



The passion for comfort

RECTICEL
The passion for comfort

Sustain
through
diversity
in tough
times

Annual Report 2009



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.

Sales:
1 276,7 million EUR
EBITDA:
102,3 million EUR
EBIT:
46,2 million EUR
Earnings after tax:
20,7 million EUR

As market leader in most of its activities, Recticel currently employs **8,403 employees** in some **117 establishments**, in **27 countries**. The Group operates predominantly throughout Europe, but it also pursues a number of activities in the United States and Asia.

- Visuals on cover:
- Pumpkin - Ligne Roset
 - Interior BMW 3-series
 - Nordique - Beka®
 - Recticel insulation panel

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FINANCIAL REPORT

Sustain through **diversity** in tough times

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®, 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 and renovation 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. The Group's various products are therefore used and processed in ever growing numbers of new and existing applications.

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

REC LISTED NYSE Euronext
Recticel (NYSE Euronext: REC.BE – Reuters: RECTt.BR – Bloomberg: REC.BB) is quoted on NYSE EuronextSM in Brussels.

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" in the Financial Section 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.

Key Figures Recticel

Consolidated income statement

in million EUR	2009	2008	2007	2006	2005
Sales	1 276.7	1 555.5	1 611.8	1 474.4	1 391.6
EBITDA ⁽¹⁾	102.3	108.8	122.0	106.0	82.1
REBITDA ⁽¹⁾	106.9	86.8	123.4	138.0	94.1
Operating result	46.2	41.1	63.2	16.0	11.1
EBIT ⁽²⁾	46.2	41.4	65.2	16.3	8.8
REBIT ⁽²⁾	61.2	31.7	67.9	49.9	12.5
Financial result	(13.8)	(26.4)	(28.7)	(25.0)	(27.9)
Result before taxes	32.4	15.0	36.5	(8.7)	(19.1)
Result of the period after taxes (share of the Group)	20.7	11.5	21.5	(21.2)	(28.0)
Profitability ratios					
EBITDA / Sales	8.0%	7.0%	7.6%	7.2%	5.9%
Operating result / Sales	3.6%	2.6%	3.9%	1.1%	0.8%
EBIT / Sales	3.6%	2.7%	4.0%	1.1%	0.6%
Result of the period after taxes (share of the Group) / Sales	1.6%	0.7%	1.3%	-1.4%	-2.0%
ROE = Result of the period after taxes (share of the Group) / Total equity (Group share) ⁽³⁾	9.5%	5.4%	10.6%	-10.6%	-12.3%
ROCE = Return on capital employed ⁽⁴⁾⁽⁶⁾	9.9%	8.0%	12.3%	3.0%	1.5%

Consolidated balance sheet

in million EUR	2009	2008	2007	2006	2005
Non-current assets	406.0	479.0	482.7	490.8	544.0
Current assets	351.9	419.8	407.9	428.5	402.5
TOTAL ASSETS	757.9	898.8	890.7	919.3	946.5
Total Equity	226.0	233.7	248.3	228.4	251.2
Provisions and Deferred Taxes	68.4	67.5	72.5	77.7	66.6
Long Term Interest-bearing Borrowings	185.8	268.1	161.6	227.7	273.7
Short Term Interest-bearing Borrowings	47.7	68.9	150.8	99.5	69.9
Other Payables and Short Term Liabilities	230.1	260.6	257.5	286.0	285.1
TOTAL LIABILITIES	757.9	898.8	890.7	919.3	946.5
Net working capital ⁽⁸⁾	92.8	105.7	119.0	130.9	100.4
Market capitalisation (December 31st)	145.5	118.0	289.3	274.8	212.5
Non-controlling interests	0.4	23.1	32.5	38.2	39.8
Net financial debt ⁽⁵⁾	192.0	268.6	270.9	301.9	317.5
ENTERPRISE VALUE	337.9	409.7	592.7	615.0	569.8
Average capital employed ⁽⁶⁾	465.3	514.5	531.6	547.1	584.2
Financial structure ratios					
Net financial debt / Equity ⁽⁷⁾	85%	115%	109%	132%	126%
Equity / Total assets ⁽⁷⁾	29.8%	26.0%	27.9%	24.8%	26.5%
Current ratio ⁽⁹⁾	1.27	1.28	1.00	1.12	1.14
Valuation ratios					
Price / Earnings (Market capitalisation (Dec 31st) / Result of the period (Group share)) ⁽¹⁰⁾	7.0	10.2	13.4	n.a.	n.a.
Enterprise value / EBITDA	3.3	3.8	4.9	5.8	6.9
Price / Book value (=Market capitalisation/Book value (share of the Group))	0.6	0.6	1.3	1.4	1.0

- (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 (share of the Group)
 Average = [Equity (share of the Group) at the end of the previous period + Equity (share of the Group) 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 non-controlling 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.

DATA PER SHARE

	2009	2008	2007	2006	2005
Number of shares (December 31st)	28 931 456	28 931 456	28 931 456	28 628 900	28 333 010
Weighted average number of shares outstanding (before dilution)	28 931 456	28 931 456	28 935 874	28 316 816	27 935 210
Weighted average number of shares outstanding (after dilution)	28 931 456	29 172 611	31 167 169	28 316 816	27 935 210

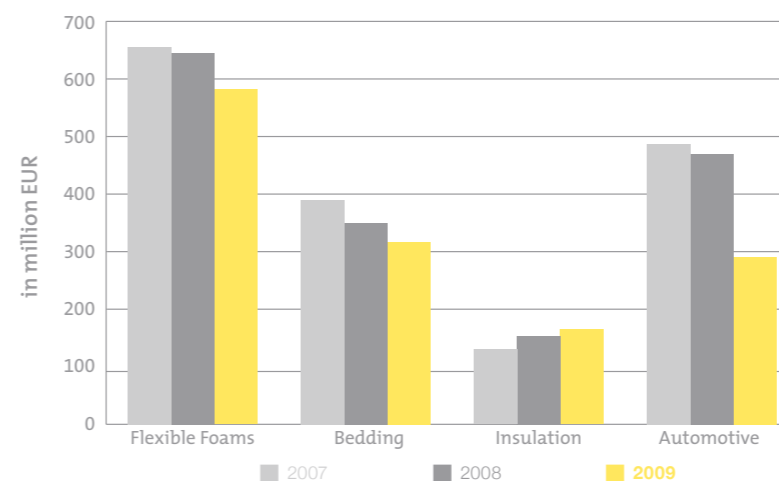
Data per share in EUR

	2009	2008	2007	2006	2005
EBITDA ⁽¹⁾	3.54	3.76	4.22	3.74	2.94
Operating result ⁽¹⁾	1.60	1.42	2.18	0.56	0.40
EBIT ⁽¹⁾	1.60	1.43	2.25	0.58	0.31
Result of the period (share of the Group) - Basic ⁽¹⁾	0.72	0.40	0.74	(0.75)	(1.00)
Result of the period (share of the Group) - Diluted	0.40	0.40	0.74	(0.75)	(1.00)
Gross dividend	0.25	0.17	0.25	0.17	0.17
Pay-out ratio	35%	43%	34%	n.a.	n.a.
Net book value (Group share)	7.80	7.28	7.46	6.64	7.46

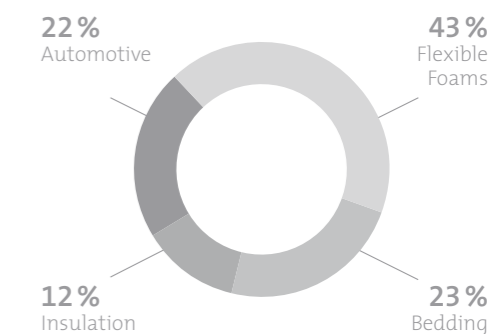
- (1) calculated on the basis of the weighted average number of shares outstanding (before dilution effect)

Activities

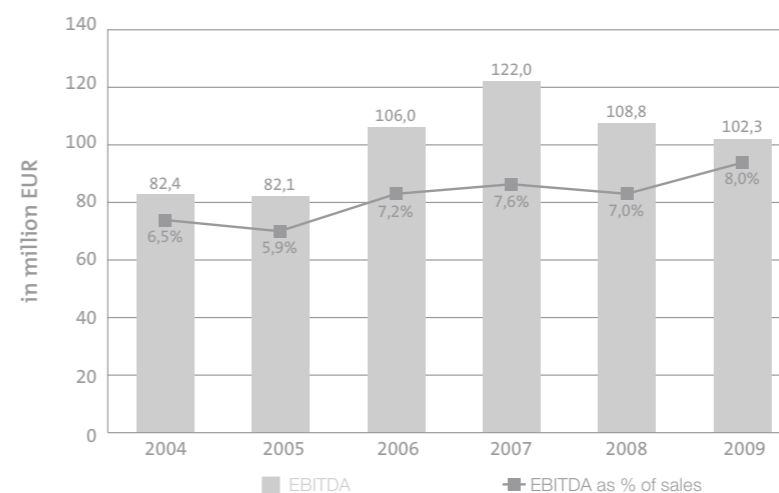
Consolidated Sales per sector



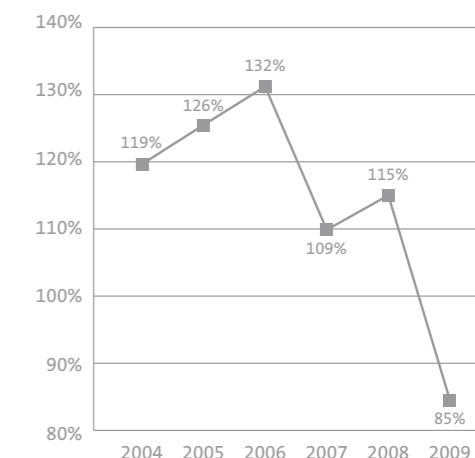
Breakdown of sales by business line in 2009 (before intra-Group eliminations)



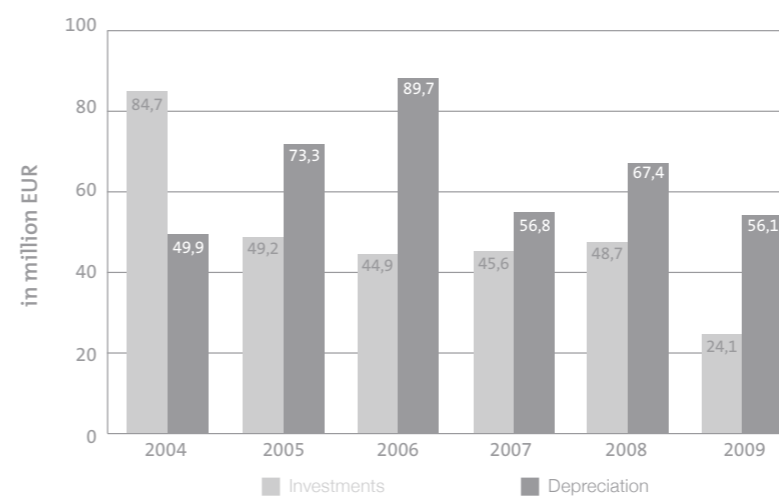
Consolidated EBITDA & EBITDA margin



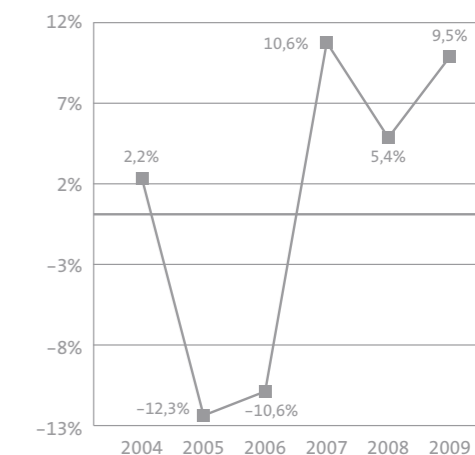
Net Financial Debt / Equity (including non-controlling interests)



Investments/Depreciation



Return on equity (ROE)





The **passion** for comfort

Testimony of an important client, Beter Bed:

“The group Beter Bed, listed on the stock exchange, European leader in bedding, wants to conquer a bigger market share with its more than 1,000 retail outlets, sharp prices and performant client service. In order to respond to client needs, the group focuses on new product concepts via state-of-the art technological development of foams and springs used in mattresses. Therefore, we need trustworthy and professional partners, suppliers that match us in quality, efficiency and innovation. We have found these qualities in Recticel and want to grow together with them.”



Frans Geelen,
CEO Beter Bed in 2009, succeeded by Ton Asbeek as from 01/04/2010.

The Holding Beter Bed, is a leading player on the European market for sleep comfort through solid chains of stores (Beter Bed, Netherlands – Matratzen Concord, Netherlands, Germany, Austria, Switzerland, Belgium and Poland – El Gigante Del Colchón, Spain – Beddenreus, Dormaël and Slaapgenoten, Netherlands – MAV, Germany) and via wholesale business of branded products in bedding and finally via innovative product development.

HIGHLIGHTS OF 2009 AND BEGINNING 2010



March 09

RECTICEL BUYS-BACK, UPON THE ADVICE OF ITS FINANCIAL MANAGEMENT, AN ADDITIONAL PART OF ITS CONVERTIBLE BONDS. Recticel decides to benefit from the opportunity offered by the financial markets to buy-back, in different tranches, a part of its convertible bonds issued in 2007 at an average price of 52.2% of their nominal value. On this transaction a profit of EUR 5.6 million has been realised.

RECTICEL SELECTED BY BMW. Recticel will deliver the dashboard skins for the new BMW 1 series and 3 series. Some 5,000,000 dashboard skins are to be manufactured in Wackersdorf (Germany) until 2020. The patented Colo-sense® will be used for this.

RECTICEL PIONEERS WITH 'MASSIVE PASSIVE HOUSE' CONCEPT. This unique building concept combines the economical and ecological advantage of a passive house with the sustainability and comfort of a home in brick well insulated with polyurethane.



Jan 09



Jan 09



Oct 09

RECTICEL INTRODUCES AT THE FSB-FAIR IN COLOGNE (GERMANY) ITS RENEWED EXTENDED RANGE OF RE-BOUNCE® PRODUCTS. Re-bounce® stands for a range of products to be used in sports infrastructures, indoor as well as outdoor.

OLIVIER CHAPELLE joins the Group with the purpose to become on April 1st, 2010 Recticel's new CEO.



Dec 09



July 09

RECTICEL SELLS ITS PARTICIPATING INTEREST (50%) IN FRENCH JOINT VENTURE COFEL to Pikolin, the leading bedding manufacturer in Spain. COFEL (Compagnie Financière Européenne de Literie SAs.) is market leader in bedding in France, where it commercializes the brands EPEDA®, Merinos® and Bultex®. The total net profit is used for further debt reduction.



Oct 09

RECTICEL SELLS ITS REMAINING 50.6% STAKE IN CORPURA TO ADVANCED MEDICAL SOLUTIONS GROUP (AMS). As a result of this transaction AMS will fully own Corpura B.V. (the Netherlands). Corpura B.V., established in 2004 as part of Recticel's Flexible Foams business line, develops and produces hydrophylic polyurethane foams out of a state of the art, dedicated R&D and manufacturing facility in Etten-Leur (The Netherlands).



Feb 10

RECTICEL INTRODUCES POLYGROW®, ITS LATEST FLEXIBLE FOAM DEVELOPMENT, AT THE "FOOD LOGISTICA" FAIR IN BERLIN (Germany). Polygrow® is a substrate used in glasshouse horticulture to cultivate tomatoes, peppers, aubergines, cucumbers, etc. With Polygrow®, The Group has for the first time entered a non-industrial market with very great potential.

SWISSFLEX INTRODUCES AT THE 'IMM' 2010 INTERIORS' TRADE FAIR IN COLOGNE (GERMANY) ITS NEWEST INNOVATION: THE SYNCHRO-PRECISION® SLEEP SYSTEM. With this innovative concept the Group confirms its European leadership in the high-end market segment for bedding.



Oct 09

TWO US SUBSIDIARIES APPLY FOR CHAPTER 11 JUDICIAL PROTECTION FROM THEIR CREDITORS. As a result of the crisis on the automotive market in the United States and the structural loss-making situation of the Interior Solutions' activities in this region, RINA and RUNA needed to protect their interests as far as possible in relation to their creditors via this judicial procedure.



Nov 09

End of November 2009, **JEAN-JACQUES SIOEN** (74) passed away. He was the founder and president of the Board of Directors of the Belgian textile company Sioen Industries. He also was director at Recticel since 1998. Recticel regrets his demise and will remember him as a warm and integer person that was always open to exchanging and matching new ideas.



Dec 09

RECTICEL SELLS ITS REMAINING CAR WINDOW ENCAPSULATION ACTIVITIES.

RECTICEL'S JOINT VENTURE EUROFOAM PRESENTS CELLPUR® AT INTERZUM FAIR IN COLOGNE. This is a world innovation: comfort foam with Tencel® powder for perfect moisture control. Cellpur® foam opens new dimensions in terms of hygiene and comfort. For the first time, Tencel® powder with its sensational climate process regulation is successfully integrated into foam. Thanks to the perfect symbiosis of the Tencel® powder and the foam, a more pleasant and drier sleeping environment is created through better sweat absorption.



March 09

Olivier Chapelle
Chief Executive Officer
(from 01 April 2010)

Luc Vansteenkiste
Chief Executive Officer
(from 20 September 1991 till 31 March 2010)

Message to **shareholders**

“Recticel is now ready for the future, with a new vision on the sound foundations of its valuable technology and its market leadership.”

” Etienne Davignon
Chairman of the Board

Brussels, March 4, 2010

The past year 2009 started in a general climate of particularly great uncertainty. The world was confronted with a financial crisis which threatened to erode the very foundations of our economy. 2009 was the year in which businesses were faced with major challenges and sometimes had to take difficult decisions. Nevertheless, Recticel managed to weather the storm. Adopting a number of energetic measures and a pragmatic approach to certain areas of risk, Recticel succeeded in limiting the impact of a large proportion of the uncertainties which had arisen. An interview with Chief Executive Officer, Luc Vansteenkiste, and Chairman of the Board, Etienne Davignon.

Did you expect Recticel to withstand this crisis so well?

Luc Vansteenkiste: I think that, at the beginning of 2009, no-one could really estimate the impact of the financial-economic crisis precisely. It was quite clear that Recticel too would be affected. When, quite early on, you are confronted with the literal collapse of the automotive market for example, you know that as a supplier you are going to be affected. On the other hand, the diversification strategy which has always been followed worked. The Group has always adopted the principle that it must be active in various markets and sectors. If things go less well in one sector, this can always be offset by the other business lines. The fact that we also operate in the thermal insulation sector, for example, is a clear illustration of this. Despite the crisis, both the sales and profitability of this sector continued to grow.

Etienne Davignon: The resilience of the Group as a whole is in fact exceptional. You could say that Recticel is rather a cyclical firm. But in retrospect, it nevertheless appears that the Group has managed to maintain sales and improve profitability in a number of difficult markets. In the midst of the crisis, for example, the bedding business line succeeded in maintaining its sales and improved its margins. Comfort foam too recorded a satisfactory performance. This finding generates confidence for the future.

In July 2009, Recticel sold its 50% stake in COFEL, a leading player in the French bedding market. Was this a good decision?

Luc Vansteenkiste: This was one of the most difficult questions last year, but it was the right decision. Further reduction of its level of debt has been one of the priorities for Recticel for some years. The sale of this stake enabled us to improve the level of debt rapidly and structurally without jeopardising our aim to ensure growth in the bedding business line in the future.

Etienne Davignon: When a financial crisis erupts and, what is more, affects the banking sector in particular, it becomes a necessity, as a matter of priority, for firms to reduce their financial debts. It is only in this way that they can ensure maximum freedom of action. Recticel's Board of Directors wished to give priority to this. Because the level of debt has now been reduced, this again opens up promising future prospects.

Another remarkable event in the past year was the restructuring within the Group. Does this not place Recticel's future in jeopardy? One day the economy will pick up again, won't it?

Luc Vansteenkiste: It is always difficult to decide on and carry out restructuring. However, the economic crisis obliges businesses to examine the state of affairs more critically, during which structural over-capacity becomes more clearly visible. To remain sufficiently competitive and in so doing to secure their future, businesses are obliged to adopt a flexible attitude and to adapt constantly. On the other hand, restructuring is never an end in itself, but takes place precisely to safeguard Recticel's future.

Etienne Davignon: During restructuring a number of activities are in fact scaled down or even abandoned. But on the other hand such measures give the firm new impetus to focus on activities which do have a promising future. The

crisis exposed the surplus capacity in the automotive sector very clearly. If the demand for cars shifts to other parts of the world or if demand falls in certain markets, a business generally has only two options. Either it follows the demand via geographical relocation or it adapts to the new context. In Interior Solutions (Automotive), for example, the Group took a conscious decision to reduce capacity so as in this way to improve profitability. Recticel considered this to be the best way to safeguard the future for this technology.

Recticel has always had a long term vision in mind, with continuity and innovation as key concepts. How do you look back today at your many years of service?

Luc Vansteenkiste: It has in fact been a privilege to have been able to head this fantastic firm for nearly twenty years. But it has to be said that a multinational operating in four different business lines, located in some 27 countries with about a hundred plants cannot be managed on your own. I have been fortunate always to have been able to call on competent and enthusiastic staff. Without them, the Group would not be where it is today.

