ANNUAL REPORT 2002

Bringing chemistry to life

TESSENDERLO GROUP

FINANCIAL CALENDAR

Tessenderlo Group publishes quarterly releases of its consolidated results through the press. The dates of future releases will be the following:

• results 1st quarter 2003	April 24th, 2003
• results of the first half-year 2003	September 11th, 2003
• results 3rd quarter 2003	November 6th, 2003
• results on 31 December 2003	March 11th, 2004
• results 1st quarter 2004	April 29th, 2004

General Meeting approving the financial statements 2002	June 3rd, 2003
General Meeting approving the financial statements 2003	June 1st , 2004
Payment dividend :	June 6th, 2003

See our web site : www.tessenderlogroup.com under Corporate – 'News' and 'Investor Relations'.

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SYNTHETIC CONSOLIDATED BALANCE SHEET

(thousands EUR)	2002	%	2001	%
Intangible assets	82 317		78 048	
Consolidation difference	21 542		19 128	
Tangible assets	635 737		659 416	
Financial assets	20 423		16 781	
Fixed assets	**760 019**	**47**	**773 373**	**45**
Inventories	306 061		308 253	
Receivables	487 968		475 758	
Own shares	0		106 375	
Treasury Investments and Cash	48 225		51 179	
Current assets	**842 254**	**53**	**941 565**	**55**
Assets	**1 602 273**	**100**	**1 714 938**	**100**
Paid-in capital	162 753		160 137	
Revenu reserves	588 134		655 055	
Translation difference	7 053		20 453	
Minority interests	14 326		12 050	
Equity	**772 266**	**48**	**847 695**	**49**
Provisions and differed taxes	120 595		106 288	
Financial debts - Long-term - Short-term	 163 252 188 251		 76 045 315 990	
Accounts payable & Liabilities	357 909		368 920	
Liabilities	**830 007**	**52**	**867 243**	**51**
Equity and Liabilities	**1 602 273**	**100**	**1 714 938**	**100**

SYNTHETIC CONSOLIDATED P&L ACCOUNT

(thousands EUR)	2002	2001
Operating income	**1 961 519**	**1 924 500**
Raw materials, consumable & goods for resale	861 686	877 831
Services and other goods	452 889	440 154
Remuneration's, social security and pensions costs	363 279	345 219
Depreciation	135 973	123 843
Other operating charges	32 821	28 460
Operating charges	**1 846 648**	**1 815 507**
Operating Profit	**114 871**	**108 993**
Financial charges and income	-15 859	-15 906
Share in earnings of companies valued according to equity method	5 396	1 709
Consolidated profit on ordinary activities before income taxes	**104 408**	**94 796**
Extraordinary result	-1 365	-1 514
Profit before income taxes	**103 043**	**93 282**
Income taxes	-27 874	-24 516
Consolidated profit	**75 169**	**68 766**
Minority interests	4 531	3 905
Consolidated Profit of the group	**70 638**	**64 861**

TESSENDERLO GROUP IN A FEW FIGURES OVER 10 YEARS

millions EUR	**2002**	2001	2000	1999	1998	1997	1996	1995	1994	1993
Turnover	**1,934**	1,890	1,818	1,571	1,563	1,525	1,274	1,185	1,067	985
Operating profit	**115**	109	135	102	125	125	97	109	91	58
Net profit	**71**	65	90	70	82	81	64	77	49	27
Net Cash flow	**207**	168	211	180	187	190	149	178	153	117
Operating cash flow (Ebitda)	**259**	230	251	213	233	233	183	206	177	143
Cash flow/Turnover (%)	**10.69**	8.89	11.60	11.45	11.96	12.46	11.70	15.03	14.37	11.88
Net profit/ Turnover (%)	**3.65**	3.44	4.97	4.43	5.22	5.37	4.99	6.49	4.55	2.78
Return on equity (%) (1)	**9.50**	9.16	13.26	10.50	12.86	13.92	12.12	16.30	11.60	6.83
Working capital	**263**	254	274	255	235	261	182	205	198	108
Capital expenditure (material)	**110**	133	137	133	147	152	119	80	46	62
Net financial debt	**303**	341	242	209	123	57	49	37	50	146
Net financial debt/Equity ratio	**39.27**	41.00	30.00	28.00	18.00	9.00	9.00	7.00	11.00	36.00
Net financial debt/EV (2)	**28.20**	28.68	23.11	22.12	15.32	8.36	8.17	6.83	10.20	26.48
Interest coverage (3)	**8**	5	7	9	11	11	10	10	9	3
Non-current assets	**760**	773	703	664	615	545	489	422	375	414
Current assets	**842**	942	829	727	599	636	560	488	418	383
Shareholders' equity	(4) **758**	836	796	729	673	619	551	505	440	405
Minority interest	**14**	12	8	7	5	2	1	0	0	0
Provisions	**121**	106	109	109	108	126	92	98	70	49
Net financial debt LT	**163**	76	68	78	67	61	28	26	64	72
Net financial debt ST	**188**	316	212	166	92	84	92	67	25	85
Non financial debts	**358**	369	339	302	270	289	284	215	194	186
Total balance sheet	**1,602**	1,715	1,532	1,391	1,215	1,181	1,049	910	793	797
Headcount	**7,934**	7,849	7,087	6,847	6,667	6,055	5,309	4,981	4,930	5,048

1. ROE = Net profit/ Average shareholders' equity

2. Enterprise value (EV) = Net debt + Equity

3. Ebitda/Interest charges

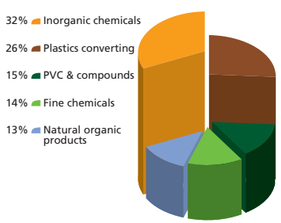
4. Cancellation of capital reserve for own shares: 106,4 in 2002

KEY FIGURES PER SHARE

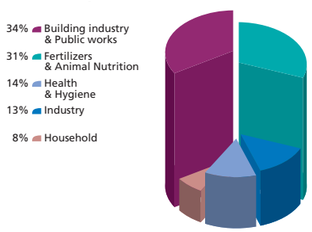
(in units)	2002 EUR	2001 EUR	2000 EUR
Net profit per share (EPS)	2.62	2.41	3.38
Net Cash flow per share	7.66	6.25	7.88
Shareholders' Equity per share	27.57	26.39	25.49
Net dividend per normal share	0.85	0.85	0.85
Number of shares	26,975,013	29,347,124	29,232,548
Own shares	-	2,473,639	2,473,639

DISTRIBUTION OF THE CONSOLIDATED SALES 2002

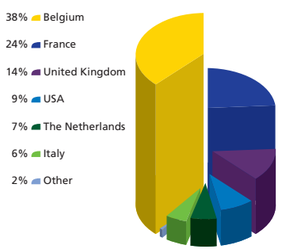
Per activity sector



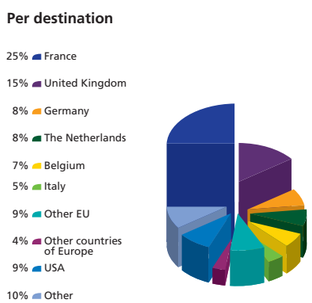
Per consumption market



Per country of production



Per destination



KEY FIGURES PER DIVISION

Inorganic Chemicals

	2002	2001
Turnover (millions EUR)	611	636
Ebitda (millions EUR)	71	82
Tangible investments (millions EUR)	20	37
Headcount	2,005	2,063

Fine Chemicals

	2002	2001
Turnover (millions EUR)	264	213
Ebitda (millions EUR)	34	32
Tangible investments (millions EUR)	14	14
Headcount	1,067	1,078

PVC & Compounds*

	2002	2001
Turnover (millions EUR)	298	294
Ebitda (millions EUR)	15	-20
Tangible investments (millions EUR)	15	19
Headcount	748	400

Plastics Converting*

	2002	2001
Turnover (millions EUR)	500	498
Ebitda (millions EUR)	86	78
Tangible investments (millions EUR)	29	46
Headcount	2,567	2,821

Natural Organic Products

	2002	2001
Turnover (millions EUR)	261	249
Ebitda (millions EUR)	53	58
Tangible investments (millions EUR)	32	18
Headcount	1,547	1,487

** since 2002 the compounds are integrated in the PVC division (instead of Plastics Converting); figures 2001 are adapted accordingly.*

TESSENDERLO GROUP AT A GLANCE

Tessenderlo Group is a diversified Belgian group internationally active in several branches of the chemical industry and plastics conversion. At the beginning of 2003 the group had around 8.300 employees, distributed over 115 establishments in 23 countries.

In 2002, the group achieved a consolidated **turnover** of 1,934 million EUR. The **net profit** amounted to 70.6 million EUR, the net profit per share 2.62 EUR.
As in 2000 and 2001, the **net dividend per share** was set at 0.85 EUR.

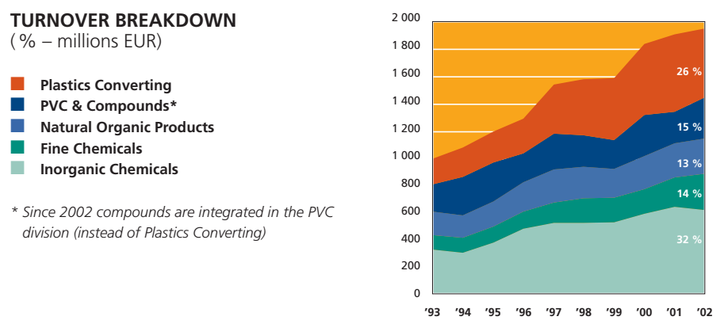
The **activities** of the group are divided into five divisions: Inorganic Chemicals (32 % of consolidated turnover), Fine Chemicals (14 %), PVC & Compounds (15 %), Plastics Converting (26 %) and Natural Organic Products (13 %).

Leadership

In a number of markets Tessenderlo Group occupies a leading position. Thus, at the **world level** the group is:
- the largest producer of hydrochloric acid, liquid sulphur-containing fertilisers, sodium hydrosulphide and of benzyl alcohol, benzyl acetate and benzyl chloride;
- the second largest supplier of phosphates for animal feed and of potassium sulphate for specialised fertilizers;
- the third largest producer of sodium sulphate for detergents;
- the third largest manufacturer of high-quality gelatins.

At the **European level,** Tessenderlo Group is:
- the largest producer of glycine;
- the number two for caustic potash;
- the fifth largest manufacturer of compounds;
- the sixth largest supplier of PVC.

TURNOVER BREAKDOWN
(% – millions EUR)

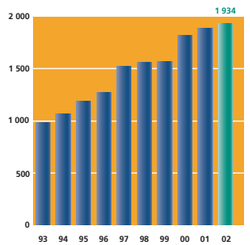


** Since 2002 compounds are integrated in the PVC division (instead of Plastics Converting)*

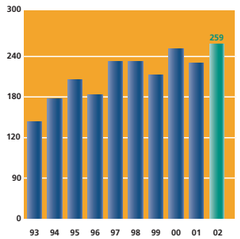
2002

TESSENDERLO GROUP IN A FEW CHARTS

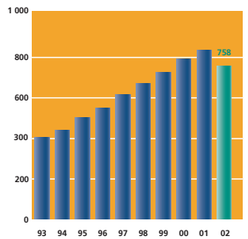
TURNOVER
(millions EUR)



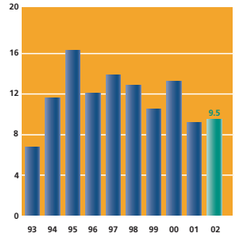
EBITDA
(millions EUR)



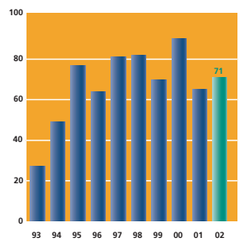
GROUP SHAREHOLDERS' EQUITY
(millions EUR)



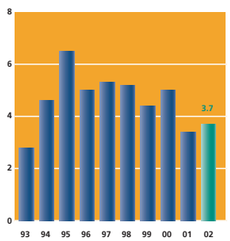
RETURN ON EQUITY
(%)



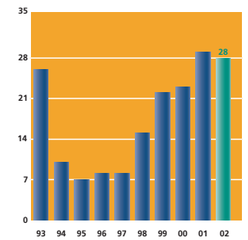
NET CONSOLIDATED EARNINGS
(millions EUR)



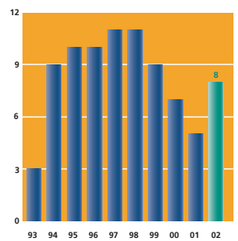
EARNINGS/TURNOVER
(%)



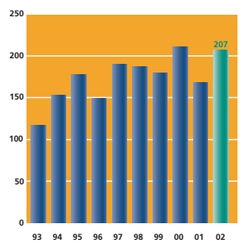
NET FINANCIAL DEBT/EV
(%)



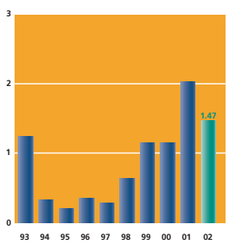
INTEREST COVERAGE



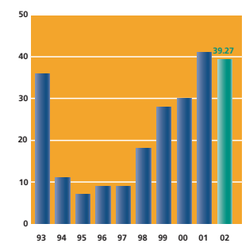
CONSOLIDATED CASH FLOW
(millions EUR)



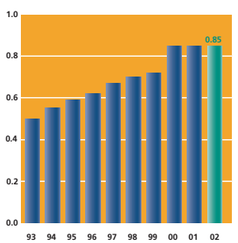
NET FINANCIAL DEBT/CASH FLOW



NET FINANCIAL DEBT/EQUITY
(%)



EVOLUTION OF THE NET DIVIDEND PER SHARE
(EUR)



THE GROUPS' STRATEGY AND ASSETS

For years Tessenderlo Group has been pursuing a logical strategy that can be summarised as folllows:

- striving throughout the world for a leading position in niche markets;
- implementing acquisitions with a high added value, more specially within the 'Fine Chemicals' and 'Plastics Converting' divisions;
- pursuing a policy with minimal risk
- generating an optimal yield with the resources furnished by the shareholders;
- devoting constant attention to cost savings;
- seeking a high return on the share capital.

On the basis of this strategy, Tessenderlo Group wants to achieve the following objectives:

- devoting maximum attention to the environment and the safety and health of each individual – both inside and outside the company;
- offering customers quality products and outstanding service;
- creating a working environment in which teamwork plays a central role, and which stimulates the personal development of the employees;
- achieving steady profit growth in order to further strengthen the confidence of the shareholders.

In recent years, this strategy has born fruit, in part thanks to a number of extra advantages Tessenderlo Group possesses:

- the world leadership – or at least the European leadership – for the vast majority of its products, primarily in niche markets;
- the industrial integration of the various production processes, whereby certain end products in turn become raw materials for new products. This generates considerable cost savings;
- the emphasis that is placed on specialties (60 % of turnover), where the market is less cyclical;
- the orientation towards products with a high added value;
- the importance of exports. +90 % of the group's production is consumed outside Belgium;
- the sound financial situation;
- the annual investments in the amount of 140 million EUR average;
- the dedication of experienced and highly qualified employees.

SUMMARY 2002

Georges
Maintenance
sulphate

Tessenderlo Group is the number one producer in Europe for glycine, and an important supplier of animal proteins and fats for pet food.

MESSAGE FROM THE CHAIRMAN

2002

Group turnover has risen to 1,934 million EUR, an increase of 2.3 % on the previous year. This is due to growth in the Fine Chemicals, PVC and Plastics Converting divisions.

Net profit has risen by 8.9 %. This increase can largely be attributed to the - albeit rather poor- recovery that has been enjoyed by our PVC activity. This result has been achieved against the background of a particularly sluggish economic climate in our particular industry, and in spite of this improvement, profit remains at a recessional level.

The results recorded by our Inorganic Chemicals division are down on last year's levels. The decline in the price of caustic soda, which reduced the profits of the electrolysis unit, could not be fully offset by increased activity in the areas of potassium sulphates for fertilisers and phosphates for animal feed.

Our Natural Organic Products experienced a slight fall in profits compared to last year, due to the decline in the activity of animal waste collection from abattoirs. Our gelatin activity, on the other hand, improved its performance, and once again achieved excellent profitability levels.

The Fine Chemicals division recorded an increase in profits. In the area of chlorotoluene derivatives, the division has benefited from our recent acquisitions in the United Kingdom. It was a particularly favourable year for pharmaceutical intermediates, which continued to enjoy a sustained level of activity. Our Italian subsidiary for pharmaceutical intermediates, in particular, performed extremely well.

After a very bad start to the year, the PVC division again recorded positive results from May onwards, thanks to a steady increase in sale prices. Over the year as a whole, while profits rose appreciably on the figure achieved in 2001 (which was an extremely disappointing year), they nevertheless remained poor. Efforts to restore prices are now even more important, due to the increase in the price of oil products that we will have to face.

The Plastics Converting division enjoyed a good increase in profits. We were pleased to record better results in the pipe market in France, and a marked upturn in our window profile activity in the United States of America. Our pipe activity in northern Europe, on the other hand, suffered a downturn.

The year 2002 saw us significantly strengthen our position in the area of compounds, with a new acquisition in this sector in France. With our subsidiary Cousin-Tessier, we already had a presence in this business. Following this acquisition we are now in fifth position on the European market.
We have also, beginning 2003, acquired two new gelatin factories, in the United States of America and Argentina. This gives us a global presence in this sector, and consolidates our position as the third largest world player.
The year was also marked by the major restructuring of our Belgian Limbourg factories. This measure was necessary, in order to ensure that we remain competitive in sectors where there is still fierce competition from operators who are not subject to the same restrictions, and should allow us to consolidate what remain our most important industrial platforms.

The Board of Directors will propose to the Annual General Meeting that the dividend of 0.85 EUR net per ordinary share be maintained, which means that 44 % of this year's profits will be distributed.

On behalf of the Board, I would like to thank the group's eight thousand employees and managers, who, through their efforts, have enabled us to present these results.

" During 2002,
Tessenderlo Group will have
held out well against
the economically unfavourable
environment. "

Gérard Marchand
Chairman

Adrien Carton de Wiart Jozef Housen Matteusz Dubinski Christian Vrebosch

Eddy Vandenbriele Pierre Ducuroir Gérard Marchand Philippe Pôlet

MANAGEMENT, CONTROL AND LEADERSHIP

1. Board of Directors

(on 31 December 2002)

Chairman	Gérard Marchand
Directors	Pierre-Louis Boutonnat Pierre-François Couture Claude Niedergang Bernard Pache Valère Baron Croes Marc Lambrechts Paul Baron de Meester Thierry Piessevaux Karel Pinxten
Statutory Auditor *K.P.M.G.*	Klynveld, Peat, Marwick & Goerdeler
Permanent representative	L. Ruysen

2. The general management of Tessenderlo Group

(on 31 December 2002)

Chairman of the Management Committee:	Gérard Marchand
Member of the Management Committee: *Inorganic Chemicals division*	Matteusz Dubinski
Member of the Management Committee: *Fine Chemicals division*	Pierre Ducuroir*
Member of the Management Committee: *Natural Organic Products division*	Jozef Housen
Member of the Management Committee: *Plastics Converting & PVC divisions*	Philippe Pôlet
Secretary General:	Adrien Carton de Wiart
Director IT, Organisation Development and Human Resources:	Eddy Vandenbriele
Director Finance:	Christian Vrebosch

** David Poynton as of April 2003*

PRODUCTION UNITS: 69

SALES OFFICES IN:

Argentina
Australia
Belgium
Chile
Czech Republic
Denmark
France
Germany
Great Britain
Hong Kong
Hungary
Italy
Lebanon
Netherlands
Peru
Poland
Romania
Spain
Switzerland
Turkey
USA

INTERNATIONAL PRESENCE 2002

2

2002

Michaël
Corporate
Communication

Computer screens, cables, plugs, computer housings: in each of these products a piece of Tessenderlo Group can be found.

TESSENDERLO CHEMIE ON THE STOCK EXCHANGE

1. The shares and the capital structure

Tessenderlo Chemie shares have been listed on the Brussels Stock Exchange since 17 August 1937. They are traded on the continuous market and are part of the 'BEL 20', 'Next 150' and 'NextPrime' indexes.

On 16 December 2002, an Extraordinary General Meeting approved the cancellation of 2,473,639 own shares.

On 31 December 2002, the capital of Tessenderlo Chemie NV was represented by 26,975,013 shares without indication of nominal value (of which 5,088,212 with strips). The bearer shares are issued in denominations of 1, 10, 50 and 100. At the end of December, 12,377,348 registered shares, including shares held by the personnel, were entered in the share register.

The shares are also represented on the American market, by means of American Depository Receipts (ADR). Five ADR's are equivalent to one share of Tessenderlo Chemie.

On 29 October 2001, EMC Parbel announced that it holds 40.48 % of Tessenderlo Chemie. Since the cancellation of company shares, as mentioned above, on 16 December 2002, EMC Parbel's interest in Tessenderlo Chemie amounts to 44.04 %.

