticel and the Swedish Hilding Anders (Crown Bedding, Pullman, Slumberland, etc.). In addition, there is also the Cauval (Simmons) (Trecal and Dunlopillo) group in France.

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



// COFEL GROUP (COMPAGNIE FINANCIÈRE EUROPÉENNE DE LITERIE) FACTS & FIGURES:

→ Joint venture partners	Recticel / Pikolin (Spain) (50/50).
→ Activity	Market leader in France in the manufacture and marketing of high-quality bedding systems (mattresses, slat bases and bed bases) with very strong brand names (Epeda®, Lattoflex®, Bultex®, Bultex Plus®, Merinos® and Swissflex®).
→ Volume of production	1.2 million mattresses and 0.3 million slat bases and bed bases per year.
→ Annual sales 2008	EUR 153 million.
→ Headquarters	Paris (France).
→ Number of production plants	5 production sites in France (Langeac, Limoges, Noyen, Perriers and Vesoul).
→ Workforce	about 850 persons.

// BRANDS PER COUNTRY

Belgium	Beka® Bultex® Lattoflex® Swissflex®
Germany	Matratzen Búltex® Schlaraffia® Sembella® Superba® Swissflex®
France	Epeda® Lattoflex® Bultex® Merinos® Swissflex®
Netherlands	Lattoflex® Swissflex® Ubica®
Austria	Matratzen Búltex® Sembella® Swissflex®
Switzerland	Lattoflex® Superba® Swissflex®

Market evolution in 2008

Sales

Applying a comparable consolidation method (cfr. proportional consolidation of Copirel, France), the sales of the **BEDDING** business line remain more or less stable compared to the previous year.

With the exception of Switzerland, all countries put up a good sales performance, both in the brand and the non-brand segments. Traditionally, sales are higher in the second half of the year than in the first. This trend was maintained despite the sharp economic downswing in the latter half of the year.

In Central Europe, (non-brand) sales rose substantially in 2008. The Polish market remains promising in spite of the current weakening of the Polish economy as a whole.

During the past year, a new Bultex® foam was developed and patented which will be used exclusively in the Bedding sector. The first new mattresses filled with this new foam will be marketed in the course of 2009.

EBITDA

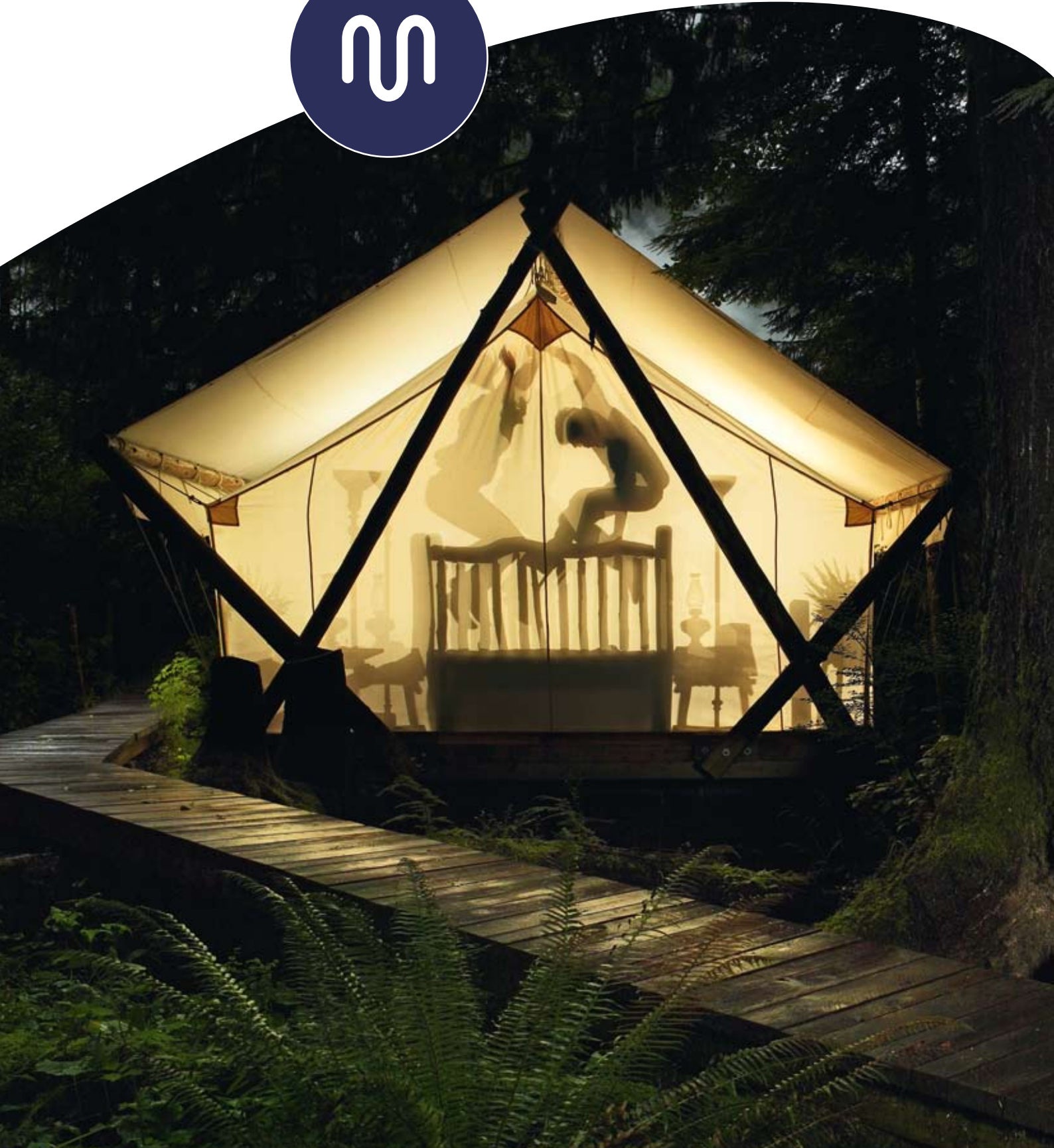
In the **BEDDING** business line, EBITDA fell by 37.1% to EUR 16.9 million. The overall profitability of the Bedding sector dipped chiefly on account of the difficult situation in Switzerland. In addition, from the second half of the year, the balance in the product mix changed slightly in favour of the non-brand segment.

