

FINANCIAL CALENDAR

Tessenderlo Group publishes quarterly releases of its consolidated results through the news media. The dates of future releases will be as follows:

- | | |
|--------------------------------|----------------------|
| ■ 31 December 2004 results | March 17th, 2005 |
| ■ 1st quarter 2005 results | May 4th, 2005 |
| ■ first half-year 2005 results | September 15th, 2005 |
| ■ 3rd quarter 2005 results | November 10th, 2005 |

General Meeting approval of the financial statements 2004	June 7th, 2005
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General Meeting approval of the financial statements 2005	June 6th, 2006
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Payment dividend 2004 (Coupon n° 68)	June 10th, 2005
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News releases: see our website www.tessenderlogroup.com under Corporate - 'News' and 'Investor Relations'.

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A N N U A L R E P O R T

2004



SYNTHETIC CONSOLIDATED BALANCE SHEET

SYNTHETIC CONSOLIDATED P&L ACCOUNT

TESSENDERLO GROUP IN A FEW FIGURES OVER 10 YEARS

(thousands EUR)

	2004	%	2003	%
Intangible assets	63,834		73,225	
Consolidation difference	38,651		45,011	
Tangible assets	692,204		647,903	
Financial assets	18,604		19,259	
Fixed assets	813,293	49	785,398	49
Inventories	331,385		297,939	
Receivables	465,309		457,453	
Treasury investments and cash	41,274		47,902	
Current assets	837,968	51	803,294	51
Assets	1,651,261	100	1,588,692	100
Paid-in capital	167,768		165,602	
Revenue reserves	610,343		601,124	
Translation difference	-13,318		-10,384	
Minority interests	314		402	
Equity	765,107	46	756,744	48
Provisions and deferred taxes	121,988		114,779	
Financial liabilities				
- Long-term	114,700		116,196	
- Short-term	274,665		271,010	
Accounts payable & liabilities	374,801		329,963	
Liabilities	886,154	54	831,948	52
Equity and Liabilities	1,651,261	100	1,588,692	100

(thousands EUR)

	2004	2003
Operating income	2,126,755	1,985,382
Raw materials, consumable & goods for resale	940,824	928,503
Services and other goods	543,376	443,078
Remunerations, social security costs and pensions	387,047	369,961
Depreciation	129,102	134,628
Other operating charges	25,497	27,028
Operating charges	2,025,846	1,903,198
Operating profit	100,909	82,184
Financial charges and income	-17,412	-14,220
Share in earnings of companies valued according to equity method	6,266	4,975
Profit on ordinary activities before income taxes	89,763	72,939
Extraordinary result	-31,344	8,703
Profit before income taxes	58,419	81,642
Income taxes	-15,725	-38,200
Net profit	42,694	43,442
Minority interests	-123	-16
Net profit of the group	42,817	43,458

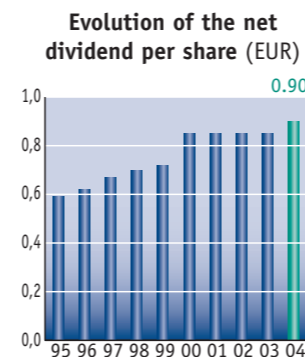
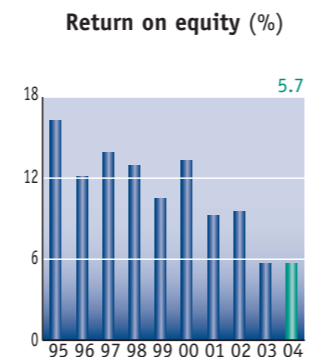
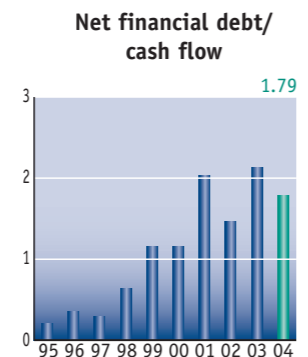
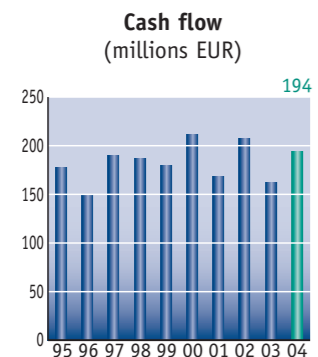
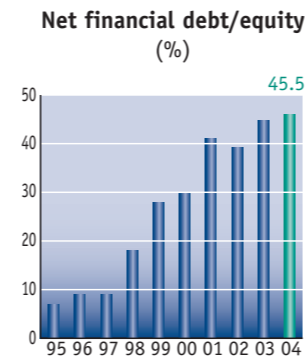
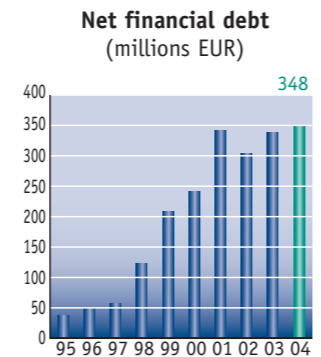
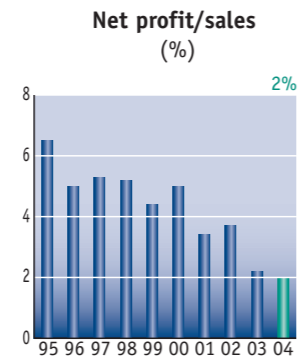
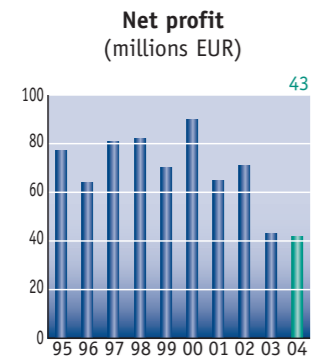
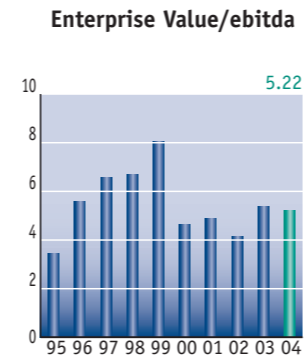
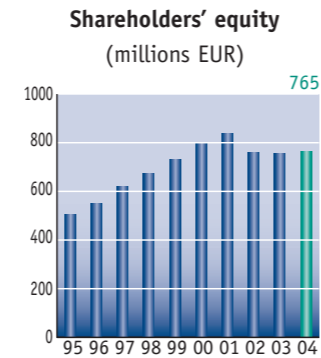
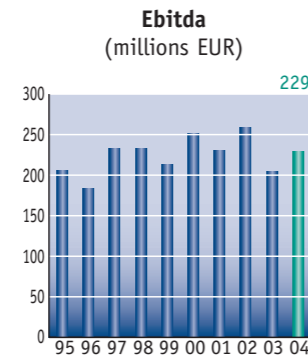
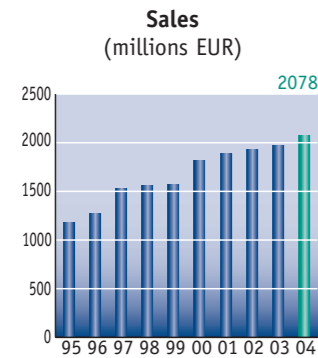
(millions EUR)

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Sales	2,078	1,972	1,934	1,890	1,818	1,571	1,563	1,525	1,274	1,185
Operating profit	101	82	115	109	135	102	125	125	97	109
Net profit	43	43	71	65	90	70	82	81	64	77
Net cash flow	194	162	207	168	211	180	187	190	149	178
Operating cash flow (Ebitda)	229	204	259	230	251	213	233	233	183	206
Ebitda/Sales (%)	11.0	10.3	13.4	12.2	13.8	13.6	14.9	15.3	14.3	17.4
Cash flow/Sales (%)	9.33	8.20	10.69	8.89	11.60	11.45	11.96	12.46	11.70	15.03
Net profit/ Sales (%)	2.07	2.20	3.65	3.44	4.97	4.43	5.22	5.37	4.99	6.49
Return on equity (%) ⁽¹⁾	5.65	5.74	9.50	9.16	13.26	10.50	12.86	13.92	12.12	16.30
Roce (operating profit/EV) (%)	8.45	7.48	10.70	9.72	11.57	5.97	8.01	8.17	9.50	15.29
Enterprise Value (EV) ⁽²⁾	1,195	1,097	1,075	1,122	1,167	1,710	1,561	1,530	1,021	713
Working capital	160	166	263	254	274	255	235	261	182	205
Capital expenditure (tangible)	176	119	110	133	137	133	147	152	119	80
Dividend paid	33.0	30.7	30.6	30.5	30.3	26.8	26.6	25.8	23.8	20.8
Net financial debt	348	339	303	341	242	209	123	57	49	37
Net financial debt/Equity ratio (Gearing) (%)	45.49	44.84	39.27	41.00	30.00	28.00	18.00	9.00	9.00	7.00
Net financial debt/EV (%)	29.11	30.9	28.20	30.40	20.73	12.23	7.88	3.73	4.80	5.19
Interest coverage ⁽³⁾	5	5	8	5	7	9	11	11	10	10
Pay out ratio	76	71	43	47	34	38	32	32	37	27
Non-current assets	813	785	760	773	703	664	615	545	489	422
Current assets	838	803	842	942	829	727	599	636	560	488
Shareholders' equity	765	756 ⁽⁴⁾	758	836	796	729	673	619	551	505
Minority interest	0	0	14	12	8	7	5	2	1	0
Provisions	122	115	121	106	109	109	108	126	92	98
Net financial debt LT	115	116	163	76	68	78	67	61	28	26
Net financial debt ST	275	271	188	316	212	166	92	84	92	67
Non financial debts	374	330	358	369	339	302	270	289	284	215
Total balance sheet	1,651	1,589	1,602	1,715	1,532	1,391	1,215	1,181	1,049	910
Headcount	8,181	8,223	7,934	7,849	7,087	6,847	6,667	6,055	5,309	4,981

1. ROE = Net profit/ Average shareholders' equity 2. Enterprise value (EV) = Market capitalisation (end year) + net financial debt
3. Net income+income taxes+Interest charges/Interest charges 4. Cancellation of capital reserve for own shares: 106,4 in 2002

TESSENDERLO GROUP IN A FEW CHARTS

THE GROUP'S STRATEGY AND ASSETS



Tessengerlo Group has been pursuing a logical long-term **strategy** that can be summarised as:

- striving for a leading position in niche markets throughout the world;
- diversification of activities while taking advantage of its industrial integration;
- developing further the Plastics Converting, Fine Chemicals and Gelatins divisions;
- generating an optimal yield with the resources furnished by shareholders and seeking a high return on the share capital;
- devoting constant attention to improved cost savings.

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

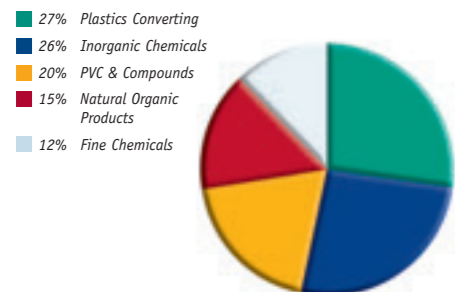
- devoting our maximum attention to the environment and the safety and health of each individual - both inside and outside the company;
- offering our customers quality products and outstanding service;
- creating a working environment in which teamwork plays a central role and which stimulates the personal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

Based on the number of **advantages Tessenderlo Group possesses**: our strategy has been successful. We have achieved:

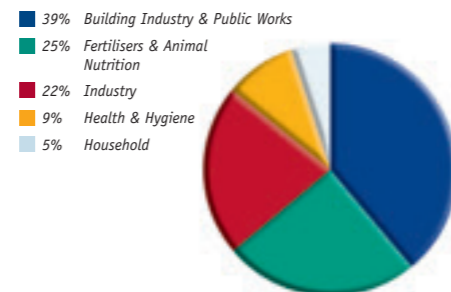
- world leadership for the vast majority of our diversified product range in niche markets;
- the industrial integration of the various production processes, focusing on valorisation of by-products, generating considerable cost savings;
- a sound financial situation;
- annual investments in the amount of 130 million EUR average (excl. acquisitions);
- increased emphasis being placed on specialities (60 % of turnover), where the market is less cyclical;
- moving towards products with a high added value;
- recognizing the importance of exports. +90 % of the group's production is consumed outside Belgium;
- the utilization of experienced and highly qualified employees.

DISTRIBUTION OF THE CONSOLIDATED SALES 2004

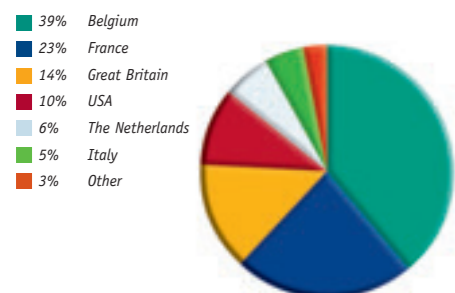
Per activity sector



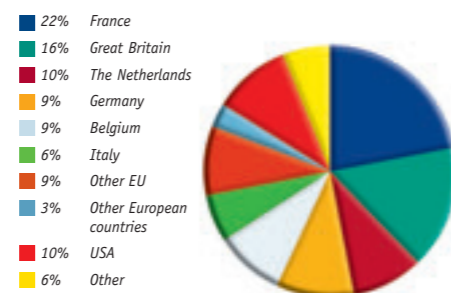
Per consumption market



Per country of production

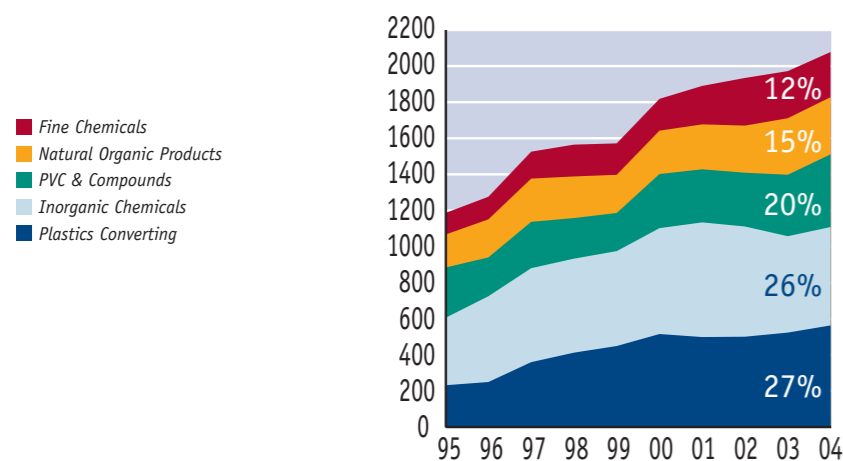


Per destination



Distribution of the consolidated sales 2004

(% millions EUR)



KEY FIGURES PER SHARE

	2004	2003	2002
	EUR	EUR	EUR
Net profit per share (EPS)	1.57	1.60	2.62
Net cash flow per share	7.11	5.96	7.66
Shareholders' equity per share	28.11	27.93	27.57
Net dividend per normal share	0.90	0.85	0.85
Number of shares	27,210,399	27,113,352	26,975,013

KEY FIGURES PER DIVISION

Inorganic Chemicals

(millions EUR)	2004	2003
Sales	545	534
Ebitda	36	39
Tangible investments	60	18
Headcount	1,791	1,816

Fine Chemicals

(millions EUR)	2004	2003
Sales	250	261
Ebitda	12	22
Tangible investments	19	21
Headcount	974	997

PVC & Compounds

(millions EUR)	2004	2003
Sales	403	341
Ebitda	45	-2
Tangible investments	20	19
Headcount	766	796

Plastics Converting

(millions EUR)	2004	2003
Sales	563	523
Ebitda	80	88
Tangible investments	50	36
Headcount	2,776	2,761

Natural Organic Products

(millions EUR)	2004	2003
Sales	317	313
Ebitda	56	57
Tangible investments	27	25
Headcount	1,874	1,853

TESSENDERLO GROUP AT A GLANCE

Tessenderlo Group is a diversified Belgian group, internationally active in many areas of the chemical and plastics conversion industries. Its activities are based on the experience and technology established in the production and valorisation of hydrochloric acid and chlorine.

At the beginning of 2005 the group had approximately 8,300 employees, distributed over 105 establishments in 21 countries.

In 2004, the group achieved consolidated sales of 2,078 million EUR.

The net profit amounted to 42.8 million EUR, the net profit per share 1.57 EUR. The net dividend per share for 2004 increased by 6 % in comparison to 2003 and was set at 0.90 EUR.

Leadership

In a number of diverse markets, Tessenderlo Group occupies a position of leadership.

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, benzyl chloride, alpha-hexylcinnamaldehyde, phenylacetic acid and its salts;
- the second largest supplier of phosphates for animal feed, of potassium sulphate for specialised fertilisers and of triacetin;
- 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.

Recent events

2002: - acquisition of the French compounder Saplast.

2003: - Tessenderlo Group acquires a gelatin production plant in the USA (Davenport, Iowa) and one in Argentina (Santa Fe) (April 2003);

- the group acquires the remaining shares of Taile (July 2003) its Chinese manufacturing unit and Fairbrook plc. (UK) (April 2003) becoming their sole shareholder.

2004: - Plastival, a subsidiary within the Plastics Converting division acquires the PVC profiles business of the French company Acôme (April 2004);

- begins the construction of the new electrolysis unit (ELY III) at Tessenderlo Chemie in Tessenderlo, Belgium (June 2004);

- due to the sale on the market of 17.25% of the share capital of Tessenderlo Chemie NV by EMC in November 2004 the group's free float rose from 56 % to 72 % .

SUMMARY

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GENERAL OVERVIEW



Timing is critical in delivering nutrient solutions to Tessenderlo Kerley's network of some sixty terminals and distribution centers in the U.S. The railroads allow for the timely delivery of large volumes of fertilisers where needed throughout North America.



MESSAGE FROM THE CHAIRMAN



Gérard Marchand
Chairman

*“ After a very difficult year for the chemical industry,
we witnessed a first recovery. ”*

After several difficult years, 2004 saw the first signs of a recovery in the chemical industry. As a result of generally satisfactory business volumes, the group's turnover increased by 5.4%, and now exceeds two billion euro.

This improvement stemmed largely from the buoyant activity in the construction and public works sectors. Ongoing high demand for PVC created a favourable situation throughout the year, which prompted a recovery in prices and margins despite the steep rise in the price of the raw material ethylene.

The Plastics Converting division had to contend with considerably higher PVC prices, but this only had a minor impact on the division's margins because it was possible to pass on most of the price rise. The plastic pipe systems segment succeeded in passing on price rises more rapidly than the window profiles business unit.

In Inorganic Chemicals, higher raw materials prices and the weak dollar were offset by very high volumes for potassium sulphate and improved feed phosphates prices.

The Natural Organic Products division's results were in line with the previous year. Gelatin business suffered the negative effects of a supply shortage and higher raw materials prices, which dented profits, but this was offset by the better results in the collection and treatment of animal by-products activity.

Fine Chemicals posted disappointing results in 2004. It bore the brunt of all the negative factors weighing on the sector during the year – the Asian competition, the weak dollar and surging raw materials prices. The negative impact was particularly acute in the toluene derivatives sector, and the group had to implement cost-cutting measures. In contrast, production of complex molecules (including for the pharmaceutical industry) continued to improve, because this international competition is less intense in this sector than in intermediates.

In 2004, we earmarked 40 million euros for our large-scale investment in a new electrolysis unit in Belgian Limburg, which is due to come on line in mid-2006. This investment explains why the group's debt increased slightly despite our historical best cash flow.

The latter part of the year brought an important change in the group's shareholder base, when EMC reduced its stake to 26.4%. This decrease involved a 17.25% stake being placed on the private market, and did not adversely affect the share price. The free float in Tessenderlo Chemie shares on the Brussels stock exchange is now 72.33%.

Net profit was similar to last year. An extraordinary provision was set aside to cover the potential repercussions of the European Commission enquiry into compliance with the competition rules in the feed phosphates sector.

Profit on ordinary activities increased considerably in the last accounts to be drafted in accordance with Belgian accounting standards. This improvement is even more marked under the new international accounting standards that the group will be using in future.

In view of these circumstances, the Board of Directors will put a proposal to the Annual General Meeting to increase the net dividend per ordinary shares from 0.85 EUR to 0.90 EUR.

On behalf of the Board, I would like to thank all the group's 8,300 employees, without whose efforts these results would not have been possible.



Gérard Marchand



In the back, from the left to the right: Christian Vrebosch, Eddy Vandenbrielle, Philippe Pôlet, Adrien Carton de Wiart, Jozef Housen.
In the middle, from the left to the right: David Poynton, Mateusz Dubinski. **At the front:** Gérard Marchand.

