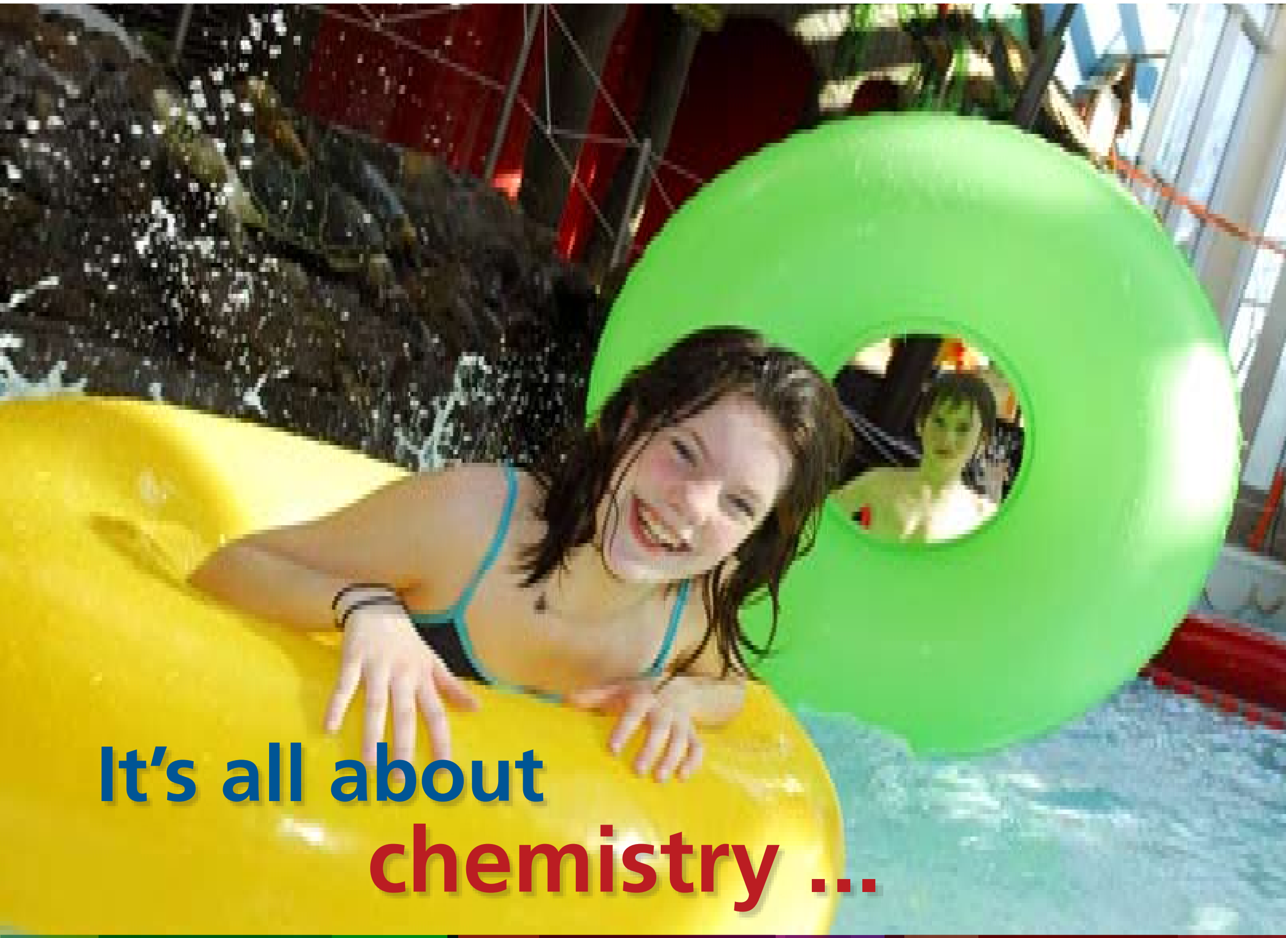
Annual report 2006

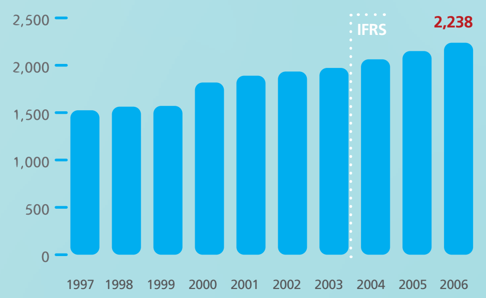


It's all about chemistry ...

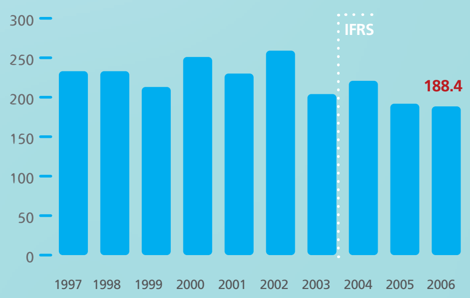
Chemicals | Plastics Converting | Specialities

Tessenderlo Group in a few charts

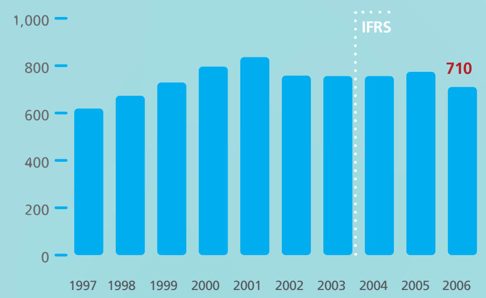
Revenue (million €)



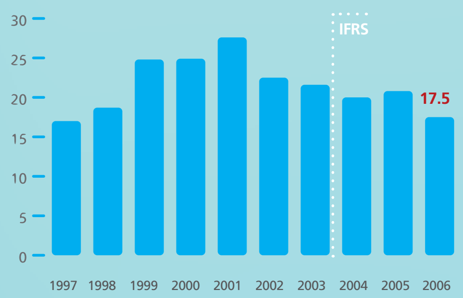
Rebitda (million €)



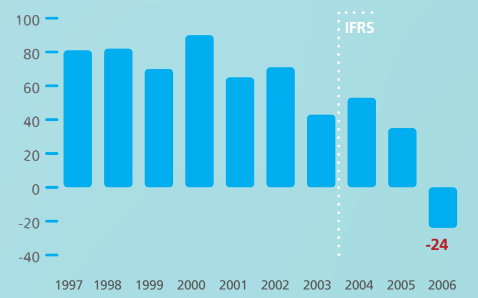
Equity (million €)



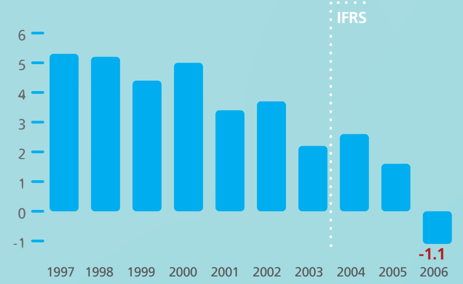
Working capital / Revenue (%)



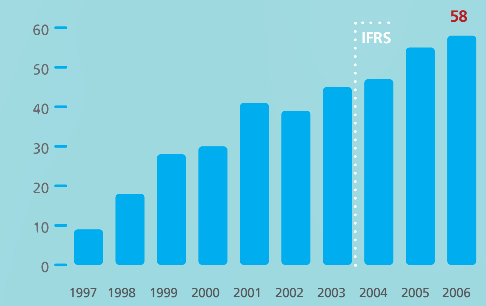
Profit (+) / Loss (-) (million €)



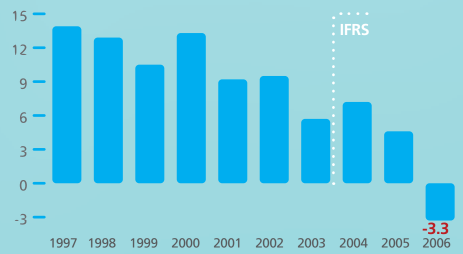
Profit (+) / Loss (-) / Revenue (%)



Net financial debt / Equity (%)

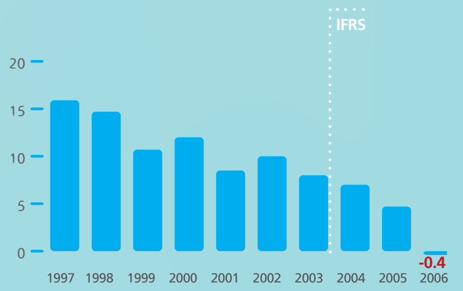


Return on equity (%)

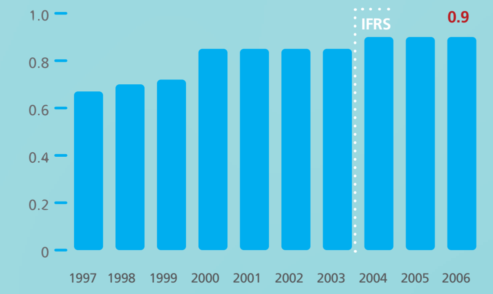


Net cash flow (million €)

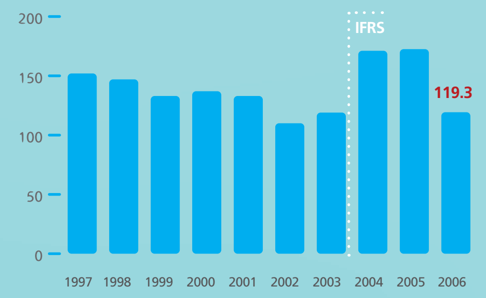
ROCE (%)



Evolution of the net dividend per share (€)



Capital expenditure (PP&E) (million €)



Tessenderlo Group in a few figures over 10 years

	IFRS									
(millions €)	**2006**	2005	2004	2003	2002	2001	2000	1999	1998	1997
Revenue	2,238.3	2,149.6	2,062.9	1,972.0	1,934.0	1,890.0	1,818.0	1,571.0	1,563.0	1,525.0
REBIT	72.3	67.4	106.2	82.0	115.0	109.0	135.0	102.0	125.0	125.0
Non-recurring items	- 76.9	- 8.2	- 25.0							
EBIT	- 4.6	59.2	81.2							
Profit (+) / loss (-)	- 24.3	35.1	53.6	43.0	71.0	65.0	90.0	70.0	82.0	81.0
Net cash flow	142.8	161.0	195.6	162.0	207.0	168.0	211.0	180.0	187.0	190.0
Rebitda	188.4	191.8	220.8	204.0	259.0	230.0	251.0	213.0	233.0	233.0
Rebit/Revenue (%)	3.2	3.1	5.1	4.2	5.9	5.8	7.4	6.5	8.0	8.2
Net cash flow/Revenue (%)	6.4	7.5	9.5	8.2	10.7	8.9	11.6	11.5	12.0	12.5
Profit (+) / loss (-)/Revenue (%)	-1.1	1.6	2.6	2.2	3.7	3.4	5.0	4.4	5.2	5.4
Return on equity (%)[1] - ROE	- 3.3	4.6	7.2	5.7	9.5	9.2	13.3	10.5	12.9	13.9
Roce (%) [2]	- 0.4	4.7	7.0	8.0	10.0	8.5	12.0	10.7	14.7	15.9
Enterprise Value (EV) [3]	1,296.7	1,175.0	1,197.4	1,096.8	1,074.5	1,121.6	1,167.2	1,709.6	1,560.7	1,530.0
Capital employed	1,181.3	1,258.0	1,166.0	1,136.0	1,141.0	1,259.0	1,114.0	1,013.0	854.0	771.0
Working capital [4]	392.7	447.0	413.2	425.0	436.0	521.0	452.0	390.0	293.0	259.0
Capital expenditure (PP&E)	119.3	172.5	171.1	119.0	110.0	133.0	137.0	133.0	147.0	152.0
Dividend paid	33.3	32.7	32.7	30.7	30.6	30.5	30.3	26.8	26.6	25.8
Net financial debt	411.0	428.9	351.4	339.0	303.0	341.0	242.0	209.0	123.0	57.0
Net financial debt/Equity (Gearing) (%)	57.8	55.4	46.5	44.8	40.0	41.0	30.0	28.0	18.0	9.0
Net financial debt/Net cash flow	2.9	2.7	1.8	2.1	1.5	2.0	1.1	1.2	0.7	0.3
Interest coverage [5]	0.5	3.9	5.2	5.0	8.0	5.0	7.0	9.0	11.0	11.0
Pay out ratio (%)	N/A	94.4	58.0	71.5	43.1	46.9	33.7	38.3	32.4	31.9
Non-current assets	866.5	874.9	818.7	785.0	760.0	773.0	703.0	664.0	615.0	545.0
Current assets	823.6	836.8	788.1	803.0	842.0	942.0	829.0	727.0	599.0	636.0
Non current assets held for sale	15.7									
TOTAL BALANCE SHEET	**1,705.8**	**1,711.7**	**1,606.7**	**1,588.0**	**1,602.0**	**1,715.0**	**1,532.0**	**1,391.0**	**1,214.0**	**1,181.0**
Equity attributable to equity holders of the group	709.5	774.3	755.5	756.0	758 [6]	836.0	796.0	729.0	673.0	619.0
Minority interests	2.2	0.4	0.0	0.0	14.0	12.0	8.0	7.0	5.0	2.0
Non-current liabilities	301.0	398.5	239.1	231.0	284.0	182.0	177.0	187.0	175.0	187.0
Current liabilities	693.1	538.5	612.1	601.0	546.0	685.0	551.0	468.0	361.0	373.0
TOTAL BALANCE SHEET	**1,705.8**	**1,711.7**	**1,606.7**	**1,588.0**	**1,602.0**	**1,715.0**	**1,532.0**	**1,391.0**	**1,214.0**	**1,181.0**
Headcount	8,124	8,123	8,181	8,223	7,934	7,849	7,087	6,847	6,667	6,055

1. ROE = Profit (+) / loss (-) / Average shareholders' equity
2. ROCE = EBIT/CE - Capital employed, (CE): The carrying amount of PP&E and intangible assets together with the working capital
3. Enterprise value (EV) = Market capitalisation (end year) + net financial debt
4. Working capital : Inventories + Trade and other receivables - Trade and other payables
5. Profit (+) / loss (-) + income tax expense + Interest expense/interest expenses
6. Cancellation of capital reserve for own shares: 106.4 in 2002

Summary

Synthetic balance sheet and P&L account

Synthetic consolidated balance sheet

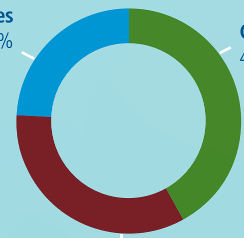
IFRS (million €)	2006	%	2005	%
Property, plant and equipment	726.6		747.2	
Goodwill	40.1		47.1	
Intangible assets	21.9		17.1	
Other non-current assets	77.9		63.5	
Non-current assets	**866.5**	**51**	**874.9**	**51**
Inventories	348.1		366.4	
Trade and other receivables	439.2		449.3	
Cash and cash equivalents	36.3		21.1	
Current assets	**823.6**	**48**	**836.8**	**49**
Non-current assets held for sale	15.7	1		
ASSETS	**1,705.8**	**100**	**1,711.7**	**100**
Issued capital and share premium	172.5		169.2	
Reserves	233.7		206.9	
Retained earnings	303.3		398.2	
Minority interests	2.2		0.4	
Equity	**711.7**	**42**	**774.7**	**45**
Provisions and deferred taxes	169.9		125.1	
Financial liabilities				
- Non-current	148.7		280.2	
- Current	298.6		169.8	
Other liabilities	376.9		361.9	
Liabilities	**994.1**	**58**	**937.0**	**55**
EQUITY AND LIABILITIES	**1,705.8**	**100**	**1,711.7**	**100**

Synthetic consolidated P&L account

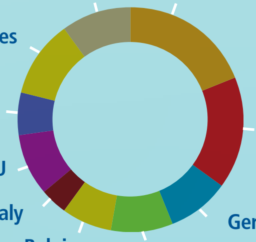
IFRS (million €)	2006	2005
Revenue	**2,238.3**	**2,149.5**
Cost of sales	-1,803.8	-1,741.1
Gross profit	**434.5**	**408.4**
Distribution expenses	-151.4	-151.0
Sales and marketing expenses	-80.0	-80.5
Administrative expenses	-116.6	-113.4
Other operating income/expenses	-14.2	3.9
REBIT	**72.3**	**67.4**
Non-recurring items	-76.9	-8.2
EBIT	**-4.6**	**59.2**
Finance costs	-18.2	-14.8
Share of result of associates	11.3	8.2
Profit (+) / loss (-) before tax	**-11.5**	**52.6**
Income tax expense	-12.8	-17.6
Profit (+) / loss (-) for the period	**-24.3**	**35.0**
Attributable to :		
Equity holders of the group	**-24.3**	**35.1**
Minority interests	0.0	-0.1

Distribution of the revenue 2006

Per business group

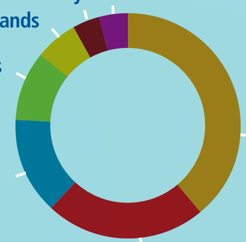


Per destination



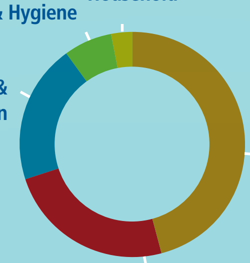
France	19 %
Great Britain	16 %
Germany	9 %
The Netherlands	9 %
Belgium	7 %
Italy	4 %
Other EU	9 %
Other European countries	6 %
USA	11 %
Other	10 %

Per country of production



Belgium	39 %
France	23 %
Great Britain	14 %
USA	10 %
The Netherlands	6 %
Italy	4 %
Other	4 %

Per consumption market



Building Industry & Public Works	46 %
Industry	24 %
Fertilisers & Animal Nutrition	20 %
Health & Hygiene	7 %
Household	3 %

Key figures per share

EUR	2006	2005
Profit (+) / loss (-) per share (EPS)	-0.89	1.29
Net cash flow per share	5.21	5.91
Shareholders' equity per share	25.96	28.41
Net dividend per normal share	0.90	0.90
Number of shares	27,419,876	27,269,568

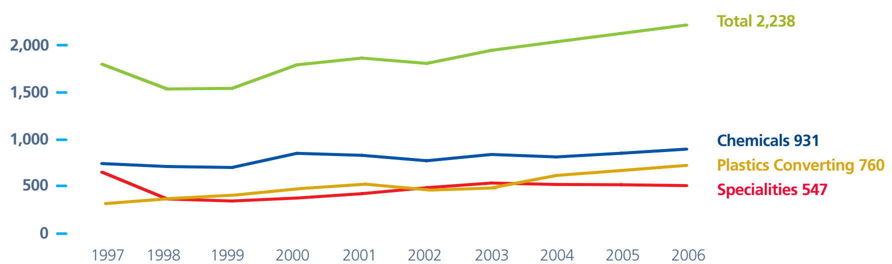
Key figures per business group

CHEMICALS	2006	2005
Revenue (million €)	931	888
Rebit (million €)	31	12
Capital expenditures (PP&E) (million €)	62	94
Headcount	2,044	2,172

PLASTICS CONVERTING	2006	2005
Revenue (million €)	760	706
Rebit (million €)	55	45
Capital expenditures (PP&E) (million €)	29	43
Headcount	3,215	3,119

SPECIALITIES	2006	2005
Revenue (million €)	547	556
Rebit (million €)	- 6	20
Capital expenditures (PP&E) (million €)	28	36
Headcount	2,865	2,832

Revenue breakdown (million €)



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 2006 results	March 15th, 2007
• 1st quarter 2007 results	May 3rd, 2007
• 1st half-year 2007 results	August 30th, 2007
• 3rd quarter 2007 results	November 8th, 2007

General Meeting
approval of the financial statements 2006 — June 5th, 2007

General Meeting
approval of the financial statements 2007 — June 3rd, 2008

Payment dividend 2006 — June 8th, 2007
(coupon n° 70)

News releases: see our website **www.tessenderlogroup.com** under Corporate - 'News' and 'Investor Relations'.

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2 General Presentation

Water gives life
Water flows through our daily life, as drinking water from the tap or as wastewater towards the water treatment plant. The plastic pipe systems of Tessenderlo Group make sure that it reaches its destination. Day after day. Quickly, reliably, smoothly.

Message from the chairman

2006 continued to be dominated by high raw material and energy prices.

Our businesses nevertheless benefited from a steady improvement of the economic situation during the year and made significant progress in the fourth quarter.

Against this background, the group recorded a 4 % increase in revenue and a 7 % increase in its recurring operating result.

The improvement was very marked in the **Chemicals** business group, thanks to increases in selling prices, which made it possible to offset raw material costs more effectively. This applies in particular to potassium sulphate and PVC, which returned to normal profitability in the fourth quarter.

There was an improvement in the results of the three **Plastics Converting** business units: profiles, plastic pipe systems and compounds.
In particular, the UK profiles sector, where we are very well-represented, recovered significantly in the second half of the year.
Our US subsidiary also made significant progress, despite the slowdown in the US construction sector at the end of the year.

The **Specialities** business group was particularly disappointing this year, with a fall in recurrent profit throughout the sector except for in the animal by-products business.

Gelatin, whose results remained generally favourable thanks to our US plants, had to face competition in Europe from imports from low-cost countries, which pushed down prices in Europe.

Organic chlorine derivatives remained under pressure because of competition from Asia and showed results that were particularly lacklustre.

The results of intermediates for the pharmaceutical industry also fell in relation to the good year of 2005, but this fall should only be temporary, since the prospects for 2007 are much better once again.

The year was dominated by the implementation of the cost reduction programme adopted at the end of 2005, the provisions for which weighed heavily on the year. The main measures entailed numerous negotiations, which culminated in agreements. Most of them have now been implemented, for example the closure of the fine chemicals site at Widnes in the UK and the Tessenderlo sulphate plant in Belgium.

The aim of reducing costs by 30 million EUR by 2007 will therefore be achieved and even exceeded.

In addition to simply reducing costs, this plan was also an opportunity to make fundamental changes to the group organisation, which will result in further improvements in results beyond 2007.

While this plan is being implemented, a strategic reflexion is currently under way in an attempt to adopt a more structural approach to the challenges arising from the emergence of Asia and globalisation affecting a number of our businesses.

Even though the group was very much focusing on its restructuring plan, a number of development activities was nevertheless carried out in 2006.

We built up our position in animal by-products by making an acquisition in south-western France, bringing us much closer to the leader in this sector.

We finally acquired a gelatin plant in China, which will give us access to this market and allow us to benefit from a low-cost production facility for exports. This operation is reinforcing our position among the three world leaders in the sector.

Despite a difficult year, group indebtedness fell slightly at the end of December, despite the acquisitions and the final payments for our substantial investment in the new electrolysis facility in Limburg, Belgium. It fell even further after the sale we made in the USA at the start of 2007.

In view of this situation, and despite the negative results due to provisions, your Board of Directors, confident in the improvement in results, will propose maintaining the dividend at its current level of 0.90 EUR net per share at the annual general meeting.

The Board would like to thank all staff worldwide for their assistance in creating the conditions for the group's resurgence.

Gérard Marchand
CEO

Gérard Marchand
CEO

1
Tessenderlo Group

Company profile

Who are we
Tessenderlo Group is a diversified, international group active in many areas of the chemical industry and plastics converting. The group outshines because of the extensive integration of its activities. Tessenderlo Group's activities are subdivided into three business groups:
- Chemicals with two business units inorganics and pvc/chlor-alkali;
- Plastics converting and its business units profiles, plastic pipe systems and compounds;
- Specialities with its business units fine chemicals, gelatin and natural derivatives.

Tessenderlo Group products form an integral part of our every day lives and are used in various applications, from high-quality fertilisers and animal feed to medicine and car dashboards. 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.
This explains the group's motto:
'It's all about chemistry ...'.

A few figures
At the beginning of 2007, the group had a worldwide headcount of about 8100, distributed over more than 100 establishments in 21 countries.

In 2006 the group achieved consolidated revenues of 2.24 billion EUR. High exceptional costs (76.9 million EUR) amongst others for the recovery plan Target 2007, lead for the first time to a net loss of 24.3 million EUR. As in 2005, the net dividend per share was set at 0.90 EUR net.

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

At the **world level**, the group is:
- the largest producer of liquid sulphur-containing fertilisers, sodium hydrosulphide, hydrochloric acid and of benzyl alcohol, benzyl acetate, benzyl chloride, alpha-hexylcinnamaldehyde;
- 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** the group is:
- the number one producer of caustic potash;
- the largest producer of glycine;
- the fourth largest manufacturer of pvc compounds;
- the sixth largest supplier of PVC.

Tessenderlo Group's strategy
Tessenderlo Group's strategy can be summarised as:
- taking advantage of its industrial integration to consolidate the current position of its products as well as to expand its product range even further;
- developing further the Plastics Converting activities in Europe;
- strengthening its position in the world's gelatins top three;
- continuing its policy of striving for a leadership position in niche markets;
- developing activities that combine service providing and valorisation of by-products.

Tessenderlo Group's assets
- world leadership or European leadership for the vast majority of its products, mostly in niche markets;
- a large and diversified product range
- the industrial integration of the various production processes, focusing on valorisation of by-products which in turn become raw materials for new products;
- the orientation towards products with a high added value and a non-cyclical market;
- a sound financial situation;
- close to end-user markets and a strong development of distribution networks in Plastics Converting;
- annual investments amounting to 130 million EUR average (excl. acquisition)
- the devotion of experienced and highly qualified employees.
- having put in place a cost savings programme in order to maximise profitability, which is to the advantage of all stakeholders.

January February May September October December

Main events in 2006

> January
The concrete objective of the **Target 2007** improvement project is to increase the group's profit by 30 million EUR as from 2007 and by 50 million EUR as from 2008 in a sustainable manner.

Eurocell Building Plastics Ltd, a British subsidiary of Tessenderlo Group and distributor of PVC profiles, takes over the six depots of Brunel Plastics, a distributor of PVC profiles for construction in the South-West of England. The acquisition fits into Eurocell's growth strategy that aims to bring its distribution network close to the end user.

To increase its presence on the Chinese markets, Tessenderlo Group founds its proper trading office **Tessenderlo Trading Shanghai Co. Ltd** in the Chinese city of Shanghai

> February
Caillaud (FR) sets up a joint venture with Ferso for the collection and the processing of animal by-products, covering as such the whole of France.