In addition, it has always been important to be able to discuss my vision and ideas with the members of the Board of Directors. All in all, running a business is chiefly a matter of approaching and developing opportunities as optimally as possible. The fact that risks have to be taken to do so is inherent in entrepreneurship, provided of course that these are calculated and acceptable risks.

Many decisions have turned out well in retrospect. For example, Recticel very quickly understood that it had to respond proactively to the opportunities arising when the markets in Eastern Europe opened up. Today, the Group holds a strong position, including via the subsidiaries of the Eurofoam Group, in Central and Eastern Europe. The loss at the time of a number of comfort markets in Western Europe could fortunately be offset by the offer of new, innovative foam products for other areas. Research and development have also been one of the keys for Recticel's continuing success in an ever more rapidly changing world. It is not sufficient to supply good and outstanding products and services; a business must also be sufficiently innovative.

Starting April 1st 2010, Olivier Chapelle is to become the Group's new CEO. Where do you think Olivier Chapelle, as new CEO, should place the emphasis so that Recticel can develop further?

Etienne Davignon: When I look at Recticel today, I see above all a well-balanced Group with strong positions in various markets and countries. Furthermore, the Group has strong technological and commercial know-how at its disposal, as a result of which it can clearly stand out from the other players. However, the greatest challenge for Rec-

ticel lies above all in the continuing growth of overall profitability based on a sound balance-sheet structure. These issues have already played an important role in recent years and will continue to do so in the future. In addition, the Group, although it has come through the crisis well, will have to show sufficient creativity, innovation and flexibility to consolidate and further expand its market positions. Olivier Chapelle will present the necessary proposals for this to the Board of Directors.

Luc Vansteenkiste: The Group will continue to oversee its investment budget selectively, which in any case will have to be spread flexibly over time, depending on the trend in general performance and the market conditions. In short, the stage at which the Group currently finds itself, given the present economic context, is mainly one of consolidation in the short term, although with a sharp eye open for new market developments and opportunities.

What are the greatest challenges and risks for 2010?

Etienne Davignon: Although 2010 is starting out on a firmer footing than 2009, the future of course remains uncertain. The macroeconomic climate is improving, but the recovery could still seem fragile. In my opinion, the most important risk factors for the coming year are the considerable uncertainty about the recovery of the automotive industry worldwide, on the one hand, and the consequences of the financial crisis and the restructuring on consumer purchasing power, on the other.

Luc Vansteenkiste: If the economic recovery continues, which for that matter I expect to happen, a gradual increase in the cost of a number of raw materials may follow. Just as in the past, the Group will have to keep very close track of this and where appropriate take the necessary measures to safeguard its profitability. I am convinced that Recticel is well-prepared for this. Several times in the past, the Group has proved that it can respond flexibly to such developments.



Luc Vansteenkiste

Etienne Davignon



Luc Vansteenkiste

Etienne Davignon



Wilfried Vandepoel
Director

Klaus Wendel
Director

Pol Bamelis
Director

Henk Janssen
Director

Louis Verbeke
Director

Tonny Van Doorslaer
Director

Luc Willame
Director

Guy Paquot
Director

Etienne Davignon
Chairman

Luc Vansteenkiste
Chief Executive Officer
(till 31 march 2010)

Olivier Chapelle
Chief Executive Officer
(from 01 april 2010)

Vincent Doumier
Director

Report by the **Board of Directors**

“The diversification strategy followed has been successful. The Group has always worked on the assumption that you must operate in various markets and business lines. Then if things don’t go so well in one activity, this can always be offset by the other divisions.”

” Luc Vansteenkiste
Chief Executive Officer

Recticel progresses in difficult economic environment

Key figures

in million EUR	2009	2008	Δ 09/08
Sales	1 276,7	1 555,4	-17.9%
Gross profit	232,1	220,8	5.1%
as % of sales	18.2%	14.2%	
EBITDA⁽⁴⁾	102,3	108,8	-6.0%
as % of sales	8.0%	7.0%	
EBIT	46,2	41,4	11.6%
as % of sales	3.6%	2.7%	
Result for the period (share of the Group)	20,7	11,5	79.6%
Result for the period (share of the Group) - basic (in EUR)	0,72	0,40	79.6%
Gross dividend per share (in EUR)	0,25⁽¹⁾	0,17	47.1%
Equity, including non-controlling interests	226,0	233,7	-3.3%
Net financial debt	192,0	268,6	-28.5%
Gearing ratio	85%	115%	
Average Capital Employed ⁽²⁾⁽³⁾	458,9	551,3	-16.8%
ROCE = Return on capital employed ⁽³⁾	10.1%	7.5%	
ROE = Result for the period (share of the Group) / Equity (share of the Group) ⁽³⁾	9.6%	5.2%	
REBITDA ⁽⁵⁾	106,9	86,8	23.2%
REBIT ⁽⁵⁾	61,2	31,7	93.1%

- **Net profit (share of the Group): EUR 20.7 million** (2008: EUR 11.5 million)
- **Recurring EBITDA: EUR 106.9 million** (2008: EUR 86.8 million)
- **Further reduction in net financial debt to EUR 192 million** (end-2008: EUR 268.6 million)
- **Strong focus on innovation**
- **Proposal to pay gross dividend of EUR 0.25 per share**

(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) Half-yearly average = [Capital employed at the end of the previous period + Capital employed at the end of the current period] / 2. For Return on Equity (ROE), the same based on Equity (share of the Group).
The annual averages are calculated as the mean of the half-yearly figures.
(4) EBITDA = EBIT + depreciation, amortisation and impairment on assets
(5) REBITDA = EBITDA - non-recurring elements; REBIT = EBIT - non-recurring elements.

General analysis

1. Sales: EUR 1,276.7 million
(-17.9%; 2008: EUR 1 555.4 million)

On a comparable basis,⁽⁶⁾ sales declined by 13.3% (20.14% in the first quarter, 17.1% in the second quarter, 13.6% in the third quarter and 0.4% in the fourth quarter).

The Flexible Foams business line recorded a reduction in sales of -11.6%.

Disregarding the sale (July 2009) of its 50% stake in Cofel, France, sales of the Bedding business line would have risen by 0.4%. The decrease of -10.6% is exclusively the consequence of the sale of Cofel.

The Insulation business line recorded an increase in sales of 6.4%.

In line with the trends recorded during the first three quarters of this year, the Automotive business line in particular continued to suffer from the economic crisis. On a comparable basis⁽⁶⁾ sales fell in this business line by 26.0%.

In addition to the changes already mentioned above (Proseat (Automotive) and Cofel (Bedding)), the following changes in the scope of consolidation must also be taken into account:

- the integration of Westnofa and Superlon (ex-Brekke Industri) (Flexible Foams) in 2009,
- the sale of Corpura (Flexible Foams) at the end of 2009, and
- the winding up of Inorec (Automotive) in 2008.

The total full year positive impact of those changes in scope of consolidation was offset by the loss of sales in the second half following the divestment of Cofel, France (Bedding).

Exchange rate differences had a net impact of -0.70% on sales.

Breakdown of sales by business line

in million EUR	2009	2H/2009	1H/2009	2008	Δ 09/08
Flexible Foams	570,6	292,5	278,1	645,6	-11.6%
Bedding	312,6	142,5 ⁽⁷⁾	170,1	349,5	-10.6%
Insulation	166,5	86,6	79,9	156,4	6.4%
Automotive	289,4	151,2	138,2	474,2	-39.0%
Eliminations	(62,4)	(28,7)	(33,7)	(70,3)	-11.2%
Total	1 276,7	644,1	632,6	1 555,4	-17.9%

Breakdown of EBITDA by business line

in million EUR	2009	2H/2009	1H/2009	2008	Δ 09/08
Flexible Foams	45,1	22,6	22,5	31,2	44.2%
Bedding	41,1	29,8	11,3	16,9	143.6%
Insulation	40,3	20,1	20,2	27,3	47.9%
Automotive	-6,9 ⁽⁸⁾	(7,8)	0,9	50,1 ⁽⁸⁾	-113.8%
Corporate	(17,3)	(9,4)	(7,9)	(16,7)	3.2%
Total	102,3	55,3	47,0	108,8	-6.0%

2. EBITDA: EUR 102.3 million
(-6.0%; 2008: EUR 108.8 million)

All business lines improved their profitability with the exception of Automotive, which ended up with negative EBITDA (EUR -6.9 million) as a result of the economic crisis. The Flexible Foams business line makes the largest contribution. The EBITDA was influenced by a number of unfavourable

non-recurring elements (net EUR -4.6 million compared to EUR +22.0 million in 2008).

Restructuring costs affected the result of the Automotive business line (a.o. in Germany and Belgium) and Flexible Foams (a.o. in Belgium, Finland and Norway). The EBITDA was also influenced by costs associated with (i) the sale at end-2009 of the car window encapsulation business in Gilly

(6) The trend indicated is based on a comparable scope of consolidation. The consolidation method for Proseat (Automotive - seating) was changed as of 2009 from full consolidation to proportional consolidation (51%). The 2008 figures have been restated so as to be comparable.
(7) In July 2009 the Group sold its 50% stake in Cofel (France). Contribution of Cofel in 1H/2009 and FY2009 sales was EUR 36.5 million.
(8) The difference between 2008 and 2009 incorporates non-recurring elements for a total of EUR +47.7 million.

(Belgium) (Automotive – Exteriors), (ii) the filing for creditor protection under Chapter 11 by two subsidiaries in the United States (Automotive – ‘Interior Solutions’), and (iii) the compensation to Nordwind Capital.

These costs were largely offset by a number of positive non-recurring elements in Bedding (capital gain on the sale of the 50% stake in Cofel (France)) and in Flexible Foams (capital gain on the sale of Corpura (The Netherlands)).

Thanks to the effect of the various adjustment measures (see below), the Group succeeded in improving its underlying basic profitability in the past year.

REBITDA rose from EUR 86.8 million to EUR 106.9 million.

3. EBIT: EUR 46.2 million
(+11.6%; 2008: EUR 41.4 million)

All business lines, with the exception of Automotive, contributed.

EBIT also includes net non-recurring elements amounting to EUR -14.9 million (2008: EUR 9.7 million). These concerned the above-mentioned non-recurring EBITDA elements, as well as impairments for EUR 10.3 million on assets in the Automotive business line (‘Interior Solutions’) in Germany and the Czech Republic, and on goodwill in Spain (Flexible Foams).

REBIT amounts to EUR 61.2 million, an increase of EUR 29.5 million versus 2008.

4. Financial result: EUR -13.8 million
(2008: EUR -26.4 million)

Net interest charges (EUR -16.9 million) decreased by EUR 7.5 million. The decrease is attributable to (i) a lower average outstanding debt after the divestments in Cofel (Bedding) and Corpura (Flexible Foams), (ii) the additional buy-back of own convertible bonds and the effect of the refinancing of such bonds at lower interest rates, (iii) the increased free cash flow and (iv) lower market interest rates.

Besides the lower net interest charges the financial result was also influenced positively by ‘other financial income and expenses’ (EUR +3.1 million, compared to EUR -2.0 million in 2008). In addition to the capitalisation costs for pension provisions (EUR -2.5 million), ‘other financial income and expenses’ also includes the capital gain realised upon the buy-back of convertible bonds (EUR +5.6 million).

5. Income taxes: EUR -12.4 million
(2008: EUR -10.4 million)

- current taxes: EUR -7.9 million, compared to EUR -4.4 million in 2008, mainly payable by subsidiaries in Eastern Europe, Germany and Sweden;
- deferred taxes: EUR -4.5 million, compared to EUR -6.0 million in 2008.

6. Non-Controlling interests: EUR +0.7 million
(2008: EUR +6.9 million)

7. Net profit for the period (share of the Group): EUR 20,7 million (2008: EUR 11,5 million)

Market sectors

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

Adjustment measures

Recticel has made considerable efforts in the past year to meet the various challenges in the turbulent market environment. Planned investments and costs were scaled down and the working capital was kept under control. Savings were also made, thanks to the sustained efforts with regard to centralisation of a wide variety of purchases.

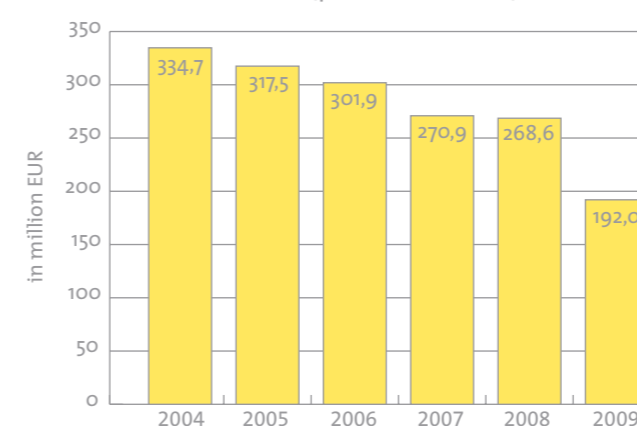
As already stated above, restructurings were carried out in various factories, notably in Belgium, Germany, Finland, France, Norway, Spain and the United Kingdom. These measures led unfortunately to the loss of 617 jobs, negotiated in accordance with best social responsible practices.

Financial situation

At 31 December 2009, net financial debt amounted to EUR 192.0 million (compared to EUR 261.7 million at 30 June 2009).

This results in a ‘net debt to equity’ ratio of 85%, compared to

Net financial debt (per 31 december)



115% at the end of 2008.

Prospects

Due to the economic uncertainty, mainly in the automotive sector, it is particularly difficult to issue quantitative forecasts.

Nevertheless the Group expects 2010 recurring operational results to be in line with those of 2009. A continued reduction of net financial debt is anticipated.

Proposed dividend

The Board of Directors proposes to the Annual General Meeting of 11 May 2010 increasing the gross dividend from EUR 0.17 to EUR 0.25 per share. This corresponds to a pay out ratio of 34% or a gross dividend yield based on the closing price of 4 March 2010 of 3.79%

The policy of the Board of Directors is to pursue the rise of the dividend.

Profit appropriation policy

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

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

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

in EUR	
Profit for the period	5 443 924,48
+ Profit brought forward from previous year	29 171 723,51
Result to be appropriated	34 615 647,99
- Gross dividend	(7 232 864,00)
- Statutory directors’ fees	(108 709,12)
Profit to be carried forward	27 274 074,87

RECTICEL

The passion for com

European leader
in **polyurethane**
applications

“Polyurethane (PU) as a technology offers so many possibilities that it will stay the fundament for further healthy growth.”

” Luc Vansteenkiste
Chief Executive Officer

The **passion** for comfort

OUR MISSION

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.



A **dodecahedron** or is a geometric form with 12 pentagonal surfaces, 20 vertexes and 30 ribs. It is one of the five regular polyhedrons. Several dodecahedrons form the basis of polyurethane foam.

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 strategic position

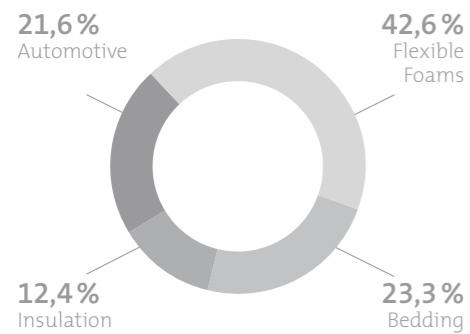
Recticel Group

Sales 2009: EUR 1 276,7 million
EBITDA 2009: EUR 102,3 million
Workforce: 8 403

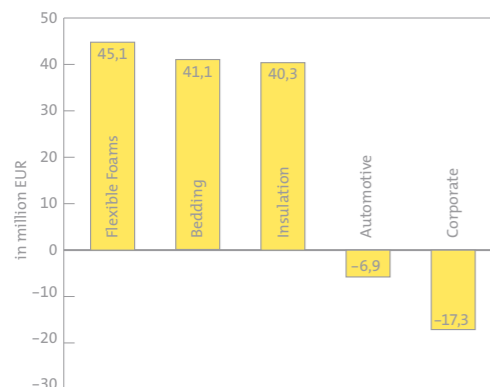
Strategie:

- Mastering volumes of polyurethane foam with a view to optimum utilisation of the production machinery
- Ensuring and consolidating its position on competitive markets through a vigorous brand policy
- Maintaining and consolidating technological know-how through research, development and innovation.

Consolidated sales 2009 (before eliminations)



Consolidated EBITDA 2009



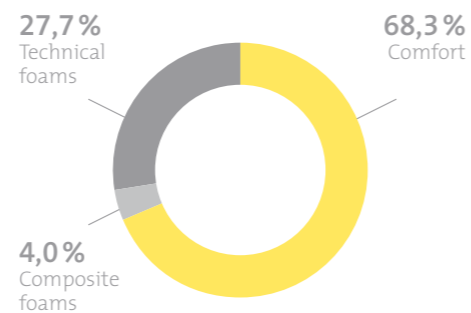
Flexible Foams

Sales 2009: EUR 570,6 million
EBITDA 2009: EUR 45,1 million

Strategy:

- Market leadership through control of volumes of polyurethane foam and innovation
- Growth in the comfort foam segment, mainly in Central and Eastern Europe
- Growth in the technical foams segment
- Development of new bonded foam products.

Breakdown of sales 2009: 3 pillars



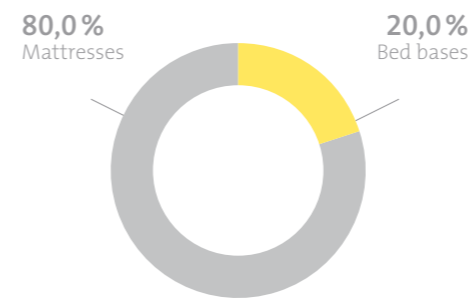
Bedding

Sales 2009: EUR 312,6 million
EBITDA 2009: EUR 41,1 million

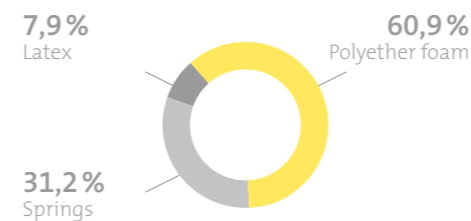
Strategy:

- Consolidation and expansion of market positions by means of a vigorous brand policy
- Strengthening of market presence through product diversification
- Stronger geographical development in Central and Eastern Europe and in Scandinavia.

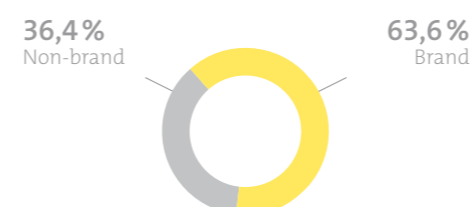
Breakdown of sales 2009 - 2 pillars:



Sales mattresses by technology - 3 pillars:



Sales brands & non-brands - 2 pillars:



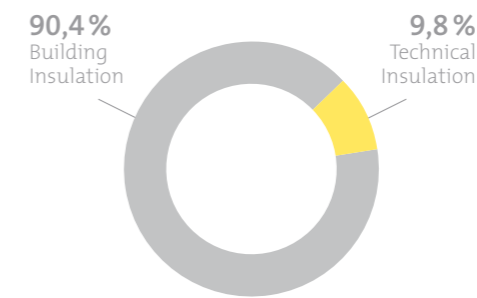
Insulation

Sales 2009: EUR 166,5 million
EBITDA 2009: EUR 40,3 million

Strategy:

- Strengthening competitiveness in relation to alternative insulation materials
- Controlled growth through geographical developments.

Breakdown of sales 2009: 2 pillars



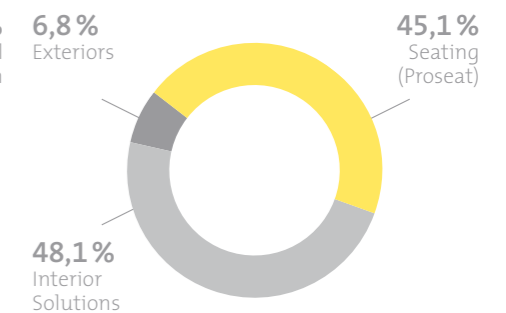
Automotive

Sales 2009: EUR 289,4 million
EBITDA 2009: EUR -6,9 million

Strategy:

- Maintain market positions through flexible geographical development
- Strengthening competitiveness through technological innovations
- Improve profitability.

Breakdown of sales 2009: 3 pillars



Our 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.

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.

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.

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.

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® and Matratzen Bultex® (Bedding business line) also paved the way for the brand name Comfort Bultex® (Flexible Foams business line). Comfort Bultex® has grown in the Flexible Foams business line since 1995 to become the only filling material able to gain a competitive advantage from its brand name and visibility.

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



MUSIC IS MY LIFE. HEALTHY SLEEP IS MY HARMONY.
As a conductor, I am responsible for a perfect ensemble. So, I am in good company with my Swissflex® bed. My body and the bed system create a harmonic unit - that is precisely my goal with the orchestra. This creates equilibrium and gives me new energy. Now, I am more relaxed about opening nights.



