TESSENDERLO GROUP

TRANSFORMING, BECAUSE...

Annual report 2011

COMPANY PROFILE

TESSENDERLO GROUP IS A WORLDWIDE SPECIALTY COMPANY THAT PROVIDES SOLUTIONS FOR GLOBAL NEEDS IN FOOD, AGRICULTURE AND WATER MANAGEMENT AND EFFICIENT (RE)USE OF NATURAL RESOURCES. THE GROUP IS A LEADER IN MOST OF ITS MARKETS, PRIMARILY SERVING CUSTOMERS IN AGRICULTURE, INDUSTRY, CONSTRUCTION, HEALTH AND CONSUMER GOODS END MARKETS.

Global mega-trends like a growing population and a continued increase of wealth and consumption lead to a rising demand for food and clean water, while natural resources are getting scarcer and risk becoming depleted. Tessenderlo Group focuses on those businesses that provide solutions for these mega-challenges. The company is an expert in innovative processing of by-products from different industries into valuable new products, especially those that contribute to a better availability of clean water, improve crop yields and reduce use of natural resources.

With an enhanced focus on innovation, aligned with global mega-trends, the group will build on sustainability as an engine for future growth and development. The new Tessenderlo Group will have a more diversified geographic exposure, will be increasingly service oriented and have an improved growth and return profile.

The group reports its activities as follows:

- Tessenderlo Kerley
- Inorganics
- Gelatin and Akiolis
- Plastic Pipe Systems and Profiles
- Other Businesses (Compounds, Organic Chlorine Derivatives, Pharma, Water Treatment)

TESSENDERLO GROUP
KEY FIGURES OVER 10 YEARS

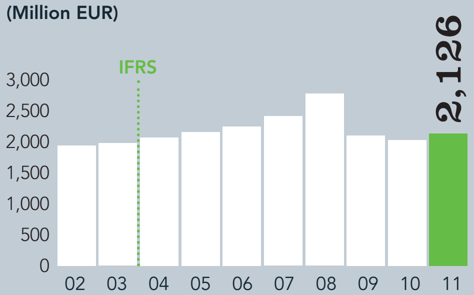
(Million EUR)		2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS		
Revenue		2,126.0	2,024.0	2,093.8	2,765.0	2,405.9	2,238.3	2,149.6	2,062.9	1,972.0	1,934.0
REBITDA		187.0	162.8	63.4	344.7	261.6	188.4	191.8	220.8	204.0	259.0
REBIT		104.9	73.0	- 51.4	239.1	152.3	72.3	67.4	106.2	82.0	115.0
Non-recurring income/(expense) items		1.0	3.0	- 99.8	- 26.9	35.1	- 76.9	- 8.2	- 25.0		
EBIT		105.9	76.0	- 151.2	212.2	187.4	- 4.6	59.2	81.2		
Profit (+) / loss (-) for the period		57.9	33.0	- 166.7	140.4	128.7	- 24.3	35.1	53.6	43.0	71.0
Net cash flow		135.6	83.0	45.9	280.1	248.1	142.8	161.0	195.6	162.0	207.0
Profit (+) / loss (-)/Revenue	(%)	2.7	1.6	-8.0	5.1	5.3	-1.1	1.6	2.6	2.2	3.7
REBIT/Revenue	(%)	4.9	3.6	-2.5	8.6	6.3	3.2	3.1	5.1	4.2	5.9
Net cash flow/Revenue	(%)	6.4	4.1	2.2	10.1	10.3	6.4	7.5	9.5	8.2	10.7
Capital Employed (CE)		894.3	976.5	1,099.4	1,282.7	1,118.9	1,181.3	1,258.0	1,166.0	1,136.0	1,141.0
Working Capital		262.4	179.6	283.7	552.5	367.0	392.7	447.0	413.2	425.0	436.0
ROCE	(%)	11.7	6.0	-4.7	18.6	13.6	6.1	5.4	9.1	7.2	10.1
Capital expenditure (PP&E)		102.4	117.1	112.4	94.2	98.6	119.3	172.5	171.1	119.0	110.0
Equity attributable to equity shareholders of the company		600.3	724.8	705.2	900.0	800.2	709.5	774.3	755.5	756.0	758.0
Return On Equity (ROE)	(%)	8.7	2.8	- 20.8	16.5	17.0	- 3.3	4.6	7.2	5.7	9.5
Net financial liabilities		219.4	162.0	209.0	294.6	243.8	411.0	428.9	351.4	339.0	303.0
Net financial liabilities/Equity	(%)	36.5	22.3	29.6	32.7	30.4	57.8	55.4	46.5	44.8	40.0
Net financial liabilities/REBITDA		1.2	0.9	3.3	0.9	0.9	2.2	2.2	1.6	1.7	1.2
Interest coverage		6.4	2.8	- 17.3	14.3	10.9	0.5	3.9	5.2	5.0	8.0
Dividend paid		39.4	38.3	37.1	36.9	35.0	33.3	32.7	32.7	30.7	30.6
Payout ratio	(%)	68.0	188.7	N/A	26.3	27.2	N/A	94.4	58.0	71.5	43.1
Headcount		7,457	8,262	8,317	8,237	8,121	8,124	8,123	8,181	8,223	7,934

A financial glossary is available at the end of the report

□ Figures from continuing operations for 2010-2011

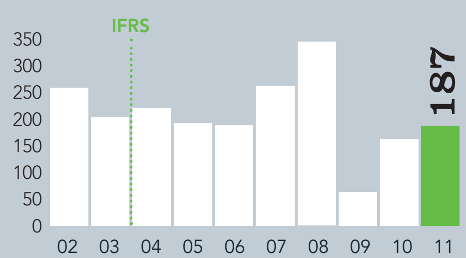
Revenue

(Million EUR)



REBITDA

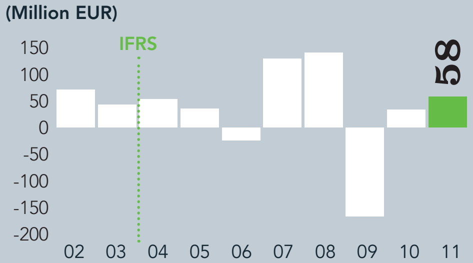
(Million EUR)



Profit (+) / loss (-)

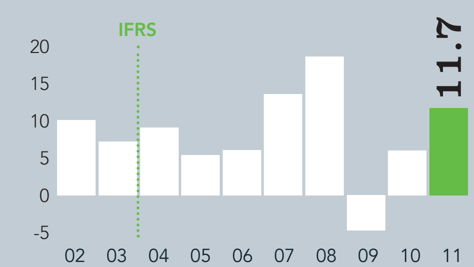
attributable to equity holders of the company

(Million EUR)



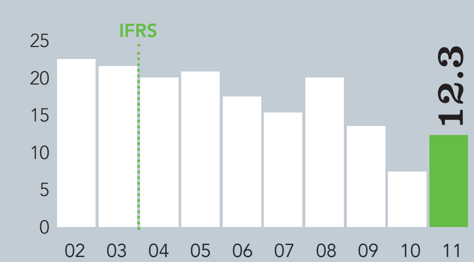
ROCE

(%)



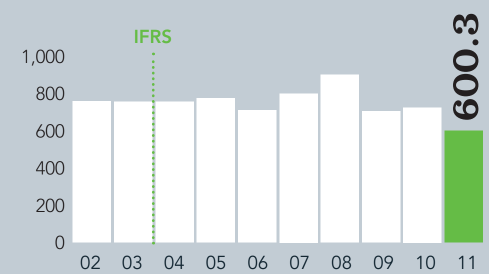
Working capital / revenue

(%)



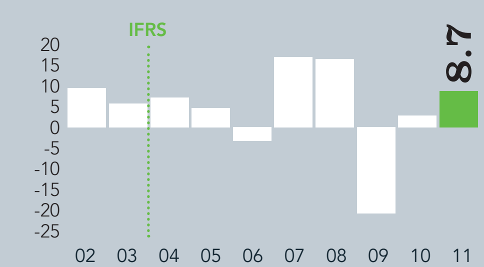
Equity attributable to equity shareholders of the company

(Million EUR)



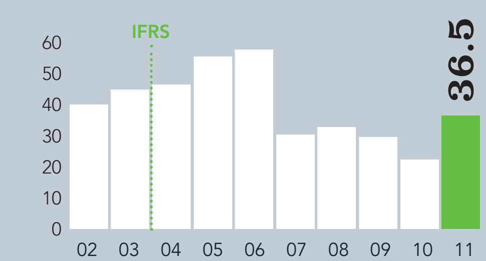
Return on equity

(%)



Net financial liabilities / equity

(%)



Capital expenditure (PP&E)

(Million EUR)

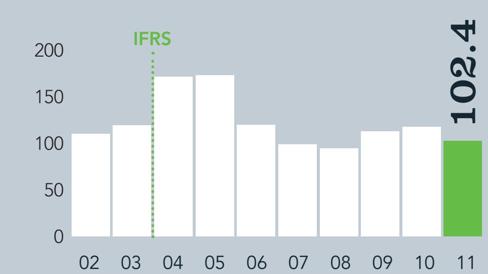


TABLE OF CONTENTS

MESSAGE TO STAKEHOLDERS 5
STRATEGY 9
ACTIVITY REPORT 19
- TESSENDERLO KERLEY 20
- INORGANICS 26
- GELATIN AND AKIOLIS 32
- PLASTIC PIPE SYSTEMS AND PROFILES 40
- OTHER BUSINESSES 48

MANAGEMENT REPORT 55
- Business progress 56
- Analysis of the main risks 58
- Health, safety, environment and quality 62
- Human resources 64
- Innovation, research and development 66
- Corporate governance statement 68

FINANCIAL REPORT 93
- Consolidated financial statements 94
- Auditor's report 176
- Statutory financial report 178

ADDITIONAL INFORMATION 181
- Information for shareholders 182
- Markets and applications 186
- Financial glossary 188

HIGHLIGHTS OF 2011

February 1

TESSENDERLO GROUP SELLS ITS SUBSIDIARY TESSENDERLO FINE CHEMICALS LTD. (UK) TO TENNANTS CONSOLIDATED LTD.

March 16

TESSENDERLO KERLEY INC. (US) AND GARY WILLIAMS ENERGY CORPORATION ENTER INTO A LONG TERM AGREEMENT TO EXPAND THE SULFUR PROCESSING CAPABILITY AT THE WYNNEWOOD REFINERY (OKLAHOMA), AS WELL AS TKI'S SULFUR-BASED FERTILIZER CAPACITY.

April 29

TESSENDERLO GROUP SUCCESSFULLY AMENDS AND EXTENDS ITS SYNDICATED CREDIT FACILITIES OF FEBRUARY 2010, WITH SIGNIFICANT OVERSUBSCRIPTION.

THESE AMENDED FACILITIES ARE FOR AN AGGREGATE AMOUNT OF 450 MILLION EUR, WITH A MATURITY OF 5 YEARS.

May 12

TESSENDERLO KERLEY INC. ANNOUNCES THAT IT WILL FURTHER EXPAND ITS FACILITY LOCATED AT BURLEY, IDAHO, WITH AN ADJACENT ATS MANUFACTURING PLANT.

June 14

TESSENDERLO GROUP TAKES A MAJOR STEP IN ITS TRANSFORMATION INTO A SPECIALTY GROUP, BY SIGNING A SALE AND PURCHASE AGREEMENT WITH KERLING FOR THE GROUP'S PVC ACTIVITIES, INCLUDING VCM, CHLOR-ALKALI AND PART OF ORGANIC CHLORINE DERIVATIVES.

July 18

TESSENDERLO GROUP ANNOUNCES THAT, RELATED TO THE COMPANY'S OFFER TO PAY THE 2010 DIVIDEND IN SHARES AND/OR IN CASH, 63% OF COUPONS WERE TENDERED FOR NEW SHARES.

722,809 NEW ORDINARY SHARES WERE ISSUED AS PER JULY 18, 2011.

2

July 25

TESSENDERLO GROUP SELLS ITS SUBSIDIARY CHELSEA BUILDING PRODUCTS INC. (US) TO GRAHAM PARTNERS, A PRIVATELY HELD INVESTMENT COMPANY.

August 1

TESSENDERLO GROUP COMPLETES SALE OF PVC/ CHLOR-ALKALI ACTIVITIES, INCLUDING PART OF ORGANIC CHLORINE DERIVATIVES, TO KERLING/ INEOS CHLORVINYLS.

August 23

TESSENDERLO KERLEY INC. ACQUIRES THE PURSHADE PRODUCT LINE FROM PURFRESH.

September 9

TESSENDERLO GROUP AGREES TO ACQUIRE THE BT BAUTECHNIK GROUP. BT MANUFACTURES AND SUPPLIES FITTINGS FOR A BROAD CUSTOMER BASE IN THE EUROPEAN PLASTIC PIPE INDUSTRY FROM ITS PRODUCTION SITES IN GERMANY AND HUNGARY.

September 21

TESSENDERLO GROUP SELLS 13.33% OF T-POWER SHARES, REDUCING ITS PARTICIPATION FROM 33.33% TO 20.00%.

T-POWER IS AN INDEPENDENT POWER PRODUCER WITH A 425 MW NATURAL GAS FIRED POWER STATION, LOCATED IN TESSENDERLO (BELGIUM).

September 28

TESSENDERLO GROUP SELLS DYNAPLAST-EXTRUCO INC. (CANADA) TO A PRIVATE INVESTOR.

November 30

TESSENDERLO GROUP INVESTS, THROUGH ITS SUBSIDIARY EUROCELL, IN CREATING THE UK'S LARGEST AND MOST ADVANCED PVC RECYCLING OPERATION. THE NEW CLOSED-LOOP RECYCLING SYSTEM CAN PROCESS UP TO 12,000 END-OF-LIFE WINDOW FRAMES PER WEEK.

Condensed consolidated statement of financial position

(Million EUR)	IFRS 2011	%	2010	%
Property, plant and equipment	518.8		682.2	
Goodwill	55.0		53.4	
Other intangible assets	58.1		61.2	
Other non-current assets	63.4		81.0	
Total non-current assets	**695.3**	**50**	**877.9**	**52**
Inventories	350.8		349.7	
Total trade and other receivables	290.9		300.2	
Cash and cash equivalents	34.9		150.5	
Total current assets	**676.6**	**49**	**800.4**	**47**
Non-current assets classified as held for sale	**7.8**	**1**	**18**	**1**
Total assets	1,379.7	100	1,696.5	100
Issued capital and share premium	221.4		201.2	
Total reserves and retained earnings	378.9		523.6	
Non-controlling interest	4.3		3.7	
Total equity	**604.6**	**44**	**728.6**	**43**
Provisions, employee benefits and deferred taxes	125.7		147.6	
Financial liabilities				
- Non-current	180.5		195.4	
- Current	73.9		117.1	
Other liabilities	395.0		501.2	
Total liabilities	**775.1**	**56**	**961.4**	**57**
Liabilities associated with assets classified as held for sale	**-**	**-**	**6.5**	**-**
Total equity and liabilities	1,379.7	100	1,696.5	100

Condensed consolidated income statement

(Million EUR)	IFRS 2011	2010
Continuing operations		
Revenue	**2,126.0**	**2,024.0**
Cost of sales	-1,690.1	-1,632.1
Gross profit	**435.9**	**391.9**
Distribution expenses	- 98.9	- 104.6
Sales and marketing expenses	- 69.2	- 64.2
Administrative expenses	- 152.8	- 134.7
Other operating income and expenses	- 10.1	- 15.4
REBIT	**104.9**	**73.0**
Non-recurring income/(expense) items	1.0	3.0
EBIT	**105.9**	**76.0**
Finance costs - net	- 25.6	- 28.8
Share of result of equity accounted investees, net of income tax	5.9	1.6
Profit (+) / loss (-) before tax	**86.2**	**48.8**
Income tax expense	- 28.3	- 15.7
Profit (+) / loss (-) for the period	**57.9**	**33.0**
Discontinued operations		
Profit (+) / loss (-) for the period from discontinued operations, net of income tax	-153.6	-12.8
Profit (+) / loss (-) for the period	**-95.6**	**20.3**
Attributable to:		
- Equity holders of the company	**-95.5**	**20.7**
- Non-controlling interest	**-0.1**	**-0.4**

TRANSFORMING, BECAUSE WE MUST, WE CAN, AND WE WANT TO

Message from the Chairman and CEO

DEAR STAKEHOLDER, 2011 WAS A TRANSFORMATIONAL YEAR IN THE HISTORY OF TESSENDERLO GROUP. THE GROUP TOOK THE MOST IMPORTANT STEP IN EXECUTING ITS STRATEGY BY SELLING ITS PVC/CHLOR-ALKALI ACTIVITIES. BEYOND THE CLEAR FINANCIAL BENEFITS, BY EXITING COMMODITIES, THE GROUP CAN NOW MOVE FORWARD WITH A STRENGTHENED FOCUS ON GROWING ITS SPECIALTY BUSINESSES.

How would you characterize 2011?

2011 was a particularly strong year for Tessenderlo Group, in terms of execution, operational performance, and making sure we maintain a very strong financial position. We are really proud of what our team has accomplished. So we could characterize it as a very successful year, with major progress on all fronts.

Remember, we've said all along that we are moving along a journey, from a hybrid company to an international specialty group.

Can you elaborate on what you mean about being on a journey?

Two years ago, we developed a new strategy which was the result of a double exercise. We reviewed in depth each business unit, looking at the features of each industry we were in: what was the outlook for future growth? What did industry profitability, returns and capital requirements look like, and were there reasons to think that might change in the future? To what extent were these industries moving to other regions?

Equally, we assessed the strength of our business within the industry; did we have a leading position or not? And if yes, were we convinced that this position could be sustained and even built further upon? Or were there strategic issues which prevented us from holding a leading position.

Secondly, we looked at the mega-trends in the world. By mega-trends, we mean the big issues we hear about increasingly, and which pose huge challenges that cannot be solved by any one company or government. The obvious place to start is with the fact that there are projections of having nine billion people on our planet by 2025. Not only will we have more people, but where the majority of this growth is taking place, people are becoming wealthier and want to consume more than their parents. Living in a world of finite resources, this is already putting pressure on food, water and energy – and in many cases this is interrelated – and the pressure looks set to increase.