Non-recurring elements amounting to EUR -1.8 million related to restructuring measures in Switzerland.



☒ Ubica

Insulation



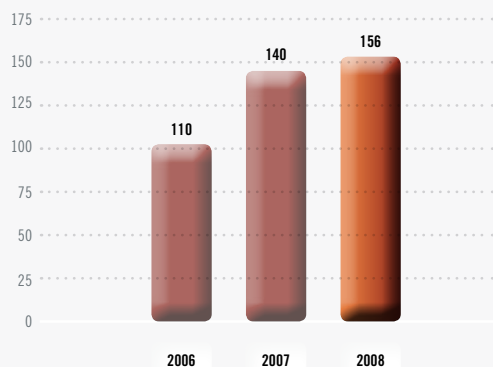


// Insulation

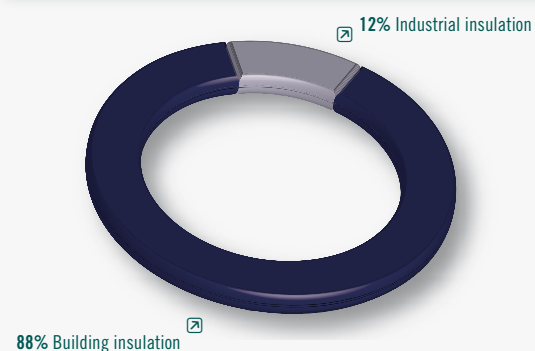
The Insulation business line, which concentrates on the manufacture of thermal insulation material in rigid polyurethane foam (PU) and polyisocyanurate foam (PIR), is built up around two sectors: building insulation and industrial insulation.

// Trend in sales - Insulation

IN MILLION EUR



// Sales Insulation 2008



// INSULATION

IN MILLION EUR

	2008	2007	2006
Sales ⁽¹⁾	156.4	139.7	109.7
Growth rate in sales (%)	12.0%	27.3%	8.0%
EBITDA	27.3	24.6	14.8
EBITDA margin (as % of sales)	17.4%	17.6%	13.5%
EBIT	24.5	22.4	12.3
EBIT margin (as % of sales)	15.7%	16.1%	11.2%
Investments in intangible (excluding goodwill) and tangible fixed assets	10.8	5.6	2.8
Investments as % of sales	6.9%	4.0%	2.6%

(1) before eliminations of intra-Group transactions



In **BUILDING INSULATION**, PU/PIR foam panels are manufactured for thermal insulation of walls, floors and roofs. These products are marketed for residential, commercial, industrial, public, logistics and agricultural buildings. These insulation panels are used for both new buildings and in renovation projects. The business line has two production sites: one in Wevelgem (Belgium) and since June 2008 a second in Stoke-on-Trent (United Kingdom).

On the other hand, the **INDUSTRIAL INSULATION** division mainly produces slabstock in rigid PU/PIR and phenol foam. At the second stage, these blocks are cut to size or are 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 building insulation, 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 Glossop (United Kingdom). This joint venture is world market leader in a stable market segment.



☑ Above: Powerroof for roof insulation
Below: Eurowall for cavity wall insulation

// STRATEGY:

- ➔ Ongoing strengthening of competitiveness (in relation to other polyurethane manufacturers and in relation to alternative insulation materials).
- ➔ Controlled growth through geographical development.

Competitive situation

The European building insulation 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 (PU) 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 small or medium-sized 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. Another factor to take into account is the perception that energy prices will probably rise further or remain high in the future. With targeted investments in high-quality insulation materials, in new building and renovation projects, consumers will consequently be able to find a sustainable solution to these topical energy issues.



Industrial insulation

Millennium Stadium, Wales (United Kingdom)

Despite the less favourable economic climate, the current 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 many cases, better insulation is synonymous with the use of larger volumes of insulation material. 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 grow more strongly than that of other traditional insulation materials in the coming years.

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

Recticel has already anticipated the ever rising demand for insulation material by bringing a new production unit into operation in mid-2008 in Stoke-on-Trent (United Kingdom) and through further expansion of the manufacturing and storage capacity in the Wevelgem plant (Belgium).

Market evolution in 2008

Sales

Sales of **BUILDING INSULATION** (EUR 138.3 million, +14.9%) again made good progress in 2008, in line with the greater market need for insulation material.



In June, the new establishment in Stoke-on-Trent (United Kingdom) was launched successfully and since 1 April 2008 Gradient Ltd. (United Kingdom) has also been fully consolidated within the building insulation segment.

Sales of **INDUSTRIAL INSULATION** (Kingspan Tarec Industrial Insulation) (EUR 18.2 million) fell by 5.9%, which was mainly attributable to lower demand from industry in the last quarter.

Organic growth of the entire **INSULATION** business line still amounted to 10.0% in 2008.

EBITDA

As expected, higher volumes in **INSULATION** resulted in record EBITDA results, with good profitability and positive results in almost all countries. Only the activities in Stoke-on-Trent (United Kingdom), newly launched in June 2008, did not yet contribute to these results, this being in line with expectations. It is forecasted that they will do so from 2009.

Although in the second half of the year **BUILDING INSULATION** was unable to equal the record results of the first half of the year, the performance was still very satisfactory in the current turbulent market conditions.

EBITDA of **INDUSTRIAL INSULATION** fell slightly in 2008. Just as for building insulation, the results of the first half of the year could not be entirely continued. Finally, the weakening of the pound sterling also depressed the results.

