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2005 Annual Results

9% growth in sales

Strong EBITDA growth in Europe offset by negative automotive results in USA

Impairment (non-cash) of EUR 12.7 million on automotive USA

Profit recovery expected for 2006

Consolidated income statement

Million EUR	2005	2004	Δ
Sales	1,391.6	1,276.3	9.0%
Gross profit	187.6	228.0	-17.7%
EBITDA	82.1	82.4	-0.3%
Income from associates	1.5	0.6	152.0%
Operating result (*)	11.1	31.9	-65.2%
Income from investments	-2.3	0.7	n.r.
EBIT	8.8	32.6	-73.0%
Interest income & expenses	-25.2	-19.4	30.2%
Other financial income & expenses	-2.7	-2.2	25.5%
Result from ordinary activities before taxes	-19.1	11.0	n.r.
Income taxes	-6.2	0.2	n.r.
Result from ordinary activities after taxes	-25.4	11.2	n.r.
Share of minority interests	-2.6	-5.9	-55.8%
Result for the period, share of the Group	-28.0	5.4	n.r.

(*) For 2005, this includes an 'impairment' impact of EUR 12.7 million (non-cash elements) on automotive USA

Condensed balance sheet

Million EUR	2005	2004	Δ
Total assets	946	985	-3.9%
Equity - minority interests included	251	281	-10.7%
Net financial debt	317	335	-5.2%

The auditor confirms that the audit is substantially completed, and did not reveal any significant adjustments to the financial information included in the press release.

Brussels, 9 March 2006
Deloitte Bedrijfsrevisoren C.V. o.v.v.e. BVBA, represented by William Blomme

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General review

After the negative impact of renewed raw materials price rises in the first half of the year, the Group performed well during the second half in all its European activities, which boosted the EBITDA in Europe by 16,7% to EUR 104,3 million, and the EBIT by 25,4% to EUR 52,1 million. However the start-up and volume problems in the American automotive sector more than neutralized this good performance and, as announced earlier (press release of 10 January 2006), this led to a net loss.

Furthermore, the Group decided, in accordance with IFRS 36 and 38, to carry out an extraordinary impairment amounting to EUR 12.7 million. This refers to the entire capitalised development and start-up costs for the American projects of the automotive sector.

2005, EUR million

EBITDA	82,1
Depreciation & impairments (without USA)	-60,6
EBIT (before impairments USA)	21,5
Financial result	-27,9
Taxes	-6,2
Minority interests	-2,6
Result for the period, share of the Group (before impairments USA)	-15,3
Impairments USA	-12,7
Result for the period, share of the Group	-28,0

The **net sales** of the Group rose in 2005 by 9.0% to EUR 1.39 billion.

On a comparable basis, sales would also have risen by 9.0%. Exchange rate differences were compensated for by the following changes in the scope of consolidation:

- the takeover of Akoestikon, the Netherlands (flexible foams);
- the disposal of the 49% interest in Ceadesa, Spain (bedding);
- the partial sale of the 'Window Encapsulation' business (automotive) to Asahi Glass Company (AGC), Japan.

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Breakdown of net sales by business line

Million EUR	2005	2004	Δ
Flexible foam	504.0	470.4	7.2%
Bedding	366.8	368.3	-0.4%
Insulation	101.6	95.8	6.1%
Automotive	484.4	400.0	21.1%
Eliminations	-65.3	-58.1	12.4%
Total	1,391.6	1,276.3	9.0%

EBITDA remained stable at EUR 82.1 million.

The three traditional sectors in which Recticel operates (Flexible foam, Bedding and Insulation) performed well. Despite the considerable rise in raw materials prices, the European activities achieved results which were at least equal to or better than in 2004.

In the automotive business line, the European activities in all subsectors made a positive contribution to EBITDA.

Only in America did the results of the automotive business fail to come up to expectations, on account of

- higher start-up costs in the Tuscaloosa plant (Mercedes M and R). The improvements initiated are noticeable and promising, but at end-2005 they didn't reach a sufficient level to compensate for the loss of the first half of the year;
- lower than expected volumes (-50%) for one of the GM models;
- Chapter 11 at customer Delphi, which for the time being prevents the collection of an outstanding invoice.