Then we looked how we could react to these trends in two ways: a reactive way, in which we wanted to understand the impact of these trends on our activities, and a proactive way, to learn how we could create new business opportunities from these trends.

Having done this, we came up with a new strategy for the group, fully aligned to provide an answer to the mega-trends, and represented by the pyramid which you all know.

So when we talk about our journey, we mean clearly moving from a commodity business, to become a real specialty group

video of this interview on
www.tessenderlo.com/
news_media/ar_2011/

> SCAN THIS CODE

focused on food and agriculture, water management, valorizing bio-residuals and resource efficiency.

Where are you on this journey?

We've made tremendous progress. We divested our commodity activities, PVC/ Chlor-Alkali and much of Organic Chlorine Derivatives. This was the most difficult step to realize, given these activities face structural overcapacity in Europe and high capital requirements. The sale was the single most important transaction in our strategy execution, and in doing so, it will allow to change the culture from a commodity mindset to that of a specialty group.

We also divested our Organic Chlorine Derivatives business in the UK, and our Profiles businesses in the US and Canada. When you put this all together, we ended up selling a quarter of group revenue, and significantly reduced volatility by exiting commodities.

Of course while we are pleased that we have realized these important steps, we're also happy that we found the right owners for the divested businesses – owners who have leading positions, who want to invest to strengthen and grow these activities.

But 2011 wasn't just about divestments. The proceeds we received were immediately reallocated or invested, allowing us to focus on the growth of our core businesses.

We completed several growth projects: two new gelatin production sites in Brazil and China, a new compounds production site to serve our automotive customers in China,

"Tessenderlo Group delivered major strategic progress and was successful on all fronts in 2011"

and the acquisition of BT Bautechnik in Europe, which brings highly complementary specialty fittings to the portfolio in Plastic Pipe Systems. And we announced investments in new growth projects: two investments to expand Tessenderlo Kerley in its core businesses, which in one case includes providing long-term refinery services to a new customer, and in both cases serving the North American grower with sulfur-based fertilizers for high value crops. In early 2012, we announced the acquisition of the carbaryl crop protection line; most of the work to make this happen was carried out in 2011.

So it really was a year of major strategic progress.

With all of these achievements, wasn't there a risk of taking your focus away from the operational side of the business?

Of course carrying out an ambitious program as the one we've set ourselves carries the risk of distracting us from the daily business. That's exactly why we're proud that we delivered 10% revenue growth and a 21% increase in REBITDA. What's more, each of the reported segments had higher revenue and REBITDA, with especially strong performances recorded in TKI and our Gelatin business. This demonstrates that we have managed to have a transformational year, while retaining a sharp focus on delivering to our customers the products and services they expect from us.

Are you comfortable with your balance sheet?

We maintained a very healthy balance sheet across 2011, and ended the year with low net debt, low leverage and gearing. Also very important, we achieved significantly improved credit terms, including extending the maturity of the syndicated credit facility, and today we have a fully funded business plan to 2016. Putting it all together, it means that we have the means to grow in the coming years.

After such a year, what's next for the group?

Let's go back to what we said earlier: we are on a journey, there is still some distance to cover and we're confident that we'll build on the momentum established in 2011. In the short term, our 2012 outlook is cautious, and we view it as a year of transition. This is partly because we are stepping up operational investments to make our group stronger. Looking farther out, we see a lot of opportunities given our solid exposure to structurally attractive end markets like food and agriculture, valorizing bio-residuals and water management. So we will continue to advance on the journey of becoming a specialty group.

At the Annual General Meeting in June 2011, the Director mandates of Baron Paul de Meester, Bernard Pache, and Jaak Gabriels ended. On behalf of the Board of Directors, we extend our sincere thanks for their contributions during the past years. At the same meeting, the Board welcomed two new members, Philippe Coens and Ms. Dominique Damon, each of whom bring valuable experience with them.

Such a remarkable year could only be achieved thanks to the efforts of Tessenderlo Group's employees. The Board of Directors recognizes these efforts, and thanks all of the group's employees for their contribution to the transformational year of 2011.

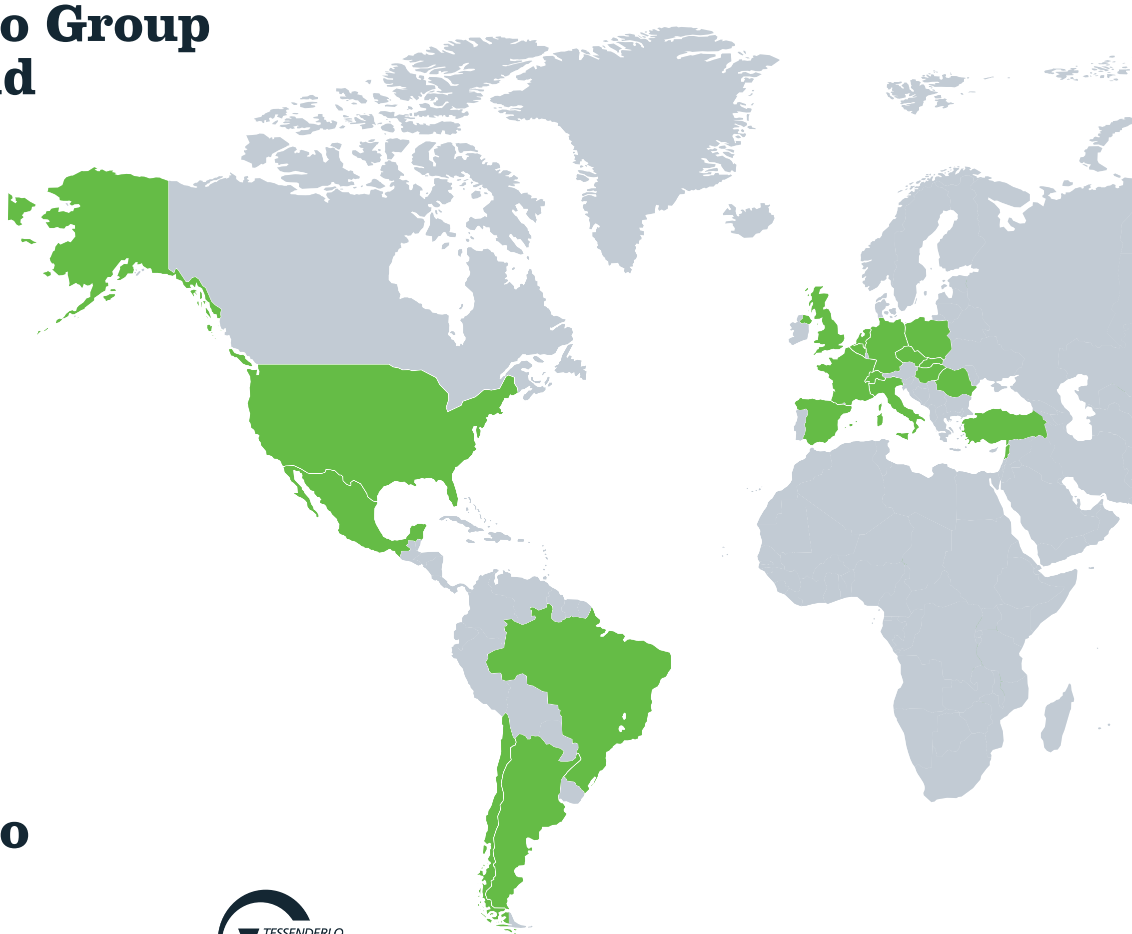
Gérard Marchand
Chairman of the Board of Directors

Frank Coenen
Chief Executive Officer

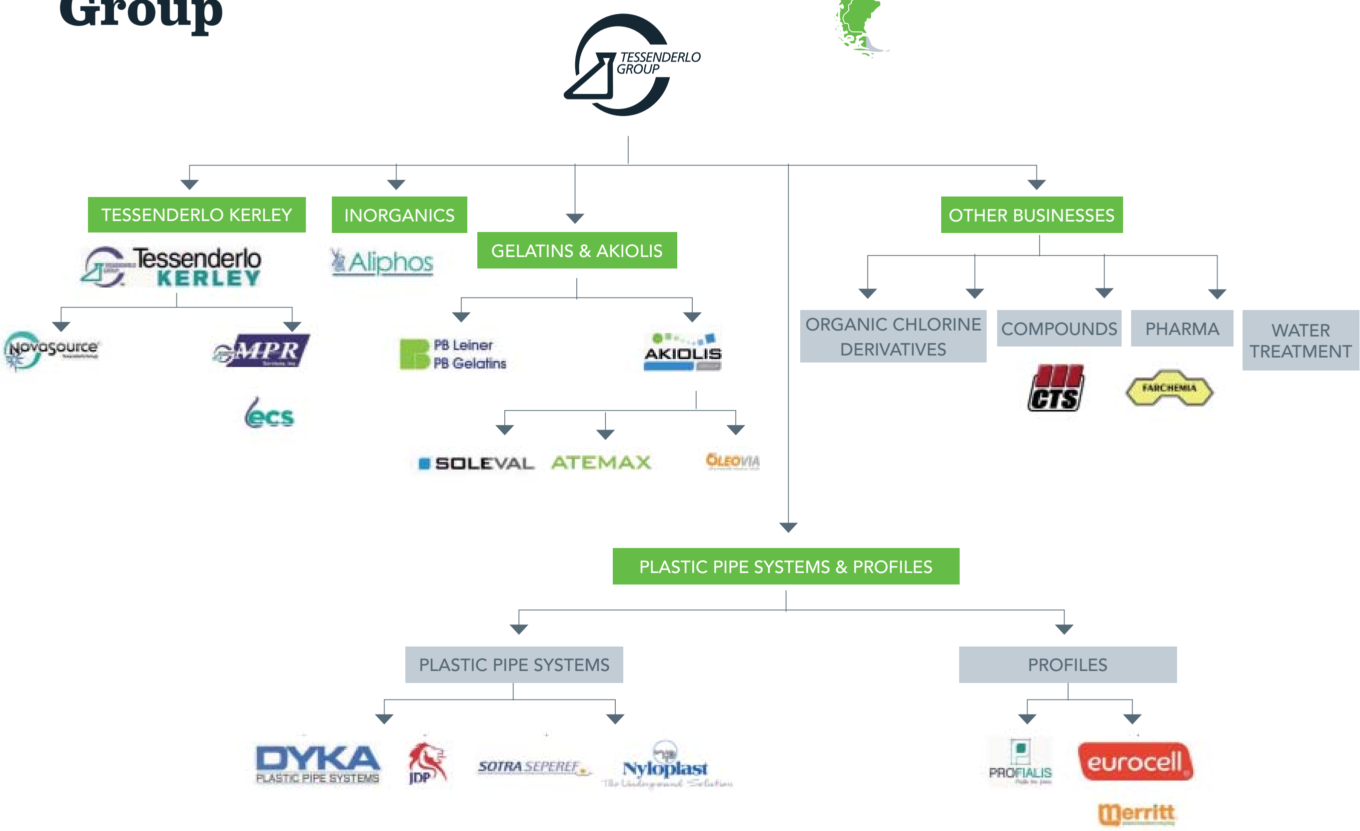
TRANSFORMING, BECAUSE SUSTAINABILITY IS AT THE HEART OF OUR STRATEGY

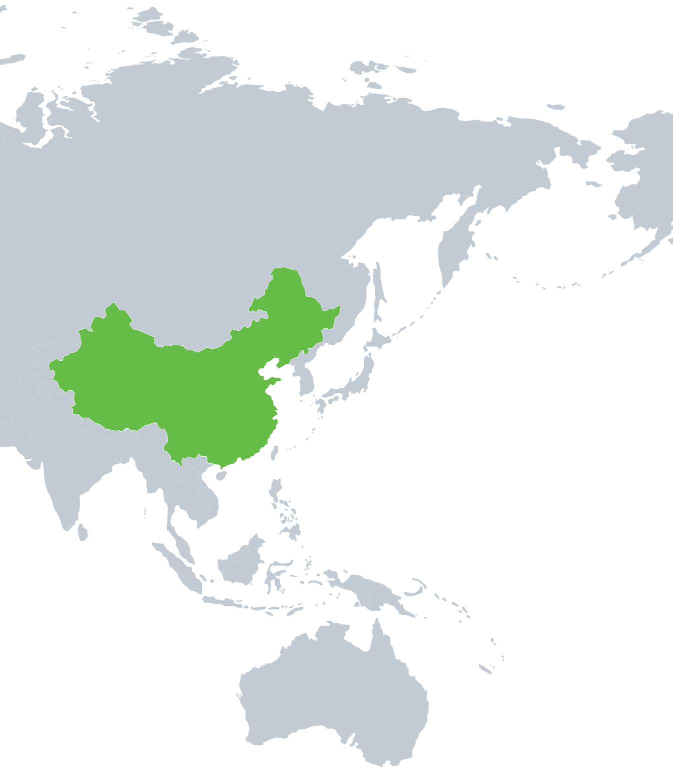
Strategic position

Presence of Tessenderlo Group in the world



The brands of Tessenderlo Group



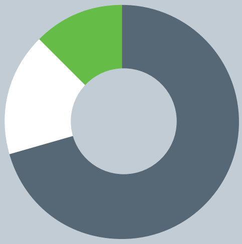


ARGENTINA*
BELGIUM*
BRAZIL*
CHILE
CHINA*
CZECH REPUBLIC
FRANCE*
GERMANY*
HUNGARY*
ITALY*
LEBANON
MEXICO
NETHERLANDS*
POLAND*
ROMANIA
SLOVAKIA
SPAIN
SWITZERLAND
TURKEY*
UNITED KINGDOM*
UNITED STATES OF AMERICA*

*With production units

2011 revenue:
2.1 billion EUR

Geography

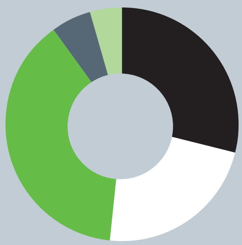


Europe	70.7%
USA	16.9%
Rest of the world	12.4%

Country of production

Belgium	29.2%
France	24.6%
United Kingdom	11.7%
USA	17.1%
The Netherlands	6.5%
Italy	4.4%
Other	6.5%

End market



Building Industry & Public Works	29.1%
Industry	22.6%
Fertilisers & Animal Nutrition	38.3%
Health & Hygiene	5.8%
Household	4.2%

Strategy

TESSENDERLO GROUP MADE PROGRESS ALONG THE JOURNEY TO BECOME AN INTERNATIONAL SPECIALTY COMPANY.

Group strategy - ongoing portfolio transformation

In 2011, Tessenderlo Group continued to diligently execute its group portfolio optimization strategy, defined in 2010, to transform the company from a multi-local, diversified commodity chemicals player into an international specialty group, thereby fully unleashing the opportunities offered by global mega-trends. The group portfolio strategy is centered around divesting less profitable, lower growth, businesses which cannot achieve leadership positions in their relevant markets, and focusing on businesses which can achieve leadership positions in food and agriculture, bio-residuals, water management and resource efficiency.

On the divestment side, major steps taken in 2011 include the divestment of the PVC/Chlor-Alkali business, Profiles activities in the US and Canada, Organic Chlorine Derivatives activities in the UK, as well as a partial stake in T-Power.

During the year, important progress was made to expand the growth engines of the group. Key initiatives executed include the start-up of new Gelatin production facilities in Brazil and China, the start of construction of two new Tessenderlo Kerley fertilizer capacities in the US, and the acquisition of the BT Group, a European specialty pipe fittings company with operations in Germany and Hungary. In addition to driving higher financial performance, these portfolio moves will build a more global company, with increasing share in emerging economies and a strong focus on sustainability.

In 2012, Tessenderlo Group will continue to implement its group portfolio optimization strategy.

Business unit strategy - striving for top tier performance

In 2011, Tessenderlo Group continued to strengthen its strategic planning process. All business units further refined and executed their strategies, aimed at building leadership positions in their respective markets, with as financial imperative longer-term returns on capital employed of 12% or higher. From 2012, business unit strategies will focus even more on growth in terms of size and skills, geographical reach, and product and service offerings.

Sustainability and innovation as a driving force

Sustainability is at the heart of Tessenderlo Group's growth path. In essence, the businesses are developed by understanding the needs of customers, and bringing solutions to the mega challenges: food and agriculture, water management, bio-residuals and resource efficiency. Many of the group's businesses are already well positioned today. Tessenderlo Kerley allows refineries to meet the tightest air emission norms by processing their tail gas streams, which are transformed into liquid fertilizers. These fertilizers significantly increase productivity in growing specialty crops, especially in drought-prone regions. Gelatin and Akiolis upgrade proteins and fats from animal by-products or organic side streams into increasingly high value applications, ranging from pharmaceutical and food applications, to raw materials for oleochemistry, petfood, fertilizers, biofuels and energy. Plastic Pipes Systems provides a robust response to the challenges presented by water management, such as storm water management systems.

Increasing presence in faster-growing economies

Strong growth of emerging economies and shifting centers of economic power are forces all industries recognize. Tessenderlo Group, which currently still has a majority of its activities in Europe and the US, is taking further steps to support the growth in these regions, as demonstrated during 2011. These included the recent start-up of gelatin production facilities in Brazil and China, and stepping up efforts to serve fertilizer customers in Latin America, the Middle East and sub-Saharan Africa.

Sustainability

SUSTAINABILITY RUNS THROUGH TESSENDERLO GROUP AT MULTIPLE LEVELS: IT SHAPES THE GROUP'S IDENTITY, DEFINES WHAT THE GROUP DOES AND HOW THE GROUP BEHAVES.