> May
Tessenderlo Group decides to double its production capacity of caustic potash at its Tessenderlo plant (Belgium) and becomes Europe's **largest producer for caustic potash**.

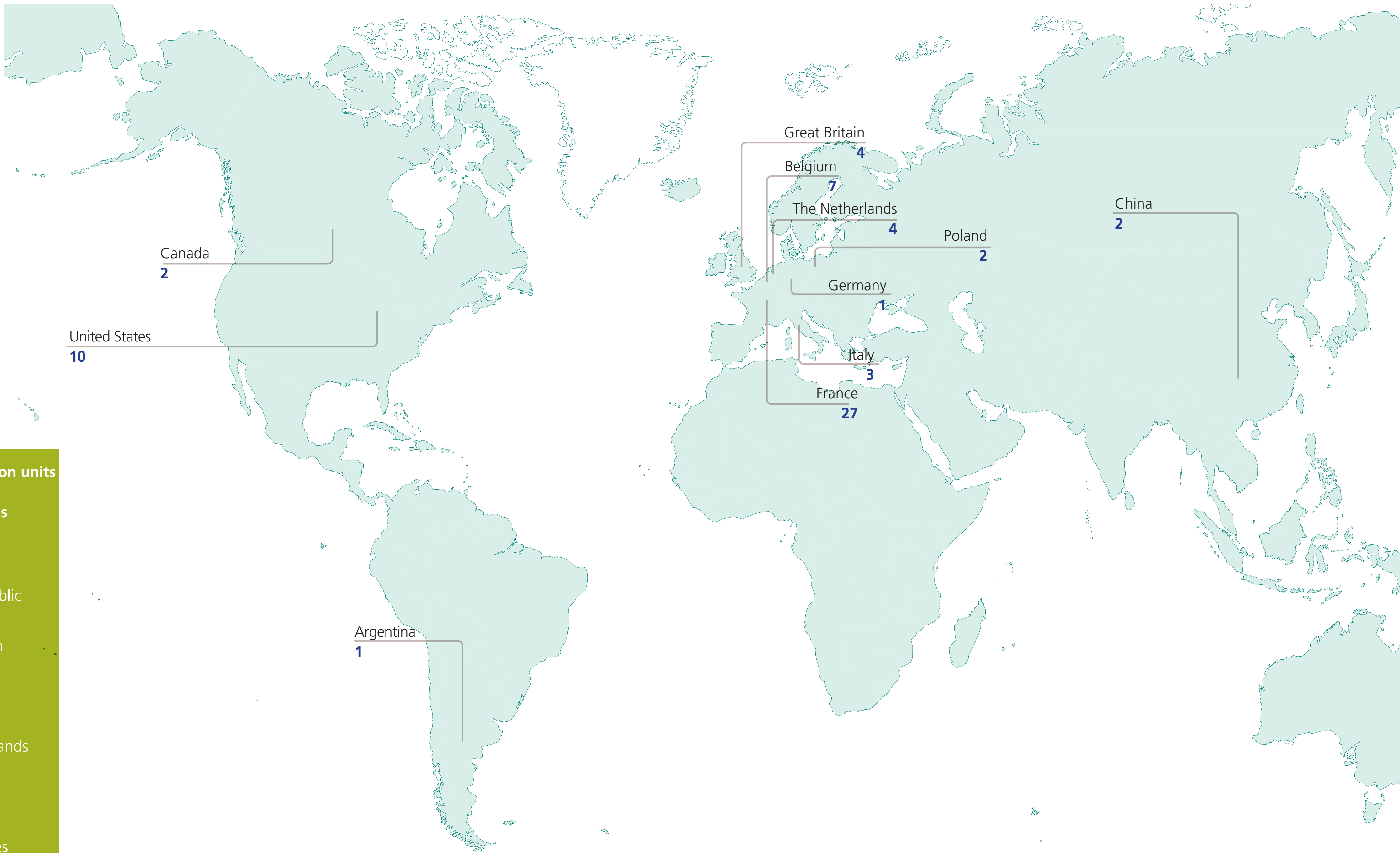
> September
The new electrolysis unit (**ELY III)** an investment of 150 million EUR and using state of the art membrane technology is inaugurated at the Tessenderlo Chemie plant in Tessenderlo (Belgium).

> October
PB Gelatins sets up a joint venture to be known as **PB Gelatins (Pingyang) Co., Ltd** near Wenzhou in south-eastern China together with a Chinese partner, with a view to producing high-quality gelatin. In doing so, PB Gelatins confirms its worldwide ambitions.

Tessenderlo Group joins **Blue Sky**, an initiative of seven large energy consuming companies in Belgium that strives for reliable long term electricity supply at low cost.

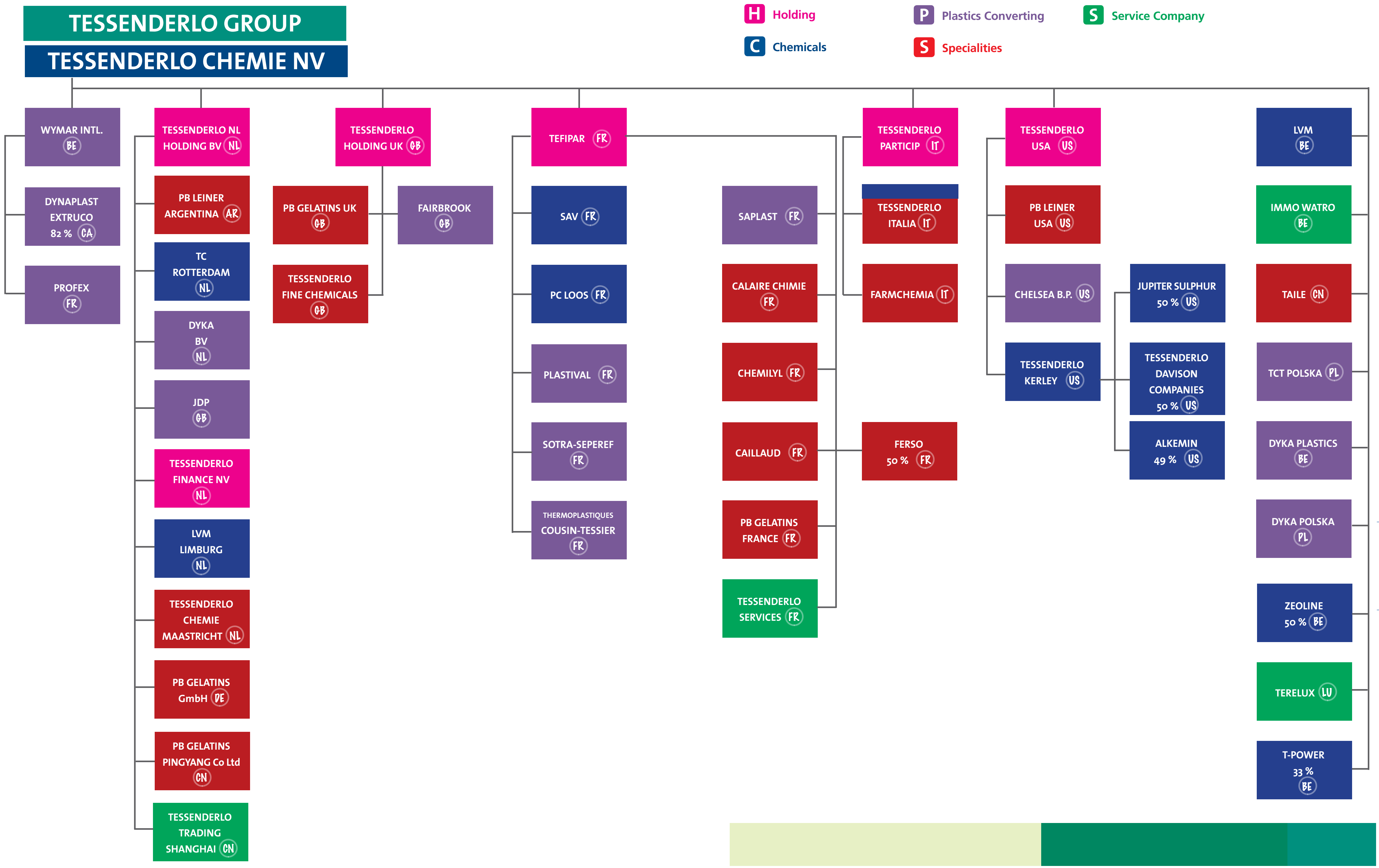
> December
Compagnie du Bois Sauvage takes a 3 % interest in the capital of Tessenderlo Chemie NV through its subsidiary Parfina NV.

International presence of Tessenderlo Group



63 production units

Sales Offices
Argentina
Belgium
Chili
China
Czech Republic
France
Germany
Great Britain
Hongkong
Hungary
Italy
Lebanon
Mexico
The Netherlands
Peru
Poland
Spain
Switserland
Turkey
United States


TESSENDERLO GROUP
TESSENDERLO CHEMIE NV
H Holding
C Chemicals
P Plastics Converting
S Specialities
S Service Company
WYMAR INTL. BE
DYNAPLAST EXTRUCO 82 % CA
PROFEX FR
TESSENDERLO NL HOLDING BV NL
PB LEINER ARGENTINA AR
TC ROTTERDAM NL
DYKA BV NL
JDP GB
TESSENDERLO FINANCE NV NL
LVM LIMBURG NL
TESSENDERLO CHEMIE MAASTRICHT NL
PB GELATINS GmbH DE
PB GELATINS PINGYANG Co Ltd CN
TESSENDERLO TRADING SHANGHAI CN
TESSENDERLO HOLDING UK GB
PB GELATINS UK GB
FAIRBROOK GB
TESSENDERLO FINE CHEMICALS GB
TEFIPAR FR
SAV FR
PC LOOS FR
PLASTIVAL FR
SOTRA-SEPEREF FR
THERMOPLASTIQUES COUSIN-TESSIER FR
SAPLAST FR
CALAIRE CHIMIE FR
CHEMILYL FR
CAILLAUD FR
PB GELATINS FRANCE FR
TESSENDERLO SERVICES FR
TESSENDERLO PARTICIP IT
TESSENDERLO ITALIA IT
FARMCHEMIA IT
FERSO 50 % FR
TESSENDERLO USA US
PB LEINER USA US
CHELSEA B.P. US
TESSENDERLO KERLEY US
JUPITER SULPHUR 50 % US
TESSENDERLO DAVISON COMPANIES 50 % US
ALKEMIN 49 % US
LVM BE
IMMO WATRO BE
TAILE CN
TCT POLSKA PL
DYKA PLASTICS BE
DYKA POLSKA PL
ZEOLINE 50 % BE
TERELUX LU
T-POWER 33 % BE

It's all about chemistry ...

Legend
C Chemicals
P Plastics Converting
S Specialities

Construction Industry	> **PVC and Compounds**	C P	pipe systems, door and window profiles, facade cladding, cable insulation, floor covering, conservatories
	> **Zeolites**	C	double-glazing
Agriculture	> **Ammonium and potassium thiosulphate**	C	liquid fertilisers for large-scale cultivation
	> **Caustic potash**	C	horticulture, fertilisers for irrigation systems
	> **Caustic soda**	C	horticulture, fertilisers
	> **Feed phosphates**	C	aluminium, rayon
	> **Glycine and derivatives**	S	animal feed, agrochemicals
	> **Potassium sulphate**	C	specialised fertilisers, which are especially suited for vegetable, flower, fruit and tobacco growing
	> **Sulphuric acid**	C	fertilisers
Industry	> **Acetates**	C	antifreeze products, for e.g. runways
	> **Benzyl alcohol**	S	paints
	> **Caustic potash**	C	batteries
	> **Caustic soda**	C	aluminium, rayon
	> **Electrolysis products**	C	photography, leather tanning, water treatment, mining
	> **Ferric chloride**	C	potable water treatment
	> **Gelatin**	S	photographic paper and -film, wine production
	> **Mono-ammonium phosphate**	C	extinguisher, fire reducer
	> **Organic chlorine derivatives**	S	paint, photography
	> **Potassium sulphate**	C	plasterboards
	> **PVC and Compounds**	C P	dashboards, furniture, shoe soles, tarpaulins, cables, fencing systems
	> **Sodium hydrosulphide and caustic soda**	C	paper, pulp
	> **Sulphuric acid**	C	batteries, car windows, billiard balls

Health and hygiene	> **Caustic soda**	C	detergents, soaps
	> **Chlorine**	C	water treatment, disinfectants, PVC
	> **Gelatin**	S	capsules for e.g. drugs, skin cream
	> **Glycine**	S	pharmaceutical products
	> **Organic chlorine derivatives**	S	various pharmaceutical products for people, plants and animals, perfumes, shampoo, UV resistant sun lotions
	> **Pharmaceutical intermediates**	S	a wide range of medicines
	> **PVC and Compounds**	C P	blood bags, infusion bags and tubes, catheters, gloves, bottles for shower and bath foam, toothbrushes
	> **Sodium hypochlorite**	C	sanitiser, water treatment, bleaching
Household	> **Animal fats**	S	pet food
	> **Electrolysis products**	C	detergents
	> **Gelatin**	S	foodstuffs such as dairy and 'light' products, confectionery, energy bars and drinks
	> **Glycine**	S	foodstuffs, pet food
	> **PVC and Compounds**	C P	packaging films, tablecloths, shower curtains, credit cards, furniture, inflatable articles such as balls, swimming pools, boats
	> **Caustic soda**	C	detergents
	> **Zeolites**	C	washing powders

3 Chemicals

Water, source of life

What do all the children in the world have in common? They play. What they like most of all is to play in or with water. Thanks to the Tessenderlo Group water treatment products they can enjoy themselves without risking an infection. Dive into life without a care in the world, like only children can.

TESSENDERLO GROUP

Chemicals

The Chemicals business group comprises two business units: Inorganics and PVC/Chlor-alkali. It is characterised by an integrated production process in which the various end products and by-products are utilised internally in order to create maximum added value. The business group's products are used in industry and agriculture and have applications in a large number of aspects of everyday life, from batteries and paper to animal nutrition, speciality fertilisers and water treatment.

Market leadership

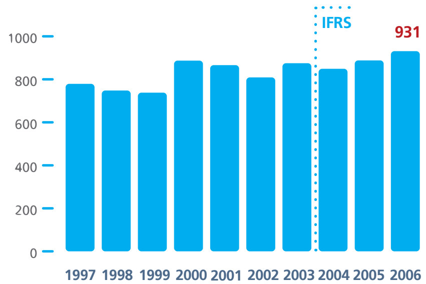
- the largest producer of liquid sulphur-containing fertilisers, sodium hydrosulphide and hydrochloric acid at world level
- the second largest supplier in the world of phosphates for animal feed and of potassium sulphate for specialised fertilisers
- the largest producer of caustic potash in Europe

The most important strategic challenges in 2007

In 2006, Tessenderlo Group launched the Target 2007 plan to increase the company's profitability. Target 2007 aims to increase profits by at least 30 million EUR a year from 2007.

Key figures	2006	2005
Revenue (million €)	931	888
Rebit (million €)	31	12
Capital expenditure (PP&E) (million €)	62	94
Headcount	2,044	2,172

Revenue breakdown (million €)



A list of the production units is provided on page 141

Bringing chemistry to life ...

The **Chemicals** business group represents an important part in this plan, with the emphasis mainly being placed on Inorganics and PVC.

The efforts that are being made can be summarised as follows:

At an organisational level:

- To streamline the business group at a European level. All the European entities will be merged into a single operating unit to achieve maximum synergies;
- To reorganise human resources in line with the new business model by means of internal changes, attract external know-how and invest heavily in education and training for staff.

In the area of short-term profitability:

- To launch 76 improvement projects relating to all aspects of the business group, from purchasing to production and sales;
- To reduce the number of jobs in Europe by 240, 197 of which will be lost in the Belgian Limburg plants. Negotiations with trade unions about job cuts, mainly via early retirement and voluntary departure, were completed at the end of October 2006.

In the area of long-term profitability:

- To examine the business group's strategy. A start was made on this at the end of 2006.

Most of the organisational efforts will have been completed by the middle of 2007. This will give the business group a solid basis for working on boosting the growth of Tessenderlo Group in future.

1
Inorganics

The Inorganics business unit showed a good overall performance in 2006. The high raw materials prices could mostly be passed on to the market. Potassium sulphate and feed phosphates developed in the same way, by continuing to fall in Western Europe with an increase in exports to the other countries. The performance of US subsidiary TKI continued to be excellent.

Activities and products

The Inorganics business unit is active in a number of different markets. **Potassium sulphate** is a fertiliser that is especially well-suited for use in dry areas and for highly sensitive crops such as flowers, vegetables, fruit and tobacco. Tessenderlo Group mainly invested in potassium-based speciality fertilisers for modern agriculture. **Hydrochloric acid**, a by-product of the production of sulphates, is mainly used internally.

Mineral phosphates are used in the animal feed industry. The range of phosphate products is very extensive, enabling Tessenderlo Group to provide quality suitable for all types of feed applications. Paying special attention to the digestibility of feed phosphates achieves the right balance between development of the animal and respect for the environment.

Sulphur-based liquid fertilisers (including ammonium and potassium thiosulphate) are used in North America as fertilisers for the cultivation of cereals and high-protein, large-scale crops and arboriculture and vegetable cultivation in California. The other **sulphur-containing derivatives**, such as sodium sulphide and sodium hydrosulphide, are used in various processes in the mining, photography, paper and leather-tanning industries.

Another product of this business unit is **zeolite**, a substitute for phosphates in washing powders.

Trends and facts in 2006

Raw materials prices remained high in 2006. In general, Tessenderlo Group managed to pass on these increases to the market.

Potassium sulphate volumes remained at their 2005 level. A sharp dip in sales in Europe was offset by increased exports to more distant countries. SoluPotasse®, a highly water-soluble potassium fertiliser, continued its global advance.

Compared with 2005, the sale of **animal feed phosphates** fell, especially in France, the United Kingdom and Scandinavia. Tessenderlo Group was obliged to increase market prices in those countries to compensate for higher phosphoric acid prices. This enabled local producers of animal feed phosphates to win back market share.

The consumption of animal feed phosphates continued to fall in Western Europe. This was due to the decline in livestock numbers in Europe as a result of the increasing relocation of the poultry sector and bird flu.

Demand for **bone phosphates** used in animal feed and fertilisers increased. This made it possible to significantly increase prices.

Tessenderlo Kerley Inc. (TKI) in the United States deserves a separate mention. In 2006, TKI again posted excellent results, in terms of both revenue and profit. This outstanding performance is due largely to its double activity: waste treatment and the utilisation of sulphur from oil refineries.

Prospects for 2007

Regarding **potassium sulphate**:
- Volumes sold in Europe are expected to fall in comparison with 2006. The main reason for this is to be found in France, where a number of producers of compound fertilisers gave up their activities;
- Volumes sold are expected to grow outside Europe, especially as the announced capacity increases in Turkey and China will not become operational until the end of 2007.

Regarding **animal feed phosphates**:
- A further increase in volumes exported outside Western Europe and in global profitability;
- Further structural reductions in the animal feed industry in Western Europe through relocation and the introduction of stricter phosphorus standards.
- Continued growth of the animal feed industry in Eastern Europe;
- Maintenance of the leading position in the area of animal feed phosphates.

Tessenderlo Kerley Inc. will develop and extend its activity model.


2
PVC / Chlor-Alkali

The results of the PVC business unit were disappointing in 2006. High materials and energy prices are continuing to squeeze profitability. Various measures to increase productivity and reduce costs have been or are being taken.

Activities and products

The most important raw material for producing polyvinyl chloride (PVC) is vinyl chloride monomer (**VCM**). VCM is composed in its turn of chlorine or hydrochloric acid and ethylene.

Chlorine and hydrochloric acid are produced at the same site at Tessenderlo (Belgium). This makes road transport unnecessary. Ethylene is bought in externally and delivered via a special secure and environmentally-friendly pipeline network.

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.

The polymerisation of VCM to **PVC** occurs at two locations, in the Southern Netherlands and Northern France. These two plants are among the largest in Europe, with a total capacity of 480,000 tonnes.

PVC is one of the most versatile plastic resins in the world. It has a very extensive range of possible applications, ranging from plastic pipe systems, window and door profiles, flexible and hard films and sheathings for cables and wires.

Trends and facts in 2006

Throughout the year, **volumes** were larger than in the same period in 2005. **Prices** were high in general, but **margins** were unsatisfactory up to and including the third quarter. There was a better performance in the fourth quarter, thanks to a more stable ethylene price and PVC shortages on the market.

The PVC market also suffered from high and constantly fluctuating oil and energy prices in 2006. This made it very difficult to keep **profitability** at an acceptable level.

In addition, the raw material ethylene was not just expensive, but also scarce throughout the year. Repeated instances of force majeure were the reason for this and finally led to a shortage of PVC in Europe.

To increase profitability, steps were also taken to reduce costs and boost productivity in 2006:

- A direct chlorination facility, constituting an investment of 20 million EUR, came into operation at the site in Tessenderlo. This involves production of ethylene dichloride, an intermediate for the preparation of VCM. Energy consumption will fall considerably, as this unit uses the most up-to-date technologies.
- Ely III and the T-Power Project (see the Chlor-alkali business unit on page 26) will have a favourable impact on profitability.

Strategy and prospects for 2007

Despite the disappointing results in 2006, **market expectations** are hopeful for 2007:

- In the area of raw materials, ethylene prices will stabilise and may even fall slightly;
- The general economic outlook for Western Europe is positive, and for Germany in particular. As Western Europe has a mature PVC market, the growth potential is limited to the global growth of the economy, to be specific, to 1-2 % per annum.
- Strong demand is expected from the construction sector in Central and Eastern Europe.

There are a number of **uncertainties**:

- The situation in the United States remains delicate. The danger of a sag in the local market causing the offloading of surpluses onto Europe is not illusory.
- Supply and demand are very changeable in Asia.

In the longer term, PVC will remain a highly competitive commodity business. This is precisely the reason why Tessenderlo Group is making efforts to cut costs as much as possible and to boost productivity. In addition, we will work unstintingly on improving product quality and providing a high-quality service. Only in this way can Tessenderlo Group consolidate its position as a specialist in the area of suspension PVC.

PVC / Chlor-Alkali

The profitability of the 'Chlor-Alkali' business unit was much higher in 2006, thanks to increases in caustic potash volumes and prices. The increase in the margin was limited by the rise in production costs, however. The increase in the cost of electricity was particularly important in this connection. The project to construct an own power station by 2009-2010 is on schedule.

Activities and products

Tessenderlo Group's electrolysis units have an annual capacity of 400,000 tonnes of **chlorine**. Most of this output is used internally for producing vinyl chloride monomer (VCM), which is the basis for polyvinyl chloride (PVC), and fine chemicals.

Chlorine production also generates **caustic potash** and **caustic soda**. Caustic potash is mainly used in the production of potassium nitrate and mono-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 treatment and in the production of soap and detergents. It is also used for 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.

In addition to the classic electrolysis products, Tessenderlo Group also produces **ferric chloride** and **aluminium chloride**. Both are indispensable in the rapidly expanding water treatment sector.

Trends and facts in 2006

Caustic soda prices were slightly higher than in 2005 on average. **Caustic potash** prices rose steeply, on the other hand, as a result of a general shortage in Europe. However, margins remained well below average owing to the rise in production costs. Already high electricity prices increased even further. Specifically with regard to caustic potash, the price of salt also rocketed as a result of the scarcity of potassium chloride owing to the strong demand for fertilisers in China, and this increase was passed on.

The prices of **derivatives**, such as sulphides and sodium hypochlorite lye, remained at the 2005 level with higher volumes and prices for "spot sales" (sales without contracts) of sodium sulphide to copper mines. Coupled with higher production costs, stable prices led to a decline in profitability.

The new electrolysis unit, Ely III, with its modern membrane technology, was brought into production in September 2006 with a view to increasing production flexibility, environment efficiency and cutting electricity costs. The activities of the oldest of the electrolysis units, Ely I, were ceased. Now three quarters of chlorine is produced using the new membrane technology.

Ely III has a maximum production capacity of 270,000 tonnes of chlorine and 300,000 tonnes of caustic soda. The commissioning of Ely III occurred at the same time as conversion of Ely II to caustic potash. This doubled the caustic potash production capacity of Tessenderlo (Belgium).

The **T-Power** project for the construction of a 400 MW gas-fuelled electricity plant at the site in Tessenderlo (Belgium) by 2009-2010 is on schedule. This modern, highly-efficient power station will reduce electricity transmission costs for Tessenderlo Chemie.

Strategy and prospects for 2007

The cost of electricity might continue to further increase. The costs of **raw materials** sodium chloride and potassium chloride may remain stable.

Caustic soda prices are, as ever, unpredictable. They frequently suffer from the effects of fierce competition. Although they were high at the beginning of 2007 and there is no immediate danger of a sharp fall, supply and demand in this market can be pushed out of balance very quickly by changes in demand for chlorine derivatives.

Much larger volumes of **caustic potash** are expected at prices that permit a reasonable margin.

4 Plastics Converting

A window to the world

Windows are openings to the world, no matter on which side you look through them. Contained in the plastic profiles manufactured by Tessenderlo Group, they let the light enter and keep the cold out. Compounds and pvc are synonyms for warmth, safety and cosiness. Have you ever looked at them from that perspective?

Plastics Converting

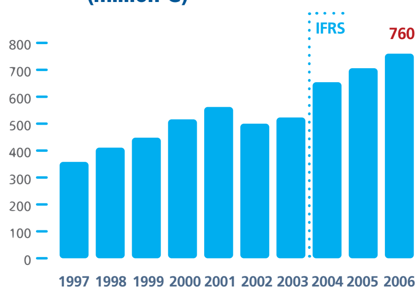
For over twenty years, Tessenderlo Chemie has resolutely pursued a downstream integration policy. With this aim in mind, the group has taken over several PVC converters holding numerous patents and registered trademarks in Europe and the United States.
The products, comprising profiles and pipe systems, are almost all intended for the building and renovation sector. Another activity that is closely linked to PVC processing and therefore belongs to this business group is the production of compounds for the injection and extrusion market. The Plastics Converting business group is also responsible for distribution to end-users in a number of countries. This enables it to improve its market position and profitability.