DANCING IS MY LIFE. HEALTHY SLEEP IS MY BALANCE.
As a dancer, my body is put to the limit. It's a good thing that I can restore the right balance for body and soul at night on my Swissflex® bed. As a result, I am full of energy all day. I relish my increasing success on stage.



HORSE RIDING IS MY LIFE. HEALTHY SLEEP IS MY HOBBYHORSE.
When I feel good, my horse performs better as well. I relax better on my Swissflex® bed than any other bed. The combination of slat base and mattress makes the difference. In the morning I feel fresh as a fiddle: no obstacle is too high - in both my sport and my life.

For its Bedding division, Recticel invests heavily in **brands**. Therefore, marketing gets an important place in its management. For example, Swissflex supports its innovative bedding system Synchro-Precision® with a strong advertising campaign: authentic testimonials of people telling how they sleep and what they think about the new Swissflex® system.



Research and **development**

”

Bart Wallaey
Group Manager Research
and Development

“Innovating is of utmost importance for a company. The future belongs to those who see possibilities before they become obvious.”



www.idcpuresearch.com

As a socially responsible and future-oriented company, Recticel realises that the origins to responses to future major challenges already lie in the present. New technological product developments, process innovations and environmental improvements can meet with future success only if they can be devised in a well-thought-out manner. A soundly structured framework for research and development is therefore essential. In this context, Recticel has for many years run its own Research and Development Centre (the IDC – International Development Centre).

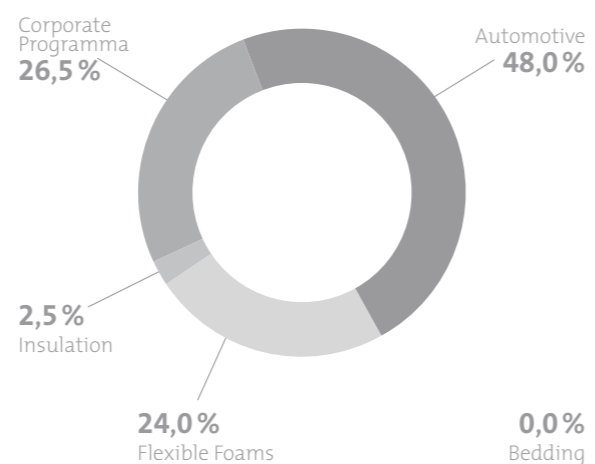
A considerable part of Recticel's IDC-resources are deployed in corporate research and development. In this case, in-depth research focuses on new PU-products and processes, inspired by trends in today's society and technology, such as the race for renewable energy, nanotechnology, smart materials and materials with new functionalities. As a result, Recticel has come with a low-weight composite material, reducing weight by up to 50%, and offering many application possibilities. A new platform of elastomers has also been created: high-quality vibration damping materials which can be used in machines, motors, transport systems etc. And further, memory foams give more comfort in mattresses, medical equipment and furniture.

Centrally organised research and development activities have appeared to be the best guarantee to respond both cost-effectively and flexibly to the specified needs. 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 aims to focus 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.

Furthermore, the Group also encourages the various joint ventures to call on the expertise of the Research and Development team. This creates a win-win situation. On the one hand, this means for the joint ventures a cheaper access 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.

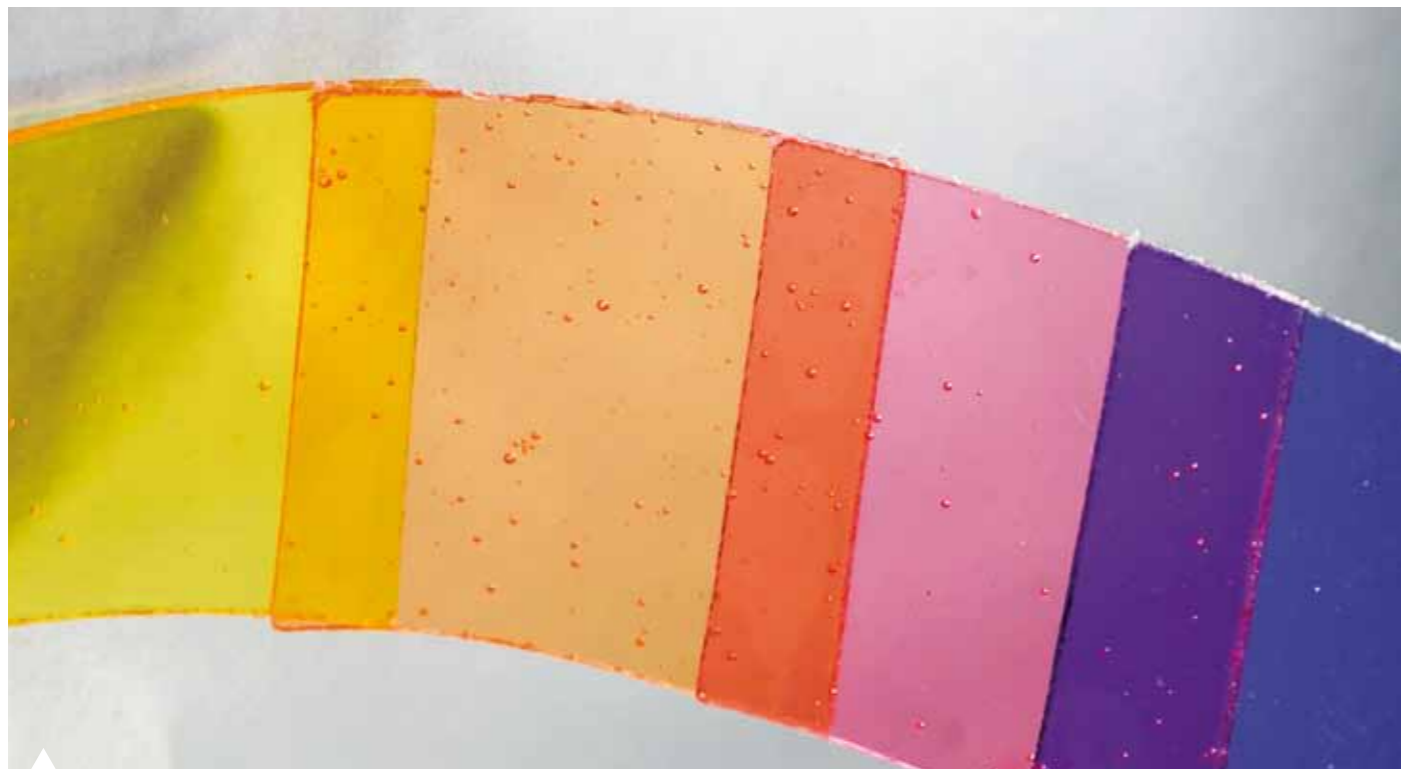
2009 Expenditure budget for Research & Development
EUR 15.1 million (- 5.3% compared to 2008)



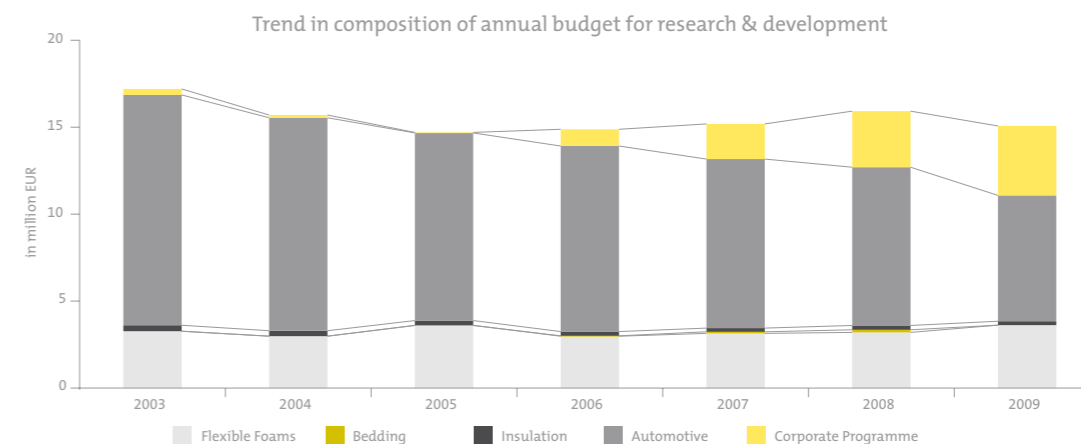
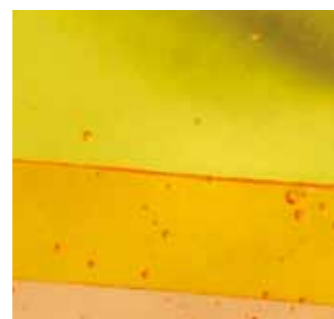
The International Development Center invests in new technologies and pilot machines every year. It is especially the simultaneous development of chemistry and technology which makes new possibilities emerge. The new machines are developed in a modular and flexible way so they can be used for multiple purposes. The first high-quality **vibration damping materials** are examined for their processing characteristics in this new pilot machine.

CompoLite is a strong and very low-weight composite material with moulding possibilities. Hereby weight is reduced by up to 50%. At first, the material got the attention of the car manufacturers focusing on lighter materials to reduce fuel consumption and CO₂ emissions. Thanks to the many possible combinations with textile, leather, wood, aluminum, steel, etc. the material offers many perspectives for lots of other applications.





A colour meter or spectrophotometer can deliver a unique colour coordinate to colours via reflection or wavelength curves. These instruments measure on at least 16 different spots in the spectrum from 400 to 700 nm. The measured values can be expressed in different colour scale indications such as the indexes for whiteness or yellowness. It is also possible to choose different light sources. The tests are performed in order to determine **Colo-fast® colors** and to colour those in the mass afterwards according to specific colour values.



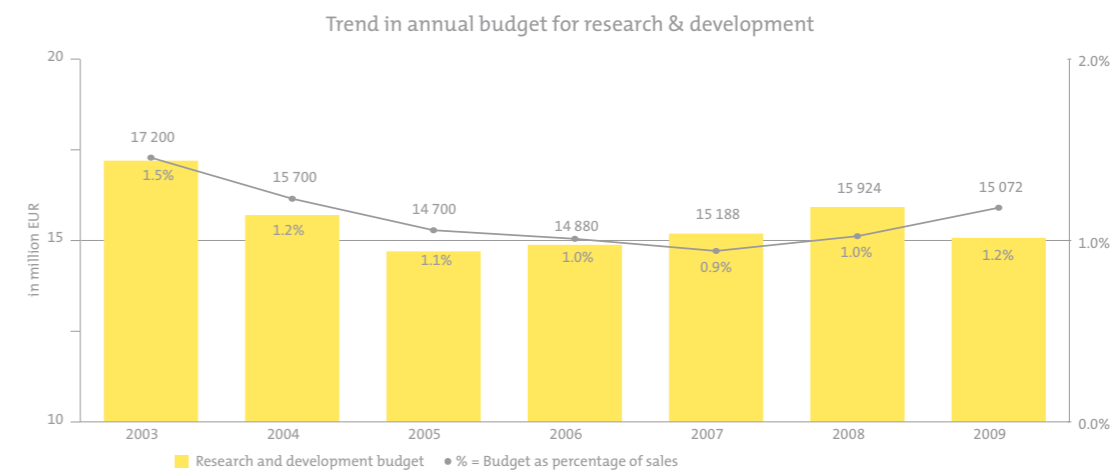
The goal is to invest 30% in corporate projects and 70% in business line projects by 2012.

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

Besides the existing 50 patents, applications were made for 4 new patents during 2009 and specifically work was carried out and/or significant advances were made concerning the following projects, among others:

- New breakthrough in improving the control of cell size during the production of polyurethane foam
- Extension of the range of foam types to finer foams (< 400µ) and particularly coarse (filtration) foams (> 6,000µ)
- Further extension of the number of products and foam qualities in which renewable raw materials are processed. Depending on the applications, biofoams (PureFoams) are now available containing between 15% and 55% renewable carbon
- Development of new comfort foams
- Brand-new is the "Green PU", a combination of natural resources: castor oil and soybean oil as alternatives to petroleum. Patents have already been taken and the products (Purecell and Pureseal W) are being evaluated by the authorities.

- Development of a new generation of Colo-fast® materials with lower emissions of volatile compounds.
- The introduction of renewable raw materials in the production of Colo-fast® materials.
- The gradual replacement of Colo-fast® skins by Colo-sense®. These Colo-sense® materials have the advantage over the former Colo-fast® components of better touch and feel (haptic) properties, as well as greater flexibility of the skin.
- Accumulation of knowledge on new surface textures and visual possibilities for Colo-fast®. In cooperation with the IWT (agency for innovation by science and technology), research is being carried out into the harmonious combination of materials in Colo-fast® or Colo-sense®. The key focus here is on the visual surface aspects and the haptic properties.
- Research into new lightweight products for application in the automotive sector where the demand for low-weight solutions is growing with a view to the gradual reduction in CO₂ emissions.



Corporate social responsibility

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. Fundamentally, the Group believes that corporate social responsibility is an attitude which harmoniously integrates profitable economic growth, responsible social partnership, ecological use of natural resources and energy and the development and well-being of employees. Recticel endeavours to include these sometimes conflicting aspects and to put them into practice permanently in the day-to-day management.

When defining its various objectives, the Group tries as far as possible to take account of both the short-term and the long-term consequences of its decisions and actions for both present and future generations. To achieve its objectives, the Group has a preference for developing strong relations and initiatives with all its stakeholders. In this context, the Group has for many years been introducing a number of **specific guidelines and rules of conduct** to vitalise this policy throughout the entire organisation. 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 through 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 tries to apply the best technology available in order to minimise environmental pollution as far as possible.
- 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 always also 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 'turnover by origin' and 'turnover by destination' becoming far smaller. In other words, the production of goods now takes



Recticel goes for an environment friendly policy through research in renewable materials such as Arcadia®, efforts in the sectors of automotive and construction sectors in order to reduce CO₂ emissions and finally through recycling of polyurethane foams from the production process. Up to 30 percent of all polyurethane foam can become scrap after cutting and shaping foam in product fabrication. Without recycling, this could be a costly disposal problem for manufacturers and an environmental problem. With the Recticel development of practical end uses for scrap flexible polyurethane foam, almost every piece of scrap is recyclable.

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.

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.

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.

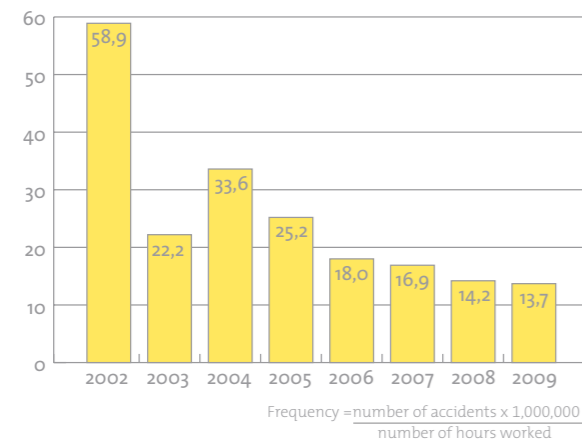
KEMPEN/SNS SRI UNIVERSE

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 Business Control Guide and the related Group Safety, Health & Environment (SHE) Manual, which contains all the relevant rules, guidelines and sanctions to be applied by all staff of 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.

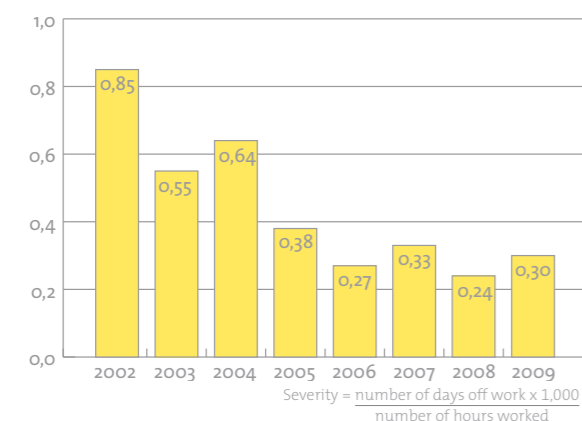
Health, safety and **the environment**

The protection of the health and safety of the workforce has long been a priority at Recticel. In terms of prevention, the Group makes any effort to reduce the number of accidents and their severity. In this respect, the Group does not confine itself solely to its own workforce, subcontractors and the immediate environment of the plants, but extends this issue and the attention paid to it to target groups such as buyers and end-users of the goods produced.

Frequency index industrial accidents



Severity index industrial accidents



SHE policy

The most important policy provisions on health, safety and the environment are established in the general Safety, Health & Environment Policy (SHE), the recently revised version of which is very actively brought to the attention of all plants. 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.

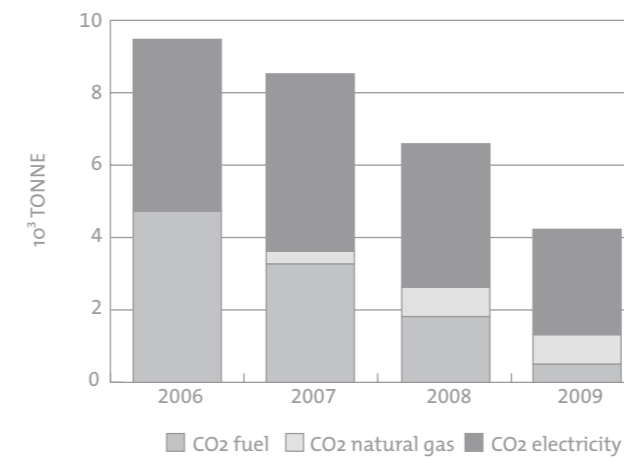
In extending the SHE policy, Recticel attempts first of all to map out in detail all possible operational health, safety and environmental risks. At a second stage, after an in-depth evaluation, the necessary protective measures are defined. The final purpose of these measures is to arrive at situations in which the various potential risks and their possible consequences are reduced to an acceptable minimum. The Group usually goes a step further than the regulatory requirements.

Safety

The key elements of Recticel's safety policy are:

- the ultimate goal is for **zero accidents**
- **safety campaigns** are launched on most sites very regularly to keep the subject to the forefront
- **information sessions** are organised regularly at Group level, during which expertise is exchanged on 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.

Wetteren plant (Belgium) CO₂ emissions



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

- the general improvement in internal communication.
- preventive measures (in cooperation with the works doctor) regarding the effects of exposure to TDI.
- preparation, monitoring and implementation of the new safety and environmental requirements under the Globally Harmonised System (GHS). GHS is the new worldwide standardised labelling system which will become compulsory from 2010-2011. These new standards, which in Europe have been translated into the CLP Regulation (Classification, Labelling and Packaging of Chemicals), will basically have significant administrative consequences for the Group, such as information requirements and new labelling of the chemicals which the Group manufactures itself.
- at the various sites, particular efforts have been made as regards personal protective and safety gear which must comply with the state-of-the-art technical standards.

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 polyurethane 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 therefore concentrates its search on **production processes** which use natural resources and energy more efficiently. In addition, Recticel aims to **reduce waste and emissions** in order to reduce the pressure on the environment (air, water and waste) as far as possible to acceptable levels. In general, our products make a significant contribution to sustainable growth. The considerable reduction in the weight of cars through the use of lighter materials, such as polyurethane, yields fuel economies. The increasing use of polyurethane as thermal insulation in buildings results ultimately in far lower energy consumption and therefore in lower CO₂ emissions. 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 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.
- 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 trim foam from the conversion process in new products and applications reduces the volume of waste.

Recticel embarks on installation of solar panels

Last year, Recticel took its first steps in seeking alternatives to energy from fossil fuels. In its Belgian plants in Wevelgem and Wetteren, Recticel set up a project team to maintain better control of energy consumption. By installing solar panels on the extensive roofs of the two sites, Recticel now makes a considerable contribution to efficient, sustainable management of the generation and supply of energy.

The use of a creative formula is striking here, which enables Recticel on the one hand to achieve its energy targets and on the other hand nevertheless to keep its investment budget under control. Recticel worked out both projects with an external partner which takes charge of the investment. Recticel rents its roofs to this partner and in return obtains the green electricity generated by the solar panels for twenty years. In total, these solar panels will generate some 1,150,000 kWh of green electricity per year, which boils down to **a CO₂ reduction of 460 tonnes per year**. This satisfies about 7% of the annual electricity consumption of the two sites.

Recticel is further investigating whether it can extend this worthwhile formula to the other plants.



Jan De Moor
Group Human Resources and
Communication Manager

Human resources **touch**

“The successful realisation of our strategy highly depends on the motivation and competences of our employees. Development and management of talent will therefore become a priority for the coming years.”

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 key importance.



In 2008, the first preparations were made to develop a modern personnel policy within the Group. Attracting and retaining dedicated, enthusiastic, specialised staff more than ever before will be of decisive importance to ensure future success. Several times in the past, Recticel has already proved that it is worth calling itself and its working methods into question on an ongoing basis. As far as the human resources policy is concerned, the Group is convinced that the time is now ripe to apply more vision and energy to develop new guidelines for the future. The launch in 2010 of a talent management programme and a programme for the development of specific key skills is important in this respect.