Defining identity

During 2011, Tessenderlo Group identified how sustainability shapes the group's identity as a company and as employees. This is summarized in the publication "Our planet, our stakeholder" (http://www.tessenderlo.com/a_sustainable_future/) which was shared with all Tessenderlo Group employees, and is brought to life through 8 mantras:

1
OUR PLANET IS THE MOST IMPORTANT STAKEHOLDER OF TESSENDERLO GROUP

2
PRODUCING IN A SUSTAINABLE WAY MEANS MAXIMIZING THE REUSE OF EVERY MOLECULE

3
WASTE ONLY EXISTS WHEN THERE IS A LACK OF INNOVATION AND CREATIVITY

4
TREATING WATER RESPECTFULLY IS A BUSINESS MODEL

5
INNOVATION IS THE ONLY WAY OF SECURING THE POSSIBILITY OF FEEDING FUTURE GENERATIONS

6
TRANSPARENCY IS AN ABSOLUTE FOUNDATION FOR A SUSTAINABLE COMPANY

7
OUR SAFETY AND ENVIRONMENT STANDARDS ARE THE SAME ALL OVER THE WORLD, AS WE VALUE EVERY HUMAN BEING EQUALLY

8
ONLY A SUSTAINABLE COMPANY CAN TRULY CONTRIBUTE TO SUSTAINABILITY

These mantras describe who Tessenderlo Group wants to be. This was shared with the company's senior management at the 2011 Leadership Team conference. This call to action was an important step in fully embracing sustainability at the heart of the group strategy. The publication was subsequently distributed to every employee in the group.

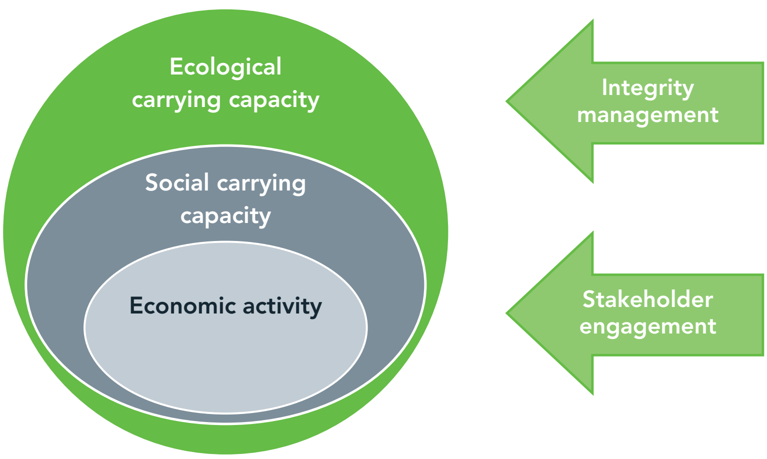
Defining strategy

Putting sustainability at the core of the group's strategy has lead to the identification of four mega-challenges: food, water, bio-resources and resource efficiency.

Tessenderlo Group believes it can contribute to some of the solutions that address these challenges. Above all, this is how sustainability should shape the group's business activities.

Bringing sustainability into practice has been defined as follows:

Corporate sustainability is a profitable business growth strategy that contributes to solutions for societal needs by turning the constraints of finite resources and sinks into shared value opportunities



Source: Tessenderlo Group Sustainability

The four themes listed above encompass huge societal challenges. These challenges are multi-dimensional and complex, as are the solutions. Tessenderlo Group aspires to increasingly become part of these solutions. To achieve this, the group turns constraints, in terms of finite resources and climate change, into shared value opportunities. These are opportunities where, alongside shareholders, other stakeholders benefit from the group's economic activity. This not only makes the group's business activities more sustainable, it makes them more resilient and robust. In short, embracing sustainability at the heart of group strategy is its "license to grow".

Defining behavior

Contributing to solutions for these societal needs will require engagement with external stakeholders, as the problems transcend the scope and influence of each individual stakeholder. This can only be managed by being a credible, transparent and responsible company. Therefore the group's own integrity management - how it behaves and acts - becomes an essential ingredient for realizing future business objectives. In this way, **what** the group does, and **how** it is achieved, become intricately linked.

Sustainability framework

Tessenderlo Group has created a framework that captures these different dimensions of sustainability.

The foundations could be described as the group's "license to operate". This is what stakeholders expect from the group. Initiatives could be placed in the economic/governance, social and the environmental spheres.

Improvements go one step further and start to address the socioeconomic and environmental consequences of gaining insight into the sustainability challenges and opportunities across the group's existing value chains.

The next step along this process, transformations, covers the areas and consequences of re-inventing the group's roles in existing or new value chains. Starting from the major societal needs, the group aspires to explore new areas where its expertise and capabilities can be leveraged.

This ambition cannot be realized overnight. The realization of this framework is considered to be a process in which the group strives to make progress, day after day, year after year.

Sustainability network

In order to facilitate this process of change, a sustainability network has been created within Tessenderlo Group, with representation from each business unit and group function. The network members function as advisors and change agents for sustainability within their respective organizations. The network is coordinated by the Group Sustainability manager.

This framework maps the group's journey towards a more sustainable development. This is an ongoing process that will be shaped by the conviction that essentially, sustainability is a business strategy.

Increasingly, businesses are incorporating this into their activities, which can be seen in each business segment of this report.

To guide our efforts going forward, we developed a corporate-wide sustainability framework

	Foundations	Improvements	Transformations
Economic/ governance	• Integrity management	• Mapping and managing sustainability impacts of existing value chains	• Novel products and services • New partnerships
Social	• Safety • Employment practices	• Innovation capacity • Understanding sustainability benefits	• Leadership development • Community involvement
Environmental	• HSE management • Product stewardship	• Advanced HSE management	• CO_2 accounting • Resource depletion
Group policies & support functions	• Risk management, HR, Code of conduct, Communication	• Life Cycle Analysis expertise • Communication	• CO_2 management, HR • Communication

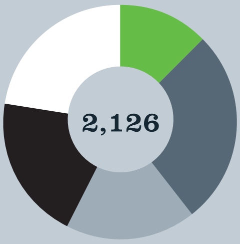
Increasing shared value creation

Source: Tessenderlo Group Sustainability

2011 operating segment key figures

Revenue

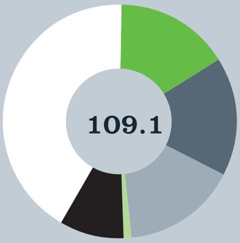
(Million EUR)



Tessenderlo Kerley	12.7%
Inorganics	20.1%
Gelatin and Akiolis	22.4%
Plastic Pipe Systems and Profiles	26.8%
Other Businesses	18.0%

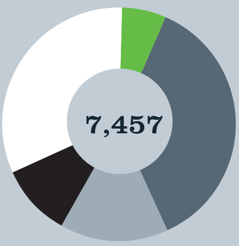
Capital expenditures (PP&E and other intangible assets)

(Million EUR)



Tessenderlo Kerley	15.7%
Inorganics	9.0%
Gelatin and Akiolis	42.0%
Plastic Pipe Systems and Profiles	16.5%
Other Businesses	15.7%
Non-allocated	1.1%

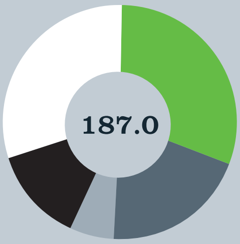
Headcount



Tessenderlo Kerley	6.2%
Inorganics	10.2%
Gelatin and Akiolis	32.1%
Plastic Pipe Systems and Profiles	36.5%
Other Businesses	15.0%

REBITDA

(Million EUR)



Tessenderlo Kerley	30.4%
Inorganics	13.1%
Gelatin and Akiolis	30.4%
Plastic Pipe Systems and Profiles	20.2%
Other Businesses	5.9%

Excluding non-allocated costs: -31.5 million EUR

TRANSFORMING, BECAUSE WE DRIVE FOCUSED AND SUSTAINABLE GROWTH IN ALL OUR BUSINESS UNITS

TESSENDERLO KERLEY
INORGANICS
GELATIN AND AKIOLIS
PLASTIC PIPE SYSTEMS AND PROFILES
OTHER BUSINESSES

REVENUE OF TESSENDERLO KERLEY AMOUNTED TO 270.8 MILLION EUR, 17% MORE THAN 2010. REBITDA OF 66.5 MILLION EUR WAS 39.6% MORE THAN 2010.

APPLICATIONS

Kerley produces sulfur-based liquid fertilizers (including ammonium, potassium, calcium and magnesium thiosulfate) that are used as fertilizers for cereal and broad-acre crops, and for arboricultural and vegetable cultivation. Tessenderlo Kerley also develops, produces and markets crop protection products globally. Other sulfur derivatives are used for widely differing industrial applications including mining, water and waste-water treatment, soil remediation and a wide range of chemical processes.

Business description

- LEADING PRODUCER OF SULFUR BASED LIQUID FERTILIZERS FOR BROAD ACRE CROPS, FRUIT AND VEGETABLE CROP CULTIVATION
- SPECIALTY CROP PROTECTION SOLUTIONS
- ENVIRONMENTAL SERVICES TO REFINERIES

Tessenderlo Kerley Inc. (TKI) is a speciality fertilizer company that has over time evolved to provide a wide array of solutions for agriculture, refineries, mining, and water treatment. The family of solutions includes fertilizers, crop protection chemicals, process chemicals and services to diverse markets worldwide. TKI operates 10 manufacturing plants in North America and an extensive terminal network. TKI has built on its foundation to now include Jupiter Sulphur® (a joint venture with ConocoPhillips), NovaSource® (crop protection), MPR Services, and Environmentally Clean Systems (joint venture with JET Oil Solutions), among others.

In 1995, Tessenderlo Group acquired the Kerley business. The core and basis of the company has endured by focusing on the original sustainable model of processing sulfur and ammonia gases from petroleum and gas operations, then turning these orphaned streams into added-value products. Through both prosperous and economically challenging times, opportunities to grow have created a culture of responsibility and teamwork.

The largest existing end market is agriculture. TKI has a leading position in the specialized commodity markets in North America and Europe on broad acre crops such as corn, wheat, alfalfa, potatoes, sugar beets/cane and dry land applications. The specialty products focus on applications in markets directed to row crops, nuts, citrus and fruit trees, grape, ornamentals, lawn and garden. The specialty offering is particularly well suited in drip and micro jet irrigation where water is scarce or rationed.

Long-term service contracts have been established with key partners, such as ConocoPhillips at their locations in Oklahoma and Montana. In 2011, TKI realized 27 years of processing hydrogen sulfide gases generated by ConocoPhillips. TKI is expanding its offering in sulfur and thiosulfate beyond the agricultural markets into the industrial, municipal, and mining sectors.

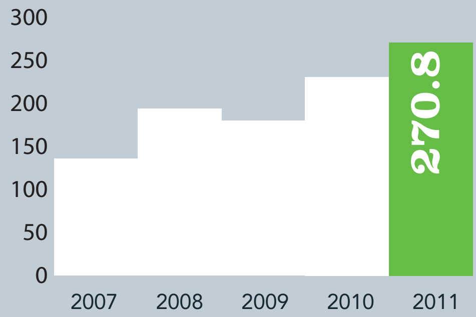
With its close ties and affiliation with world agriculture markets and the success TKI witnessed with the purchase of a metamsodium label and production facility in late 1999, TKI formalized its efforts in developing and distributing regulated crop protection chemistries with the formation of the NovaSource business unit in 2007. NovaSource serves all areas of the regulated chemical market including agriculture, horticulture, turf, forestry, aquatic, structural pest control and biocides. This business is charged to selectively expand and add proven labelled product lines to the company's portfolio. It has been a key area of growth and investment for TKI in the last five years, including the acquisitions of such product lines as Terbacil, Surround® and Linuron®.

TKI continues to evaluate and expand through its technology and knowhow into adjacent markets and where the end markets have evolved and matured to be receptive to the existing and future product offering.

Key figures

(Million EUR)

Revenue over 5 years



	2011	2010
Revenue	270.8	231.4
REBITDA	66.5	47.6
REBIT	56.2	37.4
Capital expenditures*	8.7	17.2

* (PP&E and other intangible assets)

+40%

REBITDA CHANGE AT COMPARABLE SCOPE

2011 performance and highlights

A STRONG SET OF RESULTS IN 2011 FOR TESSENDERLO KERLEY WAS FUELLED BY HEALTHY CROP FUNDAMENTALS AND INCREASED DEMAND FROM THE AGRICULTURAL AND INDUSTRIAL SECTORS. HIGH CAPACITY UTILIZATION WAS ACHIEVED DESPITE CHALLENGING WEATHER AND LOGISTICAL FACTORS. GREATER PRODUCTION, SALES, AND DISTRIBUTION RESULTED FROM AN INCREASE OF PRODUCTION CAPACITY. FURTHERMORE, IMPORTANT GROWTH INITIATIVES WERE UNDERTAKEN WHICH SHOULD UNDERPIN FURTHER PROGRESS IN REALIZING TKI'S LONG-TERM STRATEGIC GOALS.

TKI delivered a robust performance across 2011, based upon a commitment to providing essential environmental services to refineries, and an unwavering focus on supplying growers with vital plant nutrition and crop protection products.

Substantial improvements in production and sales met the growing demand for specialty fertilizer products, KTS® (potassium thiosulfate), CaTs® (calcium thiosulfate) and MagThio® (magnesium thiosulfate). The rising demand for corn continued to drive production to record levels. Thio-Sul® fertilizer (ammonium thiosulfate) sales jumped early with seasonal demands. The year brought many challenges that produced even stronger results than the previous year.

NovaSource®, the crop protection business, recorded solid results for the year. The product line and market reach were further expanded with the addition of the Purfresh® crop protection sun screen, which is approved in more than 40 countries. This acquisition strengthens NovaSource's portfolio which already includes Surround®, Sinbar®, and Linuron®, enhancing TKI's presence both domestically and internationally.

Alongside the operational performance, a number of steps were taken to support future growth prospects. The drive for growth began early in the year with the announcement of an agreement with Gary Williams Energy Corporation to construct a new sulfur processing plant at their refinery in Wynnewood, Oklahoma. TKI will also construct a new Thio-Sul® production line at the same site. This was followed by the announcement to expand the existing Burley, Idaho facility to include production of Thio-Sul®. The addition of these two new facilities will serve to meet growing market demand.

Furthermore, completion of an additional Tessenderlo Kerley Services fabrication shop supports the design and construction of new processing projects. In concert with this growth, the TKI operations group significantly improved the overall plant culture, safety, and environmental performance. Another construction project was launched to build a research and development and quality control laboratory and process pilot lab in Phoenix, Arizona. Thirdly, through a joint venture with TKI, Environmentally Clean Systems (ECS) successfully started a water treatment facility near Myton, Utah. The ECS plant receives process water from oil field production, cleans and treats it to environmentally safe standards that can be reused in other processes.

TKI continued to make capital investments in the growth of the business. Tessenderlo Kerley Formulations grew production volume and revenue. Diligent management of plant operations continues with investment in employee skill sets and physical working conditions.

By growing organically and making selective strategic acquisitions, TKI is well positioned to further expand its operations and continue its pattern for building loyal customers, suppliers, and stakeholders.

SUSTAINABILITY IN ACTION

In 2011, Tessenderlo Kerley started the operations at Environmentally Clean Systems (ECS), a joint venture with Jet Oil Solutions, in Myton, Utah (USA).
ECS Myton separates oil-contaminated process water from the oil industry into reusable water and oil. Water consumption during oil extraction can be significant – up to 100 times the amount of oil extracted. Therefore, reusing this water greatly improves the water footprint of oil extraction. This is even more relevant when oil extraction takes place in rain poor regions.

more info
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TESSENDERLO KERLEY
INORGANICS
GELATIN AND AKIOLIS
PLASTIC PIPE SYSTEMS AND PROFILES
OTHER BUSINESSES

REVENUE OF INORGANICS ROSE 6.9% TO 428.1 MILLION EUR IN SPITE OF LOWER VOLUMES. REBITDA WAS UP 38.6% TO 28.6 MILLION EUR.

APPLICATIONS

Potassium sulfate is a fertilizer that is extremely suited for use in dry areas and for highly sensitive crops such as flowers, vegetables and fruit. The group supplies a full range of grades: standard, granular and fully soluble. Feed phosphates are used in the animal feed industry. The range of phosphate products is so diverse that Tessenderlo Group is able to offer the required quality for all kinds of feed applications. The optimal digestibility of the animal feed phosphates allows a perfect balance to be struck between the development of the animal and respect for the environment.

Business description

- LEADING PRODUCER OF INORGANIC ANIMAL FEED PHOSPHATES TO MEET THE NUTRITIONAL NEEDS OF CATTLE, PIGS, POULTRY AND AQUACULTURE
- SUPPLIER OF SPECIALIZED FEED INGREDIENTS
- HIGH QUALITY SOLUBLE FERTILIZERS MEETING THE DEMANDS OF MODERN AGRICULTURE TO INCREASE EFFICIENCY, YIELD AND QUALITY OF HIGH VALUE CROPS

The Inorganics segment features the supply of products primarily to agricultural end markets. Within Inorganics, Tessenderlo Group operates two main businesses - potassium sulphate fertilizers and inorganic feed phosphates – which play an important role in helping to meet the challenges of feeding a growing global population with evolving diets.

Potassium Sulphate (K2SO4), also known as **Sulphate of Potash** (SOP), is the world's most popular low-chloride potash fertilizer. It is especially suitable for use in dry areas, and for highly sensitive crops such as flowers, vegetables and fruit. Tessenderlo Group is the world's second largest supplier of potassium sulphate and global leader in soluble potassium sulphates, with two production locations: one in the north of France, the other with direct access to the port of Antwerp in Belgium, allowing for efficient logistics to export to more than 80 countries worldwide.

Combining potassium and sulphur, SOP offers a high concentration of nutrients readily available to plants. SOP has a very low salinity index, making it the preferred potash fertilizer in areas at risk from soil salinity. SOP improves crop yield and quality, making plants more resistant to drought, frost, insects and disease. Not only does potassium sulphate improve the crop's nutritional value, taste and appearance, but also its resistance to deterioration during transport and storage, and its suitability for industrial processing. Tessenderlo Group produces the complete range of potassium sulphate grades: standard, granular (GranuPotasse®) and fully soluble (SoluPotasse®).

The activities of **Inorganic feed phosphates** cover the supply of feed phosphates as well as other specialized feed ingredients. They are widely used to meet the nutritional needs of cattle, pigs, poultry and aquaculture. Inorganic feed phosphates provide the vital mineral element phosphorous, which plays a major metabolic role and has more physiological functions than other elements. It is, for example, involved in the development and maintenance of skeletal tissue (80% of the phosphorus is found in the bones), as well as in energy utilization and transfer. An adequate supply of phosphorus in the feed is considered to be crucial to the health and optimal production of livestock.