Market leadership

- The number one producer of plastic pipe systems in Benelux and the third in France
- The second largest tpe compounder (thermoplastic elastomers) and the fourth largest producer of pvc compounds in Europe

Key figures	2006	2005
Revenue (million €)	760	706
Rebit (million €)	55	45
Capital expenditure (PP&E) (million €)	29	43
Headcount	3,215	3,119

Revenue breakdown (million €)



A list of the production units is provided on page 142

Bringing chemistry to life ...

TESSENDERLO GROUP

The most important strategic challenges in 2007

- To further develop the markets of Central and Eastern Europe.
- To continue to work on the quality of service provided to customers by improving distribution and expanding the product range.
- To further reduce costs.

What also needs watching in 2007

Plastics Converting performance in 2007 will be closely linked to the preservation of the good market climate in the construction and public works sector in Europe.

The change in the business group structure is intended to create synergies between the various plants and growth in Central and Eastern Europe.

1
Profiles

The Profiles business unit experienced reasonable growth in mainland Europe, in particular in Eastern and Central Europe. After a difficult start to the year in the United Kingdom, the situation improved considerably in the second half of the year. Business in the United States fell sharply at the end of the year, however. Cost-cutting measures as part of Target 2007, new products and development of the distribution network made it possible to generally increase the profitability of this business unit, despite higher raw materials costs.

Activities and products

The Profiles Business Unit produces all kinds of PVC profiles for the construction sector, such as door and window profiles and profiles for fences, façades, conservatories and various industrial applications.

Trends and facts in 2006

In the **United Kingdom**, Fairbrook, the third biggest British producer of PVC profiles, faced a difficult start to 2006. The decline stopped in the middle of the year, when the position stabilised. Profitability increased in the second half of the year, but failed to reach the satisfactory level of previous years.

Fairbrook managed to increase sales, despite difficult market conditions. This was thanks to expansion of the range of products, mainly for new construction and to expansion of the distribution network to 72 distribution centres. Cost-saving measures were also taken, in the areas of both production and distribution. Three relatively unprofitable depots were therefore closed, in Ireland in particular, and more emphasis was placed on recycling.

In **France** and **Benelux**, the situation was much more favourable. The strongest growth was recorded in **Eastern** and **Central Europe**, despite the sustained strong competition and the still very low margins.

Wymar, which produces PVC profiles for windows and doors and associated interior and exterior finishing systems, is reaping the harvest from sales of its new range of window profiles. In line with commitments made by the sector, these profiles no longer contain lead.

In the **United States**, sales of door and window profiles continued to increase in the first half of the year, but then there was a slowdown in the construction sector. Nevertheless, Chelsea Building Products (CBP) was able to equal the rapid rate of growth in previous years, thanks to further expansion of the product range, although it finally succumbed to the slowdown at the end of the year.

In **Canada**, business remained at the 2005 level. The emphasis was placed on cost-cutting measures in this country.

Prospects for 2007

To develop synergies between Wymar (BE) and Plastival (FR) and expedite growth in the **Eastern** and **Central European markets**, a centralised management team was set up for Continental Europe.

In the **United Kingdom**, the distribution network will be further improved through the opening of new depots.

In 2007, the impact of higher materials costs will be further reflected in **selling prices**. This could only be partly passed on in 2006.

2
Plastic Pipe Systems

**2006 was a good year for the Plastic Pipe Systems business unit.
Profitability remained at the previous years' level, despite higher raw materials prices.
The higher costs could be passed on thanks to the high level of demand.**

Activities and products

The Plastic Pipe Systems business unit produces pipes and fittings for water supply and drainage systems and pipe systems for the gas, telecommunications and other industries. The materials used include PVC, polyethylene and polypropylene.

Trends and facts in 2006

PVC pipes and fittings manufacturer Dyka performed well in **Benelux**, thanks to the boom in the construction and public works sectors. The emphasis was placed on further expansion of the distribution network, partly through restructuring in the Netherlands and the acquisition of a new depot in Belgium. As at the end of 2006, the total therefore came to 27.

In the public works sector in particular, the product range was enhanced by the inclusion of Dykamax, a drainage system for large networks.

The distribution network was also extended in **Poland**, to 13 sales outlets covering the entire country. Because sales continued to rise sharply in this country, it was decided to invest in increasing output. The new units should mainly come into operation in 2007.

John Davidson Pipes, one of the biggest distributors of plastic pipe systems in the **United Kingdom**, showed a good performance. Opening two new depots made it possible to slightly increase growth.

Although the market remained highly competitive in **France**, the group performed well there. Volumes increased slightly, thanks to the booming construction and public works sectors. The favourable market conditions and significant efforts to reduce costs made it possible to increase profitability, which is still unsatisfactory, however.

Prospects for 2007

The Plastic Pipe Systems business unit aims to further improve its service to customers by concentrating more on offering total solutions in future.

It will first of all focus on building up its activities in **Western Europe**, in particular in Belgium, the Netherlands, France and the United Kingdom in future. Synergies between the various plants will be reinforced. The business unit's management will also being centralised.

Secondly, business in **Central Europe** is to be developed more rapidly from existing plants in Poland and the Czech Republic.

Expansion of the **product range** will be continued, to complete the existing range of plastic pipe systems.

The **distribution network**, which currently has 66 centres, will also be further improved.

3
Compounds

Demand for compounds is continuing to fall in the traditional sectors, especially the footwear industry. Sales are rising in the automotive sector, however. Because profitability is generally insufficient in this business unit, cost-saving measures have been undertaken.

Activities and products
The Compounds business unit produces a number of ready-to-use PVC mixtures as well as mixtures of thermoplastic elastomers. These are mainly intended for the injection and extrusion market, with applications in the construction industry and the automotive sector.

Trends and facts in 2006
The **markets** for compounds remain under pressure. Declining demand from the footwear industry fell even further than previously in 2006 as footwear producers relocated from Europe to Asia.

The fall in demand in the construction sector seems to have come to an end and there was even the possibility of a slight increase.

One very positive development is the significant increase in sales of thermoplastic elastomers (TPE) and PVC compounds to the automotive sector for airbag and dashboard covers. This market is continuing to grow steadily, despite the slowdown in business in the European automotive sector. A separate management team has been set up to handle Marvyflo®, a compound intended for dashboards. It is intended to support the growth of this specialist activity through innovation, quality and service to customers. The rise in demand in this sector led to an expansion of capacity at Thermoplastiques Cousin-Tessier in France.

Tessenderlo Group is also constantly on the search for new markets and applications for the compounds. For example, the group has built up its position in window and door sealing systems in the construction and automotive sectors.

This business unit showed a slight increase in business in 2006. Efforts were made to increase **profitability**, which is still insufficient, however. This applies in particular to Saplast in France, whose output includes powdered and granular PVC compounds, and especially to applications for the construction sector.

Efforts were also made in 2006 to **save costs** in connection with the Target 2007 restructuring plan.

The favourable performance of TCT Polska in **Poland** was particularly marked, especially in the area of TPE production. This company supplies West European businesses expanding their activities into Central Europe.

Prospects for 2007
The main emphasis will be placed on further expansion of the market for TPE and PVC in the automotive sector and speciality applications in the construction sector.

To increase profitability, which is still insufficient, efforts will be made to reduce costs in connection with Target 2007.

5 Specialities

Healthy energy

From tasty-and-healthy to just plain tasty, from energy bars to sports drinks: gelatin is not just useful, it's good for you as well. Cholesterol-free and low in calories, with a positive impact on osteoporosis and arthritis: it's no wonder that gelatin is an essential food ingredient.

Specialities

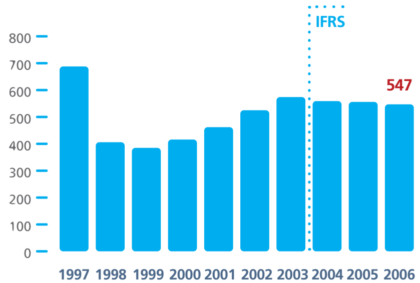
The Specialities business group comprises a number of diverse activities, which create different levels of added value. Some of the materials used by the Fine Chemicals business unit are produced and supplied from the Tessenderlo Group itself. These are transformed into specialist products for the agro-chemical, pharmaceutical and perfume industries. The Gelatin business unit turns the skins and bones of cattle and pigs into high-quality gelatine for use in the food and pharmaceutical industries. The Natural Derivatives business unit processes animal products to make materials for the pet-food, soap and other industries.

Market leadership

- the largest producer of benzyl alcohol, benzyl acetate, benzyl chloride, alpha-hexylcinnamaldehyde, at the world level
- the third largest manufacturer of high-quality gelatins worldwide
- the largest producer of glycine at the European level

Key figures	2006	2005
Revenue (million €)	547	556
Rebit (million €)	- 6	20
Capital expenditure (PP&E) (million €)	28	36
Headcount	2,865	2,832

Revenue breakdown (million €)



A list of the production units is provided on page 143

Bringing chemistry to life ...

The most important strategic challenges in 2007

- To further expand the position of the **Gelatin** business unit in all the important continents, since 2006 including China, in 2007.
- To continue the reorganisation of the Organic Chlorine Derivatives operation within the **Fine Chemicals** business unit into a focused cost-efficient operation.
- To accelerate our growth in both the Pharmaceutical Intermediates and the Active Pharmaceutical Ingredients (API's).
- To increase the activities and results of the **Natural Derivatives** business unit by means of new applications.

What also needs watching in 2007

The development of competition from China and India in the area of **bone gelatin**. Cost-saving measures must increase the competitiveness of the Gelatin business unit.

Further develop the **Chinese market** for products from the Fine Chemicals business unit and Tessenderlo Group in general.

1
Fine Chemicals

The Pharmaceutical business continues to produce good results and shows excellent opportunities for further growth.
The reorganisation of the Organic Chlorine Derivatives business will ensure it is positioned to respond to the global commoditisation of these products.

Activities and products

The first segment comprises **organic chlorine derivatives**, whose production is mostly based on toluene combined with chlorine produced by Tessenderlo Group itself. Toluene and benzene derivatives are produced for customers in the agro-chemical, pharmaceutical and perfume industries. Close cooperation between the various Tessenderlo Group units makes it possible to work in a highly flexible manner.

A second segment comprises the manufacture of **intermediates and active substances for the pharmaceutical industry.** Some of the precursors are produced at other sites in the Fine Chemicals business unit. Three factories, namely Calaire Chimie and Chemilyl in France and Farchemia in Italy, are the preferred suppliers to important international pharmaceutical companies.

Glycine and glycine derivatives are sold worldwide, with applications in human and animal foodstuffs and the pharmaceutical and agro-chemical industries.

Trends and facts in 2006

The **results** of the **organic chlorine derivatives** business were disappointing with margins under pressure from Asian competition and high raw material costs.

For 2006 the emphasis was essentially on **reorganisation and integration** of the organic chlorine derivatives businesses. The rapid commoditisation of products made a global approach necessary and a reappraisal of the strategic direction for the business.

Reorganisation of the business targeted at reducing complexity and costs, whilst improving the business processes, led to the closure of the Widnes (UK) manufacturing plant and restructuring at Leek (UK) and Pieve Vergonte (Italy). Transfer of products from Widnes to other factories was successfully accomplished.

Demand for specialist substances for the **perfume industry** remained high. Tessenderlo Group is benefiting from its strong customer relationships as consolidation in this sector continues.

Appointment of a focused Management Team for the Organic Chlorine and Derivatives business enabled the streamlined business to react more quickly and efficiently to trends and requirements on the international market.

The production unit in Taile, **China**, had another good year, with the market for its products continuing to grow. The planned doubling of benzyl chloride and benzaldehyde capacity is on schedule and will be operational at the end of the first quarter of 2007.
The Fine Chemicals business unit took a further important step in the Chinese market by establishing **Tessenderlo Trading (Shanghai) Co**. This will be used as a base from which to identify new opportunities on the Chinese market, not just for the Fine Chemicals business unit, but for Tessenderlo Group as a whole.

The market for **Pharmaceutical Intermediates** and **Active Pharmaceutical Ingredients (API's)** continues to show a very positive trend. Farchemia (IT) benefited from a number of new market developments and shows stronger growth for 2007. Calaire Chimie was also very positive, but somewhat weaker than the previous year due to timing of certain product deliveries. There are some new molecules in the pipeline, which should provide benefit over the next few years. Glycine for pharmaceutical applications continues to experience good results, despite the more difficult conditions for the industrial sector.

Prospects for 2007

In the **Pharmaceutical sector** strengthening of the innovation process, linked to greater market coverage is anticipated to expand the range of new intermediates and API's. Discussions with existing customers already show some opportunities for both Calaire Chimie (FR) and Farchemia (IT).

The **Organic Chlorine Derivatives business** has a clear strategy to further develop its position in the Chinese market, utilising additional volumes from the expanded Taile plant. The business unit's presence in China, including Tessenderlo Trading Shanghai, will be used to identify and develop new opportunities in Asia.

Implementation of the cost-saving measures, arising from Target 2007, will continue to be implemented. Recognising the global, commodity nature, of these products requires that this business continues to seek more efficient and productive methods of production, and logistics.

2
Gelatin

The results of the Gelatin business unit declined mainly as a result of falling selling prices. Demand for gelatins from the various raw materials remained at 2005's level or increased slightly, however, which meant that production units operated at full capacity throughout the year. Tessenderlo Group was successful in meeting growing competition from Asia. The group even started to produce gelatin in China itself in 2006, by setting up a joint venture.

Activities and products

The Gelatin business unit produces a wide range of qualities of gelatin based on the bones and skin of pigs and cattle. About two thirds of the gelatin is intended for the food industry. Gelatin is an important source of protein and contains no cholesterol, fat or carbohydrates. It is also converted into special foodstuffs for diabetics and products with a low glycaemic index. It is also produced for the pharmaceutical industry and a wide range of technical applications, such as photography.

Tessenderlo Group has further diversified into the formulation and production of ready-made compounds for the food industry, which are often based on gelatin.

Trends and facts in 2006

The **results** of the Gelatin business unit were lower than in 2005. This was mainly because of a sharp drop in selling prices resulting from large volumes supplied on the market owing to the commissioning of new factories and imports from low-wage countries. Raw materials prices fell much less sharply. Other factors were the lower exchange rate of the Dollar and high energy prices.

PB Leiner Argentina made two important **investments** during the year. The first was a new, considerable expansion of capacity. The second related to waste water processing.

In November, a **joint venture** was set up with a local gelatin producer **in China**. Tessenderlo Group owns 80 % of the shares. This gave PB Gelatins a solid base in the growing Chinese market. The factory is close to Wenzhou, the world centre of footwear production, and uses pigskins as a raw material. Its output is mainly intended for the local Chinese market and neighbouring countries.

The most important gelatin **markets** changed as follows:

- The food sector still continues to show very slight growth. Gelatin from cattle hides is increasing its market share at the expense of pigskin gelatin in Europe and the United States. This is disrupting the balance between supply and demand.
- The hard capsules market is continuing to grow. Western manufacturers are facing ever-fiercer competition from China and India.
- The soft capsules market remains vulnerable to the business cycle. PB Gelatins was able to maintain its market share at the same level, although there is even more competition from low-wage countries.
- PB Gelatins maintained its position in the photographic market. The market for traditional silver systems for film is continuing to decline, but the photographic paper sector remains a strong user of gelatin.

The **raw materials** market was stable and calm in 2006, both in terms of availability and prices.

Prospects for 2007

In view of the tendency for stocks of **pigskin gelatin** to fall, it is expected that the prices of this quality of gelatin will recover. There will continue to be a good supply of raw materials. A slight drop in energy and transport costs will make a recovery in margins possible.

The increasing demand for **cattle-hide gelatin** will have a favourable impact on results. The second capacity expansion in Argentina will start to produce its full benefits in 2007.

Competition from the Far East will further increase in the **bone gelatins** sector. Tessenderlo Group must be able to maintain its position on this market by cutting costs.

The new factory in **China** will be integrated in the group. The quality of gelatins produced will be brought up to the level of the rest of the group.

3
Natural Derivatives

Cost savings and higher margins improved results in 2006, despite a slight drop in revenue.
Acquisition of a stake in Ferso Bio turned the Caillaud group into a national player in France.

Activities and products

Through its French subsidiary, Caillaud, Tessenderlo Group plays a major role in the collection and processing of animal by-products, in particular in France. The annual capacity totals 1 million tonnes.

Caillaud is active in two sectors:

- as a rendering plant, it handles the collection and treatment of risk waste. The processed products are primarily used as an energy source by the cement industry and the industrial heating installations of the group. This business accounts for about 40 % of revenue;
- 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;
  - animal proteins for fertilisers.

Trends and facts in 2006

The Caillaud group achieved much better **results** in 2006. This was due to the efforts made to increase margins in 2005 by using products as effectively as possible. Cost-saving measures were also taken, mainly in the area of energy.

The **operations** of the French processing companies performed differently. On the one hand, there was the negative impact of the restructuring of the European agricultural policy and the bird flu crisis at the start of the year. Other sectors held up well, however, for example pig breeding. In comparison with 2005, the global volumes of Caillaud only fell by 3 %.

At the same time, French sanitary measures in connection with animal by-products were further adapted in line with European **regulations**. This made a return to the market of certain valorised by-products possible once again. For example, since October 2006, it has once again been possible to use protein meal from ruminants as a fertiliser.
The restructuring of public services by rendering plants, which started in 2005, resulted in a public call for tenders that was completed in July 2006. This allows Caillaud to have steady prospects for the next three years.

In June, Caillaud acquired a 50 % **stake** in the Ferso Bio group, which engages in similar activities in south-eastern France. The two plants of Ferso Bio together process 180,000 tonnes of raw materials a year. Their revenue amounts to nearly 40 million EUR and they have a workforce of 230. This has given Caillaud national coverage, bringing the group much closer to leadership of the French market.

In November, the French government awarded Caillaud an annual quota for the production of 35,000 tonnes of **biodiesel** from animal fats, to be produced between 2009 and 2015. This decision was the result of a European call for tenders that attracted a very large number of bids. Winning this contract was a great achievement for the group.
It also provides an opportunity to make even better use of animal by-products from slaughterhouses. This project is being carried out at the Progilor plant near Verdun (FR).

Prospects for 2007

Once again there is no reason to expect a return to growth of the activities in 2007. It is expected however that the current **volumes** processed, be at least maintained.

The major plans relate to the biodiesel project, the development of a full 'fertilisers' operation and the introduction of a new, integrated IT system.

Cost savings and the adaptation of the working tools to the new market conditions continue to be priorities in 2007.

6 Commitments

Safe on the road

Tool, status symbol or man's most faithful companion? Everyone wants a safe and beautiful car. It is possible, thanks to the thermoplastic polymers and pvc compounds for airbag covering, dashboard skins and cabling. Safe on the road, in the company of Tessenderlo Group.

1
Human Resources

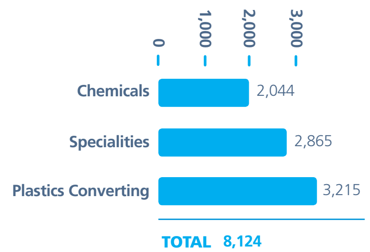
Employment
Changes in headcount during 2006 were affected by the implementation of the profit improvement project Target 2007. Although the greatest impact of this will not be felt until 2007, the headcount in the UK fell from 1,365 to 1,293 in 2006. This was mainly due to the reduction in headcount at Fairbrook (Plastics Converting) and to the decision to close down the Tessenderlo UK site at Widnes (Fine Chemicals) by mid-2007. By the end of 2006, the headcount there had already been reduced from 98 to 19.
The headcount almost trebled in China, on the other hand. This was mainly due to the new joint venture in Gelatin (+214) and the foundation of Tessenderlo Trading Shanghai.
These changes and other, smaller variations resulted in a headcount of 8,124 at the end of 2006.

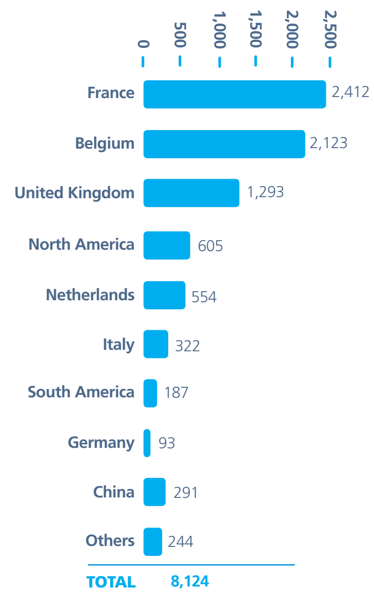
Social relations
The restructuring associated with Target 2007 at the various group establishments were a serious test for social relations during the negotiation of the several redundancy schemes.

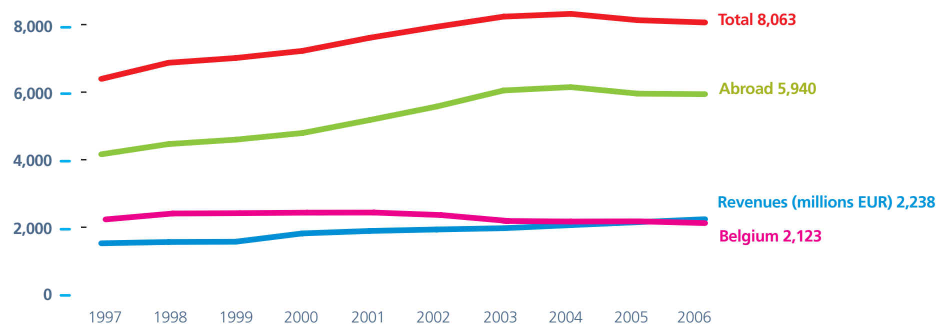
Human Resources policy
The procedures and operation of support services, such as Human Resources, were also analysed in detail in connection with Target 2007. The working groups responsible for this made a number of proposals concerning both HR policy and HR organisation. During 2007, the proposals will be examined to determine which of them are practically feasible and how they can be implemented. A supportive HR policy is essential for achievement of the goals of Target 2007 and the development of a more flexible organisation.

Capital increase reserved for staff
Tessenderlo Group carried out its 18th capital increase exclusively reserved for staff in 2006. 150,000 shares were offered with a 20 % discount on the average market price in the reference period. Although this offer had been undersubscribed in the previous 5 years, nearly all the new shares (97 %) were taken up in 2006. This is the best result but one for the past 10 years and shows that the staff are confident of the success of the Target 2007 project.

Prospects for 2007
The plan announced at the end of 2005 to permanently increase profits by 30 million EUR from 2007 onwards (Target 2007) was elaborated during 2006. The new organisation that is being built up in stages also poses a great many challenges for HR.
Work will have to become more efficient with fewer staff, which not only means that the costs per unit of output will fall, but also that the quality of goods and services will be kept at a consistently high level. The proposals for changing the organisation and working methods that have been accepted by the management will be implemented in 2007.

Employment per business group


Employment per country


Evolution of the average employment figures for Belgium and abroad and the revenue


6 Commitments

2
Environment, Safety and Risk Management

Manufacturing in a way that takes due account of the environment and the health and safety of staff and the general population is of fundamental importance for any industrial activity.

Protecting people and the environment therefore takes centre stage in the day-to-day policy of Tessenderlo Group, which always strives to go further than the statutory requirements. The group sets aside substantial resources for this purpose every year.

Incidents must be avoided as much as possible – all accidents can be avoided in principle. The focus here is on taking suitable preventive measures based on a pro-active and ongoing analysis of the situation on the ground by multi-disciplinary teams. After all, this is a key element for a 'learning organisation'.

High safety and environmental standards apply to the various plants of the group, including those at low risk. They are applied partly via an active risk management policy, own audits and insurance audits.

To give substance to this policy, Tessenderlo Group relies on internationally recognised principles, including Responsible Care, Best Available Techniques, ISO 14001, OHSAS 18001 and NFPA standards. These serve as optimisation guidelines.

Trends and facts in 2006

Environmental protection

The various plants invest extensively in environmental projects each year. This policy means that the most significant emissions have already been dealt with.

Tessenderlo Group also invested in various projects to benefit the environment in 2006.

Environmental management systems

In 2006, LVM in the Netherlands and Eurocell in the United Kingdom were awarded an ISO 14001 certificate.

Plants that also have a certified environmental management system under ISO 14001 include Produits Chimiques de Loos, Calaire Chimie, Chemilyl and Société Artésienne de Vinyle (SAV) in France, Tessenderlo Fine Chemicals in the UK, Taile Chemical Industry in China, Tessenderlo Chemie Maastricht in the Netherlands and LVM in Belgium.

Product stewardship

The Regulatory Affairs department was set up to monitor and ensure compliance with statutory obligations and other requirements accepted by the organisation with regard to the risks associated with chemical products throughout their entire life cycle.

REACH, the new EU chemicals policy that will come into force in 2007, was also given the necessary attention in 2006. Last year, further preparatory measures were taken to permit a structured response to this legislation.
The applications necessary for the registration of activities falling under the responsibility of the Federal Agency for the Safety of the Food Chain (FASFC) in Belgium were submitted. This concerns the use of products in foodstuffs and animal feed.

The voluntary commitment by the PVC industry (www.vinyl2010.org) signed by the group also delivered the expected results. In 2006, this mainly took the form of further research into the use of alternatives to lead stabilisers.

Water, air and soil

In 2006, several of the group's production sites carried out investments to reduce emissions into the atmosphere and effluent discharges to the lowest possible levels.

An application was submitted for the relicensing of three plants in West Limburg (Belgium). This also marked the start of work on the specific development of a sustainable solution for salt discharges in the Laak and Winterbeek. A statement concerning the proposed solution is planned in 2007. In addition, measures already underway to remove past soil and ground water pollution were continued at several production sites. As for past pollution along the Laak and Winterbeek, research was continued in consultation with the public authorities in order to further outline the situation and to find a possible solution.

Focus on energy

The plants of Tessenderlo Group falling under the scope of the European Directive on tradable emission rights have managed their tradable emission right positions via a co-ordinating unit since 2006. Imbalances between the supply of and demand for tradable emission rights available are first of all eliminated within Tessenderlo Group before use is made of the European system for dealing in tradable emission rights.

In 2006, the second independent verification of the energy performance of plants in Flanders (Belgium) that had signed the energy-benchmarking covenant was carried out. All the relevant plants of Tessenderlo Group meet the obligations contained in the appropriate energy plans.

The biggest energy-saving investments at Tessenderlo Group's plants in Flanders were made in 2006 when the Ely III new electrolysis unit and the HTDC (High Temperature Direct Chlorination) reactor at the MVC production unit in Tessenderlo came into operation in 2006.