2. Evolution of the shares and the market in 2002

2002 was again a very poor year for the stock exchanges in Europe and the rest of the world. Following falls of 5 % in 1999, 10 % in 2000 and 8 % in 2001, the BEL 20 declined in 2002 at an even faster rate, recording a further loss of almost 30 %.

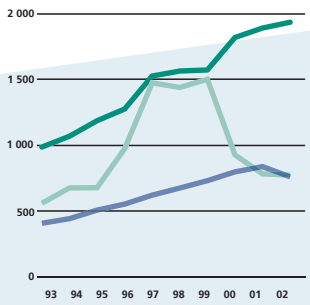
Tessenderlo Chemie shares performed better than the market as a whole. Their price rose from 26.60 EUR at the end of 2001 to 28.60 EUR at the end of December 2002. This represents a 7.5 % increase.

In 2002, Tessenderlo Group again participated in scores of investor events both at home and abroad, in order to develop a higher, more positive profile among investors. This policy will be continued in the future.

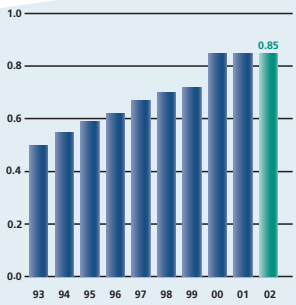
3. Employee stock purchase plan

As every year, in June 2002 a capital increase was carried out on behalf of the personnel. 101,528 registered shares were involved this time. If one only considers the shares entered in the register, employees now represent 1.7 % of the total shareholding body.

Stock market capitalisation
(millions EUR)



Net dividend per share *(EUR)*

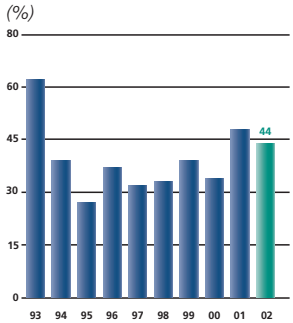


Stock exchange data (consolidated accounts) on december 31.

	1998	1999	2000	2001	2002
Capital (millions EUR)	126,43	128,90	130,14	131	**132**
Number of shares	28,999,194	29,137,316	29,232,548	29,347,124	**26,975,013**
Own shares	493,202	1,178,454	2,473,639	2,473,639	**0**
Farthest prices (EUR)					
Fixed ordinary share	43.63/74.62	38.50/52.85	29.75/55.45	20.55/32.20	**23.00/35.00**
Closing price					
Forward market (continuous)	49.58	51.50	31.65	26.60	**28.60**
Average volume	33,380	27,400	23,845	17,556	**24,097**
Data per share*					
Value of shareholders' equity	22.25	23.68	25.49	26.39	**27.57**
Consolidated net profit	2.88	2.49	3.38	2.41	**2.62**
Cash flow	6.56	6.44	7.88	6.25	**7.66**
Net dividend Ordinary share	0.70	0.72	0.85	0.85	**0.85**
Capitalisation at the end of year	1,437.70	1,500.60	925.20	780.60	**771.50**

** Without taking into account the own shares on the 31st december*

Gross dividend/net consolidated earnings



In addition, on 8 November 2002 the first block of a bond loan with warrants was extended to the most important managers of the group. This loan has a term of seven years, and is represented by 1,250 bonds of 25 EUR each, to which 40 warrants are attached. The annual interest amounts to 4 % and is capitalised. Each warrant entitles the holder to purchase one share at the exercise price of 25.87 EUR.

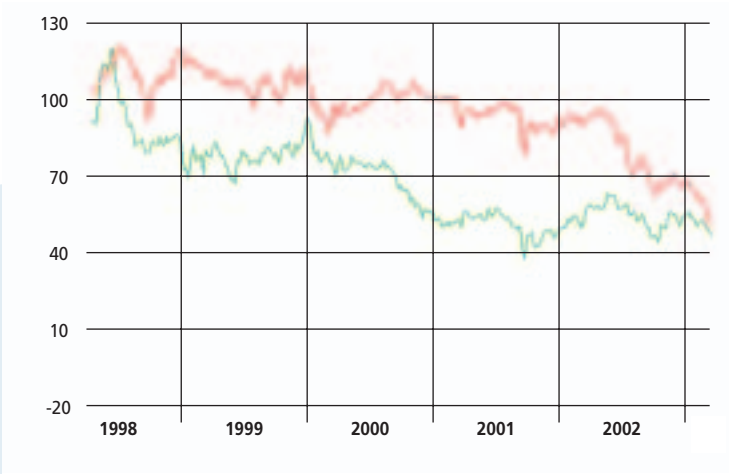
4. Dividend

The net dividend that will be proposed to the annual General Meeting on 3 June 2003 is 0.85 EUR. This corresponds to a gross dividend of 1.1333 EUR. For the coupons with attached strips, the net dividend will amount to 0.9633 EUR.

The net dividend of 0.85 EUR means there is no change compared to the 2000 and 2001 financial years. It represents 44 % of the consolidated net profit (in 2001 it was 48 %).

Stock Exchange data

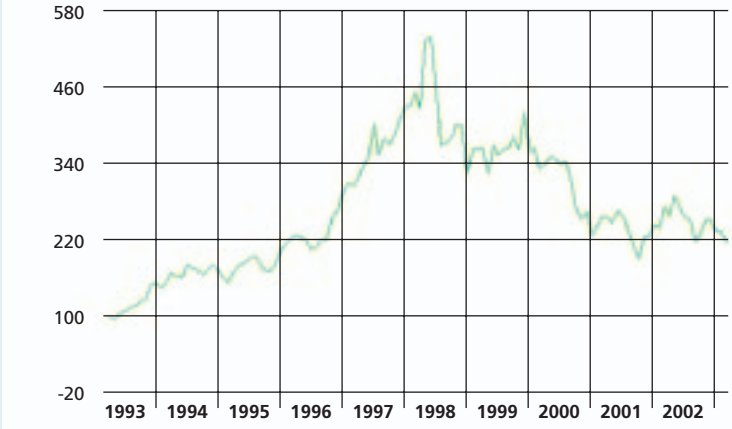
(index = 100)



- Bel 20 - Price Index
- Tessenderlo Group

Return with dividends reinvested

(index = 100)



- Tessenderlo Group

Greet
Environmental dpt.

Tessenderlo Group is a world leader in feed phosphates and in potassium sulphates for speciality fertilisers.

Tessenderlo Group: Bringing Chemistry to Life

Tessenderlo Group manufactures a range of products, which form an integral part of our everyday lives – even though many consumers may not realise it. After all, behind the often complicated chemical names one finds substances which are used in countless applications, from animal feeds to antibiotics to the dashboards of cars. A little bit of Tessenderlo Group can also be found in chewing gum, perfumes, batteries, blood bags, washing powders and diet-friendly 'light' products – to mention just a few examples.

Below you will find an overview of the most important products and their applications. The latter can be grouped into five markets:

Construction industry

PVC & Compounds:	**pipe systems, door and window profiles, facade cladding, telecommunications, cable insulation, floor covering**
Sodium sulphate and carbonate:	**glass**

Agriculture

Ammonium and potassium thiosulphate:	**liquid fertilisers** for large-scale cultivation
Di-calcium phosphate:	**animal feed**
Glycine and derivatives:	**animal feed, agrochemicals**
Caustic potash:	**horticulture, fertilisers for irrigation systems**
Potassium sulphate:	**specialised fertilisers**, which are especially suited for flower, tobacco and fruit growing
Sulphuric acid:	**fertilisers**

Industry

Acetates:	**antifreeze products** for e.g. runways
Electrolysis products:	**photography, leather tanning,water treatment**
Organic chlorine derivatives:	**paint, photography**
Gelatin:	**photography, wine production**
Caustic potash:	**batteries, textile treatment**
Potassium bicarbonate:	**fire-extinguishing powder**
Potassium carbonate:	**glass, TV and computer screens**
Sodium hydrosulphide and caustic soda:	**paper, pulp**
Caustic soda:	**aluminium, rayon**
PVC and PVC compounds:	**dashboards, furniture, shoe soles, tarpaulins, electronics, cables**
Sulphuric acid:	**batteries, car windows, billiard balls**

Health and hygiene

Pharmaceutical intermediates:	**antibiotics, penicillin**
Organic chlorine derivatives:	**antibiotics**, various **pharmaceutical products** for people, plants and animals, **perfumes, cosmetics**
Gelatin:	**capsules** for e.g. drugs
Sodium sulphate and caustic soda:	**detergents, soaps**
PVC:	**blood bags, infusion bags and tubes, catheters, gloves, bottles for shower and bath foam**
Electrolysis products:	**detergents**

Household

PVC :	**packaging films, tablecloths, shower curtains, inflatable articles** such as balls, swimming pools, boats and so on
Electrolysis products:	**detergents**
Sodium hydrosulphide and caustic soda:	**detergents**
Animal fats:	**pet food**
Gelatin:	**foodstuffs** such as dairy and ´light´ products, confectionery
Glycine:	**foodstuffs, pet food**
Zeolites:	**washing powders**

Activities and products

Tessenderlo Group's Inorganic Chemicals division comprises the production of inorganic salts and alkaline bases obtained through electrolysis. It is characterised by an integrated production process where the various end products and by-products are utilised internally as much as possible in order to create maximum added value. The two fundamental activities of this process are the production of hydrochloric acid and chlorine.

Activities and products of the Inorganic Chemicals

The activities of the Inorganic Chemicals division relating to hydrochloric acid are largely responsible for the leading role Tessenderlo Group plays in worldwide markets. For example, the group is the second largest world producer of **potassium sulphate**. This is an especially well-suited fertiliser for use in dry areas, and for crops that are highly sensitive to the quality of the fertiliser used, such as flowers, tobacco, fruit and vegetables. The group also plays a leading role in the market of **sodium sulphate**, which can be found primarily in detergents.

A by-product of the production of sulphates is **hydrochloric acid**, of which Tessenderlo Group is the largest producer in the world.

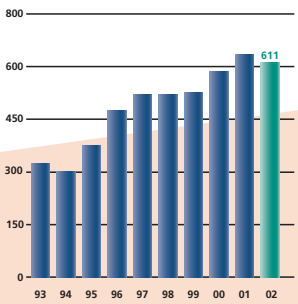
The hydrochloric acid is sold, but is also used internally in the production of **phosphates**, which have various applications in the animal feed and fertiliser industries. The group occupies the second place in the world market of phosphates for animal feed. The range of phosphate products is so extensive that Tessenderlo Group can meet the requirements of almost all feed applications.

In addition, Tessenderlo Group is the world's largest producer of **liquid sulphur-containing fertilisers** (such as ammonium thiosulphate). These are applied mainly in North America for grains and high-protein crops, and for improving sodium-containing soils.

The other **sulphur-containing derivatives**, sodium sulphide and sodium hydrosulphide, are used in mining, photography, the paper industry and leather tanning.

Another important product is **zeolites**, which have increasingly substituted phosphates in washing powders.

TURNOVER
(millions EUR)



Inorganic Chemicals

	2002	2001
Turnover (millions EUR)	611	636
Ebitda (millions EUR)	71	82
Tangible investments (millions EUR)	20	37
Headcount	2,005	2,063

Activities and products of the electrolysis units

The Tessenderlo Group's electrolysis units produce 300,000 tonnes of **chlorine** annually. Most of this is used internally for the production of vinyl chloride monomer (VCM), which is the precursor of polyvinyl chloride (PVC), and for the chlorination of toluene and benzene.

The chlorine production also generates around 100,000 tonnes of **caustic potash** and more than 235,000 tonnes of **caustic soda** annually. Caustic potash is mainly used in the production of potassium nitrate and potassium phosphates, next to applications for food and fertilisers, alkali batteries, de-icing products for airport runways, detergents and the chemical industry.

These basic products of the electrolysis units moreover have various **derivatives** with a range of applications, from photography and the food sector to water treatment and ore extraction.

Alongside the classic electrolysis products, **ferric chloride** and **aluminium chloride** are also prepared on the basis of chlorine. Both are indispensable in the rapidly expanding water treatment sector.

The most important production units (*)

Inorganic Chemicals

BELGIUM

The establishments of **Tessenderlo Chemie** in Ham and Tessenderlo annually process two million tonnes of raw materials, including sulphur, raw phosphate, potassium chloride and sodium chloride. Tessenderlo Chemie in Ham produces a substantial share of the calcium phosphates used in the animal feed industry. The process in which hydrochloric acid acts upon natural phosphate ores was developed by the group itself. The line of phosphates for animal feed, which is produced in Belgium, is supplemented by the products of the Dutch and Italian establishments.

The **Zeoline** production unit in Engis, near Liège, produces zeolites in a joint venture with Prayon (50/50).

EUROPE

Tessenderlo Chemie Rotterdam produces animal feed phosphates through the chemical reaction of purified phosphoric acid and a calcium, magnesium or ammonium source. The production is partly intended for export.

Tessenderlo Italia (Italphos) in Cologna Veneta also makes animal feed phosphates on the basis of purified phosphoric acid. The production is intended for the market in Italy and neighbouring countries.

(*) You can find a complete overview of the group's production units and sales offices on page 112

The French subsidiary **Aliphos** in Alsace produces potassium carbonate and potassium di-carbonate, mainly for the production of cathode ray tubes.

The French subsidiary **Produits Chimiques de Loos (PCL)** in Loos, near Lille, produces sodium sulphate and mineral chlorides (ferric, ammonium, zinc and aluminium chloride).

NORTH AMERICA

The American subsidiary **Tessenderlo Kerley Inc. (TKI)** is based in Phoenix, Arizona. TKI is the world's largest producer of ammonium thiosulphate (ATS) and potassium thiosulphate (KTS). TKI has 12 production plants in the United States and one in Mexico. These plants are generally located near refineries whose acidic gases TKI processes into liquid sulphur-containing fertilisers and derivatives, the vast majority of which (60 %) are used in agriculture.

Electrolysis

BELGIUM

The establishment in **Tessenderlo** houses the group's largest electrolysis unit, where both caustic soda and caustic potash are prepared. It has an annual capacity of 250,000 tonnes of chlorine.

EUROPE

A second electrolysis unit is operational at **PCL** in Loos, France, with a total capacity of 18,000 tonnes of chlorine. It produces caustic potash and potassium hydroxide flakes.

Tessenderlo Italia in Pieve Vergonte, north of Milan, has a capacity of 40,000 tonnes of chlorine, most of which is intended for internal use.

Trends and facts in 2002

During the year, the Inorganic Chemicals division launched an action plan in the Belgian establishments in Ham and Tessenderlo with the aim of reducing fixed costs. This should result in improved profitability in the coming years.

The sale of **phosphates** of mineral origin, which was stimulated in 2001 by (among other things) the European ban on the use of meat meal in animal feeds, enjoyed slight growth in 2002. This was in spite of the pressure on prices in Eastern Europe and a few traditional markets, including France. Whereas in the first half of the year, globally speaking, prices continued to rise, in the second half there was a slight downward trend in these areas.

The production of **potassium sulphates** increased strongly compared to 2001; the lion's share of this growth can be attributed to the discontinuation of the activities of Ercros, a Spanish manufacturer, whose market was acquired by Tessenderlo Group. On 1 January 2002 Tessenderlo Group took the marketing of potassium sulphates into its own hands. It managed to secure the continuity of its market positions, and also to develop these positions, in a number of countries, including China.

In 2002 margins were placed under pressure by
- Increased competition;
- Lower dollar rate in non-European markets;
- Clear increase in the second semester of the price of certain raw materials (including sulphur), which was historically low at the beginning of the year.

The **sodium sulphate** market remained extremely stable in 2002, with sales at the same level as in 2001. Nevertheless, prices are still unsatisfactory. The market also continues to suffer from the fluctuations and the ever-changing trends in the detergents market.

In March the **electrolysis** activity was affected by a fire in one of its transformers. This resulted in the Ely II electrolysis unit being out of operation for a number of weeks, and running at a maximum of 85 % capacity for the rest of the year. As the sulphate division was able to operate at a higher level due to the increased demand for potassium sulphate, it was possible to make up for the shortage of chlorine through hydrochloric acid. Nevertheless, the fire and the poor price of caustic soda, which fell during the second quarter and afterwards remained unjustifiably low, put pressure on the profitability of the electrolysis activity.

With regard to the **foreign subsidiaries**, the American subsidiary Tessenderlo Kerley Inc., recorded positive results again, following a difficult year in 2001. The implementation of a rationalisation process in the area of structural and logistic costs (among other things) brought about a significant increase in profitability. TKI also reaped the rewards of diversification towards the provision of services to the refining industry, which made it less dependent on the fertiliser market. As far as the liquid sulphur-containing fertilisers were concerned, 2002 was almost a record year for the volume of ammonium thiosulphate (ATS). This excellent volume level made it possible to cut 2001's high stock levels back to normal. For a number of products, including ATS, price increases were implemented. These were the result, among other things, of higher sulphur prices.

Last year, the basis was also laid for a number of **future-oriented investments**:

- In relation to the decision made in November 2001 to build a new **electrolysis** unit in Tessenderlo (Ely III), work was carried out in 2002 on the environmental impact report and the safety report. (In this context see also 'Strategy and prospects').

- By the middle of 2004, the production of **ferric chloride** will be increased significantly in Tessenderlo (B) and Loos (F).

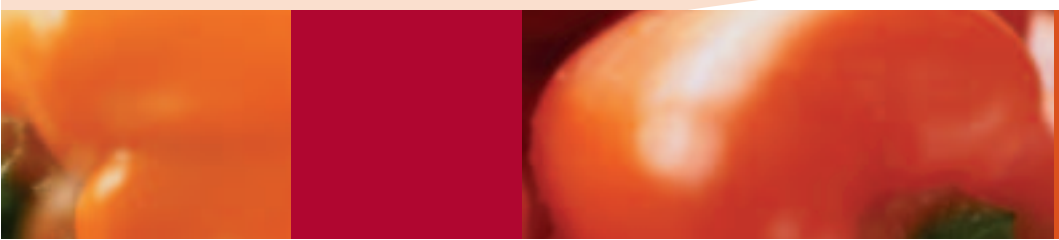
Strategy and prospects

Prospects for 2003

The increase in the price of caustic soda remained below expectations during the first quarter, and the price of caustic potash was under slight pressure. So limited is free European capacity for potassium hydroxide that the slightest hitch at a production unit, or a rise in demand, would be sufficient to bring about a revival in prices.

The price of **phosphates** will also remain under pressure as a result of the expansion of existing capacities and the start-up of new production units in the Mediterranean region.

The prospects for the **liquid sulphur-containing fertiliser** market in the United States are favourable. With the 'Farm Bill', the federal government has promised the farming industry a great deal of assistance. 2003 should see a rise in the price of various fertilisers for specialised cultivation.



In summary, it can be stated that 2003 will be a difficult year for the Inorganic Chemicals division. The prices of raw materials are cyclical and, after the global decline of previous years, appear to be rising again. The lower dollar also has a negative impact on returns on potassium sulphate and phosphates.

Strategy

As mentioned above, Tessenderlo Group will have to face up to a number of different challenges with regard to its **sulphate and phosphate** activities:

- Stagnating demand on the European fertiliser market;
- Rising prices for raw materials;
- Lower dollar;
- Loss of outlets due to the rise of new products and producers in countries with low production costs.

It is precisely for these reasons that the group must continue to improve productivity and further decrease production costs in order to strengthen its sites in Limburg.

The major investment in a new electrolysis unit, Ely III, also has these aims in mind.
In the future, Ely III will benefit the whole of Tessenderlo Group's integrated production system in West Limburg. The ability to produce more chlorine increases the flexibility of Tessenderlo Chemie Tessenderlo, Tessenderlo Chemie Ham and the Limburgse Vinyl Maatschappij (LVM). This will allow the various product groups to coordinate their production rates better than ever before.

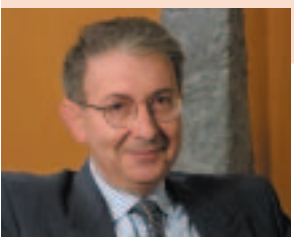
In the context of the planned expansion of chlorine production in Tessenderlo, a Safety Report and an Environmental Impact Report, necessary to obtain an environmental permit, were drawn up in 2002. Following extensive consultation with the various public services involved, these reports were approved in January and February 2003 respectively. In February 2003 the application dossier for the operating permit was submitted to the permanent delegation of the Limburg provincial council.

Ely III also emphasises Tessenderlo Group's ambition to become a bigger player on the **caustic potash** market.

At the same time, the group wants to further expand the production of **ferric chloride** in the future in Tessenderlo (Belgium) and Loos (France). These are among the principal production centres in Europe, and are established in growth markets for water treatment chemicals. With this in mind, we will first of all revise processes in our own centres, with the aim of increasing production capacity.

" To consolidate our leading position in the majority of our markets, our efforts to improve productivity and reduce production costs must continue unabated. The action plan launched at the Belgian sites in Ham and Tessenderlo has been devised specifically to strengthen the future position of our group. "

Matteusz Dubinski,
director of the Inorganic Chemicals division



Activities and products

The Fine Chemicals division of Tessenderlo Group is based on three major business units : organic chlorine derivatives, intermediates intended for the pharmaceutical and perfume industries, and glycine. For several specialities Tessenderlo Group holds a leading position on the world market.