1. Board of Directors

(on 31 December 2004)

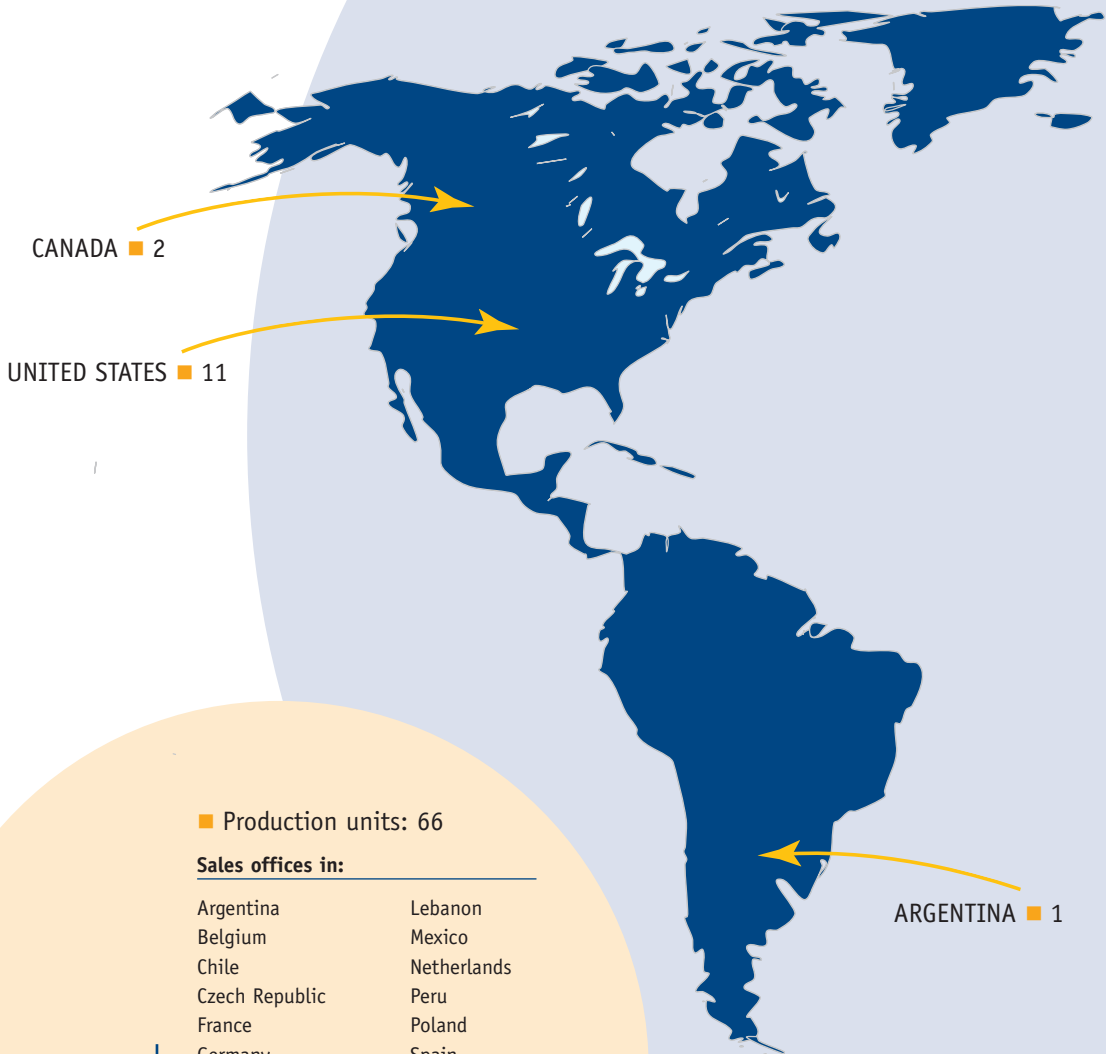
Chairman:	<i>G�rard Marchand</i>
Directors:	<i>Pierre-Louis Boutonnat</i> <i>Jean-Marc Bouzat</i> <i>Val�re Croes</i> <i>Paul de Meester</i> <i>Eric Gissler</i> <i>Claude Niedergang</i> <i>Bernard Pache</i> <i>Thierry Piessevaux</i> <i>Karel Pinxten</i> <i>Jean-Fran�ois Rocchi</i> <i>Alain Siaens</i>
Statutory Auditor KPMG:	<i>Klynveld, Peat, Marwick & Goerdeler</i> <i>Reviseurs d'Entreprises</i>
Permanent representative:	<i>Ludo Ruysen</i>

2. General management of Tessenderlo Group

(on 31 December 2004)

Chairman of the Management Committee:	<i>G�rard Marchand</i>
Member of the Management Committee: Inorganic Chemicals division	<i>Matteusz Dubinski</i>
Member of the Management Committee: Natural Organic Products division:	<i>Jozef Housen</i>
Member of the Management Committee: PVC and Plastics Converting divisions	<i>Philippe P�let</i>
Member of the Management Committee: Fine Chemicals division	<i>David Poynton</i>
Secretary General:	<i>Adrien Carton de Wiart</i>
Director IT, Organisation Development and Human Resources:	<i>Eddy Vandenbriele</i>
Financial Director:	<i>Christian Vrebosch</i>

INTERNATIONAL PRESENCE



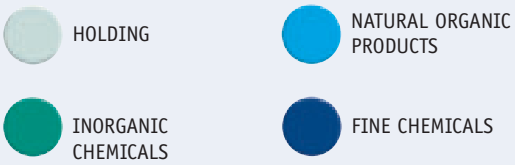
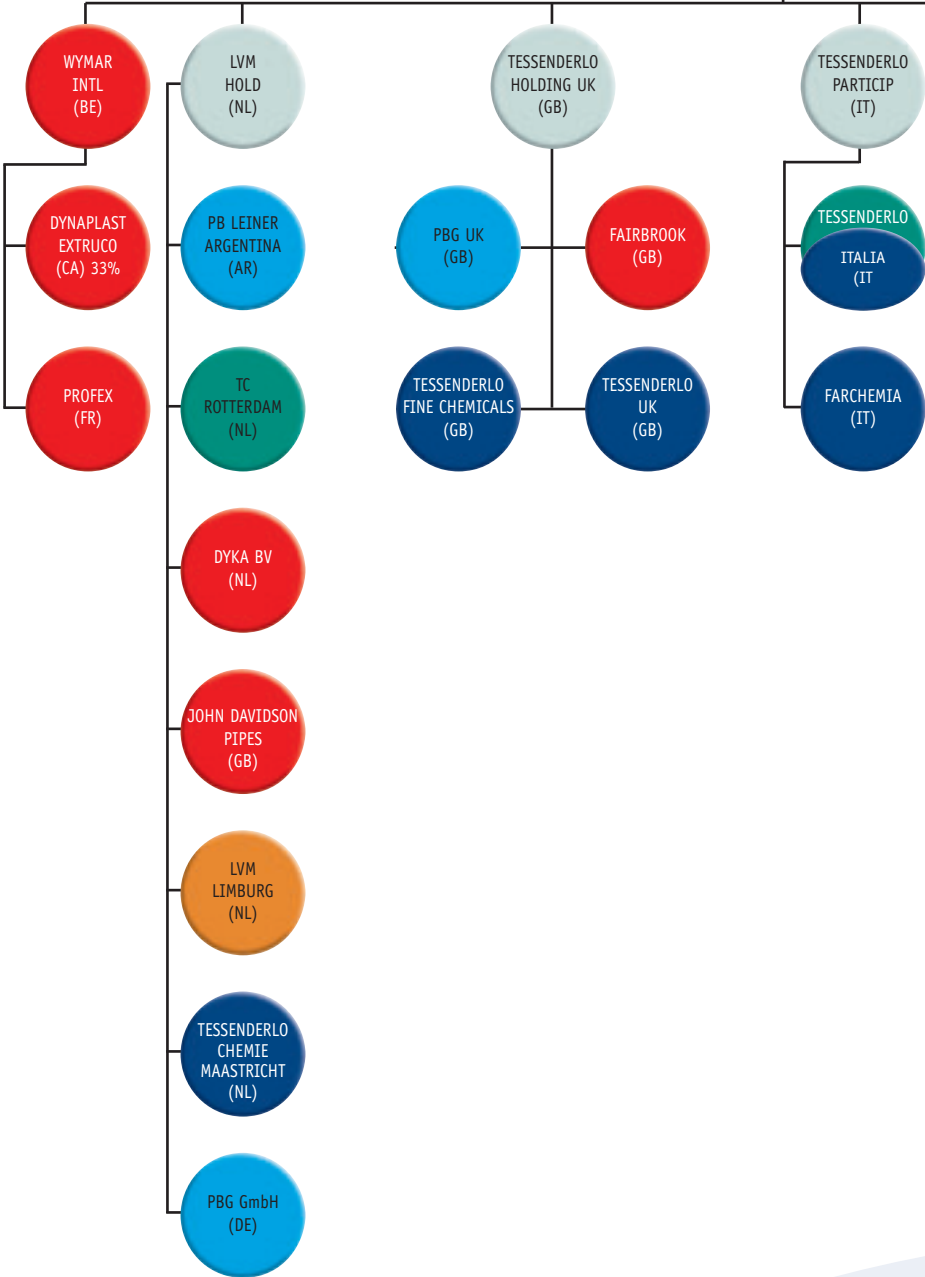
■ Production units: 66

Sales offices in:

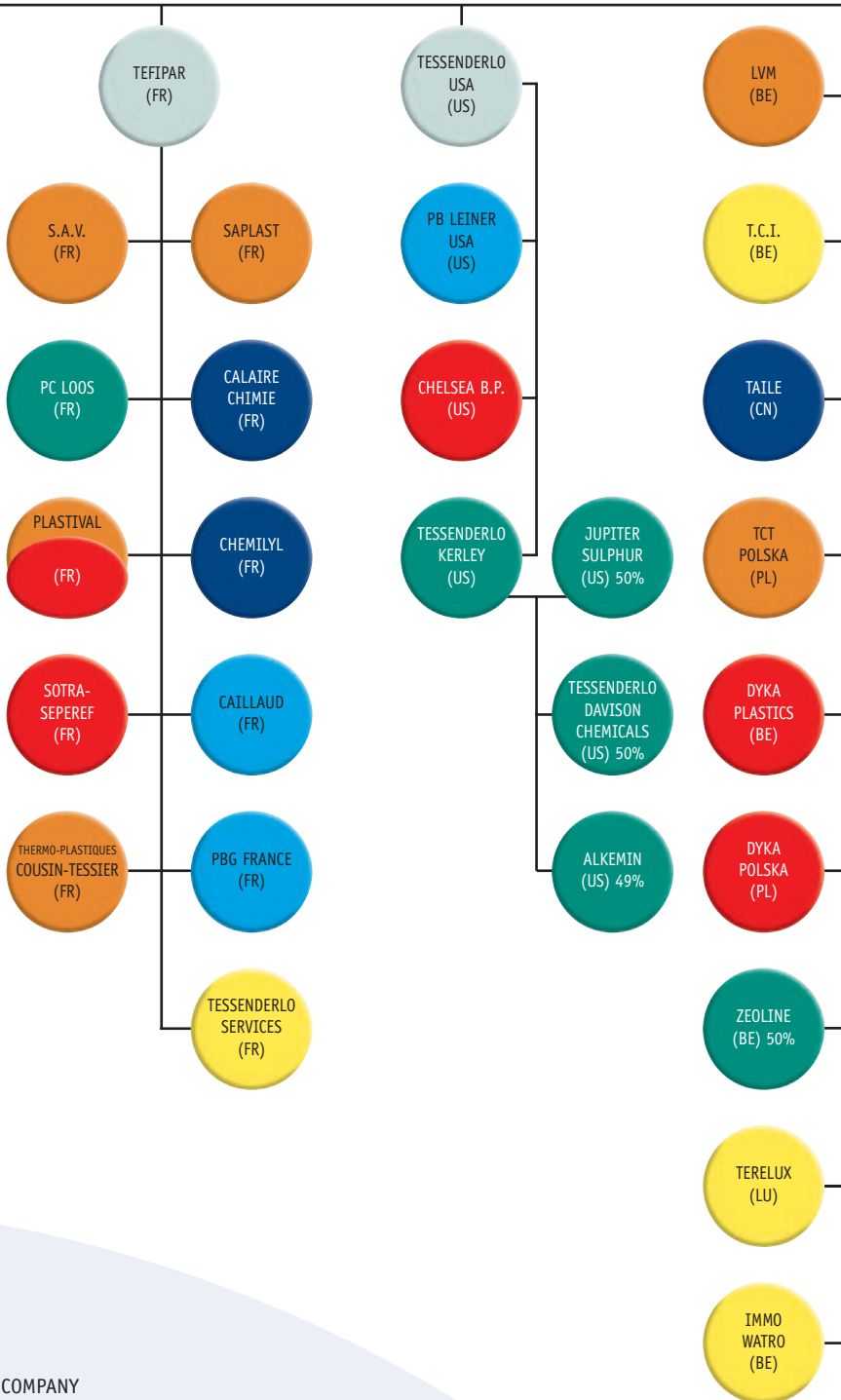
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|----------------|-------------|
| Argentina | Lebanon |
| Belgium | Mexico |
| Chile | Netherlands |
| Czech Republic | Peru |
| France | Poland |
| Germany | Spain |
| Great Britain | Switzerland |
| Hong Kong | Turkey |
| Hungary | USA |
| Italy | |




TESSENDERLO CHEMIE NV



TESSENDERLO GROUP



 SERVICE COMPANY

 PLASTICS CONVERTING

 PVC & COMPOUNDS

SHARE AND INVESTOR RELATIONS



Tessenderlo Chemie, Ham, is one of the biggest users of inland waterways in Belgium. The daily volume of raw materials and finished products transhipped is comparable to a line of some 1,000 trucks.



Tessenderlo Chemie shares

Tessenderlo Chemie shares have been listed on the Brussels Stock Exchange since 17 August 1937. They are traded on the continuous market and are included in the 'BEL Mid'* , 'Next 150' and 'NextPrime' indices. Tessenderlo Chemie is also included in the 'Kempen SNS Smaller European Social Responsibility Index', which is only for companies that demonstrate defined standards and practise in the three areas of business ethics, human resources and environment.

On 31 December 2004, Tessenderlo Chemie NV's capital was represented by 27,210,399 shares without indication of nominal value (5,323,598 of which with VVPR strips). Bearer shares are issued in denominations of 1, 10, 50 and 100. At the end of 2004, 7,530,387 registered shares, including shares held by the staff, were entered in the shareholder register.

In 2004, the ordinary share price fluctuated between 27.24 and 33 EUR. The closing price on 31 December 2004 was 31.14 EUR.

Tessenderlo Chemie's market capitalisation was 847,331,825 EUR at the end of December 2004. The 'velocity' (the number of shares traded over twelve months compared with the total number of shares) within the Next 150 segment was 51.38 %.

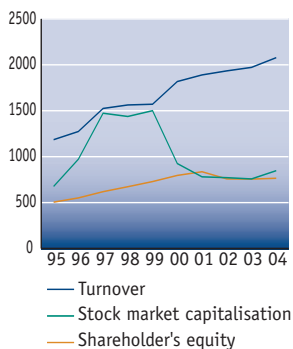
Bank Degroof (BE) and Timber Hill Europe AG (CH) support the trading in the shares and their negotiability.

Since US funds are increasingly undertaking direct investment in Europe, the American Depositary Receipt (ADR) programme in the United States was discontinued in September 2004.

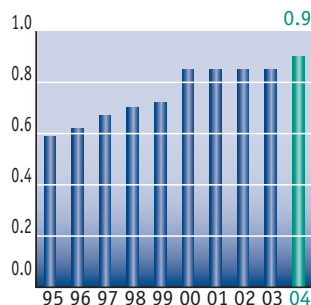
** New index (as from 1 March 2005) for companies with a free float market capitalisation higher than the BEL20 index, multiplied by 50,000 EUR and a free float velocity of at least 10%. Quarterly review.*

AND INVESTOR RELATIONS

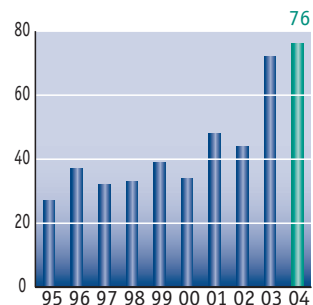
Stock market capitalisation
(millions EUR)



Net dividend per share
(EUR)



Gross dividend/net consolidated earnings (%)



Stock exchange data (consolidated accounts) on December 31

	2000	2001	2002	2003	2004
Capital (millions EUR)	130.14	131	132	133	134
Number of shares	29,232,548	29,347,124	26,975,013	27,113,352	27,210,399
Own shares	2,473,639	2,473,639	-	-	-
Farthest prices					
Fixed ordinary share (EUR)	29.75 / 55.45	20.55 / 32.20	23.00 / 35.00	24.13 / 29.50	27.24 / 33.00
Closing price					
Market continuous (EUR)	31.65	26.60	28.60	27.95	31.14
Average daily volume	23,845	17,556	24,097	24,120	35,536
Volume	4,895,337	4,123,864	6,087,378	5,924,763	9,203,713*
Data per share (EUR)**					
Value of shareholders' equity	25.49	26.39	27.57	27.93	27.95
Consolidated net profit	3.38	2.41	2.62	1.60	1.57
Net Cash flow	7.88	6.25	7.66	5.96	7.11
Net dividend per ordinary share	0.85	0.85	0.85	0.85	0.90
Capitalisation at the end of year (millions EUR)	925.2	780.6	771.5	757.8	847.3

* Exclusive the sale of 4,693,794 shares of EMC Parbel NV

** Without taking into account the own shares at the 31st december 2000 and 2001

Capital structure

EMC Parbel NV, a division of the publicly-owned French EMC group, sold 17.25 % of the share capital of Tessenderlo Chemie NV in a private placement on 29 November 2004. The company was not notified of any other transactions outside the disclosure limit in the 2004 financial year.

On 17 January 2005, the French government acquired EMC Parbel NV's remaining stake of 26.41% in Tessenderlo Chemie NV. On 15 March 2005, this stake was transferred to SNPE, a company that is 99.9% owned by the French government*. SNPE took over the commitment of the French government to hold the Tessenderlo Chemie shares in its portfolio, directly or indirectly, for at least one year as from 29 November 2004.

A capital increase reserved for staff has been made every year since 1985. 97,047 shares were taken up in 2004. Allowing for the 343,698 registered shares that cannot yet be traded, staff now comprise 1.26% of the total shareholder base.

On 9 November 2004, the third tranche of a cum-warrant debenture loan was issued for the group's senior executives. This loan has a term of seven years, and is comprised of 1,250 bonds of 25 EUR each, with 40 warrants attached. The interest rate is 4% per annum. Each warrant entitles the holder to one share at an exercise price of 31.69 EUR. The warrants that can be exercised by the group's senior executives represent less than 0.5% of the total number of shares in issue.

Dividend

On 7 June 2005, a proposal will be put to the Annual General Meeting to approve a net dividend of 0.90 EUR. This corresponds to a gross dividend of 1.20 EUR. The net dividend for shares with VVPR strips attached will be 1.0200 EUR.

The net dividend of 0.90 EUR means an increase of almost 6% compared to the 2003 financial year.

** New composition of the Board of Directors: see our website.*

Financial information and investor relations

Providers of financial information publish information on Tessenderlo Group under the following codes:

- Bloomberg: TESB BB
- Reuters: TESBt.BR
- Datastream: B:TES
- TBM: 23IT081
- SEDOL: 4-884-006
- ALPHA: TES
- ISIN: BE 000 3 555 639

Tessenderlo Group has been publishing **quarterly financial results** for the past eleven years. The publication dates for 2005 are given in the 'Financial Calendar' on the inside front cover of this Report. This data is also available on the website, www.tessenderlogroup.com, along with comprehensive information on the group. Anyone wishing to receive Tessenderlo Group press releases by e-mail may register on the mailing list on the website.

The **half-yearly results** are published in brochure form.

The Tessenderlo Chemie **share price** is published on the group's website: www.tessenderlogroup.com (Corporate - Investor Relations - Stock Information) - and on the Euronext website: www.euronext.com.

Analysts at the following financial institutions (listed in alphabetical order) monitor Tessenderlo Group's performance: Bank Degroof, Bank de Maertelaere, Delta Lloyd Securities, Dexia Securities, Fortis Bank, HSBC Dewaay Bank, ING Financial Markets, KBC Securities, Petercam, Puilaetco and Rabo Securities.

Every year, the financial managers - who are also responsible for investor relations - take part in a number of events for institutional and individual investors in Belgium and abroad. They are supported by the Corporate Communication department. Between the various '**roadshows**' (in cities such as Amsterdam, Geneva, London, Milan, Paris and Zurich), meetings with analysts and company visits are arranged. The purpose of all these initiatives is to boost investor awareness of the group.