2

Environment, Safety and Risk Management

Safety and risk management
Tessenderlo Group's works made huge investments in safety in 2006. New initiatives were launched to raise safety levels.

A number of new safety projects were launched within the Chemicals business group as part of the Target 2007 restructuring plan. They include measures to specifically reduce the number of accidents. Other projects relate to the introduction of a general system of operating permits, an optimum flow of information about regulations to production departments and the automated tracking of points of action.

An ever-increasing amount of effort and investment was devoted to ensuring plant safety on a preventive basis. Ensuring safety is essential when constructing and modifying plants.

Work on ensuring the safety of MVC spheres was completed at the MVC plant in Tessenderlo (Belgium), for example. All such spheres are given a fire-resistant coating. Also in Belgium, all sub-stations at Tessenderlo Chemie are fitted with fire-resistant compartmentalisation.

At the various European plants, appropriate efforts were made to integrate EXAT (EXplosive ATmosphere) legislation for systems where there is a risk of explosion.

In 2006, extra attention was also given to safety and co-ordinating work on the completion of Ely III and HTDC. The work proceeded without notable incidents.

The Risk Management Department carried out safety audits at Tessenderlo Kerley (Kennewick, Burley and Pocatello) and Tessenderlo Davison Companies (Magna) in the United States and at CTS-Saplast in France and Fairbrook PLC/Eurocell in the UK.

Various plants were inspected by insurers in conjunction with the group's own Risk Management Department. These inspections revealed that Tessenderlo Group was taking effective action to ensure staff, plant and environmental safety. Even more significantly, this was found to be a developing, dynamic process.

The following sites were audited in 2006:
- United States: Jupiter Sulphur LLC
- France: Calaire Chimie, Produits Chimiques de Loos, Chemilyl, Caillaud (Saint Langis), Progilor-Bouvart (Charny-sur-Meuse and Vénérolles), Plastival (Clerval) and Sotra-Seperef (Quincieux)
- Netherlands: LVM Limburg and Tessenderlo Chemie Maastricht
- Italy: Tessenderlo Italia (Pieve Vergonte and Cologna Veneta) and Farchemia
- Germany: PB Gelatins GmbH
- Belgium: Dyka Plastics NV

This year, the Tessenderlo Kerley Inc. production plant in Burley (USA) was given an award for safety by the US OSHA (Occupational Safety & Health Administration) agency.

A control and prevention system is in operation at the West Limburg plants to ensure compliance with European legislation on the transportation of hazardous substances by road (ADR legislation). Hauliers are systematically checked for possible breaches. The rate of breaches was 5.06 %, which means that Tessenderlo Group's performance is better than the Belgian average.

Relationship with the community
Tessenderlo Group is aware of the social role that it must fulfill. That is why it undertakes a variety of initiatives in relation to the **local communities** in the areas surrounding the various plants. One such initiative includes regular open days.

Tessenderlo Group also attaches importance to developing close ties with **educational institutions**. This includes arranging company visits and actively participating in various initiatives to link industry and education.

Strategy and prospects

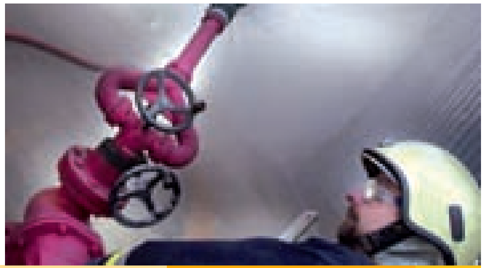
Strategy
Focusing on caring for people and the environment is more important than ever. A considerable effort will therefore continue to be made in future to keep systems up-to-date with state-of-the-art technology, take suitable preventive measures and reduce atmospheric emissions and effluent discharges to the lowest possible levels.

Prospects for 2007
Environmental protection
In the area of environmental management, ISO 14001 certification is planned for the Thermoplastiques Cousin-Tessier plant in Tiffauges (France).
With regard to **water**, work is continuing on a sustainable solution for salt discharges by the West Limburg plants (Belgium). Investments in waste water treatment will also be realised in other sites of Tessenderlo Group.
Several measures to protect **the soil** and to reduce **atmospheric** emissions will be carried out. **Energy-saving** measures are also programmed.

Safety
In 2007, Tessenderlo Group will continue its efforts. The group's own safety prevention follow up, possibly in collaboration with the insurers and the authorities, should lead to continuous improvement of the safety levels.

The integration of EXAT legislation will be continued at the various European plants.

A considerable amount of attention will be given in 2007 to the safety projects initiated in connection with Target 2007.



3
Research and Development

General background
The total research and development budget stood at 28 million EUR in 2006. Tessenderlo Group had a team of about 285 researchers at the end of December.

Continuous improvement of internal business processes continues to be a priority for the approximately 140 researchers at Tessenderlo (Belgium) and their colleagues in smaller in-house research teams of non-Belgian subsidiaries. Targeted technical support for production, sales and customers ensures Tessenderlo Group's continuing competitiveness on the market. Together with improving quality and developing new products, which may or may not complement existing products, this ensures the group's growth.

Targeted investments guarantee modern, well-equipped laboratories and pilot plants. This enables Tessenderlo Group to manage its future direction independently.
Tessenderlo Group has a number of test laboratories, which are very flexible and can quickly produce large quantities of new products. By rapidly moving beyond the laboratory research phase to production on a commercial scale, the group can respond very effectively to market demand. As the sales and production departments can always rely on support from the quality and research team, the necessary service can be offered and a suitable response made to ever-changing quality requirements and legislation.

Points of special consideration within the various business groups

Chemicals
Inorganics
The new animal feed phosphates, which came into production in the Netherlands and Italy in 2006, were followed closely. Researchers have adjusted the process in cooperation with the production team in Rotterdam.
More detailed know-how of chemical reactions and secondary reactions in sulphate furnaces led to an adjustment to the industrial process in 2006.
The hydrogen sulphide process was also examined and its efficiency was increased in cooperation with production managers and the engineering team.

PVC
A number of process adjustments both increased productivity once again and made the quality of PVC powder more consistent. Costs were reduced by optimising the use of polymerisation auxiliary materials.
The results of research into the operation of centrifuges for dewatering PVC have enabled Tessenderlo Group to adapt its equipment to ensure that it does not prevent a further increase in production. This was carried out in cooperation with a university and the centrifuge supplier.

Plastics Converting
Profiles
Industrial testing with stabilisers that are free of heavy metals has been intensively supported. In laboratories, tests have been developed for studying typical problems associated with the use of this new generation of additives.
A start has been made on the development of plastic materials based on PVC to prevent cold bridges in windows through adequate thermal insulation.

Plastic Pipe Systems
Support has been given to studying the colour-fastness of pigments and the development of injection moulding recipes for fittings that must meet stringent fire-safety requirements.

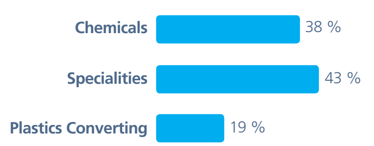
Compounds
The development of a number of new types of Marvyflo®, a PVC compound used in the production of car dashboards, resulted in a revenue increase of over 20%. The customer base was enlarged by the addition of a number of new models.
The formulae of a number of compounds for cable and automotive applications, as well as for the sealing sector (profiles for windows), were refined. This makes it possible to keep costs down and to respond more effectively to customer requirements. New types of window sealing products that meet the main requirements in Europe were launched.

Specialities
Fine Chemicals
In recent years, research has increasingly focused on manufacturing intermediates and active ingredients for the pharmaceutical industry. This was reflected in greater emphasis on organic synthesis in 2006. This mainly concerns substances that are still in the early stages of clinical research. In support of this, every effort is currently being made to arrange for approval of Tessenderlo's test facilities as cGMP units (cGMP stands for 'current good manufacturing practice'). This quality label makes a more rapid throughput of pharmaceutical active products possible from the research laboratory to the GMP production facilities in France and Italy, in cooperation with the customer.

Synthesis of the key pharmaceutical products at Calaire Chimie (France) has been optimised, resulting in a more efficient process. A patent application has been filed.

Further work has been carried out on the development of metal glycinates. Working methods have been optimised in the research laboratory and initial batches have been produced in Tessenderlo's pilot

R&D Expenditures in 2006
28 millions EUR



laboratory. A number of these products are currently being tested by several scientific institutes as a feed supplement.

A number of high-quality products have also been developed, including a perfume additive and a new electrolyte component for a new generation of lithium batteries.

Supporting research has also been carried out into organic chlorine derivatives production in Tessenderlo, resulting in increased capacity for a number of final products.

Gelatin

The health aspects of food are continuing to attract a great deal of attention. The demand for convenience is also growing. This has resulted in new recipes with gelatin and gelatin products. The initial results of research into the bioactivity of gelatin and related products are very encouraging. They open up new prospects for applications in functional food.
In 2006, a new, important step was taken in the improvement of hydrolysates. Researchers will continue to support the introduction of this concept in production. A project concerning the inclusion of hydrolysis variants is also being carried out.
Attention is continuing to be given to the use of alternative raw materials, both at the laboratory level and in production.
Last year, more was found out about the parameters affecting the soluble behaviour of gelatins.
The results of the rheological study will be further developed and tested in actual production situations.
Technical support for production has been mainly geared towards the qualification of certain gelatins for pharmaceutical applications.

Control laboratories and quality

Control laboratories

In 2006, the necessary steps were taken to expand the Laboratory Information Management System (LIMS) by the addition of a web application. This will enable all subsidiaries to carry out analysis requests, view progress and request reports via the Internet in future.

The environmental control laboratory extended its ISO 17025 accreditation (BELAC) in 2006, to include not just a significant set of emissions measuring methods, but also a number of water analyses.
After the Vlarem certificate for carrying out emission measurements as part of statutory self-control was renewed in 2005, the certificate for water analysis methods was renewed at the end of 2006. As a result of the accreditations and certificates, the environmental control laboratory can act as the partner for environmental measurements for both domestic and foreign subsidiaries.

The central analysis laboratory in Tessenderlo took over the analysis activities of the SAV laboratory (France). These activities have ceased at that laboratory. Some equipment has been replaced: a 400 MHz NMR installation has increased the analysis capacity for fine chemicals and plastics converting.
A new GC/MS installation is making it possible to carry out the increasing number of dioxin analyses with great accuracy.

In 2006, before the start of the new membrane electrolysis operation, the central control laboratory has updated the necessary methods of analysis and made the new analysis apparatus operational.

The support necessary for adjusting online analyses was provided.

Quality department

In 2006, the quality department further assisted several departments in implementing and maintaining quality management systems based on the internationally recognised EN-ISO 29 000 standard (system certification). It also assisted them in obtaining the necessary product certification for marketing products on the various markets.
Legislation and regulations are followed closely.

The procedures required for food safety (‘General Food Law’) and the registration of our products with the Belgian Federal Agency for the Safety of Food Chains (FAVV), such as traceability and product recall, were refined and tested. The performance of risk analyses concerning food safety (HACCP) by multi-functional teams was considerably increased.
The incorporation of GMP in the relevant quality management systems gives a further guarantee of quality, which is greatly appreciated by customers.

The cGMP requirements for the pharmaceutical sector as laid down in the ICH Q7A guidelines were further implemented in the glycine department.
The existing ‘European Drug Master File’ (EDMF) for pharmaceutical glycine was also kept up-to-date.
Changes were transmitted to the relevant customers and the Public Health Departments of all European Member States and of some non-European countries.

A project was also launched to make activities in Tessenderlo test facilities cGMP-compliant.

Last year, it was the turn of PB Leiner USA to renew the EDQM certificate (‘European Directorate for the Quality of Medicines’ - Certification of Suitability). The GMP Ovocom certificate for fats and dicalcium phosphate was obtained for the Belgian establishment.
The frequency and types of a number of analyses were changed to permit a flexible response to changes in legislation.

4
Corporate Governance

Transparent management

Tessenderlo Chemie subscribes to the nine principles of Corporate Governance stated in the Lippens Code; in fulfilment of this, the Board of Directors approved its Corporate Governance Charter (the 'Charter') on 10 November 2005. The Charter can be consulted on our website at www.tessenderlo-group.com.

By introducing organisational and operational rules, the decision-making process within the Board of Directors, the special committees set up under the auspices of the Board of Directors, and the Management Committee becomes more transparent, taking into account the interests of the company, shareholders and others directly or indirectly involved in events affecting the company, the so-called 'stakeholders'.

Compliance with the recommendations contained in the Lippens Code and fine-tuning the working of the Board of Directors, the special committees and the Management Committee (*) to fulfil the requirements of Corporate Governance is an ongoing process. Tessenderlo Chemie undertakes, therefore, to review the Charter at regular intervals and to modify it where necessary.

Board of Directors

Role and responsibilities

The Board of Directors is the highest administrative body of the company, which has full powers under Article 19 of the Articles of Association.
The Board of Directors is a body with collective responsibility, which reports to the General Meeting on its activities.

The role of the Board of Directors consists in ensuring the long-term success of Tessenderlo Chemie and Tessenderlo Group. The Board of Directors promotes and guarantees entrepreneurial leadership and ensures that risks can be assessed and managed. The Board of Directors decides on the values and the strategy of the company, its risk profile, and the key elements of its policy.
The Board of Directors also exercises major monitoring and compliance responsibilities.

The company is validly represented either by the Chairman of the Board of Directors or by two directors acting jointly.

Composition

As of 31 December 2006, the Tessenderlo Chemie Board of Directors was composed as follows:

- Chairman, executive director:
  Gérard Marchand (appointment ends June 2010)
- Non-executive directors, representatives of the main shareholder:
  - Michel Nicolas (June 2010)
  - François Schwartz (June 2007)
  - Jacques Zyss (June 2010)

- Independent non-executive directors**:
  - Valère Croes (June 2009)
  - Paul de Meester (June 2007)
  - Jaak Gabriels (June 2007)
  - Baudouin Michiels (June 2007)
  - Bernard Pache (June 2007)
  - Thierry Piessevaux (June 2007)
  - Alain Siaens (June 2010)
  - Karel Vinck (June 2007)

* To date, it has been decided not to exercise the option offered under Article 524bis of the Belgian Companies Code to set up an Executive Committee.

The Board of Directors is supported by Adrien Carton de Wiart, in his capacity as the Secretary General of the company.

Remuneration policy

Pursuant to Articles 22 and 33 of the Articles of Association, it is the responsibility of the Tessenderlo Chemie Board of Directors to make proposals concerning the remuneration granted to Board members.

A special committee set up within the Board of Directors, namely the Remuneration Committee, formulates proposals to the Board of Directors concerning:
- the standard remuneration for participating in the four annual Board meetings;
- the remuneration granted for assignments related to special mandates.

The Remuneration Committee also assesses the implementation of the various decisions taken on this matter.

Non-executive directors receive fixed remuneration and reimbursement of expenses for travel to meetings. Total annual remuneration amounts to 53,679 EUR per mandate, excluding reimbursement of travel expenses. Attendance fees amounting to 1,240 EUR are also granted per meeting of the Remuneration Committee and the Appointments Committee and, if the situation arises, the Independent Directors Committee to be set up pursuant to Article 524 of the Belgian Companies Code. With regard to the Audit Committee, the attendance fees per meeting amount to 2,000 EUR per director and 3,000 EUR for the director chairing the Committee.

The executive director receives a remuneration package consisting of three different components proposed by the Remuneration Committee, namely:
- fixed remuneration of 502,717 EUR;
- variable remuneration of 51,264 EUR relating to the previous year; and
- the granting of stock options under the stock option plan for group management.

In common with all employees, the executive director also participates in the company's benefits plan.

** Pursuant to paragraph 4.10 of the Charter, a director is regarded as being independent, if he or she at the very least satisfies the independence criteria contained in Article 524 (4) (2) of the Belgian Companies Code. When assessing independence, the conditions outlined in Annex A to the Lippens Code will also be considered. According to the information at the disposal of the Board of Directors, the independent directors of Tessenderlo Chemie satisfy the above-mentioned independence criteria. No exceptions were reported to the Board.

TESSENDERLO GROUP

Operation
Pursuant to Article 17 of the Tessenderlo Chemie Articles of Association, the Board of Directors convenes whenever it deems necessary, following notice given by the Chairman or if requested by any two directors. The Board of Directors may only validly deliberate if the majority of the directors is present or represented. The Board of Directors strives to take decisions by unanimous vote. If unanimity cannot be reached, the decision is taken by simple majority, with the meeting Chairman having the deciding vote.

During 2006, the Board of Directors convened four times. Average attendance was 94 %.

Special committees

General
The Board of Directors may set up special committees under its auspices to analyse certain specific matters and to advise the Board. However, the ultimate decision-making authority remains with the Board of Directors in accordance with the statutory provisions and the Memorandum and Articles of Association.

The Tessenderlo Chemie Board of Directors has set up an Appointments Committee, a Remuneration Committee, and an Audit Committee.

A special committee strives to take decisions by unanimous vote. If unanimity cannot be reached, the decision is taken by simple majority.
Following each committee meeting, the Board of Directors receives a verbal or written report of the deliberations and recommendations of the special committee in question.

Appointments Committee
The task of the Appointments Committee consists in advising the Board of Directors on and assisting it with the appointment of directors, or assisting the CEO with and advising on the appointment of Management Committee members.
The Appointments Committee ensures that the (re)appointment procedures are carried out in a professional and objective manner. However, the ultimate decision-making authority remains with the General Meeting or the Board of Directors respectively.
As of 31 December 2006, the Appointments Committee was composed as follows:
- Paul de Meester (Chairman)
- Baudouin Michiels
- Jacques Zyss

The Appointments Committee convened twice during the year under review. The attendance rate was 100 %.

Remuneration Committee
The task of the Remuneration Committee consists in advising the Board of Directors on and assisting it with formulating the remuneration policy for the executive and non-executive directors and Management Committee members. However, the ultimate decision-making authority remains with the General Meeting as far as the directors are concerned, and with the Board of Directors in the case of Management Committee members.

As of 31 December 2005, the Remuneration Committee was composed as follows:
- Valère Croes (Chairman)
- Paul de Meester
- Alain Siaens
- Jacques Zyss

The Remuneration Committee convened twice during the year under review. The attendance rate was 100 %.

Audit Committee
The task of the Audit Committee consists in providing the Board of Directors with assistance with and advice on its supervisory responsibilities concerning compliance in the most general sense.

The compliance task of the Audit Committee and the associated reporting obligation relates to Tessenderlo Group as a whole and refers to financial reporting, internal control and risk management, in addition to the internal and external audit process.

As of 31 December 2006, the Audit Committee was composed as follows:
- Valère Croes (Chairman)
- Thierry Piessevaux
- François Schwartz

The Financial Director, Internal Auditor, Management Controller, and the Statutory Auditor may be invited to attend Audit Committee meetings.

The Audit Committee convened three times during the year under review. The average attendance rate was 91 %.

Management Committee

Role and responsibilities
The operational management of the company is entrusted by the Board of Directors to the Chief Executive Officer (CEO). The CEO is assisted by the members of the Management Committee.

The operational management of the company includes, inter alia:
- the day-to-day management of the company;
- preparing and implementing decisions taken by the Board of Directors;
- organising the internal audit, without prejudicing the supervisory function exercised by the Board of Directors;
- preparing the budget and financial reporting, following these up, and explaining them to the Board of Directors;
- preparing the annual accounts in accordance with the company's accounting principles and valuation rules.

From left to right:
Eddy Vandenbriele,
Jozef Housen,
Adrien Carton de Wiart,
Gérard Marchand,
Christian Vrebosch,
Albert Vasseur,
Frank Coenen and
David Poynton

Composition

The Tessenderlo Chemie Management Committee is composed as follows:

- Gérard Marchand – Chairman
- Frank Coenen – Chemicals business group
- Albert Vasseur – Plastics Converting business group
- Jozef Housen – Gelatin business unit
- David Poynton – Fine Chemicals business unit

The ordinary meetings of the Management Committee are also attended by the Secretary General, Adrien Carton de Wiart, the Director ICT, Internal Audit and Human Resources, Eddy Vandenbriele and the Financial Director, Christian Vrebosch.

Remuneration policy

The remuneration of Management Committee members is determined on the basis of the recommendations made by the Remuneration Committee.

The remuneration package and the composition thereof are analysed annually on the basis of a study conducted by a specialised external agency, in order to take into account prevailing market conditions.

The fixed remuneration is situated at internationally competitive levels with the objective of promoting complete motivation and loyalty of managers towards the group. The variable component amounting to on average 20 % of total remuneration sets quantitative and qualitative targets to be met by managers, taking into account the specific circumstances in the sector of activities or business units, which they manage. In common with all senior executives at the subsidiaries, Management Committee members are also entitled to participate in the annual stock option plan. The apportionment of subscription rights is entrusted to the Remuneration Committee.
The pension plan, in which the executive director and the Management Committee members participate, is the same plan as that for all employees and executives of the company and is of the type 'defined benefits obligations'. The annual remuneration for the Management Committee, including remuneration for the executive director, amounts to 1.5 million EUR.

Stock options

In 2006, 2000 bonds were issued under the cum-warrant debenture loan. 40 warrants are attached to each bond. Each warrant entitles the holder to subscribe for one share. In total, 80,000 shares could be subscribed for. These subscription rights can only be exercised after three years and this for four successive years. The list of beneficiaries, namely the senior executives of the group, is established by the Board of Directors every year. The Board of Directors entrusts the Remuneration Committee with apportioning subscription rights among beneficiaries. The subscription rights are registered and non-transferable, except in the event of death. This issue enables the group's senior executives to be connected with its financial results and this in the long term.
The current situation with regard to issued warrants: 259,240 in total, including 139,440 for Management Committee members and 119,800 for senior executives of the group.

Operation

In principle, the Management Committee convenes once a month. The Management Committee may only validly deliberate, if half of its members are present or represented. The Management Committee strives to take decisions by unanimous vote. The Management Committee reports to the Board of Directors on the principal decisions it has taken. During the year under review, the Management Committee convened ten times. Average attendance was 100 %.

Conflict of interests regulation

Paragraphs 4.9 and 6.6 of the Charter set out the conflict of interests regulation applicable to the Board of Directors and the Management Committee respectively. During the year under review, neither the Board of Directors nor the Management Committee was informed of any conflict of interest affecting one of its members.

Policy on inside information and market manipulation

Chapter 8 of the Charter sets out the company's policy on inside information and market manipulation.

The Board of Directors has appointed the Secretary General, Adrien Carton de Wiart, as Compliance Officer. In his absence, the Director ICT, Internal Audit and Human Resources will perform the function of Compliance Officer.

The Compliance Officer is responsible for overseeing compliance with the policy outlined by the company on inside information and market manipulation and acts as a point of contact for enquiries concerning the application of the policy.

External Audit

The position of statutory auditor is fulfilled by Klynveld Peat Marwick Goerdeler Bedrijfsrevisoren (KPMG), represented by Pierre Berger. Its mandate will expire in June 2007.

Fees for auditing the annual financial statements of Tessenderlo Chemie NV and its subsidiaries are ultimately determined by the general meeting of shareholders. Worldwide audit and other fees for 2006 in relation to services provided by KPMG amounted to 873,893 EUR (2005: 930,376 EUR), which were composed of audit services for the annual financial statements of 818,310 EUR (2005: 781,888 EUR), audit related services of 1,500 EUR (2005: nihil), tax services of 41,942 EUR (2005: 116,588 EUR) and other services of 12,141 EUR (2005: 31,900 EUR).

Dividends policy

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

For the financial year 2006, a net dividend of 0.90 EUR per share will be proposed to the General Meeting of June 5, 2007, which means a status quo compared to last year's dividend.

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Information for shareholders

'In a difficult year, Tessenderlo Group maintained its share price. It even ended 2006 18% higher than at the end of 2005. This shows that the market shares the management's confidence in the future of the group.'

Gérard Marchand, CEO

Tessenderlo Chemie shares

Tessenderlo Chemie shares are listed on the Brussels Stock Exchange with code TESB. They are traded on the continuous market and are included in the following indices: BEL Mid, Next 150 and NextPrime. The shares are included in the 'Kempen SNS Smaller European Social Responsibility Index'. This index only includes companies that fulfill stringent criteria and practices in terms of business ethics and social and environmental performance.

Shareholder base as at 2 February 2007

	Number of shares	%
SNPE	7,186,689	26.21
M&G Investment Management Ltd	1,030,894	3.76
Levimmo	855,009	3.12
Parfina	830,000	3.03
Staff (registered)	461,863	1.68
Free float	17,055,421	62.20
TOTAL	**27,419,876***	**100**

Providers of Tessenderlo Group financial information publish 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

Full financial and non-financial information about the group is available on the website at www.tessenderlogroup.com. Anyone wishing to receive Tessenderlo Group press releases by e-mail may register on the mailing list on this website.

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

Financial calendar

Financial year 2006	Announcement of results	15 March 2007
	General Meeting	5 June 2007
	Payment of dividend	8 June 2007
First quarter 2007	Announcement of quarterly results	3 May 2007
Second quarter 2007	Announcement of quarterly results	30 August 2007
Third quarter 2007	Announcement of quarterly results	8 November 2007

* The total number of shares constituting the issued capital of Tessenderlo Chemie NV is 27,419,876. Including the shares that may be issued as a result of the exercise of warrants, the total is 27,679,116.

Stock market data (consolidated annual report) as at 31 December

	2002	2003	2004*	2005	2006
Capital (million EUR)	132	133	134	135	**136**
Number of shares	26,975,013	27,113,352	27,210,399	27,269,568	**27,419,876**
Farthest prices					
Ordinary share (EUR)	23.00/35.00	24.13/29.50	27.24/33	36/25.75	**26.03/32.53**
Continuous market					
Closing price (EUR)	28.6	27.95	31.14	27.35	**32.30**
Average daily volume	24,097	24,120	35,536	59,890	**64,063**
Velocity (%)**	-	23.07	51.38	56.44	**59.58**
Volume	6,087,378	5,924,763	9,203,713***	15,391,688	**16,336,185**
Data per share (EUR)					
Value of shareholders' equity	27.57	27.93	27.77	28.41	**25.96**
Profit	2.62	1.60	1.97	1.29	**-0.89**
Net cashflow	7.66	5.96	7.19	5.91	**5.21**
Net dividend per ordinary share	0.85	0.85	0.90	0.90	**0.90**
Capitalisation at end of year (million EUR)	771.5	757.8	847.3	745	**885.7**

* Figures up to and including 2003 in Belgian GAAP, from 2004 in IFRS
** Total velocities of the 12 months of the year
*** The transfer of 4,693,794 shares by EMC Parbel excluded

Dividend

On 5 June 2007, 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 1.02 EUR. The net dividend of 0.90 EUR means there is no change compared with financial year 2005.