Automotive



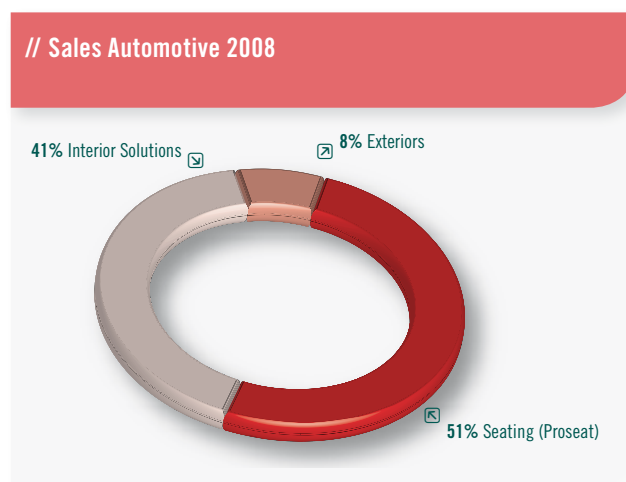
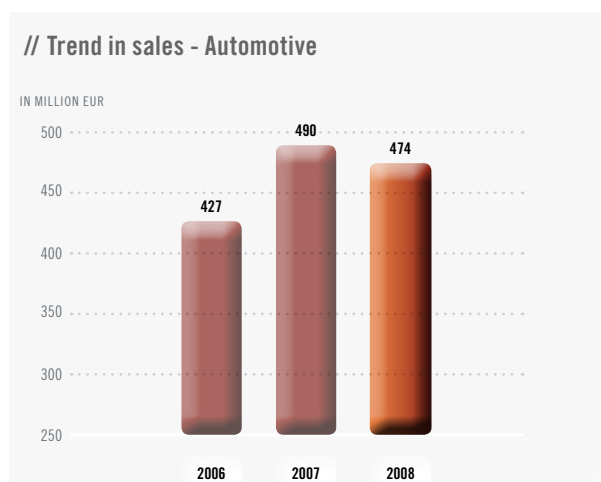


// Automotive

In 2008, the Automotive business line consisted of three strategic activities involving the manufacture of car components in polyurethane foam, i.e.

- the production of moulded seat cushions (seating) via the joint venture Proseat (51/49 Recticel/Woodbridge)
- the production of interior trim (dashboard skins and door panel 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)

After the sale (at the end of 2008) of the worldwide customer portfolio for car window encapsulation systems (exteriors), this business line will henceforth concentrate on the first two activities only.

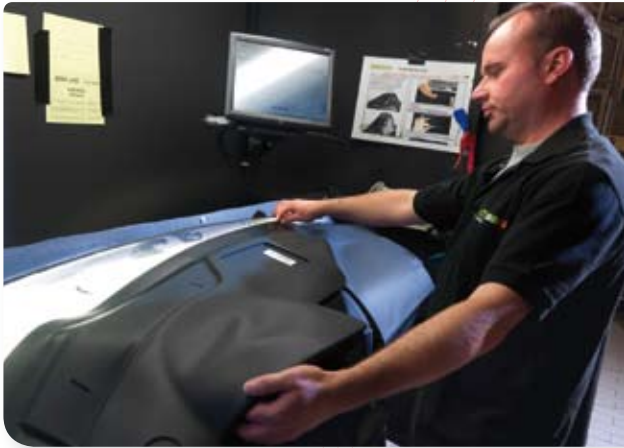


// AUTOMOTIVE

IN MILLION EUR

	2008	2007	2006
Sales	474.2	490.4	426.9
Growth rate in sales (%)	-3.3%	14.9%	-7.6%
EBITDA	50.1	40.6	26.0
EBITDA margin (as % of sales)	10.6%	8.3%	6.1%
EBIT	9.7	10.4	-37.6
EBIT margin (as % of sales)	2.0%	2.1%	-8.8%
Investments in intangible (excluding goodwill) and tangible fixed assets	21.0	13.6	15.4
Investments as % of sales	4.4%	2.8%	3.6%

(1) before elimination of intra-Group transactions



Interior Solutions, dashboard production



Interior Solutions, production of interior car parts

// STRATEGY:

- Maintaining market position through flexible geographical development.
- Maintaining competitiveness through technological innovations.
- Improvement in profitability.

Strategy and prospects: shaping the future

During the past fifteen years, the Group has achieved remarkable growth in the **AUTOMOTIVE** business line. In particular, **INTERIOR SOLUTIONS** has made a significant contribution to this, with its unique, patented Colofast Spray® technology.

However, in view of the very capital-intensive nature of these activities and the current serious economic crisis, by which the automotive sector worldwide is particularly hard hit, Recticel has been obliged to undertake a fundamental review of its growth targets for this business line. With a break from the past, the focus will no longer be on growth, but attention will be paid as a priority for the coming years to maintaining the existing market positions and improving the 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 the joint venture Proseat, will also be adopting these new objectives.

Interior Solutions: consolidating and improving profitability

The current economic crisis has had a rapid, heavy impact on the automotive sector, in which volumes have plummeted. Naturally, at present it is still too soon to tell whether this is a temporary or a structural problem. One thing is certain: the automotive world will be very different after this crisis. Expectations are that fewer players will survive, as a result of which less production capacity will remain. Recticel will probably not be left unscathed by this turbulent trend and will more than ever have to adapt flexibly in advance to the changed market conditions. In concrete terms, this means that the Group will in future reuse its existing machinery and infrastructure to the maximum in order to limit future investment budgets as far as possible.

Finally, it must also be pointed out that, where possible, new innovative developments will remain necessary to be able to retain its market position. At commercial level, a new generation of dashboard skins, named Colosense®, has been 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 have already been concluded which will be started up in the course of 2009-2010. In this connection, the production capacity in Most (Czech Republic) was increased last year for this reason.





📌 *New innovative developments for Interior Solutions*
(Mario Genetello)

// OVERVIEW OF CURRENT INTERIOR SOLUTIONS CONTRACTS

MANUFACTURER	MODEL
BMW	3 Series 5 Series 6 Series
General Motors	Buick Enclave Cadillac Seville
Honda	Civic
Kenworth	truck
Mercedes	A-Class B-Class C-Class E-Class M-Class R-Class S-Class SLK Viano
Opel	Astra Zafira
Peterbilt	379
Saab	9.5 (from 2009)
Scania	Ciute
Skoda	Octavia Superb
Toyota	Lexus GS
Volkswagen	Passat Passat coupé
Volvo	S70 S80 V50/S60 XC60

Proseat seat cushions: strategic location policy and product innovation

With its thirteen production sites in nine different countries, Proseat today is one of the largest seat cushion manufacturers for the European automotive industry. As the leading independent European car seat cushion manufacturer, Proseat is not only active in the production of seat components, but also possesses the necessary competence for the manufacture of finished products, such as headrests, armrests and side panels for car seats.