Aliphos is the feed ingredients division of Tessenderlo Group, and is one of the world's largest producers of inorganic feed phosphates for animal feeds. As such, it offers a complete range of feed phosphates, as well as feed ingredients designed to offer optimal animal nutrition.

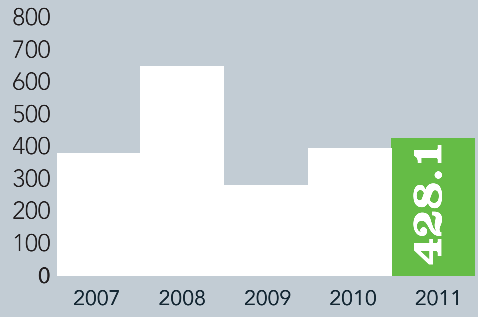
Aliphos offers feed producers a safe, highly digestible source of phosphorus with a consistent, precise nutritional value and high product purity that is fully controlled and traceable.

The Aliphos range is produced in two ISO 9002 and GMP-certified plants located in Belgium and The Netherlands. These strategically located sites, with direct access to the ports of Antwerp and Rotterdam, enable the group to deliver products cost effectively to customers in Europe, Latin America and sub-Saharan Africa.

Key figures

(Million EUR)

Revenue over 5 years



	2011	2010
Revenue	428.1	400.7
REBITDA	28.6	20.7
REBIT	22.9	14.3
Capital expenditures*	9.8	5.5

* (PP&E and other intangible assets)

+39%

REBITDA CHANGE AT COMPARABLE SCOPE

2011 performance and highlights

GLOBAL AGRICULTURAL MARKETS CONTINUED TO BE SOLID DURING 2011, DRIVEN BY ONGOING DEMAND FOR FOOD PRODUCTION AND FAVORABLE CROP PRICING. THE GROUP'S POTASSIUM SULPHATE FERTILIZER PRODUCTS HAD A SOMEWHAT MIXED YEAR, WITH MACROECONOMIC UNCERTAINTY ESPECIALLY IN SOUTHERN EUROPE, AND POLITICAL TURMOIL IN THE BROADER MEDITERRANEAN REGION IMPACTING DEMAND FOR ITS SPECIALTY PRODUCTS. BY CONTRAST, DEMAND FROM LATIN AMERICA CONFIRMED THIS REGION AS AN ATTRACTIVE MARKET. INORGANIC FEED PHOSPHATES VOLUMES WERE MAINLY IN LINE WITH A YEAR AGO. FOR THE TOTAL SEGMENT, PROFITABILITY IMPROVED STRONGLY VERSUS THE PREVIOUS YEAR.

Market fundamentals for crops and animal proteins were positive in 2011, providing incentives for breeders and growers to ensure sufficient supply was available. However, demand for the group's **potassium sulphate fertilizers** was negatively impacted by uncertain economic conditions in Europe, pressures on European vegetable growers from an outbreak of E. coli in the first half year, and political upheaval throughout much of North Africa and the Middle East.

Tessenderlo Group continued to benefit from market leadership in premium grade potassium sulphate fertilizers, supplied in soluble and granular forms. Demand for crop-specific products supports faster development of these two forms compared to the standard fertilizer market.

Government support for water projects in North Africa, the Middle East, India and Latin America remained an important element underpinning demand for the group's fertilizer products. In areas where agricultural land and water are in limited supply, the efficiency of specialized liquid fertilizers produced by Tessenderlo Group is an added advantage.

Demand for **inorganic feed phosphates** in 2011 in Europe experienced a limited decrease, in line with the evolution recorded over the past number of years. The drivers of European demand continue to be less feed for pork production, mostly offset by increasing demand for feed ingredients for poultry, dairy cattle and aquaculture. Raw material supply was sporadic during several months in the first half of the year, constraining the industry's ability to supply end customers. Aliphos volumes developed in line with the overall market.

Aliphos worked further to build its sales in growing markets outside of Europe, with good progress in North Africa, the Middle East and North America in 2011. These markets represent a smaller proportion of total volumes when compared to volumes sold in Europe; however, the long-term global increase in protein requirements is driving growth of meat production and by extension animal nutrition needs. Aliphos remains focused on consistently addressing these growth opportunities to complement its leading position in Europe. Globally, lower volumes in Europe were mainly compensated due to a solid increase outside of Europe.

SUSTAINABILITY IN ACTION

In 2011, Inorganics launched a specially developed sulfate of potash fertilizer (SOP), suitable for foliar applications: K-Leaf™. This product is not only cost effective for farmers, but it delivers resource efficiencies as more vegetable production is obtained from K-Leaf™ compared to SOP when applied to the soil. Field trials have shown increased yields in potatoes, wheat, sugar beet and soybeans. Foliar application of K-Leaf™ also appears to increase a plant's potential to utilize naturally available potash in the soil, thereby further increasing resource efficiency.

more info
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TESSENDERLO KERLEY INORGANICS GELATIN AND AKIOLIS PLASTIC PIPE SYSTEMS AND PROFILES OTHER BUSINESSES

REVENUE OF GELATIN AND AKIOLIS ROSE 15.7% TO 475.4 MILLION EUR. REBITDA AMOUNTED TO 66.4 MILLION EUR, AN INCREASE OF 8.5%.

APPLICATIONS

The gelatin business produces high quality beef skin, pig skin and pig bones gelatins and hydrolysates used in food, pharmaceutical, photographic and technical applications.
Gelatin is a purified protein, produced by the selective hydrolysis of collagen, which is the major organic component of the bones and skins of mammals. Gelatin is free from additives and preservatives, and is non-allergenic. It does not contain cholesterol, fat or carbohydrates. It's also processed in specific foods for diabetics, and products with a low glycemic index.
Akiolis supplies renewable biofuels, such as meat meal and animal fats used for cement production, energy production and green electricity, and ingredients for nutrition and technical applications such as animal fats, animal proteins, hydrolized proteins and bone minerals for petfood, lipid chemicals, aqua-feed, animal feed, bio-fertilizers and renewable energy.

Business description

- VALORIZATION OF BY-PRODUCTS OF THE MEAT INDUSTRY INTO HIGH VALUE GELATIN, USED IN FOOD AND PHARMA
- PROCESSING OF BIO-RESIDUALS INTO HIGH QUALITY INGREDIENTS FOR USE IN VARIOUS APPLICATIONS FROM BIOFUELS AND PETFOOD TO FERTILIZERS AND GELATIN

Gelatin

Gelatin is a purified protein, produced by the selective hydrolysis of collagen, which is the major organic component of the bones and skins of mammals. It is classified as a food ingredient, and is one of the most versatile and multifunctional ingredients for commercial food manufacture. Furthermore, gelatin is free from additives and preservatives, and is non-allergenic.

Tessenderlo Group is the world's third largest supplier of gelatins. The group supplies a complete range of high quality gelatins and collagen hydrolysates from eight production sites, strategically located in Asia, Europe, North and South America, including the addition in 2011 of two new facilities in Brazil and China.

Gelatins offer unique properties in food, pharmaceutical, health & nutrition, petfood and photographic applications. An estimated two-thirds of gelatin is sold into the food industry, where its properties are used to gel, thicken, stabilize, emulsify, bind and aerate.

Typical applications include confectionary, dairy products and desserts, gelatin desserts and savory products.

Due to its capacity of forming flexible, plasticized or hard films, and to act as a binding agent, gelatin is recognized as one of the most versatile raw materials in the pharmaceutical industry. Here it is used for hard or soft capsules, tablets, emulsions and several other pharmaceutical and medical products.

Gelatin is a healthy product that is an important source of protein and does not contain any cholesterol, fat or carbohydrates. As such, collagen hydrolysates, which are obtained by enzymatic hydrolysis of collagen rich materials, are often found in food supplements, nutritional or sports food and drinks, to support arthritis and osteoporosis cure, and to maintain healthy joints and bones.

They are also used in food for people with diabetes and for products with a low glycaemic index. Gelatin is moreover used for microencapsulation of flavors, colors and vitamins, and for clarifying wine and fruit juices.

Akiolis

Tessenderlo Group plays an important role in the collection and processing of organic products from the food chain through its French subsidiary Akiolis. Akiolis has grown systematically through a series of acquisitions over many years, and is today the second largest firm in the French market, and the third largest in Europe. Collection activities take place in France, while the majority of downstream products are sold outside of France. It adds value to the collected raw materials, turning them into quality ingredients for various industries and renewable biofuels, while maintaining full traceability from collection to delivery to customers.

Akiolis is divided into three complementary business lines:

The Atemax line of business environmental activities collect and process risk organic materials from farms (dead animals mainly cattle, pigs and poultry), meat processors (abattoirs, slaughterhouses, processors' cutting workshops, butcher shops), the food industry and governments. It assists customers to comply with high sanitary standards and ensures separation of these raw materials from the food chain. Atemax produces renewable biofuels based on the collected materials (animal fats and animal meat meals), which are used as an alternative to fossil fuels to generate heat or electricity.

The Soleval business line ingredients activities make high-quality products for customers in a variety of end markets using animal ingredients. The animal raw materials are always the by-products of healthy animals intended for consumption, and come from the meat industry or its distribution chains. Based on these raw materials, Soleval produces ingredients with a high energy, nutritional and agricultural value, such as:

- bones for the extraction of gelatins;
- dehydrated animal proteins and animal fats for use in the petfood industry;
- animal fats for the soap industry and lipochemistry;
- dehydrated animal proteins and hydrolyzed proteins for fertilizers and organic fertilizers;
- dehydrated animal proteins and animal fats that are used as biofuels to produce heat and electricity.

In the third business area – Development – Akiolis focuses on businesses related to new raw materials and new processes in terms of organic by-products and waste from the food industry. Akiolis collects:

- used vegetable cooking oils from restaurants or distributors, collection centers and the feed food industry, under the brand Oleovia. The used oils are filtered and purified and are intended for the production of biofuels;
- by-products based on grain crops from the food industry. These dried raw materials are rich in sugars and proteins. They are used in the production of animal feed;
- fermentable waste from the food and distribution industries. It is methanized and / or composted, after which it can be used for energy production and organic fertilizers (in collaboration with several operators).

2011 performance and highlights

2011 RESULTS FOR THE GELATIN BUSINESS CAME IN WELL AHEAD OF LAST YEAR. DEMAND FOR GELATIN REMAINED FIRM, AND PRICING INCREASED TO RECOGNIZE THE HIGHER COST OF RAW MATERIALS. THE YEAR ALSO FEATURED THE ADDITION OF TWO NEW PRODUCTION SITES, COMPRISING THE GROUP'S FIRST FACILITY IN BRAZIL AND ITS SECOND MAJORITY-OWNED JOINT VENTURE IN CHINA. FOR AKIOLIS, 2011 STAYED ON COURSE WITH THE SOLEVAL AND ATEMAX BUSINESS LINES. IN ADDITION, THERE WAS PROGRESS WITH NEW DEVELOPMENT OPPORTUNITIES IN THE COLLECTION OF NON-ANIMAL ORGANIC MATERIAL FROM THE FOOD CHAIN, AND A RISE IN ITS FINISHED PRODUCT RANGE.

Gelatin

Globally, demand for gelatin and collagen hydrolysates remained robust throughout the year. Strong market growth was recorded in emerging economies such as China, Brazil, and Argentina. Global market volume growth is estimated to be around 3-4% annually, and is underpinned by a number of sustained developments:

- in emerging economies, health care and diets continued to evolve positively as living standards grew further. The group's gelatin business benefited from these long-term trends, given its geographic footprint in China and Argentina;
- the long-term trend of an ageing population translates into a rising demand for products from the pharmaceutical, health and nutrition industries;
- in western markets, there is increasing demand for new, more sophisticated products such as hydrolysates for health and nutrition applications;

Although demand remained structurally positive in 2011, the industry was confronted with a shortage of key raw materials, especially beef skins in Latin America. In light of these tight supply conditions, the group made extensive efforts during 2011 to secure raw materials, in order to provide its customers with gelatin.

Two new production facilities were added in the fastest growing regions, Brazil and China. Both units were operational at the end of the year, and will gradually ramp up capacity during 2012.

The gelatin business enhanced its distribution network, and increased its sales force in Latin America and Asia Pacific, given the growth opportunities and additional capacity coming on stream.

During the year, the business launched a number of efforts to support execution of its strategy. There was an important human resources exercise to develop a talent resource planning, designed to ensure the right quality and quantity of people for today and tomorrow. The plans were fully developed in 2011, and move to implementation phase from 2012.

Further organizational measures were planned. A new research and development operating model was finalized at the end of 2011, to start from January 2012, with the clear objective to create more value for customers. Secondly, plans to drive operational excellence throughout the business worldwide were developed, also scheduled to start implementation in 2012.

Efforts were increased to create value through quality programs worldwide, and ensure the highest standards of product quality and regulatory compliance. As a result, in 2011 three sites were certified ISO 22000 for the first time, bringing the total number of certified sites to five. The business also successfully passed audits conducted by its highly demanding, global customers.

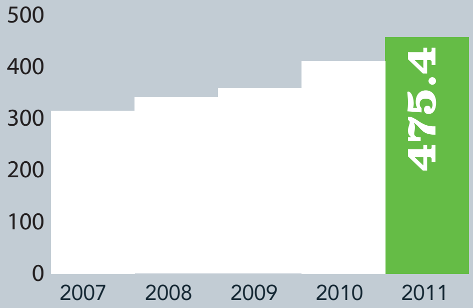
Akiolis

On the upstream markets, Akiolis collected volumes held their own, all activities combined, generating satisfactory business and profitability, primarily over the first nine months. The last quarter 2011 was more challenging, in light of decreased slaughtering in the livestock business.

Key figures

(Million EUR)

Revenue over 5 years



	2011	2010
Revenue	475.4	410.8
REBITDA	66.4	61.2
REBIT	37.3	31.8
Capital expenditures*	45.9	48.0

* (PP&E and other intangible assets)

+9%

REBITDA CHANGE AT COMPARABLE SCOPE

On the downstream markets, Akiolis pursued its strategy of enhanced added value of its finished products, especially for the petfood and fertilizer markets, benefitting from positive changes in regulations. Fat prices rose, pulled up by energy and oil prices. Protein prices remained firm, due to the continued rise in the supply range.

These improvements on downstream markets afforded Akiolis the opportunity to generate solid profitability, while sharing an important part of the added value with its upstream customers, ensuring sustainability of its collection supplies.

For Atemax, 2011 was a year characterized by the continued deployment of new tools. For removal requests, a new internet site was launched to facilitate the orders of breeders. On-board IT tools were deployed in the entire fleet of livestock collection vehicles. All farms are geo-located, itineraries are optimized based on criteria including regulatory deadlines, work times, weight and distances. These innovations have resulted in a decrease in the number of kilometers travelled, logistic cost containment, reduction in CO_2 emission and serving customers more quickly.

For Soleval, Akiolis has refocused its business on adding value on the downstream markets. The "wet petfood" business that had accounted for a negligible part of the collection volumes was transferred to reinforce business on the dry petfood market, with an estimated annual growth rate of as much as 5%. Significant investments were made to start new manufacturing lines of single-species ingredients, enabling to improve nutritional value and the appeal of the ingredients produced. These investments covered chicken, duck, and poultry blood lines. At the same time, research and development projects carried out with customers and support from the Tessenderlo Group research and development center confirmed the continuous expansion of the animal fats and proteins ranges.

Development activities also advanced in 2011. Akiolis pursued its development strategy on non-animal organic markets, confirming its role in renewable energy production (biofuels, biogas) and organic fertilizers, consistent with Tessenderlo Group's sustainable development objectives.

A joint venture was established with Promic, the Spanish specialist in collection and processing of cereal by-products from the food industry. The new company, called Apeval, has set its sights on becoming the leader on the French market, with collection resources nationwide and a start-up in late 2012 of a processing plant, which will be the first industrial site of this type in France.

In the area of fermentable waste (non-meat organic), Akiolis continued to extend its service offer to retail and restaurant businesses, consistent with the provisions in Grenelle Environnement (http://www.legrenelle-environnement.fr/-Version-anglaise-.html). The aim is to provide better services to these clients for packaged or non packaged materials throughout France. Organic waste is processed at the composting and/or methanization locations. Akiolis has gained expertise in these processes through industrial partnerships, and added an agreement with Metabio Energies in late 2011, complementing agreements made during the past years with Ferti NRJ, Fertiker and Violleau.

Akiolis also increased its volume of collected used cooking oil by 25%, and bolstered its nationwide presence through external group operations and partnerships with local collectors.

Industrially (processing and collection tools), Akiolis continued to invest to maintain the quality of its facilities, develop new product and solutions and improve the environmental footprint of its sites, so as to ensure better integration into the local environment.

Key in-house actions were carried out to improve work safety and employee training. The safety priority set by the management paid off: lost time work accidents decreased by 15%. Efforts will be developed to decrease by a further 50% in the coming four years.

Over the same period, a driver training school was started; it will enable to make drivers aware so that they may drive ecologically and safely for themselves and others on the road.

SUSTAINABILITY IN ACTION

The Gelatin business frequently works together with potential suppliers such as hide processors, slaughterhouses and others, to improve elements of their quality management and regulatory compliance. The result of these joint developments is often that suppliers' by-products no longer enter a lower quality value chain, but can instead be used as gelatin raw material. This up-cycling (or high value recycling) of protein resources creates value both for the supplier and the Gelatin business. In addition, it can allow Gelatins to develop a local supplier resulting in a smaller logistical footprint.

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TESSENDERLO KERLEY INORGANICS GELATIN AND AKIOLIS PLASTIC PIPE SYSTEMS AND PROFILES OTHER BUSINESSES

REVENUE OF PLASTIC PIPE SYSTEMS AND PROFILES ROSE 3.8% TO 569.1 MILLION EUR. REBITDA AMOUNTED TO 44.1 MILLION EUR OR 2.0% ABOVE 2010.

APPLICATIONS
The Plastic Pipe Systems activity produces pipes and fittings for water supply and drainage systems, and pipe systems for gas, telecommunications and other applications. The raw materials are PVC, polyethylene, and polypropylene.
The Profiles business supplies interior and exterior finishing systems, PVC-U profiles for windows and doors, components for conservatories and PVC-UE foam profiles used as roofline components and exterior cladding, recycling of PVC-U profiles.