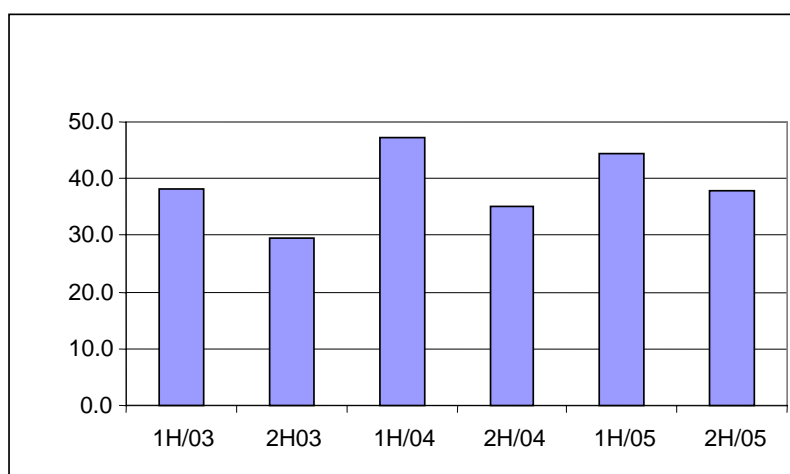
Whilst, in spite of additional restructuring costs in Belgium, Germany and the Czech Republic, EBITDA rose in Europe by EUR 14.9 million compared to 2004, EBITDA fell in the USA by EUR 15.2 million.

In addition to the above-mentioned operational losses attributable to difficulties in the American production centres for 'interiors', the Group also had to contend with extraordinary expenses arising from a loss on the sale of its Foamex shares. Recticel sold the last part of its interest (4.15%) in September 2005, just before the Foamex shares were dropped by Nasdaq. This finally brought the participation in Foamex to an end.

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Breakdown of EBITDA by business line

Million EUR	2005	2004	Δ
Flexible foam	34.3	33.0	4.0%
Bedding	24.9	20.9	19.7%
Insulation	11.6	11.6	-0.1%
Automotive	21.4	27.1	-21.3%
Corporate	-10.0	-10.1	-0.9%
Total	82.1	82.4	-0.3%

Half-yearly trend in EBITDA (million EUR)


In addition to the factors above, higher depreciation and the effect of the extraordinary impairment in the USA resulted in a fall in **EBIT** to EUR 8.8 million.

The **financial expenses** rose from EUR 21.5 million to EUR 27.9 million (+29.7%). Net interest expenses amounted to EUR 25.2 million (+30.2%). Financial expenses were influenced by the costs of the syndicated loan concluded at the end of 2004 and by the higher interest expenses on the subordinated loan throughout 2005.

The other financial expenses came to EUR 2.7 million and mainly comprise the capitalisation cost applied to the pension reserves (non-cash).

The total **net financial debt** at the end of 2005 has been reduced by EUR 18 million to EUR 317 million.

The heading **income taxes and deferred taxes** came to EUR -6.2 million (EUR 0.2 million in 2004), which is attributable to:

- company tax (EUR -5.6 million), mainly payable by subsidiaries in Austria, Sweden and the Czech Republic and
- deferred taxes (EUR -0.6 million).

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Minority interests (Copirel, Proseat and JR Interiors) fell to EUR 2.6 million (EUR 5.9 million in 2004).

Under the impact of all these factors, the Group sustained a **net loss (Group share)** of EUR 28.0 million, compared to a profit of EUR 5.4 million in 2004.

Market sectors

Flexible foam

Million EUR	2005	2004	Δ
Sales	504.0	470.4	7.2%
EBITDA	34.3	33.0	4.0%
EBITDA margin	6.8%	7.0%	-

Net sales:

In a stagnating market, all subsectors (comfort, technical foams, composite foams) progressed, which was almost exclusively attributable to the passing on of the higher raw materials prices in selling prices.

Just as in past years, Central and Eastern Europe are doing better than Western Europe.