It already emerged from a study carried out previously that the most important key skills needed within the Group are the following:

- results orientation
- business acumen
- capability to build and develop talents and teams
- personal flexibility
- customer orientation
- effective communication skills

The decrease in staff by 1 480 employees in 2009 is attributable mainly to:

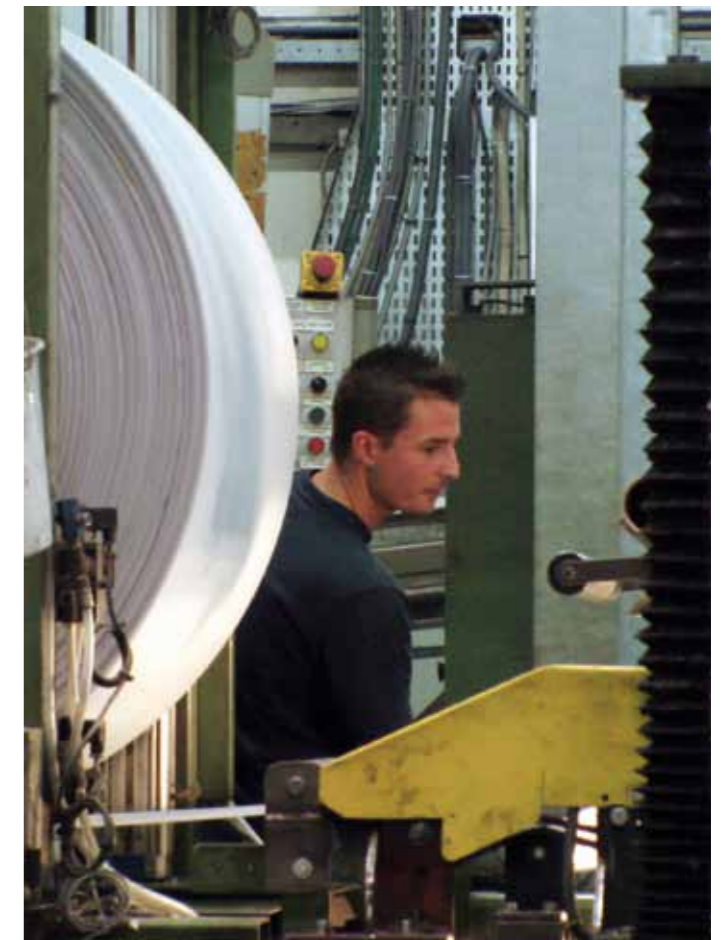
- the sale of the 50% participating interest in the joint venture COFEL (Bedding, France)
- the sale of the remaining activities of Exteriors (Automotive) in Gilly (Belgium)
- the sale of the participating interest in Corpura (Flexible Foams, the Netherlands)
- the reduction in the workforce mainly in:
 - o the British, German and American automotive activities
 - o the Flexible Foams activities in France, Spain and the United Kingdom

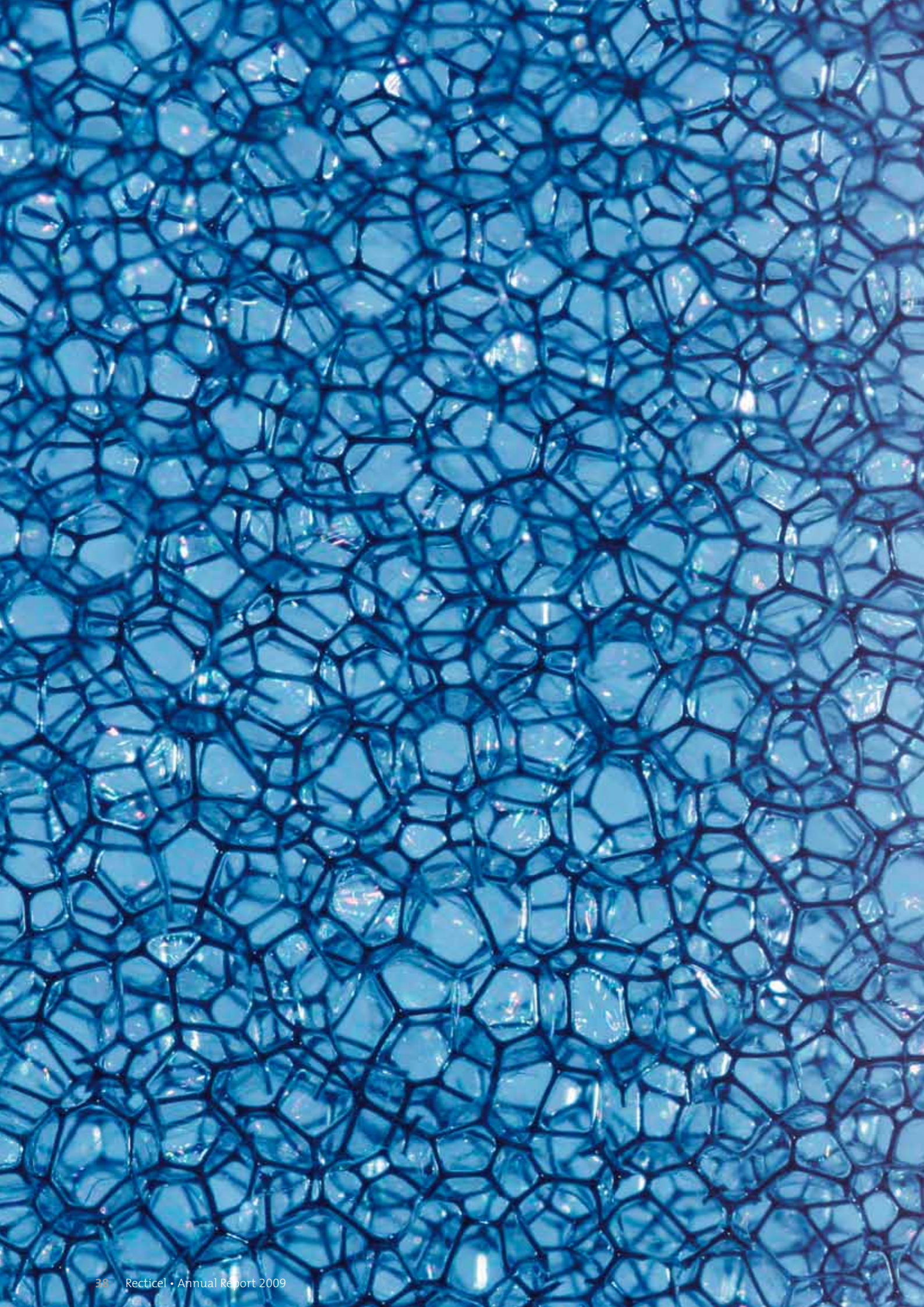
Full time and part time employees, excluding temporary workers and those medically unfit for work and including (on a proportional basis) all employees of joint ventures in which Recticel has at least 50% control.

Staff 2009-2010


	01 Jan 2009	01 Jan 2010		Δ
Germany	1 748	1 480	17.6%	-268
Belgium	1 497	1 350	16.1%	-147
Poland	840	819	9.7%	-21
France	1 624	766	9.1%	-858
Czech Republic	732	721	8.6%	-11
United Kingdom	638	649	7.7%	11
The Netherlands	391	373	4.4%	-18
Spain	415	362	4.3%	-53
USA	390	344	4.1%	-46
Austria	308	295	3.5%	-13
Romania	230	220	2.6%	-10
Switzerland	215	195	2.3%	-20
Sweden	212	193	2.3%	-19
Finland	170	138	1.6%	-32
Hungary	125	118	1.4%	-7
Norway	114	92	1.1%	-22
Turkey	64	62	0.7%	-2
People's Republic of China	25	52	0.6%	27
Estonia	30	43	0.5%	13
Moldova	32	40	0.5%	8
Greece	13	22	0.3%	9
Bulgaria	20	18	0.2%	-2
Lithuania	17	15	0.2%	-2
Ukraine	9	12	0.1%	3
Slovakia	11	10	0.1%	-1
Serbia	8	8	0.1%	0
Russia	5	6	0.1%	1
TOTAL	9 883	8 403	100%	-1 480

	01 Jan 2009	01 Jan 2010		Δ
Western-Europe	7 345	5 921	70.5%	-1 424
Eastern-Europe	2 054	2 024	24.1%	-30
Rest of the world	484	458	5.5%	-26
TOTAL	9 883	8 403	100%	-1 480





Strong in various sectors with **polyurethane** as driver

-  Flexible Foams
-  Bedding
-  Insulation
-  Automotive

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.

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

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

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

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

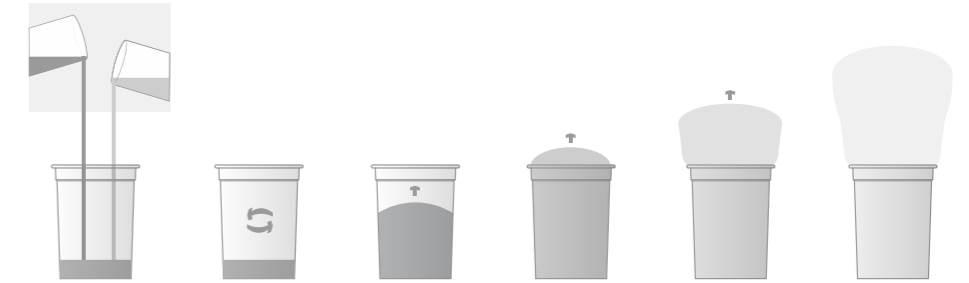
Production of polyurethane foam

World production of plastics	245 million tonnes
(source: PlasticEurope Market Reserach Group 2009)	
World production of polyurethane (PU)	12.1 million tonnes
European production of polyurethane	4.2 million tonnes
World production of flexible foam	3.2 million tonnes
European production of flexible foam	1.0 million tonnes
Recticel production ¹ of flexible foam	230 000 tonnes

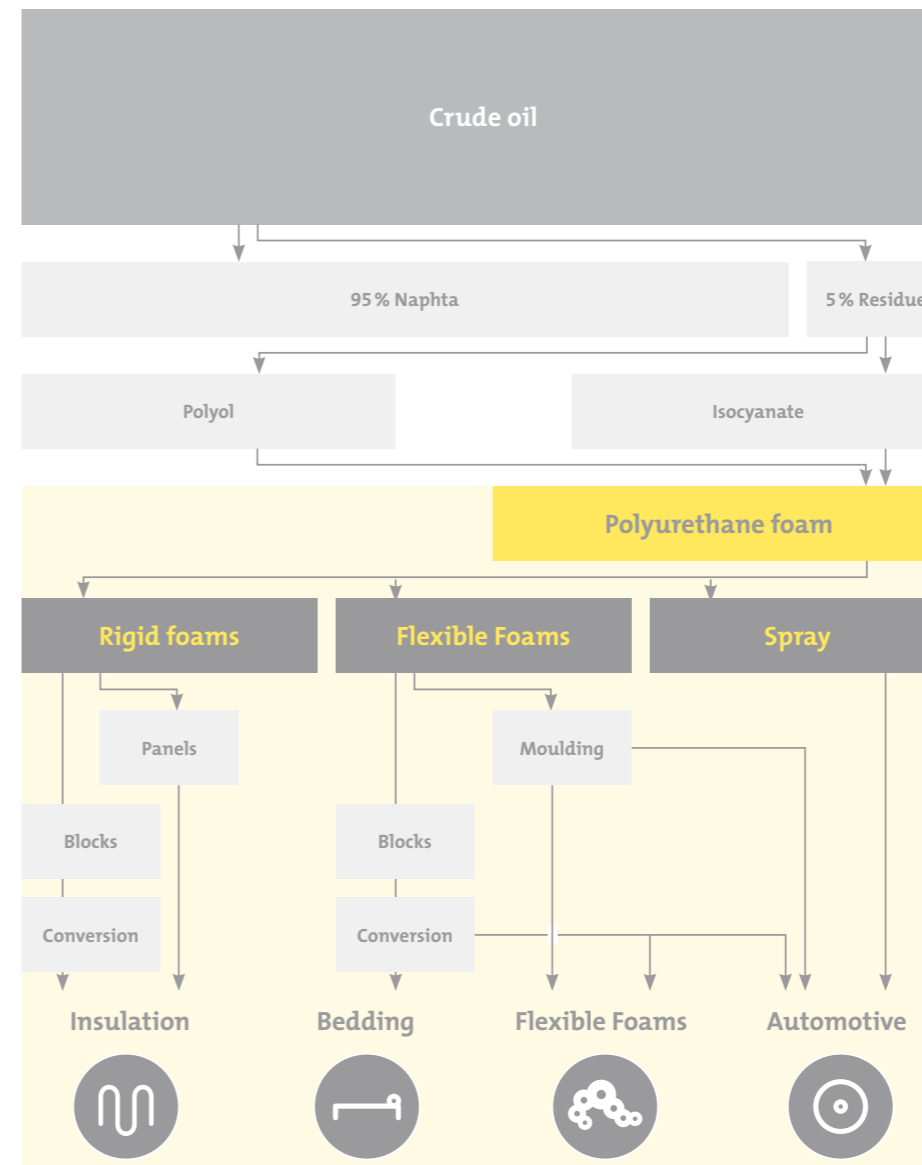
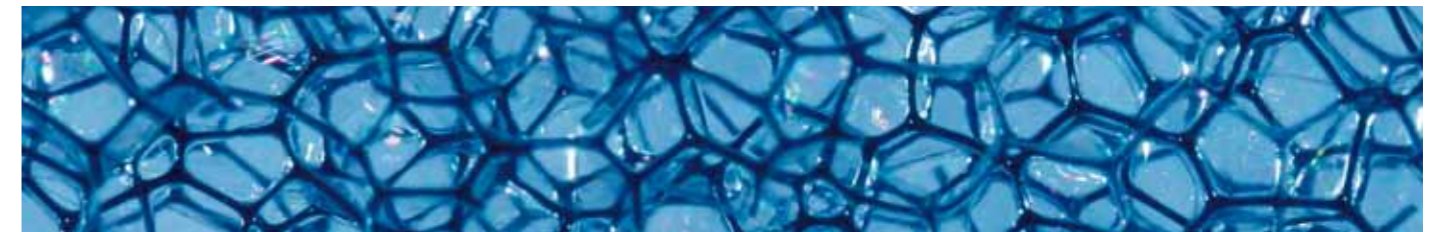
¹ Recticel, including joint ventures at 100%

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.



Baking Bread! When you pay a visit to our factory, we'll be pleased to show you our "baking process". Not that we really bake bread. By means of this test (comparable with rising dough), it becomes clear in a very illustrative and comprehensive way how polyurethane is made.



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

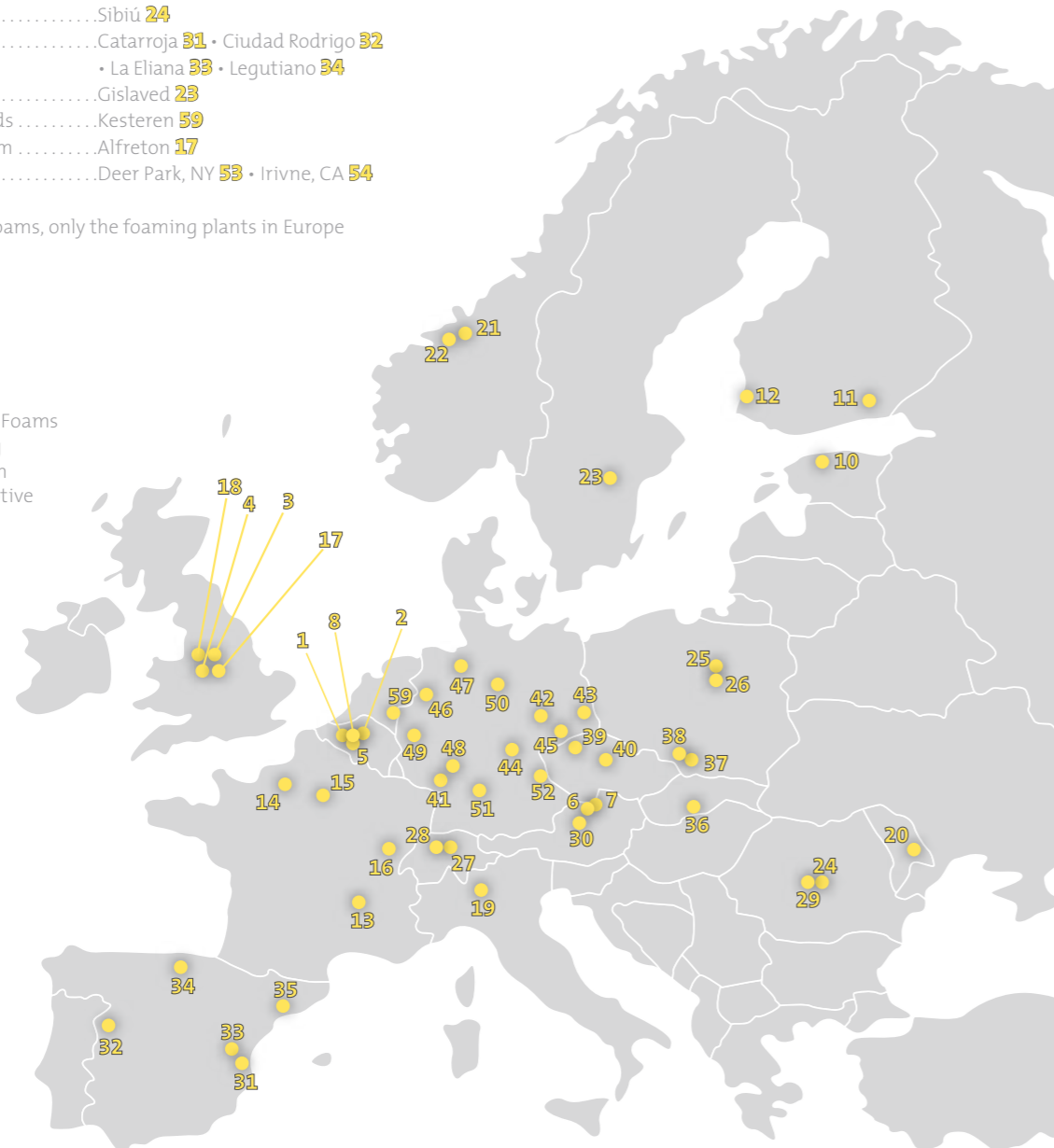


FLEXIBLE FOAMS ¹

- Austria.....Kremsmünster **6** • Linz **7**
- Belgium.....Wetteren **8**
- Estonia.....Tallinn **10**
- Finland.....Kouvola **11** • Rauma **12**
- France.....Langeac **13** • Louviers **14**
• Trilport **15**
- Germany.....Bexbach **41** • Burkhardtsdorf **42** •
Ebersbach **43**
- Hungary.....Sajobabony
- Italy.....Gorla Minore **19**
- Moldavia.....Chisinau **20**
- Norway.....Åndalsnes **22** • Oysand **21**
- Poland.....Zgierz **25**
- Romania.....Sibiú **24**
- Spain.....Catarroja **31** • Ciudad Rodrigo **32**
• La Eliana **33** • Legutiano **34**
- Sweden.....Gislaved **23**
- The Netherlands.....Kesteren **59**
- United Kingdom.....Alfreton **17**
- USA.....Deer Park, NY **53** • Irvine, CA **54**

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

Sales
92,1%
EUROPE
 61,4% Flexible Foams
 10,5% Bedding
 3,5% Insulation
 16,7% Automotive



BEDDING

- Austria.....Timelkam **30**
- Belgium.....Geraardsbergen **9** • Hulshout **5**
- France.....Masevaux **16**
- Germany.....Hassfurt **44** • Jöhstadt **45** •
Wattenscheid **46**
- Poland.....Lodz **26**
- Romania.....Miercurea Sibiului **29**
- Switzerland.....Büren **27** • Flüh **28**



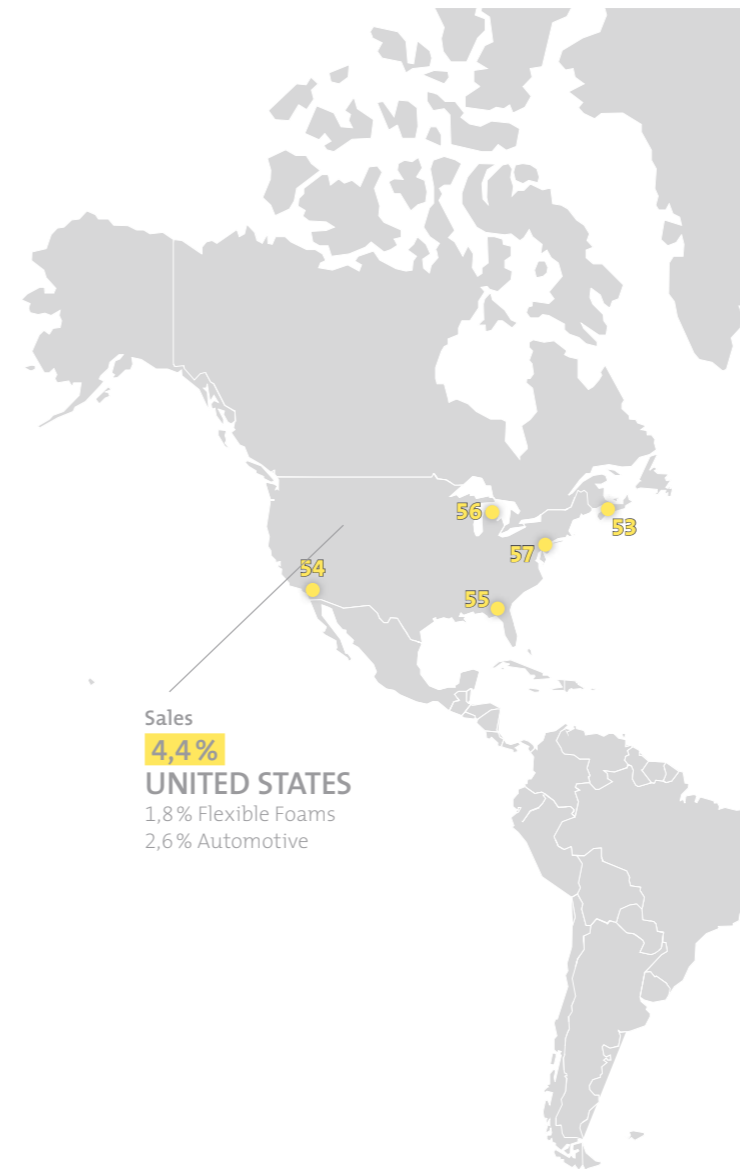
INSULATION

- Belgium.....Turnhout **2** • Wevelgem **1**
- United Kingdom.....Glossop **3** • Stoke-on-Trent **4**