The provisional **calendar for 2005*** is as follows:

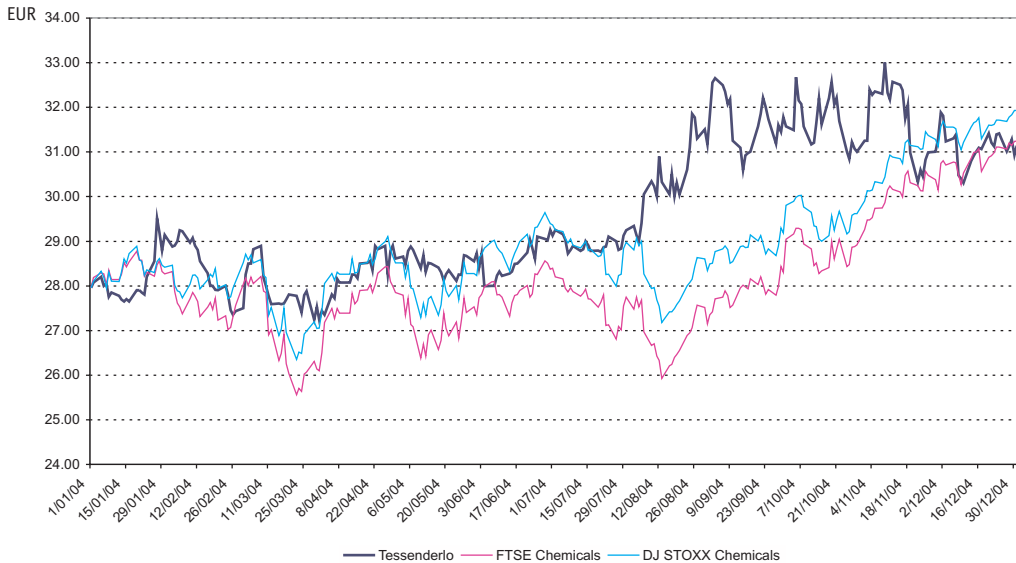
- 19 March 2005: Share Day - Cash - Brussels (BE)
- 16 April 2005: Investor Event - VFB - Antwerp (BE)
- July 2005: Europlace - Paris (FR)
- 1 October 2005: Hints Day - VFB - Antwerp (BE)
- 18 and 19 November 2005: Actionaria - Paris (FR).

Financial services

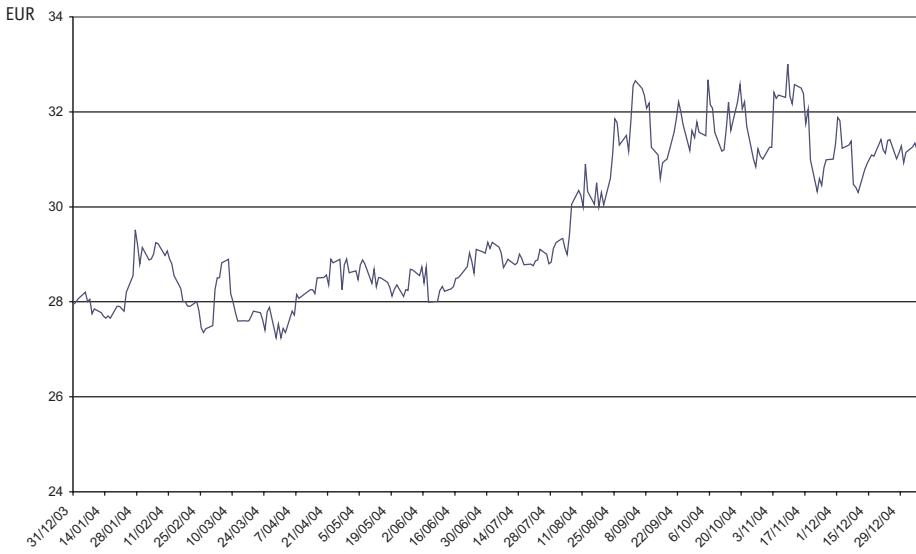
Financial services in respect of Tessenderlo Chemie shares are provided by the following financial institutions: Bank Degroof, Delta Lloyd Bank, Deutsche Bank, Dexia, Fortis Bank, ING, KBC Bank and Petercam Beursvennootschap.

** The latest data is published on the website.*

Tessenderlo Chemie vs. European peers (rebased)



Evolution of the Tessenderlo Chemie share price



Return with dividends reinvested



THE ACTIVITIES



The Plastics Converting division, and its profiles and plastic pipe systems business units, strengthen their position in the market thanks to the development of extensive local distribution and sale networks.



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 high quality fertilisers and animal feeds to medicines to the dashboards of cars. A little bit of Tessenderlo Group can also be found in sweets, perfumes, batteries, blood bags, washing powders and window profiles - 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:	<i>pipe systems, door and window profiles, facade cladding, cable insulation, floor covering, conservatories</i>
Sodium sulphate and carbonate:	<i>glass</i>
Zeolites:	<i>double-glazing</i>

Agriculture

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

Industry

Acetates:	<i>antifreeze products, for e.g. runways</i>
Benzyl alcohol:	<i>paints</i>
Caustic potash:	<i>batteries, textile treatment</i>
Caustic soda:	<i>aluminium, rayon</i>
Electrolysis products:	<i>photography, leather tanning and water treatment</i>

Ferric chloride:

potable water treatment

Gelatin:

photographic paper and -film, wine production

Organic chlorine derivatives:

paint, photography

PVC & Compounds:

dashboards, furniture, shoe soles, tarpaulins, cables, fencing systems

Sodium hydrosulphide and caustic soda:

paper, pulp

Sulphuric acid:

batteries, car windows, billiard balls

Health and hygiene

Chlorine:

PVC, disinfectants, water treatment

Gelatin:

capsules for e.g. drugs, skin cream

Glycine:

pharmaceutical products

Organic chlorine derivatives:

various pharmaceutical products for people, plants and animals, perfumes, shampoo, UV resistant sun lotions

Pharmaceutical intermediates:

antibiotics, penicillin and a wide range of medicines

PVC & Compounds:

blood bags, infusion bags and tubes, catheters, gloves, bottles for shower and bath foam

Sodium hypochlorite:

sanitizer, water treatment, bleaching, toothbrushes

Sodium sulphate and caustic soda:

detergents, soaps

Household

Animal fats:

pet food

Electrolysis products:

detergents

Gelatin:

foodstuffs such as dairy and 'light' products, confectionery, energy bars and drinks

Glycine:

foodstuffs, pet food

PVC & compounds:

packaging films, tablecloths, shower curtains, credit cards, furniture, inflatable articles such as balls, swimming pools, boats and so on

as balls, swimming pools,

boats and so on Sodium

hydrosulphide and caustic soda:

detergents

Zeolites:

washing powders



Mateusz Dubinski, Director of the Inorganic Chemicals division.

“ In an international environment marked by the emergence of new, formidable competitors such as China, Tessenderlo Group will increasingly seek niche markets that offer high added value, for instance potassium sulphate. This will help to reinforce the group’s position in those markets where it already has achieved a proven reputation. At the same time, further rationalisation will be required in certain production units. ”

Activities and products

Tessenderlo Group’s Inorganic Chemicals division encompasses the production of inorganic salts and bases obtained through electrolysis. It is characterised by an integrated production process where the various end products and by-products are utilised internally 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 division

The Inorganic Chemicals division has established a leading position in a variety of markets. The group is the world’s second largest manufacturer of **potassium sulphate**. This fertiliser is especially well-suited for use in dry areas and for crops such as flowers, tobacco, fruit and vegetables which are highly sensitive to other sources of fertiliser. The group is also a leading manufacturer of **sodium sulphate**, primarily used in detergents.

Tessenderlo Group is the world’s largest producer of **hydrochloric acid**, a by-product of the production of sulphates.

Hydrochloric acid is marketed externally, but is also used internally in the production of **phosphates**, having a variety of applications in the animal feed industry. The group ranks second in the world market for animal feed phosphates. The range of phosphate products is very extensive, enabling Tessenderlo Group to provide quality suitable for all types of feed applications.

Tessenderlo Group is the world's largest producer of **liquid sulphur-containing fertilisers** (including ammonium thiosulphate and potassium thiosulphate). These are used in North America for grains and high-protein broadacre crops and to improve sodium-bearing soils.

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

Another important product is **zeolite**, a substitute for phosphates in washing powders.

Activities and products of the electrolysis unit

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 basis for polyvinyl chloride (PVC), and for the chlorination of toluene and benzene.

The chlorine production also generates approximately 100,000 tonnes of **caustic potash** and more than 235,000 tonnes of **caustic soda** annually. Caustic potash is used in the production of potassium nitrate and potassium phosphates, followed by applications for food and fertilisers, alkali batteries, de-icing products for airport runways, detergents and the chemical industry. Caustic soda is used in water purification and in the production of soap and detergents. It is also used for process applications in the chemical, aluminium and paper industries.

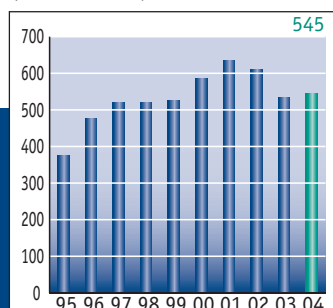
These basic products of the electrolysis units have various **derivatives** used in photography, the food sector, water treatment and ore extraction.

Along with 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.

Inorganic Chemicals

	2004	2003
Turnover (millions EUR)	545	534
Ebitda (millions EUR)	36	39
Tangible investments (millions EUR)	60	18
Headcount	1,791	1,816

Turnover
(millions EUR)



The most important production units*

Inorganic Chemicals

BELGIUM

The Tessenderlo Chemie units in Ham and Tessenderlo process two million tonnes of raw materials annually, including sulphur, raw phosphate, potassium chloride and sodium chloride.

Tessenderlo Chemie, Ham, is a major producer of calcium phosphates used in the animal feed industry. The process in which hydrochloric acid acts upon natural phosphate ores, resulting in the formation of an easily digestible animal feed phosphate, was developed by this group. The line of animal feed phosphates produced in Belgium is supplemented by the phosphates from the Dutch and Italian units. A second important line of business at Tessenderlo Chemie in Ham is the production of potassium sulphate, a high-quality raw material for composite fertilisers. Hydrochloric acid is also produced, along with sulphuric acid for use in batteries, windscreens.

Tessenderlo Chemie, Tessenderlo, manufactures sodium sulphate that is used in the production of detergents, glass and paper. Hydrochloric acid, a by-product of this process, is utilised within the group in the production of feed phosphates and vinyl chloride monomer.

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

EUROPE

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

Tessenderlo Chemie Rotterdam produces animal feed phosphates through the chemical reaction of purified phosphoric acid and a calcium, magnesium or ammonium source. A portion of this production is exported.

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

**In alphabetical order by business unit. You will find a complete overview of the group's production units and sales offices on page 124.*



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-Thio-Sul®) and potassium thiosulphate (KTS®). In addition to an extensive network of 60 terminals, TKI has eight production plants in the United States. These plants are generally located near refineries generating acidic gases that TKI processes into liquid sulphur-containing fertilisers and derivatives, the majority of which (60%) are used in agriculture.

Electrolysis

BELGIUM

The plant 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. The electrolysis division also manufactures hydrogen sulphide, sodium sulphide, ferric chloride, bleach and potassium carbonate lye.

EUROPE

A second electrolysis unit at **PCL** in Loos (France) has a total capacity of 18,000 tonnes of chlorine. It produces caustic potash, ferric chloride and potassium hydroxide flakes.

The electrolysis unit at **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 2004

Inorganic Chemicals

Investments in various units that had started in 2003 were finalised in 2004:

- At Tessenderlo Chemie in Tessenderlo (Belgium), ferric chloride capacity was increased by 25,000 tonnes in mid-2004.
- At PCL in Loos (France), ferric chloride capacity was increased by 60,000 tonnes. This operation also entailed changes in the production process, involving the partial replacement of one raw material - scrap - with iron oxide.
- At Tessenderlo Chemie in Ham (Belgium), new plants for the production of Solupotasse®, a highly soluble potash fertiliser, came on line towards the end of the year. Production previously located in Tessenderlo was transferred to Ham.

Among the **units abroad**, Tessenderlo Kerley in the United States posted a particularly impressive performance in all areas. Sales of sodium hydrosulphide, for use in paper production and the mining industries, were particularly buoyant as was the sales of ammonium thiosulphate in the agriculture markets.

Some changes in production were made at the PCL site in Loos, France:

- The production of sodium sulphate was transferred to the Tessenderlo unit in November. The production unit freed up at Loos has since been used for the production of potassium sulphate, allowing the furnaces to operate at full capacity.
- Production of ammonium chloride was discontinued at the end of 2004.
- The production of ferric chloride in powder form was transferred from Switzerland to Loos (FR).

Concerning the various **markets**, 2004 was a record year for production and sales of potassium sulphate due to an increased global demand for fertilisers. Volumes reached almost 800,000 tonnes. This was one of the reasons behind the changes in production at Loos referred to above. Despite the prices



rises implemented, boosting margins proved difficult. It was not possible to pass on the full effect of higher raw material prices, the weak dollar and high costs for marine transport - particularly to Asia - to our customers.

In feed phosphates, last year's efforts focused primarily on increasing prices, to reflect higher raw material costs, rather than on boosting volumes. Profitability was significantly higher than in 2003, when this business line had to contend with steep price falls in the second half of the year. As a result, profitability was again down from 2002, a record year. European demand for phosphates continues to tail off. This is attributable to a decline in livestock numbers in Europe - a result of the increasing relocation of the poultry sector to America and Asia - and a lowering of the phosphorous standards.

Electrolysis

The construction of a new electrolysis unit, 'Ely III', at the Tessenderlo Chemie site in Tessenderlo started in 2004. This will result in the oldest of the present electrolysis units being closed and replaced by a unit using modern membrane technology. This will boost the platform's maximum chlorine production capacity from 250,000 tonnes to 400,000 tonnes. After the changeover, three quarters of the chlorine will be produced using the new membrane technology. Ely III will come on line in the middle of 2006.

Caustic soda and caustic potash had an unsettled year in terms of prices:

- Caustic soda prices were at record lows in the first half of the year, despite clear indications of balanced supply and demand. This situation began to normalise gradually in the third quarter, and price rises accelerated in the fourth quarter.
- Caustic potash prices came under pressure. This was due to falling demand for dry potassium carbonate, which is used in the production of cathode-ray tubes for television sets. This sector is having to contend with falling production and relocation of production to Asia. This was also one of the main reasons why the activities of the French subsidiary, Aliphos, ceased operations in mid-November 2004. Aliphos produced potassium carbonate and potassium di-carbonate, mainly for the production of cathode-ray tubes.



Strategy and prospects

Prospects for 2005

Tessenderlo Group expects the prices of raw materials, especially potassium chloride, to rise steeply in 2005. Electricity prices are also expected to increase significantly, which will affect electrolysis. At the same time, transport costs, especially for marine transport, will remain high. The weak dollar also continues to have a negative impact on the group. It may not be possible to offset the impact all of these factors in the form of higher sale prices.

However, the outlook for volumes is good, especially for potassium sulphate. 2004's record volumes are likely to be matched.

Early 2005 saw the start of the construction of a new quay wall and loading facility alongside the Albertkanaal at Tessenderlo Chemie Ham. TC Ham will have the largest inland harbour in Flanders with a quay one and a half kilometres long. In addition, a pipeline is being laid to connect the Ham and Tessenderlo sites. The new installation, which will become operational at the beginning of 2006, will allow for the continuous shipping of sodium chloride, guaranteeing the optimum supply of this raw material to the new Tessenderlo Chemie electrolysis unit in Tessenderlo.

The future for caustic soda, a product of electrolysis, also looks good. Prices started to rise in the second half of 2004; this has continued in the early part of 2005, indicating a potentially lasting upward trend.

Electricity price trends are increasingly giving cause for concern. The market trend towards tailoring operations to stock-market performance is increasing price volatility and hence uncertainty about prices. Technological advanced methods of managing electricity will therefore be even more of a priority in 2005.



Strategy

Tessenderlo Group will have to face a number of different challenges with regard to its sulphate and phosphate business:

- Rising raw material prices.
- A lower dollar.
- A loss of outlets due to the emergence of new products and manufacturers in countries with low production costs.

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

The major investment in a new electrolysis unit, Ely III, is being undertaken with these goals in mind. In the future, Ely III will benefit the whole of Tessenderlo Group's integrated production system in West Limburg. The ability to increase chlorine production will boost the flexibility of Tessenderlo Chemie, Tessenderlo, Tessenderlo Chemie Ham and Limburgse Vinyl Maatschappij (LVM). This will enable the various product groups to coordinate their production rates better than ever before.





David Poynton, director of the Fine Chemicals division.

“ Further integration of our business units will speed up the availability of higher quality products, both for our customers and to meet growing internal demand. ”

Activities and products

Tessengerlo Group’s Fine Chemicals division is based on two major business units: organic chlorine derivatives and intermediates intended for the pharmaceutical industry. Tessengerlo Group holds a leading position on the world market for several specialities.

Organic chlorine derivatives

Every year, Tessengerlo Group produces a total of some 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, benzotrìchloride and benzoyl chloride.

The processes applied in the various production units enable Tessengerlo Group to supply exceptionally pure products that meet the requirements of industries such as pharmaceuticals, photography and fine chemicals in general.

Tessengerlo Fine Chemicals in the United Kingdom specialises in synthetic products for the perfume industry. This site uses raw materials produced within Tessengerlo Group, thereby reaping the rewards of the synergies that exist within the integrated group.

Tessengerlo Group is the world leader for benzyl alcohol, benzyl acetate, benzyl chloride, alpha-hexylcinnamaldehyde, and is the world’s second largest producer of triacetin.

Intermediates for pharmaceuticals

Tessengerlo Group produces organic intermediates and active substances for pharmaceutical applications. Three factories, namely Calaire Chimie and Chemilyl in France and Farchemia in Italy, are privileged suppliers to important international pharmaceutical companies.

Tessengerlo Group is the only European manufacturer of glycine and is also a major world player in 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.

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 Belgian factory in Tessenderlo. In 2005, the name will be changed to Tessenderlo Chemie Maastricht.

Taile Chemical Industry in Lianyungang, China, is the leading producer of benzyl chloride and benzaldehyde in China.

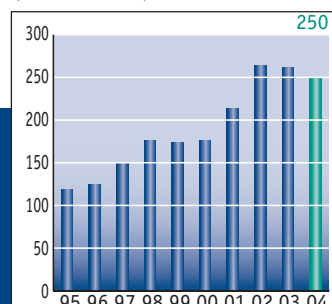
Tessengerlo Chemie in Tessenderlo, Belgium, produces benzyl chloride and some derivatives. The factory also has a large pilot unit where industrial processes can be refined. Small product runs can be undertaken before scale-up at some point in the future.

Tessengerlo Fine Chemicals in Leek, United Kingdom, manufactures products for the perfume and tobacco industries and the pharmaceutical sector. Once again the raw materials originate primarily from other factories within Tessenderlo Group. Tessenderlo Fine Chemicals is the UK's largest producer of acetate esters and aromatics. Its products are exported to some ninety countries.

Fine Chemicals

	2004	2003
Turnover (millions EUR)	250	261
Ebitda (millions EUR)	12	22
Tangible investments (millions EUR)	19	21
Headcount	974	997

Turnover (millions EUR)



Tessenderlo Italia, located in Pieve Vergonte, north of Milan, specialises in aromatic chlorine products, which are used mainly in the manufacture of drugs and agricultural chemicals. It is also the market leader for catalytic chlorination. The site has two, recently-modernised hydro-electric power stations and a dehalogenation plant.

In the United Kingdom, **Tessenderlo UK** in Widnes produces benzyl alcohol, chlorotoluenes and various organo-chlorine derivatives.

Intermediates for pharmaceuticals

In Calais, France, **Calaire Chimie** synthesises fine chemical products 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 Belgium.

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

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

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

Trends and facts in 2004

Various factors that affected the results in 2003 continued to play a role in 2004. In particular, the prices of two major raw materials - toluene and benzene - continued to increase throughout the year.

The weak dollar had a significant adverse impact on sales in the US and other dollar markets, especially in the **organic chlorine derivatives** sector. Cheap competing Chinese and Indian products eroded Tessenderlo Group's margins and, in some cases, its customers' margins too. The last quarter saw an increase in the margins for some products. The Chinese subsidiary put in an outstanding performance in 2004.

**In alphabetical order by business unit. You will find a complete overview of the group's production units and sales offices on page 124.*



As far as **intermediates for the pharmaceutical sector** are concerned, the generic drugs market improved again. At the same time, sales of a number of very important intermediates rose steadily. The glycine business was still affected by unfavourable market conditions. Further cost-saving measures were implemented.

Targeted technical and operating support resulted in increased stability and higher production in a number of business units. The new benzyl alcohol production unit that came on line in early 2004 in the Widnes factory in the UK is running above design capacity. Higher volumes of benzyl alcohol will be produced at Widnes in 2005 to feed the growing demand at the other UK unit at Leek – for aroma derivatives.

A number of **investments** were made in 2004. Firstly, these served to modernise certain units and secondly, to create extra capacity for a number of benzaldehyde and benzyl alcohol derivatives and intermediates for the pharmaceutical sector.

Strategy and prospects

Measures are already under way to improve integration of the factories in the organic chlorine derivatives sector; the pace at which these are implemented will accelerate in 2005. New options to offer outsourcing facilities to manufacturers of drugs and aromatics will be considered, especially in those sectors that use our most important derivatives and technologies.





Philippe Pôlet, Director of the
PVC and Compounds division

“ 2004 saw the end of a poor period for PVC that had lasted for three years. The improvement in the market and prices makes us optimistic about the future. We must, however, continue to focus attention on productivity and profitability and, last but not least, our product and service quality. ”

Activities and products

The PVC & Compounds division includes the vinyl chloride monomer (VCM), polyvinyl chloride (PVC) and compounds business units.

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 Limburgse Vinyl Maatschappij (LVM). This dispenses with the need for road transport. 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.

Tessenderlo Group's annual VCM production capacity is 550,000 tonnes.

PVC

The polymerisation of VCM to PVC occurs at two locations, in the Netherlands and France. These two plants are among the largest in Europe. With a total capacity of 480,000 tonnes (as from the summer of 2005), Tessenderlo Group is the sixth largest producer of PVC in Europe.

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 through 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.