Organic chlorine derivatives

Tessenderlo Group produces more than 100,000 tonnes of benzene and toluene derivatives, as well as a number of products derived from these, such as benzyl alcohol, benzaldehyde, phenylacetic acid and benzoyl chloride.

The processes applied in the various production units allow Tessenderlo Group to deliver products of extremely highly purity, which meet the requirements of industries such as pharmaceuticals, parapharmaceuticals, photography, the perfume industry and fine chemicals in general.

Intermediates for the pharmaceutical and perfume industries

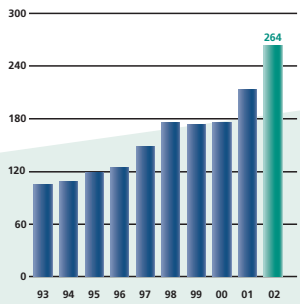
Tessenderlo Group produces organic intermediates and active substances for pharmaceutical applications and the perfume industry. Two factories, in particular Calaire in France and Farchemia in Italy, produce intermediates for antibiotics, and have privileged relationships with major international pharmaceutical companies. Tessenderlo Fine Chemicals in the United Kingdom specialises in synthetic products for the perfume industry. These three sites use raw materials produced within Tessenderlo Group, and thereby reap the rewards of the synergies that exist within the integrated group.

Glycine and its derivatives

Tessenderlo Group is the only European manufacturer of glycine. With a yearly production capacity of 5,000 to 6,000 tonnes, Tessenderlo Group is also a major world player on the glycine market.

Because of its properties as an antioxidant, preservative and sweetener, glycine has many applications in both foodstuffs and animal feed. It is also used in pharmaceuticals and agrochemicals.

TURNOVER
(millions EUR)



Fine Chemicals

	2002	2001
Turnover (millions EUR)	264	213
Ebitda (millions EUR)	34	32
Tangible investments (millions EUR)	14	14
Headcount	1,067	1,078

The most important production units (*)

Organic chlorine derivatives

Chemielim in the Dutch city of Maastricht produces benzyl alcohol and benzyl acetate. These products are obtained from benzyl chloride produced at the factory in Tessenderlo.

Lianyungang Taile Chemical Factory in Taile, China, is the leading producer of benzyl chloride and benzaldehyde in China. The unit forms part of a joint venture with the Shuangling Chemical Industry Company.

Tessenderlo Chemie in Tessenderlo, Belgium, produces benzyl chloride and certain derivatives. The factory also has an important pilot unit where industrial processes can be refined. Small campaigns of products can be manufactured before scale-up at some point in the future.

In Pieve Vergonte, north of Milan, **Tessenderlo Italia** specialises in aromatic chlorine products, which are used mainly in the manufacture of pesticides.

In the United Kingdom, **Tessenderlo UK** in Widnes produces chlorotoluenes, together with various organo-chlorine derivatives.

(*) In alphabetical order by business unit. You can find a complete overview of the group's production units and sales offices on page 112

Intermediates for the pharmaceutical and perfume industries

In Calais, France, **Calaire** synthesises fine chemicals for the pharmaceutical industry. Here, for instance, phenylacetic acid – an intermediate for the production of antibiotics – is manufactured from benzyl chloride produced at Tessenderlo.

In Loos, near Lille, **Chemilyl** produces oxalyl chloride and derivatives for the fine chemicals and pharmaceutical industries.

Tessenderlo Fine Chemicals in Leek, United Kingdom, produces products destined for the industrial sectors of flavour and fragrance, tobacco and pharmaceuticals. Once again the raw materials originates primarily from other factories within Tessenderlo Group.

In Treviglio, near Bergamo (Italy), **Farchemia** produces numerous intermediates and active substances for the pharmaceutical industry.

Glycine

Tessenderlo Chemie in Tessenderlo is the only producer of glycine in Europe, and a major player on the world market.

Trends and facts in 2002

In 2002, Tessenderlo Group again performed extremely well in the area of **intermediates for pharmaceuticals**. The sales of **organic chlorine derivatives** followed the development of the economy, slowing at the beginning of the year. The **toluene and benzene derivatives** are sensitive to fluctuations in the price of petrol.

As far as **glycine** is concerned, Tessenderlo Group continues to be confronted with the extremely low prices of Chinese producers. This has an impact on profitability.

Tessenderlo Group made no acquisitions within the Fine Chemicals division in 2002. However, investments were made in the various sites for the production of new derivatives.

At Tessenderlo UK, which has been part of the group since the middle of 2001, restructuring was undertaken in order to optimise the production of chlorotoluenes within Tessenderlo Group.

Strategy and prospects

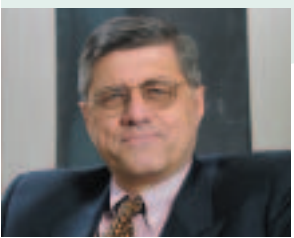
Tessenderlo Group's primary aim is to expand production at the existing sites, where it has facilities for the treatment of residual substances.

On the basis of the results of the successful research carried out in the central laboratories, new derivatives will be produced within the Fine Chemicals division. The intention is always to maximise the added value of products manufactured within the group.

Tessenderlo Group continues to seek acquisitions that will create substantial synergies with the current production units.

" The research programmes in our laboratories will enable us to develop new derivatives for the Fine Chemicals division "

Pierre Ducuroir,
director of the Fine Chemicals division.



Activities and products

The PVC & Compounds division includes both the vinyl chloride monomer (VCM) and polyvinyl chloride (PVC) business units. Since the beginning of 2002, it also includes compounds.

VCM

The most important raw materials for producing VCM are chlorine or hydrochloric acid and ethylene. Chlorine and hydrochloric acid are produced by the Inorganic Chemicals division on the same site and delivered via an internal pipeline system to the Limburgse Vinyl Maatschappij (LVM). This allows road transport to be avoided. Ethylene is delivered via the pipeline grid of Aethylen Rohrleitung Gesellschaft (ARG). Chlorine is produced in the group's electrolysis units, while hydrochloric acid is a by-product of the production of sulphates. In this way, a unique integration of raw materials is achieved.

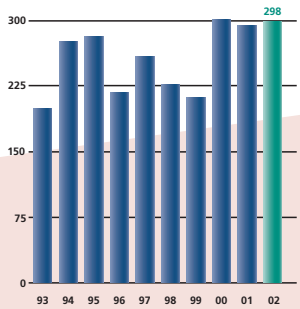
The annual VCM production capacity of Tessenderlo Group amounts to 550,000 tonnes.

PVC

The polymerisation of VCM to PVC is performed at two locations: in the Netherlands and France. These two plants are among the largest in Europe. With a total capacity of 450,000 tonnes, Tessenderlo Group is the sixth largest producer in the European PVC market.

PVC, as it is produced by LVM within Tessenderlo Group, is one of the most versatile plastic resins in the world. The possible applications are extremely broad ranging from plastic pipe systems, window and door profiles and flexible and hard films, to sheathings for cables and wires. In addition, LVM, in close collaboration with Tessenderlo Group's Plastics Converting division, is working on developing new grades for cutting-edge technological applications in, for example, the car industry and the electronics sector.

TURNOVER
(millions EUR)



PVC & compounds*

	2002	2001
Turnover (millions EUR)	298	294
Ebitda (millions EUR)	15	-20
Tangible investments (millions EUR)	15	19
Headcount	748	400

** since 2002 the compounds are integrated in the PVC division (instead of Plastics Converting); figures 2001 are adapted accordingly.*

Compounds

The heading 'compounds' covers various ready-to-use PVC mixtures as well as mixtures of thermoplastic elastomers, which are intended primarily for the injection molding and extrusion markets. They are mainly used in the construction industry, the automotive sector and shoe manufacturing. The PVC division has an overall capacity of 155,000 tonnes of compounds per annum, making Tessenderlo Group the fifth largest producer in Europe.

PVC and compounds are sold via an international network consisting of the division's own sales offices and local specialized agents, who work on an exclusive basis with LVM for PVC and compounds.

The most important production units(*)

VCM

Tessenderlo Group's unit for producing VCM, the **Limburgse Vinyl Maatschappij** (LVM) in the Belgian town of Tessenderlo, has a capacity of 550,000 tonnes of VCM per year. It is the largest in Europe.

PVC

LVM Limburg in Beek, the Netherlands, processes VCM into PVC. The VCM is delivered via the world's longest VCM pipeline for this kind of transport. LVM Limburg has a capacity of 225,000 tonnes per annum.

The **Société Artésienne de Vinyle (SAV)** in Mazingarbe, France, also polymerises VCM into PVC, again with a capacity of 225,000 tonnes. The VCM is delivered from Tessenderlo via block trains.

Compounds

Saplast in Strasbourg, France, and its subsidiary **Europolymers** have a compounding capacity of around 75,000 tonnes on an annual basis. Saplast exclusively produces PVC compounds in granulated form or as a premix for hard and flexible applications, primarily in the construction sector and for cable production.

TCT Polska in the Polish town of Sochaczew, near Warsaw, produces 10,000 tonnes of PVC compounds per annum.

Technicompound in Doué-la-Fontaine, near Nantes (France), produces 15,000 tonnes of ready-to-use PVC compounds and thermoplastic elastomers annually. These are intended mainly for the injection molding and extrusion markets.

In Tiffauges, also in France, the subsidiary **Thermoplastiques Cousin-Tessier** specialises in PVC compounds and thermoplastic elastomers for the automotive industry, the construction sector and shoe manufacturing. Its capacity is 55,000 tonnes per year

(*) In alphabetical order by business unit. You can find a complete overview of the group's production units and sales offices on page 112

Trends and facts in 2002

VCM and PVC

Just as in 2001, the PVC division was again confronted in 2002 with low prices for PVC. In the second quarter, the tide appeared to have turned and prices began to rise, although not enough to make up for the losses incurred earlier in the year. In the last quarter of 2002 prices started to fall once more. The main reasons were unfavourable international prices, particularly in the Far East , and the weak performance of the European construction sector, which particularly affected piping systems.

Nevertheless, PVC sales of the Western European producers rose by 2 % in 2002, mainly due to the effect of lower imports. The fact that certain producers (in the Czech Republic, for instance) were affected by floods and consequently unable to operate for long periods, and the bankruptcy of a Polish company, also had a favourable impact on sales.

The persistently high utilisation rate of the European PVC producers in 2001 and 2002 was not enough to ensure a healthy price level.

During the year, Tessenderlo Group pursued its strategy of improving its productivity through **investments**. In 2002 this related mainly to smaller and current projects:

- For VCM, these were primarily related to safety and modification of existing installations in line with the new requirements of the Flemish environmental legislation VLAREM ;

- Regarding PVC production, the emphasis was placed on further automation.

Compounds

Since the beginning of 2002 compounds, which are very similar to PVC in the areas of marketing and sales, have been included in the PVC division. Previously they were reported as part of the Plastics Converting division.

In July 2002, **Saplast** located in Strasbourg – the largest independent French producer of PVC compounds – and its subsidiary Europolymers were acquired. This increased the annual capacity of Tessenderlo Group to 155,000 tonnes, making it the fifth largest compound producer in Europe.

As a result of this acquisition, the PVC division also obtained a market position in sectors in which it was previously not present, such as cable compounds.

In spite of the slow-down of the automotive sector in 2002, the division remained unaffected, thanks to its strong position in the niche markets of dashboard skins and airbag covers. Sales were even higher than in 2001 as a result of increased market share.

Shoe compounds, on the other hand, performed less well. The existing negative trend continued and even accelerated in 2002. An increasing number of finished shoes are now imported from Asia; with negative consequences for European shoe compound producers.

Strategy and prospects

VCM and PVC

Although the division was still confronted with high oil prices at the beginning of 2003, it is generally assumed that results for the year should be better than in 2002. For the sake of clarity, this outlook is based on the assumption of an overall economic situation not seriously disrupted.

In the coming years, LVM will further expand its position as a specialist in the area of suspension PVC.

ZODIAC

In the future, Tessenderlo Group will also strive within the PVC division to maintain the highest possible productivity, combined with constant improvement in the quality of its products. At the same time, the group wants to offer its customers top-quality service, which satisfies all of their needs.

Compounds

In 2003, attention will especially be given to the optimisation and rationalisation of the industrial organisation, following the acquisition of Saplast and Europolymers.

The French subsidiaries Saplast and Thermoplastiques Cousin-Tessier will be integrated into a coherent commercial organisation, with the aim of meeting the wishes and requirements of the customers in the best possible way.

" Thanks to a strong industrial integration, in 2002 Tessenderlo Group has again been able to pursue its strategy of constantly improving productivity within the PVC division, in combination with the supply of quality products and services. "

Philippe Pôlet,
director of the PVC division

Activities and products

For more than fifteen years, Tessenderlo Group has resolutely pursued a downstream integration policy. With this objective, in Europe and the United States of America we have taken over several PVC converters holding numerous patents and registered trademarks. These companies produce mainly pipes and fittings for water supply and drainage systems, as well as pipe systems for (inter alia) gas and telecommunications. In addition, all kinds of PVC profiles for building (such as door and window profiles) are also produced. Besides PVC, these companies are also converting other raw materials, including polyethylene and polypropylene.

The construction and renovation sectors represent almost the entire turnover of Tessenderlo Group's Plastics Converting division.

The most important establishments (*)

Profiles

Chelsea Building Products (CBP), in Oakmont in the USA, is one of the main American manufacturers of PVC door and window profiles.

Tessenderlo Group is also present in Canada via **Dynaplast-Extruco**, a subsidiary of the Wymar Group, which specialises in PVC window profiles and other profiles for various sectors.

In Great Britain, **Fairbrook** holds a leading position on the PVC profiles market. Under the brand name **Eurocell Profiles**, Fairbrook produces window and door profiles. Foamed profiles, which are used as roofing components and façade cladding, are marketed as **Eurocell Building Plastics**. Under the name **HL Plastics**, Fairbrook custom-produces profiles for a wide range of sectors, including the building and furniture industries.

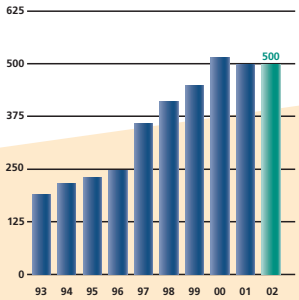
In collaboration with the Brazilian company Medabil Plasticos, the subsidiary **Medabil Tessenderlo** was set up in Brazil, where it specialises in manufacturing and marketing PVC profiles. Medabil Tessenderlo is introducing PVC window profiles to the South American markets.

In Clerval (France), **Plastival** makes window and door profiles, along with profiles for fences, façade cladding and various industrial applications.

Again in France, **Profex**, a subsidiary of the Wymar Group, markets window profiles produced by Wymar in Belgium.

(*) In alphabetical order by business unit. You can find a complete overview of the group's establishments and sales offices on page 112

TURNOVER
(millions EUR)



Plastics Converting*

	2002	2001
Turnover (millions EUR)	500	498
Ebitda (millions EUR)	86	78
Tangible investments (millions EUR)	29	46
Headcount	2,567	2,821

** since 2002 the compounds are integrated in the PVC division (instead of Plastics Converting); figures 2001 are adapted accordingly.*

The **Wymar Group** in Oeselgem (Belgium) produces PVC profiles for windows and doors and continues its development towards Eastern Europe notably in Poland, Hungary, Romania and the Czech Republic.

Plastic pipe systems

The Dutch company **Dyka BV** in Steenwijk manufactures PVC pipes and fittings.

Dyka Plastics in Overpelt (Belgium) is a manufacturer of PVC and polyethylene pipes for the construction industry and civil engineering.

Dyka Polska in Jelcz Laskowice (Poland) makes PVC pipes, and also polyethylene and polypropylene pipes.

In Great Britain, **John Davidson Pipes** is one of the main distributors of plastic pipe systems in the UK, with 22 depots spread across the entire country.

In France, the subsidiary **Sotra-Seperef** has two establishments. In Sainte-Austreberthe, PVC materials are manufactured for the construction and drilling markets. The unit in Quincieux produces a range of PVC and polyethylene pipes for water supply and drainage. This range is supplemented by all kinds of accessories, and is primarily intended for the public works sector.

Trends and facts in 2002

Profiles

The weak economic situation in the construction sector did not have too much impact on the PVC profile market in 2002, and thanks mainly to the United Kingdom, which was affected to a much lesser degree by the slowdown in the European construction industry, sales actually increased.

Fairbrook managed to continue its growth, thanks mainly to the innovative nature of its product range and the expansion of its distribution network. New profiles for use in the construction of a conservatory roof started to be successful in the UK.

Wymar Group achieved growth in Central Europe (or more specifically in Hungary, Poland and Romania), although demand fell in Russia. A new sales office was opened in Romania.

In the USA, Chelsea Building Products (CBP) continued its recovery, thanks to the restructuring measures undertaken within the company and its management.

In Brazil, a new product was launched: a fast construction system for housing, based on PVC profiles, which is produced under licence. This means that the South American subsidiary Medabil Tessenderlo now has a new trump card, which will help it achieve further growth, in addition to the existing PVC profiles.

Plastic pipe systems

In contrast to PVC profiles, the pipes and fittings market was hit by the decline in activity in the construction and major public works sectors. Volume fell markedly in Belgium, France and the Netherlands in particular.

The weaker market in Belgium and the Netherlands also contributed to the decision to close the Dyka BV site in the Dutch town of Goor. Part of the production was transferred to Steenwijk and part to Dyka Polska in Poland. This made it possible to achieve two goals: improved profitability and a stronger presence on the Polish market.

In France, where the plastic pipe market is characterised by an intense conflict among producers, who are battling for their market share, the division stood up well thanks to an improvement in prices, and although they remain low, the situation is no longer as dramatic as it was before.

In the United Kingdom, the activities of the subsidiary Dyka UK were merged with those of John Davidson Pipes Ltd, which was acquired in April 2001. The two depot networks were reorganised and coordinated more effectively, with the result that the entire country can now be served from 22 storage locations.

In Poland, the production of PVC pipes reached the industrial phase in 2002. At the same time, work was started on the development of a distribution network. Dyka Polska currently has three depots. In future this number will gradually be increased to cover the entire country.

In summary, *it can be stated that the slight decline of activity in the Plastics Converting division's market in 2002 was at least compensated for by the improved performance in the United Kingdom and the USA (profiles) and in France (plastic pipe systems). The results in 2002 are however in progress compared to 2001.*

In 2002, a total of 29 million EUR worth of **investments** were made, with a view to meeting customer demand more effectively.

- At Fairbrook in the United Kingdom, the investment programme from 2001 was continued over the year. A higher extrusion capacity and the acquisition of buildings should help support further growth in 2003.

- At Chelsea Building Products in the USA, the updating of the product range and the further improvement of production will reinforce the positive trend.

Strategy and prospects

The strategy of the Plastics Converting division primarily includes

- Consolidation of existing positions;
- Improvement of profitability;
- Promotion of internal growth;
- Strengthening the presence on growth markets, primarily in Eastern Europe;
- Focus on acquisitions. In each case, companies, which might qualify for takeover are evaluated strictly on their own merits and on their potential synergies with the other companies within Tessenderlo Group. The emphasis here is on the profiles sector, without ruling out the possibility of takeovers in the pipes and fittings market.

Through investments, the division wishes to

- Closely follow the evolution of the markets, anticipating it as much as possible;
- Remain at the cutting edge technologically;
- Develop instruments to ensure growth on emerging markets.

In this context, Tessenderlo Group acquired the remaining 25 % of shares of Fairbrook Plc as initially foreseen.

Although performance in France and the USA was significantly better in 2002 than in 2001, there is still room for further optimisation. The prospects for the USA are favourable. As far as France is concerned, however, we will have to wait and see. The improvement achieved there in 2002 was after all mainly attributable to higher prices. The question is to what extent these will be placed under pressure by the economic situation in 2003.

In 2003 the Plastics Converting division is expected to follow on from the improved results recorded in 2002.

Activities and products

The Natural Organic Products division of Tessenderlo Group is the world's third largest producer of a full range of high-quality gelatins based on various raw materials. Approximately 50 % of the production is used for the food industry, while the remaining half is divided between the pharmaceutical and photographic industries.

In addition, Tessenderlo Group plays a role in the collection and treatment of animal by-products.

A third, lesser-known activity is the formulation and production of ingredients for the food products industry.

Gelatin

Gelatin is **produced** by hydrolysing collagen from the by-products of slaughterhouses, or, more specifically, the bones and skins of pigs and cattle. After degreasing, the bones are demineralised with hydrochloric acid, resulting in collagen in the form of ossein (a basic raw material for the production of gelatin), which is then rinsed and treated with acid or lime. For pig skins and cattle hides, a similar process is applied from the hydrolysis stage onwards.