The dividend is payable at the following financial institutions:

- Bank Degroof, Rue de l'Industrie/Nijverheidsstraat 44, 1040 Brussels
- Dexia Bank, Boulevard du Roi Albert II/Koning Albert II-laan 30-B2, 1000 Brussels
- Deutsche Bank, Avenue Marnixlaan 17, 1000 Brussels
- Fortis Bank, Montagne du Parc/Warandeberg 3, 1000 Brussels
- ING Belgium, Avenue Marnixlaan 24, 1000 Brussels
- KBC, Avenue du Port/Havenlaan 2, 1080 Brussels
- Petercam, Place Sainte Gudule/Sint-Goedeleplein 19, 1000 Brussels

Financial communication and investor relations

Each year, the financial managers work with the Corporate Communication department on a number of initiatives to raise awareness of Tessenderlo Group among institutional and private investors.

Between 'roadshows' in Europe and the United States (72 roadshows in 2006), the group regularly participates in events for investors and organises company visits and meetings with the group management.

The group also invites analysts to comment on the results and future developments in June and November. The quarterly results are explained via conference calls.

The following people are available to answer any questions about Tessenderlo Group:

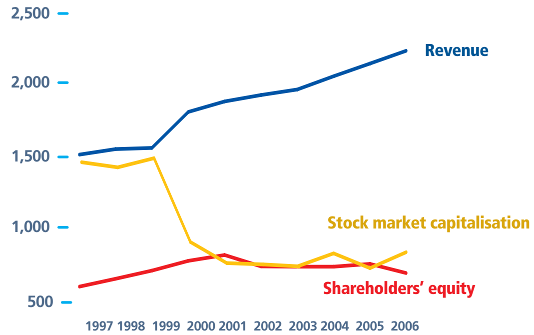
Investors and analysts
Christian Vrebosch
Tel: 0032 2 639 18 87
E-mail: christian.vrebosch@tessenderlo.com

Shareholders
Jos Cnops
Tel: 0032 2 639 18 71
E-mail: jos.cnops@tessenderlo.com

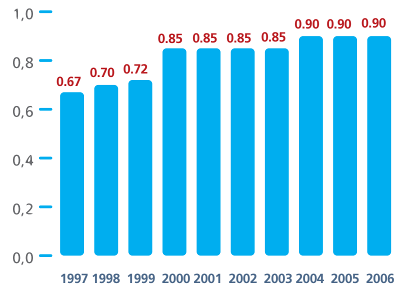
Dematerialisation
By law, no bearer shares may be issued from 1 January 2008. The articles of association of Tessenderlo Chemie NV already comply with the law and provide for the possibility of issuing dematerialised shares.
Dematerialisation will make it possible to significantly reduce administrative work and costs while at the same time increasing transaction speed for issuers, investors and financial intermediaries alike.

Change in share (in €)

Stock market capitalisation (million €)



Net dividend per share (in €)



7 Financial Report

Every day a new future starts.
At the Tessenderlo Group lab new ideas bubble up and are distilled into new products and applications. Our researchers do more than searching. They find safe and durable answers to every new demand of customers or of the society.

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Consolidated Financial Report

Consolidated Income Statement

(Millions EUR)	note	2006	2005
Revenue		2,238.3	2,149.5
Cost of sales		-1,803.8	-1,741.1
Gross profit		**434.5**	**408.4**
Distribution expenses		-151.4	-151.0
Sales and marketing expenses		-80.0	-80.5
Administrative expenses		-116.6	-113.4
Other operating income and expenses	4	-14.2	3.9
Profit from operations before non-recurring items		**72.3**	**67.4**
Claims	5	-23.2	-3.7
Restructuring (incl. impairment losses)	5	-48.9	-2.7
Other	5	-4.8	-1.8
Profit (+) / loss (-) from operations		**-4.6**	**59.2**
Finance costs	8	-20.3	-17.5
Finance income	8	2.1	2.7
Finance costs - net		**-18.2**	**-14.8**
Share of result of associates	13	11.3	8.2
Profit (+) / loss (-) before tax		**-11.5**	**52.6**
Income tax expense	9	-12.8	-17.6
Profit (+) / loss (-) for the period		**-24.3**	**35.0**
Attributable to:			
- Equity holders of the Group		-24.3	35.1
- Minority interests		-	-0.1
Weighted average number of ordinary shares (in million shares)		27.3	27.3
Diluted weighted average number of ordinary shares (in million shares)		27.3	27.3
Basic earnings per share (EUR)		-0.89	1.29
Diluted earnings per share (EUR)		-0.89	1.29

Consolidated Statement Of Recognised Income And Expense

(Millions EUR)	note	2006	2005
Translation differences	20	-11.5	15.4
Net income (+) / expense (-) recognised directly in equity		**-11.5**	**15.4**
Profit (+) / loss (-) for the period		**-24.3**	**35.0**
Total recognised income (+) and expense (-) for the period		**-35.8**	**50.4**
Attributable to:			
Equity holders of the Group		-35.8	50.5
Minority interests		-	-0.1
Total recognised income (+) and expense (-) for the period		**-35.8**	**50.4**

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Consolidated Financial Report

Consolidated Balance Sheet

ASSETS	note	2006	2005
Non-current assets		**866.5**	**874.9**
Property, plant and equipment	10	726.6	747.2
Goodwill	11	40.1	47.1
Intangible assets	12	21.9	17.1
Investments in associates	13	25.4	16.8
Investments	14	8.7	7.2
Deferred tax assets	15	27.1	21.2
Trade and other receivables	16	16.7	18.3
Current assets		**823.6**	**836.8**
Inventories	17	348.1	366.4
Trade and other receivables	16	439.1	448.3
Derivative financial instruments	25	0.1	1.0
Cash and cash equivalents	18	36.3	21.1
Non current assets classified as held for sale	**19**	**15.7**	**-**
Total assets		**1,705.8**	**1,711.7**

EQUITY & LIABILITIES	note	2006	2005
EQUITY			
Equity attributable to equity holders of the Group	**20**	**709.5**	**774.3**
Issued capital	20	136.0	135.0
Share premium	20	36.5	34.2
Reserves	20	233.7	206.9
Retained earnings	20	303.3	398.2
Minority interests	**20**	**2.2**	**0.4**
Total equity		**711.7**	**774.7**
LIABILITIES			
Non-current liabilities		**301.0**	**398.5**
Financial liabilities	22	148.7	280.2
Employee benefits	23	39.5	42.7
Provisions	24	71.6	46.8
Deferred tax liabilities	15	41.2	28.8
Current liabilities		**693.1**	**538.5**
Financial liabilities	22	298.6	169.8
Trade and other payables	25	367.6	339.4
Current tax liabilities		9.3	22.5
Provisions	24	17.6	6.8
Total liabilities		**994.1**	**937.0**
Total equity and liabilities		**1,705.8**	**1,711.7**

Consolidated Cash Flow Statement

(Millions EUR)	2006	2005
OPERATING ACTIVITIES		
Profit (+) / loss (-) from operations	-4.6	59.2
Depreciation, impairment and amortisation	129.1	124.6
Changes in provisions	31.1	1.8
Non cash items	-3.7	1.4
Changes in inventories	14.4	-29.7
Changes in trade and other receivables	13.8	-48.0
Changes in trade and other payables	7.1	48.9
Cash generated from operating activities	**187.2**	**158.2**
Interest paid	-19.0	-16.2
Interest received	2.3	1.9
Income tax (paid)/received	-14.4	-14.8
Dividends received from associates	17.7	12.4
Cashflow from operating activities	**173.8**	**141.5**
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment (incl. business combinations)	-125.6	-172.5
Acquisition of intangible assets (incl. business combinations)	-5.4	-2.5
Acquisition of subsidiaries, net of cash acquired	-9.8	-1.5
Acquisition of investments	-1.6	-0.9
Proceeds from sale of property, plant and equipment	6.5	9.8
Proceeds from sale of intangible assets	0.2	4.5
Proceeds from sale of subsidiaries, net of cash disposed of	-	1.5
Proceeds from sale of investments	0.1	0.2
Cashflow from investing activities	**-135.6**	**-161.4**
FINANCING ACTIVITIES		
Increase/(decrease) of issued capital	3.3	1.5
Increase/(decrease) of financial liabilities	6.6	38.1
(Increase)/decrease of long term receivables	0.8	-7.1
Dividends paid to shareholders	-33.3	-33.2
Cashflow from financing activities	**-22.6**	**-0.7**
Net increase/(decrease) in cash and cash equivalents	**15.6**	**-20.6**
Effect of exchange rate differences	-0.4	0.9
Cash and cash equivalents at the beginning of the year	21.1	40.8
Cash and cash equivalents at the end of the year	36.3	21.1

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Consolidated Financial Report

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Tessenderlo Chemie NV (hereafter referred to as the « Company ») is a company domiciled in Belgium. The consolidated financial statements for the year ended 31 December 2006 comprise the Company and its subsidiaries (together referred to as the « Group ») and the Group's interests in associates and jointly controlled entities.

The IFRS financial statements were authorised for issue by the Board of Directors of Tessenderlo Chemie NV on Thursday 15 March 2007.

(A) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (formerly named IAS) issued by the International Accounting Standards Board (IASB) as adopted by the European Union.

(B) Basis of preparation

The financial statements are presented in euro, rounded to the nearest million. They are prepared on the historical cost basis except for derivative financial instruments and investments available-for-sale, which are stated at fair value.

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 34.

The consolidated financial statements are presented before the effect of the profit appropriation of the Company proposed to the General Assembly of shareholders.

The accounting policies set out below have been applied consistently by the Group to all periods presented in these consolidated financial statements.

(C) Principles of consolidation

Companies controlled by the Group (i.e. in which the Group has, directly, or indirectly, an interest of more than one half of the voting rights or is able to exercise control over the operations, further also "subsidiaries") have been fully consolidated. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Separate disclosure is made of minority interests.

Investments in associates and jointly controlled entities (joint ventures) are included in the consolidated financial statements using the equity method. The investments in associates are those in which the Group has significant influence over the financial and operating policies, but which it does not control. In general, it is the case when the Group holds between 20% and 50% of the voting rights. The equity method is used as from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations in respect of the associate.

All intercompany transactions, balances and unrealised gains and losses on transactions between group companies have been eliminated. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(D) Foreign currency

• Foreign currency transactions

Foreign currency transactions are accounted for at exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at balance sheet date rate. The resulting gains and losses of these transactions are recognised in the income statement of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to euro at foreign exchange rates ruling at the dates the fair value was determined. For available for sale non-monetary assets, foreign exchange gains and losses are not separated from the total fair value changes.

• Foreign currency translation

Assets and liabilities of foreign entities included in the consolidation are translated to euro at the foreign exchange rates ruling at the balance sheet date. The income statement of the foreign entities is translated to euro at the annual average foreign exchange rates (approximating the foreign exchange rates prevailing at the dates of the transactions). The components of equity attributable to equity holders of the Group are translated at historical rates. Exchange differences arising from the translation of the equity attributable to the equity holders of the Group to euro at year-end exchange rates are taken to " Translation reserves" in Equity.

• Exchange rates

The following exchange rates have been used in preparing the financial statements:

	CLOSING RATE		AVERAGE RATE	
1EUR equals :	**2006**	2005	**2006**	2005
Brazilian real	2.8072	2.7696	2.7332	3.0328
Canadian dollar	1.5281	1.3725	1.4245	1.5082
Chinese yuan	10.2793	9.5204	10.0119	10.2006
Czech crown	27.4850	29.0100	28.3357	29.7812
Hungarian forint	251.7700	252.8700	264.1700	248.0700
Polish zloty	3.8310	3.8600	3.8953	4.0224
Pound sterling	0.6715	0.6853	0.6817	0.6838
Slovak koruna	34.4350	37.8800	37.2120	38.5961
Swiss franc	1.6069	1.5551	1.5731	1.5483
US dollar	1.3170	1.1797	1.2561	1.2438

(E) Intangible assets

• Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure resulting from development activities, whereby research findings are applied to a plan or design for production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the company has sufficient resources to complete development. The capitalised expenditure includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statements as an expense as incurred. Capitalised development is stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy J).

• Emission allowances

The cost of acquiring emission allowances is recognised as intangible asset, whether they have been purchased or received free of charge (in the latter the acquisition cost is zero). A provision is set up to cover obligations to refund allowances depending on emissions if, during a given period, the number of allowances required exceeds the total number of allowances received. This provision is measured at the estimated amount of the expenditure required to settle the obligation.

• Other intangible assets

Other intangible assets, acquired by the Group, are stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy J).

• **Subsequent expenditure**
Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

• **Amortisation**
Intangible assets with a finite life are amortised using the straight-line method over their estimated useful lives.

The estimated useful lives of the respective asset categories are as follows:

Development	5 years
Software	3 to 5 years
Concessions, licenses, patents and other	10 to 20 years

Intangible assets with an indefinite useful life are tested for impairment on an annual basis.

(F) Goodwill

• **Goodwill**
Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the net identifiable assets of the acquired subsidiary, jointly controlled entity or associate at the date of acquisition.

All goodwill has been frozen on the 1st of January 2004 and is not amortised anymore, but tested at least annually for impairment and whenever there is an indicator that the unit to which the goodwill has been allocated may be impaired (see accounting policy J).

Goodwill is expressed in the currency of the subsidiary, jointly controlled entity or associate to which it relates.

• **Negative goodwill**
Negative goodwill represents the excess of the fair value of the company's share of the net identifiable assets acquired over the cost of acquisition. Any negative goodwill is recognised directly in the income statement.

(G) Property, plant and equipment

• **Owned assets**
Items of property, plant and equipment (further also "PP&E") are stated at purchase price or production cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of indirect costs. Borrowing costs directly attributable to the acquisition, construction or production of an asset, requiring a long preparation, are included in the cost of the asset.

The cost of property, plant and equipment includes also the estimated cost of dismantling and removing the asset and restoring the site to the extent that such cost is recognised as a provision.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

• **Subsequent expenditure**
Subsequent expenditure incurred in replacing or renewing components of some items of property, plant and equipment is accounted for as the acquisition of a separate asset and the replaced asset is written off. Capitalisation of subsequent expenditure is only done when it increases the future economic benefits embodied in the item of property, plant and equipment. Repair and maintenance, which do not increase the future economic benefits of the asset to which they relate, are expensed as incurred.

• **Depreciation**
Depreciation is charged to the income statement as from the date the asset is available for use, on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives of the respective asset categories are as follows:

Improvements to land	10 to 20 years
Buildings	20 to 40 years
Building improvements	10 to 20 years
Plant installations	6 to 20 years
Machinery and equipment	5 to 15 years
Furniture and office equipment	4 to 10 years
Extrusion and tooling equipment	3 to 7 years
Laboratory and research – infrastructure	3 to 5 years
Vehicles	4 to 10 years
Computer equipment	3 to 5 years

Land is not depreciated as it is deemed to have an indefinite life.

• **Government grants**
Government grants relating to the purchase of property, plant and equipment are deducted from the carrying amount of the related asset when there is reasonable assurance that they will be received and the company will comply with the conditions attached to it. They are recognised in the income statement as other operating income on a straight-line basis over the estimated useful life of the associated asset.

(H) Leased assets

Leases of property, plant and equipment where the company assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see accounting policy G) and impairment losses (see accounting policy J).

Each lease payment is allocated between the liability and finance charges so as to achieve a constant periodic rate of interest on the outstanding finance balance. The corresponding obligations, net of finance charges, are included in other long-term payables. The interest element is charged to the income statement as a finance charge over the lease period. Property, plant and equipment acquired under finance leasing contract is depreciated over the useful life of the asset (see accounting policy G).

Leases of assets under which the lessor substantially retains all the risks and rewards of ownership are classified as operating leases. The payments made under operating leases are charged to the income statement on a straight-line basis over the term of the lease.

(I) Investments

Each category of investment is accounted for at trade date.

• Investments in equity securities

Investments in equity securities are undertakings in which the Group does not have significant influence or control. This is generally evidenced by ownership of less than 20% of the voting rights. Such investments are designated as available for sale financial assets and are recorded at their fair value unless the fair value cannot be reliably determined in which case they are carried at cost less impairment losses. The fair value is the quoted bid price at balance sheet date. Changes in fair value are directly recognised in equity, except for impairment losses. On disposal of an investment, the cumulative gain or loss previously recognised directly in equity is recognized in profit or loss.

• Other investments

The other investments mainly include cash guarantees.

(J) Impairment

At each balance sheet date, the Group reviews the carrying amounts of the Group's assets, other than inventories (see accounting policy K) and deferred tax assets (see accounting policy R), to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Goodwill, intangible assets with indefinite useful life and intangible assets not yet available for use were tested for impairment at 1 January 2004, the date of transition to IFRS, even if no indication of impairment existed.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then, to reduce the carrying amount of other assets in the unit on a pro rata basis.

• Calculation of recoverable amount

The recoverable amount is the higher of the fair value less costs to sell and its value in use. The value in use is the net present value of the estimated future cash flows from the use of an asset. The recoverable amount is calculated at the level of the cash-generating unit to which the asset belongs. In assessing the value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, to the business etc.

• Reversal of impairment

If there has been a change in the estimates used to determine the recoverable amount on assets other than goodwill, the carrying amount is partially or totally re-established through the non-recurring items in the income statement, to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

An impairment loss in respect of goodwill cannot be reversed.

(K) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost is determined by the weighted average cost method.

The cost of finished goods and work in progress comprises raw materials, other production materials, direct labour, other direct cost and an allocation of fixed and variable overhead based on normal operating capacity. Cost of inventories includes the purchase, conversion and other costs incurred to bring the inventories to their present location and condition. Net realisable value represents the estimated selling price, less all estimated costs of making the product ready for sale.

(L) Trade and other receivables

Trade and other receivables are stated at amortised cost less appropriate allowances for non-recoverable amounts.

(M) Cash and cash equivalents

Cash includes cash in hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash, have a remaining maturity date of three months or less and are subject to an insignificant risk of change in value.

(N) Issued capital

• Repurchase of issued capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity.

• Dividends

Dividends are recognised as a liability in the period in which they are declared.

(O) Financial liabilities

Financial liabilities are recognised initially at cost, less attributable transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of borrowings on an effective interest basis.

(P) Provisions

Provisions are recognised in the balance sheet when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.
If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

• Restructuring

A provision for restructuring is recognised when the company has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced to those affected by it. Future operating costs are not provided for.

• Environmental obligations

Environmental provisions are based on legal and constructive obligations from past events, in accordance with applicable legal requirements.

• Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

• Others

Includes provisions for litigations and warranties.

(Q) Employee benefits

• Post employment benefits

Post employment benefits include pensions and medicare benefits. The Group operates a number of defined benefits and defined contribution plans throughout the world, the assets of which are generally held in separate pension funds. Separate trusts and insurers generally hold the pension plans.

- Defined contribution plans:
Contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

- Defined benefit plans:
For defined benefit plans, the pension accounting costs are assessed separately for each plan using the projected unit credit method. Under this method, the cost of providing pensions is charged to the income statement in order to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries who carry out a full valuation of the plans. The amounts charged to the income statement consist of current service cost, interest cost, the expected return on any plan assets, actuarial gains and losses and past service costs.

The pension obligation recognised in the balance sheet is determined as the present value of the defined benefit obligation (using interest rates of high quality corporate bonds which have terms to maturity approximating the terms of the related liability) adjusted for unrecognised actuarial gains and losses, less unrecognised past service costs and less the fair value of the plan assets.

All actuarial gains and losses as at 1 January 2004, the date of transition to IFRSs, were recognised. In respect of actuarial gains and losses that arise subsequent to 1 January 2004 in calculating the Group's obligation in respect of a plan, to the extent that any cumulative unrecognised actuarial gain or loss exceeds 10 % of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the income statement over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

Where the calculation results in a benefit to the Group, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

• Termination benefits (pre-retirement plans, other termination obligations)

These benefits arise as a result of the company's decision to terminate the employment of an employee or group of employees before the normal retirement date or of an employee's decision to accept voluntary redundancy in exchange for those benefits.

These benefits are accrued for at the moment of notification.

• Equity compensation benefits

A stock option plan allows senior management to acquire shares of the Company. The option's exercise price equals the lowest of the average market price of the underlying shares in the 30 trading days preceding the offer date or the market price on the last day preceding the offer date. These share-based payments are recognised in the financial statements based on the fair value of the awards measured at grant date, spread over the vesting period. When the options are exercised, equity is increased by the amounts of the proceeds received.

(R) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, for temporary differences arising between the carrying values of assets and liabilities for financial reporting purposes and the basis used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affects neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and credits can be utilized. A deferred tax asset is reduced to the extent that it is no longer probable that related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related benefit.

(S) Trade and other payables
Trade and other payables are stated at cost.

(T) Income
• Revenue

For the sale of goods, revenue is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

Revenue is recognised when there are no significant uncertainties regarding recovery of the consideration due, the associated costs or the possible return of goods and also when the entity has no continuing management involvement with the goods.

• Financial income

Financial income comprises interest receivable on funds invested, dividend income, foreign exchange gains and gains on derivative financial instruments.
Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset.
Dividend income is recognised in the income statement on the date the entity's right to receive payments is established.

(U) Expenses
• Financial expenses

Financial expenses comprise interest payable on borrowings, foreign exchange losses and losses on derivative financial instruments.
All interest and other costs incurred in connection with borrowings are expensed as incurred as part of financial expenses. The interest expense component of finance lease payments is recognised in the income statement using the effective interest rate method.

(V) Derivative financial instruments
The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financial and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(W) Non-current assets held for sale and discontinued operations
Immediately before classification as held for sale, the remeasurement of the assets (and all assets and liabilities in a disposal group) is brought up-to-date in accordance with applicable IFRSs. Then, on initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale are included in the profit or loss. The same applies to gains and losses on subsequent remeasurement.

A discontinued operation is a component of the Group's business that represents a separate major line of business or a geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. A disposal group that is to be abandoned may also qualify.

(X) Segment reporting
A segment is a distinguishable component of the Group that is engaged either in providing products or services (business groups), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment information is produced according to two different criteria: a primary segment reporting format is based on the Group's sector of activity (business groups), a secondary segment reporting format is based on the main geographical regions.

(Y) Recently issued IFRS
To the extent that new IFRS requirements are expected to be applicable in the future, they have been summarised hereafter.

IFRS 7 Financial instruments: disclosures
In August 2005, the International Accounting Standards Board (IASB) issues International Financial Reporting Standard (IFRS) 7 Financial instruments: Disclosures and a complementary Amendment to IAS 1 Presentation of Financial Statements – Capital Disclosures. The IFRS introduces new requirements to improve the information on financial instruments that is given in entities' financial statements. It replaces IAS 30 Disclosures in the Financial Statements of Banks and Similar Financial Institutions and some of the requirements in IAS 32 Financial Instruments: Disclosure and Presentation. The amendment to IAS 1 introduces requirements for disclosures about an entity's capital. These new IFRS requirements are only effective as from 1 January 2007.

IFRS 8 Operating segments
In November 2006, the International Accounting Stardards Board (IASB) issued International Financial Reporting Standard (IFRS) 8 Operating Segments. IFRS 8 replaces IAS 14 Segment Reporting and aligns segment reporting with US generally accepted accounting principles (GAAP). This development is part of the IASB's short-term convergence project with the US Financial Accounting Standards Board (FASB) to reduce differences between IFRS and US GAAP. IFRS 8 needs to be applied for the first time in the 2009 annual financial statements. The new standard will require the Group to adopt a "management approach" to reporting on the financial performance of our segments. We do not expect that IFRS 8 will lead to a material change of our current segment reporting.

2. SEGMENT REPORTING

The segment reporting is based on two segment reporting formats. The primary reporting format represents the three business groups of the Group's internal financial reporting, the secondary reporting format represents the Group's two main geographical markets.
Segment assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.
Segment capital expenditures include the cost of acquiring property, plant and equipment and intangible assets.
Inter-segment pricing is determined on an arm's length basis.

Business segments

The Group is reporting three business segments (business groups). These three business groups include several business units:
- The business group "Chemicals" includes the Business Units Inorganics, PVC/Chlor-alkali.
- The business group "Specialities" includes the Business Units Fine Chemicals, Gelatin and Natural Derivatives.
- The business group "Plastics Converting" includes the Business Units Profiles, Plastic Pipe Systems and Compounds.

Geographical segments

The three business segments (business groups) operate worldwide, however mainly in two geographical areas, Europe and the USA.

Segment revenue is based on the geographical location of customers, while segment assets and liabilities are based on the geographical location of the assets.