Business description

- PIPES AND FITTINGS FOR WATER SUPPLIES, WATER DRAINAGE AND STORM WATER MANAGEMENT
- HIGH-QUALITY PVC DOOR AND WINDOW PROFILES, PROFILES FOR CONSERVATORIES, ROOF FINISHES, FENCING, SIDING AND PORCHES AND VARIOUS PRODUCTS FOR FINISHING

Plastic Pipe Systems

Tessenderlo Group's Plastic Pipe Systems (PPS) business develops, produces and distributes pipes and fittings for water management – supply, drainage, infiltration and attenuation - and pipe systems for gas and telecommunications applications among others. Purchases can be for new build as well as replacement, and the applications range from civil engineering to construction, agriculture and industry. The business also offers technical consulting services to several types of customers, including governments, installers and contractors for residential and civil building, and utility companies. These customers choose plastic pipes and fittings, which are primarily made from polyvinyl chloride (PVC), polyethylene (PE) and polypropylene (PP), based on proven benefits such as fit for use, very long life and the increasing ability to make use of recycled raw materials. These advantages have led to the consistent replacement of other materials such as concrete, metal and clay, such that plastic pipe systems today represent more than 50% of the global market.

The PPS business trades under the trusted names Dyka, John Davidson Pipes, Sotra-Seperef, BT Bautechnik, BTH Fitting and Nyloplast, and ranks among the leading European companies in serving customers with plastic pipe solutions tailored specifically to their requirements. The business has strategically located manufacturing locations in the Netherlands, Belgium, France, Germany, Hungary and Poland, providing an ability to supply the majority of Western and Central European markets. An important element of the PPS business is its ability to supply via an extensive network of more than 70 distribution centers spanning 6 countries, (Netherlands, Belgium, Poland, the United Kingdom, Czech Republic and Romania). This strong distribution presence enables PPS to provide better support to its customers based on a deep understanding of their needs.

Profiles

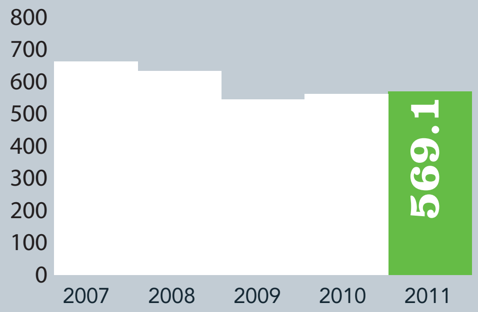
The Profiles business brings together the production and distribution of a wide range of PVC profiles for the construction industry, such as door and window profiles, profiles for fencing, siding and porches, and various products for finishing. It has plants in the United Kingdom, France, and Belgium. Customers in Central Europe are supplied from the production units in Belgium and France.

Eurocell is the UK's leading supplier of high-quality rigid PVC profiles for windows, doors, conservatories and roofline. Eurocell has its own distribution network of 120 branches, for the distribution of roof finishing, doors and conservatories and ancillary products for the building trade. Its products are primarily used for home improvements in the private sector but also for public and private sector new build projects. Eurocell also has recycling operations - Merritt Plastics - which recover old window and door frames, as well as waste rigid PVC and off-cuts from fabricators, to make new extruded products. In several cases, the products are made from 100% recycled material.

Key figures

(Million EUR)

Revenue over 5 years



	2011	2010
Revenue	569.1	562.1
REBITDA	44.1	44.8
REBIT	17.7	15.7
Capital expenditures*	18.0	20.0

* (PP&E and other intangible assets)

+2%

REBITDA CHANGE AT COMPARABLE SCOPE

2011 performance and highlights

THE PLASTIC PIPE SYSTEMS BUSINESS GREW IN 2011 COMPARED TO THE PREVIOUS YEAR. THE INCREASE WAS MAINLY ATTRIBUTABLE TO BROADLY STABLE VOLUMES, AND HIGHER SELLING PRICES LINKED TO MORE EXPENSIVE RAW MATERIALS. TOWARDS THE END OF 2011, PPS COMPLETED THE ACQUISITION OF BT BAUTECHNIK GROUP, A MANUFACTURER OF SPECIALTY FITTINGS, AND STARTED INTEGRATING THESE ACTIVITIES INTO THE BUSINESS UNIT. THE GROUP'S PROFILES BUSINESS SHOWED FURTHER PROGRESS IN 2011. EUROCELL GREW ITS DISTRIBUTION NETWORK IN THE UK AND UNVEILED AN INVESTMENT IN POST-CONSUMER RIGID PVC RECYCLING, MAKING THE MERRITT PLASTICS RECYCLING PLANT THE LARGEST AND MOST ADVANCED OF ITS KIND IN THE UK. PROFIALIS CONTINUED TO FOCUS ITS EFFORTS ON ITS CORE MARKETS AND PRODUCT OFFERINGS. FINALLY, THE NORTH AMERICAN ACTIVITIES WERE DIVESTED IN THE SECOND HALF OF THE YEAR.

Plastic Pipe Systems

Volumes benefited from the fact that weather conditions at the start and end of 2011 were more favorable than the prior year, when construction activity was hampered by strong winter weather. Apart from this influence, building and construction markets throughout Europe were generally at a low level in 2011.

Raw material costs continued their strong rise during the whole of 2010 into the first half of 2011, which continued to impact margins, while they moderated and even slightly declined in the second half of the year. For the full year, margins could not be completely recovered in all markets. In light of these developments, management continued to take steps to keep costs under control, by ending distribution activities in Germany and Slovakia. These steps follow the closure of a production site in France during 2009, and in 2011 the French business succeeded to achieve a stronger supply performance with structurally lower fixed costs.

During the year, the distribution activities were reinforced through the implementation of customer intimacy programs, which proved to be supportive to margins.

In the fourth quarter, PPS acquired BT Bautechnik and BTH Fitting, a well established manufacturer and supplier of specialized fittings. This addition is complementary to the product portfolio, and also increased the amount of injection molding plants from one to three. This increase provides the opportunity to rationalize the production of the product portfolio over the three plants, which should result in higher efficiencies.

The portfolio of products and services was further developed in 2011.

Storm water management – the management of exceptional water flows that runs off streets, fields and other surfaces – was embedded much more strongly into the Dutch, UK and French organizations, which gives more focus on the “from roof to river” philosophy. This PPS philosophy focuses on the combination of UV-systems (Vacurain), infiltration systems, rainwater sewer and drainage systems, together with the consultancy and engineering of these rainwater systems. This market shows steady growth above average construction market rates.

Flow control equipment is an important element in storm water management systems, to adjust rainwater flows so that overflows are prevented. In 2011, this type of equipment has been developed and the first market launches were achieved with promising results. Also a new type of filter for the infiltration systems to prevent clogging of the system by sand and other debris has been developed and introduced this year. These further additions to the storm water management product portfolio confirm the leading role PPS has taken in this growing market.

2011 saw the launch in the Netherlands, UK, Czech Republic and France of the Axedo 600, an injection molded inspection chamber. It is expected that this addition to the existing inspection chamber assortment will provide a platform for other diameters in the future.

Following the favorable development of biaxially oriented pipe sales over the last years, new diameters were introduced in 2011. These systems can withstand higher internal pressures than standard PVC pipes with the same wall thickness, and there is a discernable trend that traditional systems are being replaced by these systems more frequently.

Customer service programs such as warehouse management, electronic ordering and the supply of prefabricated pipe systems have been developed over the last years, and with the implementation of SAP in the Netherlands in 2011 - following Belgium in 2010 - these services will have more sophisticated bases to build on.

Profiles

In the group's Profiles activities, Eurocell made further progress in implementing its strategy in the UK. For its distribution business, the focus continued to be on growing the number of branches, with 10 new branches opened during 2011, bringing the total to 120 by year end. In addition, organizational changes were made to increase efficiency and improve customer service. All foam profile extrusion was moved onto one production site, thereby reducing costs and improving production efficiency, with all expertise under one roof from 2012. Revenue was maintained in a market that declined in 2011 versus 2010. Eurocell's attractive and growing distribution presence led to market share gains. The roofline acquisition made in late 2009 performed better in its second full year, benefiting from production improvements and more emphasis on sales and marketing. Despite operating in a more challenging environment, Eurocell continued to play a leading role in developing market-leading energy efficient window solutions which already meet 2016 UK Building Regulation requirements.

The investment in Merritt Plastics increased capacity to process up to 12,000 end-of-life frames per week, allowing Eurocell to manufacture new products from the recycled material, and providing customers with a completely closed-loop recycling process for maximum sustainability.

In continental Europe, Profialis continued advancing along its strategic path, focusing on its core markets in France and the Benelux. Following closure of a warehouse site in Avion (France) at the end of 2010, the business has optimized its logistics to serve its main markets from two sites, one each in Belgium and France. In addition, major progress was made with its product range such that by early 2012, Profialis will finalize a three year transition program in France. As a result, two state of the art, energy efficient new product series will replace five window profile series previously available. Not only is Profialis able to offer new window systems that fully comply with the today's most stringent energy norms, this program also led to reduced operational complexity, improved service levels towards customers, and lower operating costs and working capital requirements. Revenue was slightly lower than a year ago, mainly as a consequence of scaling back some lower margin activity in Central Europe.

The profitability of both Eurocell and Profialis was held back by higher raw material prices in the first half of 2011, whereas these prices eased somewhat in the second half.

Finally, the Profiles business also divested its activities in the United States and Canada during the in the second half of 2011. With each of these businesses, the group was not able to reach a market leading position on its own.

SUSTAINABILITY IN ACTION

Plastic Pipe Systems (PPS) subsidiary Nyloplast has developed a rainwater gully containing 40% recycled PVC. For its product innovation, the implementation of the ISO 14001 environmental management system and a number of other criteria, Nyloplast received the "Best Initiative on Sustainability" award from one of their largest customers.

Another PPS subsidiary, Dyka BV was rewarded a bronze award PRIMA, from the Dutch rubber and plastics industry association, for its initiatives in the field of sustainable enterprise. More specifically, their initiatives on carbon foot-printing, energy and sustainable materials management were appreciated.

And finally, besides its involvement in Dutch sector initiatives, PPS is very active (as President, Board member and in multiple working groups) at the European Plastic Pipe and Fitting Association (TEPPFA) and VinylPlus, the European PVC industry's commitment towards sustainable development. Through advocacy, PPS thus aims to further the agenda of sustainable materials management.

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TESSENDERLO KERLEY INORGANICS GELATIN AND AKIOLIS PLASTIC PIPE SYSTEMS AND PROFILES OTHER BUSINESSES

REVENUE OF OTHER BUSINESSES GREW 9.5%, LED BY COMPOUNDS. REBITDA NEARLY DOUBLED, DRIVEN MAINLY BY A STRONG RECOVERY FOR ORGANIC CHLORINE DERIVATIVES AND AN IMPROVED RESULT FOR PHARMA.

APPLICATIONS

The group's other businesses provide products for various usages, such as: thermoplastic compounds: thermoplastic elastomers (TPEs) and PVC compounds, powder compounds for slush molding of automotive instrument panel skins; benzyl chloride, benzaldehyde, chlorotoluenes; pharmaceutical intermediates, active pharmaceutical ingredients; ferric chloride, sodium hypochlorite (bleach), hydrochloric acid for the automotive, construction, consumer goods, pharmaceutical and water treatment end markets.

Business description

- RECUPERATION OF BY-PRODUCTS FROM THE STEEL INDUSTRY TO PRODUCE COAGULANTS FOR WATER TREATMENT
- CHEMICAL SOLUTIONS FOR COATINGS, COSMETICS, AGROCHEMICALS AND PHARMACEUTICALS
- LIGHTWEIGHT AND HIGH PERFORMANCE PVC AND TPE COMPOUNDS FOR THE AUTOMOTIVE INDUSTRY, CONSTRUCTION AND CONSUMER PRODUCTS
- ACTIVE PHARMACEUTICAL INGREDIENTS (API) AND ORGANIC INTERMEDIATES FOR BOTH NEW MOLECULES AND FOR THE GENERIC PRODUCT MARKET

Compounds

The Compounds business produces various blends based on ready-made PVC and thermoplastic elastomers (TPE). These blends are mainly intended for the automotive industry (for airbag covers, dashboard skins, interior finishing and sealing systems), for consumer products (for handles of household appliances, pens and toothbrushes), and for construction (for shutters, cladding, and window seals). Tessenderlo Group has developed compounds that meet the needs of the most important vehicle manufacturers and their suppliers. In particular, these customers value the reliable development and supply of high-performance compounds that allow a great deal of design freedom, while at the same time having a lower weight. The business is organized under the name CTS (Compound Technology Services), which comprises Thermoplastiques Cousin-Tessier (France), the Marvyflo activity (France, Belgium), TCT Polska (Poland) and CTS Automotive Compounds Changshu (China). CTS is developing products in collaboration with industry that are sold under the brand names Tefabloc®, Tefaprene®, Marvyflo®, Marvylex® and Tefanyl®.

Organic Chlorine Derivatives

The Organic Chlorine Derivatives business supplies chemical intermediates to growing markets including agrochemicals, coatings and pharmaceuticals.

These products are mainly based on the chlorination of toluene, for which chlorine is partially sourced from within the Group. The business has built its reputation as a reliable supply partner, and can deliver to its global customer base from two sites located in China and Italy.

Pharma

Tessenderlo Group is a preferred supplier of intermediates and active pharmaceutical ingredients (APIs) for major pharmaceutical companies, for both the branded and the generic markets. With three production sites, a pilot unit and a research and development department, the group is able to cover the range of needs of its clients. From the development stages of a product to the commercial scale, Tessenderlo Group develops the synthetic route, process optimization and scale-up and/or technology transfer to enable manufacture on an industrial scale.

The group's activities cover mainly the European and North American markets, for both new molecules and on the generic product market.

Water Treatment

Tessenderlo Group is the number 3 supplier of inorganic coagulants to European water treatment plants. The customers are drinking water, municipal and industrial waste water treatment plants.

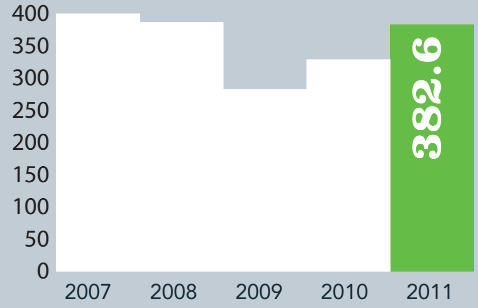
The group supplies iron-based salts which not only help to remove suspended solids, but also reduce odors and are highly effective in removing phosphorus. Bleach, a disinfectant, and hydrochloric acid are also part of the supply offering to customers.

With plants in the north of France and the east of Belgium, the group enjoys a strong footprint to serve France, the Benelux, Switzerland, Germany and the UK. Cities like Paris, Brussels and Geneva rely on the group's products to treat their waste water streams.

Key figures

(Million EUR)

Revenue over 5 years



	2011	2010
Revenue	382.6	419.0
REBITDA	12.9	12.9
REBIT	2.2	-0.4
Capital expenditures *	17.1	23.8

* (PP&E and other intangible assets)

+95%

REBITDA CHANGE AT COMPARABLE SCOPE

2011 performance and highlights

THE SEGMENT OTHER BUSINESSES DELIVERED SIGNIFICANTLY IMPROVED RESULTS IN 2011, LED BY COMPOUNDS, WHICH BENEFITTED FROM ITS INITIATIVE TO PROVIDE HIGH PERFORMING, LIGHTER WEIGHT PRODUCTS. IN ORDER TO SUPPLY GLOBAL CUSTOMERS IN THE AUTOMOTIVE INDUSTRY, A NEW PLANT HAS BEEN BUILT IN CHINA WHICH WILL START OPERATIONS IN EARLY 2012. IN ORGANIC CHLORINE DERIVATIVES, THE MAJORITY OF THE BUSINESS HAS BEEN DIVESTED AS PART OF THE GROUP'S SUCCESSFUL EXIT FROM COMMODITIES BUSINESS THROUGH THE SALE OF PVC/CHLOR-ALKALI. FOR PHARMA, 2011 WAS A POSITIVE YEAR FOR THE PRODUCTION AND SALES ACTIVITY OF ACTIVE INGREDIENTS COMPARED TO 2010, ALTHOUGH THE DEMAND FOR INTERMEDIATE PRODUCTS REMAINED BELOW POTENTIAL. IN A GROWING MARKET, THE GROUP CONTINUED TO FURTHER STRENGTHEN ITS POSITION IN WESTERN EUROPE IN WATER TREATMENT.

Compounds

Sales volumes increased again in 2011. This was largely due to a very strong performance in the automotive end market, with the proportion of high value added specialty products continuing to strengthen. Such growth was due to the overall worldwide growth in car production and to a progression of market share. The high costs for raw materials pressured margins in the first half of the year, leaving a lower than expected growth in profitability for the full year.

Tessenderlo Group again concentrated major efforts on supplying specialized products for customers in the automotive industry. Growth was achieved in two main strategic segments: seals and skins for instrument panels. Tessenderlo Group technology is gaining ground over other competing polymer applications, and a strong position with German original equipment manufacturers (OEMs) has allowed high growth despite an overall slow Western European market. In addition, with strong customer demand for more sustainable products, a research and development program has been started to develop a new dashboard skin with an even lighter weight, that will contribute to improving a car's fuel consumption performance.

Non-automotive sectors were negatively impacted by strong exposure to the building and construction industry. However, inroads into new market segments were made, including the development of a compound for a "green" shoe, where oyster shell powder replaces non-renewable components.

In Central Europe, the business developed further for the building and construction and consumer products end markets, as well as the automotive markets.

A major focus of 2011 was the building of the group's compounds plant in China. This plant will serve the automotive market in Asia, especially China which is the world's largest automotive market, and where a substantial level of sales has already been developed. The company is now ready to start operations, with production tests for customer approval scheduled to take place in February 2012.

Sales in the US were boosted by the start of large exports of Marvyflo compounds to dashboard manufacturers. This technology is gaining ground, thus opening good perspectives for Tessenderlo Group.