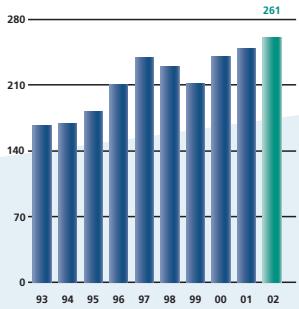
Gelatin is an **extremely pure** product. To illustrate: the required purity standards are ten to one hundred times stricter than those for baby milk, regardless of whether the gelatin will be used in products for human consumption or not. That is why the strictest criteria are used in

- The selection of the raw materials: all gelatin is exclusively produced from pig skins, cattle hides, skins or bones coming from healthy animals which, after official and internal testing, have been approved for human consumption;
- The production process: this combines immersion in an acid bath with soaking in a lime solution (only for bone gelatin), followed by UHT sterilisation at 140 °C.

Gelatin has various **applications**, all of which are based on the typical characteristics of gelatin, namely gel strength, viscosity and purity:

- Food industry: for the production of sweets, desserts, milk products, jellies, 'low-calorie' products, tinned meats, meat preservatives and wine clarification;
- Pharmaceutical and parapharmaceutical industries: for the production of hard and soft capsules;
- Photography: gelatin is used to bind the photoactive silver compounds, and used as well in the various layers of films and paper;
- Micro-encapsulation: microscopic capsules which can contain (for example) ink for photocopying paper, or vitamins which are mixed in animal feed.

TURNOVER
(millions EUR)



Natural organic products

	2002	2001
Turnover (millions EUR)	261	249
Ebitda (millions EUR)	53	58
Tangible investments (millions EUR)	32	18
Headcount	1,547	1,487

By-products of animal origin

Through its French subsidiary Caillaud, Tessenderlo Group plays a major role in the **collection and treatment of animal by-products**. The annual capacity amounts to 950,000 tonnes.

Caillaud is active in two specific sectors:

- As a rendering plant, it handles the collection and treatment of risk waste, which is primarily used as an energy source by the cement industry. This activity accounts for 35 % of the turnover, and is a public service, for which Caillaud is paid by the French State;
- The valorisation of animal materials, originating from animals that are fit for human consumption, into
  - degreased bones for the production of gelatins;
  - proteins and animal fats for use in pet food;
  - fats for the soap industry and lipochemistry;
  - frozen processed animal by-products for the production of 'moist' pet food.

Food additives

A third activity of the Natural Organic Products division is the formulation and production of food ingredients. These are composed according to the individual needs of the customer. They are offered in solid and liquid form, for both 'sweet' and 'savoury' applications, which include:

- Seasoning mixes;
- Ingredients containing sugars, proteins and starches, etc.;
- Prepared sauces in powder form;
- Aromas in liquid form;
- Sweet blends for the production of bavarois, pastry, ice cream, etc.;
- Salty blends with flavourings for the preparation of meat products.

The most important production units (*)

Gelatin

In Belgium, **PB Gelatins** in Vilvoorde makes acid gelatin from pig skins. In the bone-degreasing installation, pig bones are stripped of all fat. They are then further processed into ossein in the 'acidulation' and 'liming' units.

PB Gelatins GmbH, based in Nienburg, Germany, and **PB Gelatins UK**, based in Trefforest, Wales, processes the ossein from Vilvoorde into gelatin. In Nienburg, gelatin is also prepared from cattle hides and pig skins.

Since the acquisition of the gelatin business of the Australian firm Goodman-Fielder in January 2003, the group also has establishments in Davenport (USA) and Santa Fe (Argentina). For further details, please refer to '4. Strategy and prospects'.

By-products of animal origin

In France, **Caillaud** has 13 treatment units (four carcass disposal plants and nine plants for the valorisation of animal materials) and 28 collection centres.

Food additives

Also in France, **PB Gelatins France** in Fürdenheim, near Strasbourg, produces seasoning blends for the food sector.

(*) In alphabetical order by business unit. You can find a complete overview of the group's production units and sales offices on page 112

Trends and facts in 2002

The results of the Natural Organic Products division experienced a slight fall in profits, due to the decline in the activity of animal by-products collection. The gelatin activity, on the other hand, improved its performance.

Most **gelatin** markets therefore displayed positive growth trends:

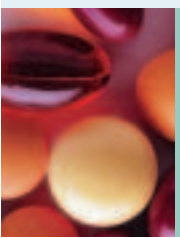
- The European **food gelatin** market is less susceptible to economic conditions, and underwent slight growth, from 2 to 3 %. The possibility of selling gelatin with low gelatinising properties (the so-called 'Bloom value') was made more difficult by the ban on the use of gelatin in the micro-encapsulation of vitamins for cattle feed.
- The demand for **hard capsules** for medicines also underwent rapid growth in 2002. Here, it is possible to detect a move away from cattle-derived gelatin to gelatin acquired via other raw materials, mainly pig skins and pig bones.
- Despite the increasing success of digital photography, the **photographic** market for PB Gelatins continued to display slight growth, particularly in the photographic paper sector;
- Sales of **soft capsules**, on the other hand, showed a sharp downturn. Soft capsules are mainly used to capsulate food supplements, and in specific applications such as bath pearls and 'paintballs', and these markets are extremely susceptible to economic conditions.

2002 was a quiet year with regard to the raw materials for production of gelatin. The prices of pig skins fell slightly, while those of cattle hides and bones remained stable. Although the availability of raw materials was always adequate, the problem of manure surpluses in Northern Europe led to the supply of pig skin being displaced to Southern Europe.

In 2002, PB Gelatins was the third largest producer of gelatin in the world, with 8 % of the world's production. While the companies in first and second position produce across the globe, PB Gelatins only had plants in Europe last year. Specifically in order to remove this competitive barrier, negotiations started in the autumn of 2002 for the acquisition of production units in the USA and Argentina (please see also '4. Strategy and prospects').

During the course of 2002, **Caillaud** concentrated on ensuring the safety of its conversion sites, increasing its capacities at certain locations and investing heavily in meeting health and environmental standards linked to the new statutory requirements. On a global scale, fixed investments accounted for 25 million EUR, compared with 15 million EUR in 2001.

2002 has seen the progressive fall in state aid for the treatment of animal by-products, aid, which was put in place at the end of the year 2000, when the use of meal and fats in animal foods was prohibited.



Finally, Caillaud qualified at the end of the year for state aid for the incineration of animal meal.

Strategy and prospects

2003 is a year in which gelatin sales will expand further, especially in the field of food gelatin, hard capsules and photography.

As a result of the BSE problem, food safety legislation has been considerably extended over the past few years. While this initially led to conflicting provisions at times, it is now possible to ascertain a trend towards rationalisation. It is expected that the laws concerning food safety and pharmaceutical gelatin will be brought more in line with each other. The advantage of this is that it will be possible to use the produced gelatin in both sectors.

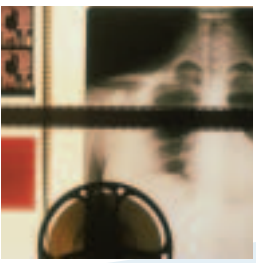
The tightening of hygiene standards, on the part of both the government and the customer, means PB Gelatins is ideally positioned to respond to the challenge through training and investment.

Another consequence of the BSE crisis was a continuing increase in the demand for gelatin from pig skins. In order to be able to accommodate this increase, the capacity of pig skin gelatin production was increased on the Nienburg site at the start of 2003.

At the end of January 2003, an agreement in principle was signed for the acquisition of the gelatin business of the Australian firm Goodman-Fielder, with production units in Davenport (USA) and Santa Fe (Argentina). The site in Davenport has a capacity of approximately 10,000 tonnes of gelatin per year, made from pig skins. The unit in Santa Fe can produce 5,000 tonnes of gelatin every year from cattle hides. The gelatin is used in the food and pharmaceutical industries.

By making this acquisition, Tessenderlo Group is strengthening its position as the third biggest supplier on the international market. Incidentally, the plants in North and South America make PB Gelatins a genuine "global player". They open up opportunities on markets that remained closed to European gelatin production, for instance. Furthermore, the wishes of customers who require a worldwide supply of gelatin can now be met.

In 2003, the plants in the USA and Argentina will be integrated into the group for maximum effectiveness. PB Gelatins will also endeavour in the future to improve its competitive position on the market by striving to even higher levels of quality in the gelatin, and by improving its sales service where possible.



For 2003, the three main areas that **Caillaud** will be focusing on are as follows:

- Optimising management of by-products for the slaughterhouses, by valorising wherever possible. A new workshop will be commissioned in April 2003 on the Fougères site, to treat every year 40,000 tonnes of poultry by-products, destined for use in dry pet food, every year. Some plants will also be fitted out for the production of organic fertilisers.

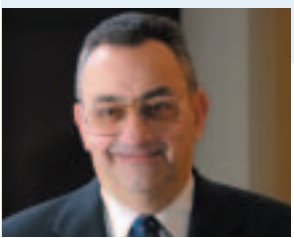
- Contributing as effectively as possible to the need to eliminate animal meal that cannot be valorised. This objective will be met by the implementation of the action plan arising, from the French government's decision to opt for a Caillaud project for the incineration of animal meal, and also by the expansion of established links with the European incinerators (cement works, power plants...) in order to quickly eliminate all the just-in-time production ;

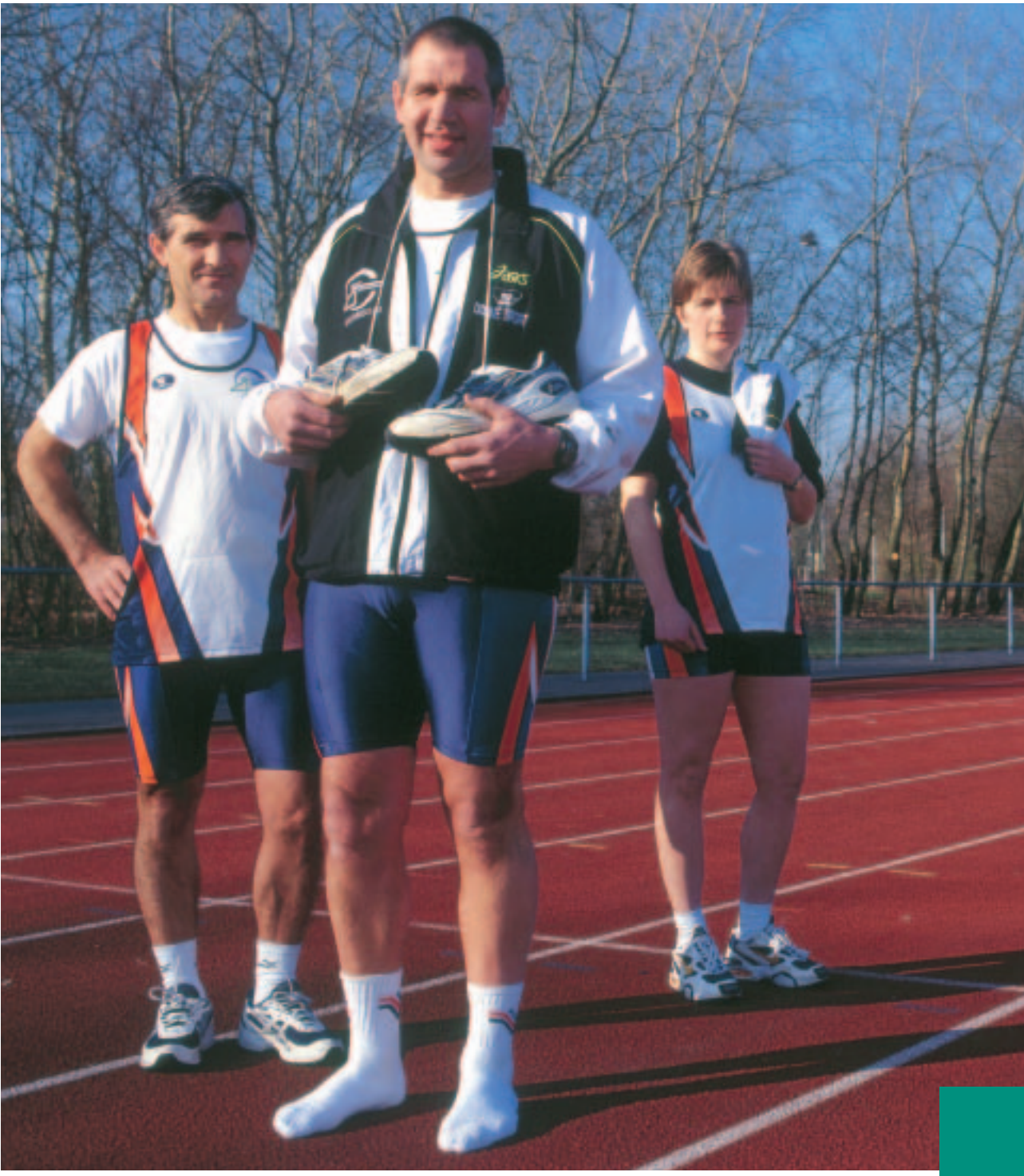
- Finally, 2003 will see the effective deployment of the new European scheme concerning the conversion of animal by-products as of 1 May 2003. This implementation within the company will be facilitated by the QSE structures (Quality, Safety, Environment) implemented in 2001, which makes it possible to think clearly about achieving new health and safety measures on all sites, and implementing HACCP steps in all plants and collection centres.

All of these actions will continue to necessitate a considerable level of investment ; the figure given in the budget is 25 million EUR, the same level as in 2002.

" In 2002, Tessenderlo Group was the third largest producer of gelatin. The takeover of the gelatin activities of the firm Goodman-Fielder in January 2003 opens up a whole host of prospects, and reinforces our position in the gelatin market outside Europe. It now makes the group a " global player " in the literal sense of the word. "

Josef Housen,
director of the Natural Organic Products division,





4

2002

Christel
Accounting.
Antonio
Electrolyse ELY II
Luc
Electricity dpt.

Compounds are used for the production of shoe soles, but also for an extensive range of high quality products for the building industry.

Employment

In 2002, the headcount at Tessenderlo Group increased slightly to 7,934 co-workers.

On the one hand, there was a slight increase in the workforce. This can be attributed to the acquisition of the French PVC compound manufacturer Saplast, with 80 members of staff, and the growth within existing establishments. This increase was primarily recorded in France (Natural Organic Products division) and the United Kingdom (Profiles business unit).

This natural growth, however, was neutralised by the decline in employment experienced specifically at the Limburg (B) sites of Tessenderlo Chemie and LVM, and at Chelsea Building Products in the United States.

In the autumn of 2002, negotiations were held on the acquisition of two gelatin factories, in Argentina and the United States. An agreement in principle on the acquisition was signed at the end of January 2003. As a result, the workforce will increase in size by around 150 in the United States and by around 130 in Argentina. This will make the United States the fourth most important country within Tessenderlo Group in terms of employment, taking it ahead of the Netherlands.

In all probability, these acquisitions will ensure that in 2003 overall employment within Tessenderlo Group remains at the 2002 level, notwithstanding the restructuring measures that are in the pipeline.

Social relations

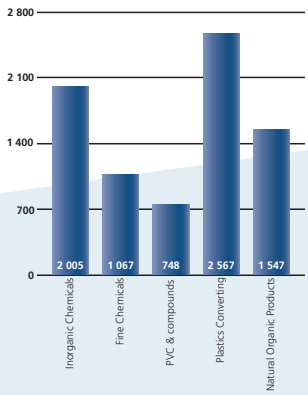
2002 was marked by restructuring measures in several group companies in Belgium, the Netherlands and the United Kingdom. These measures are necessary to remain competitive in a deteriorating economic environment.

In absolute figures, the reorganisation in Tessenderlo – at the Tessenderlo, Ham and LVM platforms – is the most far-reaching: 300 jobs will be eliminated by the end of 2003. This intervention is in keeping with the FOCUS plan, which aims to make these platforms more profitable by making optimum use of the synergies between them.

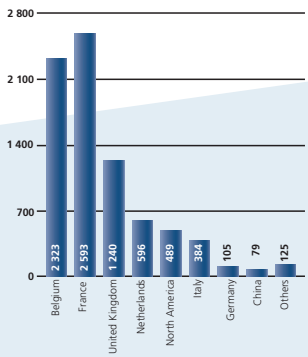
No less important is the closure of the Dyka production site in Goor, the Netherlands, which will result in the loss of 75 jobs. At Tessenderlo UK in Widnes, 30 of the 130 jobs will be eliminated. In both cases the actual downsizing will take place in the course of 2003.

Around the end of 2002 and the beginning of 2003, negotiations were completed in all the companies concerned. These did not result in any social actions. This demonstrates in particular the sense of responsibility felt by the social partners. As always, they have shown their willingness to work constructively in helping to find solutions.

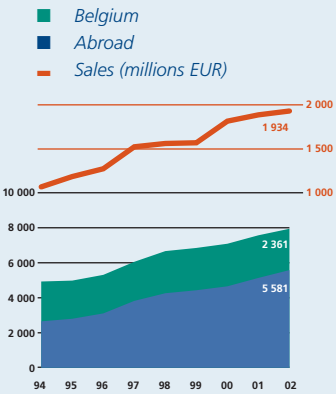
Employment per division



Employment per country



Evolution of the consolidated data Belgium and abroad for the employment and sales



Throughout the discussions, staff at the platforms concerned were kept fully up to date on the state of the negotiations. This is in keeping with the spirit of the COMO process, which was set up a few years ago, and which has the specific aim of achieving more and better communication, so as to ensure that all employees are more closely involved in the daily life of the company.

Capital increase for the benefit of employees

The capital increase carried out in 2002 for the benefit of employees proved less successful, achieving 80 % of the average of the previous five years. The general stock exchange climate was, of course, a factor here. Once again it was mainly Belgian employees (95 %) who subscribed to the offer, given the fiscal advantages connected with it.

Sustainable enterprise with attention for human beings and the environment

Manufacturing in a way that bears responsibility for the environment, the safety and health of employees and the general population is a fundamental condition for all of Tessenderlo Group's industrial activities.

Tessenderlo Group subscribes to the **'Responsible Care'** obligation the chemical industry has assumed throughout the world: to deal responsibly and carefully with the environment, safety and health. Within the parameters of this 'sustainable enterprise' principle, the group undertakes to do everything necessary in order to

- further reduce the impact of its activities on environment and health;
- guarantee the safety and health of employees, suppliers and local residents;
- strictly observe the legal guidelines, and where possible take additional measures;
- strive to achieve further waste reduction, and process the waste in accordance with legal standards and in a safe and environmentally-friendly manner;
- use natural raw materials and energy as efficiently as possible;
- conduct an open and honest dialogue with the government and other involved parties.

Thus, Tessenderlo Group works in accordance with the **'Best Available Technology'** principle. Thanks to constant consultation between the environment department, the laboratories and the production and maintenance departments, the production processes are constantly adapted to the latest technological knowledge. Each year the group allocates substantial resources for this purpose.

However, the development of environmentally-friendly and sustainable techniques, and the optimisation of the installations, are only feasible if each employee is closely involved in the environmental policy. Tessenderlo Group therefore also invests in targeted training programmes for its employees, so that the 'Best Available Techniques' are carefully used on a day-to-day basis as well.

Tessenderlo Group is also aware of the **social role** that it has to fulfil, and is therefore undertaking a variety of initiatives in relation to the local community in the areas around the different branches. Tessenderlo Group considers it important to develop good cooperation with educational institutions. Numerous visits to Tessenderlo Chemie in Tessenderlo and Ham (B) take place every year. In many cases the visitors are students from the schools in the surrounding area. A visit gives them the opportunity to get to know the world of chemistry and its wide-ranging applications in everyday life, and also the group's efforts in the area of the environment. Tessenderlo Chemie employees also sit on local education advisory committees, in order to promote collaboration between educational institutions and the business community.

Furthermore, Tessenderlo Chemie provides support to all kinds of charitable and cultural initiatives in the local community. In its support of sports clubs, it attaches particular importance to the commitment these clubs show to young people.

Environment

Recent achievements and ongoing efforts (*)

In the last 10 years, Tessenderlo Chemie has devoted over 150 million EUR to environmental projects in the various establishments. Thanks to these investments, the treatment processes were further optimised; this led to a significant improvement in waste water quality, and a lasting reduction in atmospheric discharges. Major advances have also been made in the areas of soil pollution and noise emissions. In addition, solid wastes are being removed in an ecologically responsible manner.

Air

After sharply curtailing channelled atmospheric emissions over the past few decades, in recent years ever-increasing attention has been devoted to 'non-channelled' emissions. Extensive studies have been performed at the Limburgse Vinyl Maatschappij (LVM) in collaboration with other European VCM and PVC producers. This research has accurately mapped out the current situation, and offers the possibility of further reducing such fugitive emissions in a structured way through a targeted maintenance programme.

Water

The pollutants that are present are largely removed by the treatment methods applied. At the Tessenderlo Group companies in West Limburg (B), the effluent quality remains comparable to that of seawater, due to the presence of salts. But even here there have been favourable reports in recent years, to the effect that the impact of the salt discharges on the quality of the river water remains limited. Experts from the University of Antwerp have done extensive research on the fish stocks in the Nete River. This demonstrates that the discharge of these salty effluents has no impact on the fish population in the Nete. Both above and below the mouth of the Laak – which carries the salty water into the Nete – one finds equal numbers of healthy freshwater fish.