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 response to the radical changes occurring worldwide in the automotive markets, Proseat in recent years has concentrated, on the one hand, on a dynamic location strategy by scaling down excess capacity in certain markets and offsetting this with expansion in the developing Eastern European regions (including via the joint venture with Johnson Controls in Lucenec (Slovakia) and Zory (Poland)), and, on the other hand, on standing out from its competitors through innovation and the development of new complex seat cushion components (including the lightweight, volume-reduced compact foam, the improved surface structure comfort.sense foam, the combined PUR/EPP modules, the open-cell polyurethane foam bonded with fibreglass fleece CompoLite, etc.).

Despite its important position in the European seat cushion sector of the automotive industry, Proseat is aware that the present economic crisis and its impact on the automotive sector may also have consequences for the business management. It is clear that the current circumstances are extremely challenging and problematic. But on the other hand, it has to be said that this also provides new opportunities which the Group shall try to turn to its advantage as efficiently as possible.



proseat

www.proseat.de

// 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 4 million cars are manufactured each year in Europe which incorporate Proseat components.
→ Volume of production	134,000 units per day.
→ Alliances	Gestind (in Italy and Poland; 50/50 Proseat/Toscana Gomma), the new production joint venture Johnson Controls in Poland and Slovakia.
→ Annual turnover 2008	EUR 241 million.
→ Headquarters	Mörfelden-Walldorf (Germany).
→ Number of production plants	13 plants distributed in Belgium, Germany, France, Italy, Poland, Slovakia, Spain, the Czech Republic and the United Kingdom.
→ Workforce	About 2,000 people.

Exteriors

With the development of the colour-fast Colofast®, Recticel has undoubtedly been able to offer new impetus to polyurethane as a valuable alternative to other traditional materials. Applications have met with great interest, especially in the automotive industry. The patented light-stable Colofast® material was first used as a 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).

Following the sale of the window encapsulation activities in 2005, and the sale of the worldwide customer portfolio for polyurethane systems for car window encapsulation and the associated specialised PU compounds (aromatic and aliphatic) to BASF at the end of 2008, Recticel will no longer operate in this market segment. Nevertheless, it should be pointed out that two production plants (Wetteren (Belgium) and Auburn Hills (United States)) are not part of the transaction with BASF, as they are still needed to manufacture compounds for the Interior Solutions department.

Market evolution in 2008

Sales

In 2008, sales of the **AUTOMOTIVE** business sector fell by 3.3%, to EUR 474.2 million.

In **SEATING** (Proseat – the 51/49 joint venture between Recticel and the Canadian group Woodbridge), sales rose by 7.3% to EUR 241.5 million. This rise is mainly attributable to the effect of the integration (within Proseat) (from 1 July 2008) of the entire participating interest in Indepol, a Spanish moulded foam manufacturer in the Barcelona area. In addition, two additional months must be taken into account in 2008 as a result of the Woodbridge activities acquired in the United Kingdom by Proseat since 1 March 2007. Without these two integrations, sales would have fallen by 4.4%.

The rise in sales during the first half of the year of **INTERIOR SOLUTIONS** (EUR 196.3 million; -11.2%) proved impossible to sustain during the second half of 2008. With the exception of the activities in the Czech Republic and China, falls were recorded in all countries. Lower volumes are the reason for this. In the United States, sales were also still slightly negatively influenced by the further devaluation of the USD.



📌 *Seat cushion production in Espelkamp*

The plant in Most (Czech Republic) is in the midst of the preparatory phase prior to the start-up of the new projects for the Mercedes E and Peugeot 408, among others. These projects are proceeding according to plan.

EXTERIORS (EUR 36.4 million, -17.6%) was also not immune to the global malaise on the automotive market. In addition, the weaker USD still depressed the overall sales. This division's worldwide customer portfolio of polyurethane systems for car window encapsulation, together with the specialised polyurethane compounds, was sold at the end of 2008 to BASF for EUR 38.2 million. This sale had no impact on the sales of the division in 2008.

EBITDA

EBITDA of the **AUTOMOTIVE** business line rose by 23.4% to EUR 50.1 million (including net non-recurring elements of EUR +27.0 million (2007: EUR +1.0 million)). These non-recurring elements include in particular

- (i) the capital gain on the sale of part of exteriors to BASF and
- (ii) restructuring costs

Disregarding these non-recurring elements, each sector nevertheless managed to generate positive EBITDA.

Within **SEATING** (Proseat), profitability fell substantially compared to 2007. The result was negatively influenced by the difficulties in launching a new plant in Santpedor (Spain), lower volumes in the German and Czech plants and restructuring measures in Germany and Spain, among other factors.

The profitability of **INTERIOR SOLUTIONS** also declined under the impact of

- (i) lower volumes from September 2008 as a result of the worldwide crisis in the automotive sector and
- (ii) a number of restructuring costs in Germany.

The operating performance in the United States, although still negative, improved compared to the figures of previous years.

The result of **EXTERIORS** was very favourably influenced by the net capital gain on the sale of the customer portfolio and the specialised polyurethane compounds to BASF (see above). Without these capital gains, the results fell in line with the trends on the automotive market. In addition, the division also suffered from the weaker USD.



📌 *Bayrische Innovations- und Kooperationsinitiative Automobilzuliefererindustrie (BAIKA) 2008 - AUDI Forum in Ingolstadt*

03

// Information for
shareholders





anticipate and create
honest and transparent
relationships



// Share information

Number of shares

During the past year, the number of Recticel shares in issue remained unchanged. No warrants were exercised and there was no buy-back of own shares. 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.

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) are converted into dematerialised shares. By 1 January 2014, all shares will be registered and/or dematerialised.

All shares deposited in a securities account at 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 were made during 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 31 DECEMBER 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., Rec-Man & Co s.c.a., and others) ⁽²⁾	11 045 096	134 939	11 180 035	38.64%
Bestinver Gestion, Spain	3 894 032	0	3 894 032	13.46%
Mercator Verzekeringen, Belgium	1 771 523	79 043	1 850 566	6.40%
KBC Asset Management nv, Belgium	929 322	0	929 322	3.21%
ING Investment Management Belgium nv, Belgium	875 148	0	875 148	3.02%
Other (public)	9 984 020	218 333	10 202 353	35.27%
Total	28 499 141	432 315	28 931 456	100%

- (1) Since each share confers one voting right, the percentages also tally with the voting control.
- (2) Of these, Compagnie du Bois Sauvage, Entreprises et Chemins de Fer en Chine (parent company of Compagnie du Bois Sauvage) and Mr G. Paquot hold a total of 8 603 650 shares or 29.74% of the total shares in issue.