Organic Chlorine Derivatives

Included as part of the group's successful exit from commodities

SUSTAINABILITY IN ACTION

The business Compound Technology Services (CTS) developed a new range of compounds, called Green Tefabloc™, consisting of combinations of bio-resources such as starch derivatives or oyster shell powder with thermoplastic (recycled or virgin) raw materials. This approach reduces the need for fossil based plastic raw materials or virgin resources in general and uses more locally available bio-resources.
In addition, new R&D programs aiming at producing light weight compounds are carried out in close cooperation with our customers. The use of these new compounds reduces fuel consumption.
Both examples illustrate how meeting customer needs, growing a healthy business and addressing key sustainability elements can successfully merge in a winning business strategy.

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through the sale of PVC/Chlor-Alkali were the chlorination plant in Tessenderlo (Belgium), and the benzylalcohol plant in Maastricht (Netherlands). At the beginning of the year, the group sold its flavors and fragrances activities in the UK.

Rising demand for chlorinated derivatives supplied by the group's Italian plant supported margin improvement, mainly in the second half of the year. The development of higher chlorinated derivatives optimized the use of the electrolysis unit as well as the hydroelectric power station, which was modernized during 2010. The ortho-chloro derivatives business which had been developed at the Tessenderlo plant was part of the activities sold in August 2011; however, the group agreed to continue supplying a key intermediate to the new owners.

Tessenderlo Group's OCD business in China continued to benefit from its leading position as a supplier of benzyl chloride. Despite an overall increase in industry capacity for benzylchloride on the Chinese mainland, which put pressure on margins, the Chinese activity remained profitable. The group's consistent attention to quality and environmental standards strengthened its position as one of the most reliable suppliers.

Pharma

In 2011, sales of active pharmaceutical ingredients were very good. For the intermediate products, although the activity was at a lower level than expected, the initiatives to expand into markets other than pharma brought a few new projects, with a first small scale production in 2011.

For both APIs and intermediates, the product portfolio under development is becoming more important; future potential of these projects is in line with the growth expectation of the business unit. As in 2010, efforts to develop the business unit's range of available technology such as specific enzymatic catalysis and low temperature synthesis continued.

All sites are subject to strict quality, safety and environmental requirements, and continue to be regularly audited by local authorities and clients. After a successful US Food and Drug Administration (FDA) audit in Italy in 2010, the French site has been successfully audited by the FDA in 2011.

The restructuring plan for the site in France was finalized in April 2011.

Water Treatment

With the divestment of PVC/Chlor Alkali in 2011, Water Treatment became a separate business unit, also demonstrating the group's intention to focus on further growth in this activity. The group's position in water treatment is built on a cost leadership position, both for production as well as logistic solutions for customers. The chlorine is mainly sourced in-house. The remaining quantity is secured with long-term supply contracts guaranteeing a long term competitive advantage. Another crucial raw material is iron, where there was further work on diversifying sources to become less impacted by strong fluctuations in the iron oxide market. The group aims to increase the share of iron which is generated as a by-product from other industrial activities.

With several small investments, existing production capacity was debottlenecked. As a result, the business becomes less dependent on third party deliveries in periods of peak demand from the water treatment plants. The additional capacity will also be used to increase the group's presence in the important UK market. To further improve the service level to this market, the sales team was strengthened and the business established a logistic solution allowing direct delivery to customers while increasing reliability. In all, crucial steps were taken to realize the group's growth plans in the UK.

The business made further efforts to improve quality and service, which were recognized by the renewal of several long-term supply contracts with major customers.

TRANSFORMING, BECAUSE WE PROGRESS ON OUR STRATEGIC JOURNEY

This section contains (i) the full consolidated Management Report for the financial year ended on December 31, 2011, prepared in accordance with art. 119 of the Belgian Companies Code; and (ii) all information from the statutory Management Report for the financial year ended on December 31, 2011, prepared in accordance with art. 96 of the Belgian Companies Code*, which is of particular interest to the holders of securities and the public in general.
Both the consolidated Management Report and the statutory Management Report have been approved by the Board of Directors on March 28, 2012.
A copy of the full statutory Management Report can be obtained at no cost upon request to the company, or can be downloaded from the company website.

Business progress

All comments included in the Business progress section, unless otherwise indicated, are based on Tessenderlo Group's continuing operations at comparable scope i.e. adjusted for the impact of businesses which have been purchased or sold during 2011.

Group performance

2011 revenue from continuing operations rose 9.6% to end up at 2.1 billion EUR. All five reported operating segments had higher revenue in 2011, with Tessenderlo Kerley, and Gelatin and Akiolis increasing by double digits at 17.0% and 15.7%, respectively. Other Businesses rose 9.5%, Inorganics increased by 6.9%, and Plastic Pipe Systems and Profiles was 3.8% higher than a year ago.

REBITDA from continuing operations at group level for 2011 was up a solid 20.6% to 187.0 million EUR. Each reported operating segment surpassed its 2010 REBITDA total in 2011, with Tessenderlo Kerley and Inorganics both up by nearly 40% year on year, at 39.6% and 38.6%, respectively. The segment Other Businesses had a much improved result, coming in 94.9% ahead of last year, while Gelatin and Akiolis grew 8.5%, and Plastic Pipe Systems and Profiles was 2.0% above 2010.

Cash flow from operating activities totalled -48.6 million EUR for 2011 (FY10: 159.5 million EUR). This amount includes a one-time working capital adjustment, having a negative impact of

* Further referred to as "Companies Code".

64.0 million EUR, related to the sale of PVC/Chlor-Alkali and part of Organic Chlorine Derivatives to Ineos ChlorVinyls. Excluding this impact, working capital requirements increased, partly linked to full year revenue growth of nearly 10%. At end December 2011, trade working capital as a percentage of revenue was 19.8%, above the very low level at end December 2010, and within the guidance range of 19-20% disclosed at the time of the 2010 results.

Group net financial debt added up to 219.4 million EUR at the end of December 2011, against 162.0 million EUR at the end of December 2010. At the end of December 2011, leverage amounted to 1.1x (1.5x based on notional net debt), broadly similar to a year ago and confirming the group's solid financial position. Gearing was 26.8% (33.7% based on notional net debt) at end December 2011, an increase compared to 18.3% (28.1% based on notional net debt) at end December 2010.

Reported operating segment performance

2011 revenue for Tessenderlo Kerley amounted to 270.8 million EUR or 17.0% more than 2010, driven by sustained incentives for growers to meet rising food needs and strong commodities fundamentals. Despite unusual weather patterns exhibited across the year, Tessenderlo Kerley made sure that its customers had fertilizer product in place to be ready for application when conditions were appropriate. NovaSource® also benefited from the aforementioned favorable market conditions and had higher revenue, year on year. Tessenderlo Kerley REBITDA of 66.5 million EUR was 39.6% more than 2010. In US dollar terms, revenue was 22.9% above a year ago while REBITDA rose 46.5%.

Despite being confronted with significant challenges, including a strong fall in sulfates demand in Mediterranean region markets, supply disruptions in the first half year and increased costs of all main raw materials, the Inorganics segment delivered a solid improvement for 2011. Revenue grew 6.9% to 428.1 million EUR in spite of lower volumes, as the business amended prices to reflect the higher raw material cost environment. The excellent results generated by phosphates more than offset the decline in sulfates, resulting in REBITDA up 38.6% to 28.6 million EUR.

Gelatin and Akiolis segment revenue for 2011 rose 15.7% to 475.4 million EUR. Demand remained strong, and pricing showed year on year gains. REBITDA for the segment amounted to 66.4 million EUR, a solid improvement of 8.5% in light of the increased expenses including start up costs of the two new Gelatin supply locations, one in Brazil and one in China.

2011 revenue for Plastic Pipe Systems and Profiles rose 3.8% to 569.1 million EUR. Plastic Pipe Systems had higher revenue mainly as selling prices increased to compensate the sharp growth in raw material costs, while there was a limited recovery of volumes given fragile end markets. 2011 revenue for Profiles showed a small decline, primarily explained by the weaker revenue in the North American businesses which were sold by the end of the third quarter 2011. Segment REBITDA amounted to 44.1 million EUR or 2.0% above 2010. During the fourth quarter of 2011, Plastic Pipe Systems completed the acquisition of BT Bautechnik Group, a manufacturer of specialty fittings, and started integrating these activities into the business unit. As BT was only consolidated as of November 1, 2011, its contribution was very limited, and this limited contribution is not included in the comparison at comparable scope.

Despite a lower fourth quarter performance, on a full year basis, the segment Other Businesses delivered much better results. Revenue grew 9.5%, led by Compounds which benefited from its initiatives to provide high performing, lighter weight products to its automotive customers. Organic Chlorine Derivatives, and Water Treatment and Sulfur Derivatives also recorded year on year gains, while Pharma was lower only due to the exit of glycine activities by the end of 2010. REBITDA nearly doubled, driven mainly by a strong recovery for Organic Chlorine Derivatives and an improved result for Pharma.

Analysis of the main risks

The main risk factors and uncertainties for Tessenderlo Group are listed below. Additional risks of which Tessenderlo Group is not aware may possibly exist. There may also be risks that Tessenderlo Group currently believes to be unimportant, but which could still have an adverse effect. The order of the risk factors described below is not an indicator of their probability of occurence nor the extent of their financial implications.

The main risks identified were classified into four categories: strategic, operational, financial and external risks.

Strategic risks

Risks relating to the strategy are linked to the choice of the product portfolio, markets and business models. The strategic choices of the business units can strongly influence the results of the group.

Tessenderlo Group seeks to manage these risks through:

- a careful analysis of the attractiveness of the market(s), the competitive position of the business units, and the conformity with the group strategy when drawing up the strategy of each business unit;
- a continuous, careful review (due diligence) of acquisitions, joint ventures and divestments, depending on the needs and strategy of the group, and to limit potential liabilities ('representations and warranties');
- the geographic spread of operations.

Operational risks

Risks relating to safety

Certain Tessenderlo Group activities can significantly harm people or the environment, or in the case of accidents, have serious consequences. Transport and storage may also entail certain risks.

These risks are reduced as much as possible by:

- a system for the management of process risks. Concrete measures such as preventive maintenance, critical spare parts inventory and strict operating procedures further contribute to managing production risks;
- safety audits by the Risk Management department, including some in cooperation with the insurers;
- constant attention to - and awareness of - various safety aspects and the associated best practices.

Risks relating to the adherence to guidelines

These risks involve failure to comply in full with internal or external laws, policies or instructions. They can have a significant negative impact on the *cash flow and results, and give rise to potential lawsuits.*

Tessenderlo Group monitors the proper compliance with internal policies and guidelines through an Internal Audit system. The Audit Committee monitors this system.

Risks relating to Human Resources (HR)

Ongoing challenges are ensuring there are sufficiently motivated and qualified staff in the right places, and meeting financial obligations with respect to the pension plans.

The capacity of the group to achieve its long-term strategy, including operating results, depends on attracting, retaining, developing and motivating its employees, insofar as failure in this task could be a decisive factor for the performance of the group and its success in achieving its strategy.

As part of the group strategy, it is important to increase the global presence and activities of the organization. The group's portfolio is also shifting so that specialized products and services will be an ever-increasing part of the group results. Given that these developments require significant change, not having sufficient change management skills and/or career succession planning may be a significant risk to the achievement of the objectives of the group.

To ensure the attraction as well as the retention of talent within the company, the group has taken significant actions during 2011 to strengthen its HR organization. This includes the appointment of a new Group HR Director and two new HR business partners, an extensive assessment of the group's Leadership Team which in turn has been used to develop succession plans, and further progress in talent management. In addition, the group is adjusting its compensation programs covering both short-term and long-term incentives.

Pension plans have assets invested in stocks and bonds, which are subject to volatility in financial markets. If Tessenderlo Group is obliged to pay increased contributions to pension plans, either due to the volatility of the financial markets or because of increased regulations, this could lead to less capital being available for other group objectives.

The group has taken measures to reduce its risk by replacing existing defined benefit by defined contribution pension schemes.

Risks related to Information Technology (IT)

Tessenderlo Group's operations make extensive use of, and are therefore reliant upon, IT systems and networks. Should these systems and networks be *disrupted, the functioning of the group can be compromised.*

Tessenderlo Group takes the necessary measures to ensure the security of IT systems and provides the required back-ups. Disaster recovery plans ensure that the impact of any malfunction is minimized, and that operational activities are not compromised.

Financial risks[1]

Credit risk

Credit risk is the risk of default by a counterparty in relation to the sale of goods or rendering of services; this may negatively affect cash flow.

In order to limit this risk, Tessenderlo Group has implemented a credit policy with requests for credit limits, approval procedures and a continuous monitoring of credit risk. In addition, the collection of a part of the outstanding credit is outsourced ("non-recourse factoring").

Liquidity risk

Liquidity risk is the risk that a company has insufficient resources to fulfill its financial obligations at any time. Failure to meet financial obligations can result in significantly higher costs, and it can negatively affect reputation.

In order to limit this risk, the group took a series of actions:

- set up of a non-recourse factoring program for up to 200 million EUR at the end of 2009;
- put in place a 500 million EUR syndicated facility to provide liquidity to the group with maturities of 18 months and three years in February 2010;
- launch of a private placement bond with a maturity of five years in October 2010;
- enter into a Brazilian loan with a duration of 12 years for 56 million BRL (23 million EUR) in October 2010;
- amendment of the syndicated facility entered into in February 2010 with a resultant increase of the maturity to five years, with more flexibility for the businesses (total amount of 450 million EUR) in April 2011.

Furthermore, the group makes short and long-term forecasts on a regular basis to match the financial resources to the projected needs.

Risks relating to prices of products and raw materials

The availability and prices of raw materials fluctuate, and thus can have a major impact on profitability. The value of the stocks of finished products can decline in price due to the supply and demand balance. In addition, energy prices are also an unpredictable factor that can affect profitability.

The group manages these risks through:

- constantly evaluating the purchasing strategy;
- sharing the risks of impairment of stocks with suppliers;
- prioritizing the creation of a sustainable energy strategy;
- spreading the dependence on suppliers as much as possible;
- having an appropriate relationship between purchase and sales prices.

Currency risk

The currency risk is the risk that cash flow may be affected by fluctuations in exchange rates. The group is exposed to currency risk on sales, purchases and borrowings denominated in currencies other than the EUR, the functional currency of the group. The currencies giving rise to this risk are primarily the U.S. dollar (USD), British pound (GBP), Polish zloty (PLN), Chinese yuan (CNY), Argentine peso (ARS), Brazilian real (BRL) and Hungarian Forint (HUF).

Subsidiaries are required to submit information on their net foreign exchange positions when invoiced (customers, suppliers) toTessenderlo Finance NV, a Belgian subsidiary. All the positions are netted at the level of Tessenderlo Finance NV and the net positions (long/short) are then sold or bought on the market. The main management tools are the spot purchase and sales of currencies followed by currency swaps.

1 For a more detailed overview of the financial risks relating to the situation in 2011, and the policy of Tessenderlo Group relating to the management of such risks, please see the section Financial Instruments in the Financial Report, Note 28.

Interest rate risk

Changes in interest rates may cause variations in interest income and expenses resulting from interest-bearing assets and liabilities. In addition, they can affect the market value of certain financial assets, liabilities and instruments as described in the notes to the financial statements.

The group hedges the interest risk through different instruments such as cross currency interest rate swaps and interest rate swaps.

At the reporting date, the interest rate exposure of the group's interest-bearing financial instruments was:

(Million EUR)	2011	2010
Fixed rate instruments		
Financial assets	4.3	86.5
Financial liabilities	195.6	287.7
Variable rate instruments		
Financial assets	30.6	64.0
Financial liabilities	66.7	31.1

External risks

Risks relating to changing legislation

The group's activities are subject to strict laws and regulations, including those related to health, safety and the environment. These can change over time. Where they are not always fully complied with, legal problems can arise.

The group follows the relevant legislation proactively, and implements any new guidelines at all sites.

Risks relating to economic conditions and financial markets

The group is exposed to the risk of deterioration in the global economy, which can lead to a global recession or a recession in one or several of the major geographic markets. It is also exposed to credit and capital market volatility and economic and financial crises, which can have a negative influence on the results, given that some of the operating segments are closely linked to general economic conditions.

Health, safety, environment and quality

Tools

In the course of 2011, Tessenderlo Group companies have continued to implement ISO Quality, Environment and Food Safety management systems. These management systems are useful tools to further improve the group HSEQ performance. Therefore, the group will continue to place emphasis on having the appropriate management systems in place.

Group safety performance

In 2011, across Tessenderlo Group, there have been significant improvements in the safety performance of the company. These improvements have taken place consistently across the different businesses. Safety performances as measured by frequency rate, severity rate and total recordable injury rate all improved year on year compared to 2010 with 19% or more.

Achievements

During 2011, the business unit Plastic Pipe Systems (PPS) significantly improved its safety performance. The frequency and severity indices improved by more than 30% during the year. These improvements are the result of a holistic approach that consists of various elements including STOP (Safety Training Observation Program) and Hearts and Minds safety programs. To make further progress, a safety maturity scan was held, which revealed that PPS scored 3.5 on a scale of 0-5. As a consequence, a full program is being developed, which includes behavioral and cultural elements, with the aim to continuously improve safety performance.

2011 also saw the complete phase out of all lead containing stabilization packages in all PVC-based products across the PPS production plants. This is in line with the Vinyl2010 and Vinlyplus European PVC industry commitments with regard to the phase out of the use of heavy metals in PVC stabilizer packages.

The Inorganics plant in Rotterdam, producing feed phosphates, established a comprehensive communication plan in case of calamities. This should not only reduce the impact of major accidents on the employees, communities living in the vicinity of the plant and local environment, it should also improve the quality, speed and transparency of the emergency response.

The global Gelatin business is in the process of achieving full Food Safety System Certification FSSC 22000. Five plants have already achieved FSSC 22000 or ISO 22000 certification: Argentina, USA, China (Wenzhou), Belgium and Germany. The new gelatin factories in Brazil and China (Heilongjiang) will follow in due course, as will the existing plant in Treforest (UK).