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 moulding and extrusion markets. They are mainly used in the construction industry, the automotive sector and shoe manufacturing. The Compounds business unit has an overall capacity of 150,000 tonnes of compounds per annum, making Tessenderlo Group the fifth largest producer in Europe and the leading producer in France.

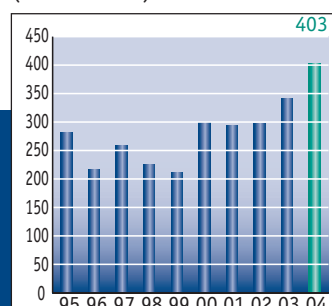
PVC and compounds are sold via an international network consisting of the division's own sales offices and local specialised agents.

PVC & Compounds

	2004	2003
Turnover (millions EUR)	403	341
Ebitda (millions EUR)	45	-2
Tangible investments (millions EUR)	20	19
Headcount	766	796

Turnover

(millions EUR)



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 a year. It is Europe's second largest single site.

PVC

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

Société Artésienne de Vinyle (SAV) in Mazingarbe, France, also polymerises VCM into PVC, and also has a capacity of 225,000 tonnes. Plans are in place to boost capacity by a further 30,000 tonnes by mid-2005. The VCM is delivered from Tessenderlo via block trains.

Compounds

In addition to its activities in the plastics converting sector, the Clerval-based French company, **Plastival**, also manufactures Marvyflo®, a compound used for car dashboards, on behalf of LVM.

Saplast in Strasbourg, France, has an annual compounding capacity of around 75,000 tonnes. Saplast only 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 each year.

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

**In alphabetical order by business unit. You will find a complete overview of the group's production units and sales offices on page 124.*

Trends and facts in 2004

VCM and PVC

Volumes increased considerably in 2004 as a result of the general economic upturn and the decrease in imports to Western Europe.

PVC and VCM prices rose constantly over the year. The division was able to pass on higher raw material prices - particularly for ethylene - in its sales prices. Raw material prices rose steadily throughout the year in the wake of higher oil prices.

At the same time, the VCM and PVC business units succeeded in improving **profitability**. Although profitability remained below par in the first six months, it returned to satisfactory levels as from the third quarter. In the latter part of the year, technical problems at two of the four suppliers resulted in a shortage of ethylene. This inevitably led to reduced production and sales, and it was not possible to meet demand.

In 2004, Tessenderlo Group continued its strategy of **investing** in order to boost productivity:

- There was further progress in the mid to long-term plan for VCM, which relates to safety and the modification of existing installations to bring them in line with the requirements of the Flemish environmental legislation, VLAREM.
- In the PVC business line, the fourth and final production line at Société Artésienne de Vinyle (SAV) in Mazingarbe was switched to closed reactor technology. One of the advantages of this is that it is much more environmentally friendly.
- Construction of a direct chlorination unit commenced at the LVM site in Tessenderlo. This involves production of ethylene dichloride, an intermediate for the preparation of VCM. Energy consumption will fall considerably, because the unit uses the most up-to-date technologies. This unit, which represents an investment totalling 20 million EUR, will become operational in early 2006.

In brief, 2004 saw a recovery following three poor years.



Compounds

Generally speaking, **compounds** markets in Western Europe continued to weaken. Demand for shoe compounds also decreased, as a result of increasing imports of finished shoes from Asia.

However, the division strengthened its position in the automotive sector - in the niche market of dashboard skins and airbag covers - in 2004. Sales of Marvyflo® were again up considerably, marking PVC's continuing return to popularity in the automobile sector. At present, a quarter of the dashboards of West European cars contain compounds from Tessenderlo Group.

The **investments** in Saplast in France, which was acquired in July 2002, continued apace. The investment programme runs until 2005, and its purpose is to adapt the equipment to the most stringent standards in respect of safety, productivity and ecological soundness. In addition, a number of investments were undertaken within the division to boost productivity.

Technicompound, in Doué-la-Fontaine, near Saumur (France) was closed in July 2004. The production was transferred to the group's other compound manufacturing units.

In order to increase the brand recognition of Tessenderlo Group's compounds, the name **CTS**, Compound Technology Services - grouping together Cousin-Tessier, Saplast and TCT Polska - was launched in October 2004, to coincide with K 2004, the world's largest plastics fair.

CTS produces and markets PVC compounds under the brand names Téfanyl, Saplast, Marvylex and Marvyloy, as well as the thermoplastic elastomers Téfabloc and Téfabrène.



Strategy and prospects

VCM and PVC

The outlook for 2005 is good. The fact that global production capacity has lagged behind the market demand growth should help boost the production units' capacity utilisation. Against this backdrop, the investment to increase the PVC production capacity at SAV Mazingarbe (France) by 30,000 tonnes a year was approved in December 2004. This extra capacity will be available in mid-2005, bringing the group's total PVC production capacity to 480,000 tonnes a year.

In the coming years, LVM will continue to enhance its position as a specialist in the area of suspension PVC.

Within the PVC division, Tessengerlo Group will in future also strive to maintain the highest possible productivity, along with constant improvements in product quality. At the same time, the group wishes to offer its customers top-quality service, which satisfies all of their needs.

Compounds

Efforts to improve profitability will continue in 2005. As things stand at present, productivity is still unsatisfactory.

The optimisation and rationalisation of the industrial organisation, which started in 2003 following the acquisition of Saplast and Europolymers, will be finalised in 2005.

The integration of the commercial departments of Saplast, TCT Polska and Cousin-Tessier, since January 1st 2004, will continue to contribute to the improvement of the results. This process will indeed allow the business unit to ensure an optimum response to customer wishes and requirements.



Activities and products

Tessenderlo Group has resolutely pursued a downstream integration policy for the past twenty years. With this objective in mind, the group has taken over several PVC converters holding numerous patents and registered trademarks in Europe and the United States. As well as pipes and fittings for water supply and drainage systems, these companies also manufacture pipe systems for amongst others 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 also convert other raw materials, including polyethylene and polypropylene.

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

The most important production units*

Profiles

Chelsea Building Products Products (CBP), in Oakmont (Pennsylvania) in the USA, is one of America's leading manufacturers of PVC door and window profiles.

Tessenderlo Group also has a presence in Canada (in Quebec) through **Dynaplast-Extruco**, a subsidiary of Wymar, which is one of the market leaders in PVC window and door profiles and other profiles for various sectors.

In the UK, **Fairbrook** has a leading position on the PVC profiles market. As the UK's second largest manufacturer, Fairbrook produces window and door profiles and components for conservatories under the name **Eurocell Profiles**. Foamed profiles, which are used as roofing components and facade cladding, are marketed under the name **Eurocell Building Plastics**. The **HL Plastics** unit, which custom-makes profiles for various sectors, including the building and furniture industries, was sold in the first quarter of 2005. Fairbrook markets its products through an extensive distribution network, with fifty-eight sales outlets throughout the UK.

**In alphabetical order by business unit. You will find a complete overview of the group's production units and sales offices on page 124.*

In Clerval (France), **Plastival** makes window and door profiles, along with profiles for fences, facade cladding and a variety of industrial applications.

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

Wymar International in Oeselgem (Belgium) produces PVC profiles for windows and doors as well as associated interior and exterior finishing systems. Wymar is one of the trend-setting market leaders in the Benelux countries and in France. Wymar has for some years had its own sales offices in the UK, Poland and Hungary. Wymar is continuing its expansion on other Eastern Europe markets, including Romania, Ukraine, Russia and the Czech Republic.

Plastic pipe systems

The Dutch company **Dyka BV** in Steenwijk manufactures PVC pipes and fittings. It is the Dutch market leader in house sewerage.

Dyka Plastics in Overpelt (Belgium) manufactures PVC and polyethylene pipes for the construction and civil engineering industries.

In addition to its production units in the Netherlands and Belgium, Dyka also has twenty-six distribution centers in the Benelux countries.

Dyka Polska in Jelcz Laskowice (Poland) makes PVC pipes, and also polyethylene and polypropylene pipes. It has eight distribution centres.

John Davidson Pipes is one of the leading distributors of plastic pipe systems in the UK, with some twenty-five depots throughout the country.

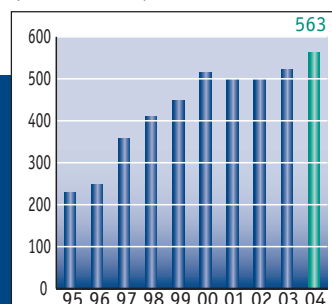
In France, the subsidiary **Sotra-Seperef** has two units. In Sainte-Austreberthe (Hesdin), PVC materials are manufactured for the construction and drilling markets. The unit in Quincieux produces a range of PVC and polyethylene pipes for water supply and drainage systems. This range is supplemented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

Plastics Converting

	2004	2003
Turnover (millions EUR)	563	523
Ebitda (millions EUR)	80	88
Tangible investments (millions EUR)	50	36
Headcount	2,776	2,761

Turnover

(millions EUR)



Trends and facts in 2004

Profiles

Wymar recorded strong growth in Western and Eastern Europe. Growth in Eastern Europe was more robust in the first half of the year. During this period, sizeable additional purchases were made in a number of countries ahead of accession to the European Union and the attendant increase in VAT on construction products. In the second semester growth has slowed but remained above the 2003 level. Although PVC prices rose steeply, it was not possible to pass the entire increase on to customers.

Investments undertaken at Wymer to boost production capacity confirmed the company's role as a vehicle for the division's further expansion on the Eastern European market.

Dynaplast-Extruco, Wymer's subsidiary in Canada, continued to post steady growth. In Canada, the positive economic climate was especially beneficial to the construction sector.

Plastival's volumes increased significantly in 2004. This stemmed from the buoyant state of the French construction sector and the integration of Acôme's business in PVC profiles for the housing market (also in France). Following the acquisition in May, Acôme's extrusion lines were transferred to the Plastival unit.

The figures for Fairbrook, which has put in an excellent performance in recent years, were lower this year, due to the slowdown in the construction sector in the UK. However, distribution business was substantially increased at the same time.

Chelsea Building Products (CBP) also suffered in 2004 as a result of the poor economic climate in the United States. Nevertheless, CBP did succeed in boosting turnover thanks to the new product range launched on the US market in 2003. After a slow start, sales of these products accelerated in 2004. The improvement in CBP's performance in the latter part of 2003 continued in 2004.

In Brazil, Medabil Plasticos, the joint venture specialised in manufacturing and marketing PVC profiles, was sold. This decision was prompted by the poor economic situation in the region and the unfavourable short-term prospects.



In brief, 2004 was a very good year for the profiles business in terms of volumes. However, profitability was lower than in 2003. The few price increases that could be implemented were not enough to pass on the considerably higher raw material prices (especially for PVC) to customers.

Plastic pipe systems

In the Benelux countries, the demand for plastic pipe systems continued to recover in 2004, a trend that was reinforced by the buoyant construction sector. As a result, Dyka BV's and Dyka Plastics' volumes increased slightly.

Dyka Polska had a good first half of the year, but its performance tailed off in the second six months. As with profiles, this was down to the accession of some Eastern European countries to the European Union and the attendant increase in VAT on building products. However, the dip in the second half of the year was partly offset by further expansion of the distribution network, bringing the total number of depots now to eight.

Pipe systems business in the UK bore up well. At John Davidson Pipes, sales were up slightly despite the less positive trends in the construction sector. Profitability remained on track in spite of higher PVC prices.

In France, the construction industry again performed well, and volumes remained at the same level as in 2003. However, overly low prices and margins here resulted in rather unsatisfactory profitability. The good news is that pressure from higher PVC prices affected this insufficient profitability only slightly.

In brief, the plastic pipe systems division generally outperformed the profiles business. Volumes remained at a satisfactory level. Some price increases and cost-cutting measures were enough to offset the negative impact of higher commodity prices on profitability.

The **conclusion for the division as a whole** is as follows. The Plastics Converting division achieved higher turnover in 2004. However, the results were down on 2003 levels, due to the adverse impact of higher commodity prices. This affected profiles more than plastic pipe systems.



Investments totaled 47 million EUR in 2004, significantly higher than the 36 million EUR in 2003:

- At Eurocell Profiles, a division of Fairbrook, a new extrusion unit came on line at the Alfreton (UK) site at the beginning of 2005. This increased Eurocell Profiles' production and storage capacity. In addition, the new production line for PVC window and door profiles with enhanced thermal and acoustic insulation became operational at Wymar International. In the spring, Plastival took over Acôme's business in PVC profiles for the housing market (see above).
- In plastic pipe systems, investments focused mainly on cutting costs and further improvements in customer service.

Strategy and prospects

Strategy

Tessenderlo Group wishes to use the Plastics Converting division as a vehicle for developing itself in the future, particularly in the field of profiles.

The core strategy of the Plastics Converting division includes:

- Consolidating existing positions.
- Improving profitability.
- Fostering internal growth.
- Strengthening the presence on emerging markets, primarily in Eastern Europe.
- Focusing on acquisitions. In each case, companies which might qualify for take-over 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, although the possibility of take-overs in the pipes and fittings market cannot be ruled out.



Through investments, the division wishes to:

- Closely track market trends, anticipating these as far as possible.
- Remain at the cutting edge of technology.
- Develop instruments to ensure growth on emerging markets.

Prospects

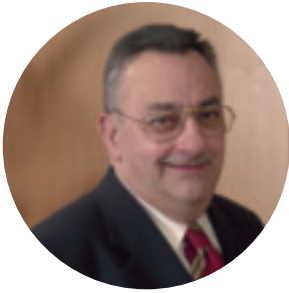
A number of imponderables, such as the dollar exchange-rate trends and the evolution in the raw material prices, make forecasting difficult. However, it is reasonable to expect that the construction sector in mainland Europe will perform well, with growth concentrated in Eastern Europe. In this connection, more depots for plastic pipe systems will be opened in Poland, the intention being to increase market share.

However, there is a real chance of stagnation in the construction sector in the UK, where interest rates and property prices are high. What is more, those interested in construction and conversion have already invested large amounts in their properties in recent years.

The situation in the United States is similar; here, spending on construction materials has been very high recently. In the US, it is hoped that the new product range will keep the growth dynamic on course.

As far as the division as a whole is concerned, there is the prospect of ongoing - albeit modest - growth in 2005. Raw material prices are set to remain high, although Tessengerlo Group does not expect them to rise as steeply as in 2004. This means pressure on profit will remain high but stable. In response to this, across-the-board price rises were implemented in early 2005. This should help to improve profitability in 2005, bringing it back to the levels to which the group had previously been accustomed.





Josef Housen, Director of the Natural Organic Products division.

“Tessenderlo Group is now a fully-fledged world operator on the gelatin market, and is the world’s third largest manufacturer. Despite this, we will need to continue to invest in “quality” in all its guises.”

Activities and products

Tessenderlo Group’s Natural Organic Products division is the world’s third largest producer of a comprehensive range of high-quality gelatins based on various raw materials. The major target group is the food industry, which accounts for roughly two thirds of production. The remainder is divided between the pharmaceutical and photographic industries.

In addition, Tessenderlo Group is also involved in the collection and processing of animal by-products.

A third line of business is the formulation and production of flavouring products for the food industry.

Gelatin

Gelatin is **produced** by hydrolysing collagen from by-products from 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, safe** product. Very stringent criteria are applied:

- The selection of raw materials: all gelatin is exclusively produced from hides or bones coming from healthy animals which, after official and internal testing (both ante and post mortem), have been passed as fit 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 of the purified gelatin solution at 140°C.

On top of this, gelatin is **healthy**. It does not contain any fat, carbohydrates, cholesterol or sugar, and is low in calories. It has a stimulatory effect on interstitial tissue, and so assists in preventing wear and tear on joints. Gelatin is also useful in the field of personal hygiene. It makes hair glossier, nails stronger and the skin more supple, which in turn slows the formation of wrinkles.

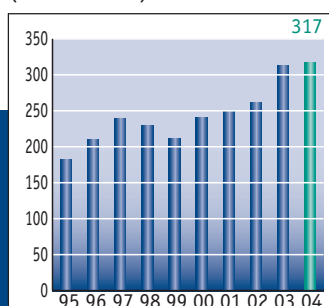
Gelatin has various **applications**, all of which are based on three typical characteristics of gelatin, namely gel strength, viscosity and purity:

- In the food industry: for the production of sweets, desserts, milk products, jellies, light-products, energy bars and drinks, meat preservatives, the preparation of ready-to-eat meals and wine clarification.
- In the pharmaceutical and parapharmaceutical industries: for the production of hard and soft capsules.
- In the medical sector for wound treatment, bone plugs and as a plasma expander for blood.
- In photography: gelatin is used to bind photoactive silver compounds; it is also incorporated in the various layers of films, photographic paper and paper for inkjet printers.
- In micro-encapsulation: microscopic capsules that can contain (for example) ink for copy paper or vitamins that are mixed in animal feed.

Natural Organic Products

	2004	2003
Turnover (millions EUR)	317	313
Ebitda (millions EUR)	56	57
Tangible investments (millions EUR)	27	25
Headcount	1,874	1,853

Turnover (millions EUR)



By-products of animal origin

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

Caillaud is active in two specific sectors:

- As a rendering plant, it handles the collection and treatment of hazardous waste, which is primarily used as an energy source by the cement industry. This business accounts for 41% of turnover.
- The valorisation of animal materials, originating from animals that are fit for human consumption, into:
 - 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.
 - Animal proteins for fertilisers.

Flavouring products

A third activity of the Natural Organic Products division is the formulation and production of flavouring products for the food industry. These are made up according to the customer's individual requirements. They come in solid and liquid form, for both sweet and savoury applications, which include:

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



The most important production units*

Gelatin

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

PB Gelatins GmbH, based in Nienburg, Germany, and **PB Gelatins UK**, based in Treforest, Wales, process the ossein from cattle and pigs into gelatin. PB Gelatins GmbH also prepares gelatin from cattle hides and pigskins.

In Argentina, **PB Leiner Argentina**, which is located close to the town of Santa Fe, manufactures gelatin from cattle hide.

PB Leiner USA in Davenport, Iowa, produces gelatin from pigskin.

By-products of animal origin

In France, **Caillaud** has 15 treatment units (four rendering plants and eleven plants for the valorisation of animal materials) and 28 collection centres.

Flavouring products

Also in France, **PB Gelatins France** in Fuerdenheim, near Strasbourg, produces sweet and savoury seasoning blends for the food sector.

**In alphabetical order by business unit. You will find a complete overview of the group's production units and sales offices on page 124.*



Trends and facts in 2004

The Natural Organic Products division's performance last year was in line with that in 2003. The slightly lower results for the gelatin business were offset by somewhat higher figures for by-products of animal origin.

Since the acquisition of PB Leiner's two production units in the United States and Argentina in 2003, Tessengerlo Group has reinforced its position as the world's third largest gelatin manufacturer, now accounting for 13% of global production. Thanks to these factories, **PB Gelatins** is now active on all world markets, and can meet the requirements of customers who need a worldwide supply of gelatin.

PB Gelatins' 2004 results were slightly down on 2003 in spite of very good sales and an outstanding start to the year. Higher raw material prices, not all of which could be passed on under the current sales contracts, weighed on margins in the latter part of the year.

With the exception of the unit in Davenport (US), the five gelatin factories ran at full capacity throughout the year. In mid-2004, the Davenport unit had to operate on reduced capacity at the end of the first semester due to a temporary interruption to the supply of raw materials. After sizeable investment, capacity at the factory in Santa Fe (Argentina) was increased to 6,000 tonnes in September 2004. Considerable investment was made in the gelatin factory in Vilvoorde (Belgium) to remove residual odour from the effluent purification plant. The new installation has cut residual odours by more than 98%. It became operational right before the summer of 2004.

Most gelatin markets also displayed positive growth trends in 2004:

- In line with tradition, the food gelatin market experienced slight growth of between 2 and 3%. Stocks of gelatin with a high Bloom value (a measure of gel strength) are very low. Compared to previous years, sales of gelatin with a low Bloom value also edged up slightly.
- There was also a marked upturn in demand for hard capsules for medicines in 2004. Here, there has been a shift from gelatin derived from cattle bones to gelatin obtained from other raw materials, mainly pigskins and pig bones, but also cattle hides. Since the ageing population in the West will result in increased drug consumption, this sector will continue to expand in the years ahead.



- Despite the increasing popularity of digital photography, which is most clearly reflected in reduced demand for colour negative films, the photographic market for PB Gelatins remained firm. On the other hand, use of gelatin in photographic paper, including for printers, is still growing.

- Sales of soft capsules rallied after a few lean years. Soft capsules are mainly used in the encapsulation of food supplements, and in specific applications such as bath pearls and paintballs.

2004 was a very unsettled year as regards raw materials used in the manufacture of gelatin:

- Although very high, prices for cattle hides remained relatively stable. High prices in Europe will unfortunately persist due to the ongoing decline of the leather industry. Supplies of cattle hides are higher in South America, but here, too, the start-up of a new gelatin factory in Brazil with a capacity of 3,000 tonnes, using some 20,000 tonnes of hide every year, prompted some concern towards the end of 2004.

- Prices of pigskins rose significantly in 2004 in both the United States (from April) and Europe (from August). Prices rose by as much as 75%. This was due to a temporary shortage of skins resulting from higher exports to Eastern European countries (especially between July and September) and increased production of pork poppers for snacks. The market quietened in late 2004, and supplies of pigskins have since returned to normal levels.

- Prices of fresh and degreased bones increased slightly over the course of the past year.