(*) The results of Tessenderlo Group's environmental efforts in West Limburg are set forth in detail in our environment report, which is published on a regular basis, and which can also be consulted on our website: www.tessenderlogroup.com. Visitors to the site will also find tables and graphs of the most recent environmental measurements.

Soil

In collaboration with the government and external experts, a number of soil clean-up projects are under way in Tessenderlo and Ham (B). Clean-up measures are currently being implemented at the Tessenderlo Chemie site in Ham. In 2003, a descriptive soil survey will be undertaken for LVM, the aim being to accurately describe the present situation with regard to soil and ground water pollution, and to prepare potential clean-up measures. In collaboration with the University of Ghent, work is being carried out on a method of breaking down dichloroethane pollution with the help of bacteria.

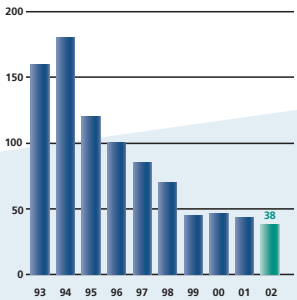
PVC

The PVC and Plastics Converting divisions constantly strive to inform the public and the media about PVC's favourable environmental aspects. In 1995, Tessenderlo Group signed the 'Voluntary Charter' for the production of VCM and suspension PVC. In this charter the participating companies undertake that, in all production activities, they will observe environmental standards, which are stricter than the locally or nationally applicable regulations.

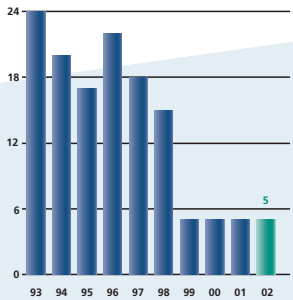
In accordance with the charter, Tessenderlo Group subscribed to the so-called 'Voluntary Commitment' in March 2000. This unites all of the parties involved in the PVC chain : the producers of PVC and the producers of the plasticisers and the stabilisers, as well as the PVC converters. The 'Voluntary Commitment' contains formal and verifiable objectives relating to the entire PVC life cycle. In October 2001, the original 'Voluntary Commitment' was improved following consultation with the European Commission. This resulted in the publication of 'Vinyl 2010' and the establishment of a non-profit association with the same name. Tessenderlo Group is helping to realise the objectives by financing 'Vinyl 2010' projects, such as the recycling of post-use PVC. The group is also actively involved in setting up national collection systems for PVC waste.

The PVC industry is still waiting for the European Commission to adopt an official position. The publication of its Green Paper on 'Environmental Issues of PVC' in July 2000 was followed by a public consultation process, which culminated in a public hearing in October 2000. This led to a vote on a resolution in the European Parliament in April 2001. The PVC industry sees the 'Voluntary Commitment' as the most feasible answer to the questions posed in the Green Paper, and anticipates that this will be confirmed in the Commission's official position.

COD* Concentration in mg/l, annual average TCT/LVM effluent



Nitrogen Concentration in mg/l, TCT/LVM effluent



** COD: Chemical Oxygen Demand*

Facts in 2002

On 25 April 2002, **LVM**'s environmental permit was renewed until 2011.

In the sulphate department at **Tessenderlo Chemie** in Tessenderlo, existing gas washing was improved through the use of a modified drop separator, with the result that the emission of HCl has been further reduced.

The Tessenderlo Chemie site in Tessenderlo will also see the construction of a new electrolysis unit, Ely III. The Safety Report and Environmental Impact Report were drawn up in 2002. These are required to obtain an environmental permit, and were submitted to the government for approval. The planned unit will produce chlorine on the basis of the new environmentally-friendly membrane technology. This investment once again illustrates that Tessenderlo Group is also assuming its responsibility concerning mercury emissions. Since 1976, extensive measures have been taken to limit mercury emission via waste water and air as far as possible. At the present time, mercury emissions are very low and without consequences for the environment.

In 2002 **Tessenderlo Chemie Vilvoorde** started using a new gas washer, which has resulted in better operation of the biofilter.

As far as the **PVC division** is concerned, the publication of the second progress report in April 2002 is an essential part of Tessenderlo Group's 'Voluntary Commitment'. It demonstrates that it intends to cooperate openly with all parties concerned. The report describes the progress with regard to the proposed goals and projects. Independent verification by Det Norske Veritas (DNV) gives the parties concerned extra confidence.

Prospects and strategy

Tessenderlo Group strives to limit the impact of its activities on the environment as much as possible, and does indeed go further than the law requires in this respect. Great efforts will also be made in the future to adapt the installations to the current state of technology, and to reduce atmospheric emissions and effluent discharges to the feasible minima. With regard to the soil, the existing situation is being inventoried and possible additional clean-up measures are being prepared.

At **LVM**, attention will above all be devoted to further limiting fugitive emissions, and clean-up measures relating to soil and groundwater pollution will be prepared.

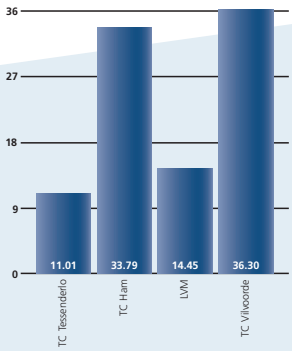
For the Limburg establishments, even with the application of the 'Best Available Technology', there is no way to prevent the discharge of **salts**. This was confirmed again in a report drawn up in 2002 by the Flemish Institute for Technological Research (VITO). Scientific research by the UIA (University of Antwerp) has already shown that these salts do not have an impact on the fish in the Nete River. Tessenderlo Group is performing further research into the possible impact of the salt discharges. The research will be extended to the fish population in the Demer, and attention will also be paid to the smaller tributaries, the Laak and the Winterbeek.

In connection with these dossiers, Tessenderlo Group wishes to continue the constructive consultation with the government, which has been established in recent years within the framework of the monitoring committee of its sites in Limburg (B).

Finally, with regard to **PVC**, Tessenderlo Group will continue, together with the PVC industry, to work towards realising the objectives laid down in the 'Voluntary Commitment'. The annual progress reports are evidence of this. The PVC industry is thus endeavouring to give the European Union a clear signal in relation to its efforts in the field of sustainable development.

Safety

Frequency Rate of Work Accidents 2002 in Belgium

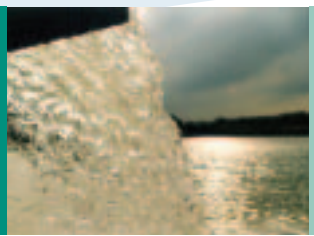


Recent achievements and ongoing efforts

Since 1997, the safety policy for Tessenderlo Group's Belgian sites has been reworked into a structured and dynamic safety management system, which also aims to further reduce the number of accidents and incidents in coming years.

All accidents can be prevented. We do not only systematically study accidents involving lost working days, therefore; we also analyse the causes of incidents, so that the necessary prevention measures can be taken. Whenever they are useful, the lessons learned are communicated to the sister companies. At each site, the reporting of near-accidents is also encouraged. After all, that is a key element for a 'learning organisation'. In the table below you will find statistics on the accidents in the group's Belgian establishments.

Each company has an annual safety action plan, which is distilled from a five-year Global Prevention Plan, and supplemented with improvement actions for controlling specific risks.



A European 'Seveso' directive aimed at protecting human beings and the environment against the consequences of incidents involving dangerous substances is now in effect in a number of Tessenderlo Group companies. This directive was recently adapted, and the companies involved within the group have fulfilled all their obligations. Additional requirements on safety reports and the safety management system have clearly been established. The supervisory authorities regularly perform audits, and frequently inspect and verify installations and safety measures. The dynamic approach to safety within these group companies is positively evaluated.

In the event of an incident, all employees must know what action to take. With that objective in mind, annual exercises are held to test readiness. Sometimes the exercises are held in collaboration with external emergency services. The training and education programmes are – just like the resources provided for the intervention teams – tailored to the specific accident scenarios of each plant.

The Belgian Tessenderlo Group sites have also signed a cooperation agreement with the government project **'Belintra'**. This is a Belgian structured system for assistance from the chemical sector in the event of accidents involving the transport of hazardous products. Tessenderlo cooperates with the official emergency services, and if necessary provides specialised personnel and equipment.

Benny - BZC and **Marnix** - Workshop LVM

At the West Limburg platforms, a control and prevention system is active to prevent road accidents. Hauliers are subjected to systematic checks relating to possible infringements of European legislation in the area of the transport of hazardous goods by road (so-called 'ADR legislation'). Tessenderlo Chemie also provides ADR training programmes for both its own employees and external workers.

Facts in 2002

Thanks to its strict prevention measures, Tessenderlo Group was once again spared any serious accidents in 2002. In March 2002, however, the electrolysis department of **Tessenderlo Chemie in Tessenderlo** (B) suffered a fire in a transformer building. There were no casualties as a result of this incident, and no dangerous substances were released.

In November 2002, a **disaster drill** was held in Tessenderlo. This was planned in collaboration with the government, and internal and external emergency services were engaged. The evaluation undertaken with the government and the services concerned demonstrated that the drill had gone very well.

The **building manual** for the Belgian subsidiaries, an internal guideline for the safe design and construction of chemical installations, was expanded in 2002 to include the section 'fire safety'.

In 2002, the percentage of infringements of ADR regulations by hauliers was cut back to 2.7 %, which means that Tessenderlo Chemie's performance is better than the national average.

Prospects

In April 2003, an audit will be carried out at Tessenderlo Group's European subsidiaries in relation to conformity with ADR legislation.

The total **budget** for research and development is nearly 26 million EUR, including the salaries of 299 employees. Targeted investments guarantee modern and well equipped laboratories and pilot laboratories, which allow Tessenderlo Group to manage its future direction.

The research undertaken within Tessenderlo Group is largely directed from the **central research laboratory** in Tessenderlo. There, around 140 people work on continuous optimisation of the existing processes, in order to strengthen the group's position in its markets.

In addition, a number of new processes are being studied for the production of new derivatives for the group, which are complementary to the existing range. This work is carried out in collaboration with smaller research groups located abroad, primarily in Great Britain, France and Italy.

The largest share of the budget is devoted to highly pragmatic **applied research**, and to technical assistance to the sales and production departments. With that objective in mind, Tessenderlo Group possesses a number of pilot laboratories, which can quickly and flexibly produce sizeable quantities of new products. By quickly moving beyond the phase of laboratory research and offering commercial quantities, we can respond very effectively to market demands.

Basic research is conducted largely in co-operation with universities and research centres at home and abroad. This work on new technologies will, over the medium term, augment the range of techniques at the group's disposal. This research focuses on hydrogenation, gas phase reactions and enzymatic reactions. These technologies will permit Tessenderlo Group to further evolve in the direction of end products with a higher added value. Further basic research into the nature and stability of the suspension during the polymerisation of PVC should allow PVC production to be more effectively managed and greater consistency to be achieved.

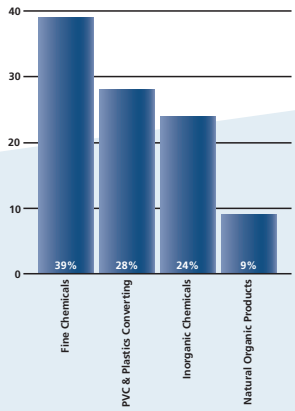
The following were **points of special consideration** within the various divisions in 2002:

Inorganic Chemicals

To ensure the profitability and sustainability of the inorganic activities at the West Limburg (B) sites, over the course of the year a number of operating parameters were studied and adjusted in the sulphate department. This made it possible to control the purity of the residual gases more effectively, and to reduce fluctuations in quality during production. In future it will be necessary to reduce the number of product grades, and this will benefit operating costs and ensure the security of our business.

A series of tests were set up to compare the "bio-availability" of the phosphates from the various production units. From these tests, conclusions can be drawn on the quality of the products, and adjustments made where necessary.

R&D Expenditures in 2002
26 million EUR



The possibility of increasing the production of ferric chloride using different raw materials from those currently employed was studied in the laboratory. A pilot project in this area will be launched in the course of 2003.

Fine Chemicals

Over the course of the year, the production of chlorotoluene derivatives was coordinated more effectively between the United Kingdom, Italy and Belgium. This resulted in the creation of free capacity in the United Kingdom, available for new product manufacture in the existing installations. This was achieved quickly by effective coordination of the research activities in the various countries, and by the rapid exchange of the results obtained independently by the researchers in previous years.

A less common method for producing benzaldehyde from chlorinated intermediates gave the product range a better balance, gearing it more effectively to market conditions. This immediately opened up the possibility of manufacturing a series of new acid chlorides in an environmentally-friendly manner, without the need for major investments.

A new technique for hydrodehalogenation, developed in the laboratory, has lead to investments in Italy. This will allow a number of waste streams to be processed in an ecologically sound manner, and will also bring about savings in the consumption of raw materials. The same technique is also being used to achieve an optimum balance between the production of the chlorinated products and market demand.

During 2002, the research team started work on the production of a range of new aromatic substances. The expertise of the chemists in the United Kingdom, combined with the capabilities of the pilot laboratory in Tessenderlo, will allow production of small quantities of aromatic substances with higher added value to start quickly.

The study of the ammoxidation of a number of chlorotoluene derivatives is currently in the pilot stage. It will soon produce small quantities of end product with which we can approach new customers.

This year, a number of new active ingredients, or their intermediates, were once again brought into production in the pharmaceutical subsidiaries Farchemia (Italy) and Calaire Chimie (France). Some of these are being developed in house, whilst others are being entrusted to Tessenderlo Group by the pharmaceutical companies, who clearly appreciate the co-operation with the group's process chemists, and are relying ever more frequently on the Fine Chemicals division.

Natural Organic Products

The range of 'specialties' for food applications was expanded still further, making use of the wide variety of raw materials that can already be used. The aim here is always to achieve the best price/quality ratio.

The study relating to the use of alternative, less traditional raw materials for gelatin is being continued on a laboratory scale.

By offering a wider range of gelatins with different granulations in the future, Tessenderlo Group hopes to be able to create a broader area of application for its products.

Michel - General Services

Initial pilot tests relating to an alternative recipe for the production of hydrolysates were carried out at the Nienburg production plant. In 2003 these should result in consistent quality, which satisfies the high demands made with regard to optical and organoleptic properties.

In the area of pharmaceutical applications, the joint efforts of the production department and the research laboratory were rewarded with the (re)qualification of a number of gelatins by certain customers. A project has been set up with the aim of developing hydrolysates that can eventually be used as a starting material for plasma expander.

Thanks in part to the high level of service provided by the quality and research team, an important customer in the photographic industry will be using Tessenderlo Group's gelatin quality as a reference in new developments. The collaboration relating to the introduction of a new gelatin grade in photographic applications is already bearing fruit, and will be finalised from the middle of 2003 onwards.

PVC and Compounds

Over the course of the year, a few modifications to the polymerisation reactor were tested in the pilot installation. These included the use of a top cooler, modified mixing gear and a different temperature profile. These tests showed that there are still ways in which conversion and productivity can be increased and energy consumption optimised. A number of the proposals developed by the research team will be integrated into production in the near future.

Adapting the recipes and making the ratio between new and recycled monomer variable has made it possible to improve the stability of PVC production using recycled monomer. Better control of the impurity profile in the new and recycled monomer has undoubtedly had a positive influence in this area.

Targeted research to determine the most suitable formulation for the polymerisation additives for the new 'closed' reactor technology, and research into a different dose-measuring technique, resulted in improved processes with benefits for safety, the environment and the stability of production.

The use of buffers, and further basic research into the nature of the suspension and ways in which this can be controlled more effectively, should in future make the quality of the PVC more stable, and enable the use of a different type of reactor.

The number of car models using Tessenderlo Group's PVC dashboard compound continues to increase. The research team is pulling out all the stops to ensure that we can keep pace with higher quality demands, rising sales and the increasing number of models and colours. In the meantime, more basic research is being carried out into certain 'solid state transition effects', with the aim of broadening knowledge in this field and reinforcing our leading position.

New formulations for compounds intended for the production of cables and sealers were finalised.

The acquisition of the compound manufacturer Saplast in France resulted in an interesting exchange of know-how between the French and Belgian researchers. In future this will lead to an enhanced joint product range, which can be offered to customers at group level.

Plastics Converting

Over the course of the year, the technique of co-extrusion was finalised in the laboratory for applied research. This makes it possible to manufacture multi-layer PVC pipes with an innermost layer consisting of recycled PVC. An improved recipe for foamed pipes was also developed.

Furthermore, a study was set up to test the value of a number of new stabilisers for PVC.

Control laboratories and quality

Targeted research helps guarantee that Tessenderlo Group remains strong. Modern, well equipped and efficient control laboratories are an indispensable tool in this effort. During the year, more work was also performed in the central control laboratory on introducing so-called 'Good Laboratory Practices' (GLP).

In 2002, the control laboratories continued their work on increasing the quality of the analyses by validating various analysis methods.

The information system LIMS, which has already been introduced in the environmental control laboratory, will also be applied to the production analyses. An important step in the process of further automation is the link between LIMS and a series of analytical devices.

SAP will also be used for raw material analysis.

In 2002, the environmental control laboratory was successfully audited for emission measurements in accordance with the quality standard ISO 17 025. This quality system will be further expanded in 2003 to cover water analysis.

Within the environmental control laboratory, an EN-ISO 17 025 quality system was introduced, and certification was applied for during 2002. The environmental control laboratory is officially approved for performing emission measurements at all subsidiaries that must satisfy the Flemish environmental legislation VLAREM.

Improved analytical techniques increased efficiency in all of Tessenderlo Group's control laboratories. Smooth communication between the various control laboratories across national borders is another indispensable part of this effort.

During the year, the quality department assisted several departments in developing, implementing or maintaining a quality management system based on the internationally recognised EN-ISO 29 000 standard, and in obtaining the required product certifications. A start was also made on adapting the systems to the new requirements of ISO 9001 (2000 version).

The integration of 'Good Manufacturing Practices' (GMP) into our quality systems, and the implementation of risk analysis relating to food safety (HACCP), offers further quality guarantees, which are highly appreciated by our customers.

At PB Gelatins, the changeover to the ISO 2000 standard was successfully launched, while the EDQM certificates – which are indispensable for the pharmaceutical gelatins – were updated. With regard to the by-products sold in the livestock feed industry, a dossier which conforms to the new government requirements (OVOCOM) was drawn up, and a certificate issued by a recognised accredited body.

Transparent management

In compliance with the recommendations of the BSX market authorities and the Belgian Corporate Governance Commission, Tessenderlo Group seeks to optimise the administration and management of its operations in accordance with the principles of ´corporate governance´. These entail that a company be managed in an ethically responsible manner. This is a fundamental condition for optimal use of the financial resources, which the shareholders furnish to the company.

Establishing rules for organisation and functioning makes the decision-making process within the Board of Directors and the various committees more transparent. At the same time, this ensures that the interests of the shareholders, and those of all parties who, directly or indirectly, are involved with the company – the so-called ´stakeholders´ – are taken into account.

Meeting this objective is also a matter of the inherent quality of the information provided, which is considered an essential element of the corporate communication.

Based on the financial agenda, which is presented at each annual General Meeting, the consolidated financial results, together with an activity report from the group´s various divisions, are distributed in the form of a press release. This is simultaneously published on the Tessenderlo Group´s web site : www.tessenderlogroup.com.

The annual reports of the General Meeting are sent to all shareholders holding registered shares, as well as to all investors and other interested parties. The annual reports can also be consulted on the website.

Remuneration policy for the members of the Board of Directors and the Management Committee

The remuneration of the members of the Board of Directors consists mainly of fees, which have been unchanged for each board member since the year 2000. For the 2002 financial year, fees amount to a total of 533,000 EUR. No loans or guarantees have been granted to any board members by any group companies.

The remuneration of the members of the Management Committee consists of both a fixed element and a variable element, which is dependent either on the results of the group or on individual performance, and can represent 20 % of the fixed remuneration. These directors also participate in a stock option scheme. Within this framework, a total of 19,400 warrants, each entitling the holder to subscribe for one new share, have been granted to the members of the Management Committee in 2002. All of these elements have been approved by the Remuneration Committee.

The Board of Directors

In accordance with article 15 of the company´s articles of association, the Board of Directors must be made up of a minimum of three members who are appointed by the General Meeting of shareholders. They serve a six-year term of office.

The composition of the Board of Directors

The Tessenderlo Group Board of Directors is composed as follows (situation at the end of December 2002):

- Chairman, executive director:
  Gérard Marchand (appointment ends: June 2004)

- Non-executive directors, representatives of the main shareholder:
  - Pierre-Louis Boutonnat (appointment ends: June 2007)
  - Pierre-François Couture (appointment ends: June 2006)
  - Claude Niedergang (appointment ends: June 2007)

– Independent non-executive directors:
  - Valère Croes (appointment ends: June 2003)
  - Marc Lambrechts (appointment ends: June 2007)
  - Paul de Meester (appointment ends: June 2007)
  - Thierry Piessevaux (appointment ends: June 2007)
  - Karel Pinxten (appointment ends: June 2007)
  - Bernard Pache (appointment ends: June 2007)

The Board of Directors is supported by the Secretary General, Adrien Carton de Wiart.