// SHAREHOLDER MOVEMENTS

IN THOUSAND EUR

SUBSCRIBED CAPITAL AT 31.12	2008	2007	2006	2005	2004
Subscribed capital	72 329	72 329	71 572	70 833	70 833

% OF NUMBER OF SHARES IN ISSUE

SHAREHOLDERS AT 31.12	2008	2007	2006	2005	2004
Shareholder group around Compagnie du Bois Sauvage (including VEAN, Sinvest, Lennart, Sallas) ⁽²⁾⁽⁴⁾	37.62%	35.30%	-	-	-
Rec-Man & Co, Belgium ⁽³⁾	1.02%	1.20%	3.60%	3.65%	3.65%
Rec-Hold, Belgium ⁽¹⁾⁽²⁾	-	-	27.03%	27.31%	27.31%
Rec-Les (Lessius), Belgium ⁽¹⁾	-	-	9.10%	12.84%	14.75%
Bestinver Gestion, Spain	13.46%	12.64%	6.56%	-	-
Mercator Verzekeringen, Belgium	6.40%	6.45%	8.77%	8.86%	15.39%
KBC Asset Management, Belgium	3.21%	-	-	-	-
ING Investment Management Belgium, Belgium	3.02%	-	-	-	-
Richelieu Finance, France	-	7.00%	7.08%	-	-
Fidelity Investments International, United Kingdom	-	-	-	-	5.01%
Other (public)	35.27%	37.41%	37.86%	47.34%	33.89%

- (1) Until 2004, Lessius' participation in Recticel was held via Rec-Hold. In 2004, this indirect holding was converted into a direct holding 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 29.74% held by Compagnie du Bois Sauvage, Entreprises et Chemins de Fer de Chine and Mr G. Paquot only.

Movements in the share

2008, as everyone knows, was a particularly difficult year on the stock markets worldwide, with all stock exchanges and stock exchange indexes plummeting. Recticel too did not escape this global trend. On 31 December 2008, the DJ EURO STOXX 50 stood at 2,451.48, or 44.28% below its level one year previously. The Belgian benchmark index BEL-20 in turn ended up 53.76% down at 1,908.64. The Recticel share lost 59.20% of its value over the same period.

The VVPR share, which is far less liquid, fell by 56.70% during the same period from EUR 9.70 to EUR 4.20. The VVPR share reached a high of EUR 14.98 on 3 July 2008. Its low of EUR 4.20 was reached on 23, 29 and 31 December 2008.

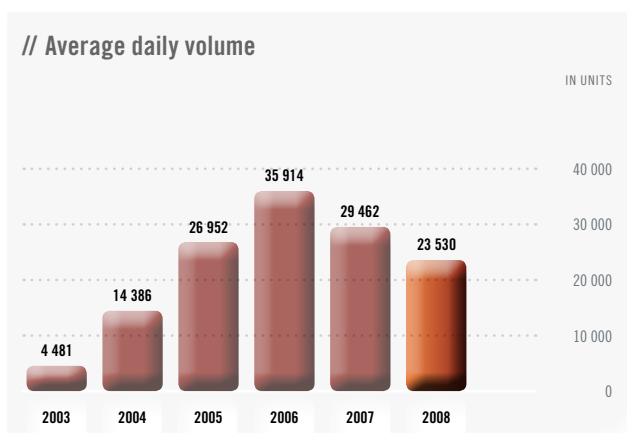
The price of the Recticel share can be consulted directly at all times on the following websites: www.recticel.com and www.euronext.com.

// RECTICEL SHARE (ORDINARY)

	2008	2007	Δ 2008/2007
Closing price 31 December	EUR 4.08	EUR 10.00	-59.2%
High	EUR 9.96 (04 January)	EUR 11.69 (03 July)	-14.8%
Low	EUR 4.08 (31 December)	EUR 8.95 (15 March)	-54.4%
Market capitalisation (at 31 December) (in million)	EUR 118.0	EUR 289.3	-59.2%
Total number of shares traded	6 164 921	7 512 863	-17.9%
as % of total number of shares in issue (at 31 December)	21.6%	26.4%	
Average daily volume (number of shares)	23 530	29 462	-20.1%

Liquidity of the share

In the catastrophic stock market climate of the past year, it proved impossible to continue the generally rising trend of recent years in the average daily volume of Recticel shares traded. Nevertheless, despite the lower average daily volume in 2008, activity in the Recticel share was still to be termed as satisfactory. At 23,530 shares, the volume was still significantly higher than the long-term average of the past 6 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 61.36% at the end of 2008.

KBC Securities acts as liquidity provider for the Recticel share.



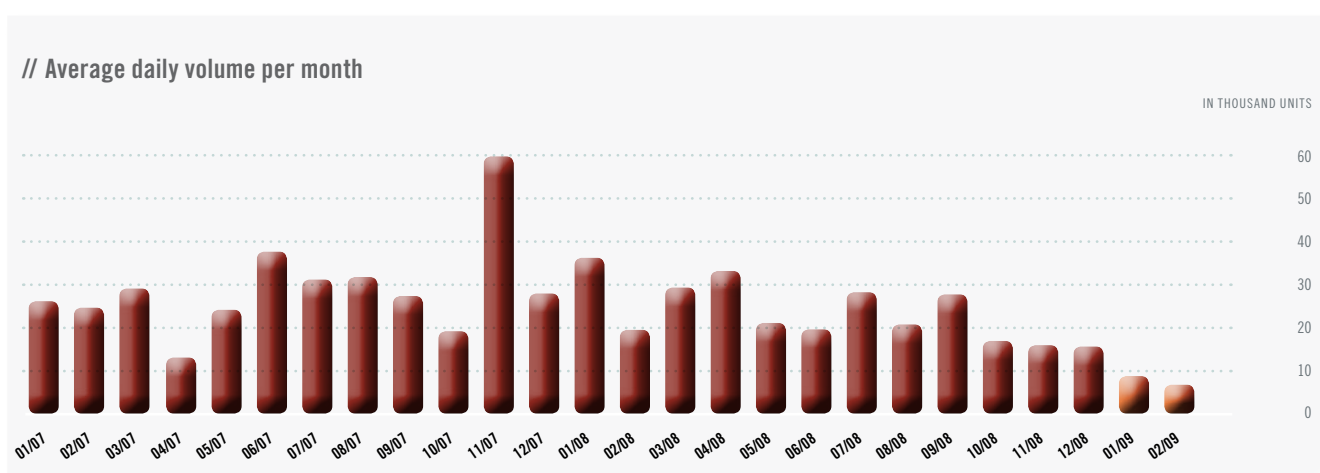
Inclusion in indexes

The Recticel share is included in the following share indexes: situation at 31 December 2008 (weighting at 31 December 2007 in brackets).