For the **Caillaud** group, 2004 was marked by a number of significant events. For instance, the French government put a halt to state aid that had compensated the meat industry for losses stemming from animal by-products that may no longer be used in animal feed. The subsidies to rendering plants have been replaced by a tax levied on slaughterhouses. At European level, the reforms to European agricultural policy started to take effect; many livestock farmers see this as a negative development.

Taken as a whole, these measures have had an adverse impact on the cattle rearing sector and abattoirs. This has been exacerbated by reduced meat consumption, increased imports and lower meat exports.

For Caillaud, this overall loss of competitiveness affecting the French animal production translated into a fall of nearly 7% in traded volumes. However, the group's considerable efforts made in recent years to bolster its position in different markets for the valorisation of animal by-products and those for animal waste treatment, made it possible to achieve overall satisfactory margins in 2004.

Strategy and prospects

PB Gelatins' sales are expected to continue to increase in 2005, especially in the field of food gelatin and hard capsules.

The results should also improve, following the increase in sale prices in early January 2005 and the stabilisation of hide prices, albeit at a high level.

In the meantime, there has been further progress in the programme aimed at tightening up hygiene standards. As a result of training courses and investments relating to traceability and self-regulation, the rules in respect of risk analysis relating to food safety - the HACCP rules - have been applied even more rigorously.

Following the acquisition of the two American units, PB Gelatins is now a fully-fledged global operator on the gelatin market. It will continue to build on this role. PB Gelatins is also endeavouring to improve its market competitiveness, by striving for even higher gelatin quality levels and by improving its sales service where possible.



As far as **Caillaud** is concerned, there is uncertainty about the volumes that will be generated by livestock farmers and abattoirs in 2005. Nevertheless, there is unlikely to be a repeat of the slump seen in 2004. The group should take benefit from the efforts that have been made the last few years in managing production capacity. Caillaud has also anticipated the return of a number of upgraded animal materials to the food and animal feed industry. This should pay off in 2005. This includes use of bone meal in pet food and hydrolysed feathers in animal feed. The efforts to gain a foothold on new markets, including the fertiliser industry and lipochemistry, will also continue apace.

The resultant benefits should make it possible not only to reduce the level of services billed to abattoirs, but also to fund the implementation of measure required to fulfil the new, increasingly stringent regulations in respect of segregation of activities, traceability, hygiene and environmental protection, while at the same time generating adequate profitability.

To achieve these objectives, investments will be reduced to 13.7 million EUR in 2005, as compared to an average 20 million EUR in recent years. The management structures in the Caillaud group companies and production units are also to be reinforced.



COMMITMENTS



Tesenderlo Group is the sixth European PVC supplier. LVM Limburg, the Netherlands, is one of the group's two units that convert VCM into PVC. LMV in Tessenderlo (Belgium) delivers the VCM via a pipeline sixty-five kilometres in length, the world's longest VCM pipeline for transport of this kind.



Employment

The overall headcount at Tessenderlo Group remained virtually unchanged in 2004. However only Natural Organic Products was not affected by any restructuring measures or acquisitions.

In Fine Chemicals, on the other hand, staff numbers fell by around 40 units. Jobs were shed in both Italy and the UK. Restructuring measures were essential as a result of a decline in sales and lower profitability.

The same was true for the Inorganic Chemicals division, where the French subsidiary Aliphos ceased its activities, resulting in a loss of some 30 jobs.

20 jobs were cut in PVC & Compounds, principally in France and Belgium.

In line with the trend in recent years, the Plastics Converting division saw an increase in staff numbers in 2004. This was largely due to organic growth in Belgium, the UK and Poland. The acquisition of Acôme's PVC profiles (France) for the housing market business also boosted staff numbers. However, the increase was offset by staff cuts at Chelsea Building Products in the United States and Dyka BV in the Netherlands, and by the sale of the stake in the Brazilian subsidiary Medabil Plásticos.

Tessenderlo Group had a total staff of 8,181 at the end of December 2004.

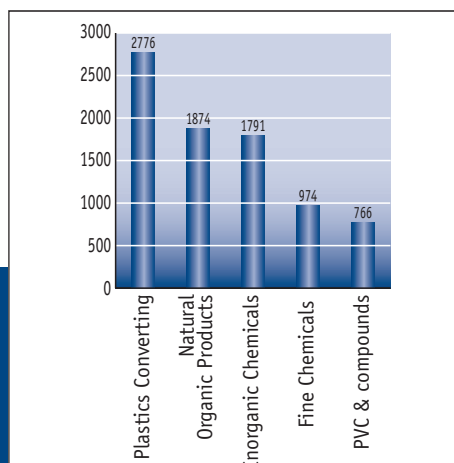
Social relations

Following the implementation of the Focus restructuring programme in 2002 and the renegotiation of the two-year collective labour agreements (CLAs) for the five major Belgian sites in 2003, 2004 was a quiet year.

The Belgian government decided in early 2005, to implement the inter-professional national agreement concluded between the unions and employers' federations and thus confirming negotiations on the labour agreements for the next two years.

In the foreign subsidiaries, negotiations on extending the existing CLAs went smoothly.

Employment per division



Human Resources Policy

Following changes in the legislation, a number of pension schemes were reviewed and, where necessary, adapted. Although the stock markets posted a better performance in 2004, the amount required to meet pension commitments is increasing constantly.

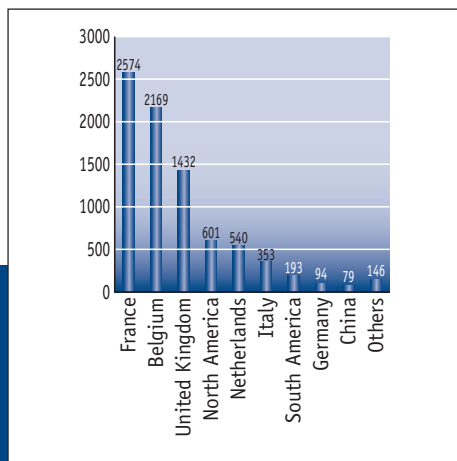
In 2004, the first management skills training programme was finalised. Staff training is considered to be one of the main foundations for Tessengerlo Group's competitiveness. As a result, training will continue to be a priority in 2005.

Capital increase reserved for staff

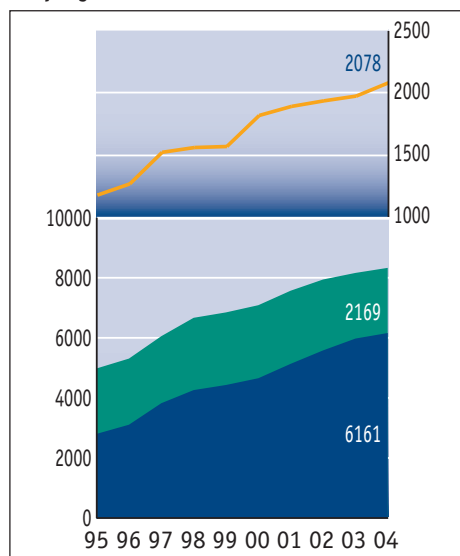
For the sixteenth consecutive year, Tessengerlo Group offered the staff the opportunity of buying shares at a discount of 20%.

150,000 new shares were issued under the capital increase. Only 97,047 shares were taken up. This was the worst take-up rate since 2000. The number of employees purchasing shares also fell steeply - to 810, the lowest figure since 1996. Although the share price was one of the lowest in ten years, interest in the offer was relatively low. The reduced confidence of smaller investors in the Stock Exchange in general was certainly one of the main reasons for this.

Employment per country



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



■ Abroad
■ Belgium
■ Sales (millions EUR)

*Since 2003 the sales offices have been consolidated



Sustainable enterprise focusing on caring for people and the environment

Manufacturing in a way that takes due account of the environment, the health and safety 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 assumed by the chemical industry throughout the world: to manage the environment, health and safety responsibly and with due care. 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 the environment and health;
- Guarantee the health and safety of employees, suppliers and local residents;
- Strictly observe the legal guidelines, and take additional measures where necessary;
- Strive to achieve further waste reduction; process waste in accordance with legal standards and in a safe and environmentally-friendly manner;
- Use natural resources and energy as efficiently as possible;
- Conduct open, honest dialogue with the government and other parties concerned.

For instance, Tessenderlo Group works in accordance with the '**Best Available Technology**' principle. As a result of constant consultation between the environment department, the laboratories and the production and maintenance departments, the production processes are constantly adapted in line with the most up-to-date technology. The group earmarks substantial resources for this purpose every year.

However, developing ecologically-sound and sustainable techniques and optimising installations is only feasible if all employees are closely involved in the environmental policy. Tessenderlo Group, therefore, also invests in targeted training programmes for its employees, to ensure that the 'Best Available Techniques' are duly implemented on a day-to-day basis.



Social involvement

Tessengerlo Group is also aware of the **social role** that it has to fulfill, and therefore undertakes a variety of initiatives in relation to the local community in the areas around the various plants. Tessengerlo Group deems it important to develop close ties with educational institutions. This includes arranging company visits and actively participating in various initiatives that link industry and education.

Environmental protection: a matter of ongoing efforts

Environmental management systems

The Group's environmental policy is closely monitored in the various units by means of environmental management systems.

Calaire Chimie, Produits Chimiques de Loos, Chemyllil and Société Artésienne de Vinyle (SAV) in France, LVM in Belgium and Tessengerlo Fine Chemicals in the UK operate in accordance with an ISO 14001 environmental management system.

Caillaud in France has developed its own environmental management system, while Tessengerlo UK in Widnes uses an integrated management system for the environment, safety, health and quality.

Integrated production process

The processing of by-products is a constant focus of attention in Tessengerlo Group's operations. The highly integrated production of the sites in West Limburg is a concrete example of this. In addition, constant efforts are made to achieve synergies between the various subsidiaries, so that by-products of one plant can be used as raw materials in another unit's production chain.



Environmental investments

In the last 10 years, Tessenderlo Group has invested more than 170 million EUR in environmental projects in the various units. Thanks to these investments, the treatment processes were further optimised. This led to a significant improvement in waste water quality, and a constant reduction in emissions into the atmosphere. Major advances have also been made in the areas of soil spoil and noise pollution. In addition, solid waste is removed in an ecologically responsible manner.

Effluents

The pollutants present in waste water are largely removed by the treatment methods applied. At the Tessenderlo Group companies in West Limburg (BE), the effluent quality remains comparable to that of seawater, due to the presence of salts. The impact study carried out in 2004 revealed the impact of these salty effluents in West Limburg to be restricted to the rivers Laak and Winterbeek. The results of this impact study will form the basis of further consultation with the government.

Addressing past pollution

A number of the Tessenderlo Group plants have been operating since the end of the nineteenth century. As a result, possible past soil pollution is examined and charted. Measures are taken where and when necessary.

Together with the University of Ghent, LVM in Tessenderlo (Belgium) is working on a project involving use of new environmentally-friendly technology for decontaminating soil and water with the help of bacteria. Investigators from the university have succeeded in isolating a bacterium in soil samples that rapidly breaks down the dichloroethane in the absence of oxygen, without producing any harmful by-products. The practical feasibility of this discovery is being further studied along with the Flemish Waste Company (OVAM). The first tests on purification with these bacteria in situ have progressed well.

At Tessenderlo Chemie in Ham, measures have already been taken over the past ten years or so to dispel past soil and ground water pollution.



Air

After curtailing channelled atmospheric emissions significantly over the past few decades, increasing attention has been focused on 'non-channelled' emissions in recent years. For instance, closed reactor technology was introduced at SAV in Mazingarbe (FR) in 2004, resulting in a considerable reduction in non-channelled emissions from VCM. An LDAR ('leak detection and repair') system operates at both the LVM VCM unit in Tessenderlo (BE) and the PVC plants in Beek (NL) and Mazingarbe. As a result, it is possible to constantly improve the installations in order to curtail fugitive emissions.

Vinyl 2010 - the PVC industry's Voluntary Commitment

In March 2000, Tessenderlo Group subscribed to 'Vinyl 2010', the PVC industry's voluntary commitment (www.vinyl2010.org). This commitment relates to all parties involved in the PVC chain: producers of PVC, plasticisers and stabilisers, and PVC converters. It is in line with sustainable development; its principal goal is to strike a balance between ecological, social and economic concerns.

In Tessenderlo Group, this is implemented through:

- Financial support for the various projects.
- Compliance with the emission standards that have been subscribed to voluntarily.
- Research into alternatives to lead stabilisers used in the group's products.
- Direct participation in collection projects for profiles and pipe systems in Belgium, the Netherlands and France.
- The implementation of health, safety and environmental standards.
- Increasing customer involvement through systematic communication and distribution of information.



Facts in 2004

At **Tessenderlo Fine Chemicals** in Leek (UK), environmental investment of 1 million EUR is planned; this includes plans for building a new effluent treatment plant that will come on line in 2005. **Tessenderlo UK** (Widnes) is to invest 785,000 EUR in environmental projects between 2004 and 2006.

In France, the **Caillaud** group is undertaking a number of environmental projects involving total investment of 1,660,000 EUR. These projects will be completed by the end of 2005. The projects include measures to further curtail potential odours in the vicinity stemming from raw materials of animal origin. In the period between 2004 and 2006, **Calaire Chimie** is planning to invest a total of some 730,000 EUR in a variety of environmental projects. In addition, **PC Loos** won an environmental award in 2004 for the valorisation of zinc chloride slurry. **SAV** in Mazingarbe successfully completed an investment project involving closed reactor technology in 2004. This has meant a considerable curtailment of VCM emissions into the atmosphere.

In Belgium, a new electrolysis unit based on membrane technology is currently under construction at **Tessenderlo Chemie** in Tessenderlo. Once it becomes operational in 2006, three quarters of the chlorine will be produced using this new technology. In addition, a new reactor for direct chlorination at **LVM** will mean further cuts in energy consumption (this involves investment of 20 million EUR). A project involving investment of more than 1 million EUR came on line at **PB Gelatins** in Vilvoorde in mid-2004. It will mean a further reduction in potential nuisance to nearby residents as a result of odours. A pipeline is being constructed to link **Tessenderlo Chemie in Ham and Tessenderlo** to transport salt to the new electrolysis unit in Tessenderlo. This pipeline will be in use as from 2006.

Focus on energy

Tessenderlo Group's energy policy is characterised by constant efforts to cut energy consumption through energy-efficient production and use of the 'Best Available Technology'. The group's efforts to minimise energy consumption are supported by a deliberate purchasing policy.



Energy consumption

Various Tessenderlo Group divisions consume considerable quantities of energy. The largest consumers within the group are located in Belgium.

In view of the substantial amounts of energy used in the production process and the impact of this on production, an active policy of energy savings has been initiated. Heat is recycled in a number of different processes, either directly through product integration or through the exchange of steam. In sites where there is surplus steam - Tessenderlo Chemie Ham, for instance - this is converted into electricity. Where the local steam consumption profile permits, co-generation of steam and electricity is used (at SAV in Mazingarbe, for instance). The Pieve Vergonte site in Italy generates its own electricity from its recently upgraded hydro-electric power stations.

Energy and climate policy: facts in 2004

The federal and regional legislation was again adapted in 2004 to take account of European regulations on climate and energy policy.

The Tessenderlo Group sites in Flanders have signed an energy benchmark covenant with the regional government. Under this covenant, external experts have determined the current energy efficiency of each production process and have compared the results to the most energy-efficient companies in the world. If this comparison shows that improvements are required to reach the best energy efficiency levels in the world, these energy-saving projects will be set out in energy plans to be phased in by 2012 at the latest.

The most significant savings projects at Tessenderlo Group are the new electrolysis unit with membrane technology, the energy-saving direct chlorination plant at LVM and ongoing heat recuperation in the sulphate furnaces. These projects put Tessenderlo Group among the world's most energy-efficient companies. They will generate reductions of 13% in primary energy consumption by 2012. The direct emissions of greenhouse gases will be cut by 72,000 tonnes of CO₂ per annum.

As from 1 January 2005, PB Gelatins and LVM have been participating in the European trading system for greenhouse gas emission rights. These rights are also allocated on the basis of the energy benchmark covenant.



Prospects and strategy

Tessengerlo 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 in line with current technology, and to reduce emissions into the atmosphere and effluent discharges to the lowest possible levels.

Safety

Recent achievements and ongoing efforts

The safety policy for Tessengerlo Group's Belgian sites is based on a structured and dynamic safety management system, which aims to further reduce the number of accidents and incidents in coming years.

All accidents can be prevented. That is why not only accidents involving lost working days are systematically studied, but also all incidents and treatments are analysed, so that the necessary prevention measures can be taken. Wherever necessary, the lessons learned are communicated to the sister companies. At each site, the reporting of accident near-misses is also encouraged, as that is a key element for a 'learning organisation'. In the table on the facing page you will find statistics relating to the accidents in Belgian establishments.

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

A European 'Seveso' directive aimed at protecting human beings and the environment against the consequences of incidents involving hazardous substances is in effect in a number of Tessengerlo Group companies. In practice, additional requirements have been laid down for safety reports and the safety management system. The supervisory authorities perform regular 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. The exercises are regularly held in collaboration with external emergency services. The training and education programmes are - just as 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 Chemie cooperates with the official emergency services, and if necessary provides specialised personnel and equipment.

At the West Limburg platforms, a control and prevention system is in place 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 2004

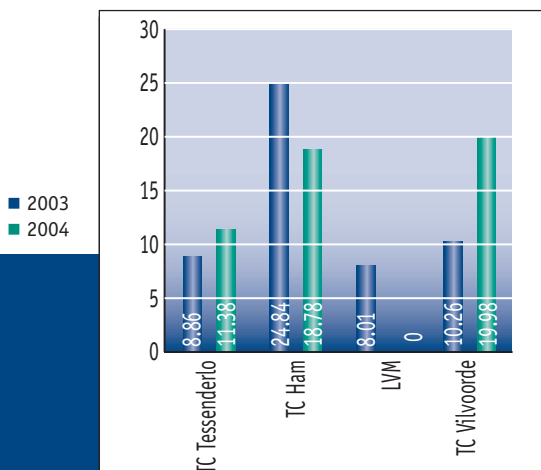
As a result of its strict prevention measures, Tessenderlo Group once again avoided any serious accidents in 2004. The frequency of industrial accidents causing stoppage at Belgian sites is presented in the included table.

Nor were there any major losses. In 2004, significant efforts were undertaken to increase the safety levels in the various Tessenderlo Group units.

The leaders of the internal intervention teams of the 'Seveso' companies - TCT and LVM in Belgium - were given special training in industrial fire prevention.

The rate of breaches of the ADR regulations by hauliers was 3.50%, which means that Tessenderlo Chemie's performance is better than the national Belgian average.

Frequency Rate of Work Accidents in Belgium



RESEARCH AND DEVELOPMENT

The total research and development **budget** stood at 28.2 million EUR in 2004. Tessenderlo Group had a team of some 300 researchers at the end of December 2004.

The research undertaken within Tessenderlo Group is largely directed from the research laboratories in Tessenderlo. There, around 140 people work on constantly optimising the existing processes, in order to strengthen the group's position in its markets. This work is carried out in collaboration with smaller research teams abroad, primarily in the UK, France and Italy.

Targeted investments guarantee modern, well-equipped laboratories and pilot plants, enabling Tessenderlo Group to manage its future direction independently.

A large part of the budget is earmarked for highly **practical research** and for technical assistance to the sales and production departments. For this purpose, Tessenderlo Group has a number of pilot laboratories, which are very flexible and can quickly produce sizeable quantities of new products. By rapidly moving beyond the phase of laboratory research and offering commercial quantities, the group can respond very effectively to market demands. In addition, a number of processes are being studied for the production of new derivatives for the group, which generally complement the existing range.

Most **basic research** is conducted in co-operation with universities and research centres in Belgium and abroad. In the medium term, this work on new technologies will augment the range of techniques at the group's disposal. This research focuses on hydrogenation, gas phase reactions and catalytic reactions. These technologies will permit Tessenderlo Group to continue to progress towards end products with a higher added value.

The following were **points of special consideration** within the various divisions in 2004.

Inorganic Chemicals

A new process for the manufacture of ferric chloride, developed and refined in the research laboratory, was applied in one of the subsidiaries in 2004. This new process involves cheaper, alternative raw materials. This resulted in a significant improvement in the division's profitability.



A thorough analysis of the sulphate furnaces provided a deeper insight into the various chemical reactions and the parameters that affect them. Theories were tested in the laboratory and simulations carried out. The increased knowledge of the chemical reactions should help boost process management and improve the purity of the end product and the hydrochloric acid produced.

To study the impact of the use of its potassium sulphate fertilisers and more in particular of SoluPotasse®, on different cultures, Tessenderlo Group carries out field trials mainly in the Mediterranean area.

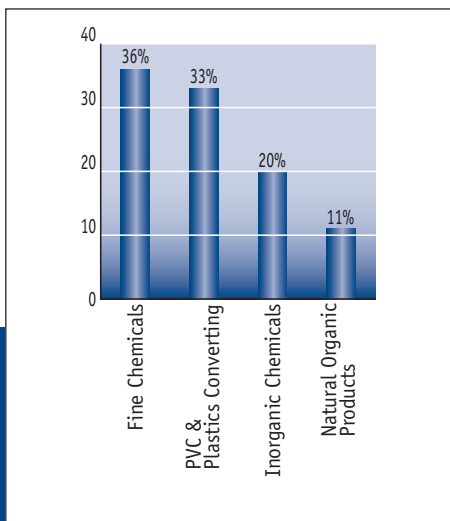
Fine Chemicals

As far as toluene derivatives are concerned, the research division focused chiefly on increasing the flexibility and capacity of the existing units in Belgium, Italy and the UK in 2004. In close collaboration with the production teams, the production at the various sites was restructured with a view to potential savings on costs. This restructuring, which entails large-scale investment, will be finalised in 2005. Ultimately, the various units should be able to respond more quickly to the ever-changing market situation. The quality of some products has been enhanced.