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Consolidated Financial Report

Key data by primary reporting segment	Chemicals 2006	Chemicals 2005	Specialities 2006	Specialities 2005	Plastics converting 2006	Plastics converting 2005	Unallocated 2006	Unallocated 2005	TESSENDERLO GROUP 2006	TESSENDERLO GROUP 2005
Revenue (internal and external)	1,017.9	968.9	556.8	569.5	773.9	723.1	-	-	2,348,6	2,261,5
Revenue (internal)	87.2	80.9	9.3	13.6	13.8	17.5	-	-	110.3	112.1
REVENUE	**930.7**	**888.0**	**547.5**	**555.9**	**760.1**	**705.6**	**0.0**	**0.0**	**2,238.3**	**2,149.6**
Profit (+) / loss (-) from operations before non-recurring items (REBIT)	**30.8**	**12.4**	**-5.6**	**20.3**	**55.3**	**44.8**	**-8.2**	**-10.1**	**72.3**	**67.4**
Non-recurring items	-50.2	-1.2	-21.1	-3.0	-5.6	-4.0	-	-	-76.9	-8.2
Profit (+) / loss (-) from operations (EBIT)	**-19.4**	**11.2**	**-26.8**	**17.3**	**49.8**	**40.7**	**-8.2**	**-10.1**	**-4.6**	**59.2**
Return on revenue (REBIT/revenue)	**3.03%**	**1.28%**	**-1.01%**	**3.57%**	**7.15%**	**6.19%**	**-**	**-**	**3.08%**	**2.98%**
Finance costs - net	-	-	-	-	-	-	-	-	-18.2	-14.8
Share of result of associates	-	-	-	-	-	-	-	-	11.3	8.2
Income tax expense	-	-	-	-	-	-	-	-	-12.8	-17.6
PROFIT (+) / LOSS (-) FOR THE PERIOD	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-24.3**	**35.0**
Segment assets	615.2	639.5	450.8	498.4	497.7	463.3	44.6	42.1	1,608.3	1,643.3
Investments in associates and investments	-	-	-	-	-	-	34.1	24.0	34.1	24.0
Cash and cash equivalents	-	-	-	-	-	-	36.3	21.1	36.3	21.1
Deferred tax assets	-	-	-	-	-	-	27.1	21.2	27.1	21.2
Other unallocated receivables	-	-	-	-	-	-	-	2.1	-	2.1
TOTAL ASSETS	-	-	-	-	-	-	-	-	**1,705.8**	**1,711.7**
Segment liabilities	220.9	171.7	111.0	126.4	136.1	112.8	37.6	47.3	505.6	458.2
Financial liabilities	-	-	-	-	-	-	447.3	450.0	447.3	450.0
Deferred tax liabilities	-	-	-	-	-	-	41.2	28.8	41.2	28.8
Equity attributable to equityholders of the Group	-	-	-	-	-	-	711.7	774.7	711.7	774.7
TOTAL LIABILITIES	-	-	-	-	-	-	-	-	**1,705.8**	**1,711.7**
Capital expenditures: PP&E and intangible assets	62.5	94.6	28.8	35.8	31.9	44.6	-	-	123.2	175.0
Amortisation and depreciation	-40.5	-38.5	-43.6	-43.7	-35.6	-34.9	-1.9	-5.6	-121.6	-122.7
Impairment losses	-0.4	-0.3	-7.1	-2.0	-	-	-	-	-7.5	-2.3
Investments in associates	13.4	16.1	12.0	0.7	-	-	-	-	25.4	16.8
Share of result of associates	9.7	8.2	1.6	0.1	-	-	-	-	11.3	6.3
Other non cash expenses (net reversal of provisions)	35.3	-	6.8	-1.2	-2.9	-0.3	-1.5	0.6	37.7	-0.9
Number of employees at year end (headcount)	2.044	2.305	2.865	2.829	3.215	2.945	-	44	8.124	8.123

Key data by secondary reporting segment	Europe 2006	Europe 2005	USA 2006	USA 2005	Rest of the world 2006	Rest of the world 2005	Tessenderlo Group 2006	Tessenderlo Group 2005
Revenue by market	1,785.5	1,676.9	242.4	252.4	210.4	220.2	2,238.3	2,149.5
Segment assets	1,392.9	1,423.3	167.2	184.0	48.2	36.0	1,608.3	1,643.3
Segment liabilities	473.0	421.0	23.5	32.2	9.1	5.0	505.6	458.2
Capital expenditures: PP&E and intangible assets	107.4	160.5	8.1	8.6	7.7	5.9	123.2	175.0

3. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

As from November 15th 2006, PB Gelatins (Pingyang) Co, Ltd., is fully consolidated. The company was newly incorporated together with the Chinese company Zhejiang Feipeng Gelatin Industry Co.Ltd, with a view to producing gelatine near Wenzhou in south-eastern China. Tessenderlo Group acquired a 80 % stake in the capital of this company, the Chinese partner took the remaining 20 %. Following the incorporation of this company, an asset purchase agreement was concluded between PB Gelatins Pingyang and Zhejiang Feipeng Gelatin Industry Co.Ltd for the purchase of the property, plant and equipment and the intangible assets.

The table below summarises the impact of this agreement on the financial position of the Group.

Non current assets	**2006**
Property, plant and equipment	6.3
Intangible assets	1.6
Goodwill on acquisition	-
Consideration paid/ (received), satisfied in cash	7.9
Cash (acquired)/disposed of	-
Net cash outflow/(inflow)	7.9

4. OTHER OPERATING INCOME AND EXPENSES

	2006	2005
Release of provisions	6.9	1.1
Additions to provisions	-1.0	-2.2
Research cost	-8.1	-8.6
Grants	0.8	0.2
Depreciation	-1.4	-
Gains on disposal of PP&E and intangible assets	0.6	0.9
Other	-12.0	12.5
Total	**-14.2**	**3.9**

One of the main items included in “other” in 2005 was the recognition of a past service benefit as a result of a change in a defined benefit plan, due to the harmonistation of the pension legislation and insurance income related to a compensation for damages.

5. NON-RECURRING ITEMS

	2006	2005
Claims	-23.2	-3.7
Restructuring (incl. impairment losses)	-48.9	-2.7
Other income and expenses	-4.8	-1.8
Total	**-76.9**	**-8.2**

The charge of 23.2 million EUR in 2006 relates to an additional provision of 17 million EUR accounted for during 2006, following the release of “Guidelines on the method of setting fines” imposed by the European Union and published in the Official Journal of the European Union dated September 1st 2006, for an investigation performed by the European authorities on feed phosphates. A claim arising in the business group Plastics Converting, amounting to 6.2 million EUR was completely finalised during the first semester of 2006.

Restructuring includes mainly provisions, expenses and impairments for restructuring concerning the Target 2007 restructuring plan in the business group Chemicals (28.2 million EUR) and the business unit Fine Chemicals (20.7 million EUR).

The restructuring provisions and expenses mainly contain employee-related charges, consulting and other expenses.

The impairment losses were mainly recorded on property, plant and equipment in the business unit Fine Chemicals.

6. PAYROLL AND RELATED BENEFITS

	2006	2005
Wages and salaries	-279.3	-274.3
Employer's social security contributions	-75.5	-78.1
Other personnel costs	-27.1	-26.2
Contributions to defined contribution plans	-2.6	-3.7
Increase in liability for defined benefit plans	-6.3	-6.2
Movement in asset for defined benefit plans	-0.2	1.4
Total	**-391.0**	**-387.1**

7. ADDITIONAL INFORMATION ON OPERATING EXPENSES BY NATURE

Depreciation, amortisation and impairment losses are included in the following line items in the income statement in 2006:

	DEPRECIATION AND IMPAIRMENT LOSSES ON PP&E	AMORTISATION AND IMPAIRMENT LOSSES ON INTANGIBLE ASSETS	TOTAL
Cost of sales	-106.9	-3.5	-110.4
Administrative expenses	-9.8	-	-9.8
Other operating (income)/expenses	-1.4	-	-1.4
Restructuring (incl. impairment losses)	-7.5	-	-7.5
Total	**-125.6**	**-3.5**	**-129.1**

Depreciation, amortisation and impairment losses are included in the following line items in the income statement in 2005:

	DEPRECIATION AND IMPAIRMENT LOSSES ON PP&E	AMORTISATION AND IMPAIRMENT LOSSES ON INTANGIBLE ASSETS	TOTAL
Cost of sales	-108.5	-3.1	-111.6
Administrative expenses	-11.4	-	-11.4
Other operating (income)/expenses	-2.0	-	-2.0
Total	**-121.9**	**-3.1**	**-125.0**

8. FINANCE COSTS AND INCOME

Finance costs:

	2006	2005
Interest expense	-18.2	-16.4
Foreign exchange losses	-2.0	-0.9
Other	-0.1	-0.2
Total	**-20.3**	**-17.5**

In the interest expense 2.0 million EUR capitalised borrowing costs are included (2005: 1.7 million EUR), related to the new electrolysis unit in Tessenderlo Chemie NV in Tessenderlo (Belgium).

Finance income:

	2006	2005
Interest income	1.5	0.8
Dividend income, non-consolidated companies	0.5	0.9
Revaluation to fair value of derivatives	0.1	1.0
Total	**2.1**	**2.7**

9. INCOME TAX EXPENSE

	2006	2005
RECOGNISED IN THE INCOME STATEMENT		
Current tax expense	-15.6	-13.1
Deferred tax expense	2.8	-4.5
Total income tax expense in the income statement	**-12.8**	**-17.6**
Profit (+)/ loss (-) before tax	-11.5	52.6
Deduct share of result of associates, net of taxes	11.3	8.2
Profit (+)/ loss (-) before tax and before result from associates	**-22.8**	**44.4**
Effective tax rate	**N/A**	**-39.6 %**

RECONCILIATION OF EFFECTIVE TAX RATE		
Profit (+) / loss (-) before tax and before result from associates	**-22.8**	**44.4**
Theoretical tax rate (*)	30.3 %	35.3 %
Expected income tax at the theoretical tax rate	**6.9**	**-15.7**
Adjustment on the deferred taxes	**-13.3**	**-2.6**
Change in tax rates	1.3	1.3
Impairment (-) / reversal of an impairment (+) of a recognised deferred tax asset	-14.6	-3.9
Adjustment on tax expenses	**-6.4**	**0.7**
Non deductible expenses	-3.9	-1.0
Special tax regimes	5.1	3.9
Use or recognition of tax losses / tax credits not previously recognised	0.5	0.2
Tax losses for which no deferred tax asset has been recorded	-7.3	-2.2
Impact of tax consolidation regimes	0.1	-0.2
Other	-0.9	-

(*) Theoretical aggregated weighted tax rate of all group companies

10. PROPERTY, PLANT AND EQUIPMENT

ACQUISITION COST	LAND AND BUILDINGS	PLANT, MACHINERY AND EQUIPMENT	FURNITURE AND VEHICLES	UNDER CONSTRUC-TION	TOTAL
At 1 January 2006	390.5	1,642.0	104.0	121.8	2,258.3
acquisitions through business combinations	2.3	4.0	-	-	6.3
capital expenditure	29.6	47.8	3.9	38.0	119.3
sales and disposals	-3.9	-53.2	-3.4	-1.0	-61.5
transfers	-0.5	202.0	5.5	-138.8	68.2
translation differences	-2.1	-15.8	-0.6	-0.6	-19.1
At 31 December 2006	415.9	1,826.8	109.4	19.4	2,371.5

DEPRECIATION AND IMPAIRMENT LOSSES					
At 1 January 2006	-181.3	-1,244.5	-85.3	0.0	-1,511.1
acquisitions through business combinations	-	-	-	-	-
depreciation	-15.2	-95.6	-7.3	-	-118.1
sales and disposals	1.9	49.2	3.0	-	54.1
impairment losses	-	-7.5	-	-	-7.5
transfers	5.4	-74.4	-4.3	-	-73.3
translation differences	0.5	9.9	0.6	-	10.9
At 31 December 2006	-188.7	-1,362.9	-93.3	0.0	-1,644.9

CARRYING AMOUNTS					
At 1 January 2006	209.2	397.5	18.7	121.8	747.2
At 31 December 2006	227.2	463.9	16.1	19.4	726.6

ACQUISITION COST	LAND AND BUILDINGS	PLANT, MACHINERY AND EQUIPMENT	FURNITURE AND VEHICLES	UNDER CONSTRUC-TION	TOTAL
At 1 January 2005	369.2	1,554.6	114.8	80.8	2,119.4
acquisitions through business combinations	2.5	0.7	-0.2	-2.0	1.0
capital expenditure	14.8	58.3	8.8	90.6	172.5
sales and disposals	-4.6	-37.6	-20.8	-0.7	-63.7
transfers	3.6	40.3	-	-47.9	-4.0
translation differences	5.0	25.7	1.4	1.0	33.1
At 31 December 2005	390.5	1,642.0	104.0	121.8	2,258.3

DEPRECIATION AND IMPAIRMENT LOSSES					
At 1 January 2005	-172.1	-1,164.3	-91.1	0.0	-1,427.5
acquisitions through business combinations	-0.3	-	0.2	-	-0.1
depreciation	-14.4	-95.7	-9.5	-	-119.6
sales and disposals	3.5	36.3	15.0	-	54.8
impairment losses	-	-2.3	-	-	-2.3
transfers	2.9	-3.5	1.2	-	0.6
translation differences	-0.9	-15.0	-1.1	-	-17.0
At 31 December 2005	-181.3	-1,244.5	-85.3	0.0	-1,511.1

CARRYING AMOUNTS					
At 1 January 2005	197.1	390.3	23.7	80.8	691.9
At 31 December 2005	209.2	397.5	18.7	121.8	747.2

The capital expenditure (Property, plant and equipment and intangible assets) amounting to 123.2 million EUR, per business segment, is disclosed in the section “Segment reporting” (note 2).

The capital expenditure (PP&E) for 2006 reached 119.3 million EUR, of which 37.6 million EUR was invested in the new electrolysis facility in Tessenderlo Chemie NV in Tessenderlo (Belgium), which is taken in use in September 2006. The cumulative capital expenditures for this new facility amounts to 124.1 million EUR at the end of 2006.

No property, plant and equipment is pledged as security for liabilities.

The Group leases property, plant and equipment under a number of finance lease agreements. At the end of each of the leases, the Group has the option to purchase the equipment at a beneficial price. As per December 31st 2006, the net carrying amount of leased property, plant and equipment amounts to 7.0 million EUR (2005: 7.9 million EUR). For an overview of the leasing payables, we refer to note 22.

11. GOODWILL

ACQUISITION COST	
At 1 January 2006	76.9
acquisitions through business combinations	-
sales and disposals	-
transfers	-5.6
translation differences	-1.8
At 31 December 2006	69.5
IMPAIRMENT LOSSES	
At 1 January 2006	-29.8
acquisitions through business combinations	-
transfers	-
translation differences	0.4
At 31 December 2006	-29.4
CARRYING AMOUNTS	
As per 1 January 2006	47.1
As per 31 December 2006	40.1

ACQUISITION COST	
At 1 January 2005	77.1
acquisitions through business combinations	1.1
sales and disposals	-
transfers	-5.6
translation differences	4.3
At 31 December 2005	76.9
IMPAIRMENT LOSSES	
At 1 January 2005	-29.1
acquisitions through business combinations	-0.5
transfers	0.8
translation differences	-1.0
At 31 December 2005	-29.8
CARRYING AMOUNTS	
As per 1 January 2005	48.0
As per 31 December 2005	47.1

Goodwill has been tested for impairment on company level or at the most relevant level based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management (for the period 2007-2011). For the subsequent years, the data are extrapolated. The cash flow projections are discounted at the company level's weighted average cost of capital. The latter ranged between 4.6 % and 13.2 %.

During the fourth quarter of 2006, the Group completed its annual impairment test for goodwill and concluded that no impairment charge was deemed necessary. The Group cannot foresee whether an event that triggers impairment will occur, when it will occur or how it will affect the asset values reported. The Group believes that all of its estimates are reasonable: they are consistent with the internal reporting and reflect management's best estimates.

12. INTANGIBLE ASSETS

	USEFUL LIFE					
	FINITE				INDEFINITE	
ACQUISITION VALUE	DEVELOP-MENT	CONCES-SIONS PATENTS, LICENSES	SOFT-WARE	OTHER	OTHER	TOTAL
At 1 January 2006	3.7	19.6	10.1	13.2	2.3	48.9
acquisitions through business combinations	-	-	-	1.6	-	1.6
capital expenditure	-	0.5	0.5	2.8	-	3.8
sales and disposals	-	-	-	-0.3	-	-0.3
transfers	-	2.2	1.6	0.1	-	3.9
translation differences	-	-	0.1	-0.8	-0.2	-1.0
At 31 December 2006	3.7	22.2	12.2	16.6	2.1	56.8
AMORTISATION AND IMPAIRMENT LOSSES						
At 1 January 2006	-0.1	-17.8	-6.8	-7.1	0.0	-31.8
acquisitions through business combinations	-	-	-	-	-	-
amortisation	-0.1	-1.2	-1.4	-0.8	-	-3.5
sales and disposals	-	-	-	0.1	-	0.1
transfers	-	-	-	-	-	-
translation differences	-	-	-	0.2	-	0.2
At 31 December 2006	-0.2	-19.0	-8.2	-7.6	0.0	-34.9
CARRYING AMOUNTS						
At 1 January 2006	3.6	1.8	3.3	6.1	2.3	17.1
At 31 December 2006	3.5	3.3	4.0	9.0	2.1	21.9

ACQUISITION VALUE	USEFUL LIFE: FINITE – DEVELOPMENT	FINITE – CONCESSIONS PATENTS, LICENSES	FINITE – SOFTWARE	FINITE – OTHER	INDEFINITE – OTHER	TOTAL
At 1 January 2005	0.2	18.9	8.6	11.8	2.3	41.8
acquisitions through business combinations	-	-	-	0.1	-	0.1
capital expenditure	-	0.7	1.7	0.1	-	2.5
sales and disposals	-	-0.1	-0.3	-0.1	-	-0.5
transfers	3.5	-	0.1	-	-	3.6
translation differences	-	0.1	-	1.3	-	1.4
At 31 December 2005	3.7	19.6	10.1	13.2	2.3	48.9
AMORTISATION AND IMPAIRMENT LOSSES						
At 1 January 2005	-0.1	-16.9	-5.6	-5.9	0.0	-28.5
acquisitions through business combinations	-	-	-	-0.1	-	-0.1
amortisation	-	-1.0	-1.2	-0.9	-	-3.1
sales and disposals	-	0.1	0.1	0.1	-	0.3
transfers	-	-	-0.1	-	-	-0.1
translation differences	-	-	-	-0.3	-	-0.3
At 31 December 2005	-0.1	-17.8	-6.8	-7.1	0.0	-31.8
CARRYING AMOUNTS						
At 1 January 2005	0.1	2.0	3.0	5.9	2.3	13.3
At 31 December 2005	3.6	1.8	3.3	6.1	2.3	17.1

The “other” intangible assets with finite useful lives consist mainly of a non-compete agreement, a customer list, a product label and land-use rights. The non-compete agreement, the customer list and the product label are being amortised on a straight-line basis over 15 years.
The intangible assets with indefinite useful life have been tested for impairment.

No intangible assets are pledged as security for liabilities.

13. INVESTMENTS IN ASSOCIATES:

The main joint ventures and investments in associates the Group has, are:

	COUNTRY	OWNERSHIP 2006	OWNERSHIP 2005
Tessenderlo Davison Companies	US	50%	50%
Jupiter Sulphur	US	50%	50%
Zéoline	Belgium	50%	50%
Siram	France	50%	50%
SH Capital (Groupe Fiso)	France	50%	0%
Ferso Bio (Groupe Fiso)	France	50%	0%
Solagra (Groupe Fiso)	France	50%	0%
Alkemin	Mexico	49.50%	49.50%

Caillaud Group, a 100 % subsidiary of Tessenderlo Group, has concluded a joint venture agreement with Groupe Fiso in France. As from June 30th 2006, Groupe Fiso is accounted for following the equity method.
Groupe Fiso is specialised in rendering and processing poultry co-products for use in the petfood industry.

Summary financial information on joint ventures – 100 percent:

	2006	2005
Current assets	59.1	42.7
Non-current assets	75.6	47.9
Current liabilities	24.2	37.9
Non-current liabilities	46.6	24.8
Revenue	188.7	128.0
Profit (+) / loss (-) from operations	40.6	27.4
Profit for the period (+) / loss (-) attributable to equity holders	23.7	16.2

Summary financial information on associates – 100 percent:

	2006	2005
Current assets	6.7	3.3
Non-current assets	3.9	3.1
Current liabilities	3.3	0.7
Non-current liabilities	1.2	-0.2
Revenue	13.0	4.3
Profit (+) / loss (-) from operations	-0.9	0.6
Profit for the period (+) / loss (-) attributable to equity holders	-1.1	0.3

The above financial information includes the results of the Groupe Fiso for the second year half of 2006.

14. INVESTMENTS

	2006	2005
Investments in equity securities	8.2	6.8
Cash guarantees / deposits	0.5	0.4
Total	**8.7**	**7.2**

Investments in equity securities	2006	2005
TC Nederland, The Netherlands	0.8	0.8
Indaver, Belgium	0.6	0.6
TC Espana, Spain	0.6	0.6
GLOBE International, Belgium	0.5	0.5
LVM Nederland BV, the Netherlands	0.5	0.5
LVM United Kingdom Ltd, the United Kingdom	0.5	0.5
Polycoop, Argentina	1.2	1.3
Kempen Bouw, Belgium	0.5	-
Herijgers Bouwspecialiteiten, Belgium	0.9	-
Other	2.1	2.0
Total	**8.2**	**6.8**

15. DEFERRED TAX ASSETS AND LIABILITIES

	ASSETS		LIABILITIES		NET	
	2006	2005	2006	2005	2006	2005
Property, plant & equipment	2.7	0.3	-36.7	-40.4	-34.0	-40.1
Goodwill	-	3.3	-	-2.2	-	1.1
Intangible assets	1.2	2.1	-	-	1.2	2.1
Investments in associates	-	-	-	-0.5	-	-0.5
Inventories	2.5	2.4	-1.6	-1.6	0.9	0.8
Receivables	1.2	1.5	-	-0.1	1.2	1.4
Derivative financial instruments	-	-	-	-	-	-
Other current assets	0.6	0.7	-	-	0.6	0.7
Employee benefits	7.2	7.3	-5.0	-2.9	2.2	4.4
Provisions	4.4	6.2	-14.3	-12.3	-9.9	-6.1
Other items	0.2	0.8	-	-0.3	0.2	0.5
Losses carry forward	42.0	32.1	-	-	42.0	32.1
Impairment of deferred tax assets	-18.5	-3.9	-	-	-18.5	-3.9
Gross deferred tax assets / (liabilities)	**43.5**	**52.8**	**-57.6**	**-60.3**	**-14.1**	**-7.5**
Set off of tax	**-16.4**	**-31.5**	**16.4**	**31.5**	**-**	**-**
Net deferred tax assets / (liabilities)	**27.1**	**21.3**	**-41.2**	**-28.8**	**-14.1**	**-7.5**

On December 31st 2006, a deferred tax liability of 10.9 million EUR (2005: 10.4 million EUR) relating to undistributed reserves within the subsidiaries of the Group has not been recognised because management believes that this liability will not be incurred in the foreseeable future.

Tax losses carried forward on which no deferred tax asset is recognised amount to 96.3 million EUR (2005: 40.3 million EUR). Deferred tax assets have not been recognised on these items because it is not probable that future taxable profits (within the first coming 5 years) will be available against which the unused tax losses can be utilised.

16. TRADE AND OTHER RECEIVABLES

Non-current trade and other receivables	2006	2005
Trade receivables	0.7	1.0
Other receivables	3.2	4.9
Assets related to employee benefit schemes	12.8	12.4
Total	**16.7**	**18.3**

Current trade and other receivables	2006	2005
Trade receivables	393.6	407.1
Other receivables	45.5	41.2
Total	**439.1**	**448.3**

17. INVENTORIES

	2006	2005
Consumables	95.3	107.8
Work in progress	22.3	22.2
Finished goods	192.9	196.9
Goods purchased for resale	37.6	39.5
Total	**348.1**	**366.4**

There are no inventories pledged for security.

The cost of inventories recognised as an expense in 2006, amounts to 1,099.8 million EUR (2005: 1,016.1 million EUR), included in cost of sales.

The carrying amount of inventory, which was set at net realizable value as per year-end 2006 amounts to 58.7 million EUR. An amount of 6.7 million EUR was expensed.

18. CASH AND CASH EQUIVALENTS

	2006	2005
Fixed income securities	-	0.5
Term accounts	0.3	0.3
Current accounts	36.0	20.2
Cash	-	0.1
Total	**36.3**	**21.1**

19. NON-CURRENT ASSETS HELD FOR SALE

	2006	2005
Non-current assets held for sale	15.7	-

The non-current assets held for sale at December 31st 2006 mainly concerns the investment in the joint venture Tessenderlo Davison Companies (TDC) and the related goodwill. The disposal of these non-current assets occurred on February 21st 2007. No gain or loss with respect of these assets was recognised in 2006. For more information on this sale, reference is made to note 32 “Subsequent events”.

The non-current assets held for sale were presented in the business group Chemicals as per year-end 2006.

20. EQUITY

RECONCILIATION OF MOVEMENT IN EQUITY

	ISSUED CAPITAL	SHARE PREMIUM	OTHER RESERVES	TRANSLATION RESERVES	NEGATIVE GOODWILL	RETAINED EARNINGS	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP	MINORITY INTEREST	TOTAL EQUITY
Balance at 1 January 2005	**134.0**	**33.7**	**123.2**	**-9.5**	**0.4**	**473.7**	**755.5**	**-**	**755.5**
Shares issued	0.3	1.2	-	-	-	-	1.5	-	1.5
Change in scope of consolidation	-	-	-	-	-	-	-	0.5	0.5
Profit (+) / loss (-) attributable to the group	-	-	-	-	-	35.1	35.1	-0.1	35.0
Dividends paid to shareholders	-	-	-	-	-	-33.2	-33.2	-	-33.2
Translation differences	-	-	-	15.4	-	-	15.4	-	15.4
Other movements	0.7	-0.7	77.4	-	-	-77.4	-	-	-
Balance at 31 December 2005	**135.0**	**34.2**	**200.6**	**5.9**	**0.4**	**398.2**	**774.3**	**0.4**	**774.7**
Balance at 1 January 2006	**135.0**	**34.2**	**200.6**	**5.9**	**0.4**	**398.2**	**774.3**	**0.4**	**774.7**
Shares issued	1.0	2.3	-	-	-	-	3.3	-	3.3
Change in scope of consolidation	-	-	-	-	-	-	-	1.9	1.9
Profit (+) / loss (-) attributable to the group	-	-	-	-	-	-24.3	-24.3	-	-24.3
Dividends paid to shareholders	-	-	-	-	-	-33.3	-33.3	-	-33.3
Translation differences	-	-	-	-11.5	-	-	-11.5	-	-11.5
Shared based payments	-	-	1.0	-	-	-	1.0	-	1.0
Other movements	-	-	37.3	-	-	-37.3	-	-	-
Balance at 31 December 2006	**136.0**	**36.5**	**238.9**	**-5.6**	**0.4**	**303.3**	**709.5**	**2.2**	**711.7**

ISSUED CAPITAL AND SHARE PREMIUM

	ORDINARY SHARES	
	2006	2005
On issue at 1 January	27,269,568	27,210,399
Issued for cash	150,308	59,169
On issue at 31 December – fully paid	**27,419,876**	**27,269,568**

The number of shares comprised 7,715,005 registered shares (2005: 7,650,467) and 19,704,871 ordinary shares (2005: 19,619,101). The nominal value per share amounts to 4.96EUR.