The position of statutory auditor is fulfilled by Klynveld Peat Marwick Goerdeler (KPMG), represented by Ludo Ruysen. Besides the compensation of his mandate, the statutory auditor received for special assignments an amount on the order of 25,324 EUR within SA Tessenderlo Chemie.

The rules governing the composition and activities of the Board of Directors

The Board of Directors is authorised to take all actions, which are necessary or useful for the realisation of the company´s objectives, with the exception of matters that exclusively require decisions to be taken by the General Meeting, as stipulated either by the law or by the company´s articles of association. The company is validly represented by the chairman of the Board of Directors or by two directors acting jointly.

The Board of Directors is currently composed of ten members. In accordance with the principles of ´corporate governance´, independent directors sit on the Board as well as representatives of main shareholder, Entreprise Minière et Chimique (EMC mining and industrial chemicals group).

The Board may only validly deliberate or take decisions when a quorum of at least one-half of the directors are present or represented. The Board passes its resolutions by a simple majority vote of the members present or represented. In the event of a tie vote, the vote of the Chairman is deciding.

The Board of Directors met four times during the financial year 2002.

In addition to the presence of independent directors on the Board of Directors, a number of committees also ensure the proper functioning and autonomy of the Board. These committees are composed exclusively of non-executive directors.

Since 1999, the Board of Directors has been working with three **specialised committees**:
- the Audit Committee;
- the Nomination Committee;
- the Remuneration Committee.

The Audit Committee

The Audit Committee is made up of four members, three of whom are independent directors. It is supported by the secretary to the Board of Directors.

The members of the committee are:
- Valère Croes (chairman)
- Marc Lambrechts
- Claude Niedergang
- Thierry Piessevaux

The task of the Audit Committee is to assist the Board of Directors in exercising supervision over the following matters:

- Financial information which is released to the shareholders and the staff and, more generally, any financial information which is made public;
- Internal audit and the internal control system, as well as the existing or new control procedures;
- External audit.

In the course of its work, the Audit Committee consults the appropriate company executives, i.e. the financial director, the corporate controller of the group, the internal auditor and the statutory auditor.

The committee meets at least twice a year in order to examine the half-yearly and annual accounts, as well as whenever circumstances so require.

In 2002 the Audit Committee met three times.

The Nomination Committee

The Nomination Committee was formed to advise the Board of Directors on proposed appointments to be submitted for approval to the General Meeting, as well as proposals concerning the replacement of directors through co-option.

The committee is made up of three members:
- Pierre-François Couture
- Paul de Meester
- Marc Lambrechts

The Nomination Committee meets whenever circumstances so require.

The Remuneration Committee

The Remuneration Committee is responsible for making proposals concerning the remuneration for the executive and non-executive directors, and for providing recommendations on the group´s remuneration policy towards its principal managers. The committee is made up of three non-executive directors:
- Valère Croes
- Paul de Meester
- Karel Pinxten

The Remuneration Committee met twice during the 2002 financial year.

The Management Committee (*)

The Board of Directors has entrusted the day-to-day management of the company to one of its members, Gérard Marchand, who is also the chairman of the Management Committee.

In addition to the chairman, the Management Committee has four members:
- Matteusz Dubinski, Inorganic Chemicals division
- Pierre Ducuroir, Fine Chemicals division**
- Jozef Housen, Natural Organic Products division
- Philippe Pôlet, PVC and Plastics Converting divisions

The monthly meetings of the Management Committee are also attended by:
- Adrien Carton de Wiart, Secretary General
- Eddy Vandenbriele, director IT, Organisation Development and Human Relations
- Christian Vrebosch, director Finance

Like the group´s most important executives, the members of the Management Committee receive a fixed remuneration. In addition, they receive a variable bonus based on their individual performance and the results of the group.

The dividend policy

The dividend policy remains unchanged. In other words: one-third of the net consolidated profit average is paid out as dividend, with the balance devoted to financing the expansion of the group. However, this policy can be adjusted in order to ensure that the dividend grows or at least remains stable.

The allocation proposed to the General Meeting for the financial year 2002 represents 44 % of the consolidated profit. This corresponds to a net dividend per share of 0.85 EUR (as in 2000 and 2001). By way of comparison: the dividends, which were distributed for the financial year 2001 amounted to 48 % of the net consolidated profit.

** Also see the photo on page 6*

*** David Poynton as of April 2003*

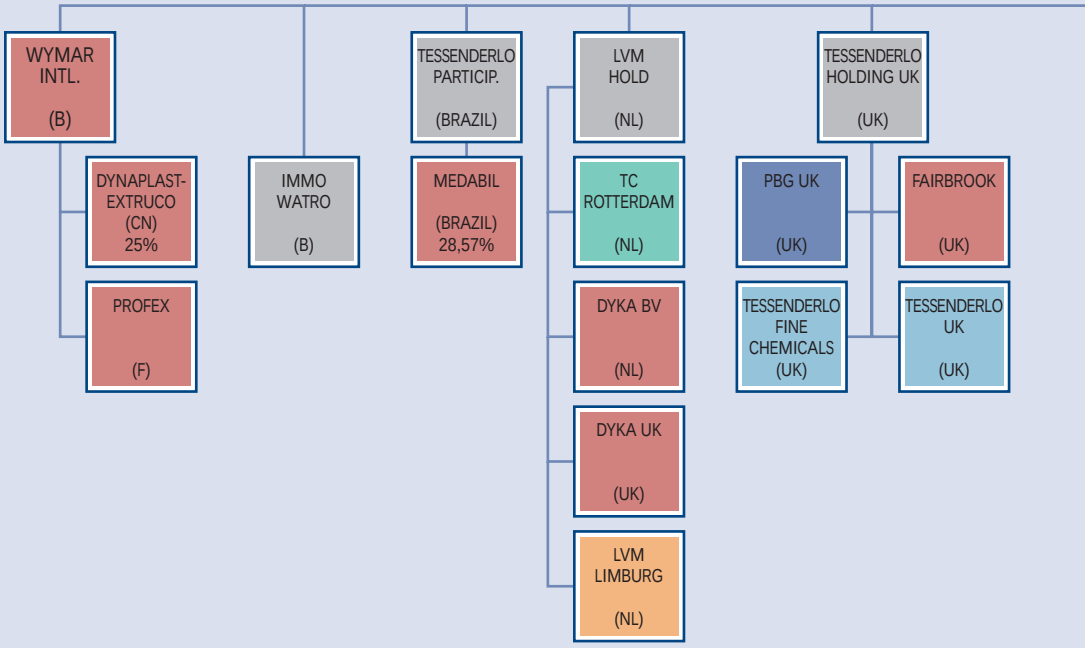
5

2002

Véronique
Comptabilité

Photographic gelatins as well as caustic potash, potassium carbonate lye and benzyl alcohol are used in the manufacturing of film and photographic paper.

TESSENDERLO CHEMIE NV



HOLDING

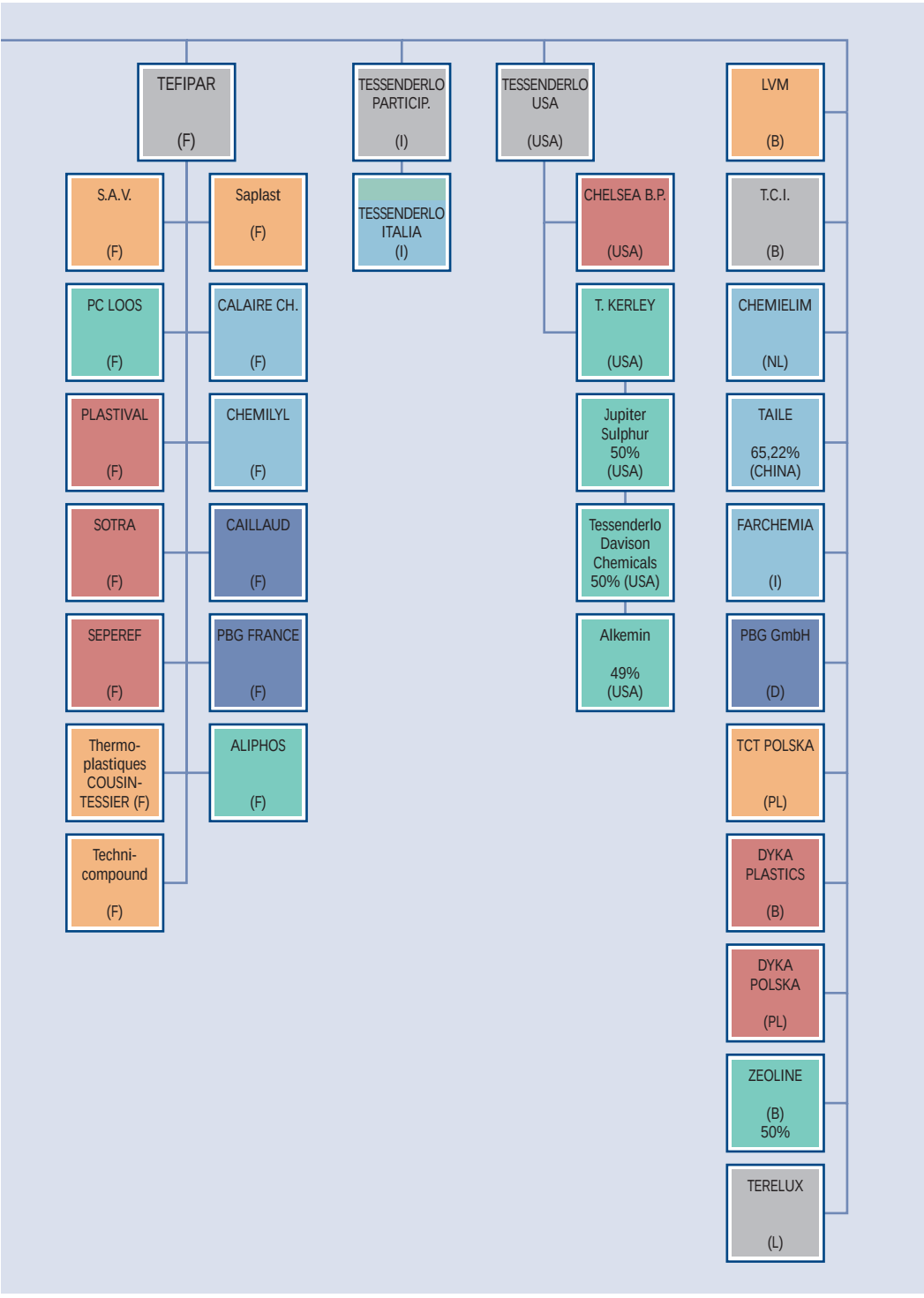
NATURAL ORGANIC PRODUCTS

INORGANIC CHEMICALS

PVC & COMPOUNDS

FINE CHEMICALS

PLASTICS CONVERTING


TEFIPAR
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Techni-compound
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TESSENDERLO PARTICIP.
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CHELSEA B.P.
(USA)
T. KERLEY
(USA)
Jupiter Sulphur 50%
(USA)
Tessenderlo Davison Chemicals 50% (USA)
Alkemin
49%
(USA)
LVM
(B)
T.C.I.
(B)
CHEMIELIM
(NL)
TAILE
65,22%
(CHINA)
FARCHEMIA
(I)
PBG GmbH
(D)
TCT POLSKA
(PL)
DYKA PLASTICS
(B)
DYKA POLSKA
(PL)
ZEOLINE
(B)
50%
TERELUX
(L)

Bert
Laboratory

Tessenderlo Group is the third largest producer of gelatins worldwide, 50 % of which are used for edible applications and 25 % for pharmaceutical applications.

CONSOLIDATED BALANCE SHEET

(in thousand EUR)

ASSETS	**2002**		2001	
FIXED ASSETS		**760,019**		**773,373**
I. Formation expenses (1)		13,547		394
II. Intangible assets (2)		68,771		77,654
III. Consolidation differences (3)		21,542		19,128
IV. Tangible assets (4)		635,737		659,416
A. Land and buildings	185,236		181,639	
B. Plant, machinery and equipment	392,518		407,159	
C. Furniture and vehicles	10,222		13,025	
D. Leased and other similar rights	377		505	
E. Other tangible assets	20,325		13,377	
F. Assets under construction and advanced payments	27,059		43,711	
V. Financial assets (5)		20,422		16,781
A. Enterprises accounted for using the equity method				
1. Participating interests	10,897		7,237	
B. Other enterprises				
1. Participating interest and shares	7,233		7,328	
2. Amount Receivable	2,292		2,216	
CURRENT ASSETS		**842,254**		**941,565**
VI. Amount receivable after one year		32,864		27,754
A. Trade debtors	148		132	
B. Other amounts receivable	1,007		2,510	
C. Differed taxes (6)	31,709		25,112	
VII. Stock and contracts in progress (7)				
A. Stock		306,061		308,253
1. Raw materials and consumable				
2. Work in progress	85,094		80,319	
3. Finished goods	15,538		15,964	
4. Goods purchased for resale	191,233		195,489	
VIII. Amounts receivable within one year (8)	14,196		16,481	
A. Trade debtors		447,108		443,947
B. Other amounts receivable	393,156		385,872	
IX. Short term cash investments	53,952		58,075	
A. Own shares (9)		2,279		114,281
B. Other investments and deposits (12)			106,375	
X. Cash at bank and in hand (12)	2,279		7,906	
XI. Deferred charges and accrued income		45,946		43,273
		7,996		4,057
Total assets		**1,602,273**		**1,714,938**

( ) See comments on pages 85 and followings

CONSOLIDATED BALANCE SHEET

(in thousand EUR)

LIABILITIES	2002		2001	
CAPITAL AND RESERVES (10)		**757,940**		**835,645**
I. Capital		132,000		131,000
A. Issued capital	132,000		131,000	
II. Share premiums		30,753		29,137
IV. Consolidated reserves		586,645		653,484
V. Consolidation differences		359		359
VI. Conversion differences		7,053		20,453
VII. Investment grants		1,130		1,212
VIII. Minority interest		14,326		12,050
PROVISIONS AND DEFERRED TAXES		**120,595**		**106,288**
IX. Provisions and deferred taxes (11)				
A. Provisions for liabilities and charges		92,113		82,772
1. Pensions and similar obligations	32,743		24,714	
2. Taxation	1,308		2,819	
3. Major repairs and maintenance	5,586		9,308	
4. Other liabilities and charges	52,476		45,931	
B. Deferred taxes		28,482		23,516
CREDITORS		**709,412**		**760,955**
X. Amounts payable after one year (12)		163,252		76,045
A. Financial debts				
2. Unsubordinated debentures	40,080		62	
3. Leasing and similar obligations			1,646	
4. Credit institutions	48,969		55,408	
5. Other loans	74,203		18,929	
XI. Amounts payable within one year		531,474		669,046
A. Current portion of amounts (12) payable after one year	2,120		3,033	
B. Financial debts (12)				
1. Credit institutions	128,207		238,748	
2. Other loans	57,924		74,209	
C. Trade debts (13)				
1. Suppliers	200,983		227,905	
2. Bills of exchange payable	2,562			
D. Advances received on contracts in progress	5,606		1,340	
E. Amounts payable regarding taxes, wages and benefits payable (13)	79,776		78,695	
F. Other amounts payable (13)	54,296		45,116	
XII. Accrued charges and deferred income		14,686		15,864
Total liabilities		**1,602,273**		**1,714,938**

CONSOLIDATED INCOME STATEMENT

(in thousand EUR)

		2002		2001
I.	**Operating income**		**1,961,518**	**1,924,500**
	A. Turnover (14)	1,933,878		1,889,976
	B. increase +/decrease – Change in stocks of finished goods work and contracts in progress	- 7,924		3,168
	C. Fixed assets – own construction	3,765		3,204
	D. Other operating income	31,799		28,152
II.	**Operating charges**		**1,846,647**	**1,815,507**
	A. Raw materials, consumable and goods for resale			
	1. Purchases	865,371		875,460
	2. Increase +/decrease – in stock	-3,686		2,371
	B. Services and other goods	452,889		440,154
	C. Remuneration, social security costs and pensions	363,279		345,219
	D. Depreciation of and other amounts written-off formation expenses, tangible and intangible fixed assets	135,973		123,843
	E. Increase +/decrease – in amounts written-off stocks, contracts in progress and trade debtors	3,250		-2,966
	F. Increase +/decrease – in provisions for liabilities and charges	7,730		-2,022
	G. Other operating charges	38,532		33,448
	H. Capitalized other operating costs	- 16,691		
III.	**OPERATING PROFIT (15)**		**114,871**	**108,993**
IV.	**Financial income**		**7,162**	**8,683**
	A. Income from financial fixed assets	829		901
	B. Income from current assets	2,517		4,923
	C. Other financial income	3,816		2,859
V.	**Financial charges**		**23,022**	**24,589**
	A. Interest and other debt charges	14,902		20,335
	C. Increase +/decrease – in amount written off current assets	17		
	D. Other financial charges	8,103		4,254
	Net financial loss (16)		**- 15,860**	**-15,906**
VI.	**Ordinary profit before taxes**		**99,011**	**93,087**

CONSOLIDATED INCOME STATEMENT

(in thousand EUR)

	2002		2001	
VII. Extraordinary income (17)		4,994		4,146
D. Adjustments to provisions for extraordinary liabilities and charges	297		130	
E. Gains on disposal of fixed assets	291		512	
F. Other extraordinary income	4,406		3,504	
VIII. Extraordinary charges (17)		6,359		5,660
A. Extraordinary depreciation of and amounts written-off formation expenses, tangible and intangible fixed assets	22		865	
D. Provisions for extraordinary liabilities and charges	779		56	
E. Loss on disposal of fixed assets	79		476	
F. Other extraordinary charges	5,479		4,263	
Extraordinary result		- 1,365		-1,514
IX. Profit for the financial period before taxation		97,646		91,573
X. Deferred taxes (18)		7,117		21,531
A. Transfer from deferred taxes and latent taxation liabilities	8,979		28,992	
B. Transfer to deferred taxes and latent taxation liabilities	-1,862		-7,461	
XI. Income taxe (18)		-34,991		-46,047
A. Income taxe	- 40,577		-46,438	
B. Adjustment of income taxes and write- back of tax provisions	5,586		391	
XII. Profit for the financial period		69,772		67,057
XIII. Share in the result of the enterprises accounted for using the equity method		5,396		1,709
XIV. Consolidated profit		75,168		68,766
A. Share of third parties		4,530		3,905
B. Share of the group (19)		**70,638**		**64,861**

CONSOLIDATED CASH FLOW STATEMENT

(in thousand EUR)

	2002	2001
Operating activities		
Share of the group in the profit	70,638	64,861
Share of third parties in the profit	4,530	3,905
Share in the result of enterprises accounted for using the equity method	-5,396	-1,709
Depreciation (tangible & intangible assets)	135,973	123,843
Provisions for risks and charges	8,023	-1,267
Differed taxes	-7,117	-21,531
Cash flow from operating activities	**206,651**	**168,102**
Change in working capital	9,193	-70,725
Change of perimeter and conversion difference	15,068	15,039
Change in net cash flow from operating activities	**230,912**	**112,416**
Investment activities		
Increase of intangible & tangible assets	-132,133	-147,610
Increase of financial assets	-33,818	-39,755
Total acquisition	**-165,951**	**-187,365**
Decrease of intangible & tangible assets	1,138	1,944
Decrease of financial assets	1	16
Total disposals	1,139	1,960
Change in net cash flow from investments/divestments	**-164,812**	**-185,405**
Financial transactions		
Increase of share capital	2,616	2,713
Decrease of capital grants	-83	-337
Increase (+), decrease (-) of loans	87,207	8,124
Increase of long-term receivables	-689	-761
Reimbursement of long-term receivables	1,896	3,648
Dividends paid	-31,104	-31,016
Dividends paid to third parties	-1,158	-410
Change in net cash flow from financing activities	**58,685**	**-18,039**
Changes in cash and cash equivalents	**124,785**	**-91,028**

Notes to the consolidated accounts

BALANCE SHEET *in millions of EUR*

(1) Formation expenses
The formation expenses include restructuring costs and the costs of increase of capital. In the year 2002, reorganisations within the group were implemented in different countries, notably in Belgium, the Netherlands and the United Kingdom. The total sum amounts to 16.7 and depreciation occurs over a period of 5 years.

(2) Intangible fixed assets
Intangible fixed assets include the cost for research and development, the value of patents and licences and goodwill.
This rubric drops by 8.9. This variation is due to new patents, licences, research and development costs (5,7) and the balance accounts for conversion difference and the depreciation for the year.

(3) Consolidation difference
This item records the price paid in excess of the value, eventually estimated, of the shareholders' equity of consolidated companies. Consolidation difference is amortized at 10 %.