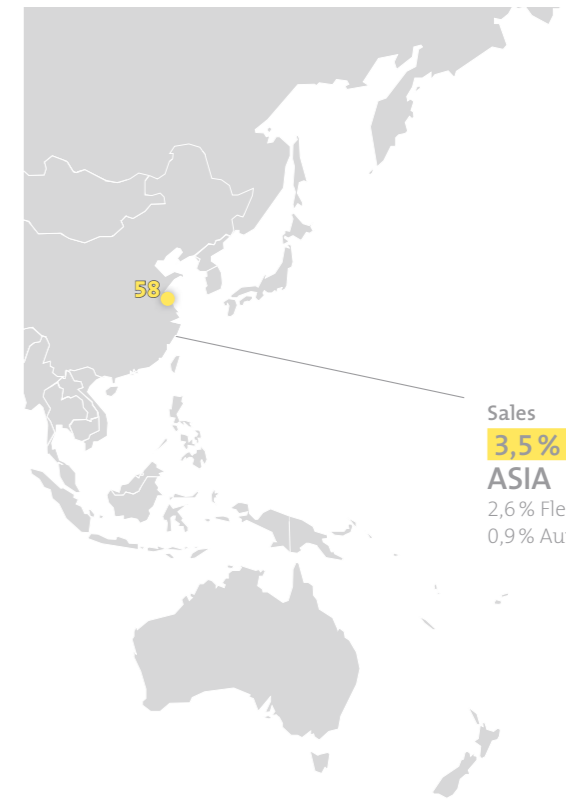


AUTOMOTIVE

- Belgium.....Hulshout **5** • Wetteren **8**
- Czech Republic.....Mlada Boleslav **40** • Most **39**
- France.....Trilport **15**
- Germany.....Espelkamp **47** • Rheinbreitbach **49**
• Rüsselsheim **48** • Schönebeck **50**
• Unterriexingen **51**
• Wackersdorf **52**
- People's Republic of China.....Ningbo **58**
- Poland.....Bielsko Biala **37** • Zory **38**
- Slovakia.....Lucenec **36**
- Spain.....Santpedor **35**
- United Kingdom.....Manchester **18**
- USA.....Auburn Hills, MI **56**
• Clarkston, MI **57**
• Tuscaloosa, AL **55**



Sales
4,4%
UNITED STATES
 1,8% Flexible Foams
 2,6% Automotive



Sales
3,5%
ASIA
 2,6% Flexible Foams
 0,9% Automotive

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



Flexible Foams

“Flexible Foams is the Group’s largest business line. It focuses primarily on the manufacture, conversion and marketing of predominantly semi-finished goods in flexible polyurethane foam for a large range of comfort and technical applications.”

” **Eduard Dupont,**
Group General Manager Flexible Foams

PUREFEEL®

Body
Foams®



Transforming
any idea
in foam

foam
for care

TryOn



TRI-FLEX™



Flexible Foams

Flexible Foams is the Group's largest business line. It focuses primarily on the manufacture, conversion and marketing of predominantly semi-finished goods in flexible polyurethane foam.

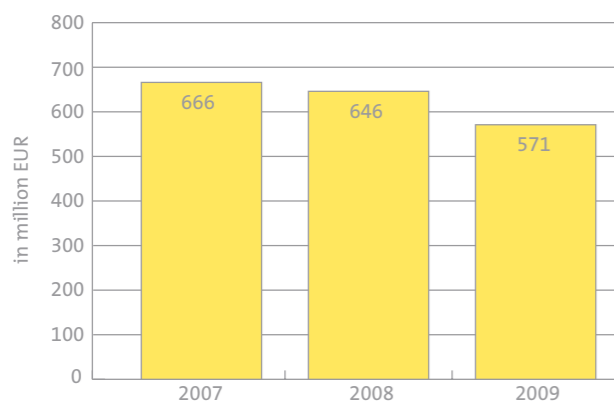
The business line is structured around three segments: comfort, technical foams and composite foams, which are distinguished mainly by the characteristic properties of the types of foam, the individual character of the production process or the typical possible applications of the foam.

Key figures - Flexible Foams

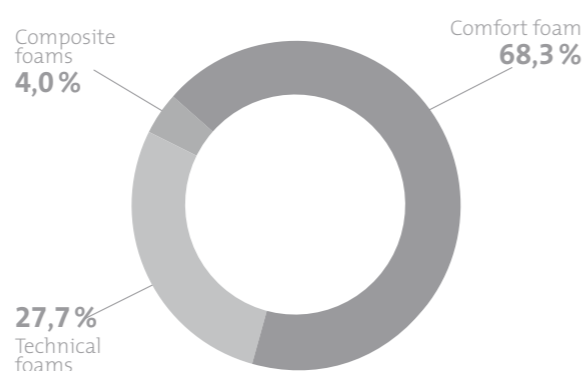
in million EUR	2009	2008	2007
Sales ⁽¹⁾	570,6	645,6	665,6
Growth rate in sales (%)	-11,6%	-3,0%	5,2%
EBITDA	45,1	31,2	41,8
EBITDA margin (as % of sales)	7,9%	4,8%	6,3%
EBIT	25,8	14,5	26,4
EBIT margin (as % of sales)	4,5%	2,2%	4,0%
Investments in intangible (excluding goodwill) and tangible fixed assets	4,9	10,8	17,8
Investments as % of sales	0,9%	1,7%	2,7%

(1) before eliminations of intra-Group transactions

Trend in sales - Flexible Foams



Sales - Flexible Foams



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 in the various conversion units. Comfort foam is fundamentally a bulk product which is cut to size as semi-finished products for use in all kinds of seating and mattresses.

Long slabstock is made in the foaming rooms, which is then cut into smaller, transportable pieces or foam rolls. These pieces are then cut and finished in Recticel's own workshops or are delivered directly to customers in the seating and mattress industries. In addition to the wide range of 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 addition to slabstock, the Group also produces cold moulded foam. It is customary for large standard production series that specific seating components are produced directly in moulds. The big advantage of this production technique is that there is then no need for cutting. In Europe, there is still considerable demand for moulded foam especially in the Scandinavian furniture market.

In contrast to the comfort department, the **TECHNICAL FOAMS** segment specialises in the manufacture of specific types of foams for smaller niche markets. Generally speaking, technical foam types have to comply with strict product specifications as usually they are intended for advanced technical applications. Technical foam types are used in a very wide range of applications, including sponges, scourers, filters, paint rollers, seals, packaging, sound insulation, energy and shock absorption, rechargeable batteries, extremely fire-resistant foam types for high-risk clothing, light-resistant foam types for clothing applications, outdoor applications (Dryfeel®).

In contrast to comfort foam, which essentially only has to be cut, in certain cases technical foams have to be post-treated (e.g. reticulation, impregnation, etc.) to obtain their very specific properties. Extra post-treatments are often necessary to adapt the physical or chemical properties of the foam precisely to the requirements of the ultimate application. The very specific applications and strict requirements these foams must often meet underline the importance of foam technology and chemical know-how.

Finally, the Flexible Foams business line has a **COMPOSITE FOAMS** division, which essentially converts trim foam into new products. Although in recent years the emphasis has been placed increasingly on limiting the quantity of unavoidable off-cuts, Recticel tries to discover ever more new applications for these residues. The off-cuts from the conversion process are cut into small flakes which are mixed with a binder and amalgamated into slabstock. These blocks are 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).

For the time being, Recticel is still not able to convert all its trim foam into new products, so the remaining trim foam is sold on the open market. There is a substantial market for polyurethane trim foam especially in the United States, where it is converted locally into underlay for fitted carpet.



COMPETITIVE SITUATION

Comfort foam

Nowadays, polyurethane foam is almost the only accepted filling material for seating. Its lightness, durability and reasonable price mean that there are no real substitutes. Other technologies are used for mattresses, such as springs and latex, but it is striking that the market share of full-foam mattresses has been constantly increasing in recent years.

From the technical point of view, the production of polyurethane foam is characterised by a low entry threshold, as a result of which the European market was for a long time highly fragmented. Nowadays, the European polyurethane foam market has become far more concentrated. In Europe, there are still currently about 60 to 65 foaming plants in operation and about 500 converters. A handful of players extend beyond a historically local presence to operate in a wider market. 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 units throughout various European countries. Recticel and the Vita Group are the frontrunners, followed by the American Carpenter. The rest of the market (about 50%) is mainly divided among smaller manufacturers, which for the most part are significant only in their local markets (e.g. Olmo in Italy). Two larger players focus specifically on Central and Eastern Europe, operating in various countries, i.e. Foamline of Russia and Organika of Poland.

Technical foams

Recticel's objective is always 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

As a major European polyurethane manufacturer and converter, Recticel accumulates large volumes of trim foam. Previously, this trim foam was mainly sold on the open market. A significant market for these residues exists in the United States, but the prices are extremely volatile. There are no derivatives to hedge comfortably against these price fluctuations.

Several years ago, the Group started to convert some of this trim foam itself into new (semi-)finished products. The underlying reason for this is to become less dependent on the extremely volatile market prices for trim foam. These conversion activities are accommodated in the composite foams division. In Europe, alongside Recticel, the Vita group, the Austrian Greiner group, the American Carpenter and the Belgian Agglorex operate in this segment.



STRATEGY AND PROSPECTS: SHAPING THE FUTURE

Comfort foam

Further growth in sales and improvement of profitability can be achieved on the basis of the following principles:

- **Internal growth**

Despite the maturity of the market in comfort foam, the European seating sector as a whole is still growing. Generally speaking, consumer demand for comfort foam tracks the trend in gross national product (GNP). In contrast to the Western European markets, which are tending to stagnate, it is mainly in Central and Eastern Europe that the future growth will occur. However, this does not mean that there is no longer any future for the manufacturing activities in Western Europe. The ever rising demand for mattresses with polyurethane cores shows sufficient attractive prospects for the Western European comfort sector.

As European market leader in this segment, Recticel has to be in a position to achieve organic growth in the coming years which is at least equivalent to that of the market in general. Primarily, the adaptation and optimisation of the industrial production machinery in accordance with market needs will be examined with a view to further improvement of profitability.

- **Geographical expansion**

Recticel possesses a very extensive production 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 1990's. In spite of the present economic crisis, Central and Eastern Europe will remain important for the coming years. It is expected that the annual consumption of polyurethane for the local market will continue to pick up gradually. For the time being, local consumption is still well below the Western European average.

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**

To maintain its European leadership, the Group must launch new or improved products in the market at regular intervals. Technical quality improvements, research and development and the introduction of innovative types of foam must make the difference here. In recent years, the Group has introduced innovative **Foam for Care** quality products, including paramedical foam components for wheelchair cushions, orthopaedic devices, new revolutionary anti-bed-sore mattresses and antibacterial types of foam from vegetable raw materials (natural oil-based polyol foams or NOP-based foams).

Technical foams

- **Geographical expansion**

Although the industrial footprint of technical foams is not as large as that of comfort foam, Recticel nevertheless possesses a very extensive manufacturing and conversion network. In this segment, the Group has a strong presence in Western, Central and Eastern Europe. It also operates on a more limited scale in the United States (acoustics via its subsidiary Soundcoat) and in China (conversion unit). There are prospects of further extensions.

- **Innovation**

Under the impetus of the various research and development activities, the Group regularly markets new or improved foam qualities.

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)), '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.

In line with the past trend, Recticel considers that further annual growth in its technical foam 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.



Recticel created Arcadia®, an alternative foam range for seating and mattresses using renewable natural resources. Arcadia® uses a special **soybean oil** to replace some of the traditional fossil fuels based raw materials. We can now help to protect our world by decreasing consumption of petrochemicals and increasing the use of crops harvested from nature. The production of soybean oil is also more energy efficient than its synthetic counterparts, so the carbon footprint is also reduced.

Composite foams

• **Innovation and sustainable development**

Converting the flexible foam slabstock inevitably results in a certain quantity of trim foam. Originally, this bulky trim foam was sold 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.



DEVELOPMENT IN 2009

Sales

Compared to 2008, sales in the Flexible Foams business line were 11.6% lower. Turnover suffered from the generally weak economic climate, with volumes declining significantly in Western Europe. The fall in the sales volumes was partially offset by the sales figures of the activities taken over at the end of 2008 in Norway, Finland and Estonia (cf. Brekke Industrier). A positive factor is that in the course of the second half of the year, volumes started to rise again in most markets.

'Comfort' (EUR 389.6 million; -3.4%) managed to limit the decrease thanks to the integration of the activities taken over from the Norwegian group Brekke at the end of 2008.

On the other hand, the **'technical foams'** division (EUR 158.0 million; -27.5%) had more difficulties. Technical foams were confronted in particular by lower demand from the markets for industrial capital goods and the automotive sector.

'Composite foams' recorded 5.1% lower sales to EUR 22.9 million. Higher average market prices for trim foam were insufficient to offset the lower volumes in bonded foam.

EBITDA

Despite the lower sales, the Flexible Foams business line managed to improve its results compared to the previous year. There were a number of conflicting trends in the various subdivisions. Whereas the 'comfort' and 'composite foams' divisions increased their results, the 'technical foams' division recorded a significant decrease.

The weaker results in the 'technical foams' division were mainly attributable to lower sales volumes to industry and the automotive market. However, this decline was partly offset by cost-saving measures.

The result was further influenced by a number of non-recurring elements (EUR -1.9 million (2008: EUR -3.5 million)). These included primarily restructuring costs in Belgium, Finland and Norway. The latter was partly offset by a capital gain on the sale of the stake in Corpura.



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	About 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 2009	EUR 337 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.

Bedding

“Recticel focuses principally on constant optimisation and renewal of its product mix. Through continuous innovation, Recticel aims for sleep systems that offer a maximum comfort to even the most demanding customers. Thanks to our many years of experience, our commitment to excellence, and our extensive product range, there is an appropriate sleep system for everyone’s budget. That is why the Group tries to keep its cost structure under control.”

” **Caroline Deschaumes**
Group General Manager Bedding

Caroline Deschaumes - Group General Manager Bedding
Jean-Pierre De Kesel - Deputy General Manager Bedding



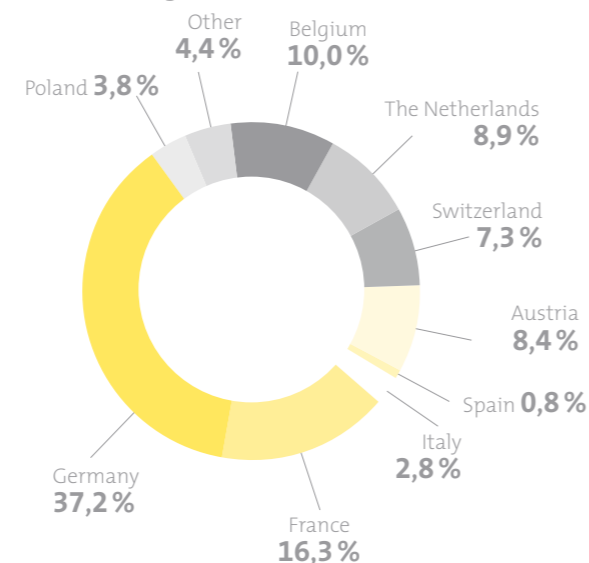
Within the Bedding business line, the Group focuses in particular on developing, manufacturing and marketing fully finished mattresses, slat bases and bed bases, and beds. In this respect, the Bedding business line distinguishes itself from Recticel's other business lines through its pronounced business-to-consumer character. As one of the leading manufacturers of mattresses, slat bases and bed bases in Europe, the Group endeavours for its presence in the various markets to be associated mainly with strong brand names.

Key figures Bedding

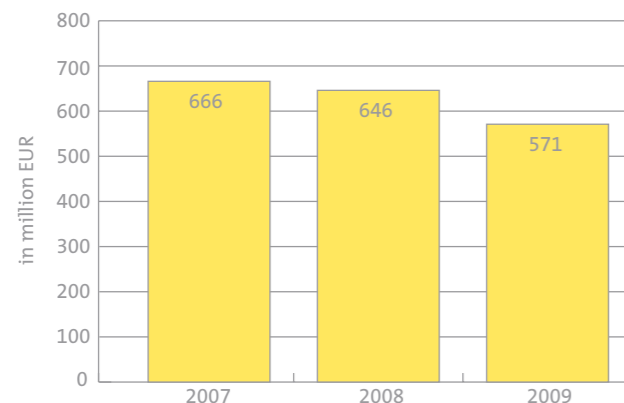
in million EUR	2009	2008	2007
Sales ⁽¹⁾	312.6	349.5	396.4
Growth rate in sales (%)	-10.6%	-11.8%	5.7%
EBITDA	41.1	16.9	26.9
EBITDA margin (as % of sales)	13.1%	4.8%	6.8%
EBIT	33.8	9.1	19.4
EBIT margin (as % of sales)	10.8%	2.6%	4.9%
Investments in intangible (excluding goodwill) and tangible fixed assets	2.5	4.5	6.3
Investments as % of sales	0.8%	1.3%	1.6%

(1) before eliminations of intragroup transactions

Sales Bedding (geographical distribution)



Trend in sales - Bedding



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).

The Group possesses a unique portfolio of strong brands, which are very well-known in their respective local markets, such as for example, Beka® (Belgium), Literie Bultex® (Belgium), Schlaraffia® (Germany), Sembella® (Austria), Superba® (Switzerland) and Ubica® (The Netherlands).

The range of other brands marketed by the Group, on the other hand, extends beyond the national or regional frontiers. Lattoflex® and Swissflex®, for example, are familiar names in the up-market segment in Europe. Literie Bultex® has now become an international brand.

Recticel not only possesses a diversified portfolio of brand products, but has also managed to stand out for its supply of high-quality bedding products based on different technologies. The Group offers a wide range of mattresses with cores manufactured from polyurethane foam, latex, springs or a combination thereof. Bed bases are supplied in wood and/or plastic.

Fundamentally, the aim of all these products and brands is to boost the health and well-being of the consumer through a good night's rest on high-quality products. In this context, it should be pointed out that the discerning consumer is inclined to invest more in good bedding. The current economic crisis has had virtually no impact on this pattern of behaviour.

The business line's customer base is well distributed and includes both independent bedding specialists and furniture businesses, as well as major distribution groups (Begros, Beter Bed, Leenbakker, etc.).

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

STRATEGY AND PROSPECTS: SHAPING THE FUTURE

Market trends

Various recent European market studies have clearly shown that two major trends are emerging on the bedding market. On the one hand, consumers who are becoming increasingly aware of the importance of good bedding 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. As a result, the average bedding investment budget is generally increasing. Moreover, the replacement cycles for mattresses, slat bases and/or bed bases are also becoming shorter.

Historically, the European bedding market has always been very fragmented. There are no apparent reasons to show that this will no longer be the case in the future. It is just a general fact that there are still significant differences and divergences in local consumption patterns in the various European countries.

The falling consumer confidence resulting from the current macroeconomic malaise has had a relatively limited impact for Recticel. Although sales have remained more or less stable, the impact of the crisis is reflected mainly in a shift in the product mix. Recticel aims to provide a suitable response

FACTS & FIGURES

Recticel's production in 2009: 2.4 million mattresses and 0.6 million slat bases

Number of production plants: Recticel has 12 plants distributed in Belgium (2), Germany (3), France (1), the Netherlands (1), Austria (1), Poland (1), Romania (1) and Switzerland (2)

Bedding is subject to seasonal influences. Traditionally, more mattresses and bed bases are sold in the second half of the year. Targeted marketing campaigns try to distribute sales more evenly over the year.



to these changing market conditions by innovative commercial campaigns and by placing modern products on the market which concentrate more on aesthetic form alongside the technical aspects. The Group has a circle of both internal and external designers to call upon for product development.

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 and to keep the cost structure under strict control. These efforts are intended ultimately to lead to a further improvement in the profitability of the business line.