EBITDA:

The profitability of the sector was hard hit by the continuing rise in raw materials prices and the delay in passing on these rises to the market.

The increase in selling prices, the sale of a number of non-productive assets, the positive consequences of the restructuring in Germany and the Netherlands and the greater demand for flexible foam for mattress production led to a higher result year-on-year than in 2004.

Bedding

Million EUR	2005	2004	Δ
Sales	366.8	368.3	-0.4%
EBITDA	24.9	20.9	19.7%
EBITDA margin	6.8%	5.7%	-

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Net sales

The trends diverge widely from country to country and between the different market segments. In general, the sales of the sector remained stable, despite the competitive pressure on the market. With the same scope of consolidation (cf. Ceadesa, see above), net sales would have risen by 1.5%.

The brand products seemed to better withstand the price erosion still characterising the market. The “non-brand” segment is suffering in particular from imports from low-wage countries. As a consequence, the Hulshout plant in Belgium was further restructured.

EBITDA:

EBITDA rose in nearly all countries, despite the higher raw materials prices. The sale of the 49% stake in Ceadesa (Spain) also had a positive impact.

Insulation

Million EUR	2005	2004	Δ
Sales	101.6	95.8	6.1%
EBITDA	11.6	11.6	-0.1%
EBITDA margin	11.4%	12.1%	-

Net sales:

Both insulation for the construction industry and industrial insulation experienced growth. The most important reason of the increase in turnover was the higher price level obtained due to higher raw materials prices.

EBITDA:

The EBITDA margin narrowed slightly as a result of the delay in passing on these raw materials price rises. The good results of the construction industry in Belgium, France and the UK were neutralized by the poorer performance in Germany.

At the end of 2005, Recticel concluded a joint venture in industrial insulation with Kingspan, Ireland (see press release 5 January 2006). This alliance had no consequences on the income statement for 2005, but was included in the balance sheet.

Automotive

Million EUR	2005	2004	Δ
Sales	484.4	400.0	21.1%
EBITDA	21.4	27.1	-21.3%
EBITDA margin	4.4%	6.8%	-

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Net sales:

The lower net sales resulting from the partial disposal of the 'window encapsulation' business (cf. AGC, see above) were amply offset by higher sales in 'interiors' and 'seating'. The 'seating' business succeeded in keeping its sales on a level with those of 2004. The 'interiors' business experienced 54% growth in sales.

EBITDA:

The EBITDA of the 'automotive' business as a whole was particularly hit by the problems in America. European business, on the other hand, improved its EBITDA by EUR 12.8 million. This rise is mainly attributable to five successful start-ups in 'interiors' and the good performance of seating and exteriors.

Prospects

The Group expects a gradual recovery in the profitability of its automotive activities in America.

Without taking account of unforeseen developments, the upturn in America, in conjunction with the restructuring carried out and further operational improvements, will lead Recticel to a return to profit in 2006.

Dividend

After examining the overall prospective, the Board of Directors will propose to the Annual General Meeting on 16 May the payment of an unchanged dividend of EUR 0.17 gross per share (EUR 0.1275 net).

Financial calendar for 2006

Publication of 2005 annual report	beginning May 2006
Annual General Meeting	16 May 2006, 15:00 Plejadenlaan 15, 1200 Brussels
Payment of dividend	31 May 2006
Announcement of half-yearly results 2006	06 September 2006

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Annexes**Key financial ratios**

	2005	2004
EBITDA / Sales	5.9%	6.5%
EBIT / Sales	0.6%	2.6%
Result from ordinary activities before taxes / Sales	-1.4%	0.9%
Result from ordinary activities after taxes / Sales	-1.8%	0.9%
Result for the period (share of the Group) / Sales	-2.0%	0.4%

Data per share

In EUR	2005	2004
Number of shares outstanding	28,333,010	28,333,010
Weighted average number of shares outstanding (before dilution effect)	27,935,210	27,935,210
Weighted average number of shares outstanding (after dilution effect)	27,935,210	28,543,971
EBITDA	2.94	2.95
EBIT	0.31	1.17
Result from ordinary activities before taxes	-0.69	0.39
Result from ordinary activities after taxes	-0.91	0.40
Result for the period (share of the Group) - basic	-1.00	0.19
Result for the period (share of the Group) - diluted	-1.00	0.19
Net book value	7.46	8.60