The gelatin factory in Treforest (UK) invested in a dissolved air flotation technology wastewater treatment facility. This technology removes suspended solids from waste water with an effectiveness greater than 90%. The solids are thus recovered and given a second life as fertilizers. In addition, this investment has reduced the waste load of the waste water normally treated by the local community waste water treatment plant.

Akiolis has an extensive logistics operation and as a consequence, logistics fuel consumption is a relevant metric. Akiolis has managed to reduce the fuel consumption per ton of collected raw materials by 2%, when comparing 2011 to 2010. This was achieved through many initiatives such as a 2011 pilot program providing eco-driving training for its truck drivers. Furthermore, Akiolis computerized the route planning for truck drivers in order to minimize the distances travelled to collect raw materials. This has reduced the number of kilometers driven per ton of raw materials collected and transported. All in all, several initiatives aim to continuously drive down the energy required for collection and transportation of raw materials.

Remediation of historical environmental issues

Similar to many companies which have or had activities in the chemicals sector, Tessenderlo Group has a number of historical environmental issues, which are planned to be gradually remedied.

For example, plans have been made and are being carried out for the remediation of historical soil and groundwater contamination of the factory sites in the Limburg region of Belgium. The work on this remediation continues unabated.

In 2011, a soil remediation project was filed and subsequently approved by the competent authorities for the remediation of a historic sludge basin near the Ham (Belgium) site. The sludge will be removed and stored at the nearby Veldhoven existing sludge basin. As a result, about six hectares of prime industrial land adjacent to the Albert canal will be recovered. This work will be carried out during the period 2012 to 2015.

At the production site of Ham in Belgium, there was a sudden increase of the emissions to air of hexachlorobenzene (HCB) during early 2011 due to unexpected oversaturation of carbon filters. As a result, the affected carbon filters were replaced and the total carbon filtering capacity was increased by a third. Until the replacement and the expansion of the carbon filter system took place, HCB emissions exceeded the annual limit above which the relevant authorities need to be informed. The necessary corrective actions are now in place, and the appropriate authorities have been informed. To the best of the company's knowledge, there was no risk towards personnel or neighbors.

Human resources

2011 was a year of substantial progress for Tessenderlo Group's Human Resources (HR) community. Following the appointment of a new Group HR Director in April, the group established the concept of HR business partners as a new role. This move aims to take the business perspective into account in the development of Group HR programs, tools and procedures, based upon an optimal dialogue between the businesses and Group HR on strategic HR topics. To ensure the success of this important development, two new professionals with extensive experience were added to the group's HR Leadership Team. Also during the year, the group took further steps in developing its talent resource plans, as well as its succession planning for key roles. As part of this, an important investment was made in performing 360 degree assessments for each member of the group's Leadership Team. Another milestone was the launch of a Group Learning Committee in November, comprising members from the businesses, functions and regions. This committee started to prepare a plan to develop the group's "leadership of tomorrow". The first proposals will start to be implemented in 2012.

A significant step has been taken by developing an inspiring and sincere HR Mission Statement. This Mission Statement is intended to be a concise expression of what the HR community in Tessenderlo Group stands for. It captures the essence of why this community exists, and what it aspires towards in terms of its nature, its essential values and its work. This Mission Statement will be a constant reflection of those things for which the HR community in the Tessenderlo Group strives and will guide its behaviors and goals.

The Mission Statement is:

"to be a professional and connected HR community that courageously and positively inspires, drives and enables people in the creation of a sustainable, innovative and global Tessenderlo Group enterprise"

Further information on the Mission Statement can be found on: http://www.tessenderlo.com/careers/

Group Rewards made further progress on implementing the changes set out in 2010. Tessenderlo Group believes in a broad vision on reward where tangibles such as base pay, short and long-term variable incentives, benefits and perquisites can only result in a high performing organization if they are combined with intangibles such as inspiration and values, future growth opportunities and an enabling environment where recognition and empowerment are key.

This reward vision is translated into a clear and transparent contribution-based pay mix that drives performance, enhances competencies and recognizes talent.

Based on a group grading system as common language to speak about job levels, the group ensures internal equity and external equity with the market, positioning itself according to the business strategy and diversified activities where the group is present.

In 2011, Tessenderlo Group further increased the focus on a performance-based pay mix and good governance by increasing the variable pay element in the total reward package, increasing the impact of personal contribution to the business success, as well as financial achievement of the group.

The number of employees in December 2011 was 7,457, which represents a decrease when compared to 2010. The decrease is mostly attributable to the divestment of PVC/Chlor-Alkali, part of Organic Chlorine Derivatives, and Profile activities in the US and Canada. On the other hand, new employees joined the group primarily as a result of the acquisition of BT Bautechnik Group, staffing of two new gelatin plants (one in Brazil, one in China) and a new compound production site in China.

Innovation, research & development

Tessenderlo Group continuously searches to improve its own performance and that of its customers by way of innovation. This can range from the development of new products, to new ways of making an existing product, to better services for customers. Innovation not only results from market insights and research, but also from creative ideas from employees across departments working together. As well, partnering with customers has proven to be a real source of innovation and has resulted in shared benefits for both parties.

Developed by agronomists at **Tessenderlo Kerley**, K-ROW 23™ was launched as a chloride free solution, providing potassium and sulfur nutrients for starter fertilizer applications. K-ROW 23 can be used as a row application, is seed safe when used at recommended rates, and has shown to be one of the safest materials tested in university germination trials. By adding this new product to its industry-leading range of sulfur-based crop nutrients, Tessenderlo Kerley gives growers the opportunity to get a stronger start to their growing seasons, and to harvest more robust plants with better yields.

In another example of innovation to support its agriculture customers, based on market and technical insights, experts in the **Inorganics** business have developed K-Leaf™ fertilizer. This new premium grade offering is a foliar application, and confirms Tessenderlo Group as the clear leader in soluble potassium sulfate fertilizers. It also presents significant new opportunities to broaden the Inorganics range of applications from cash crops such as fruit and vegetables, to broad acre crops like grains, soya, and cotton.

Through innovation, **Plastic Pipe Systems** (PPS) launched a new product Axedo 600, as well as made process improvements which deliver benefits to its customers.

During 2011, PPS launched the Axedo 600 inspection chamber in all of its markets. This injection-molded chamber is a further enhancement to the PPS offering for storm and road-water solutions. By taking advantage of recent developments in system inspection and maintenance equipment, such as cameras and cleaning equipment, surveillance and maintenance operations can now be done at ground level. This means for structures that do not require personnel access, the Axedo 600 inspection chambers offer a replacement solution for the traditional concrete inspection chambers. Finally, due to its design, Axedo 600 inspection chambers can be installed underground with the knowledge that they will remain in place, even in the presence of underground water.

The second project relates to the use of a 3-dimensional drawing platform which several different parties use to generate a single drawing for a building.

PPS partnered with customers to translate plastic pipe systems requirements into this building information model (BIM), which contains the full offering range for the pipe system for internal drainage. Working together with customers, a reviewed and improved system was launched, which has led to greater customer satisfaction. This was recently recognized at the VSK, the most important exhibition for heating, climate control and sanitary systems in the Benelux, where a large billboard featured customer testimonials of their appreciation of this innovation.

The opening of the UK's largest and most advanced PVC recycling facility made by Tessenderlo Group's **Profiles** business has led to two innovative new ways of supporting its customers and end users. Firstly, closed-loop recycling offers a significant sustainability benefit. Closed-loop recycling is when old 'post-consumer' PVC-U window frames being replaced are re-used to make new PVC-U profile products, instead of being sent to landfill waste sites. By significantly increasing its recycling capacity, Eurocell can now process up to 12,000 old window frames per week, reducing its dependence on natural resources to manufacture new, "virgin" PVC-U. The second major benefit is the production of energy-efficient products, which creates a double sustainability benefit. Eurocell uses the post-consumer PVC-U to manufacture its window profile and Cavalok cavity closer systems. The resulting products are amongst the most energy-efficient in the UK, used to create ultra energy efficient low and zero carbon buildings.

Eurocell also launched the Aspect panoramic door system in 2011. This patented folding sliding door system was developed following extensive market research, and its affordability makes this aspirational product accessible to new segments of the market. Its unique features include a dummy mullion-free design, allowing a traditional door look and feel - highly unusual with PVC-U doors. A special trim hides all gaskets for improved aesthetics, and the bespoke hardware package is finished off by a unique interior D-handle which combines stunning design with intelligent operation features. Aspect combines market-leading aesthetics and design with affordability - a powerful combination resulting in early commercial success.

The group's **Compounds** business developed a new formula for its Green Tefabloc® line of thermoplastic elastomers by replacing calcium carbonate with oyster shell powder. This creative approach is generated from a natural by-product which is renewed within five years, thereby avoiding the quarrying of chalk. The thermoplastic elastomers containing oyster shell powder have the same properties as if they contained quarried chalk, and they support customers who increasingly demand sustainable solutions from their suppliers.

In addition, in collaboration with a major auto manufacturer, the Compounds business has developed light weight PVC-slush compounds called Marvyflo® Light Weight. These compounds are used for the molding of instrument panel skins and other interior automotive surfaces. They can contain 30% renewable resources – palm and soya bean oil - and reduce the weight of the instrument panel surface by at least 10%, while not requiring any major processing changes from the customer. This innovation delivers multiple benefits: lower weight, a key demand of automotive customers, which in turn supports lower fuel consumption demanded by consumers, while at the same time providing a high degree of design freedom and an improved cost-performance ratio.

Tessenderlo Group's **Pharmaceutical Intermediates** business also came up with a process innovation. This innovation resulted in reducing manufacturing time, eliminating the use of a chlorinated solvent, as well as a base and an aqueous work-up, while maintaining the same high quality level and strictly respecting European regulations.

Corporate governance statement

Transparent management

Tessenderlo Chemie NV accepts the Belgian Corporate Governance Code 2009 as its reference code, and subscribes to the principles of corporate governance outlined in this code. To the extent the company does not comply with any provision of the code, this is indicated in the relevant section of this Corporate Governance Statement, together with the reasons for such non-compliance. The Belgian Corporate Governance Code can be consulted at: http://www.corporategovernancecommittee.be/en/home/

The company's adherence to the principles of Corporate Governance is reflected in the Corporate Governance Charter (hereinafter referred to as the "Charter") adopted by the Board of Directors on November 10, 2005. As a result of a change in the management structure of the company whereby the functions of Chairman of the Board and CEO were split, the Charter was adapted by decision of the Board of January 7, 2010. It was further amended by decision of the Board of December 22, 2010 to bring it in line with the law of April 6, 2010, particularly with respect to the role and responsibility of the Appointment and Remuneration Committee, and by decision of the Board of December 21, 2011, a.o. to bring it in line with the law of December 20, 2010 (shareholders' rights) and amend the delegation of powers to the CEO. The Charter can be consulted on the website of Tessenderlo Group: http://www.tessenderlo.com/tessenderlo_group/governance/corporate_governance_charter/

Capital and shares

Capital

The capital of Tessenderlo Chemie NV at December 31, 2011 amounts to 147,900,000 EUR represented by 29,531,058 ordinary shares.

By decision of the Extraordinary General Meeting of June 7, 2011, the Board of Directors was granted the authority to increase the capital in one or more times, during a five year period, up to a maximum amount of forty million (40,000,000) EUR, exclusively for (i) capital increases reserved for the personnel of the company or of its affiliates, (ii) capital increases in the framework of the issue of warrants in favor of certain members of the personnel of the company or of its affiliates and, possibly, in favor of certain persons who are not part of the personnel of the company or of its affiliates, (iii) capital increases in the framework of an optional dividend, whether in this respect the dividend is directly distributed in the form of shares or is directly distributed in cash and afterwards the paid cash can be used to subscribe to shares, the case being by means of a surcharge and (iv) capital increases carried out by conversion of reserves or other entries of equity capital, so as to enable to round the amount of the capital to a convenient rounded amount.

In its meeting of June 6, 2011, the Board of Directors has decided to offer to pay the 2010 dividend in shares and/or in cash. As a result of the choices made by shareholders, 722,809 new ordinary shares were issued out of the authorized capital. In its meeting of October 26, 2011, the Board of Directors has decided to issue warrants in the context of Plan 2011 (see in this respect, section Warrants). In the context of this warrant issue, the right of preference of the shareholders has been annulled. The main conditions of the warrant issue are reflected in section Application of art. 523 of the Companies Code.

The issue of the warrants can lead to a maximum financial dilution of 0.22%, dilution of dividend and voting rights of 1.13%, dilution of equity of 0.07% and aggregate financial dilution (taking into account all warrants issued under Plan 2007-2011 and under Plan 2011) of 0.65%[1].

Shares

The share capital is represented by 29,531,058 shares without par value, entitling the shareholder to one vote per share.

All Tessenderlo Chemie NV's shares are admitted for listing and trading on Euronext Brussels.

Warrants

Per December 31, 2011, there were in total 1,174,389 warrants (for which the acceptance period had lapsed) which were exercisable or which will become exercisable in the future. These warrants have been issued in the context of the Plan 2002-2006 (issue of bonds cum warrant), the Plan 2007-2011 (issue of naked warrants) and the Plan 2011 (issue of naked warrants).

On October 26, 2011, Tessenderlo Chemie NV issued 350,000 warrants under the Plan 2011 under the condition precedent of their acceptance on or prior to December 25, 2011. The exercise price is 21.72 EUR. 337,733 warrants were accepted.

The detail of the outstanding warrants on the date of this statement is as follows:

Tranche	Exercise period	Number of warrants	Exercise price
Tranche 1 (2002)*	2006-2012	9,800	25.87 EUR
Tranche 2 (2003)**	2007-2015	9,800	26.45 EUR
Tranche 3 (2004)**	2008-2016	31,400	31.69 EUR
Tranche 4 (2005)**	2009-2017	31,400	27.11 EUR
Tranche 5 (2006)**	2010-2018	59,040	30.02 EUR
Tranche 1 (2007)**	2011-2017	92,425	43.10 EUR
Tranche 2 (2008)	2012-2013	130,750	23.08 EUR[2]
Tranche 3 (2009)	2013-2014	192,542	21.96 EUR[3]
Tranche 4 (2010)	2014-2015	279,499	24.01 EUR[4]
Tranche 2011	2015-2016	337,733	21.72 EUR[5]
TOTAL		1,174,389	

* Exercise period prolonged by 3 years - ** Exercise period prolonged by 5 years

1 Calculations of dilution made on the basis of the same assumptions as those underlying the dilution calculations attached to the special report of the Board of Directors of October 26, 2011, drafted at the occasion of the decision to issue warrants under Plan 2011, except that here, the number of warrants effectively issued under Plan 2011 have been taken into account, not the number of warrants which could theoretically have been issued under said plan.
2 In deviation of the above mentioned price, the exercise price for the French beneficiaries is 22.07 EUR and for the US beneficiaries is 22.09 EUR.
3 In deviation of the above mentioned price, the exercise price for the US beneficiaries is 22 EUR, while also warrants were granted with an exercise price of 26.47 EUR.
4 In deviation of the above mentioned price, the exercise price for the US beneficiaries is 24.72 EUR.
5 In deviation of the above mentioned price, the exercise price for the US beneficiaries is 22.29 EUR.

The maximum number of shares that can be created in the future, on the basis of the aforementioned warrants, is 1,174,389.

Treasury shares

On December 31, 2011, neither Tessenderlo Chemie NV nor any of its subsidiaries held Tessenderlo Chemie NV shares.

Shareholders and shareholders structure

Tessenderlo Chemie NV's main shareholder is the French company Société Nationale des Poudres et Explosifs (SNPE), 99.9% owned by the French state. On October 30, 2008, SNPE made a transparency declaration in accordance with the Law of May 2, 2007[1]. On a voluntary basis, SNPE informed Tessenderlo Chemie NV that at the end of August 2011, it held 7,847,863 shares, resulting in a shareholding of 26.6%.

No other transparency notifications have been received.

On the basis of this information, the distribution of the shares at December 31, 2011 in Tessenderlo Chemie NV is as follows:

SNPE	26.6%	7,847,863 shares
Not negotiable shares (held by personnel or former personnel)	1.0%	304,504 shares
Free Float	72.4%	21,378,691 shares

The shares issued to the benefit of the personnel, are not negotiable during a period of five years from the date of issue. This period can only be shortened in the case of events limitatively enumerated in the law or, in the case of modification of the legal provisions, by special decision of the Board of Directors. The final listing of these shares will only occur at the end of the said five year period.

Board of Directors

Composition

At December 31, 2011, the composition of the Board of Directors of Tessenderlo Chemie NV was as follows:

Non-Executive Directors	Mandate until
Gérard Marchand - Chairman	(June 2014)
Valère Croes	(June 2013)
Antoine Gendry	(June 2013)
Michel Nicolas	(June 2014)
François Schwartz[2]	(June 2015)

Independent Non-Executive Directors[3]	Mandate until
Philippe Coens	(June 2015)
Dominique Damon	(June 2015)
Baudouin Michiels	(June 2015)
Thierry Piessevaux	(June 2015)
Alain Siaens	(June 2014)
Karel Vinck	(June 2015)

Executive Director	Mandate until
Frank Coenen – CEO	(June 2013)

1 At that time it informed Tessenderlo Chemie NV that SNPE held 7,186,689 shares in Tessenderlo Chemie NV.

2 François Schwartz has resigned as Director of the company, with effect as of February 15,2012. The Board of Directors, in its meeting of March 28, 2012, has coopted Guy de Gaulmyn as Director of the company in replacement of François Schwartz.

3 Pursuant to paragraph 4.10 of the Charter, a Director is considered to be independent if he or she at a minimum complies with the independence criteria provided for under art. 526 of the Companies Code. When assessing the independence of a Director, the requirements set out under appendix A of the Belgian Corporate Governance Code are also taken into account. According to the information available to the Board of Directors, the independent Directors of Tessenderlo Group all comply with the aforesaid independence criteria. No exceptions were reported to the Board.

At the Annual General Meeting of shareholders of June 7, 2011 the Director mandate of Baron Paul de Meester, Bernard Pache and Jaak Gabriels ended. At that date, Philippe Coens and Ms. Dominique Damon have been appointed as independent Directors of the company.

All Board of Directors meetings were attended by the Chief Financial Officer and the Chief Legal Officer; other members of the management attended certain meetings.

Anne Mie Vanwalleghem assisted at all Board meetings as Secretary of the Board.