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 take place in Romania. The presence of the Flexible Foams business line in Central and Eastern Europe is also considered to be a perfect operating base from which to serve these promising local bedding markets. For that matter, the Group can already rely on growing interest in mainly non-brand products in Poland.

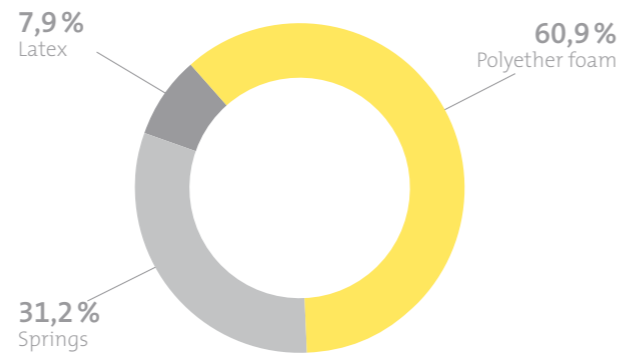
Recticel has also taken steps to further centralise and optimise its purchasing policy as regards strategic raw materials (latex, springs and textiles).

Strategic cooperation

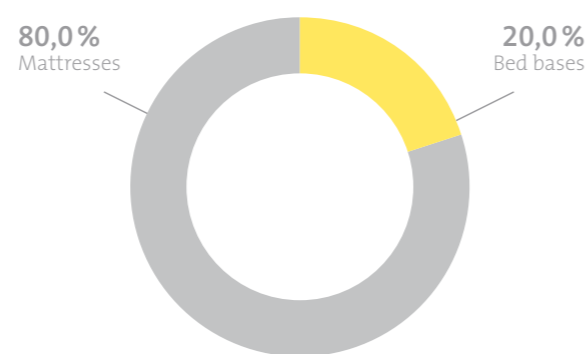
An important link in the growth of recent years was the development of the strategic alliance with Pikolin, Spain. This joint venture, the COFEL group, was the market leader in France, with brands such as Bultex®, Epeda® and Merinos®.

In mid-2009, the Group sold its 50% participating interest in this leading joint venture. Although this sale may seem rather surprising in view of the approach adopted by the Group with regard to the expansion of an efficient brand portfolio in Europe, it has to be said that this transaction in no way calls the strategy of this business line into doubt. Recticel still has strong belief in the potential of the bedding market. The Group will consequently make every effort to identify new opportunities and to examine them with the necessary attention.

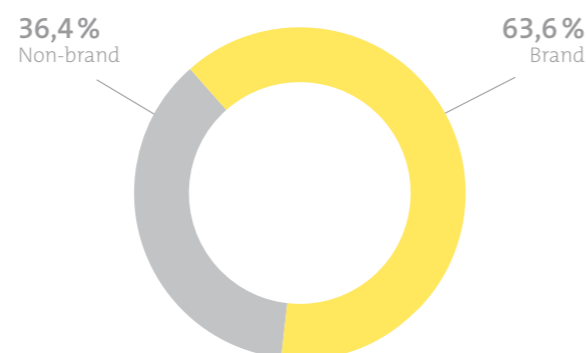
Sales Bedding (per technology)



Sales Bedding (mattresses & bed bases)



Sales Bedding (brand versus non-brand)



COMPETITIVE POSITION

The European bedding market is dominated mainly by two European groups: Recticel and the Swedish Hilding Anders (Crown Bedding, Pullman, Slumberland, etc.).

Recticel has a market share of at least 15% in all countries where it is present.

Distribution of brands per country

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

DEVELOPMENT IN 2009

Sales

Despite weaker consumer confidence, the **Bedding** business line resisted well. Sales amounted to **EUR 312.6 million**.

As already stated above, in July 2009, the Group sold its 50% participating interest in Cofel, France. Consequently, the sales of this entity are no longer included in the sales figures as of July 2009. Disregarding the impact of this divestment, sales have risen by 0.4%.

This rise is attributable to higher volumes in the 'private label' and brand segments. Especially Germany, Austria and Poland confirmed positive developments in both segments. The difficulties Switzerland was still facing in 2008 are gradually being resolved.

EBITDA

As a result of the various cost-saving measures, the use of new distribution channels, proactive commercial campaigns and the launch of new products, the recurrent profitability in both segments (brand and non-brand) could be improved overall.

EBITDA includes EUR +17.9 million net non-recurring elements (2008: EUR -1.8 million) mainly attributable to the divestment of the 50% stake in Cofel (France) in the second half of the year.

Notwithstanding the sale of its 50% stake in Cofel, Recticel's strategic intent is to retain its other activities in the Bedding sector in Europe and to further expand the business.



Insulation

“Although the smallest in the Group in terms of sales, the Insulation business line currently has the greatest growth potential.”



Paul Werbrouck
Group General Manager Insulation





POWERDECK® **EUROWALL®** **POWERROOF®** **Tarecpur®**

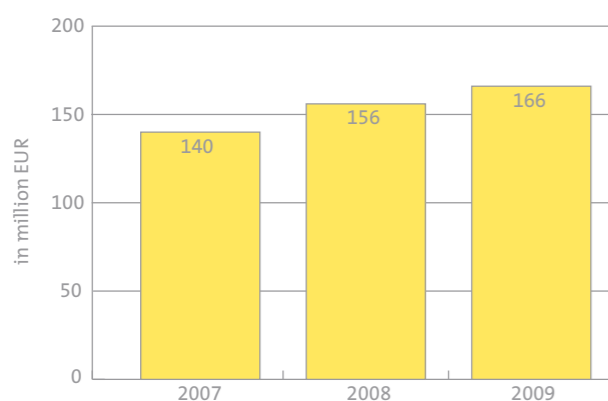
Although the smallest in the Group in terms of sales, the Insulation business line currently has the greatest growth potential. The Insulation business line, which concentrates on the manufacture of thermal insulation material in rigid polyurethane foam (PU) and polyisocyanurate foam (PIR), comprises two sectors: building insulation and industrial insulation.

Key Figures Insulation

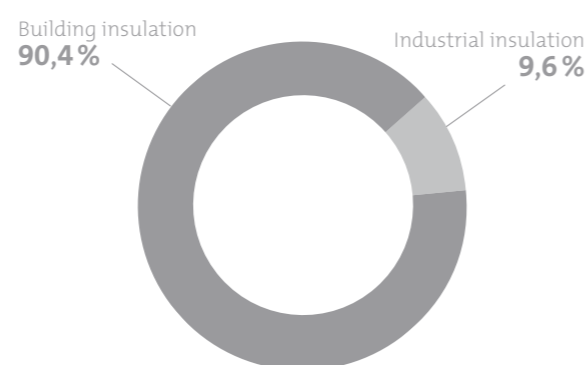
in million EUR	2009	2008	2007
Sales ⁽¹⁾	166,5	156,4	139,7
Growth rate in sales (%)	6.4%	12.0%	27.3%
EBITDA	40,3	27,3	24,6
EBITDA margin (as % of sales)	24.2%	17.4%	17.6%
EBIT	37,2	24,5	22,4
EBIT margin (as % of sales)	22.3%	15.7%	16.1%
Investments in intangible (excluding goodwill) and tangible fixed assets	7,6	10,8	5,6
Investments as % of sales	4.5%	6.9%	4.0%

(1) before eliminations of intra-Group transactions

Trend in sales - Insulation



Sales Insulation 2009



Strategy

- Ongoing strengthening of competitiveness in relation to both other polyurethane manufacturers and alternative insulation materials
- Controlled growth and development of the market share of PUR insulation by extending PUR insulation to other applications.

In **building insulation**, PUR/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 can be used for both new buildings and in renovation projects. The division has two production sites: one in Wevelgem (Belgium) and one in Stoke-on-Trent (United Kingdom).

The **industrial insulation** division mainly produces slabstock in rigid PUR/PIR and phenol foam. At the second stage, these blocks are cut to size as panels for insulation of refrigerated vehicles and LNG storage installations, etc. In addition to panels, specific shapes are also made. In this case, more complex shapes are cut or milled from the rigid foam slabstock, for example plates, T-pieces, segments and bends for thermal insulation of pipes (heating & ventilation) 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 the cooperation with the Irish group Kingspan. KTII has production sites in Turnhout (Belgium) and Glossop (United Kingdom). The Glossop plant manufactures phenolic pipe insulation on a continuous machine. This joint venture is world market leader in a stable market segment.

COMPETITIVE SITUATION

It is generally acknowledged that good insulation of buildings is becoming increasingly important in the various countries of Europe. These trends have been very clear for some years now. In particular, enhanced awareness of global warming and the associated new and stricter European energy and insulation standards are structural factors for the sector which will support further future growth.

Nevertheless, the European building insulation market is still fragmented. This is chiefly attributable to the fact that thermal insulation encompasses highly diverse product groups. Mineral insulation wool, such as glass wool and rock wool, still 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 (the Netherlands) are well-known names. Otherwise, the market is divided among a large number of small or medium-sized locally organised manufacturers, such as Bauder (Germany), Celotex (United Kingdom), Efsisol (France), Pureen (Germany) and Quinn (Ireland).

STRATEGY AND PROSPECTS: SHAPING THE FUTURE

The present problems in relation to the greenhouse gas effect, CO₂ emissions and global warming, as well as the various initiatives taken by governments worldwide in this respect, will undoubtedly further boost the development of the sector in the coming years. These issues are currently so important that in principle they have become virtually crisis-resistant.

It is well-known that better thermal insulation can make a major contribution to reducing CO₂ emissions. Insulation simply offers greater opportunities to save on CO₂ emissions compared to other technical efficiency measures in the construction industry. Another factor to take into account is the perception that energy prices will probably rise further or remain high in the future.

In many cases, better insulation is synonymous with the use of larger volumes of insulation material. However, the increased weight and volume associated with this limit the possibilities for certain insulation materials. 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 insulation product groups in the coming years.

Alongside insulation solutions for standard housing, Recticel now also has solutions for energy-efficient forms of building, such as the passive house or zero-energy housing, in both timber-frame and solid construction.

Recticel, for that matter, is pioneer of the 'massive passive house' concept. This unique building concept combines the economic and ecological advantages of a passive house with the durability and comfort of a well-insulated house in brick and rigid PU insulation board. Thanks to the optimum insulation, the energy consumption of this type of housing is up to 75% lower than that of standard housing.

The 'massive passive house' concept can now be considered as a trendsetter for energy-efficient housing construction.



A **passive house** is a low-energy housing construction, focused on achieving good summer and winter comfort. Thanks to the optimum insulation, the energy losses are so limited that only a small additional heater on the ventilation system is necessary. With the capacity of an electric iron, the passive house will remain warm in winter. There is no need for the installation of a classic heating system. The energy consumption of this type of housing is up to 75% lower than that of standard housing. Compared to the existing Flemish housing stock, energy consumption (and associated energy bill) is as much as 85% lower.



Recticel, as innovator in insulation, has developed future-oriented solutions (i.e. rigid insulation board in PU and PIR) to provide a response to the stricter insulation legislation. Recticel, as the only manufacturer of rigid polyurethane insulation board has obtained a Keymark quality label. Recticel's products therefore meet the highest European quality standards.

DEVELOPMENTS IN 2009

Sales

Sales increased by 6.4%, primarily as a result of the sustained demand for insulation products for the construction industry.

Sales of the **building insulation** sector (**EUR 150.5 million, +8.9%**) progressed, despite weaker market demand.

Sales of the **industrial insulation segment** (Kingspan Tarec Industrial Insulation) (**EUR 15.9 million**) recorded a decrease of 12.3%, which was mainly attributable to lower demand from industry.

EBITDA

The higher volumes in Insulation resulted in a higher EBITDA result in almost all countries. Only the activities in Stoke-on-Trent (United Kingdom), newly launched in June 2008, did not yet contribute year-on-year to these results. In the course of the second half of 2009, the plant in Stoke-on-Trent started to make a first sustainable positive contribution to the result.

Profitability improved in the building insulation division as well as in industrial insulation. The latter improved despite lower sales (especially to the refrigerated transport industry) and the negative impact of a weaker pound sterling. This improvement was attributable to efficient cost management.



Automotive



“In view of the capital-intensive nature of these activities and the current economic crisis in the automotive sector, Recticel will no longer focus on growth, but on maintaining the existing market positions and above all improving the overall profitability.”



Mark Clockaerts
Group General Manager Automotive

In 2009, i.e. after the sale (at the end of 2008) of the worldwide customer portfolio and the specialised polyurethane compounds to BASF, this business line concentrated mainly on the following two strategic activities:

- 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 Colo-fast® Spray, named after the unique, patented technology (Interior Solutions)

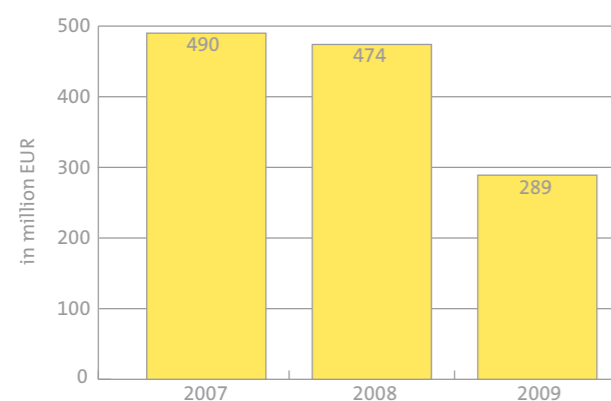
Besides there is the small division Exteriors, concentrating mainly on the production of the light-stable polyurethane compound Colo-fast®, which today is used mainly in the Interior Solutions division. Furthermore, this division included a number of remaining car window encapsulation activities in Belgium. These activities were disposed of, however, at the end of 2009.

Key figures Automotive

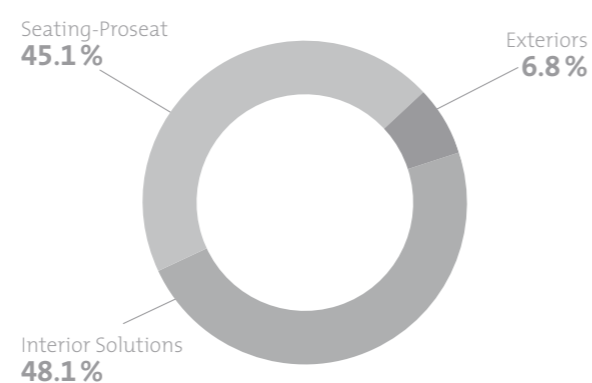
in million EUR	2009	2008	2007
Sales ⁽¹⁾	289,4	474,2	490,4
Growth rate in sales (%)	-39.0%	-3.3%	14.9%
EBITDA	-6,9	50,1	40,6
EBITDA margin (as % of sales)	-2.4%	10.6%	8.3%
EBIT	-32,2	9,7	10,4
EBIT margin (as % of sales)	-11.1%	2.0%	2.1%
Investments in intangible (excluding goodwill) and tangible fixed assets	7,0	21,0	13,6
Investments as % of sales	2.4%	4.4%	2.8%

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

Trend in sales - Automotive



Sales Automotive 2009



Strategy

- maintaining market position through flexible geographical development
- maintaining competitiveness through technological innovations
- Improvement in profitability by adapting production capacity and organisation to the new market conditions.

DEVELOPMENTS IN 2009

Sales

As a result of the global downturn in the automotive sector, sales of the Automotive business line fell by 39.0% to EUR 289.4 million. On a comparable basis¹ sales were 26.0% lower (37.8% during the first half of the year and 10.5% in the second half).

This trend is attributable primarily to lower volumes, the loss of turnover in the 'exteriors' division as a result of the sale to BASF of the specialised compounds portfolio (at the end of 2008) and the fact that in January 2009 a large number of automotive businesses remained closed. Gradually, an improvement in market demand occurred, especially in the small and medium-sized car segment. The top market segment, on the other hand, has been particularly affected by the present crisis.

In the 'Seating' segment (Proseat), sales declined on a comparable basis¹ by -17.4% to EUR 130.7 million. This decrease is attributable to lower volumes, although partly offset by the effect of the integration as from 1 July 2008 of the entire participation in Indepol, a Spanish moulded foam manufacturer.

In this division, deliveries are made mainly for car models in the small and medium-sized market segments, for which successful incentive programmes (scrapping premium, etc.) were set up in a number of countries.

During the past year, Proseat also divested its stake in the Italian operations of Gestind (joint venture with Toscana Gomma); in exchange for full control of Gestind's Polish activities. This transaction became effective as of 1 July 2009.

The 'Interior Solutions' segment, which supplies mainly to the upper market, was hit by the economic crisis. Sales fell by 29.1% to EUR 139.2 million. With the exception of the Czech Republic and China, all countries recorded lower volumes.

The plant in Most (Czech Republic) has launched production this year for the new Mercedes - E class.

Two new projects have been awarded to Recticel, namely the interior skins for the successors of the present BMW 1 and BMW 3 series. In China, the nomination has been received to supply interior skins for the new Peugeot 408.

As a result of the present crisis on the automotive market in the United States and the structural loss-making situation of the Interior Solutions' activities in this region, two US subsidiaries of the Group have filed for creditors' protection under Chapter 11 in October 2009.

'Exteriors' (EUR 19.6 million, -46.2%)

Also these activities were not immune to the global downturn in the automotive market. This division's worldwide customer portfolio for polyurethane systems, applied to car window encapsulation, was divested (end 2008) to BASF, together with the specialised PU compounds. This explains the lower sales.

At the end of 2009, the Group also stepped out of the remaining car window encapsulation business in Gilly (Belgium). Going forward the 'exteriors' division will only produce compounds for account of the 'interiors' activities and, under a tolling agreement, for BASF.

EBITDA

EBITDA of the Automotive business line fell from EUR 50.1 million to EUR -6.9 million. This EUR 57 million lower result is explained by the above-mentioned decreases in volumes, non-recurring income amounting to EUR 27.0 million in 2008 and non-recurring costs of EUR -20.7 million in 2009. These non-recurring elements include in particular restructuring costs, as well as the costs related to the divestment of the car window encapsulation activities in Gilly (Belgium).

'Seating' (Proseat) managed to improve profitability in the past year, notwithstanding the difficult market climate and further restructuring costs in Germany, Belgium and the United Kingdom.

The profitability of 'Interior Solutions' fell under the impact of (i) considerably lower sales, (ii) restructuring costs in Belgium and Germany and (iii) extraordinary costs for the filing for creditor protection under Chapter 11 by two subsidiaries in the United States. As a consequence EBITDA of this division remained negative. The result was however influenced by a number of unfavourable non-recurring elements. Without these non-recurring elements (EUR -15.1 million), the division's EBITDA would have been break-even.

(1) Restated on the basis of proportional consolidation of the Proseat group (Automotive – seating), which from 2009 changed from full consolidation to proportional consolidation (51%).



Interior Solutions

Interior Solutions: consolidating and improving profitability

As a result of the present economic crisis, the automotive sector worldwide is facing a sharp drop in volumes. Although the first signs of a tentative recovery are already emerging now, it is doubtful whether the sector will ever be able to return to the pre-crisis volumes. In this context, Recticel therefore considered it best to adapt its production capacity to the substantially lower market demand. The Group therefore cut the number of production units from 13 to 8 plants and its commercial organisation accordingly.

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 Colo-Sense®, 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.

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. Contrary to 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 above all improving the overall profitability. In this context, Recticel aims henceforth to be far more selective in its choice of contracts and only retain projects with a better profitability.

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Overview of current Interior Solutions contracts

Manufacturer	Model
BMW	1 Series (from 2011) 3 Series 6 Series
Freightliner	Truck
General Motors	Buick Enclave Cadillac Seville
Honda	Civic
Kenworth	Truck
Mercedes	A-Class B-Class C-Class E-Class M-Class R-Class S-Class SLK Viano
Opel	Astra Zafira
Peterbilt	379
Peugeot	408 (from 2010)
Saab	9.5 (from 2010)
Scania	Ciute
Skoda	Octavia Superb
Toyota	Lexus GS
Volkswagen	Passat Passat coupé
Volvo	V70 / S80 V60/S60 (from 2010) XC60



Proseat

Proseat seat cushions: strategic location policy and product innovation

The production and marketing of seat cushions in cold moulded foam for the automotive industry has already been ensured for a number of years via the joint venture Proseat. Proseat is 51% controlled by Recticel and 49% by the Woodbridge group (Canada)

With its 11 production sites in 8 different countries, Proseat is one of the largest independent seat cushion manufacturers for the European automotive industry. In addition to seat cushions, Proseat also produces other seat components, such as headrests, armrests and side panels for car seats.

In response to the 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 PU/EPP modules, the open-cell polyurethane foam bonded with fibreglass fleece CompoLite, etc.).

For the future, Proseat has reoriented its strategy. The aim is to maintain a stable position in the seat cushion market through restructuring and innovation. In addition, a far stronger focus will gradually be placed on finished components, such as headrests, armrests, consoles, etc. Through the application of new technologies (Woodbridge's Stratas, Recticel's EPP, CompoLite), there will also be a shift in emphasis from comfort components (previously) to mainly seat structures. As an extension to this, solutions will also be developed for applications outside the field of car seats, such as car roof lining, boot floor compartments and toolboxes, etc.