INDEX	WEIGHTING OF RECTICEL IN INDEX
NYSE Euronext BEL SMALL index	3.73% (2.92%)
IN.Flanders index	2.87% (2.20%)
NYSE Euronext BEL Chemicals	1.45% (1.94%)
NYSE Euronext BEL Basic Materials	1.40% (1.69%)

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 46 shares. Recticel's weighting in this index rose from 2.92% in 2007 to 3.73% 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 a strong emphasis on sustainability and corporate social responsibility policy. Recticel's weighting in this index since 26 September 2008 stands at 2.87% (compared to 2.20% in 2007).



// WARRANTS PLANS

ISSUE	NUMBER OF WARRANTS ISSUED	NUMBER OF WARRANTS NOT YET EXERCISED	EXERCISE PRICE (IN EUR)	EXERCISE PERIOD
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 mei 13
Dec 2007	390 000	390 000	9.78	01 Jan 11 - 02 Dec 13
Dec 2008	540 000	540 000	4.29	01 Jan 12 - 23 Dec 14
Total	2 156 480	2 125 310		

Stock option plans

In line with the previous years, a new warrant plan was issued in December 2008 in favour of the senior international executives of the Recticel Group. At the same time, two previous warrant plans dating back to 1999 lapsed, most of which was never exercised.

The present outstanding stock option plan (at 1 January 2009) is summarised in the above table.

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 current conversion price of EUR 14.17. As a result of this, theoretically a total of 4,057,869 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 FULL DILUTION
Existing	28 499 141	98.5%	81.2%
New from exercise of warrants	2 125 310		6.1%
New from conversion of bond loan ⁽¹⁾	4 057 869		11.6%
VVPR SHARES			
Existing	432 315	1.5%	1.2%
Total		100%	100%

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

Monitoring by financial analysts

At the beginning of 2009, 4 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 - see table below).

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

INSTITUTION	ANALYST
Bank Degroof	Bernard Hanssens
Fortis	Mark Gevens
KBC Securities	Wim Hoste
Petercam	Emmanuel Carlier

- ☑ In 2008, Recticel won the prestigious "Prize for the Best Annual Report", which is awarded annually by ABAF-BVFA, the Belgian Association of Financial Analysts. (from left to right: Jan De Moor, Sabine Van Hoenacker and Michel De Smedt)



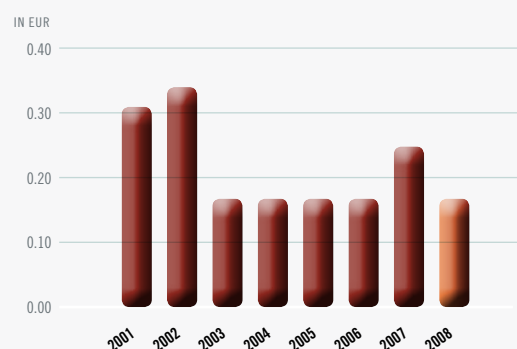
Dividend policy

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 payout 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 out of EUR 0.17 per share. For 2007, the dividend was once again increased to EUR 0.25 per share. For the past financial year 2008, in view of the present uncertain macroeconomic context, the dividend will be again be reduced to EUR 0.17 per share.

// Dividend per share



Dividend payment

Subject to approval of the appropriation of profit by the Annual General Meeting of 12 May 2009, a dividend will be paid of EUR 0.17 gross per share (for ordinary shares: EUR 0.1275 net (-25% withholding tax) and for VVPR shares: EUR 0.14445 net (-15% withholding tax). This dividend will be payable from 29 May 2009 on presentation of coupon No 15 at the branches of KBC Bank.

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

DIVIDEND

Gross dividend per share	EUR 0.17
Date of payment of dividend	29 May 2009
On presentation of coupon	No 15

FINANCIAL CALENDAR FOR SHAREHOLDERS

Trading update 1st quarter 2009	12 May 2009 (before stock exchange opens)
Annual General Meeting	12 May 2009
Share quoted ex-coupon	26 May 2009
Date of payment of dividend	29 May 2009
Announcement of results 1st half 2009	28 August 2009 (before stock exchange opens)
Trading update 3rd quarter 2009	10 November 2009 (before stock exchange opens)

// 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. In 2008, the Corporate Governance Commission proposed an amended version of the Corporate Governance Code in order to put it in line with the latest developments and a public consultation has been organized. Consequently, the Recticel Corporate Governance Charter will be amended later this year and adapted to this new code.

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 today twelve members. There are four independent directors, including the Chairman. The Managing Director represents both a reference shareholder and the management. Four other directors represent reference shareholders. Two directors represented in the past a reference shareholder but, today, those can be considered independent. The Board of Directors decided by the end of 2008 to maintain only the Managing Director as executive director. The other executive directors resigned as of 31 December 2008. The table below provides an overview of the members of Recticel's Board of Directors during the financial year 2008 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	2012		MC
Pol BAMELIS ⁽²⁾	Director	Non-executive	1939	2010		
Edouard DUPONT	Director	Executive	1945	31 Dec 2008		MC
Marc CLOCKAERTS ⁽³⁾	Director	Executive	1950	31 Dec 2008		MC
Vincent DOUMIER	Director	Non-executive	1955	2011	Compagnie du Bois Sauvage N.V. Managing Director	AC
Henk JANSSEN ⁽⁴⁾	Director	Non-executive	1958	2010	Mercator Insurance N.V. Managing Director	
Guy PAQUOT	Director	Non-executive	1941	2009	Compagnie du Bois Sauvage N.V. Chairman	RAC
Jean-Jacques SIOEN	Director	Non-executive	1935	2009	Sioen Industries N.V. Chairman	
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 ⁽⁵⁾	Director	Independent	1947	2009	Vlerick Leuven Gent Management School Chairman	RAC
Klaus WENDEL	Director	Independent	1943	2010		AC
Robert WESTDIJK	Director	Executive	1943	31 Dec 2008		MC
Luc WILLAME ⁽⁶⁾	Director	Independent	1943	2012		

(1) In his capacity as Managing Director of Veon N.V.