Condensed balance sheet

Million EUR	2005	2004	Δ
Intangible assets	21.0	25.1	-16.1%
Goodwill	43.6	42.3	3.1%
Property, plant & equipment	381.1	408.3	-6.7%
Investment property	11.5	10.9	5.2%
Interest in associates	6.7	4.8	40.5%
Other financial investments and available for sale investments	3.7	6.5	-43.5%
Non-current receivables	11.6	3.7	215.4%
Deferred tax	64.7	63.3	2.2%
Non-current assets	544.0	564.8	-3.7%
Inventories and contracts in progress	118.9	120.1	-1.0%
Trade receivables	179.3	192.3	-6.7%
Other current assets	78.2	80.7	-3.1%
Cash, cash equivalents and available for sale investments	26.1	27.1	-3.5%
Current assets	402.5	420.2	-4.2%
TOTAL ASSETS	946.5	985.0	-3.9%

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Million EUR	2005	2004	Δ
Equity before minority interests	211.4	243.8	-13.3%
Minority interests	39.8	37.6	6.0%
Equity - minority interests included	251.2	281.4	-10.7%
Pensions and other provisions	59.8	52.8	13.3%
Deferred tax	6.8	4.9	37.7%
Interest-bearing borrowings	273.7	295.5	-7.4%
Other amounts payable	1.2	1.0	17.7%
Non-current liabilities	341.4	354.2	-3.6%
Pensions and other provisions	7.9	14.2	-44.2%
Interest-bearing borrowings	69.9	66.3	5.4%
Trade payables	179.6	166.9	7.6%
Income tax payables	1.1	0.9	12.2%
Other amounts payable	95.4	101.2	-5.7%
Current liabilities	353.8	349.5	1.3%
TOTAL LIABILITIES	946.5	985.0	-3.9%

Net financial debt	317.5	334.7
Net financial debt / Equity (minority interests included)	126%	119%
Equity (minority interests included) / Total assets	27%	29%

Summary cash flow statement

Million EUR	2005	2004	Δ
EBIT	8,8	32,6	-73,0%
Depreciation, amortisation and impairment losses on assets	73,3	50,0	46,7%
Other non-cash elements	-8,2	-9,9	-17,2%
Gross operating cash flow	73,9	72,6	1,8%
Changes in working capital	16,6	10,8	53,6%
Operating cash flow	90,5	83,4	8,5%
Income taxes paid	-5,9	-2,9	100,4%
Net operating cash flow	84,6	80,5	5,1%
Net cash flow from investment activities	-22,7	-91,4	-75,2%
Paid interest charges	-20,2	-13,0	56,0%
Free cash flow	41,7	-23,8	n.r.
Paid dividends	-5,3	-4,9	7,8%
Increase (Decrease) of financial liabilities	-26,6	29,9	n.r.
Other	-0,2	-0,5	-65,9%
Net cash flow from financing activities	-52,2	11,6	n.r.
Effect of exchange rate changes	-9,5	1,3	n.r.
Effect of change in scope of consolidation	-1,1	0,3	n.r.
Changes in cash and cash equivalents	-0,8	2,4	n.r.

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Recticel in a nutshell

In a nutshell

Recticel is a Belgian Group with a strong European dimension, but also operates in the rest of the world. Recticel has some one hundred establishments in 20 countries.

Recticel contributes to daily comfort with foam filling for seats, mattresses and slat bases of top brands, insulation material, interior comfort for cars and an extensive range of other industrial and domestic applications.

Recticel is the Group behind well-known bedding brands, including Beka, Epeda, Lattoflex, Literie Bultex, Schlaraffia, Sembella, Swissflex, Superba and Ubica.

Recticel is driven by technological progress and innovation, which has led to a revolutionary breakthrough at the biggest names in the car industry.

Recticel achieved sales to a value of nearly 1.4 billion euros in 2005.