TRANSLATION RESERVES

The translation reserves comprise all foreign exchange differences arising from the translation of the financial statements of foreign operations.

DIVIDENDS

After the balance sheet date, the directors will propose to the shareholders at the Annual Shareholders' meeting of June 5th 2007, to approve a dividend distribution of 32.9 million EUR or a net dividend per share of 0.9 EUR. The dividend has not been accounted for.

21. EARNINGS PER SHARE

BASIC EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding during the year.

The weighted average number of ordinary shares and the earnings per share are calculated as follows:

	2006	2005
Number of ordinary shares at 1 January	27,269,568	27,210,399
Effect of shares issued	42,945	14,914
Weighted average number of ordinary shares	**27,312,513**	**27,225,313**
Profit (+) / loss (-) (in million EUR)	-24.3	35.1
Basic earnings per share (in EUR)	**-0.89**	**1.29**

DILUTED EARNINGS PER SHARE

The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders and the diluted weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares (diluted) and the diluted earnings per share are calculated as follows:

	2006	2005
Weighted average number of ordinary shares at 31st December	27,312,513	27,225,313
Effect of share option on issue	10,067	15,167
Diluted weighted average number of ordinary shares at 31st December	**27,322,580**	**27,240,480**
Profit (+) / loss (-) (in million EUR)	-24.3	35.1
Diluted earnings per share (in EUR)	**-0.89**	**1.29**

22. FINANCIAL LIABILITIES

	2006	2005
Non-current financial liabilities	148.7	280.2
Current financial liabilities	298.6	169.8
Total financial liabilities	**447.3**	**450.0**
Cash and cash equivalents	36.3	21.1
Net financial liabilities	**411.0**	**428.9**

The net debt equity ratio at the end of 2006 is 57.8% (year end 2005: 55.4%).

Non-current financial liabilities	2006	2005
Bonds	-	40.0
Leasing payables	3.3	4.1
Credit institutions	145.4	185.2
Private placement	-	50.9
Total	**148.7**	**280.2**

Terms and debt repayment schedule 2006:

	IN OTHERS	IN EUR	TOTAL	RATE (%)	EFFECTIVE RATE (%)	MATURITY
Credit institutions	-	30.0		floating	4.35	June '08-'13
Credit institutions	-	60.0		3.368 (fixed)	-	Oct '08-'13
Credit institutions	-	50.0		3.65 (fixed)	-	Dec '08-'12
Credit institutions	1.5	3.9		floating	4.3	'08-'12
Leasing payables	-	3.3		5.8 (Fixed)	-	'07-'16
Total	**1.5**	**147.2**				
Total: equivalent in EUR	**1.5**	**147.2**	**148.7**			

Terms and debt repayment schedule 2005:

	IN USD	IN EUR	TOTAL	RATE (%)	EFFECTIVE RATE (%)	MATURITY
Bonds	-	40.0		4.875 (fixed)	-	Dec '07
Private placement	60.0	-		4.6 (fixed)	-	Dec '07
Credit institutions	53.4	-		floating	3.8	Apr '07
Credit institutions	-	30.0		floating	2.5	June '08-'13
Credit institutions	-	60.0		3.368 (fixed)	-	Oct '08-'13
Credit institutions	-	50.0		3.65 (fixed)	-	Dec '08-'12
Leasing payables	-	4.1		5.8 (fixed)	-	'06-'16
Total	**113.4**	**184.1**				
Total: equivalent in EUR	**96.1**	**184.1**	**280.2**			

Current financial liabilities	2006	2005
Current portion long term financial liabilities	97.0	0.5
Leasing payable within 1 year	0.3	0.4
Credit institutions and commercial paper	201.3	162.7
Amounts payable within 1 year	-	6.2
Total	**298.6**	**169.8**

The current financial liabilities per December 31, 2006 are represented for 143.2 million EUR (2005: 146.7 million EUR) by treasury bills (commercial paper) issued by Tessenderlo Finance (78.7 million EUR), a Belgian subsidiary and Tessenderlo Nl Holding (64.5 million EUR), a Dutch subsidiary.
For the remaining part of the financing, the Group uses short term credit lines with credit institutions.

Analysis of non-current and current financial liabilities by currency (2006):

	EUR	USD	GBP	OTHERS	TOTAL
Current financial liabilities (*)	238.6	60.0	-	-	298.6
Non-current financial liabilities	147.2	-	-	1.5	148.7
Total financial liabilities	**385.8**	**60.0**	**0.0**	**1.5**	**447.3**
In percentage of total financial liabilities	**86.25 %**	**13.41 %**	**0.00 %**	**0.34 %**	**100.00 %**

(*) Part of these loans are denominated in EUR and afterwards swapped in GBP (see also note 26). The original loan remains in the EUR currency.

Analysis of non-current and current financial liabilities by currency (2005):

	EUR	USD	GBP	OTHERS	TOTAL
Current financial liabilities	151.4	8.1	7.2	3.1	169.8
Non-current financial liabilities	180.0	100.2	-	-	280.2
Total financial liabilities	**331.4**	**108.3**	**7.2**	**3.1**	**450.0**
In percentage of total financial liabilities	**73.60 %**	**24.10 %**	**1.60 %**	**0.70 %**	**100.00 %**

Terms and repayment schedule for financial leasing contracts for 2005 and 2006:

	LEASING PAYABLES 2006	INTEREST 2006	PRINCIPAL 2006	LEASING PAYABLES 2005	INTEREST 2005	PRINCIPAL 2005
Less than one year	0.5	0.2	0.3	0.7	0.3	0.4
Between one and five years	3.1	0.4	2.7	3.5	0.6	2.9
More than five years	0.7	0.1	0.6	1.4	0.2	1.2
Total	**4.3**	**0.7**	**3.6**	**5.6**	**1.1**	**4.5**

23. EMPLOYEE BENEFITS

The provision for early retirement and defined benefit pension plans recognised in the balance sheet are as follows:

	EARLY RETIREMENT PROVISION	DEFINED BENEFIT PENSION PLAN	TOTAL
Balance at 1 January 2006	**13.0**	**29.7**	**42.7**
Change in scope of consolidation	-	-	-
Additions	0.1	3.4	3.5
Use of provision	-3.0	-1.1	-4.1
Reversal of provision	-	-1.1	-1.1
Translation differences	-	0.1	0.1
Transfers	-	-1.6	-1.6
Balance at 31 December 2006	**10.1**	**29.4**	**39.5**

THE ENTITY'S ACCOUNTING POLICY FOR RECOGNISING ACTUARIAL GAINS AND LOSSES

The recognition of actuarial gains and losses is determined separately for each defined benefit plan. All actuarial gains and losses as at 1 January 2004, the date of transition to IFRSs, were recognised. All actuarial gains and losses subsequent to 1 January 2004, exceeding a corridor of 10 % of the higher of the present value of the defined benefit obligations and the fair value of plan assets are recognised in the income statement over the expected average remaining working lives of employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

A GENERAL DESCRIPTION OF THE TYPE OF PLAN

Employee Benefits

These provisions are recorded to cover the post employment benefits and they cover the pension plans and other benefits in accordance with the local practices and conditions, following an actuarial calculation taking into account the financing of insurance companies and other pension funds. The most important pension plans are located in Belgium, the Netherlands, The United States of America, the United Kingdom, Germany and Italy.

Defined contribution plans

The defined contribution pension plans are plans for which the company pays pre-determined contributions to a legal entity or a separate fund, in accordance with the settings of the plans and the company's legal or constructive obligation is limited to the amount contributed. The contributions are recognised as an expense in the income statement as incurred and are included in "Payroll and related benefits" (note 6).

Defined benefit plans

These plans are financed externally by pension funds or insurance companies. Independent actuaries perform an actuarial valuation on a regular basis. All actuarial gains and losses as at 1 January 2004, the date of transition to IFRSs, were recognised.

The amounts recognised in the balance sheet are as follows:

	2006	2005	2004
Present value of funded obligations	186.7	189.5	162.9
Fair value of plan assets	167.6	159.1	135.8
Deficit	**19.1**	**30.3**	**27.1**
Unrecognised actuarial gains (losses)	-2.5	-13.0	-3.1
Net liability	**16.6**	**17.3**	**24.0**
Unrecognised in % of funded obligations	1.34 %	6.86 %	1.90 %
Unrecognised in % of plan assets	1.49 %	8.17 %	2.28 %
Amounts in the balance sheet:			
Liabilities	29.4	29.7	28.7
Assets	12.8	12.4	4.7
Net liability	**16.6**	**17.3**	**24.0**

The amounts recognised in the income statement are as follows:

	2006	2005
Current service cost	7.6	8.1
Interest cost	8.5	8.3
Expected return on plan assets	-8.7	-7.9
Past service cost (benefit)	-0.9	-3.7
Total, included in 'payroll and related benefits' (note 6)	**6.5**	**4.8**

The net periodic pension cost is included in the following line items of the income statement:

	2006	2005
Cost of sales	5.2	5.1
Distribution expenses	0.1	0.1
Sales and marketing expenses	0.9	0.8
Administrative expenses	1.4	1.4
Other operating (income)/expenses	-1.1	-2.6
Total	**6.5**	**4.8**

The other operating income in 2005 is mainly related to a change in a defined benefit plan resulting in a past service benefit that needed to be recognised immediately. This benefit could be realised thanks to a harmonisation of the pension legislation.

Changes in the present value of the defined benefit obligation are as follows:

	2006	2005
Opening defined benefit obligation	**189.5**	**162.9**
Change in scope of consolidation	-	-0.9
Current service cost	9.0	9.4
Interest cost	8.5	8.3
Actuarial losses (gains)	-10.9	13.4
Exchange differences on foreign plans	-0.4	1.8
Benefits paid	-9.0	-5.4
Closing defined benefit obligation	**186.7**	**189.5**

Changes in the fair value of plan assets are as follows:

	2006	2005
Opening fair value of plan assets	**159.1**	**135.8**
Expected return	8.8	7.9
Actuarial gains and (losses)	0.3	7.4
Contributions by employee	1.4	1.3
Contributions by employer	7.4	10.6
Exchange differences on foreign plans	-0.4	1.5
Benefits paid	-9.0	-5.4
Closing fair value of plan assets	**167.6**	**159.1**

The expected rates of return on individual categories of plan assets are determined by reference to relevant indices. The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the total investment portfolio.

The actual return on plan assets in 2006 and 2005 was 9.1 million EUR and 16.0 million EUR respectively.

The Group expects to contribute 7.9 million EUR to its defined benefit pension plans in 2007.

The major categories of plan assets as a percentage of total plan assets are as follows:

	2006	2005
Equities	25 %	29 %
Fixed interest investments	17 %	12 %
Cash and deposits	2 %	2 %
Property	2 %	2 %
Insurance contracts	54 %	56 %
Total	**100 %**	**100 %**

The principal actuarial assumptions at the balance sheet date (expressed as weighted averages) are:

	2006	2005
Discount rate at 31 December	4.8 %	4.5 %
Expected return on plan assets at 31 December	5.5 %	5.8 %
Future salary increases	3.4 %	2.7 %

TERMINATION BENEFITS (PRE-RETIREMENT PLANS, OTHER TERMINATION OBLIGATIONS)

These benefits arise as a result of the company's decision to terminate the employment of an employee or group of employees before the normal retirement date or of an employee's decision to accept voluntary redundancy in exchange for those benefits. These benefits are accrued for at the moment of notification.

SHARE BASED PAYMENTS

A stock option plan was created in order to increase the loyalty and motivation of the Group's senior management. The plan gives senior management the opportunity to subscribe a bond with options. The Board of Directors yearly determines the list of beneficiaries. There exist no conditions on the number of years of service, however the beneficiaries may not have resigned or been dismissed (and serving their notice), except for persons who retire or take their pre-retirement.

The exercise price of the option equals the lowest of the average market price of the underlying shares in the 30 trading days preceding the offer date or the market price on the last day preceding the offer date.
The table below gives us an overview of the outstanding options at 31 December 2006.

GRANT DATE	LAST EXERCISE DATE	EXERCISE PRICE	NUMBER OF OUTSTANDING OPTIONS
November '99	July '07	44.63	8,000
November '00	July '08	34.78	13,000
November '01	July '09	24.07	9,560
November '02	July '12	25.87	40,400
November '03	July '10	26.45	44,600
November '04	July '11	31.69	38,600
November '05	July '12	27.11	42,200
November '06	July '13	30.02	62,880
Total			**259,240**

IFRS 2 requires share-based payments made to employees to be recognised in the financial statements based on the fair value of the options measured at grant date. According to the transition provisions included in IFRS 2, the options granted before 7 November 2002 and not yet vested at 1 January 2005 are not amortised through the income statement.

The fair value of the options granted is determined using the Black-Scholes valuation model.

The weighted average fair value of the options and assumptions used in the measurement of the options are:

	2006	2005
Fair value of options (EUR)	5.0	4.2
Share price (EUR)	30.02	27.1
Exercise price (EUR)	30.02	27.1
Expected volatility	23.07 %	21.50 %
Expected option life (years)	6.5	6.5
Expected dividend yield	3.72 %	4.40 %
Risk free interest rate	3.70 %	3.20 %

In the financial year 2006, 4,200 options, which were granted in 2002, were exercised (2005: 3,440) at an exercise price of 25.87 EUR. The actual weighted average share price at the date of exercise was 28.75 EUR.

The number and weighted average exercise price of share options is as follows:

	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS
	2006		2005	
Outstanding at the beginning of the period	28.62	200,560	28.92	161,800
Forfeited during the period		-		-
Exercised during the period	25.87	-4,200	24.07	-3,440
Granted during the period	30.02	62,880	27.11	42,200
Outstanding at the end of the period	29.00	259,240	28.62	200,560
Exercisable at the end of the period	29.37	70,960	34.01	30,560

The weighted average remaining contractual life of the options, outstanding as per December 31st 2006, amounts to 4.8 years.

24. PROVISIONS

	2006	2005
Non-current provisions	71.6	46.8
Current provisions	17.6	6.8
Total	**89.2**	**53.6**

	ENVIRONMENT	RESTRUCTURING	OTHER	TOTAL
Balance at 1 January 2006	**10.1**	**0.0**	**43.5**	**53.6**
Additions	-	27.6	19.9	47.5
Use of provision	-0.3	-	-5.2	-5.5
Reversal of provision	-0.8	-	-7.3	-8.1
Effect of discounting	0.4	-	-	0.4
Other movements	-	-	1.3	1.3
Balance at 31 December 2006	**9.4**	**27.6**	**52.2**	**89.2**

The restructuring provision relates to the Target 2007 restructuring plan.

"Other" provisions include mainly a non-recurring provision of 37.0 million EUR set up consequently to the investigations performed by the European authorities on feed phosphates, of which 17.0 million EUR was additionally provided for during 2006 and a provision of 5.0 million EUR for the dismantling costs of property, plant and equipment (old electrolysis unit at Tessenderlo).
Several provisions for a total amount of 7.3 million were reversed in 2006.
A claim in the business group Plastics Converting was completely resolved during the first semester of 2006 for which a provision of 3.9 million EUR was used.

25. TRADE AND OTHER PAYABLES

	2006	2005
Trade payables	278.4	267.2
Other amounts payable	41.6	26.8
Remuneration and social security	47.6	45.4
Total	**367.6**	**339.4**

26. FINANCIAL INSTRUMENTS

Exposure to foreign currency, credit risk and interest risk arises in the normal course of the Group's business. Derivative financial instruments are used to reduce the exposure to fluctuations in foreign exchange rates. While these are subject to the risk of market rates changing subsequent to acquisition, such changes are generally offset by opposite effects on the hedged items.

FOREIGN CURRENCY RISK

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group incurs foreign currency risks on sales, purchases, investments and borrowings that are denominated in a currency other than the company's functional currency. The currencies giving rise to this risk are primarily GBP, USD, PLN, HUF, YEN and CHF.

Subsidiaries are required to submit information on their net foreign exchange position when invoiced (customers, suppliers) to Tessenderlo Finance, a Belgian subsidiary created in January 2006.
All the positions are netted at the level of Tessenderlo Finance and the net positions (long/short), which are very small, are then sold or bought on the market.

The main management tools are the spot, purchase and sales of currencies followed by currency-SWAPS.
At the beginning of 2006, based on the budgetted cash flow in USD, the decision has been made to cover partly the excess position of the year with "Average Rate Options". The amount involved was 40.0 million USD.

Group borrowings are generally carried out by the Group's holding and finance companies, which make the proceeds of these borrowings available to the operating entities.
In principle, operating entities are financed in their own local currencies, with this currency being obtained, where appropriate, by currency-SWAPS against the currency held by the finance company. In that way, there is no exchange risk both in the finance company and in the company finally using the funds. The cost of this currency-SWAP is included in the finance costs.

In emerging countries, it is not always possible to borrow in local currency either because local financial markets are too narrow or funds are not available or because the financial conditions are too onerous. Those amounts are relatively small for the Group.

CREDIT RISK

The Group is high risk averse. In its strategy to increase the shareholder value, the Group aims at a dynamic corporate portfolio management to confidently develop new markets: corporate exposure, asset quality, portfolio diversification are considered together with the maximisation of market shares, which requires efficient processes, a cost effective payment default protection and CRM good practices.
A Corporate Credit Procedure, a quick and consistent credit decision process, appropriate payments terms, an efficient collection tool and an accurate risk mitigation tool are used to accelerate the cash flow, to minimize bad debts and to increase sales.

An in-house scoring model aims at defining, with the use of sector-based benchmarks, the portfolio in term of risks through an analysis of performance indicators and the financial structure. When a risk cannot be assessed or when it is too high, the Group resorts to the credit insurance or other forms of guarantees.

At December 31st 2006, no significant concentrations of credit risk exist. Only investments in monetary SICAV's or deposits with foremost ranking banks are accepted.

INTEREST RISK

On the global amount of debt at the end of 2006, the Group has fixed the interest rate for an amount of 110.0 million EUR until 2012-2013 and an amount of 85.6 million EUR until 2007.

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates as per 31 December 2006 and the periods in which they will be repriced.

			REPRICING DATE		
	EFFECTIVE RATE	CARRYING AMOUNT 2006	<1 YEAR	1-5 YEAR	>5 YEAR
Cash and cash equivalents	**3.1**	**36.3**	**36.3**		
Financial liabilities (fixed rate)					
Bond (in EUR)	4.9	40.0	40.0		
Private placement (in USD)	4.6	45.6	45.6		
Credit institutions (in EUR)	3.4	60.0			60.0
Credit institutions (in EUR)	3.7	50.0			50.0
Financial liabilities (floating rate)					
Credit institutions (in EUR)	4.4	30.0	30.0		
Credit institutions (other)	6.0	16.8	16.8		
Commercial Paper and credit institutions	**3.6**	**201.3**	**201.3**		
Leasing payables	**5.8**	**3.6**	**0.3**	**2.7**	**0.6**

			REPRICING DATE		
	EFFECTIVE RATE	CARRYING AMOUNT 2005	<1 YEAR	1-5 YEAR	>5 YEAR
Cash and cash equivalents	**2.3**	**21.1**	**21.1**		
Financial liabilities (fixed rate)					
Bond (in EUR)	4.9	40.0		40.0	
Private placement (in USD)	4.6	51.0		51.0	
Credit institutions (in EUR)	3.4	60.0			60.0
Credit institutions (in EUR)	3.7	50.0			50.0
Financial liabilities (floating rate)					
Credit institutions (in EUR)	2.5	30.0	30.0		
Credit institutions (in USD)	4.6	45.1	45.1		
Commercial Paper and credit institutions	**2.5**	**169.4**	**169.4**		
Leasing payables	**5.8**	**4.5**	**0.4**	**2.9**	**1.2**

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair values together with the carrying amounts shown in the balance sheet are as follows:

	NOTE	CARRYING AMOUNT 2006	FAIR VALUE 2006	CARRYING AMOUNT 2005	FAIR VALUE 2005
Derivative financial instruments	**26**	**0.1**	**0.1**	**1.0**	**1.0**
Cash and cash equivalents	**18**	**36.3**	**36.3**	**21.1**	**21.1**
Investments	**14**	**8.7**	**8.7**	**7.2**	**7.2**
Trade and other receivables	**16**	**443.1**	**443.1**	**454.2**	**454.2**
Non-current financial liabilities	**22**				
Bonds	22	-	-	-40.0	-39.8
Leasing payables	22	-3.3	-3.2	-4.1	-4.1
Credit institutions	22	-150.3	-145.9	-185.2	-184.2
Private placement	22	-	-	-50.9	-50.2
Current financial liabilities	**22**				
Current portion long term financial liabilities	22	-97.0	-96.4	-0.5	-0.5
Leasing payables	22	-0.3	-0.3	-0.4	-0.4
Credit institutions and commercial paper	22	-201.3	-201.3	-162.7	-162.7
Amounts payable within one year	22	-	-	-6.2	-6.2
Trade and other payables	**25**	**-343.6**	**-343.6**	**-339.4**	**-339.4**
		-307.6	-302.6	-305.9	-304.0

ESTIMATION OF FAIR VALUES

• Derivative financial instruments

The fair value of a derivative financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The fair value of forward contracts is calculated as the discounted value of the difference between the contract rate and the current forward rate.

The fair value of these instruments generally reflects the estimated amounts that the Group would receive on settlement of favourable contracts or be required to pay to terminate unfavourable contracts at the reporting date, and thereby takes into account the current unrealised gains or losses on open contracts.

The fair value of forward exchange contracts used at 31 December 2006 was 0.1 million EUR recognised in the income statement on the line revaluation to fair value of derivatives, which is included in the finance income (2005: 1.0 mio EUR).

The following table indicates the fair values of all outstanding derivative financial instruments at year-end:

	CONTRACTUAL AMOUNT	FAIR VALUE	CONTRACTUAL AMOUNT	FAIR VALUE
	2006		2005	
Forward exchange contracts	185.0	0.1	134.1	1.0

The contractual amount indicates the volume of outstanding derivatives at the balance sheet date and therefore do not reflect the group's exposure to risks from such transactions.

In respect to the forward exchange contracts, the table below indicates the underlying contractual amount of the outstanding contracts per currency at year-end (selling of foreign currencies).

	2006		2005	
	AMOUNT IN FOREIGN CURRENCY	AMOUNT IN EUR	AMOUNT IN FOREIGN CURRENCY	AMOUNT IN EUR
GBP	101.1	150.6	81.4	118.8
USD	35.4	26.0	5.7	4.8
Other		8.4		10.5
Total		**185.0**		**134.1**

• Interest-bearing loans and borrowings

The fair value is calculated based on discounted expected future principal and interest cash flows.

• Financial leasing payables

The fair value is estimated as the present value of future cash flows, discounted at market interest rates for homogeneous financial lease agreements. The estimated fair values reflect the change in interest rates.

• Trade and other receivables/payables

For current trade and other receivables/payables, the notional amount is deemed to reflect the fair value. Non-current receivables/payables are discounted to determine the fair value.

27. OPERATING LEASES

The non-cancellable operating leases are payable as follows:

	2006	2005
Less than one year	3.9	3.2
Between one and five years	14.8	11.1
More than five years	5.2	6.8
Total	**23.9**	**21.1**

During the current year, 8.4 million EUR was recognised as an expense in the income statement in respect of operating leases (2005: 4.4 million EUR).

28. GUARANTEES AND COMMITMENTS

	2006	2005
Guarantees given by third parties on our behalf	22.5	24.2
Guarantees given on behalf of third parties	4.0	22.0
Guarantees received from third parties	4.1	12.7
Total	**30.6**	**58.9**

Guarantees given by third parties on our behalf mainly relate to the fulfillment of our environmental obligations.

Guarantees given on behalf of third parties mainly relate to guarantees given for the accurate execution of projects. The release of the guarantee can be explained by the finalisation of a project by Tessenderlo Kerley Services inc., an American subsidiary.

The guarantees received from third parties concern guarantees, which suppliers grant to the Group as guarantee for the accurate execution of investment projects. The decrease of the guarantee mainly relates to the finalisation of the new electrolysis facility in Tessenderlo Chemie NV in Tessenderlo (Belgium).

29. CONTINGENCIES

The Group has been granted emission allowances for the period 2005-2007. These granted emission allowances have been obtained free of charge.
As per year-end 2006 the Group has a surplus of 525 KT CO2 emission allowances, of which 257 KT CO2 emission allowances are expected to be used during 2007.

During 2007 the Group expects to receive a grant related to the construction of the new electrolysis unit in Tessenderlo. The amount of the grant is yet uncertain.

In order to acquire the remaining 50 % stake in Groupe Fiso, the Group has signed call agreements with the owner of that share. The call option may be exercised from June 1st 2009 until September 30th 2009. The exercise price is determined by a formula, which takes into account the accounting figures of Groupe Fiso.

The European Commission has performed an investigation in 2004 on pretended contra competitive practices in the segment of the feed phosphates.
In relation with this investigation, the Group has recorded a provision of 20.0 million EUR in 2004 and an additional 17.0 million EUR in 2006. This investigation is still ongoing.

In addition, the Group is confronted with a number of claims and disputes, which are a consequence of the daily operational activities. These claims and disputes are not of such nature that it could be expected that they would affect the financial situation of the Group in a significant way.

It is the Group's policy to recognise environmental provisions in the balance sheet when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

These provisions are reviewed periodically and adjusted, if necessary, as assessments and cleanups proceed and additional information becomes available. Environmental liabilities can change substantially due to the emergence of additional information on the nature or extent of the contamination, actions by governmental agencies or other factors of a similar nature.

As stated in note 24, the environmental provisions in accordance with the above policies aggregated to 9.4 million EUR at December 31, 2006 (2005: 10.1 million EUR).

While it is not feasible to predict the outcome of all pending environmental exposures, it is reasonably possible that there will be a need for future provisions for environmental costs which, in management's opinion, based on information currently available, would not have a material effect on the Group's financial position but could be material to the Group's results in any one accounting period.

30. RELATED PARTIES

The Group has a related party relationship with its subsidiaries, associates, joint ventures and with its directors and its management committee.

TRANSACTIONS WITH JOINT VENTURES AND ASSOCIATES:

	2006	2005
Revenue	1.6	1.9
Cost of sales	-11.0	-9.9
Other operating income	0.2	0.3
Finance costs	-0.1	-0.2
Current assets	0.8	0.8
Current liabilities	2.9	7.1

Dividends were received from joint ventures and associates for an amount of 17.7 million EUR (2005: 12.4 million EUR).