The amount has changed in the following way:

Net value end of 2001	19.1
Acquisition of new operations	6.3
Depreciation	– 3.9
Net value end of 2002	21.5

Acquisitions mainly involve PVC & compounds and natural organic products.

(4) Tangible fixed assets
The net value of tangible fixed assets include acquisition costs for group investments, cumulated depreciation is deducted.
The tangible asset investments for the year amount to EUR 110 millions ; a lower level than in previous years. These investments are distributed between the divisions as follows :

– inorganic chemicals	20
– fine chemicals	14
– natural organic products	32
– PVC & compounds	15
– plastics converting	29
	110

(5) Financial fixed assets
This entry groups together both non-consolidated and equity method acquisitions, valued at the historical price, under the deduction of the value reduction. The increase in this rubric result mainly by the improvement of the consolidated result of the companies accounted in the equity method.

(6) Deferred tax assets
The sum for deferred taxes essentially arises from the accounting of fiscal advantages for tax losses.

(7) Stock value
In spite of the modified consolidation perimeter, the stocks are registering a decrease of 6.1.

(8) Accounts receivable
The commercial accounts receivable have grown by 7.3 in relation to 2001; which arise from the change in perimeter. The credit allowed for clients is identical to the previous year (73 days). The other accounts receivable decrease with 4.1 and involve VAT, other taxes to be recuperated and the value of the overfunding of the pensionfund.

(9) Own share
The own shares were cancelled on 16th December 2002. The sum of EUR 106.4 was cancelled on the assets with the reserve for own shares in the equity.

(10) Shareholders' equity – part of the group
The variance of shareholders' equity can be split up as follows:

On 31/12/2001	835.6
Capital increase for personnel	2.6
Result of the year – part of the group	70.6
Dividend distribution	– 31.1
Conversion difference	– 13.4
Cancellation of reserve for own share	– 106.4
On 31/12/2002	757.9

The reduction in conversion difference arises essentially from USD and GBP.

(11) Provisions and deferred taxes
This rubric increased by 14.6.
– increase in pension provision of 8.0; all committed funds of pension within the framework of IAS no. 19 were updated and the necessary funds were paid or foreseen in the provisions in 2002.
– reduction of the provisions for major repairs and maintenance 3.7
– increase of the provision for other liabilities and charges 6.5; the increase is due to the allowance for restructuring expenses minus the provision for environnemental costs.
– increase of the provision for deferred taxes and fiscal latencies 5.0

(12) Net indebtedness
The net indebtedness of the group, which amount to 303.3 as compared to 340.9 last year, result from the compensation between the financial liabilities amounting to 351.5 and the cash investments 48.2. This improvement emerged from the cash flow of the year and the conversion to euros of the debt denominated in US dollars.
In the year 2002, two refunding bonds for a five-year term were concluded for
EUR 40 million and USD 60 million. This resulted in a reclassification of current financial debts to long-term financial debts.

(13) Accounts payable
The accounts payable have decreased by 24.4; the payment term is 54 days – reduced from last year (61 days). Tax and salary liabilities have risen slightly and the other liabilities have increased. This contents mainly the dividend to pay (30.6).

RESULTS

(14) Turnover

The group's turnover for 2002 has increased by 2.3 % and amounts to 1,934 as compared to 1,890 for last year. This increase is the result of the change in scope.

The turnover per division:

	2002	2001	
inorganic chemicals	611	636	
fine chemicals	264	213	
natural organic products	261	249	
PVC & compounds	298	294	*
plastics converting	500	498	*
	1,934	1,890	

** Since 2002 the compounds are integrated in the PVC division (instead of "plastics converting"); figures of 2001 are adapted accordingly.*

(15) Operating profit, gross margin and cash flow

The operating profit increased by 5.4 %, growing from 109.0 to 114.9. The cash flow also grew from 168.0 to 206.7. The gross margin increased by 12.6 %, as follows per division:

EBITDA per division:

	2002	2001
inorganic chemicals	71	82
fine chemicals	34	32
natural organic products	53	58
PVC & compounds	15	– 20
plastics converting	86	78
	259	230

(16) Financial results

This item comprises the income from non-consolidated investments and financial assets as well as miscellaneous expenses. The net financial charge is the same as last year; after a reduction of the debt charges as a result of the decrease of the interest rate.

(17) Net Profit and Loss results on extraordinary activities

In relation to the previous financial year, the net exceptional result remained the same.

(18) Taxes

The current average taxation rate of the group has risen slightly, from 26.8 % in 2001 to 28.5 % in 2002.

(19) Consolidated results of the group

The consolidated net profit of the year increased to 70.6, this is an improvement of 8.9 % on the 64.9 recorded in 2001.

ANNEX

I. Criteria of consolidation

1. Definition of the perimeter of consolidation

The principles for the consolidation are as follows:
companies are consolidated if they comply with each of the following criteria:
– the company's value is significant
– the company's activities are similar to those of the group.

Therefore, companies are excluded from consolidation if they do not meet both the above criteria:
– the company's value is insignificant
– the company's activities are so different from those of the group that its consolidation would be incompatible with the obligation of the company to give a true and fair view.

No quantitative criteria (such as net sales, total assets, or staff size) were considered in the consolidation process.

Consequently, companies whose activities are particularly different from the group's chemical activities could be excluded on the basis that their value is insignificant or their similarity to the rest of the group is not evident.

The companies consolidated were either industrial companies or companies supporting the industrial activities (e.g. by conveyance, by parent company investments in shares of industrial companies, or by their specific contributions rendered to the Tessenderlo Group). Sales offices not providing supplementary information or added value are excluded from consolidation.

2. Changes of the perimeter

These are the following changes:
– During the year 2002 two mergings within the group :
– Sotra Industries SAS and Seperef SAS
– Point SAS and Murgat SAS

– For the first time the companies Saplast SAS from the 21st of September 2002 and Société Rhodanienne Produits Alimentaires SAS were integrated with the method of full consolidation.

3. Consolidation method

– Full consolidation : Companies controlled directly or indirectly by voting rights or by the ability to exercise a dominating influence ;
– Proportional consolidation : joint venture companies ;
– Equity method : companies in which the group exercises significant influence.

II. Exclusive subsidiaries

A. Subsidiaries fully consolidated

	No.VAT	Group Interest
– Aliphos SAS, F-75641 Paris Cédex 13	FR61338.966.872	100,0 %
– Baert-Verlee BVBA, B-1050 Brussel	BE419.875.6831	100,0 %
– Baert-Verlee NV, B-1050 Brussels	BE435.921.463	100,0 %
– Bouvart SAS, F-02510 Venerolles	FR01836.280.032	100,0 %
– Caillaud SAS, F-61400 Saint-Langis-les-Mortagne	FR73536.550.056	100,0 %
– Calaire Chimie SAS, F-62104 Calais	FR58309.084.663	100,0 %
– Charvet SAS, F-91490 Milly-La-Forêt	FR35316.826.775	99,9 %
– Chelsea Building Products Inc., U.S.A.-Oakmont, Pennsylvania 15139	–	100,0 %
– Chemielim NV, B-1050 Brussels	BE414.699.348	100,0 %
– Chemilyl SAS, F-59120 Loos	FR58380.358.226	100,0 %
– Cofipar NV, NL-4854 MT Bavel	–	100,0 %
– Compagnie Financière de Tessenderlo NV, B-1050 Brussels	BE407.247.372	100,0 %
– Dyka BV, NL-8331 LJ Steenwijk	NL00.68.44.200.B.01	100,0 %
– Dyka GmbH, D-14513 Teltow	DE159.812.055	100,0 %
– Dyka Plastics NV, B-3900 Overpelt	BE414.467.340	100,0 %
– Dyka Polska Sp.zo.o., PL-55-221 Jelcz Laskowice	NIP 899-22-72-101	100,0 %
– Dyka U.K. Ltd, UK-Ashford-Kent TN 23 6JU	GB373.837.324	100,0 %
– Eurocell Building Plastics Ltd, Alfreton – Derbyshire UK-DE 55 4RF	GB616.751.731	75,0 %
– Eurocell Profiles Ltd, Alfreton – Derbyshire UK-DE 55 4RF	GB616.751.731	75,0 %
– Fairbrook plc, Alfreton-Derbyshire UK-DE 55 4RF	GB616.751.731	75,0 %

– Farchemia srl, I-24047 Treviglio (BG)	IT01903340162	100,0 %
– Fondoir Romanais SA, F-26100 Romans/Isère	FR72732.046.313	100,0 %
– France Gras SA, F-56300 Le Sourn	FR71860.500.438	97,0 %
– H.L. Plastics Ltd, Alfreton – Derbyshire UK-DE 55 4RF	GB616.751.731	75,0 %
– Immo Watro, B-1050 Brussels	BE463.391.467	100,0 %
– John Davidson Holding Ltd, UK-Edinburgh	–	100,0 %
– John Davidson Pipes Ltd, UK-Cumbria CA6 5LY	GB265.136.463	100,0 %
– Kerley Latinoamericana SA, 9358 Santiago Chili	–	100,0 %
– Kerley Trading Inc., U.S.A.-Phoenix – Arizona 85008-3279	–	100,0 %
– Lianyungang Taile Chemical Factory, Lianyungang City Jiangsu Province – China	–	65,0 %
– Limburgse Rubber Produkten NV, B-3620 Rekem-Lanaken	BE415.296.392	100,0 %
– Limburgse Vinyl Maatschappij NV, B-1050 Brussels	BE415.505.042	100,0 %
– LVM Holding BV, NL-4854 MT Bavel	–	100,0 %
– LVM Limburg BV, NL-6167 RZ Geleen	NL95.50.975.B.01	100,0 %
– MPR Europe BV, NL-1075 AD Amsterdam	–	100,0 %
– MPR Services Inc., U.S.A.- Phoenix – Arizona 85008-3279	–	100,0 %
– Nordrohr GmbH, D-25355 Barmstedt	DE134795006	100,0 %
– PB Gelatins France SAS, F-67117 Furdenheim	FR17465.501.385	100,0 %
– PB Gelatins GmbH, D-31582 Nienburg/Weser	DE116.150.784	100,0 %
– PB Gelatins UK Ltd, Trefforest-Mid Glamorgan UK-CF 375 SQ	GB484.264.428	100,0 %
– Plastival SAS, F-25340 Clerval	FR44622.820.553	100,0 %
– Point SAS, F-01440 Viriat	FR20758.200.729	100,0 %

– Produits Chimiques de Loos SAS, F-59120 Loos	FR81327.744.108	100,0 %
– Profex SAS, F-62210 Avion	FR64328.898.564	100,0 %
– Progilor SAS, F-55100 Charny sur Meuse	FR22846.880.102	99,9 %
– Société Rhodanienne de Produits Alimentaires SAS, F-69960 Corbas	FR14779818244	94,20 %
– Société Artésienne de Vinyle SAS, F-75641 Paris Cédex 13	FR82351.563.978	100,0 %
– Saplast SAS, F-67100 Strasbourg	FR56608.501.417	100,0 %
– Sotra-Seperef SA, F-62140 Ste Austreberthe	FR05383.115.110	100,0 %
– T.C.T. Polska Sp.zo.o., PL-96-500 Sochaczew	NIP016.303.68	100,0 %
– Tarpey – Harris Ltd, Alfreton Derbyshire UK-DE 55 4RF	GB616.751.731	75,0 %
– Technicompound SAS, F-49700 Doué-la-Fontaine	FR57.343.991.600	100,0 %
– Tefipar SAS, F-75641 Paris Cédex 13	–	100,0 %
– Térélux SA, L-GD 2633 Luxembourg	–	100,0 %
– Tessenderlo Chemie NV, B-3980 Tessenderlo	BE412.101.728	Parent Company
– Tessenderlo Chemie International NV, B-1050 Brussels	BE432.184.686	100,0 %
– Tessenderlo Chemie Rotterdam BV, NL-3133 KA Vlaardingen	NL66.97.550B.01	100,0 %
– Tessenderlo Fine Chemicals Ltd, UK-ST13 8UZ Leek, Staffordshire	GB765.365.404	100,0 %
– Tessenderlo Holding UK Ltd, UK-CF 375 SU Trefforest	GB484.264.428	100,0 %
– Tessenderlo Italia srl, I-28886 Pieve Vergonte (VB)	IT09921480159	100,0 %
– Tessenderlo Kerley Inc., U.S.A.-Phoenix-Arizona 85008-3279	–	100,0 %
– Tessenderlo Kerley Mexico SA de CV., 85000 Ciudad Obregon,Sonora Mexico	–	100,0 %
– Tessenderlo Kerley Peru SAC, Arequipa-Peru	–	96,7 %

– Tessenderlo Kerley Services Inc., U.S.A.-New Mexico-88 220 Carlsbad	–	100,0 %
– Tessenderlo Kerley Yildiz, 80300 Gayrettepe Istanbul – Turkey	–	100,0 %
– Tessenderlo Partecipazioni SpA, I-20122 Milano	IT12118590152	100,0 %
– Tessenderlo Participações Brasil Ltda, São Paulo, Brazil	–	100,0 %
– Tessenderlo U.S.A. Inc., U.S.A.-Phoenix-Arizona 85008-3279	–	100,0 %
– Tessenderlo UK Ltd, UK-Widnes, Cheshire, WA8 ONY	GB775.893.071	100,0 %
– Thermoplastiques Cousin-Tessier SAS, F-85130 Tiffauges	FR95063.200.604	100,0 %
– Union de la Boucherie Lyonnaise SAS, F-69960 Corbas	FR27957.503.204	94,2 %
– Wymar International NV, B-8720 Oeselgem	BE437.458.023	100,0 %

B. Subsidiaries excluded from consolidation (a)

– Britphos Ltd, UK-Yeadon, Leeds LS 19 BY	GB343.187.654	100,0 %
– Dyka Milieusystems BV, NL-8331 LJ Steenwijk	NL006844200.B.01	100,0 %
– Dyka s.r.o., CZ-27351 Unhost (Rep. Czech)	030/45792950	100,0 %
– Kloek Grondstoffen BV, NL-4854 MT Bavel	NL00.27.27.389.B.01	100,0 %
– LVM France SAS, F-75641 Paris Cédex 13	FR19328.082.391	100,0 %
– LVM Italia srl, I-20159 Milano	IT050.835.401.52	100,0 %
– LVM Kunststoffe GmbH. & Co. KG., D-40878 Ratingen	DE121.647.162	100,0 %
– LVM Nederland BV, NL-4854 MT Bavel	NL428.164.18478	100,0 %
– LVM United Kingdom Ltd, UK-Stevenage Herts SG1 2EF	GB378.292.021	100,0 %
– Plastival Benelux SA, B-3900 Overpelt	BE450.918.950	100,0 %
– Plastival s.r.o., CZ-147 00 Praha 4 (Rep. Czech)	–	70,0 %

– Sinopotash (China), Shatin, New Territories Hong Kong (China)	–	100,0 %
– Tessenderlo Chemie España SA, E-28014 Madrid	ESA81376824	100,0 %
– Tessenderlo Chemie Hungaria Kft, H-1141 Budapest	HU10618725.2.01	100,0 %
– Tessenderlo Chemie Nederland BV, NL-3130 AC Vlaardingen	NL81.99.498.B.01	100,0 %
– Tessenderlo Polska Sp.zo.o., PL-60-462 Poznan	NIP788.17.88.462	100,0 %
– Tessenderlo Schweiz AG, CH-5330 Zurzach	CH504752	100,0 %
– Wymar Polska Sp.zo.o., PL-62-100 Wagrowiec Poland	PL766.16.24.439	100,0 %
– Wymar Systems Ltd, UK-DY13 9EZ Worcestershire	–	100,0 %

III. Common subsidiaries

A. Subsidiaries fully consolidated

– De Hoeve kunststofrecycling BV, NL-7772 BC Hardenburg	NL806556067.B.01	50,0 %
– Dynaplast-Extruco Inc., Montréal (Québec) Canada	–	25,0 %
– Medabil Tessenderlo SA, CEP 90200-290 Porto Alegre RS – Brazil	–	28,57 %
– Siram sarl, F-50390 St Sauveur le Vicomte	FR10322.883.091	50,0 %
– Zéoline SA, B-4480 Engis	BE441.266.658	50,0 %

B. Subsidiaries excluded from consolidation (a)

– HGS Handelsgesellschaft für Spezialfuttermittel GmbH, D-20148 Hamburg	DE171617898	50,0 %
– Scanphos A/S, DK-3460 Birkerod	DK76143218	50,0 %

IV. Subsidiaries accounted for using the equity method

A. Subsidiaries consolidated with equity method

– Alkemin S de RL de CV, Mexico D.F. 11700	–	50,0 %
– Jupiter Sulphur LLC, U.S.A.-Phoenix-Arizona 85008-3279	–	50,0 %
– Tessenderlo Davison Chemicals LLC, USA-Rustson, LA 71270	–	50,0 %

B. Subsidiaries excluded from consolidation (a)

– Ekol SA, B-3530 Houthalen, Helchteren	BE439.289.343

(a) Importance of subsidiary is insignificant

VI. Valuation criteria

Depreciation is carried out on the basis of the straight-line method; the rates are the following:

– land	0.00 %
– industrial buildings, residential buildings, construction and appreciation	3.00 %
– rented buildings – financing appreciation on furniture, fittings and plant	5.00 %
– furniture, fittings, plant, renovation work to buildings	10.00 %
– pilot plant	20.00 %
– vehicles	25.00 %
– environmental investments	33.33 %
– computer hardware	33,33 %

A few instances of divergence occurred with respect to investments specific to certain areas of business, but their impact on the financial statements was insignificant.

CONSOLIDATION DIFFERENCES

Foreign exchange differences resulting from the translation of the shareholders' equity of foreign subsidiaries are reported under the heading 'Conversion Differences' in the Group's shareholders' equity. Goodwill resulting from subsidiaries acquired during the financial year is reported under the asset heading 'Consolidation differences'.

Goodwill was reported and represents the difference between the purchase price of an investment in a consolidated subsidiary or its portfolio value, and the Group's share in the company's net equity at the date of its inclusion in the consolidation.

When the difference cannot be allocated to the assets of the subsidiary, the difference is reported under the heading 'Consolidation differences' in the consolidated balance sheet.
This goodwill arising on consolidation is subject to amortisation. The amortisation period is determined based on a prudent appraisal of the economic life of the intangible asset, based on the specific economic advantages of each acquisition, and the estimated recovery period of the excess consideration paid.

Presently, the goodwill is amortised over a 10 year period.

Consolidated companies' accounts were all closed off as of 31 December 2002.

Foreign subsidiaries' balance sheet is translated to EURO using the closing exchange rate and the profit and loss accounts with the average exchange rate for the year.

	2002		2001
	closing	average	Closing
GBP/EUR	0,6505	0,6288	0,6085
USD/EUR	1,0487	0,9456	0,8813
CAD/EUR	1,6550	1,4838	1,4077
RMB/EUR	8,6801	7,8265	7,2977
PLN/EUR	4,0210	3,8574	3,4953

Change difference coming from the translation of the Equity of a foreign company is booked into the conversion difference and influenced directly the Shareholders' Equity.

Foreign subsidiaries' financial statements are restated to conform to the Belgian Accounting Rules. Intercompany accounts were eliminated in accordance with normal practices.