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

(3) In his capacity as Manager of Emsee B.V.B.A.

(4) In his capacity as Managing Director of Mercator Insurance N.V.

(5) In his capacity as Manager of Louis Verbeke B.V.B.A.

(6) In his capacity as Managing Director of Sogelam N.V., elected on 20 May 2008.

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 Annual General Meeting of 20 May 2008 appointed SOGELAM N.V., represented by Mr. Luc Willame, as independent director for a four-year term of office, which will expire at the close of the Annual General Meeting of 2012.

The term of office of director of VEAN N.V., represented by Mr Luc Vansteenkiste, has been renewed 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 12 May 2009 to renew the mandates of Messrs. Davignon, Paquot, Sioen and Vandepoel as well as of Louis Verbeke B.V.B.A., represented by Mr. Louis Verbeke, for a three-year term of office, which will expire at the close of the Annual General Meeting of 2012.

At the same time, it will be proposed to appoint Mr. Wilfried Vandepoel and Louis Verbeke B.V.B.A., represented by Mr. Louis Verbeke, as independent directors within the meaning of Article 524 §2 and 526bis §2 of the Companies Code. They both meet the criteria listed under Article 526ter of the Companies Code. They meet also the independence criteria of the 2009 Corporate Governance Code. Louis Verbeke B.V.B.A., represented by Mr. Louis Verbeke, will remain independent director up to 5 November 2010, after which date it will become a non-executive director since it will have reached the maximum term of office of twelve years. Mr. Wilfried Vandepoel will remain independent director up to 18 May 2011, after which date he will also become a non-executive director for having reached the same maximum term of office.

Operation of the Board of Directors

The Board of Directors met six times in 2008. One meeting focused on the 2008 budget, two meetings dealt mainly with approving the annual accounts at 31 December 2007 and the interim accounts at 30 June 2008, and one meeting covered the new edition of the Stock Option Plan.

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 2008.

During 2008, 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, directly or indirectly, 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 24 December 2008.

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

The individual percentage attendance of the directors at the meetings in 2008 was as follows:

Etienne DAVIGNON	100%
Luc VANSTEENKISTE	100%
Pol BAMELIS	83%
Vincent DOUMIER	83%
Edouard DUPONT	83%
Marc CLOCKAERTS	83%
Henk JANSSEN	67%
Guy PAQUOT	83%
Jean-Jacques SIOEN	67%
Wilfried VANDEPOEL	67%
Tonny VAN DOORSLAER	83%
Louis VERBEKE	67%
Klaus WENDEL	67%
Robert WESTDIJK	50%
Luc WILLAME	67%

Committees set up by the Board of Directors

The Audit Committee

For all meetings held in 2008, the Audit Committee was composed of four members. In December 2005, Mr. Vincent Doumier was appointed as fifth member. All members are non-executive directors and two of them are 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. Moreover, Mr. Vandepoel was considered as independent director and the Board of Directors will propose to the General Meeting to appoint him as such further to the renewal of his mandate in 2009.

Pursuant to article 526bis of the Companies Code, Recticel N.V./S.A. declares that the Chairman of the Audit Committee, Mr Klaus Wendel complies to the requirements of independence and that he disposes of the required expertise in accounting and audit.

The table below lists the members of the Audit Committee during the 2008 financial year and to the present.

NAME	OFFICE	PERCENTAGE ATTENDANCE
Klaus WENDEL	Chairman	100%
Etienne DAVIGNON	Member	75%
Wilfried VANDEPOEL	Member	100%
Tonny VAN DOORSLAER	Member	75%
Vincent DOUMIER	Member	1 meeting

The Audit Committee met four times in 2008. Two meetings were devoted primarily to examining the annual accounts at 31 December 2007 and the interim accounts at 30 June 2008. During all meetings, special attention was also brought to the internal audit programme, risk management, taxation and accounting issues relating to IFRS. One meeting was held by conference call and dealt with the buy-back of convertible bonds by a company's subsidiary.

The Remuneration and Appointments Committee

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

NAME	OFFICE	PERCENTAGE ATTENDANCE
Etienne DAVIGNON	Chairman	100%
Guy PAQUOT	Member	100%
Louis VERBEKE ⁽¹⁾	Member	100%

(1) In his capacity as manager of Louis Verbeke B.V.B.A.

The Remuneration and Appointments Committee met twice in 2008.

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. As of April 2009, Mr. Guy Paquot will be replaced by Mr. Luc Willame.

Executive management

The Board of Directors has assigned the executive management of the company to the public limited liability company Vean, 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. In January 2009, the Management Committee's role was reviewed and further described as an advisory committee for the benefit of the Board of Directors in its entirety.



☒ **Standing left to right:**
Jean-Pierre De Kesel, Jan De Moor, Jean-Pierre Mellen, Marc Clockaerts, Betty Bogaert, Edouard Dupont and Paul Werbroeck.
Sitting left to right:
Philippe Jous, Caroline Deschaumes, Luc Vansteenkiste and Bart Wallaëys.

MANAGEMENT COMMITTEE

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

(1) In his capacity as Managing Director and permanent representative of Veau N.V.
 (2) In his capacity as Manager and permanent representative of Emsee B.V.B.A.
 (3) Until 1 September 2008.