The intention is to accommodate these new, supplementary activities in the existing plants. As a result of the assumed growth in these new activities, Proseat forecasts that by 2014 the share of moulded foam for car seats will be scaled down from the current 77% to about 50%.



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.
Alliances	Production joint venture with Johnson Controls in Poland and Slovakia
Annual turnover 2009	EUR 191 million
Headquarters	Mörfelden-Walldorf (Germany)
Number of production plants	11 plants distributed in Belgium, Germany, France, Italy, Poland, Slovakia, Spain, the Czech Republic and the United Kingdom
Workforce	About 1,650 people





Robert Westdijk
Group Purchasing Manager

Philippe Jous
Corporate General Counsel
and Secretary General

Betty Bogaert
Group ICT and
Group Business Support Manager

Jean-Pierre Mellen
Chief Financial Officer

Corporate

As a group, Recticel is organised in principle around four operational business lines: Flexible Foams, Bedding, Insulation and Automotive. These business lines are in turn divided into one or more divisions or market segments which each engage in activities in one or more countries. The precise scale of these operational activities is described in detail in the previous chapters.

All these activities are carried out via local company forms, some of which are controlled by specific holding companies in the various countries. In a number of cases, the activities are undertaken via joint ventures or other subsidiaries. A schematic overview of the Group's legal organisation chart is to be found after the Financial Section of this annual report.

In addition to these business lines, the Group also has headquarters (established in Brussels, Belgium), a central ICT Department and a Research & Development Centre (IDC – International Development Centre). The latter two are established in Wetteren, Belgium).

The headquarters perform the following corporate activities:

The **Financial Department** is besides its basic responsibilities regarding controlling, accounting and consolidation, treasury management, internal financial reporting, and taxation also giving its support in the evaluation of investment and divestment projects, mergers and acquisitions. It also supports the overall management.

The **Legal Department** comprises a wide range of activities which focus fundamentally on the prevention of legal risks, and on the defence of the Group when a number of these adverse risks materialise and could potentially harm the Group's interests. In practice, the Legal Department is involved in lawsuits concerning safety and environmental risks, insurance policies, fire safety, and other intellectual rights, contracts with third parties, legal proceedings, regulatory tasks, corporate affairs & compliance, relations with the stock exchange and the financial supervisor, etc. In addition, the Department also plays a leading role in the structuring of mergers, acquisitions and divestments, both within and outside the Group.

Within the Legal Department, the corporate risk division is responsible for industrial risk management by organising

protection and cover via insurance and risk prevention against fire and other risks of damage, general risks, product liability, environmental risks, etc.

The **Human Resources and Communication Department** is responsible for the salary and bonus policy at Group level, talent management, internal and external communication and investor relations' events.

The **Internal Audit Department** contributes to the identification and assessment of the most significant risks for the Group. Via the various operational audits and the ongoing monitoring programme, the Department regularly reviews the risks and at the same time makes the necessary recommendations regarding the approach to them.

The **Central Purchasing Department** is responsible for procuring mainly raw materials and consumables, capital goods, services, etc., which can be purchased mainly at Group level. Contracts for the supply of the most important chemicals have already been negotiated and concluded at Group level for many years. The Group also works actively on negotiating other important purchases centrally (including mattress covers, mattress cores, packaging, capital goods, etc.).

The **ICT Department** mainly provides support to the organisation for the global IT platform. It not only supervises the harmonisation of the various IT modules, but is also always alert to the strict application of rigorous control systems (in cooperation with the Internal Audit Department). The Group currently works mainly with an integrated SAP package designed to harmonise and standardise the various information flows as far as possible.

The activities of the **IDC Department** are discussed in more detail in the "Research & Development" chapter of this annual report.

Information for **shareholders**



Information on the **share**

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:

Type	Number	%	Market segment	Code	ISIN-number
Ordinary	28 499 141	98.51%	Continuous market	REC	BE0003656676
VVPR ⁽¹⁾	432 315	1.49%	Fixing market	RECV	BE0005121778
Total	28 931 456	100%			

(1) VVPR = Reduced withholding tax

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

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

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.

Distribution among shareholders (by category at 31 March 2010)

Shareholder	Ordinary shares ⁽¹⁾	VVPR shares ⁽¹⁾	Total ⁽¹⁾	%
Shareholder group around Compagnie du Bois Sauvage (including VEAN nv, Sihold nv, Sallas b.m., Rec-Man & Co s.c.a., and others) ⁽²⁾	10 877 622	131 636	11 009 258	38.05%
Mercator Verzekeringen NV, Belgium	1 363 173	79 043	1 442 216	4.98%
KBC Asset Management NV, Belgium	873 826	0	873 826	3.02%
Shareholders (<3%) or unknown (public)	15 384 520	221 636	15 606 156	53.94%
Total	28 499 141	432 315	28 931 456	100%

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

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

Shareholder movements

Subscribed capital at 31.12 (in thousand EUR)	2009	2008	2007	2006	2005	2004	2003
Subscribed capital	72 329	72 329	72 329	71 572	70 833	70 833	70 833
Shareholders at 31.12 (% of number of shares in issue) ^(a)							
Shareholder group around Compagnie du Bois Sauvage (including VEAN, Sinvest, Sallas) ^{(2)/(4)}	37.03%	37.62%	35.30%	-	-	-	-
Rec-Man & Co, Belgium ⁽³⁾	1.02%	1.02%	1.20%	3.60%	3.65%	3.65%	-
Rec-Hold, Belgium ^{(1)/(2)}	-	-	-	27.03%	27.31%	27.31%	42.06%
Rec-Les (Lessius), Belgium ⁽¹⁾	-	-	-	9.10%	12.84%	14.75%	-
Bestinver Gestion, Spain	8.12%	13.46%	12.64%	6.56%	-	-	-
Mercator Verzekeringen, Belgium	5.45%	6.40%	6.45%	8.77%	8.86%	15.39%	19.68%
Farringdon Capital Management, Switzerland	3.49%	-	-	-	-	-	-
KBC Asset Management, Belgium	3.21%	3.21%	-	-	-	-	-
ING Investment Management Belgium, Belgium	-	3.02%	-	-	-	-	-
Richelieu Finance, France	-	-	7.00%	7.08%	-	-	-
Other (public)	41.68%	35.27%	37.41%	37.86%	47.34%	33.89%	33.47%

(a) on the basis of the at that moment last known transparency declaration.

(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 29.71% held by Compagnie du Bois Sauvage and Entreprises et Chemins de Fer de Chine.

On the company's web site (www.recticel.com) all transparency disclosures received by the Group can be freely consulted. Amendments in the shareholders' structure, whereby statutory or legal thresholds are crossed downwards or upwards, are made public in due time.

Movements in the share price

2009, as expected, was an unusual year on the world stock markets, with greatly increased volatility in all stock exchanges and stock exchange indexes. Recticel too did not escape this global trend. On 31 December 2009, the DJ EURO STOXX 50 stood at 2 966.24, or 21.0% above its level one year previously. The Belgian benchmark index BEL-20 in turn ended up 31.6% higher at 2 511.62. The ordinary Recticel share rose by 23.3% in value over the same period.

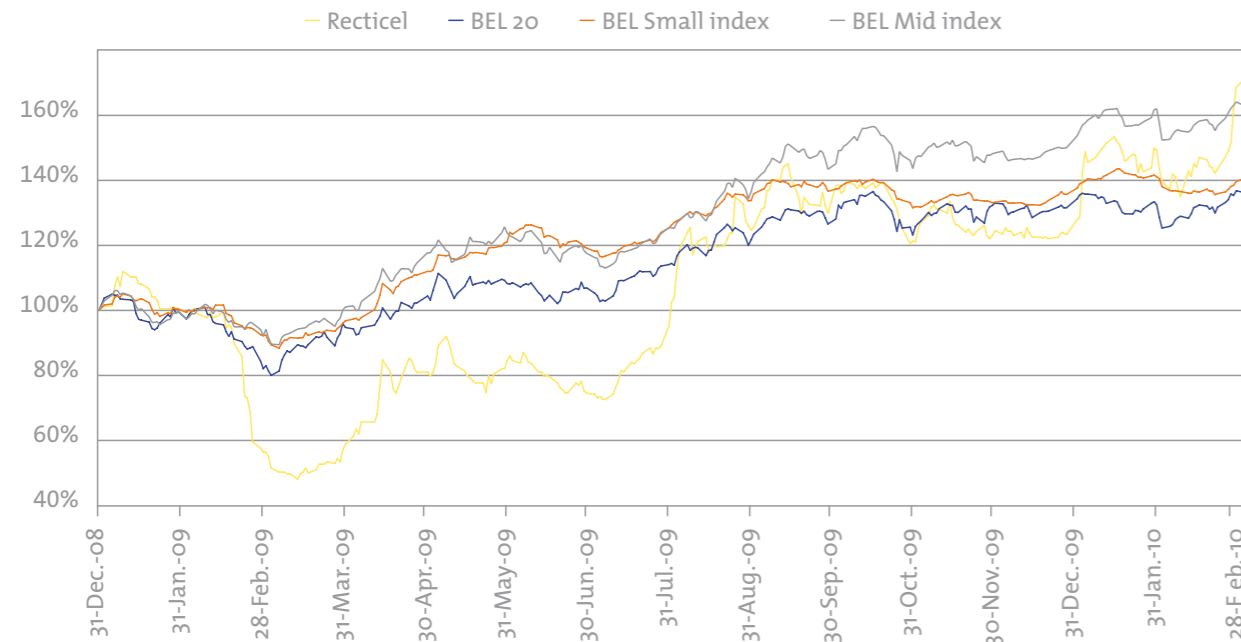
The VVPR share, which is far less liquid, rose over the same period from EUR 4.20 to EUR 5.59, i.e. by 31.1%. The VVPR share reached its high of EUR 5.80 on 26 October 2009. Its low of EUR 2.03 was reached on 12 March 2009.

Recticel share (ordinary)	2009	2008	Δ 09/08
Closing price 31 December (in EUR)	5.03	4.08	23.3%
Highest price (in EUR)	6.00 (17-18 September)	9.96 (04 January)	-39.8%
Lowest price (in EUR)	1.95 (16 March)	4.08 (31 December)	-52.2%
Market capitalisation (at 31 December) (in million EUR)	145.8	118.0	23.5%
Total number of shares traded	8 117 974	6 164 921	31.7%
as % of total number of shares in issue (at 31 December)	28.1%	21.6%	
Average daily volume (number of shares)	31 981	23 530	35.9%

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



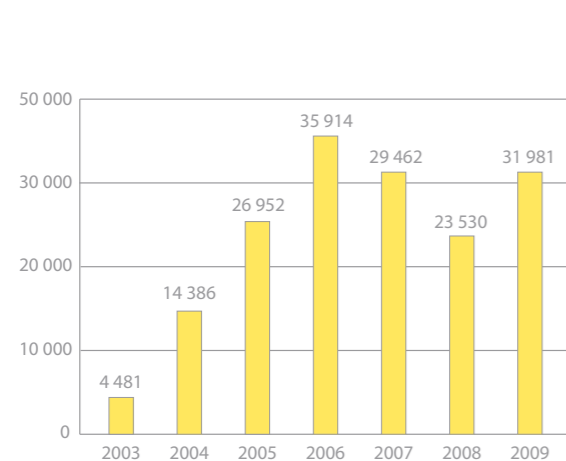
Evolution of the Recticel share price compared to the BEL 20, the BEL Mid and the BEL Small indices.



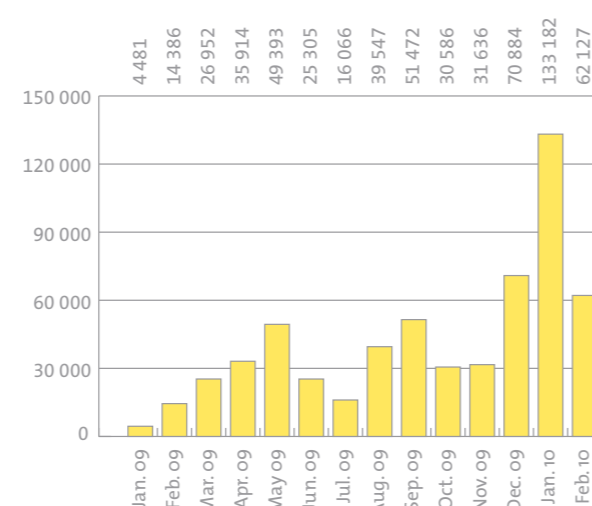
Liquidity of the Recticel share

In spite of the difficult stock market climate, the generally rising trend in the average daily volume traded of recent years continued without problem. At 31 981 shares, the daily volume in Recticel shares is still higher than the long-term average of the past 7 years.

Average daily volume (per year)



Average daily volume (per month)



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 61.95% at the end of 2009.

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 2009 (weighting at 31 December 2008 in brackets)

Index	Weighting of Recticel in index
NYSE Euronext BEL Small index	4.22% (3.73%)
IN.Flanders index	1.50% (2.87%)
NYSE Euronext BEL Chemicals	1.28% (1.45%)
NYSE Euronext BEL Basic Materials	1.19% (1.40%)

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 39 shares. Recticel's weighting in this index rose from 3.73% in 2008 to 4.22% last year.

The IN.flanders index is a unique share index with a strong focus on sustainability, developed by vwd group Belgium in cooperation with KBC Asset Management. The IN.flanders index combines the share prices of the 60 largest employers in Flanders. This index places a strong emphasis on internal social policies, sustainability and corporate social responsibility. Recticel's weighting in this index since 25 September 2009 stands at 1.50% (compared to 2.87% in 2008).

Stock option plans

In line with the previous years, a new warrant plan was issued in December 2009 in favour of the senior international executives of the Recticel Group. At the same time, one previous warrant plan dating back to 2000 lapsed, which moreover was never exercised.

The present outstanding stock option plan (at 1 January 2010) can be summarised as follows:

Issue	Number of warrants issued	Number of warrants not yet exercised	Exercise price (in EUR)	Exercise period
2001	439 160	407 990	8,67	1/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/17
May2007	48 000	48 000	10,47	01/Jan/11 - 01/May/18
Dec 2007	390 000	390 000	9,78	01/Jan/11 - 02/Dec/18
Dec 2008	540 000	540 000	4,29	01/Jan/12 - 23/Dec/14
Dec 2009	584 000	584 000	5,05	01/Jan/13 - 21/Dec/15
Total	2 407 160	2 375 990		

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 (1 January 2010) conversion price of EUR 13.73. As a result of this, theoretically a total of 4 187 910 new shares can be created. The table below provides an overview of the potential total dilution effect.

	Present number of shares in issue	Present % of total number of shares in issue	% shares in issue in the case of full dilution
Ordinary shares			
Existing	28 499 141	98.5%	80.3%
New from exercise of warrants	2 375 990		6.7%
New from conversion of bond loan ⁽¹⁾	4 187 910		11.8%
VVPR shares			
Existing	432 315	1.5%	1.2%
Totaal		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 in 2009.

Monitoring by financial analysts

At the beginning of 2010, 3 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): (situation on 31 December 2009)

Institution	Analyst
Bank Degroof	Bernard Hanssens
KBC Securities	Wim Hoste
Petercam	Emmanuel Carlier

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

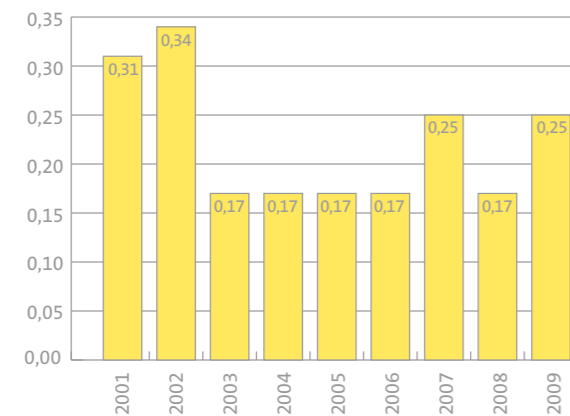
In 2009, Recticel stood on the fifth place in the general ranking for the prestigious "Prize for the Best Financial Information", which is awarded annually by ABAF-BVFA, the Belgian Association of Financial Analysts.

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.

Gross dividend per share (in EUR)



Dividend payment

Subject to approval of the appropriation of profit by the Annual General Meeting of 11 May 2009, a dividend will be paid of EUR 0.25 gross per share (for ordinary shares: EUR 0.1875 net (-25% withholding tax) and for VVPR shares: EUR 0.2125 net (-15% withholding tax)). This dividend will be payable from 31 May 2010 on presentation of coupon No 16 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 0.25
Date of payment of dividend	31 May 2010
On presentation of coupon	No 16

Financial calendar for shareholders

Trading update 1 st quarter 2010	11 May 2010 (before stock exchange opens)
Annual General Meeting	11 May 2010
Share quoted ex-coupon	26 May 2010
Date of payment of dividend	31 May 2010
Announcement of results 1 st half 2010	31 August 2010 (before stock exchange opens)
Trading update 3 rd quarter 2010	09 November 2010 (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 2009, the Corporate Governance Commission published an amended version of the Corporate Governance Code. The Recticel Corporate Governance Charter will soon be amended 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.

1. Composition of the Board of Directors

Recticel's Board of Directors comprises today twelve members. There are four independent directors. The Managing Director represents both a reference shareholder and the management. Four other directors represent reference shareholders. Two directors are non-executive directors. One director, Olivier Chapelle SPRL, is executive director and will replace the current Managing Director, Vean NV, as of 1 April 2010. Vean NV will become executive director in charge of special assignments as of same date. The table below provides an overview of the members of Recticel's Board of Directors during the financial year 2009 and up to the present.

Name	Office	Type	Year of birth	Term of office ends	Main occupations outside Recticel	Committee membership
Etienne DAVIGNON	Chairman	Non-executive	1932	2012	Suez-Tractebel SA Vice-Chairman	RAC AC
Luc VANSTEENKISTE ⁽¹⁾	Chief Executive Officer till 31/03/2010 Vice Chairman as of 01/04/2010	Executive	1947	2012		MC
Olivier Chapelle ⁽²⁾	Chief Executive Officer as of 01/04/2010	Executive	1964	2012		MC
Pol BAMELIS ⁽³⁾	Director	Non-executive	1939	2010		
Vincent DOUMIER	Director	Non-executive	1955	2011	Compagnie du Bois Sauvage NV Managing Director	AC
Henk JANSSEN ⁽⁴⁾	Director	Non-executive	1958	2010	Mercator Insurance NV Managing Director	
Guy PAQUOT	Director	Non-executive	1941	2012	Compagnie du Bois Sauvage NV Chairman	RAC till 31/03/2009
Jean-Jacques SIOEN ⁽⁵⁾	Director	Non-executive	1935	20/11/2009	Sioen Industries NV Chairman	
Wilfried VANDEPOEL	Director	Independent	1945	2012	Lessius Corporate Finance NV Managing Director	AC
Tonny VAN DOORSLAER	Director	Non-executive	1951	2010	Spector Photo Group NV Managing Director	AC
Louis H. VERBEKE ⁽⁶⁾	Director	Independent	1947	2012	Vlerick Leuven Gent Management School Chairman	RAC
Klaus WENDEL	Director	Independent	1943	2010		AC
Luc WILLAME ⁽⁷⁾	Director	Independent	1943	2012		RAC as of 01/04/2009

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

(2) in his capacity as Director of Olivier Chapelle SPRL, co-opted on 28 December 2009 with effect as of 1 December 2009

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

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

(5) deceased on 20 November 2009

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

(7) in his capacity as Managing Director of Sogelam NV

AC = Audit Committee

MC = Management Committee

RAC = Remuneration and Appointments Committee

2. Changes since the previous annual report – statutory appointments – proposal of new directors

On 12 May 2009, the Shareholders' General Meeting accepted the resignation as directors of Edouard Dupont and Robert Westdijk and of Emsee BVBA, represented by Marc Clockaerts, effective as of 31 December 2008.

On the proposal of the Board of Directors, after consultation of the Remuneration and Appointments Committee, the Annual General Meeting of 12 May 2009 renewed the mandates of Davignon, Paquot, Sioen and Vandepoel as well as of Louis Verbeke BVBA, represented by 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, Wilfried Vandepoel and Louis Verbeke BVBA, represented by Louis Verbeke, were appointed 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 BVBA, represented by 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. 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.

Following the sudden decease on 20 November 2009 of Jean-Jacques Sioen, a Recticel director since 2 October 1998, the Board of Directors, in conformity with recommendation of the Remuneration and Appointments Committee and the articles of association, decided to co-opt as director of Recticel SA/NV, effective as of 1 December 2009, Olivier Chapelle SPRL, established at 1180 Brussels, Drève Pittoresque 83, represented by its permanent representative, Olivier Chapelle, in order to complete the mandate of Jean-Jacques Sioen, which will expire at the close of the Annual General Meeting of 2012.

The mandates of Pol Bamelis NV, represented by Pol Bamelis, Mercator Insurance NV, represented by Henk Janssen, en Tonny Van Doorslaer and Klaus Wendel expire at the close of the Annual General Meeting. The Board of Directors proposes to the General Meeting:

- to renew the mandate of Pol Bamelis NV, represented by Pol Bamelis, for a new term of one year, which will expire at the close of the Annual General Meeting of 2011.
- to renew the mandates of Tonny Van Doorslaer and Klaus Wendel, for a new term of three years, which will expire at the close of the Annual General Meeting of 2013.