TRANSACTIONS WITH THE MEMBERS OF THE MANAGEMENT COMMITTEE:

	2006	2005
Short-term employee benefits	1.5	1.6
Post-employment benefits	0.3	0.3
Share based payments	0.1	0.1
Total	**1.9**	**2.0**

Short-term employee benefits include salaries (including social security contributions), bonuses earned during the year, car leasing and other allowances where applicable.

Director's payments consist mainly of director's fees (tantièmes).

31. INFORMATION ON THE AUDITOR'S ASSIGNMENTS AND RELATED FEES

Our statutory auditor is KPMG Bedrijfsrevisoren / Réviseurs d'entreprises, represented by Pierre Berger, engagement partner.

Fees for auditing the annual financial statements of Tessenderlo Chemie NV and its subsidiaries are ultimately determined by the general meeting of shareholders. Worldwide audit and other fees for 2006 in relation to services provided by KPMG amounted to 873,893 EUR (2005: 930,376 EUR), which were composed of audit services for the annual financial statements of 818,310 EUR (2005: 781,888 EUR), audit related services of 1,500 EUR (2005: nihil), tax services of 41,942 EUR (2005: 116,588 EUR) and other services of 12,141 EUR (2005: 31,900 EUR).

32. SUBSEQUENT EVENTS

On February 21st 2007, Tessenderlo Kerley, Inc (TKI), Phoenix, USA sold its interest in Tessenderlo Davison Companies (TDC), a joint marketing venture with Davison Petroleum Products (DPP), Ruston, USA to the latter.

Since its inception in 2001, TDC has been focused on the marketing of sodium hydrosulfide, caustic soda and related services to those products in North and South America.

The sales price of this transaction amounts to 80.0 million USD, to be increased with a part of the working capital, estimated at 10.0 million USD. This operation will generate a non-recurring profit after tax of 38.0 million USD, which will be recorded in the consolidated financial statements of the first quarter of 2007.

33. CONSOLIDATED COMPANIES

Listed below are the most important Tessenderlo Group companies. A complete list of the Group companies is available at Tessenderlo Chemie NV, Troonstraat 130, 1050 Brussel.
The total number of consolidated companies is 96.

33.1 List of the most important consolidated companies on 31 December 2006 accounted for by the full consolidation method

Europe

Belgium	Dyka Plastics NV	3900 Overpelt	100 %
Belgium	Immo Watro SA	1050 Brussels	100 %
Belgium	Limburgse Vinyl Maatschappij NV	1050 Brussels	100 %
Belgium	Tessenderlo Chemie International NV	1050 Brussels	100 %
Belgium	Tessenderlo Chemie NV	1050 Brussels	100 %
Belgium	Tessenderlo Finance	1050 Brussels	100 %
Belgium	Wymar International NV	8720 Oeselgem	100 %
France	Calaire Chimie SAS	62100 Calais	100 %
France	Ets. Caillaud SAS	61400 Saint-Langis-Les-Mortagne	100 %
France	Ets. Point SAS	01440 Viriat	100 %
France	France Gras SA	56300 Le Sourn	97%
France	PB Gelatins France SAS	67117 Furdenheim	100 %
France	Plastival SAS	25340 Clerval	100 %
France	Produits Chimiques de Loos SAS	59120 Loos	100 %
France	Profex SAS	62210 Avion	100 %
France	Progilor-Bouvart SAS	55100 Charny sur Meuse	99.90 %
France	Saplast SAS	67100 Strasbourg	100 %
France	Société Artésienne de Vinyle SAS	75013 Paris	100 %
France	Soparcail	61400 Saint-Langis-Les-Mortagne	100 %
France	Sotra-Seperef SAS	69650 Quincieux	100 %
France	Tefipar SA	75013 Paris	100 %
France	Thermoplastiques Cousin-Tessier SAS	85130 Tiffauges	100 %
France	Union de la Boucherie Lyonnaise SA	69960 Corbas	94.20 %
Germany	PB Gelatins GmbH	31582 Nienburg/Weser	100 %
Italy	Farchemia srl	24047 Treviglio (BG)	100 %
Italy	Tessenderlo Italia srl	20159 Milano	100 %
Italy	Tessenderlo Partecipazioni SpA	20122 Milano	100 %
Luxembourg	Térélux SA	GD 2633 Luxembourg	100 %
Poland	Dyka Polska Sp.zo.o.	55-221 Jecz-Laskowice	100 %
Poland	T.C.T. Polska Sp.zo.o.	96-500 Sochaczew	100 %
Poland	Wymar Polska Sp.zo.o	62-100 Wagrowiec	100 %
Switzerland	Tessenderlo Schweiz AG	5330 Zurzach	100 %
The Netherlands	Dyka BV	8331 LJ Steenwijk	100 %
The Netherlands	LVM Limburg BV	6167 RZ Geleen	100 %
The Netherlands	Tessenderlo Chemie Maastricht BV	6222 Maastricht	100 %
The Netherlands	Tessenderlo Chemie Rotterdam BV	3133 KA Vlaardingen	100 %
United Kingdom	Eurocell Building Plastics Ltd	Alfreton-Derbyshire DE55 4 RF	100 %
United Kingdom	Eurocell Profiles Ltd	Alfreton-Derbyshire DE55 4 RF	100 %
United Kingdom	Fairbrook plc	Alfreton-Derbyshire DE55 4 RF	100 %
United Kingdom	John Davidson Pipes Ltd	Longtow-Carlisle CA6 5LY	100 %
United Kingdom	PB Gelatins UK Ltd	CF 375 SQ Treforest-Mid Glamorgan	100 %
United Kingdom	Tessenderlo Fine Chemicals Ltd	ST13 8UZ Leek ; Staffordshire	100 %
United Kingdom	Tessenderlo Holding UK Ltd	CF 375 SU Treforest	100 %
United Kingdom	Tessenderlo UK Ltd	Widnes, Cheshire, WA8 ONY	100 %

USA

USA	Chelsea Building Products Inc	Oakmont, Pennsylvania 15139	100 %
USA	PB Leiner USA Corp	Davenport, Iowa 52809	100 %
USA	Tessenderlo Kerley Inc	Phoenix - Arizona 85008-3279	100 %
USA	Tessenderlo U.S.A. Inc.	Phoenix - Arizona 85008-3279	100 %
USA	Tessenderlo Kerley Services Inc	New Mexico - 88 220 Carlsbad	100 %
USA	MPR Services Inc	Phoenix - Arizona 85008-3279	100 %

Rest a the world

Argentina	PB Leiner Argentina SA	Santa Fe CC108-S3016WAC-Santo Tomé	100 %
Canada	Dynaplast-Extruco Inc.	G7X OB6 Jonquière-Québec	82.17 %
China	Lianyungang Taile Chemical Industry, Co. Ltd.	Lianyungang City-222023 Jiangsu Province	100 %
China	PB Gelatins (Pingyang)	Ping Yang County - 325401 Zhejiang Province	80 %

33.2 List of the most important consolidated companies on 31 December 2006 accounted for by the equity method

Europe

Belgium	Zéoline SA	4480 Engis	50 %
France	SH Capital	47520 Le Passage	50 %
France	Ferso Bio SAS	47521 Le Passage	50 %
France	Solagra SAS	40370 Rion Des Landes	50 %

USA

USA	Jupiter Sulphur LLC	Phoenix - Arizona 85008-3279	50 %
USA	Tessenderlo Davidson Companies LLC	Ruston, LA 71270	50 %

34. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements in conformity with IFRS as adopted for use by the European Union requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Management bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making the reported amounts of revenue and expenses that may not be readily apparent from other sources. Actual results could differ from those estimates. Estimates are used in accounting for allowances for uncollectible receivables, inventory obsolescence, depreciation, employee benefits, taxes, restructuring provisions and contingencies. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary.

The Group has applied significant estimates and judgements in order to prepare the consolidated financial statements with respect to the goodwill (note 11), provisions (note 24), taxes (note 9 and 15), the employee benefit obligations (note 23) and the contingencies (note 29).

1

Consolidated Financial Report

STATUTORY AUDITOR'S REPORT TO THE GENERAL MEETING OF SHAREHOLDERS OF TESSENDERLO CHEMIE SA NV ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

In accordance with legal and statutory requirements, we report to you on the performance of our audit mandate. This report includes our opinion on the consolidated financial statements together with the required additional comment and information.

Unqualified audit opinion on the consolidated financial statements

We have audited the consolidated financial statements of Tessenderlo Chemie SA NV ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated accounts comprise the consolidated balance sheet as of 31 December 2006 and the consolidated income statement, the consolidated statement of recognised income and expense and consolidated cash flows for the year then ended, as well as the summary of significant accounting policies and the other explanatory notes. The total of the consolidated balance sheet amounts to 1,705.8 million EUR and the consolidated income statement shows a loss for the year (group share) of 24.3 million EUR.

The board of directors of the company is responsible for the preparation of the consolidated financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing, legal requirements and auditing standards applicable in Belgium, as issued by the "Institut des Reviseurs d'Entreprises/Instituut der Bedrijfsrevisoren". Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. We have also evaluated the appropriateness of the accounting policies used, the reasonableness of accounting estimates made by the company and the presentation of the consolidated financial statements, taken as a whole. Finally, we have obtained from management and responsible officers of the company the explanations and information necessary for our audit. We believe that the audit evidence we have obtained provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the group's net worth and financial position as of 31 December 2006 and of its results and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

Additional comment and information

The preparation of the management report and its content, as well as the Company's compliance with the Company Code and their bylaws are the responsibility of board of directors.
Our responsibility is to supplement our report with the following additional comment and information, which do not modify our audit opinion on the financial statements:

- The management report on the consolidated financial statements includes the information required by law and is consistent with the consolidated financial statements. We are, however, unable to comment on the description of the principal risks and uncertainties, which the group is facing, and on its financial situation, its foreseeable evolution or the significant influence of certain facts on its future development. We can nevertheless confirm that the matters disclosed do not present any obvious inconsistencies with the information that we became aware of during the performance of our mandate.
- The financial statements of a number of companies, which statements reflect total assets of 386.6 million EUR (2005: 328.3 million EUR) and a total profit of the year of 20.5 million EUR (2005: 7.7 million EUR) in the consolidated financial statements were audited by other auditors whose reports have been furnished to us and our opinion is based on the reports of the other auditors.

Brussels, 16 March 2007
Klynveld Peat Marwick Goerdeler Bedrijfsrevisoren - Réviseurs d'Entreprises

Statutory auditor
represented by Pierre P. Berger
Reviseur d'Entreprises / bedrijfsrevisor

2
Statutory Financial Report

TESSENDERLO CHEMIE NV - BALANCE SHEET

ASSETS (Millions EUR)		2006		2005
FIXED ASSETS		**636.0**		**630.7**
II. Intangible assets		5.0		4.9
III. Tangible assets		212.6		191.1
A. Land and buildings	55.0		33.6	
B. Plant, equipment and tools	151.9		67.2	
C. Furnitures and vehicles	1.8		1.8	
E. Other tangible assets	0.1		0.1	
F. Capital work in progress and advance payments	3.8		88.4	
IV. Financial assets		418.4		434.7
A. Investments in related companies				
1. Investments				
a) Consolidated companies	417.1		433.5	
c) Other related companies	0.4		0.3	
C. Other financial assets				
1. Investments, shares and equity certificates	0.6		0.6	
2. Receivables	0.3		0.3	
CURRENT ASSETS		**206.2**		**422.5**
VI. Stocks and orders in progress		88.1		84.8
A. Stocks				
1. Raw materials and consumables	33.1		38.8	
2. Work in progress	0.9		0.9	
3. Finished goods	52.2		42.2	
4. Goods purchases for resale	1.9		2.9	
VII.Receivables due within one year		115.5		335.4
A. Trade receivables	109.8		129.8	
B. Other receivables	5.7		205.6	
IX. Cash and cash equivalents		1.9		0.7
X. Prepaid expenses and accrued income		0.7		1.6
TOTAL ASSETS		**842.2**		**1,053.2**

LIABILITIES		2006		2005
SHAREHOLDERS' EQUITY		**440.2**		**513.8**
I. Share capital		136.0		135.0
A. Issued capital	136.0		135.0	
II. Share premiums		36.6		34.2
IV. Reserves		16.7		16.8
A. Legal reserves	13.3		13.3	
B. Undistributable reserves				
2. Others	0.9		0.9	
C. Tax free reserves	2.5		2.6	
V. Retained earnings		250.7		327.6
VI. Capital grants		0.2		0.2
PROVISIONS AND DEFERRED TAXES		**82.6**		**53.3**
VII A. Provisions for liabilities and charges		82.3		52.9
A1. Pensions and similar obligations	7.6		9.7	
A4. Others	74.7		43.2	
B. Deferred taxes		0.3		0.4
LIABILITIES		**319.4**		**486.1**
VIII. Liabilities due in more than one year		90.2		255.6
A. Financial liabilities				
2. Non subordinated loans	0.2		0.1	
4. Banks	90.0		90.0	
5. Other loans	-		165.5	
IX. Liabilities due within one year		225.9		229.5
A. Long-term liabilities payable within the year	40.0		24.8	
B. Financial debts				
1. Credit institutions	1.2		-	
C. Trade payables				
1. Accounts payable	88.6		100.0	
D. Advances received on contracts in progress	0.2		-	
E. Taxes, remuneration and social security				
1. Taxes	5.6		6.0	
2. Remuneration and social security	15.0		15.2	
F. Other liabilities	75.3		83.5	
X. Accrued expenses and deferred income		3.3		1.0
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**842.2**		**1,053.2**

TESSENDERLO CHEMIE NV - PROFIT & LOSS STATEMENT

(Millions EUR)	2006		2005	
I. Sales and operating income		**627.0**		**605.4**
A. Sales	595.1		575.5	
B. Change in work in progress, finished goods and orders in progress (increase +/decrease -)	9.3		6.0	
C. Production capitalised	2.8		2.8	
D. Other operating income	19.8		21.1	
II. Cost of sales and operating charges (-)		**632.3**		**602.6**
A. Raw materials and goods purchased for resale				
1. Purchases	329.5		329.7	
2. Changes in stocks (increase -/decrease +)	6.1		-10.8	
B. Services and other goods	161.2		156.8	
C. Wages, salaries, social charges and pensions	104.2		102.1	
D. Depreciations and amortizations on formation expenses, tangible and intangible assets	23.4		20.3	
E. Amounts written-off stocks and trade receivables (charges + write-backs -)	-0.2		1.5	
F. Provisions for liabilities and charges (charges less utilisations and write-backs) (charges +, write-backs -)	0.3		-2.0	
G. Other operating charges	7.8		5.0	
III. Operating profit		**-5.3**		**2.8**
IV. Financial income		**2.1**		**4.0**
A. Income from financial assets	0.2		0.2	
B. Income from current assets	1.3		2.0	
C. Other financial income	0.6		1.8	
V. Financial charges		**6.8**		**14.5**
A. Interests and other debt charges	6.0		13.6	
C. Other financial expenses	0.8		0.9	
Net financial profit		**-4.7**		**-10.5**
VI. Ordinary profit (+) / losses (-) before taxes		**-10.0**		**-7.7**
VIII.Extraordinary charges		**33.4**		**-**
B. Amounts written off financial fixed assets	3.0		-	
C. Provisions for liabilities and charges	29.1		-	
E. Other extraordinary charges	1.3		-	
IX. Profit (+) / losses (-) before taxes		**-43.4**		**-7.7**
IX Bis A. Transfer from deferred taxes		**0.1**		**0.1**
X. Income taxes		**-0.1**		**0.8**
A. Income taxes	-		-	
B. Adjustment of income taxes and write-back of tax provisions	-0.1		0.8	
XI. Profit (+) / losses (-)		**-43.4**		**-6.8**
XII. Transfer from untaxed reserves		**0.1**		**0.1**
XIII. Profit (+) / losses (-) for the year to be allocated		**-43.3**		**-6.7**

NOTES TO THE STATUTORY FINANCIAL REPORT

ALLOCATIONS AND DISTRIBUTIONS

Your Board propose to allocate the	
- 2006 losses, being	-43
- Increased by prior years' retained earnings	328
Totalling:	285
in the following manner:	
- Quotas	1
- Dividends	33
- Retained earnings	251
Totalling:	285

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 27,419,876 ordinary shares and for the VVPR dividend a net amount of 1.02 EUR remittance of coupon n°70.

XIV. SHARE CAPITAL (Millions EUR)

	AMOUNT	NUMBER OF SHARES
A. Share Capital		
1. Subscribed Capital (Rubric 100 of balance sheet) Balance at the end of previous year	135	27,269,568
Changes during the year:		
Increase	1	146,108
Numbers of subscribed shares as a result of the exercise of options		4,200
Balance at the end of the year	136	27,419,876
2. Capital:		
2.1. Category of shares		
- Ordinary shares	136	27,419,876
Principal shareholder:		
SNPE: 26.41 %		
Rue du Trône 130 - 1050 Brussels		
Announcement date: 01/12/2004		
2.2. Registered shares & ordinary shares		
- Registered shares		7,715,005
- Ordinary shares		19,704,871
Changes of the year		
- Number of shares at 31/12/2005		27,269,568
- Capital increase (personnel)		146,108
- Numbers of subscribed shares as a result of the exercise of options		4,200
- Number of shares at 31/12/2006		27,419,876
E. AMOUNT OF AUTHORISED CAPITAL, NOT ISSUED:	123	

XV. VALUATION RULES
ASSETS

Formation expenses: 100 % depreciation.

Intangible assets:
- 20 % depreciation.
- Research expenses are fully depreciated or take into account the existing tax provisions that encourage scientific research

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

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

• land	0.00 %
• industrial buildings, residential buildings, construction and appreciation	3.00 %
• rented buildings – financing appreciation on furniture, fittings and plant	5.00 %
• furniture, fittings, plant, renovation work to buildings	10.00 %
• pilot plant	20.00 %
• vehicles	25.00 %
• computer hardware	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 individually evaluated, 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 fair 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 individualised acquisition cost, including incidental expenses and at the individualised 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 closing of the period, raw material and finished product stocks are evaluated individually according to market prices or current sales value. Stocks are written-down 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 fair 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 fair value and last exchange rate for foreign currencies.

LIABILITIES

Provisions for liabilities and charges:
At the closing 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 fair value. Amounts payable in foreign currencies are processed like receivables.

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

PROFIT AND LOSS ACCOUNT

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

XXI. COMPANY'S PENSION PLAN

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

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

Statutory auditor's report to the general meeting of shareholders of Tessenderlo Chemie NV SA on the financial statements for the year ended 31 December 2006

In accordance with legal and statutory requirements, we report to you on the performance of our audit mandate. This report includes our opinion on the financial statements together with the required additional comments and information.

Unqualified audit opinion on the financial statements

We have audited the financial statements of Tessenderlo Chemie NV SA for the year ended 31 December 2006, prepared in accordance with the financial reporting framework applicable in Belgium, which show a balance sheet total of € 842,257,281 and a loss for the year of € 43,279,022.

The board of directors of the company is responsible for the preparation of the financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with legal requirements and auditing standards applicable in Belgium, as issued by the "Institut des Reviseurs d'Entreprises/Instituut der Bedrijfsrevisoren". Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
In making those risk assessments, we have considered internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. We have also evaluated the appropriateness of the accounting policies used, the reasonableness of accounting estimates made by the company and the presentation of the financial statements, taken as a whole. Finally, we have obtained from management and responsible officers of the company the explanations and information necessary for our audit. We believe that the audit evidence we have obtained provides a reasonable basis for our opinion.

In our opinion, the financial statements as of 31 December 2006 give a true and fair view of the company's net worth, financial position and results in accordance with the financial reporting framework applicable in Belgium.

Additional comments and information

The preparation of the management report and its content, as well as the Company's compliance with the Company Code and their bylaws are the responsibility of the board of directors.
Our responsibility is to supplement our report with the following additional statements and information, which do not modify our audit opinion on the financial statements:

- The Management report includes the information required by law and is consistent with the financial statements. We are, however, unable to comment on the description of the principal risks and uncertainties which the company is facing, and on its financial situation, its foreseeable evolution or the significant influence of certain facts on its future development. We can nevertheless confirm that the matters disclosed do not present any obvious inconsistencies with the information that we became aware of during the performance of our mandate.
- Without prejudice to formal aspects of minor importance, the accounting records were maintained in accordance with the legal and regulatory requirements applicable in Belgium.
- There are no transactions undertaken or decisions taken in violation of the company's bylaws or the Company Code that we have to report to you. The appropriation of results proposed to the general meeting complies with the legal and statutory provisions.

Brussels, 16 March 2007
Klynveld Peat Marwick Goerdeler Réviseurs d'Entreprises
Statutory auditor
represented by

Pierre P. Berger
Réviseur d'Entreprises, bedrijfsrevisor

8 General Information

1 Production units

Chemicals

Inorganics	**Production Units**	**Main Products**
Belgium	PB Gelatins (Vilvoorde)	feed phosphates
	Tessenderlo Chemie Ham	feed phosphates, hydrochloric acid, potassium sulphate, sulphuric acid
	Zeoline (Engis - Liège)	zeolites
France	Produits Chimiques de Loos	hydrochloric acid, potassium sulphate
Italy	Tessenderlo Italia (Cologna Veneta) (Italphos)	feed phosphates
Netherlands	Tessenderlo Chemie Rotterdam	feed phosphates
North America	Tessenderlo Kerley (Phoenix) 8 production sites 60 depots	liquid sulphur fertilisers: ammonium, calcium, magnesium and potassium thiosulphate
PVC / Chlor-alkali		
Belgium	LVM Tessenderlo	vinyl chloride monomer (VCM)
	Tessenderlo Chemie Tessenderlo	caustic soda, caustic potash, chlorine, ferric chloride, hydrogen sulphide, potassium carbonte lye, sodium sulphide, sodium hydrosulphide, sodium hypochlorite (bleach)
France	Produits Chimiques de Loos	caustic potash, caustic potash flakes, mineral chlorides (aluminium, ferric and zinc), sodium hypochlorite (bleach)
	SAV - Mazingarbe	PVC
Italy	Tessenderlo Italia (Pieve Vergonte)	caustic soda, chlorine
Netherlands	LVM Limburg Beek	PVC
North America	Tessenderlo Kerley (Phoenix)	sodium hydrosulphide

Plastics Converting

Profiles	Production Units	Main Products
Belgium	Wymar International (Oeselgem)	PVC profiles for windows and doors, as well as interior and exterior finishing systems
Canada	Dynaplast Extruco (Quebec)	PVC window and door profiles and profiles for various sectors
France	Plastival (Clerval)	window and door profiles, profiles for fences, facade cladding and a variety of industrial applications
Great Britain	Fairbrook Plc. (Alfreton-Derbyshire) - Eurocell Profiles - Eurocell Building Plastics + 72 distribution centers	PVC profiles for windows, doors and components for conservatories and foamed profiles used as roofing components and facade cladding
United States	Chelsea Building Products (Oakmont)	PVC profiles for windows, doors and trim parts
Plastic Pipe Systems		
Belgium	Dyka Plastics (Overpelt) + 7 distribution centers in Belux	plastic pipe systems in PVC, PE and PP
France	Sotra-Seperef (St. Austreberthe and Quincieux)	PVC materials for construction and drilling markets
		PVC and polyethylene pipe systems for water supply and drainage
Netherlands	Dyka BV (Steenwijk) + 20 distribu-tion centers in The Netherlands	PVC pipe systems
Poland	Dyka Polska (Jelcz-Laskowice) + 13 distribution centers	PVC, PE and PP pipe systems
UK	John Davison Pipes + 24 distribution centers	distribution of plastic pipe systems
Compounds		
France	CTS - Cousin-Tessier (Tiffauges)	ready for use PVC and TPE mixtures mainly for injection mouldings and extrusions and thermoplastic elastomers for the car industry and for construction
	CTS - Saplast (Strasbourg)	PVC compounds for cable and construction
	Plastival (Clerval)	Marvyflo® compound for dashboards for cars
Poland	CTS - TCT Polska (Sochaczew)	PVC and TPE compounds

Specialities

Fine Chemicals	Production Units	Main Products
Organic Chlorine Derivatives		
Belgium	Tessenderlo Chemie Tessenderlo	benzyl chloride, benzylidene chloride, benzotrichloride and derivatives
China	Taile Chemical Industry (Lyanyungang)	benzyl chloride, benzaldehyde
	Tessenderlo Trading Shanghai	
Great Britain	Tessenderlo Fine Chemicals (Leek)	acetic acid esters and derivatives, aromatics, benzyl acetate, hexylcinnamaldehyde
Italy	Tessenderlo Italia (Pieve Vergonte)	chlorotoluenes, chlorobenzenes
Netherlands	Tessenderlo Chemie Maastricht	benzyl alcohol, benzyl acetate
Pharmaceutical Intermediates		
Belgium	Tessenderlo Chemie (Tessenderlo)	glycine and derivatives
France	Calaire Chimie (Calais)	pharmaceutical intermediates
	Chemilyl (Loos)	oxalyl chloride and derivatives
Italy	Farchemia (Treviglio)	pharmaceutical intermediates, active products
Gelatins		
Argentina	PB Leiner Argentina (Santa Fé)	gelatins
Belgium	PB Gelatins (Vilvoorde)	gelatins & ossein
China	PB Gelatins (Pingyang)	gelatins
France	PB Gelatins France (Furdenheim)	food ingredients and additives
Germany	PB Gelatins Germany (Nienburg)	gelatins
Great Britain	PB Gelatins UK (Treforest)	gelatins
USA	PB Leiner USA (Davenport)	gelatins
Natural Derivatives		
France	Caillaud (Mortagne)	17 treatment units * 5 rendering plants * 12 plants for valorisation of animal materials 35 collection centers

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Addresses

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Corporate Secretary,
Human Resources, IT and Organisation,
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Concept & Pre-press
Comfi & Publishing, www.comfi.be

Het **jaarverslag** is tevens beschikbaar in het Nederlands.
Le **rapport annuel** est également disponible en français.

The **Annual Report** (in English, Dutch, French) may be viewed on our website: **www.tessenderlogroup.com**; see Corporate – Publications – Annual Report. A user friendly interactive (html) version of the English Annual Report is also available on the website.

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