At the same time, the possibility of producing a number of other chlorinated products of smaller tonnage but with higher added value in the existing units is being examined. Some projects were already realised in 2004; others are planned for 2005.

In addition, development of a number of aromatic substances continued in 2004. Some of these will be produced on a pilot scale in 2005. In the short term, these high-quality perfume additives may be manufactured on an industrial scale.

**R&D Expenditures in 2004:
28,2 millions EUR**



In 2004, a number of new active ingredients, or their intermediates, were brought into production in the pharmaceutical subsidiaries Farchemia (Italy) and Calaire Chimie (France). Some were developed on a proprietary basis, while others were outsourced to Tessenderlo Group by pharmaceutical companies. Minor adaptations resulted in more efficient processes or increased performance.

Lastly, the division's pilot facilities were extended to increase the scope of application.

Natural Organic Products

In the past year, much attention focused on developments in the food sector. Tessenderlo Group has responded to new trends, such as the development of recipes based on gelatin for health products with a low glycemic index and/or for low-carbohydrate diets. The range of hydrolysates was also extended, quality was improved and the number of application types was increased.

Further studies will be undertaken in 2005 on the protein structure and the effect of certain production parameters on the protein structure during gelling and drying. These studies should lead to new possibilities for cold soluble gelatin.

In the photographic sector, a project involving the use of gelatin in inkjet materials will be launched in 2005.

In addition, the quality and research team provided the production and sales department with the requisite support and technical advice. This is essential to enable the group to anticipate the constantly changing quality requirements and legislation. Optimising the rheological properties of gelatin and a more extensive knowledge of the gelling process are crucial here.

In the pharmaceutical and medical applications, there is also growing demand for support in various fields, including wound healing, bone implants and plasma expanders, in which gelatin maintains the blood pressure on surrounding tissue.



PVC & Compounds

The process of maximising the production capacity, achieved partly through a higher conversion rate of the monomer VCM, was successfully finalised in 2004. New production records were achieved. The good quality of Tessenderlo Group's polymer in this altered method of preparation is guaranteed and it is successfully marketed among customers. Since some of the production currently involves stainless steel reactors, the polymerisation process had to be adapted slightly. PVC production in Mazingarbe is now based on the principle of closed reactors, which are much more ecologically sound and more beneficial in production and technical terms. All chemical and technical adjustments were implemented in close collaboration with the production teams.

More in-depth research into the stabilisation mechanism of the monomer water suspension should, in 2005, result in more stable polymerisation mixtures and so to more consistent PVC qualities.

In a number of compounds for cable and vehicle applications, flame retarders containing bromine were replaced with alternatives in August 2004. The product range of Thermoplastiques Cousin-Tessier and Saplast, the subsidiaries that manufacture compounds, was optimised on the basis of production location. Any variations in quality, which were often perceptible to customers, were corrected. The position in the sealant sector (window profiles) was reinforced by adjustments to the formulation.

Sales of Marvyflo®, a PVC compound used in the manufacture of dashboard skins, increased as expected. The number of models with Marvyflo® dashboards has in the meantime increased to 25. There are already five qualities, in a total range of 125 different colours. This means the development team is keeping right up to date.



Plastics Converting

Limburgse Vinylmaatschappij (LVM) has subscribed to the European PVC industry's 'Voluntary Commitment' programme for the PVC & Compounds and Plastics Converting divisions. One of the aims of sustainable development and the Vinyl 2010 initiative is the use of alternatives to lead-bearing compounds. New lead-free compounds were developed in conjunction with some stabiliser manufacturers; these were tested in the Tessenderlo Group laboratories. They were subsequently tested out in the Plastics Converting subsidiaries in the production of PVC pipes and window profiles. Here attention is focused on the extent to which these new formulations can be used on the existing machinery and the properties of the finished products. Tests are now under way to ascertain effects after long-term use.

Control laboratories and quality

One of the objectives of the central control laboratory in 2004 was to undertake high-quality analyses in a cost-effective way. The analysis methods were examined, validated and adjusted where necessary. This is a means of ensuring low costs and high reliability.

To ensure a more comprehensive service to the research division and the subsidiaries, the range of analysis techniques was broadened and some new methods were finalised. A number of techniques, such as liquid chromatography and mass spectrometry, were also linked in 2004. As a result, a more extensive range of compounds could be analysed and very low quantities of certain impurities could be identified.

There are plans to extend the current ISO 17025 accreditation, which currently applies to the execution of emission measurements, to water analyses in 2005.

The ongoing training in the laboratories, both internal and external, should ensure that they also keep up with the latest analysis and data processing techniques.

Automation continued with the link-up of equipment to the existing Laboratory Information Management System (LIMS) and the use of sample changers.

In 2004, 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 (system



certification), and in obtaining the requisite product certification for marketing products on the various markets. In this connection, legislation and regulations were closely tracked.

The introduction of the General Food Law on 1 January 2005 obliges full traceability. In addition the incorporation of Good Manufacturing Practices (GMP) in the quality management systems and the implementation of risk analyses relating to food safety (HACCP) offer further quality guarantees, which are much appreciated by customers.

For pharmaceutical glycine, the existing Drug Master File (DMF) was converted into a new file in the required form of presentation (Common Technical Document, or CTD). It was lodged with the Public Health Departments of all European Member States and some non-European countries.

At PB Gelatins, the EDQM certificates - which are indispensable for pharmaceutical gelatins - were updated and extended for qualities of gelatins produced in North and South America. The conversion of the DMF file to the new CTD will be finalised in 2005.

The European Commission is considering a draft directive on new regulations for chemical products in Europe, known as REACH: registration, evaluation and authorisation for chemical products. The impact of REACH on Tessenderlo Group's business is being assessed.



Transparent management

In compliance with the recommendations of the market authorities and the Belgian Corporate Governance Commission, Tessengerlo Group seeks to optimise the administration and management of its operations in accordance with the principles of Corporate Governance.

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 (stakeholders) who, directly or indirectly, are involved with the company are taken into account.

Different proposals and recommendations regarding Corporate Governance are studied, including the application of the Belgian Corporate Governance principles set out by the Code Lippens. The study will also follow up evolutions at Belgian and European level. The company will proceed with the publication of a Corporate Governance charter before the end of 2005.

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 Tessengerlo Group website.

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: www.tessengerlogroup.com.

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 2004 financial year, fees amount to a total of 553,069 EUR. No group companies have granted loans or guarantees to any board members.

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 on average this can represent 20% of the fixed remuneration. These directors also participate in a stock

option scheme. Within this framework, a total of 17,000 warrants, each entitling the holder to subscribe for one new share, have been granted to the members of the Management Committee in 2004. The Remuneration Committee has approved all of these elements.

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 2004):

- Chairman, executive director: Gérard Marchand (appointment ends June 2010)
- Non-executive directors, representatives of the main shareholder*:
 - Pierre-Louis Boutonnat (appointment ends June 2007)
 - Jean-Marc Bouzat (appointment ends June 2010)
 - Eric Gissler (appointment ends June 2007)
 - Claude Niedergang (appointment ends June 2007)
 - Jean-François Rocchi (appointment ends June 2006)
- Independent non-executive directors*:
 - Valère Croes (appointment ends June 2009)
 - Paul de Meester (appointment ends June 2007)
 - Bernard Pache (appointment ends June 2007)
 - Thierry Piessevaux (appointment ends June 2007)
 - Karel Pinxten (appointment ends June 2007)
 - Alain Siaens (appointment ends June 2010)

The Secretary General, Adrien Carton de Wiart, supports the Board of Directors.

Klynveld Peat Marwick Goerdeler (KPMG), represented by Ludo Ruysen fulfils the position of statutory auditor. Besides the compensation of his mandate, the statutory auditor received for special assignments an amount on the order of 88,175 EUR within Tessenderlo Chemie NV.

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 composed of independent directors, in accordance with the terms of the law of August 2nd, 2002 and confirmed by the General Meeting of June 1st, 2004, as well as representatives of the main shareholder.

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 five times during the financial year 2004.

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. The secretary to the Board of Directors supports the Audit Committee.

The members of the committee are:

- Valère Croes (chairman);
- Claude Niedergang*;
- Thierry Piessevaux;
- Karel Pinxten.

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.
- The internal audit and the internal control system, as well as the existing or new control procedures.
- The 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 2004 the Audit Committee met four 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 two members:

- Paul de Meester;
- Karel Pinxten.

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 once during the 2004 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;
- Jozef Housen, Natural Organic Products division;
- Philippe Pôlet, PVC and Plastics Converting divisions;
- David Poynton, Fine Chemicals division.

The monthly meetings of the Management Committee are also attended by:

- Adrien Carton de Wiart, Secretary General;
- Eddy Vandenbrielle, 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.

** Also see the photo on page 6.*



The dividend policy

The dividend policy remains unchanged. In fact: 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.

For the financial year 2004, a net dividend of 0.90 EUR per share will be proposed to the General Meeting of June 7, 2005, which means an increase of nearly 6% compared to last year's dividend. This allocation represents 76% of the consolidated profit. By way of comparison: the dividends, which were distributed for the financial year 2003 amounted to 71% of the net consolidated profit.



FINANCIAL REPORT



Tessenderlo Group holds the position of world leader for various speciality products in the fine chemicals sector. The products of Taile, China, and of other production sites, are exported via tank containers throughout the world.



CONSOLIDATED BALANCE SHEET

(in thousand EUR)

ASSETS	2004	2003
FIXED ASSETS	813,293	785,398
I. Formation expenses (1)	6,791	10,213
II. Intangible assets (2)	57,043	63,012
III. Consolidation differences (3)	38,651	45,011
IV. Tangible assets (4)	692,204	647,903
A. Land and buildings	198,370	194,488
B. Plant, machinery and equipment	381,067	388,997
C. Furnitures and vehicles	23,972	11,033
D. Leased and other similar rights	0	302
E. Other tangible assets	8,045	20,260
F. Assets under construction	77,879	30,706
G. Advanced payments	2,871	2,117
V. Financial asset (5)	18,604	19,259
A. Enterprises accounted for using the equity method		
1. Participating interests	13,377	13,451
B. Other enterprises		
1. Participating interests and shares	4,510	3,500
2. Amounts Receivable	717	2,308
CURRENT ASSETS	837,968	803,294
VI. Amounts receivable after one year	28,275	36,678
A. Trade debtors	1,223	25
B. Other amounts receivable	3,388	1,400
C. Deferred taxes (6)	23,664	35,253
VII. Stocks and contracts in progress (7)	331,385	297,939
A. Stocks		
1. Raw materials and consumables	100,274	84,683
2. Work in progres	22,558	16,769
3. Finished goods	169,671	176,399
4. Goods purchased for resale	38,882	20,088
VIII. Amounts receivable within one year (8)	435,280	417,091
A. Trade debtors	380,677	361,288
B. Other amounts receivable	54,603	55,803
IX. Short term cash investments	1,271	1,044
B. Other investments and deposits (11)	1,271	1,044
X. Cash at bank and in hand (11)	40,003	46,858
XI. Deferred charges and accrued income	1,754	3,684
Total assets	1,651,261	1,588,692

*See comments on pages 87 and followings

CONSOLIDATED BALANCE SHEET

(in thousand EUR)

LIABILITIES	2004	2003
CAPITAL AND RESERVES (9)	764,793	756,342
I. Capital	134,000	133,000
A. Issued capital	134,000	133,000
II. Share premiums	33,768	32,602
IV. Consolidated reserves	608,539	598,869
V. Consolidation differences	359	1,353
VI. Conversion differences	-13,318	-10,384
VII. Investment grants	1,445	902
VIII. Minority interests	314	402
PROVISIONS AND DEFERRED TAXES	121,988	114,779
IX. Provisions and deferred taxes (10)		
A. Provisions for liabilities and charges	85,357	68,651
1. Pensions and similar obligations	38,245	40,630
2. Taxation	1,896	2,718
4. Other liabilities and charges	45,216	25,303
B. Deferred taxes	36,631	46,128
CREDITORS	764,166	717,169
X. Amounts payable after one year (11)	114,700	116,196
A. Financial debts		
2. Unsubordinated loans	40,122	40,098
3. Leasings and similar obligations	3,016	751
4. Credit institutions	9,629	13,195
5. Other loans	61,933	62,152
XI. Amounts payable within one year	647,529	590,413
A. Current portion of amounts payable after one year (11)	1,487	1,017
B. Financial debts (11)		
1. Credit institutions	269,744	196,296
2. Other loans	3,434	73,697
C. Trade debts (12)		
1. Suppliers	230,426	192,648
2. Bills of exchange payable	0	912
D. Advances received on contracts in progress	31	1,507
E. Amounts payable regarding tax, wages and benefits payable (12)		
1. Tax payables	37,573	27,211
2. Remuneration	42,990	50,073
F. Other amounts payable (12)	61,844	47,052
XII. Accrued charges and deferred income	1,937	10,560
Total liabilities	1,651,261	1,588,692

CONSOLIDATED INCOME STATEMENT

(in thousand EUR)

	2004	2003
I. Operating income	2,126,755	1,985,382
A. Turnover (13)	2,077,853	1,972,197
B. Increase +/-decrease - Change in stocks of finished goods work and contracts in progress	10,174	-13,590
C. Fixed assets - own construction	2,771	3,242
D. Other operating income	35,957	23,533
II. Operating charges	2,025,846	1,903,198
A. Raw materials, consumables and goods for resale		
1. Purchases	964,463	919,127
2. Increase -/decrease + in stocks-	-23,639	9,376
B. Services and other goods	543,376	443,078
C. Remuneration, social security costs and pensions	387,047	369,961
D. Depreciations of and other amounts written-off formation expenses, tangible and intangible assets	129,102	134,628
E. Increase +/-decrease - in amounts written-off stocks, contracts in progress and trade debtors	2,849	108
F. Increase +/-decrease - in provisions for liabilities and charges	-1,339	-12,907
G. Other operating charges	23,987	39,827
III. Operating profit (14)	100,909	82,184
IV. Financial income	9,831	8,638
A. Income from financial assets	218	2,294
B. Income from current assets	1,660	1,892
C. Other financial income	7,953	4,452
V. Financial charges	27,243	22,858
A. Interests and other debt charges	16,509	15,625
D. Other financial charges	10,734	7,233
Net financial loss (15)	-17,412	-14,220
VI. Ordinary profit before taxes	83,497	67,964

CONSOLIDATED INCOME STATEMENT

(in thousand EUR)

	2004	2003
VII. Extraordinary income (16)	10,761	18,908
A. Write-back of depreciations and of amounts written off intangible and tangible asset	4,956	12,107
D. Adjustments to provisions for extraordinary liabilities and charges	0	58
E. Gains on disposals of fixed assets	53	484
F. Other extraordinary income	5,752	6,259
VIII. Extraordinary charges (16)	42,105	10,205
A. Extraordinary depreciations of and amounts written-off formation expenses, tangible and intangible assets	8,596	3,264
C. Amounts written-off financial assets	4,072	1,994
D. Provisions for extraordinary liabilities and charges	21,604	33
E. Losses on disposals of fixed assets	53	0
F. Other extraordinary charges	7,780	4,914
Extraordinary result	-31,344	8,703
IX. Profit for the financial period before taxation	52,153	76,667
X. Deferred taxes (17)	14	-8,846
A. Transfer from deferred taxes and latent taxation liability	5,798	4,346
B. Transfer to deferred taxes and latent taxation liabilities	-5,784	-13,192
XI. Income taxes (17)	-15,739	-29,354
A. Income taxes	-21,946	-31,059
B. Adjustment of income taxes and write-back of tax provisions	6,207	1,705
XII. Profit for the financial period	36,428	38,467
XIII. Share in the result of the enterprises accounted for using the equity method	6,266	4,975
XIV. Consolidated profit	42,694	43,442
A. Share of third parties	-123	-16
B. Share of the group (18)	42,817	43,458

CONSOLIDATED CASHFLOW STATEMENT

(in thousand EUR)

	2004	2003
Operating activities		
Share of the group in the profit	42,817	43,458
Share of third parties in the profit	-123	-16
Share in the result of enterprises accounted for using the equity method	-6,266	-4,975
Depreciations (tangible & intangible assets)	132,742	134,628
Amounts written-off financial assets and other receivables in more than 1 year	4,072	1,994
Provisions for liabilities and charges	20,265	-22,260
Deferred taxes	-14	8,846
Cash-flow	193,493	161,675
Change in working capital	-4,867	14,507
Change of perimeter and conversion differences	-6,375	26,792
Change in net cash flow from operating activities	182,251	202,974
Investment activities		
Increase of intangible & tangible assets	-179,632	-121,872
Increase of financial assets	-158	-91,400
Total acquisitions	179,790	-213,272
Decrease of intangible & tangible assets	16,239	3,803
Decrease of financial assets	6,191	182
Total disposals	22,430	3,985
Change in net cash flow from investments/disposals	-157,360	202,974
Financial transactions		
Increase of share capital	2,166	2,848
Movement of capital grants	543	-228
Increase (+), decrease (-) of loans	-2,199	-47,056
Increase of long-term receivables	-4,071	-2,027
Reimbursement of long-term receivables	1,572	929
Dividends paid	-33,185	-31,234
Dividends paid to third parties		-1
Change in net cash flow from financing activities	-35,174	-76,769
Change in cash and cash equivalents	-10,283	-83,082
Net situation at the beginning of the year	-223,108	-140,027
Net situation at the end of the year	-233,391	-223,109

Notes to the consolidated accounts

BALANCE SHEET (in million EUR)

(1) Formation expenses

The formation expenses mainly include restructuring costs; these are depreciated over a period of 5 years and amount to 6,8 million EUR at the end of 2004.

(2) Intangible assets

This caption includes goodwill (49,4), the value of patents and licenses (5,1) and the costs for research and development (2,6).

Intangible assets decreased by 6,0 million EUR compared to last year. This variation is explained by the following items:

- New investments (research costs 1,2, licenses 2,4 and goodwill 0,6)	4,2
- Depreciations of the year	- 4,9
- Conversion differences	- 1,9
- Other movements and disposals	- 3,4
	<hr/>
	- 6,0

(3) Consolidation differences

This caption includes positive consolidation differences, i.e. the price paid in excess of the value, eventually re-estimated, of the shareholders' equity of the companies consolidated for the first time. Consolidation differences are depreciated over a period between 10 and 20 years.

This caption changed as follows:

Net book value end of 2003	45,0
Depreciations of the year	- 5,6
Conversion differences and disposals	- 0,7
	<hr/>
Net book value end of 2004	38,7

(4) Tangible assets

This caption includes the net book value of tangible assets, i.e. their acquisition costs less accumulated depreciations.

The increase of this caption is due to new investments for 176 million EUR of which 40 million EUR concern the costs of the new electrolyse partly offset by the depreciations of the year for an amount of 116 million EUR and the conversion differences and disposals for 15 million EUR. These new investments are split over the divisions as follows:

- Inorganic chemicals	60
- Fine chemicals	19
- PVC & compounds	20
- Plastics converting	50
- Natural organic products	27
	<hr/>
	176

(5) Financial assets

Enterprises accounted for using the equity method:

This caption changed as follows:

- Value end of 2003	13.451
- Result of the year	6.266
- Dividends	- 5.967
- Conversion differences	- 373
<hr/>	
Value end of 2004	13.377

Other enterprises:

This caption includes non-consolidated companies. These are valued at their historical price, under the deduction of value reduction.

(6) Deferred tax assets

Deferred tax assets are accounted for on temporary differences arising from differences between local tax regulations and accounting treatments applied for consolidation purposes. Deferred tax assets on tax losses are recognised to the extent that tax losses can be recovered within a period of 5 years.

Per 31 December 2004, deferred tax assets amount to 23,6 million EUR and arise from the following items:

- Tax losses	33,1
- Differences between tax and accounting value of assets	3,3
- Value reduction on participation in a company in liquidation	2,0
- Revaluation of tangible assets accounted for at consolidation level	1,5
- Others	4,2
<hr/>	
	44,1

The netting of deferred tax assets and liabilities per tax unit resulted in a decrease of 20,5 million EUR of the deferred tax balance which amounts than to 23,6 million EUR by the end of 2004.

Compared to 31 December 2003, this caption decreased by 11,6 million EUR mainly due to the netting per tax unit described in the previous paragraph partly offset by the deferred tax assets arisen during 2004.

It is to be noted that the value reduction accounted for last year on the deferred tax assets of LVM for 7,2 million EUR has been reversed during 2004 in view of the good perspectives of this company. Moreover, thanks to the results realised by LVM in 2004, tax losses could be used and consequently tax assets decreased by 8,6 million EUR.

(7) Stocks

Compared to last year, stocks value increased due to higher raw materials prices (16 million EUR) but also to sales of goods purchased for resale in the divisions Inorganic Chemical and Plastics Converting.

(8) Amounts receivable within one year

As a consequence of the turnover improvement, trade receivables increased by 19 million EUR compared to 2003.