- not to renew the mandate of Mercator Insurance NV, represented by Henk Janssen.
- to elect as director Jacqueline Zoete for a term of two years, which will expire at the close of the Annual General Meeting of 2012.

The Board of Directors also proposes to appoint Klaus Wendel and Pol Bamelis NV, represented by Pol Bamelis, as independent directors, within the meaning of Article 524 §2 and 526bis §2 of the Companies Code, for the duration of their mandate. 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.

3. Operation of the Board of Directors

The Board of Directors met eight times in 2009. One meeting focused on the 2009 budget, two meetings dealt mainly with approving the annual accounts at 31 December 2008 and the interim accounts at 30 June 2009, 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 used two times in 2009, a first time within the framework of the sale of the participation in the joint venture Cofel and then further to the sudden decease of Jean-Jacques Sioen on 20 November 2009 and his replacement as director by co-optation of Olivier Chapelle SPRL, represented by Olivier Chapelle.

During 2009, 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 Luc Vansteenkiste had a conflict of interests. The above-mentioned articles were applied. Reference is made here to the annual report, which contains an extract from the minutes of 22 December 2009.

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

The individual percentage attendance of the directors at the meetings in 2009 was as follows:

Etienne Davignon	87%
Luc Vansteenkiste	100%
Pol Bamelis	62%
Vincent Doumier	100%
Henk Janssen	62%
Guy Paquot	87%
Jean-Jacques Sioen*	43%
Wilfried Vandepoel	75%
Tonny Van Doorslaer	87%
Louis Verbeke	87%
Klaus Wendel	87%
Luc Willame	87%

*passed away on 20 November 2009

4. Committees set up by the Board of Directors

a) The Audit Committee

The Audit Committee is composed of five members. All members are non-executive directors and two of them, including the Chairman, are independent directors.

The composition of the Audit Committee does comply with the provisions of the articles of association of Recticel as well as with the provisions of the Companies Code in that respect but does not comply with principle 5.2./4 of the 2009 Belgian Corporate Governance Code, which provides that at least the majority of the members of the Committee must be independent. However, Recticel considers that it complies with the spirit of these provisions since it still considers Etienne Davignon as an independent director. Etienne Davignon meets all criteria in this respect, except the twelve-year maximum term.

Pursuant to Article 526 bis of the Companies Code, Recticel SA/NV declares that the Chairman of the Audit Committee, Klaus Wendel, meets the independency requirements as well as he has the necessary skills with respect to 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	83%
Wilfried Vandepoel	Member	100%
Tonny Van Doorslaer	Member	100%
Vincent Doumier	Member	83%

The Audit Committee met six times in 2009. Two meetings were devoted primarily to examining the annual accounts at 31 December 2008 and the interim accounts at 30 June 2009. During all meetings, special attention was also brought to the internal audit programme, risk management, taxation and accounting issues relating to IFRS.

b) 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 ⁽¹⁾	Member	100%
Luc Willame ⁽²⁾	Member	100%
Louis Verbeke ⁽³⁾	Member	100%

(1) till 31 March 2009

(2) as of 1 April 2009 in his capacity as Managing Director of Sogelam NV

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

The Remuneration and Appointments Committee met six times in 2009.

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. The other meetings dealt mainly with the hiring of the new CEO.

5. Executive management

The Board of Directors has assigned the executive management of the company to the public limited liability company Veau, registered office Stationsstraat 172, 9260 Wichelen (Schellebelle), represented by its Managing Director and permanent representative, Luc Vansteenkiste. As of 1 April 2010, the private limited liability company Olivier Chapelle, established at 1180 Brussels, Drève Pittoresque 83, represented by its Director and permanent representative, Olivier Chapelle, has taken over the executive management from Veau.

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

Luc VANSTEENKISTE ⁽¹⁾	Chief Executive Officer
Olivier Chapelle ⁽²⁾	Chief Executive Officer
Betty BOGAERT	Group ICT & Business Support Manager
Marc CLOCKAERTS ⁽³⁾	Group General Manager Automotive
Dominique DECLERCK ⁽⁴⁾	Deputy General Manager Flexible Foams
Jean-Pierre DE KESEL	Deputy General Manager Bedding
Jan DE MOOR ⁽⁵⁾	Group Human Resources and Communication Manager
Caroline DESCHAUMES	Group General Manager Bedding
Edouard DUPONT	Group General Manager Flexible Foams
Philippe JOUS ⁽⁶⁾	General Secretary & Corporate General Counsel
Jean-Pierre MELLEEN	Chief Financial Officer
Bart WALLAEYS	Group Manager Research and Development
Paul WERBROUCK	Group General Manager Insulation

(1) till 31 March 2010 in his capacity as Managing Director and permanent representative of Veau NV

(2) with effect as of 1 April 2010 in his capacity as Director and permanent representative of Olivier Chapelle SPRL

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

(4) with effect as of 1 January 2010 in his capacity as permanent representative of Dymis Distribucion S.L.

(5) since 1 January 2010 in his capacity as Director and permanent representative of Cape-3 BVBA

(6) in his capacity as Managing Director and permanent representative of Galler Sablons SA

The Management Committee has an advisory function for the benefit of the Board of Directors in its entirety and is not an executive committee within the meaning of the Companies Code.

6. Transactions and other contractual relationships between the company and affiliated companies and the directors and members of the Management Committee

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

There are commercial transactions between the Sioen Group

and the Recticel Group, mainly as a consequence of joint product development. There were no transactions in 2009 exceeding the threshold amount of EUR 1 million.

No other applications have arisen in this connection.

7. 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.

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.

8. Relations with the reference shareholders

Recticel NV 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 SA	8 288 006	28,65
Entreprise et Chemin de Fer en Chine SA	308 024	1,06
Veau NV	817 188	2,82
Sihold NV	745 105	2,58
Audhumla SA	139 440	0,48
Debco NV	9 766	0,03
Law SA	2 369	0,01
Sallas (Coopman-De Baedts)	103 377	0,36
Physical people < 1%	300 147	1,04
Rec-Man & Co S.C.A.	295 836	1,02
TOTAL	11 009 258	38,05

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.

9. External audit

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

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

The 2007 General Meeting fixed the Auditor's fees for the audit of the annual and consolidated accounts, as prescribed in Article 134, §1 of the Companies Code, at EUR 265,000 per year.

The aggregate amount of the Auditor's fees for additional services to the Recticel Group comes to EUR 598,799, or, excluding additional audit assignments, statutory engagements and corporate finance, to EUR 588,214. Since the total fees for the Auditor's statutory services at Group level amount to EUR 1,071,215, 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.

The Board of Directors will propose to the General Meeting to renew the mandate of "Deloitte Reviseurs d'Entreprises", represented by Kurt Dehoorne, for a term of three years expiring at the close of the Annual General Meeting of 2013.

10. Remuneration policy

I. Introduction

Upon recommendation of the Nomination & Remuneration Committee, the Board of Directors of the Recticel Group, determines the remuneration of the members of the Management Committee (hereinafter referred to as the "Senior Management" or "Senior Managers").

To assist the Committee in its analysis of the competitive environment in Belgium and Europe, as well as other factors relevant to the Committee's evaluation of compensation matters, the Committee may retain the services of internationally recognized compensation consultants.

Remuneration of Directors

The Company's directors are remunerated for their services with a fixed compensation per meeting attended. The fixed compensation is proposed by the Board to the General Meeting of the Shareholders. The Chairman of the Board shall receive a fee equal to 200% of the individual fee determined for the other Board members.

The Board shall decide on the additional remuneration for Committee members. The Chairmen of the Committees shall receive a fee equal to 150% of the individual fee determined for the other Committee members. Both the amount and structure of the compensation of directors are analyzed on an annual basis.

The Articles of Association of the Company provide in article 43 that if and when the general meeting of the Shareholders decides to attribute a dividend on the shares, a sum equal to two percent of the net amount of these dividends shall be allocated as gross directors' fees to the Directors, who shall apportion it between themselves according to standing rules.

Non-executive directors of the Company do not receive any remuneration, benefits or equity-linked or other incentives from the Company and its subsidiaries other than their remuneration for their service as director of the Company and/or its subsidiaries. The Company will not extend or maintain credit, arrange for the extension of credit, or renew an extension of credit, in the form of a personal loan to or for any Board member.

Remuneration of the Senior Management

The remuneration of the Senior Management is designed in such a way as to :

- Ensure that the Company can continuously attract, motivate and retain high calibre and high potential executive talent for which the Company competes in each region and internationally ;

- Promote the achievement of Board-approved performance targets, aligned with building shareholder value over the short, medium and long-term ; and,
- Stimulate, recognize and reward strong individual contribution and solid team performance.

Both the amount and the structure of the compensation of the Senior Management are analyzed on an annual basis.

The compensation package for the Senior Management combines three integrated elements that are collectively referred to as the "total direct compensation". Those integrated elements are base salary, annual incentive bonus and long-term incentive compensation. The Company will not extend or maintain credit, arrange for the extension of credit, or renew an extension of credit, in the form of a personal loan to or for any member of the Senior Management.

When determining the compensation levels for the Senior Management, the compensation of executives in Belgian multinationals and medium-sized companies is taken into account along with internal factors. The objective is to establish target compensation levels that, as a general rule, are at or around the median market level and this as far as the performance of the Company can afford it.

Base salary

Base salary levels are designed to compensate the Senior Management for their position responsibilities, a particular set of competencies and their experience in the position. Market median levels for comparable positions are targeted for the base salary and these levels are subject to regular annual reviews.

Except for obligatory annual cost of living adjustments, regardless of the economic position the Company finds itself in, there is no mechanism for automatic adjustment.

Annual Incentive

The annual incentive bonus recognizes and rewards individual performance of a member of the Senior Management. The annual incentive bonus plans is dependent upon Company achievement against budgeted financial targets. Bonus payments are limited to a certain percentage of the Base Salary, as determined from time to time by the Board of Directors. Currently, annual incentive bonuses shall never exceed for the CEO 100% of the Base Salary and for the other members of the Senior Management 50% of the Base Salary.

The targets are divided into two categories. The financial targets are linked to the consolidated net profit of the Group (EAT), the EBITDA of the division for which the Senior Manager is responsible and to elements of working capital such as receivables, payables and stock level management. The non-

financial targets are linked to individual objectives, which the Senior Manager is supposed to achieve during the year.

For members of the Senior Management not having a direct profit and loss responsibility, being staff responsible, the weight between the financial targets and the non-financial targets is different from those assigned to the Senior Line Management members. For lower management levels active on group level, there is also a bonus plan based on the same principles.

Long-Term Incentive Plans

The Company also offers a long-term incentive plan to the Executive Management and other Group managers. The Company's long-term incentive plan is designed to :

- Encourage and support the creation of long-term shareholder value and ensure that the Executive Managers and the other Group managers, like the shareholders, share in the successes and shortcomings of the Company and the Group ;
- Provide the opportunity for the Executive Management and other Group managers to receive, within their total compensation package, competitive rewards as a result of sustained Company performance over longer periods of time and from the growth in value of the Company's shares.

The long-term incentive plan for Executive Management and other Group managers is comprised of stock options ("warrants"). The number of stock options granted to the members of the Executive Management is connected with the EVA-targets ("Enterprise Value Added"), as fixed by the Board of Directors.

The first edition of the Recticel Stock Option Plan was launched in 1993. Subsequent editions were organised on a yearly basis, with two editions in 1999 following the change in the Belgian law and regulations on the subject.

The stock options granted have a strike price equal to the Company's share price on the working day preceding the offering of the option, or the average price of the Company's share price during twenty days prior to the offering of the option. Each option, if exercised, allows to subscribe a newly created ordinary Recticel share at the strike price.

In general, the options have a vesting period of three years and an exercise period of three years (prolonged by another three years for the series 2001/2002 and by five years for the series 2006/2007 based on a specific Belgian regulation following the negative stock market, deemed extraordinary).

The annual status of the Recticel Stock Option Plan (editions, exercises, stock options left, conditions) can be found in the annual report.

As a general rule, the Board has determined that the number of stock options granted by the Company to the Executive Management may in total never exceed 10% of the issued capital, including the number of outstanding non-exercised stock options. The precise number for an edition is determined by the Board on the basis of a recommendation of the Nomination & Remuneration Committee.

While in the early years, the options were granted to Executive Managers, latter series were directed more specifically to the younger management members to encourage their long-term professional relationship with the Company and Group.

In accordance with the guidelines of the Belgian Code on Corporate Governance, the equity incentive plans under which members of the Executive Management are remunerated in shares or share options or rights to acquire or subscribe to shares, shall in future be submitted for approval to the General Meeting of the Shareholders.

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

II.1. Gross emoluments of the directors

Other Remuneration Components – Including Retirement and Severance

Each of the members of the Executive Management and other managers participate in the retirement plans and pension plans in effect in the manager's home country or region.

The plans provide for retirement and post-retirement benefits at levels that are in line with the predominant plans of their kind in each country or region where they are in effect. Other benefits, such as medical and other insurance coverage, and the use of company vehicles, are provided in line with competitive practices in the market where the manager in question is based.

Certain members of the Executive Management have employment agreements with the Company or a subsidiary of the Company that provide for severance payments under certain circumstances in line with applicable law.

Name	Emoluments 2009	Audit Committee 2009	Remuneration and Appointments Committee 2009	Directors' fees paid in 2009 concerning 2008	Remuneration for special assignments	Total
DAVIGNON Etienne	€ 23 100	€ 15 000	€ 3 750	€ 12 726,02		€ 54 576
VEAN SA	€ 13 200					€ 13 200
DOUMIER Vincent	€ 13 200	€ 15 000		€ 6,01		€ 34 563
Louis Verbeke SPRL	€ 11 550		€ 2 500	€ 6 363,01		€ 20 413
MERCATOR Verzekeringen SA	€ 8 250			€ 6 363,01		€ 14 613
PAQUOT Guy	€ 11 550		€ 1 250	€ 6 363,01		€ 19 163
POL BAMELIS SA	€ 8 250			€ 6 363,01		€ 14 613
SIOEN Jean-Jacques	€ 4 950			€ 6 363,01		€ 11 313
SOGELAM NV	€ 11 550		€ 1 250	€ 3 929,07	€ 5 000	€ 21 729
VANDEPOEL Wilfried	€ 9 900	€ 17 500		€ 6 363,01		€ 33 763
VAN DOORSLAER Tonny	€ 11 550	€ 17 500		€ 6 363,01		€ 35 413
WENDEL Klaus	€ 11 550	€ 26 250		€ 6 363,01	€ 5 000	€ 49 163
Total	€ 138 600	€ 91 250	€ 8 750	€ 73 922	€ 10 000	€ 322 522

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.

Emoluments of persons who are executive directors via a company (Vean NV and, for the future, Olivier Chapelle SPRL) 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 7.7 of the 2009 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%.

II.2. Bruto bezoldigingen van het Managementcomité

Total cost to the company	Vean NV represented by Luc Vansteenkiste		Other members of the Management Committee		Total	
	2009	2008	2009	2008	2009	2008
Number of persons	1	1	10	11	11	12
Basic salary	499 600	499 600	2 565 340	2 793 518	3 064 940	3 293 118
Variable remuneration	486 250	270 000	1 143 461	723 541	1 629 711	993 541
Pensions, insurance (group insurance) and other benefits in kind	25 751	25 764	181 614	512 799	207 365	538 563
Total	1 011 601	795 364	3 890 414	4 029 858	4 902 015	4 825 222

Comments :

* Where appropriate, the above-mentioned amounts include the social security contributions paid by the company and therefore represent the gross cost to the company.

* VEAN NV and the other members of the Management Committee also have the use of a company car.

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

The Board of Directors gave its approval on 22 December 2009 for a new edition of the Recticel Group Stock Option Plan to be issued. This edition comprised 590,000 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 5.05 per warrant during the exercise period, which runs from 1 January 2013 to 21 December 2015.

47,249 stock options were offered to Luc Vansteenkiste, Managing Director of Vean NV, and 243,902 options were offered to the other members of the Management Committee.

Although Articles 7.14 and 7.15 of the 2009 Corporate Governance Code provide 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.

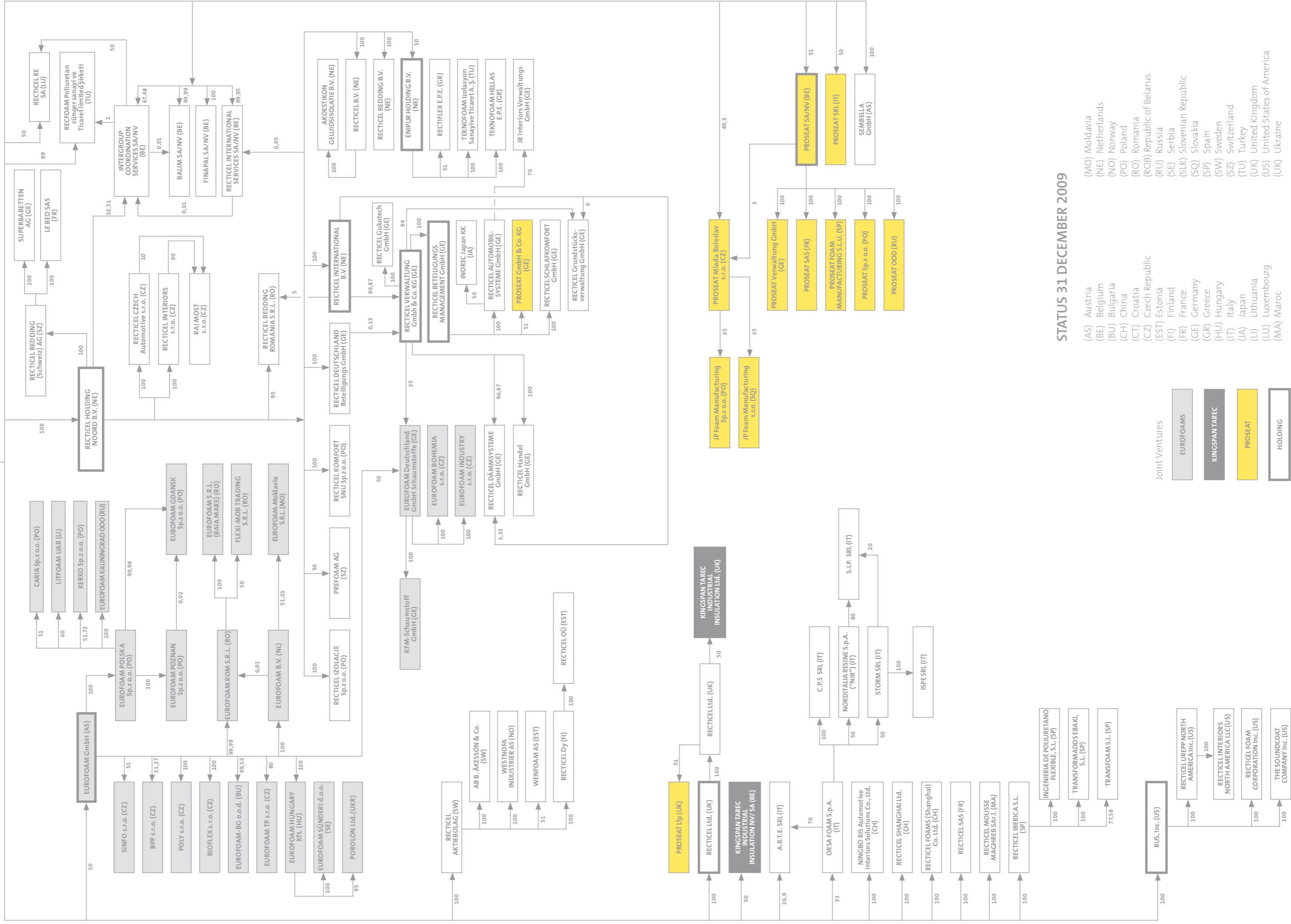
During 2009, no shares or other rights to acquire shares were granted to the members of the Board of Directors or to the members of the Management Committee.

II.4. Main contractual provisions for the recruitment and dismissal of members of the Management Committee

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.

Oliver Chapelle SPRL, represented by Olivier Chapelle, has been hired effective as of 1 December 2009 in order to succeed to Vean NV, represented by Luc Vansteenkiste. The agreement with Olivier Chapelle SPRL does not provide for severance pay higher than twelve months of remuneration.

RECTICEL NV/SA (BE)



External Communications
& Investor Relations Manager
Michel De Smedt
T. +32 (0)2 775 18 09
F. +32 (0)2 775 19 91
desmedt.michel@recticel.com

Recticel NV/SA

2, avenue des Olympiades /
Olympiadenlaan, 2
B-1140 Brussels
T. +32 (0)2 775 18 11
F. +32 (0)2 775 19 90

www.recticel.com



This report is available in English, French and Dutch.
This annual report is also available on www.recticel.com

Concept: www.thecrewcommunication.com
In collaboration with Paul De Wilde

Translation: Philippe Colmant – Margaret Jelbert

Coordination: Michel De Smedt

Thanks to all colleagues who contributed to the production of this annual report.



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Bedding



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