VII. Formation expenses

Balance at the end of previous year	394
Changes during the year	
Expenses incurred	16,746
Depreciation	– 3,584
Conversion differences	– 9
Balance at the end of the year	13,547

VIII. Intangible assets

	R. & D. costs	Concessions patents licences	Goodwill	TOTAL
a) Cost				
Balance at the end of previous year	18,898	8,796	137,948	165,641
Changes during the year :				
– Impact variation perimeter		144	2,649	2,793
– Acquisitions including capitalized expenditures	2,509	1,928	515	4,953
– Disposals and sales		–240		–240
– Transfer between accounts		5	–5	0
– Conversion differences		–125	–8,665	–8,790
Balance at the end of the year	21,407	10,508	132,442	164,357
b) Depreciation, write-downs				
Balance at the end of previous year	–13,791	–5,965	–68,231	–87,987
Changes during the year :				
– Impact variation perimeter		–131	–1,967	–2,098
– Amortisation	–2,631	–1,330	–4,373	–8,334
– Write off due to disposals cancellations		240		240
– Conversion differences		38	2,555	2,593
Balance at the end of the year	–16,422	–7,148	–72,016	–95,586
c) Net book value at the end of the year	4,985	3,360	60,426	68,771

IX. Tangible fixed assets

	Land and buildings	Plant, machinery and equipment	Furniture and vehicles	Leased assets	Other	Work in progress	TOTAL
a) Cost							
Balance at the end of previous year	320,267	1,389,350	43,813	13,279	67,152	43,711	1,877,572
Changes during the year:							
- Impact variation perimeter	8,067	21,768			4,051	21	33,907
- Acquisitions including capitalized expenditures	15,440	54,013	4,516		11,973	24,475	110,417
- Disposals and sales	-1,158	-9,811	-2,565		-2,949	-244	-16,727
- Transfer between accounts	1,840	38,333	-829		2	-39,346	0
- Conversion differences	-5,873	-33,427	-1,446		-434	-1,558	-42,737
Balance at the end of the year	338,583	1,460,226	43,489	13,279	79,795	27,059	1,962,432
b) Depreciation and write-downs							
Balance at the end of previous year	-138,627	-982,191	-30,788	-12,775	-53,775		-1,218,157
Changes during the year:							
- Impact var. perimeter	-3,231	-12,905			-2,117		-18,253
- Depreciation and write downs	-13,725	-96,775	-5,359	-127	-6,296		-122,282
- Write off due to disposals and sales	1,237	10,605	1,780		2,769		16,391
- Transfer between accounts	-5	-126	332		-201		0
- Conversion differences	1,004	13,684	768		150		15,606
Balance at the end of the year	-153,347	-1,067,708	-33,267	-12,902	-59,470		-1,326,695
c) Net book value at the end of the year	**185,236**	**392,518**	**10,222**	**377**	**20,325**	**27,059**	**635,737**
whereas:							
- land and buildings				377			

X. Financial fixed assets

A1. Companies valued under the equity method:	
Balance at the end of previous year	7,237
Share of profits	5,396
Conversion differences	–1,736
Balance at the end of the year	10,897

B1. Other investments, shares and equity certificates	Related companies	Others	Total
Balance at the end of previous year	6,673	655	7,328
Disposals, withdrawals	-93	-1	94
Balance at the end of the year	6,580	654	7,234

C2. Long-term receivables			
Balance at the end of previous year	2	2,215	2,217
Variation (increases, decrease)	180	-105	75
Balance at the end of the year	182	2,110	2,292

XI. Liabilities and shareholders' equity

A. Group shareholders' equity

	Share capital	Share premiums	Reserves	Goodwill	Conversion differences	Capital grants	Total
Balance at the end of previous year	131,000	29,137	653,484	359	20,453	1,212	835,645
Capital increase	1,000	1,616					2,616
Net profit attributable to group			70,638				70,638
Dividend distribution			-31,104				-31,104
Translation differences					-13,400		-13,400
Changes in capital grants						-82	-82
Cancellation reserve							
own shares			-106,373				-106,373
Balance at the end of the year	132,000	30,753	586,645	359	7,053	1,130	757,940

B. Minority interests

Balance at the end of previous year	12,050
Net profit attributable to group	4,531
Dividend	-1,158
Translation differences	-1,097
Balance at the end of the year	14,326

C. Provisions and deferred tax

		2002	2001
Provisions:	pensions and similar obligations	32,743	24,714
	Taxation	1,308	2,819
	major repairs and maintenance	5,586	9,308
	other risks and charges	52,476	45,931
	deferred tax	28,482	23,516
		120,595	106,288

XII. Consolidation differences and shareholders' equity

	Differences in consolidation	
	Positive	Negative
Net book value at the start of the year	19,127	359
Movements during the year:		
New acquisitions	6,344	
Depreciation	– 3,930	
Net book value at the end of the year	21,541	359

XIII. Breakdown of financial liabilities listed according maturity date

	within 1 year	1 to 5 years	more than 5 years
Financing lease	1,620		
Banks		47,394	1,574
Others	500	74,203	
Non-subordinated debenture loans		40,080	
	2,120	161,677	1,574

XIV. Consolidated profit and loss statement

		2002	2001
A. 1.	Sales per division (mil./EUR)		
	– inorganic chemicals	611	636
	– PVC & compounds	298	*294
	– plastics converting	500	*498
	– fine chemicals	264	213
	– natural organic products	261	249
		1,934	1,890

** Since 2002 the compounds are integrated in the PVC division (instead of "plastics converting"); figures of 2001 were conformly adapted.*

A. 2. Sales per geographical market		
France	26 %	
UK	15 %	
Netherlands	8 %	
Belgium	7 %	
Germany	8 %	
Others EU	14 %	
Total EU		77 %
Out of EU		23 %
		100 %

B. Breakdown of the average personnel and personnel costs	2002	2001
1. Average number of personnel		
Workers	5,259	4,994
Employees	2,616	2,511
Management personnel	67	65
	7,942	7,570
2. Personnel costs		
– remuneration	251,086	236,931
– employer's social security charges	75,631	79,442
– employer's insurance premiums	8,013	6,917
– other personnel costs	21,674	16,174
– pensions	6,875	5,755
	363,279	345,219
3. Provision for pensions		
allowance for the year	8,029	1,344

XV. Off-balance sheet commitments

	2002	2001
1) Guarantees given by third parties on our behalf	14,298	12,085
2) Guarantees given on behalf of third parties	310	310
3) Guarantees received from third parties	1,596	2,543
4) Commitments to purchase due to financial leases	3,334	3,810
5) Commitments to the financial leases	1,780	5,340
6) Forward sales of currencies	0	28,352

XVI. Financial relationships with members of the board of directors of the consolidating company.

A. Total amount of remuneration (without quotas) granted to the members of the board of directors of the consolidating company for their responsibilities is 159,761 EUR.

Free translation of the Statutory Auditor's report originally prepared in dutch on the consolidated annual accounts of the group TESSENDERLO CHEMIE NV submitted to general shareholders' meeting

Consolidated annual accounts for the year ended December 31, 2002

In accordance with legal and regulatory requirements, we are reporting to you on the completion of the mandate which you have entrusted to us.

We have audited the consolidated annual accounts for the year ended December 31, 2002 with a balance sheet total of 1 602 273(000) EUR, and a profit for the year (share of the group in the results) of 70 638(000) EUR. These consolidated annual accounts have been prepared under the responsibility of the Board of Directors of the Company. The annual accounts of a certain number of subsidiaries, included in the consolidated annual accounts, which reflect total assets of 470 924(000) EUR and a total consolidated profit of 12 301(000) EUR were audited by other auditors; our opinion is based on their auditor's report. In addition we have reviewed the directors' report.

Unqualified audit opinion on the consolidated financial statements

Our audit was performed in accordance with the standards of the " Institut des Reviseurs d'Entreprises – Instituut der Bedrijfsrevisoren ". Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated annual accounts are free of material misstatement , taking into account the Belgian legal and regulatory requirements relating to the consolidated annual accounts.

In accordance with these standards we have taken into account the administrative and accounting organisation of the group as well as the system of internal control. The group's management have provided us with all explanations and information which we required for our audit. We have examined on a test basis, the evidence supporting the amounts included in the consolidated annual accounts. We have assessed the accounting policies used, the significant accounting estimates made by the Company and the overall presentation of the consolidated annual accounts. We believe that our audit and the audit of other auditors who have audited certain subsidiaries provide a reasonable basis for our opinion.

In our opinion, based on our audit and the audit of other auditors performed with respect to certain subsidiaries, the consolidated annual accounts of Tessenderlo Chemie NV for the year ended December 31, 2002 present fairly the financial position of the group and the results of its operations, in conformity with the prevailing legal and regulatory requirements, and the disclosures made in the notes to the consolidated annual accounts are adequate

Additional assertions

As required by generally accepted auditing standards the following additional assertion is provided. This assertion does not alter our auditor's opinion on the consolidated annual accounts.

- The consolidated directors' report contains the information required by law and is in accordance with the consolidated annual accounts.

Antwerp, May 7, 2003

Klynveld Peat Marwick Goerdeler Reviseurs d'Entreprises,
Statutory Auditor represented by L. Ruysen
Reviseur d'entreprise / Bedrijfsrevisor

TESSENDERLO CHEMIE NV

(in thousand EUR)

ASSETS	2002		2001	
FIXED ASSETS		**970,341**		**975,203**
II. Intangible assets		4,892		4,568
III. Tangible assets		122,223		127,415
A. Land and buildings	33,515		32,841	
B. Plant, equipment and tools	78,256		87,157	
C. Furniture and vehicles	2,788		3,698	
D. Leased assets and similar rights	377		505	
E. Other tangible fixed assets	144		155	
F. Capital work in progress and advance payments	7,143		3,059	
IV. Financial assets		843,226		843,220
A. Investments in related companies				
1. Investments				
a) Consolidated companies	842,042		842,037	
c) Other related companies	299		299	
C. Other financial assets				
1. Investments, shares and equity certificates	635		635	
2. Receivables	250		249	
CURRENT ASSETS		**201,154**		**327,428**
VI. Stocks and orders in progress		58,856		59,719
A. Stocks				
1. Raw materials and consumable	26,575		24,634	
2. Work in progress	1,017		623	
3. Finished goods	30,553		33,086	
4. Goods purchases for resale	711		1,376	
VII. Receivables due within one year		137,094		159,158
A. Trade receivables	132,217		134,954	
B. Other receivables	4,877		24,204	
VIII. Treasury investments				106,375
A. Own shares			106,375	
IX. Cash and cash equivalents		4,612		1,670
X. Prepaid expenses and accrued income		592		506
Total assets		**1,171,495**		**1,302,631**

BALANCE SHEET

(in thousand EUR)

SHAREHOLDERS' EQUITY AND LIABILITIES	2002		2001	
SHAREHOLDERS'S EQUITY		**590,712**		**693,677**
I. Share capital		132,000		131,000
A. Issued capital	132,000		131,000	
II. Share premiums		30,753		29,137
IV. Reserves		17,019		122,403
A. Legal reserves	13,200		13,100	
B. Undistributable reserves				
1. Own shares			106,375	
2. Other	933		933	
C. Tax exempt reserves	2,886		1,995	
V. Retained earnings		410,652		410,852
VI. Capital grants		288		285
PROVISIONS AND DEFERRED TAXES		**36,964**		**31,549**
VII A. Provisions for risks and charges		36,357		31,357
A 1. Pensions and similar obligations	5,106		4,991	
A 3. Major repairs and maintenance	3,221		5,550	
A 4. Other	28,030		20,816	
B. Deferred taxes		607		192
LIABILITIES		**543,819**		**577,405**
VIII. Liabilities due in more than one year		127,547		91,160
A. Financial liabilities				
2. Non subordinated loans	80		62	
3. Financial lease and similar debt			1,589	
5. Other loans	127,467		89,509	
IX. Liabilities due within one year		415,081		485,249
A. Long-term liabilities payable within the year	20,155		20,486	
B. Financial liabilities				
1. Banks	355		37	
C. Trade payables				
1. Accounts payable	60,416		70,425	
D. Advance received on contracts in progress			5	
E. Taxes, wages and benefits payable				
1. Taxes	8,583		12,741	
2. Wages and benefits payable	16,073		16,168	
F. Other liabilities	309,499		365,387	
X. Accrued expenses and deferred income		1,191		996
Total shareholders' equity and liabilities		**1,171,495**		**1,302,631**

PROFIT & LOSS STATEMENT

(in thousand EUR)

	2002		2001	
I. Sales and operating income		561,256		572,942
A. Sales	541,336		548,297	
B. Change in work in progress, finished goods and orders in progress (increase +/decrease -)	-2,138		1,589	
C. Production capitalized	2,161		873	
D. Other operating income	19,897		22,183	
II. Cost of sales and operating charges (-)		529,214		518,852
A. Raw materials and goods purchased for resale	268,616		265,760	
1. Purchases				
2. Changes in stocks (increase -/decrease +)	-1,821		5,410	
B. Services and other goods	125,968		119,562	
C. Wages, salaries, social charges and pensions	102,470		101,316	
D. Depreciation and amortization on formation expenses, tangible and intangible fixed assets	23,232		23,881	
E. Amount written-off stocks and trade receivables (charges + write-backs –)	864		936	
F. Provisions for risks and charges (charges less utilisation and write-backs) (charges +, write-backs -)	5,000		-2,974	
G. Other operating charges	4,885		4,961	
III. Operating profit		32,042		54,090
IV. Financial income		21,552		31,798
A. Income from financial assets	21,353		31,520	
B. Income from current assets	146		203	
C. Other financial income	53		75	
V. Financial charges		16,540		21,046
A. Interest and other debt charges	15,233		20,170	
C. Other financial expenses	1,307		876	
Net financial profit		**5,012**		**10,752**
VI. Ordinary profit before taxes		37,054		64,842
VII. Exceptional income				3,026
E. Other exceptional income			3,026	
VIII. Exceptional charges				855
D. Amounts written-off financial fixed assets			15	
E. Other exceptional charges			840	
IX. Profit before taxes		37,054		67,013
IX Bis A. Transfer from deferred taxes		77		16
B. Transfer to differed taxes		-519		
X. Income taxes		-4,717		-15,745
A. Income taxes	-8,001		-15,745	
B. Adjustment of income taxes and write-back of tax provisions	3,284			
XI. Profit		31,895		51,284
XII. Transfer from untaxed reserves		90		
Transfer to untaxed reserves		- 981		
XIII. Profit for the year to be allocated		31,004		51,284

Allocations and distributions

Your Board propose to allocate the:

– 2002 profits, being	31,004
– increased by prior years' retained earnings	410,852
Totalling:	441,856

in the following manner:

– to legal reserve	100
– quotas	533
– dividends	30,571
– retained earnings	410,652
Totalling:	441,856

If you approve this proposed allocation, the gross dividend will be 1.1333 EUR; it gives a net dividend of 0,85 EUR for the 26,975,013 ordinary shares and for the VVPR dividend a net amount of 0.9633 EUR remittance of coupon n°66.

VIII. Share Capital

(in thousand EUR)			Amount of shares	Number
A.		Share Capital		
1.		Subscribed Capital (Rubric 100 of balance sheet)		
		– Balance at the end of previous year	131,000	29,347,124
		– Changes during the year:		
		– Increase	1,000	101,528
		– Cancellation own shares		-2,473,639
		– Balance at the end of the year	132,000	26,975,013
2.		Capital:		
2.	1.	Category of shares:		
		Ordinary shares:	132,000	26,975,013
		Principal shareholder:		
		EMC Parbel SA: 40.34 %		
		Rue du Trône 130 – 1050 Brussels		
		Announcement date: 20/07/1998		
2.	2.	Registered shares & ordinary shares		
		Registered shares		12,377,348
		Ordinary shares		14,597,665
		Changes of the year		
		Number of shares at 31/12/2001		29,347,124
		Capital increase		
		(personnel)		101,528
		Cancellation own shares		– 2,473,639
		Number of shares at 31/12/2002		26,975,013

E.	AMOUNT OF AUTHORIZED CAPITAL, NOT ISSUED:	123,962

XX. Valuation rules

ASSETS

Formation expenses: 100 % depreciation.
Intangible assets:
– 20 % depreciation.
– Research expenses are fully depreciated or by taking into account the existing tax provisions that encourage scientific research

Tangible assets:
Are entered in the assets of the balance sheet at their purchase price, including incidental expenses and irrecoverable taxes, or at their cost price or at their contribution value.

Depreciation is carried out on the basis of the straight-line method; the rates are the following:

– land	0.00 %
– industrial buildings, residential buildings, construction and appreciation	3.00 %
– rented buildings – financing appreciation on furniture, fittings and plant	5.00 %
– furniture, fittings, plant, renovation work to buildings	10.00 %
– pilot plant	20.00 %
– vehicles	25.00 %
– computer hardware (3 years)	33.33 %

Accelerated or decreasing depreciation will be applied under the current applicable tax rules.

Financial assets:
- *Investments and other financial assets:*
  Are entered in the assets of the balance sheet at their purchase cost, including incidental expenses, or contribution cost less any amounts remaining to be paid in.
  At the end of the financial year, investments, shares and securities are the subject of an individual evaluation, based on the asset value, namely the net book value adjusted by the carefully estimated, hidden increases or decreases in value, and taking the potential economic value of the company concerned and the prospects of profitability in normal economic circumstances into account. The selected rules discard all the elements of evaluation that are exceptional or that lead to non-stable conclusions.
  The Board, if it considers it necessary, will have certain and stable increases in value registered. When decreases in value observed are considered stable by the Board, they are the subject to a write-down.
  A write-back is carried out when a stable increase in value is observed on shares which might previously have been the subject of such a write-down.

- *Receivables at more than one year:*
  Receivables are registered at their face value. If they are denominated in foreign currencies, they are registered for their exchange value in Belgian francs at the exchange rate on the day of the transaction.At the end of the financial year, they are valued according to the rules of evaluation decided for investments, shares and securities (above).

- *Stocks:*
  Purchased goods in inventories at the end of the financial year are valued at the individualized acquisition cost, including incidental expenses and at the individualized cost price for finished products. The cost prices of finished products are determined according to direct production costs with an added portion for indirect costs (whole cost price).The method applied is the weighted average price method. At the close of the period, raw material and finished product stocks are the subject of an individual evaluation according to market prices or current sales value. Stocks are the subject of write-downs when this evaluation reveals a depreciation compared to their book value. Stock in process is valued at the cost of the raw materials in direct costs.

- *Receivables within one year:*
  They are accounted at their face value. Receivables in foreign currencies are valued at the last exchange rate of the financial year. A write-down is carried out when the sales value at the end of the period is less than the book value; a mark-up is accounted for in the opposite case; exchange differences observed are incorporated in the profit or loss for the financial year.

Cash at bank and cash equivalents:
At face value and last exchange rate for foreign currencies.

LIABILITIES

- *Provisions for risks and charges:*
  At the close of each financial year, the Board of Directors, acting prudently, sincerely and in good faith, reviews the provisions to be constituted to cover more particularly:
  - risks arising from security;
  - other risks, if necessary.
  Provisions related to previous periods are reviewed at regular intervals and written back to the results if they have become purposeless.

- *Amounts payable after more than one year:*
  Entered in the accounts at their face value. Amounts payable in foreign currencies are processed like receivables.

- *Amounts payable within one year:*
  They are entered in the accounts at their face value. Amounts payable in foreign currencies are processed like receivables. A value adjustment is made and incorporated into the income statement for the period.

PROFIT AND LOSS ACCOUNT

- *Exchange differences :*
  The above mentioned exchange differences are written back to the operating result unless those exchange differences or conversion differences are specifically related to other items of the income statement and are allocated to it as such.

XXI. Company's pension plan

A complementary pension scheme is established in function of " a defined benefit plan " which is calculated in function of the remuneration and the length of service. For the workers a contract of endowment assurance is concluded in order to guarantee a pension capital computed on the basis of the length of service.

In accordance with the legislation, the report of the management and the annual accounts of Tessenderlo Chemie NV, together with the report of the commissaris-revisor have been filed at the National Bank of Belgium. They are also available on request, addressed to Tessenderlo Chemie NV Troonstraat 130 B-1050 Brussels.

Free translation of the Report of the Statutory Auditor (Commissaire/Commissaris) originally prepared in Dutch on the statutory accounts submitted to the general shareholders' meeting of Tessenderlo Chemie NV/SA

Statutory accounts for the year ended December 31, 2002

In accordance with legal and statutory requirements, we are reporting to you on the completion of the mandate which you have entrusted to us.

We have audited the financial statements as of and for the year ended December 31, 2002 with a balance sheet total of 1 171 495(000) EUR, and a profit for the year of 31 895(000) EUR. These financial statements have been prepared under the responsibility of the Board of Directors of the Company. In addition we have carried out the specific additional audit procedures required by the Company law.

Unqualified audit opinion on the financial statements

We conducted our audit in accordance with the standards of the " Institut des Reviseurs d'Entreprises-Instituut der Bedrijfsrevisoren ". Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, taking into account the legal and regulatory requirements applicable to financial statements in Belgium.

In accordance with these standards we have considered the Company's administrative and accounting organisation as well as its internal control procedures. The Company's management have provided us with all explanations and information which we required for our audit. We examined, on a test basis, evidence supporting the amounts in the financial statements. We assessed the accounting policies used and significant accounting estimates made by the Company, as well as the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, taking into account the prevailing legal and regulatory requirements, the financial statements present fairly the Company's net worth and financial position as of December 31, 2002 and the results of its operations for the year then ended and the disclosures made in the notes to the financial statements are adequate.

Additional assertions and informations

As required by generally accepted auditing standards the following additional assertions and informations are provided. These assertions do not alter our audit opinion on the financial statements.

- The directors' report contains the information required by law and is consistent with the financial statements.
- The appropriation of results proposed to the general meeting complies with the legal and statutory provisions.
- There are no transactions undertaken or decisions taken in violation of the Company's statutes or Company Law which we have to report to you.
- Without prejudice to certain formal aspects of minor importance, the accounting records are maintained and the financial statements have been prepared in accordance with the applicable Belgian legal and regulatory requirements.

Antwerp, April 24, 2003

Klynveld Peat Marwick Goerdeler Bedrijfsrevisoren/Reviseurs d'Entreprises,
Statutory Auditor represented by L. Ruysen
Bedrijfsrevisor/ Reviseur d'Entreprises


FIJ-744

Dominique
ARTS Laboratory

Dashboard skins, wiring, interior trim, car mats and airbag covers are some of the automotive products to which our PVC & Compounds division contributes.

TESSENDERLO GROUP
General Management,
Corporate Secretary,
Human Resources, IT and
Organisation Development
Commercial Management,
Finance and Accounting
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