The average credit allowed to client remains stable at 66 days. Other amounts receivable decreased by 1 million EUR and comprise VAT and other taxes to recover.

(9) Shareholders' equity - share of the group

The change in shareholders' equity can be presented as follows:

On 31/12/2003	756,3
Capital increase for personnel	2,2
Result of the year – share of the group	42,8
Dividend distribution	-33,2
Conversion differences	- 2,9
Consolidation differences	- 1,0
Capital grants	0,6
On 31/12/2004	764,8

(10) Provisions and deferred tax liabilities

Per 31 December 2004 compared to 31 December 2003, this caption can be split as follows:

	31/12/2004	31/12/2003
Provisions for liabilities and charges	85,3	68,7
Deferred tax liabilities	36,6	46,1
	121,9	114,8

Provisions for liabilities and charges increased by 16,6 million EUR mainly due to the extraordinary provision of 20 million EUR set up consequently to the investigations performed by the European authorities on animal nutrition products. However, employee benefits provisions decreased by 2,4 million EUR and provisions for tax matters by 1 million EUR.

Per 31 December 2004, deferred tax liabilities amount to 36,6 million EUR and arise from the following items:

- Differences between tax and accounting depreciations	15,4
- Reversal of regulatory provisions in France and other provisions	19,9
- Differences between tax and accounting value of assets	10,4
- Employee benefits provision	4,2
- Capitalisation of restructuring costs	2,1
- Others	5,1
	57,1

The netting of deferred tax assets and liabilities per tax unit resulted in a decrease of 20,5 million EUR of the deferred tax balance which amounts than to 36,6 million EUR by the end of 2004.

(11) Net indebtedness

The group's net indebtedness amounts to 348,1 million EUR at the end of 2004 compared to 339,3 million EUR last year. It results from the compensation between the long and short term financial liabilities amounting to 389,4 million EUR and the cash and cash equivalents amounting to 41,3 million EUR. This increase is mainly due to the new investment

(Electrolyse III). The strengthening of the euro against the dollar reduces the part of the group debt denominated in USD by 7,5 million EUR.

Debts mature all within maximum 5 years and break down as follows: 25% denominated in USD, 33% in GBP and 42% in EUR.

Long- and short term financial debts have a floating rate, except for subordinated and private loans of respectively 40 million EUR and USD 60 million which have a fixed rate and mature in December 2007.

Short term debt is represented for 99,7 million EUR by treasury bills (commercial paper) issued by Tessenderlo Chemie International, the coordination center of the group.

(12) Debts

Trade debts increased by 38,8 million EUR, as well as tax and social payables. Dividend to be paid (33,2 million EUR) is included in the caption 'other amounts payable'.

RESULTS

(13) Turnover

The group's turnover increased by 5,4%, from 1.972 million EUR in 2003 to 2.078 million EUR in 2004.

The turnover per division can be presented as follows:

	2004	2003
Inorganic chemicals	545	534
Fine chemicals	250	261
PVC & compounds	403	341
Plastics converting	563	523
Natural organic products	317	313
	2,078	1,972

(14) Operating profit, EBITDA and cash flow

The operating profit increased by 22,7%, from 82,2 million EUR in 2003 to 100,9 million EUR in 2004. The cash flow also improved, from 161,7 million to 193,5 million.

EBITDA per division (in EUR million):

	2004	2003
Inorganic chemicals	36	39
Fine chemicals	12	22
PVC & compounds	45	-2
Plastics converting	80	88
Natural organic products	56	57
	229	204

(15) Financial results

This caption includes income from non-consolidated investments and financial assets; the caption 'other financial income' or 'other financial charges' relates to bank costs and conversation differences of – 2,8 million EUR. The increase of 0,9 million EUR of debts charges is explained by the higher average indebtedness combined with a slight increase of interest rates.

(16) Net Profit and Loss results on extraordinary activities

The net extraordinary result is negative by 10,8 million EUR.

Extraordinary income amount to 10,8 million EUR and relate to change of depreciations method from accelerated to straight line but also to change of accounting treatment applicable to leases.

Extraordinary charges amount to 42,1 million EUR and are composed of the following main items:

- impairments on fixed assets for 7 million EUR;
- loss on disposal of financial assets for 4,1 million EUR;
- provision of 20 million EUR set up consequently to the enquiry performed by the European authorities on the animal food products;
- various restructuring costs and changes in depreciations method used.

(17) Taxes

The actual tax rate decreased from 38% in 2003 to 31% in 2004.

This decrease is mainly due to the non taxation of the profit realised by the company LVM (tax advantage of 8,6 million EUR).

(18) Consolidated group result

The consolidated result amounts to 42,8 million EUR which represents a slight decrease compared to last year mainly due to the extraordinary provision set up for 20 million EUR.

APPENDIX

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, except those working on commission basis, are included in the perimeter of consolidation.

2. Change of the perimeter

End Augustus 2004, the participation held in Medabil was sold. Therefore, its result for the 8 first months of the year was consolidated.

3. Consolidation method

- Full consolidation: companies controlled directly or indirectly by voting right or in practice;
- Proportional consolidation: joint venture companies;
- Equity method: companies in which the group exercises significant influence.

II. SUBSIDIARIES CONSOLIDATED

A. Subsidiaries fully consolidated

	N° TVA	Group Interest
● Aliphos SAS, FR-75013 Paris (France)	FR61338.966.872	100,0%
● Baert-Verlee & Zoon BVBA, BE-1050 Bruxelles (Belgium)	BE419.875.683	100,0%
● Baert-Verlee SA, BE-1050 Bruxelles (Belgium)	BE435.921.463	100,0%
● Ets. Caillaud SAS, FR-61400 Saint-Langis-les-Mortagne (France)	FR73536.550.056	100,0%
● Calaire Chimie SAS, FR-62100 Calais (France)	FR58309.084.663	100,0%
● Ets. Charvet Père et Fils SAS, FR-91490 Milly-La-Forêt (France)	FR35316.826.775	99,9%
● Chelsea Building Products Inc., US-Oakmont, Pennsylvania 15139 (United States)	-	100,0%
● Chemilyl SAS, FR-59120 Loos (France)	FR58380.358.226	100,0%
● Cofipar NV, NL-4854 MT Bavel (The Netherlands)	-	100,0%
● Compagnie Financière de Tessenderlo NV, BE-1050 Bruxelles (Belgium)	BE407.247.372	100,0%
● Dyka BV, NL-8331 LJ Steenwijk (The Netherlands)	NL00.68.44.200.B.01	100,0%
● Dyka GmbH, DE-14513 Teltow (Germany)	DE159.812.055	100,0%
● Dyka Plastics NV, BE-3900 Overpelt (Belgium)	BE414.467.340	100,0%
● Dyka Polska Sp.zo.o., PL-55-221 Jelcz-Laskowice (Poland)	NIP 899-22-72-101	100,0%
● Dyka s.r.o., CZ-27351 Unhost (Czech. Rep.)	030/45792950	100,0%

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● Dyka SK s.r.o., SK-841 02 Bratislava (Slovakia)	-	100,0%
● Dyka U.K. Ltd, GB-Longtown-Carlisle-Cumbria CA6 5LY (Great Britain)	GB373.837.324	100,0%
● Eurocell Building Plastics Ltd, GB-Alfreton-Derbyshire DE55 4RF (Great Britain)	GB616.751.731	100,0%
● Eurocell Profiles Ltd, GB-Alfreton-Derbyshire DE55 4RF (Great Britain)	GB616.751.731	100,0%
● Fairbrook plc, GB-Alfreton-Derbyshire DE55 4RF (Great Britain)	GB616.751.731	100,0%
● Farchemia srl, IT-24047 Treviglio (BG) (Italy)	IT01903340162	100,0%
● France Gras SA, FR-56300 Le Sourn (France)	FR71860.500.438	97,0%
● H.L. Plastics Ltd, GB-Alfreton-Derbyshire DE55 4RF (Great Britain)	GB616.751.731	100,0%
● Immo Watro SA, BE-1050 Brussels (Belgium)	BE463.391.467	100,0%
● John Davidson Holding Ltd, GB-EH2 4NE Edinburgh (Great Britain)	-	100,0%
● John Davidson Pipes Ltd, GB-EH2 4NE Edinburgh (Great Britain)	GB265.136.463	100,0%
● Kerley Trading Inc., US-Phoenix - Arizona 85008-3279 (United States)	-	100,0%
● Lianyungang Taile Chemical Industry, Co. Ltd. Lianyungang City - 222023 CN-Jiangsu Province (China)	-	100,0%
● Limburgse Rubber Produkten NV, BE-3620 Rekem-Lanaken (Belgium)	BE415.296.392	100,0%
● Limburgse Vinyl Maatschappij NV, BE-1050 Brussels (Belgium)	BE415.505.042	100,0%

● LVM Holding BV, NL-4854 MT Bavel (The Netherlands)	-	100,0%
● LVM Italia srl, IT-20159 Milano (Italy)	IT050.835.401.52	100,0%
● LVM Kunststoffe GmbH. & Co. KG, DE-40878 Ratingen (Allemagne)	DE121.647.162	100,0%
● LVM Limburg BV, NL-6167 RZ Geleen (The Netherlands)	NL95.50.975.B.01	100,0%
● LVM Nederland BV, NL-4854 MT Bavel (The Netherlands)	NL428.164.18478	100,0%
● LVM United Kingdom Ltd, GB-St. Albans, Hertfordshire AL1 1HD (Great Britain)	GB378.292.021	100,0%
● MPR Europe BV, NL-1075 AD Amsterdam (The Netherlands)	-	100,0%
● MPR Services Inc., US- Phoenix - Arizona 85008-3279 (United States)	-	100,0%
● PB Gelatins France SAS, FR-67117 Furdenheim (France)	FR17465.501.385	100,0%
● PB Gelatins GmbH, DE-31582 Nienburg/Weser (Germany)	DE116.150.784	100,0%
● PB Gelatins UK Ltd, Treforest-Mid Glamorgan GB-CF 375 SQ (Great Britain)	GB484.264.428	100,0%
● PB Leiner Argentina SA CC108-S3016WAC - Santo Tomé AR-Santa Fe (Argentina)	-	100,0%
● PB Leiner USA Corp. US-Davenport, Iowa 52809 (United States)	-	100,0%
● Plastival SAS, FR-25340 Clerval (France)	FR44622.820.553	100,0%
● Ets. Point SAS, FR-01440 Viriat (France)	FR20758.200.729	100,0%

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● Produits Chimiques de Loos SAS, FR-59120 Loos (France)	FR81327.744.108	100,0%
● Profex SAS, FR-62210 Avion (France)	FR64328.898.564	100,0%
● Progilor-Bouvard SAS, FR-55100 Charny sur Meuse (France)	FR22846.880.102	99,9%
● Saplast SAS, FR-67100 Strasbourg (France)	FR56608.501.417	100,0%
● Société Artésienne de Vinyle SAS, FR-75013 Paris (France)	FR82351.563.978	100,0%
● Société Rhodanienne de Produits Alimentaires SAS, FR-69960 Corbas (France)	FR14779818244	100,0%
● Sotra-Seperef SAS, F-69650 Quincieux (France)	FR05383.115.110	100,0%
● T.C.T. Polska Sp.zo.o., PL-96-500 Sochaczew (Poland)	NIP016.303.68	100,0%
● Tarpey - Harris Ltd, GB-Alfreton Derbyshire DE 55 4RF (Great Britain)	GB616.751.731	100,0%
● Technicompound SAS, FR-49700 Doué-la-Fontaine (France)	FR57.343.991.600	100,0%
● Tefipar SA, FR-75013 Paris (France)	-	100,0%
● Térélux NV, LU-GD 2633 Luxembourg (Luxembourg)	-	100,0%
● Tessenderlo Chemie NV, BE-3980 Tessenderlo (Belgium)	BE412.101.728	société-mère
● Tessenderlo Chemie Hungaria Kft, HU-1141 Budapest (Hungary)	HU10618725.2.01	100,0%
● Tessenderlo Chemie International NV, BE-1050 Bruxelles (Belgium)	BE432.184.686	100,0%
● Tessenderlo Chemie Maastricht BV, NL-6222 Maastricht (The Netherlands)	NL008700035.B.01	100,0%
● Tessenderlo Chemie Rotterdam BV, NL-3133 KA Vlaardingén (The Netherlands)	NL66.97.550B.01	100,0%

● Tessengerlo Fine Chemicals Ltd, GB-ST13 8UZ Leek, Staffordshire (Great Britain)	GB765.365.404	100,0%
● Tessengerlo Holding UK Ltd, GB-CF 375 SU Treforest (Great Britain)	GB484.264.428	100,0%
● Tessengerlo Italia srl, IT-20159 Milano (Italy)	IT09921480159	100,0%
● Tessengerlo Kerley Inc., US-Phoenix-Arizona 85008-3279 (United States)	-	100,0%
● Tessengerlo Kerley Latino Americana SA, CL-9358 Santiago (Chile)	-	100,0%
● Tessengerlo Kerley Mexico SA de CV, MX-85000 Ciudad Obregon, Sonora (Mexico)	-	100,0%
● Tessengerlo Kerley Peru SAC, PE-Arequipa (Peru)	-	96,7%
● Tessengerlo Kerley Services Inc., US-New Mexico-88 220 Carlsbad (United States)	-	100,0%
● Tessengerlo Kerley Yildiz, TR-80300 Gayrettepe Istanbul (Turkey)	-	100,0%
● Tessengerlo Partecipazioni SpA, IT-20122 Milano (Italy)	IT12118590152	100,0%
● Tessengerlo Polska Sp.zo.o., PL-60-462 Poznan (Poland)	NIP788.17.88.462	100,0%
● Tessengerlo Schweiz AG, CH-5330 Zurzach (Switzerland)	CH504752	100,0%
● Tessengerlo Services SAS, FR-75013 Paris (France)	FR14444.424.642	100,0%
● Tessengerlo U.S.A. Inc., US-Phoenix-Arizona 85008-3279 (United States)	-	100,0%
● Tessengerlo UK Ltd, GB-Widnes, Cheshire, WA8 ONY (Great Britain)	GB775.893.071	100,0%

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● Thermoplastiques Cousin-Tessier SAS, FR-85130 Tiffauges (France)	FR95063.200.604	100,0%
● Union de la Boucherie Lyonnaise SAS, FR-69960 Corbas (France)	FR27957.503.204	94,2%
● Wymar International NV, BE-8720 Oeselgem (Belgium)	BE437.458.023	100,0%
● Wymar Polska Sp.zo.o., PL-62-100 Wagrowiec (Poland)	PL766.16.24.439	100,0%
● Wymar Systems Ltd, GB-DY13 9EZ Worcestershire (Great Britain)	-	100,0%

B. Subsidiaries proportional consolidated

● Alkemin S de RL de CV, MX-Mexico D.F. 11700 (Mexico)	-	49,0%
● Jupiter Sulphur LLC, US-Phoenix-Arizona 85008-3279 (United States)	-	50,0%
● Tessengerlo Davison Chemicals LLC, US-Ruston, LA 71270 (United States)	-	50,0%

C. Subsidiaries consolidated with equity method

● Dynaplast-Extruco Inc., CA-G7X 0B6 Jonquière - Québec (Canada)	-	33,0%
● Siram sarl, FR-50390 St Sauveur le Vicomte (France)	FR10322.883.091	50,0%
● Zéoline NV, BE-4480 Engis (Belgium)	BE441.266.658	50,0%

The participation of 50% in Medabil was sold during 2004.

III. VALUATION RULES

A. 1. FORMATION EXPENSES

The formation expenses include the restructuring costs and the costs of increase of capital. They are depreciated on a straight line basis over a period of 5 years.

2. TANGIBLE ASSETS

Tangible assets are valued at acquisition price.

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

- land	0.00%
- industrial/residential buildings, constructions & 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%

B. CONSOLIDATION DIFFERENCES

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 to 20 year period.

Consolidated companies' accounts were all closed off as of 31 December 2004.

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.

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	2004		2003
	Closing	Average	Closing
GBP/EUR	0.7051	0.6787	0.7048
USD/EUR	1.3621	1.2439	1.2630
CAD/EUR	1.6416	1.6167	1.6234
RMB/EUR	11.3068	10.3308	10.4536
PLN/EUR	4.0845	4.5268	4.7019
BRL/EUR	3.6193	3.6365	3.6520
CHF/EUR	1.5429	1.5438	1.5579
CZK/EUR	30.4640	31.8913	32.4100
DKK/EUR	7.4388	7.4399	7.4450
HUF/EUR	245.9700	251.6600	262.5000

Change difference coming from the translation of the Equity of a foreign company is booked into the conversion differences 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.

C. CAPITALISATION OF DEFERRED TAX ASSETS ON TAX LOSSES

Deferred tax assets are accounted for in the balance sheet arising from tax losses insofar as these can be recovered. For consolidation purposes, the recovery period has been limited to 5 years.

The computation of tax losses takes into account the local regulations concerning their deductibility from future taxable profits. When tax losses are higher than the usable future taxable profits limited to 5 years, a value reduction is accounted for the difference.

IV. FORMATION EXPENSES

Balance at the end of previous year	10,213
Depreciations	-3,410
Conversion differences	-12
Balance at the end of the year	6,791

V. INTANGIBLE ASSETS

	R. & D. costs	Concessions patents licenses	Goodwill	TOTAL
a) Cost				
Balance at the end of previous year	16,679	18,455	93,991	129,125
Changes during the year:				
- Acquisitions including capitalized expenditures	1,221	2,388	639	4,248
- Disposals and sales		-289	-11,320	-11,609
- Transfer between accounts		8,265	-8,265	
- Conversion differences		-34	-3,311	-3,345
Balance at the end of the year	17,900	28,785	71,734	118,420
b) Depreciations, write-downs				
Balance at the end of previous year	-13,965	-14,670	-37,478	-66,113
Changes during the year:				
- Amortisation	-1,312	-2,229	-1,386	-4,927
- Write off due to disposals cancellations		257	7,980	8,237
- Transfer between accounts		-7,091	7,091	
- Conversion differences			1,426	1,426
Balance at the end of the year	-15,277	-23,733	-22,367	-61,377
c) Net book value				
at the end of the year	2,623	5,052	49,367	57,043

FINANCIAL REPORT

VI. TANGIBLE ASSETS

	Land and buildings	Plant, machinery and equipment	Furnitures and vehicles	Leased assets	Others	Work in progress	TOTAL
a) Cost							
Balance at the end of previous year	352,510	1,508,044	49,802	2,859	79,280	32,824	2,025,319
Changes during the year:							
- Impact variation perimeter	61	-3,833	369		-31	-73	-3,507
- Acquisitions including capitalized expenditures	21,332	58,722	9,327		2,533	83,684	175,598
- Disposals and sales	-11,249	-37,609	-7,059	-2,859	-925	-235	-59,936
- Transfer between accounts	2,004	29,990	64,116		-60,951	-35,159	
- Conversion differences	1,464	-10,385	-536		-38	-291	-9,786
Balance at the end of the year	366,122	1,544,929	116,019	0	19,868	80,750	2,127,688

b) Depreciations and write-downs

Balance at the end of previous year	-158,022	-1,119,048	-38,769	-2,557	-59,020		- 1,377,416
Changes during the year:							
- Impact var. perimeter		2,000	76		25		2,101
- Depreciations and write downs	-14,381	-84,017	-10,821		-2,077		-111,296
- Write off due to disposals and sales	6,820	32,757	6,097	2,557	876		49,107
- Impairments	-37	-2,220					-2,257
- Transfer between accounts	252	403	-49,053		48,398		
- Conversion differences	-2,384	6,264	424		-27		4,279
Balance at the end of the year	-167,752	-1,163,861	-92,046	0	-11,825		-1,435,484

c) Net book value

at the end of the year	198,370	381,068	23,973		8,043	80,750	692,204
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VII. FINANCIAL ASSETS

A1. Companies valued under the equity method

Balance at the end of previous year	13,451
Net profit attributable to group	6,266
Dividend distribution	-5,967
Conversion differences	-373
Balance at the end of the year	13,377

B1. Other investments, shares and equity certificates

	Related companies	Others	Total
Balance at the end of previous year	2,718	782	3,500
Disposals, withdrawals	-2,718	3,728	1,010
Balance at the end of the year	0	4,510	4,510

C2. Long-term receivables

Balance at the end of previous year	402	1,906	2,308
Variation (increases, decrease)	-357	-1,234	-1,591
Balance at the end of the year	45	672	717

VIII. LIABILITIES AND SHAREHOLDERS' EQUITY

A. Group shareholders' equity

	Share capital	Share premiums	Reserves	Goodwill	Conversion differences	Capital grants	Total
At 31/12/2003	133,000	32,601	598,907	1,353	-10,422	902	756,341
Capital increase	1,000	1,166					2,166
Net profit attributable to group			42,817				42,817
Dividend distribution			-33,185				-33,185
Translation differences					-2,896		-2,896
Changes in capital grants						543	543
Cancellation				-994			-994
At 31/12/2004	134,000	33,767	608,539	359	-13,318	1,445	764,792

B. Minority interests

At 31/12/2003	402
Net profit attributable to group	-123
Impact variation perimeter	35
At 31/12/2004	314

FINANCIAL REPORT

C. Provisions and deferred tax

	2004	2003
Provisions: Pensions and similar obligations	38,245	40,630
Taxation	1,896	2,718
Other risks and charges	45,216	25,303
Deferred tax	36,631	46,128
	121,988	114,779

IX. CONSOLIDATION DIFFERENCES AND SHAREHOLDERS' EQUITY

	Differences in consolidation	
	Positive	Negative
Net book value at the beginning of the year	45,011	1,353
Depreciations	-5,645	
Conversion differences and sales	-715	-994
Net book value at the end of the year	38,651	359

X. BREAKDOWN OF FINANCIAL LIABILITIES LISTED ACCORDING MATURITY DATE

	within 1 year	1 to 5 years
Financing lease	944	3,016
Banks		9,629
Others	543	61,933
Non-subordinated loans		40,122
	1,487	114,700

XI. CONSOLIDATED PROFIT AND LOSS STATEMENT

A.1. Sales per division (mil. EUR)

	2004	2003
- Inorganic chemicals	545	534
- Fine chemicals	250	261
- PVC & compounds	403	341
- Plastics converting	563	523
- Natural organic products	317	313
	2,078	1,972

2. Sales per geographical market

- France	22%
- UK	16%
- Netherlands	10%
- Belgium	9%
- Germany	9%
- Others EU	15%
Total EU	81%
Out of EU	19%
	100%

B. Breakdown of the average personnel and personnel costs

1. Average number of personnel	2004	2003
Workers	5,410	5,279
Employees	2,860	2,821
Management personnel	60	61
	8,330	8,161
2. Personnel costs	2004	2003
Remuneration	275,910	260,262
Employer's social security charges and insurance premiums	83,355	81,531
Other personnel costs	27,782	28,168
	387,047	369,961

XII. OFF-BALANCE SHEET COMMITMENTS

	2004	2003
1. Guarantees given by third parties on our behalf	21,993	14,310
2. Guarantees given on behalf of third parties	18,160	4,401
3. Guarantees received from third parties	13,132	13,588
4. Commitments to purchase due to financial leases	3,952	2,634
5. Forward sales of currencies	6,697	6,000

XIII. 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 229,630 EUR.

Statutory auditor's report on the consolidated accounts of the Tessenderlo Group submitted to General Shareholders' Meeting of Tessenderlo Chemie NV consolidated accounts for the year ended December 31, 2004

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 consolidated financial statements for the year ended December 31, 2004 with a balance sheet total of 1,651,261 EUR'000 and a profit for the year of 42,817 EUR'000. These consolidated financial statements have been prepared under the responsibility of the Board of Directors of the Company. The financial statement of a number of companies which statements reflect total assets of 379,056 EUR'000 and total result of 6,708 EUR'000 in the consolidated financial statements were audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the reports of the other auditors. 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 financial statements are free of material misstatement, taking into account the Belgian legal and regulatory requirements relating to the consolidated financial statements.