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

Gross emoluments of the directors

NAME	EMOLUMENTS 2008	AUDIT COMMITTEE 2008	REMUNERATION AND APPOINTMENTS COMMITTEE 2008	DIRECTORS' FEES PAID IN 2008 CONCERNING 2007
Etienne DAVIGNON	EUR 16 500.00	EUR 7 500.00	EUR 3 750.00	EUR 21 252.72
VEAN N.V.	EUR 9 900.00			
Vincent DOUMIER	EUR 9 900.00	EUR 2 500.00		EUR 2 445.52
Edouard DUPONT	EUR 8 250.00			
EMSEE B.V.B.A.	EUR 8 250.00			
LOUIS VERBEKE B.V.B.A.	EUR 6 600.00		EUR 2 500.00	EUR 10 626.36
MERCATOR Verzekeringen N.V.	EUR 4 950.00			EUR 10 626.36
Guy PAQUOT	EUR 8 250.00		EUR 2 500.00	EUR 10 626.36
POL BAMELIS N.V.	EUR 6 600.00			EUR 10 626.36
Jean-Jacques SIOEN	EUR 6 600.00			EUR 10 626.36
SOGELAM N.V.	EUR 3 300.00			
Wilfried VANDEPOEL	EUR 8 250.00	EUR 10 000.00		EUR 10 626.36
Tonny VAN DOORSLAER	EUR 9 900.00	EUR 10 000.00		EUR 10 626.36
Klaus WENDEL	EUR 6 600.00	EUR 15 000.00		EUR 10 626.36
Robert WESTDIJK	EUR 4 950.00			

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 N.V./S.A.

Emoluments of persons who are executive directors via a company (Vean N.V. and Emsee B.V.B.A.) 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 Belgian Corporate Governance 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

TOTAL COST TO THE COMPANY	VEAN N.V. REPRESENTED BY LUC VANSTEENKISTE		OTHER MEMBERS OF THE MANAGEMENT COMMITTEE		TOTAL	
	2008	2007	2008	2007	2008	2007
Number of persons	1	1	11	11	12	12
Basic salary	499 600	499 600	2 793 518	2 694 975	3 293 118	3 194 575
Variable remuneration	270 000	324 740	723 541	1 160 975	993 541	1 485 715
Pensions, insurance (group insurance) and other benefits in kind	25 764	17 550	512 799	481 766	538 563	499 316
Total	795 364	841 890	4 029 858	4 337 717	4 825 222	5 179 607

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 N.V. and the other members of the Management Committee also have the use of a company car.

Shares, stock options and other rights to acquire shares

The Board of Directors gave its approval on 24 December 2008 for a new edition of the Recticel Group Stock Option Plan to be issued. This edition comprised 540,000 warrants, which have been granted to the members of the Management Committee as well as to other senior executives of the Group in Belgium and in the subsidiaries abroad.

The warrants can be exercised at a price of EUR 4.29 per warrant during the exercise period, which runs from 1 January 2012 to 23 December 2014.

38,449 stock options were accepted by Mr Luc Vansteenkiste, Managing Director of Veau N.V., and 161,072 options were accepted by the other members of the Management Committee.

Although Article 7.17 of the Belgian Corporate Governance 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 2008, 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 2008.

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 N.V./S.A. 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.

Relations with the reference shareholders

Recticel N.V. is under control of a group shareholders bound together by a shareholders' agreement dated August 22, 2007. This shareholders' agreement has a three-year term and can be renewed.

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.	216 175	0.75
Audhumla S.A.	84 351	0.29
RNA N.V.	70 769	0.24
Debco N.V.	9 766	0.03
Entreprises et Chemins de Fer en Chine S.A.	308 024	1.06
Sallas	103 377	0.36
Recman & Co S.C.A.	295 836	1.02
7 persons <1%	241 092	0.83
TOTAL	11 179 689	38.64

The shareholders' 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 N.V./S.A.'s annual and consolidated accounts was commissioned by the 2007 General Meeting from the limited liability cooperative company "Deloitte Bedrijfsrevisoren", 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, index adjusted.

The aggregate amount of the Auditor's fees for additional services to the Recticel Group comes to EUR 1,050,120, or, excluding additional audit assignments, statutory engagements and corporate finance, to EUR 916,390. Since the total fees for the Auditor's statutory services at Group level amount to EUR 1,069,665, 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

Because business management and entrepreneurship by definition are future-oriented activities, they are generally fraught with external and internal uncertainties. As a result of these uncertainties, decisions inevitably have to be taken constantly at all levels which intrinsically entail potential risks. The current turbulence and uncertain environment underline this all too well. For this reason and because a company should be able to achieve its objectives, it is all the more important to define, estimate, quantify and prioritise the various business risks as accurately as possible. A suitable, adequate risk management system, which can also rely on efficient control mechanisms and best practices, must allow any harmful consequences of potential risks to the company and its value to be avoided or at least to be managed or minimised.

Risk factors

The following are the most relevant risk factors for the Recticel Group, although it must be expressly stated that this is not an exhaustive list. Risks may arise which the company has not yet been able to assess in full and which, although currently considered not to have any substantial impact, could have a material detrimental impact on the results of the company at a later stage. The Group's risk management systems aim to identify internal and external risks in good time. The effect of some of these is cushioned and limited by the provisions of Recticel's General Terms and Conditions (of Trade) – "GTC", which are available for consultation on the website www.recticel.com.

Raw materials prices

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

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

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

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

Market – Technology – Competition

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

Product liability

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

Credit and other financial risks

Credit risks derive from the deferred payment facilities granted to customers. The credit risks are mostly covered by credit insurance which the Group has centralised and harmonised. However, the Group does bear some risks itself. Adjustments are made to the integrated credit policy, system and management, as well as monitoring procedures, on an ongoing basis.

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

Damage to property

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

Health – Safety – Environment

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

Given the nature of its activities, Recticel still incurs environmental risks. The Group uses potentially dangerous substances and chemicals in the product development and manufacturing processes. There are risks of accidental pollution. Specifications with precise operating procedures to handle such crisis situations and their consequences have been widely distributed within the organisation.

Intellectual property

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

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

Liquidity risk

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

Operational risks

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

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

Risks relating to joint ventures and associates

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

Information, Communication and Technology (ICT) risks

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

Disputes

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

Risk management

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

The risks and contingencies for which provisions have been set aside through application of the IFRS rules, are explained under note 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 creation and implementation of the control procedures in the broad sense and compliance with them. In addition, the department plays a major role in the continuous monitoring of the management risks and contributes to the in-depth discussions of the business risks within Recticel.

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