In accordance with these standards we have taken into account the administrative and accounting organisation of your 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 financial statements. We have assessed the accounting policies used, the basis for consolidation, the significant accounting estimates made by the Company and the overall presentation of the consolidated financial statements. We believe that our audit and the report(s) of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of the other auditors, the consolidated financial statements of Tessenderlo Chemie NV for the year ended December 31, 2004 present fairly the financial position of the group and the consolidated results of its operations, in conformity with the prevailing legal and regulatory requirements, and the disclosures made in the notes to the consolidated financial statements are adequate

Additional assertion and information

As required by generally accepted auditing standards the following additional assertion and information are provided. This assertion and information do not alter our audit opinion on the consolidated financial statements

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

Klynveld Peat Marwick Goerdeler Bedrijfsrevisoren/Reviseurs d'Entreprises

Statutory Auditor

represented by Ludo Ruysen

Bedrijfsrevisor/Revisieur d'Entreprises

Antwerp, March 25, 2005

TESSENDERLO CHEMIE NV - BALANCE SHEET

(in thousand EUR)

ASSETS	2004	2003
FIXED ASSETS	1,089,818	1,067,097
II. Intangible assets	1,967	2,952
III. Tangible assets	153,247	120,355
A. Land and buildings	33,957	32,839
B. Plant, equipment and tools	67,453	75,968
C. Furnitures and vehicles	1,947	2,185
D. Leased assets and similar rights	0	302
E. Other tangible assets	122	133
F. Capital work in progress and advance payments	49,768	8,928
IV. Financial assets	934,604	943,790
A. Investments in related companies		
1. Investments		
a) Consolidated companies	933,381	942,560
c) Other related companies	266	299
C. Other financial assets		
1. Investments, shares and equity certificates	639	635
2. Receivablese	318	296
CURRENT ASSETS	196,949	208,016
VI. Stocks and orders in progress	69,211	58,045
A. Stocks		
1. Raw materials and consumables	28,364	26,290
2. Work in progress	752	808
3. Finished goods	37,049	29,509
4. Goods purchases for resale	3,046	1,438
VII. Receivables due within one year	121,875	142,131
A. Trade receivables	112,630	105,694
B. Other receivables	9,245	36,437
IX. Cash and cash equivalents	5,321	6,746
X. Prepaid expenses and accrued income	542	1,094
Total assets	1,286,767	1,275,113

TESSENDERLO CHEMIE NV - BALANCE SHEET

(in thousand EUR)

LIABILITIES	2004	2003
SHAREHOLDERS' EQUITY	552,515	612,408
I. Share capital	134,000	133,000
A. Issued capital	134,000	133,000
II. Share premiums	33,768	32,601
IV. Reserves	16,921	17,020
A. Legal reserves	13,300	13,300
B. Undistributable reserves		
2. Others	933	933
C. Tax free reserves	2,688	2,787
V. Retained earnings	367,588	429,523
VI. Capital grants	238	264
PROVISIONS AND DEFERRED TAXES	55,414	34,665
VII A. Provisions for liabilities and charges	54,934	34,122
A1. Pensions and similar obligations	10,932	11,826
A3. Major repairs and maintenance	1,907	2,265
A4. Others	42,095	20,031
B. Deferred taxes	480	543
LIABILITIES	678,838	628,040
VIII. Liabilities due in more than one year	149,485	131,783
A. Financial liabilities		
2. Non subordinated loans	122	98
5. Other loans	149,363	131,685
IX. Liabilities due within one year	528,873	495,442
A. Long-term liabilities payable within the year	22,383	19,139
B. Financial liabilities		
1. Banks	0	1
C. Trade payables		
1. Accounts payable	68,736	54,872
D. Advances received on contracts in progress	64	0
E. Taxes, wages and benefits payable		
1. Taxes	5,392	6,345
2. Wages and benefits payable	15,247	15,300
F. Other liabilities	417,051	399,785
X. Accrued expenses and deferred income	480	815
Total liabilities	1,286,767	1,275,113

TESSENDERLO CHEMIE NV-PROFIT & LOSS STATEMENT

(in thousand EUR)

	2004	2003
I. Sales and operating income	563,073	526,450
A. Sales	526,721	503,227
B. Change in work in progress, finished goods and orders in progress (increase +/decrease -)	7,483	-1,253
C. Production capitalized	2,305	1,722
D. Other operating income	26,564	22,754
II. Cost of sales and operating charges (-)	550,746	509,949
A. Raw materials and goods purchased for resale		
1. Purchases	280,206	254,468
2. Changes in stocks (increase -/decrease +)	-3,917	-350
B. Services and other goods	148,186	131,644
C. Wages, salaries, social charges and pensions	99,730	100,192
D. Depreciations and amortizations on formation expenses, tangible and intangible assets	20,872	21,240
E. Amounts written-off stocks and trade receivables (charges + write-backs -)	277	99
F. Provisions for liabilities and charges (charges less utilisations and write-backs) (charges +, write-backs -)	812	-2,236
G. Other operating charges	4,580	4,892
III. Operating profit	12,327	16,501
IV. Financial income	305	22,668
A. Income from financial assets	181	22,543
B. Income from current assets	88	66
C. Other financial income	36	59
V. Financial charges	15,741	13,186
A. Interests and other debt charges	13,077	12,157
C. Other financial expenses	2,664	1,029
Net financial profit	-15,436	9,482
VI. Ordinary profit(+)/losses(-) before taxes	-3,109	25,983
VII. Exceptional income	0	23,769
D. Gains on disposals of fixed assets	0	23,769
VIII. Extraordinary charges	25,939	0
C. Provisions for liabilities and charges	20,000	0
D. Losses on disposals of fixed assets	5,939	0

FINANCIAL REPORT

(in thousand EUR)

	2004	2003
IX. Profit(+)/losses(-) before taxes	-29,048	49,752
IX. Bis A. Transfer from deferred taxes	64	64
X. Income taxes	134	290
A. Income taxes	-228	-3,150
B. Adjustment of income taxes and write-back of tax provisions	362	3,440
XI. Profit(+)/losses(-)	-28,850	50,106
XII. Transfer from untaxed reserves	99	99
XIII. Profit(+)/losses(-) for the year to be allocated	-28,751	50,205

ALLOCATIONS AND DISTRIBUTIONS

Your Board propose to allocate the

- 2004 losses, being	-28,751
- Increased by prior years' retained earnings	429,523
Totalling:	400,772

in the following manner:

- Quotas	533
- Dividends	32,651
- Retained earnings	367,588
Totalling:	400,772

If you approve this proposed allocation, the gross dividend will be 1,2 EUR; it gives a net dividend of 0,9 EUR for the 27,210,399 ordinary shares and for the VVPR dividend a net amount of 1,02 EUR remittance of coupon n°68.

XIV. SHARE CAPITAL

	Amount (in thousand EUR)	Number of shares
A. Share Capital		
1. SUBSCRIBED CAPITAL (Rubric 100 of balance sheet)		
Balance at the end of previous year	133.000	27.113.352
Changes during the year:		
Increase	1.000	97.047
Balance at the end of the year	134.000	27.210.399
2. Capital		
2.1. Category of shares		
Ordinary shares	134.000	27.210.399
Principal shareholder:		
EMC Parbel NV: 26,41%		
Rue du Trône 130 - 1050 Brussels		
Announcement date: 01/12/2004		
2.2. Registered shares & ordinary shares		
Registered shares		7.668.959
Ordinary shares		19.541.440
Changes of the year		
Number of shares at 31/12/2003		27.113.352
Capital increase (personnel)		97.047
Number of shares at 31/12/2004		27.210.399
E. AMOUNT OF AUTHORIZED CAPITAL, NOT ISSUED:		126.000

XV. 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

FINANCIAL REPORT

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	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 in 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 EUR 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 (see 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 liabilities 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 in 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.

XVI. 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 the website www.tessenderlogroup.com and on request, addressed to Tessenderlo Chemie NV Troonstraat 130 B-1050 Brussels..

Report of the Statutory Auditor on the statutory accounts submitted to the general shareholders' meeting of Tessengerlo Chemie NV/SA statutory accounts for the year ended 31 December 2004

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 31 December 2004 with a balance sheet total of 1,286,767 EUR'000 and a loss for the year of 28.751 EUR'000. 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 Réviseurs 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 31 December 2004 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 information

As required by generally accepted auditing standards the following additional assertions and information are provided. These assertions and information 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.

Klynveld Peat Marwick Goerdeler Bedrijfsrevisoren - Réviseurs d'Entreprises

Statutory Auditor

represented by Ludo Ruysen

Révisieur d'Entreprises

Antwerp, March 25, 2005

IFRS CONSOLIDATED FINANCIAL STATEMENTS 2004

1. IFRS CONSOLIDATED INCOME STATEMENT

The consolidated income statement for the year 2004 set up according to IFRS can be presented as follows:

	<i>(in thousand EUR)</i>
Sales	2,062,864
Cost of goods sold	-1,627,116
Gross profit	435,748
Distribution costs	-135,104
Sales and marketing expenses	-79,427
Administrative expenses	-118,212
Net other operating income and expenses	-21,799
Operating profit	81,206
Net financial result	-17,352
Share of result of associates	6,169
Profit before income taxes	70,023
Income taxes	-16,548
Net profit	53,475
Group's share	53,576
Minority interest	-101

The income statement of the Tessenderlo Group for the year 2004 set up according to IFRS, shows a profit of 53,6 million EUR (group's share), which represents an increase of 10,8 million EUR compared to the result set up according to Belgian GAAP which, for reminder, shows a profit of 42,8 million EUR.

This difference is due to the following main items:

Items having a positive impact on the IFRS result:

- Under Belgian GAAP, goodwill are depreciated over a period between 10 and 20 years. Under IFRS, they are not depreciated but well subject to impairment tests. The impact of this restatement amounts to 8,5 million EUR;
- Under Belgian GAAP, restructuring costs and research and development costs are capitalised and depreciated. Since they did not meet the criteria to be capitalised under IFRS, they have been valued at zero in the context of the set up of the opening IFRS balance sheet (or "FTA IFRS"). Therefore, depreciations accounted for under Belgian GAAP are reversed under IFRS which has an impact of 4,6 million EUR on the IFRS result;
- The capitalisation of the dismantling costs of tangible assets (Ely 1) has a positive impact on the IFRS result of 1,7 million EUR. Under Belgian GAAP, these costs are expensed.

Items having a negative impact on the IFRS result:

- The alignment of the Belgian GAAP on the IFRS regarding the accounting treatment of leasing contracts has a negative impact on the IFRS result of 2,9 million EUR: finance leases capitalised during FTA IFRS have been capitalised during 2004 under Belgian GAAP;
- Under IFRS 2, benefits granted to the Tessengerlo personnel during capital increase as well as option plans for Directors are expensed. The impact of these items amounts to 1,3 million EUR;
- Research and development costs capitalised under Belgian GAAP are expensed under IFRS for 1,2 million EUR.

2. IFRS CONSOLIDATED BALANCE SHEET

The consolidated balance sheet of the Tessengerlo Group for the year ended 31 December 2004 set up according to IFRS compared to the consolidated balance sheet set up according to Belgian GAAP can be presented as follows:

(in thousand EUR)

ASSETS	BEGAAP	IFRS	Difference	Comment
Non-current assets	841,525	815,007	-26,518	
Property, plant and equipment	692,204	693,405	1,201	(1)
Goodwill	38,651	48,006	9,355	(2)
Intangible assets	63,834	13,291	-50,543	(3)
Investments in associates	13,377	19,425	6,048	(4)
Other investments	5,184	5,367	183	
Deferred income tax assets	23,664	30,902	7,238	(5)
Trade and other receivables	4,611	4,611	0	
Current assets	809,736	799,592	-10,144	
Inventories	331,385	330,084	-1,301	(6)
Trade and other receivables	437,034	428,313	-8,721	(7)
Derivative financial instruments	43	348	305	
Cash and cash equivalents	41,274	40,847	-427	
Total assets	1,651,261	1,614,599	-36,662	

FINANCIAL REPORT

(in thousand EUR)

LIABILITIES	BEGAAP	IFRS	Difference	Comment
Equity				
Equity - group's share	764,793	755,512	-9,281	(8)
Share capital	134,000	134,000	0	
Reserves	210,919	147,841	-63,078	
Retained earnings	419,874	473,671	53,797	
Minority interest	314	5	-309	
Total equity	765,107	755,517	-9,590	
Liabilities				
Non-current liabilities	236,688	240,562	3,874	
Long term financial liabilities	52,767	53,945	1,178	(9)
Other long term liabilities	61,933	61,700	-233	
Employee benefits (pensions and other benefits)	38,245	43,900	5,655	(10)
Provisions for other risks and charges	47,112	47,099	-13	
Deferred income tax liabilities	36,631	33,918	-2,713	(11)
Current liabilities	649,466	618,520	-30,946	
Short term financial liabilities	274,665	278,079	3,414	(12)
Trade and other payables	331,081	296,551	-34,530	(13)
Current tax liabilities	37,573	37,397	-176	
Provisions for other risks and charges	6,147	6,493	346	
Total liabilities	886,154	859,082	-27,072	
Total liabilities	1,651,261	1,614,599	-36,662	

(1) Property, plant and equipment

Property, plant and equipment amount to 693,4 million EUR under IFRS compared to 692,2 million EUR under Belgian GAAP, which represents an increase of 1,2 million EUR.

This increase is mainly due to the capitalisation of the dismantling costs of an electrolyse to be disposed (depreciated over a period of 3 years) for an amount of 2,6 million EUR partially compensated by the impact of the change of consolidation method in the context of the transition to IFRS. We remind that companies which were proportionally consolidated under Belgian GAAP are consolidated by the equity method under IFRS.

(2) Goodwill

Goodwill amounts to 48 million EUR under IFRS compared to EUR 38,7 million under Belgian GAAP, which represents an increase of 9,3 million EUR.

This increase is mainly due to the application of IFRS 3 which foresees that goodwill is not depreciated anymore but well subject to impairment tests annually. Under Belgian GAAP, they still have been depreciated.

It is to be noted that goodwill included under Belgian GAAP in the caption 'intangible assets' have been reclassified in the caption 'goodwill' compensated by impairments accounted for in the context of the FTA IFRS.

(3) Intangible assets

Intangible assets amount to 13,3 million EUR under IFRS compared to 63,8 million EUR under Belgian GAAP, which represents a decrease of 50,5 million EUR.

This decrease is mainly due to the following items:

- Commercial goodwill of French entities mainly have been totally depreciated under IFRS while they are capitalised under Belgian GAAP for an amount of 27 million EUR;
- The reclassification of goodwill included in the caption under Belgian GAAP to the caption 'goodwill' under IFRS for an amount of 13,2 million EUR;
- Restructuring costs capitalised under Belgian GAAP for 6,7 million EUR are expensed under IFRS;
- Research costs capitalised under Belgian GAAP for 2,6 million EUR are expensed under IFRS.

(4) Investments in associates

Investments in associates amount to 19,4 million EUR under IFRS compared to 13,4 million EUR under Belgian GAAP, which represents an increase of 6 million EUR. This increase is explained by the change of consolidation method described under point (1) and represents the Tessenderlo Group's share in the equity of companies concerned by this change per 31 December 2004.

(5) Deferred income tax assets

Deferred income tax assets amount to 30,9 million EUR under IFRS compared to 23,7 million EUR under Belgian GAAP, which represents an increase of 7,2 million EUR.

These additional deferred income tax assets under IFRS compared to Belgian GAAP result from the different adjustments considered for the transition to IFRS; the impairment accounted for on the American goodwill gives rise to a deferred income tax asset of 3,3 million EUR. A netting of deferred income tax balances per tax consolidation has been performed in 2004 resulting in a decrease of deferred income tax balance.

(6) Inventories

Inventories amount to 330,1 million EUR under IFRS compared to 331,4 million EUR under Belgian GAAP, which represents a decrease of 1,3 million EUR.

This decrease is due to a value adjustment on inventories in the US for 0,3 million EUR; the remaining part of the fluctuation is due to the change in consolidation method described under point (1).

(7) Trade and other receivables

Trade and other receivables amount to 428,3 million EUR under IFRS compared to 437 million EUR under Belgian GAAP, which represents a decrease of 8,7 million EUR.

This decrease is mainly due to IAS 19 related adjustments (7 million EUR). Actually, the application of this standard leads to the zero valuation of the overfunding in the Pension Fund.

The remaining part of the decrease is due to the change of consolidation method described under point (1).

(8) Equity - Group's share

The equity of the Tessenderlo Group amounts to 755,5 million EUR under IFRS compared to 764,8 million EUR under Belgian GAAP, which represents a decrease of 9,3 million EUR.

This decrease can be explained as follows:

Adjustments booked for FTA IFRS:	(24,7 million EUR)
Dividend 2003	(31,2 million EUR)
Difference between IFRS result and Belgian GAAP result for year 2004	10,8 million EUR
Dividend 2004	33,1 million EUR
Adjustments booked through equity	1,4 million EUR
Reclassification capital grants (change 2004)	(0,5 million EUR)
Exchange differences	1,8 million EUR
	<hr/>
	(9,3 million EUR)

(9) Long term financial liabilities

Long term financial liabilities amount to 54 million under IFRS compared to 52,8 million under Belgian GAAP, which represents an increase of 1,2 million exclusively due to the change in consolidation method described under point (1).

(10) Employee benefits (pensions and other benefits)

Provisions for pensions and other benefits amount to 43,9 million EUR under IFRS compared to 38,2 million EUR under Belgian GAAP, which represents an increase of 5,7 million EUR due to additional provisions set up, mainly in the pension fund, to fulfil the IAS 19 requirements.

(11) Deferred income tax liabilities

Deferred income tax liabilities amount to 33,9 million EUR under IFRS compared to 36,6 million EUR under Belgian GAAP, which represents a decrease of 2,7 million EUR.

This decrease of deferred income tax liabilities under IFRS compared to Belgian GAAP results from the different adjustments considered in the transition to IFRS. A netting of deferred income tax balances per tax consolidation has been performed in 2004 resulting in a decrease of deferred income tax balance.

(12) Short term financial liabilities

Short term financial liabilities amount to 278,1 million EUR under IFRS compared to 274,7 million EUR under Belgian GAAP, which represents an increase of 3,4 million EUR due to the reclassification of capital grants included in equity under Belgian GAAP for 1,4 million EUR but also to the change of consolidation method described under point (1) for 2 million EUR.

(13) Trade and other payables

Trade and other payables amount to 296,5 million EUR under IFRS compared to 331,1 million EUR under Belgian GAAP, which represents a decrease of 34,6 million EUR.

This decrease is explained mainly by the dividend of the year 2004 (33,1 million EUR). Actually, under IFRS, the balance sheet is to be presented before dividend. The remaining part of the fluctuation is due to the change in consolidation method described under point (1).



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