The composition of the Board of Directors fulfils the objective of assembling complementary skills in terms of competencies, experience and business knowledge.

Activities

During 2011, the Board's main areas of discussion, review and decision were: review and approval of the group's long-term strategy and budget, of the financial statements and reports, and of the debt refinancing, including the renegotiation of the syndicated facility; evaluation of a number of investment and divestment projects including the sale of the PVC/Chlor-Alkali business, the revision of the Corporate Governance Charter, the reports of the Audit Committee, Strategy Committee and Appointment and Remuneration Committee, resolution proposals to the General Meetings of shareholders, the appointment of new Board members, the warrant plan, the remuneration policies for the CEO and Group Management Committee members, the evaluation of the Board of Directors, and the Enterprise Risk Management framework.

There were no transactions or contractual relationships between Tessenderlo Group companies and a member of the Board that could create a conflict of interest not covered by the legal rules on conflicts of interest.

During 2011, the Board of Directors pursued an induction program for its two new Directors to cover various areas such as strategy, operational and finance matters, compliance and risk management, internal control and corporate governance.

Evaluation of the Board of Directors

In 2011, the Board of Directors conducted its bi-annual assessment of its functioning. This assessment intends to clarify the mission of the Board of Directors and aims to optimize its composition and operation, as well as its interaction with the CEO and the Group Management Committee. The assessment is conducted by the Chairman of the Board of Directors, and is performed by means of a questionnaire, to be filled out by the Board members. The completed questionnaires are collected by the Secretary of the Board and the results thereof are presented to the Board of Directors. Appropriate actions are taken on those items that require improvement. The next formal evaluation is scheduled for early 2013.

Board Committees

General

The following Committees have been established within the Board of Tessenderlo Group:

- **The Appointment and Remuneration Committee**
- **The Audit Committee**
- **The Strategy Committee**

Please refer to the Charter for a description of the operations of the various Committees on the following link: www.tessenderlo.com/tessenderlo_group/governance/corporate_governance_charter/

Appointment and Remuneration Committee

At December 31, 2011, the Appointment and Remuneration Committee was constituted as follows:

- **Karel Vinck (Chairman)* (Independent)**
- **Antoine Gendry**
- **Valère Croes**
- **Thierry Piessevaux (Independent)**
- **Alain Siaens (Independent)**

*Until June 7, 2011, the Appointment and Remuneration Committee was chaired by Baron Paul de Meester. Mr Karel Vinck succeeded him as Chairman.

The Appointment and Remuneration Committtee met five times during 2011.

The Chairman of the Board of Directors attended, with an advisory vote, the meeting dealing with the remuneration, objectives and performance review of the CEO. The CEO attended, with advisory vote, the meeting dealing with the remuneration and objectives of the GMC members, other than himself. The Group HR Director attended the meetings dealing with remuneration issues.

Activities

In 2011, the Appointment and Remuneration Committee discussed the Board selection process and procedure, made a recommendation for the selection of new Board members, reviewed the organization structure and the composition and remuneration of the Group Management Committee, and advised the Board on the grant of stock options to be awarded to the members of the Group Management Committee and the Leadership Team.

Audit Committee (including justification required by art. 119, 6 ° Companies law)

At December 31, 2011, the Audit Committee was constituted as follows:

- **Valère Croes (Chairman)**
- **Baudouin Michiels (Independent)**
- **Thierry Piessevaux (Independent)**
- **François Schwartz**
- **Alain Siaens (Independent)**

The Audit Committee met four times during 2011.

The CFO, the Internal Auditor, the Group Director Controlling, Consolidation & Accounting, the Director Risk Management, Internal Audit and Internal Control as well as the statutory auditor attend the meetings of the Audit Committee. Until March 31, 2011, risk management was under the responsibility of the Chief Legal Officer, who attended the meetings. The company fulfils the legal requirement that its Audit Committee has at least one independent Director with the necessary accounting and audit expertise. The members of the Audit Committee fulfill the criterion of competence by their own training and by the experience gathered during their previous functions (various members of the Audit Committee are or have been also member of Audit Committees of other listed companies; Mr. Alain Siaens is Chairman of a financial institution and Emeritus professor of Economics, and Honorary Chairman of the Belgian Association of Financial Analysts). In compliance with the Charter, the majority of the members are independent Directors.

Evaluation of Audit Committee

In 2011, the Audit Committee reviewed and evaluated its functioning. All members of the Audit Committee agreed to pursue this evaluation with the completion of a self-assessment questionnaire on an anonymous basis, and the results have been gathered by the secretary of the Audit Committee. The results of the self-assessment exercise of the Audit Committee and the areas where the functioning of the Audit Committee could be improved have been addressed to the Audit Committee, and the necessary actions have been taken.

Activities

In addition to reviewing the quarterly financial statements and quarterly financial results press releases, the Audit Committee heard reports from the external auditors on the follow-up of actions taken to remedy certain IT system weaknesses and on the effectiveness of the internal control framework. The Audit Committee also heard the Internal Auditor on the Internal Audit program for 2011, the results of the internal audits which had been carried out, as well as on a review of the follow-up actions taken by the company to remedy certain weaknesses identified by the Internal Audit Department. Further, the Audit Committee reviewed the status of an Enterprise Risk Management system, implementation of the internal control system, and analyzed the new financing structure of the group. It also examined and approved a new Internal Audit Charter.

The Audit Committee monitored the procedure for non-audit services, which was introduced in order to increase transparency and avoid conflicts of interest.

Strategy Committee

Gérard Marchand (Chairman)
Antoine Gendry
Baudouin Michiels (Independent)
Karel Vinck (Independent)
Bernard Pache (independent)*

* Until the end of his mandate as a Director (June 2011)

The Strategy Committee met five times in 2011.

Activities

The Strategy Committee reviewed the strategy of the group, with a specific focus on each of the business units. It analyzed all strategic acquisitions and divestments (as defined by the Corporate Governance Charter), with particular attention to the sale of the PVC/Chlor-Alkali activities. The recommendations of the Strategy Committee for these matters were submitted to the Board of Directors.

The CEO and the CFO attended all of the Strategy Committee meetings.

Attendance rate to the Board of Directors meetings and the special committees meetings in 2011

	Board of Directors	Audit Committee	Strategy Committee	Appointment and Remuneration Committee
Number of meetings in 2011	7	4	5	5
Gérard Marchand	7/7		5/5	
Frank Coenen	7/7			
Philippe Coens [1]	3/4			
Valère Croes	7/7	4/4		5/5
Dominique Damon [1]	4/4			
Antoine Gendry	7/7		5/5	5/5
Baudouin Michiels	7/7	4/4	5/5	
Michel Nicolas	7/7			
Thierry Piessevaux	7/7	4/4		5/5
François Schwartz	7/7	4/4		
Alain Siaens	6/7	4/4		4/5
Karel Vinck [2]	6/7		5/5	2/2
Paul de Meester [3]	1/3			2/3
Jaak Gabriels [3]	2/3			
Bernard Pache [3]	3/3		2/2	

1 Mandate as from June 7, 2011 (Annual General Meeting).
2 Karel Vinck was appointed as member of the Appointment and Remuneration Committee on October 26, 2011.
3 Mandate ran until June 7, 2011 (Annual General Meeting).

Group Management Committee (GMC)

Roles and responsibilities

Composition

As per December 31, 2011, the GMC of Tessenderlo Chemie NV was constituted as follows:

Frank Coenen	Chief Executive Officer
Mel de Vogue	Chief Financial Officer
Rudi Nerinckx	Chief HR Officer*
Jettie Van Caenegem	Chief Legal Officer
Eddy Vandenbriele	Director Risk Management, Internal Audit & Internal Control
Jordan Burns	Director Tessenderlo Kerley business group
Pol Deturck	Director Chemicals business group
Jan Vandendriessche	Director Organic Specialties business group
Albert Vasseur	Director Plastics Converting business group

* Title changed from Group HR Director to Chief HR Officer as of February 2012

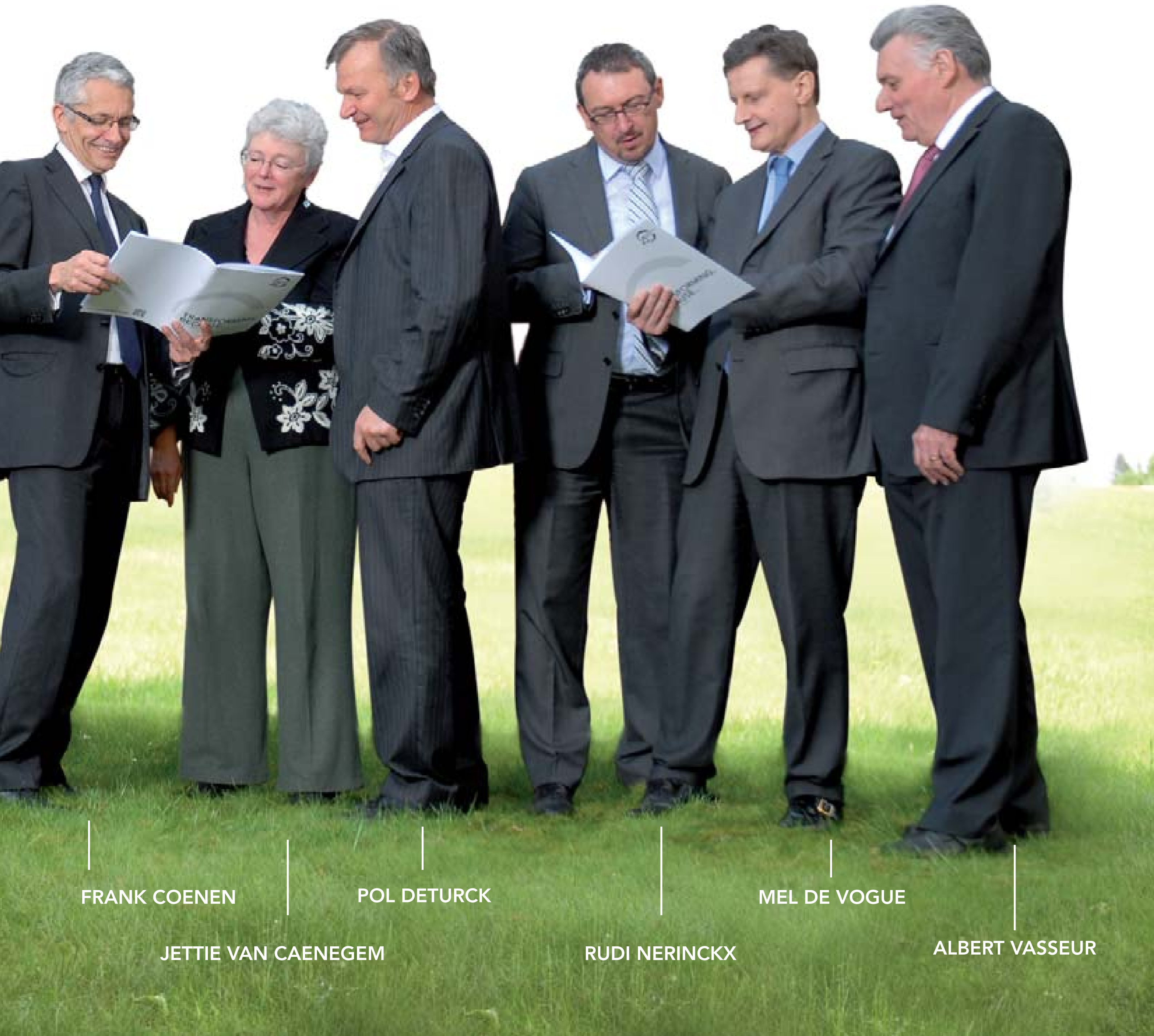
Evaluation

The CEO evaluates annually the performance of each of the members of the GMC through a performance appraisal. The evaluation is done taking into account the responsibilities of the GMC members based on KPI's (Key Performance Indicators) fixed in line with the group's strategy.

Operation

In principle, the GMC meets once a month. The meetings of the GMC were also attended by the Strategic Planners, Vincent Wille (until June 2011) and Geert Gyselinck (from August 2011), secretaries to the GMC. Members of the group support services were invited to present various topics.

The GMC can validly deliberate only if at least half of its members



are present or duly represented. The GMC aspires to arrive at decisions by consensus. If no consensus can be found, the CEO decides.

The CEO reports to the Board of Directors about the strategic decisions taken within the GMC.

The GMC convened 11 times during 2011. The attendance rate was 100%.

Remuneration report

Non-Executive Directors (and the CEO in his capacity as Director)

Remuneration policy

It is the responsibility of the Board of Directors of the company to put forward proposals with regard to the remuneration awarded to the members of the Board of Directors to the shareholders.

The Appointment and Remuneration Committee puts forward proposals to the Board of Directors concerning:

- the remuneration for participating in the meetings of the Board and the Board Committees;
- the remuneration awarded for assignments related to special mandates.

In order to determine the remuneration of the Directors, a benchmarking exercise of similar Belgian companies is done with the assistance of an external consultant (Towers Watson), and a proposal is made to the Appointment and Remuneration Committee. The CEO, Executive Director, receives the same remuneration as the Non-Executive Directors for his role of Director. Membership of Committees entitles the participants to an attendance fee in line with the benchmark. Finally, the Chairman receives an additional fee for his responsibility as Chairman in line with the benchmark.

There is currently no intention to change the remuneration policy in the next two years. However, the benchmarking of the remuneration of the Directors will take place from time to time to reflect changes in market practices and changes in the scope of activities of the group.

Procedures applied during 2011 in respect of remuneration

No changes were brought to the remuneration policy for Directors.

Remuneration received

The Directors receive a fixed remuneration and reimbursement of travel expenses per meeting. The total annual fixed remuneration amounts to 53,679 EUR per mandate and is paid in the next year. In addition, attendance fees are awarded to the amount of 1,860 EUR per meeting of the Appointment and Remuneration Committee and Strategy Committee, and also for the Committee of Independent Directors set up in accordance with art. 524 of the Companies Code. The attendance fee for each meeting of the Audit Committee stands at 3,000 EUR per Director and at 4,500 EUR for the Director chairing the Audit Committee. Attendance fees for the committees are paid in the year in which the meetings are held; expense reimbursements are paid in the year in which the expenses are incurred.

The Chairman receives a fixed remuneration of 140,000 EUR, and the use of a company car and of a cell phone.

The Non-Executive Directors are not entitled to any kind of variable remuneration.

Member		Fees received in 2011 (in EUR)
Gérard Marchand (Non-Executive Director) Chairman	Fixed annual fee	140,000
	Total remuneration	**140,000**
Frank Coenen (Executive Director)	Fixed annual fee	53,679
	Total remuneration	**53,679**
Philippe Coens [1] (independent Non-Executive Director)	Fixed annual fee	186
	Travel fee	1,488
	Total remuneration	**1,674**
Valère Croes (Non-Executive Director) Chairman Audit Committee	Fixed annual fee	53,679
	Travel fee	3,472
	Audit Ctee. - attendance fee	18,000
	Appoint. and Rem. Ctee. - attendance fee	9,300
	Total remuneration	**84,451**
Dominique Damon [1] (independent Non-Executive Director)	Fixed annual fee	186
	Travel fee	1,984
	Total remuneration	**2,170**
Paul de Meester [2] (independent Non-Executive Director) Chairman Appointment and Remuneration Committee	Fixed annual fee	53,493
	Travel fee	496
	Appoint. and Rem. Ctee. - attendance fee	3,720
	Total remuneration	**57,709**
Jaak Gabriels [2] (independent Non-Executive Director)	Fixed annual fee	53,493
	Travel fee	992
	Total remuneration	**54,485**
Antoine Gendry (Non-Executive Director)	Fixed annual fee	53,679
	Travel fee	3,472
	Appoint. and Rem. Ctee. - attendance fee	9,300
	Strategy Ctee. - attendance fee	9,300
	Total remuneration	**75,751**
Baudouin Michiels (independent Non-Executive Director)	Fixed annual fee	53,679
	Travel fee	3,472
	Audit Ctee. - attendance fee	12,000
	Strategy Ctee. - attendance fee	9,300
	Total remuneration	**78,451**
Michel Nicolas (Non-Executive Director)	Fixed annual fee	53,679
	Travel fee	3,472
	Total remuneration	**57,151**
Bernard Pache [2] (independent Non-Executive Director)	Fixed annual fee	53,493
	Travel fee	1,488
	Strategy Ctee. - attendance fee	3,720
	Total remuneration	**58,701**
Thierry Piessevaux (independent Non-Executive Director)	Fixed annual fee	53,679
	Travel fee	3,472
	Audit Ctee. - attendance fee	12,000
	Appoint. and Rem. Ctee. - attendance fee	9,300
	Total remuneration	**78,451**

1 Appointment at the General Meeting of June 7, 2011.
2 End of the mandate at the General Meeting of June 7, 2011.

Member		Fees received in 2011 (in EUR)
François Schwartz (Non-Executive Director)	Fixed annual fee	53,679
	Travel fee	3,472
	Audit Ctee. - attendance fee	12,000
	Total remuneration	**69,151**
Alain Siaens (independent Non-Executive Director)	Fixed annual fee	53,679
	Travel fee	2,976
	Audit Ctee. - attendance fee	12,000
	Appoint. and Rem. Ctee. - attendance fee	7,440
	Total remuneration	**76,095**
Karel Vinck (independent Non-Executive Director)	Fixed annual fee	53,679
	Travel fee	2,976
	Strategy Ctee. - attendance fee	9,300
	Appoint. and Rem. Ctee. - attendance fee	3,720
	Total remuneration	**69,675**

Group Management Committee (GMC)

Remuneration policy

This section describes the guiding principles of the Group Reward policies relating to executive compensation. It aims to provide an overview of the executive compensation structure. The Appointment and Remuneration Committee defines the remuneration policy principles of the GMC members and submits them to the Board of Directors. The principle is to target a remuneration in line with market practice as to provide an attractive short and long-term reward program.

Tessenderlo Group's competitive landscape is changing fast. In order for the group to achieve its ambitions in such a challenging environment, it needs to be a high performance organization, resulting in a need for talented executives. The reward is designed to align performance of the individual members with the short and long-term business goals of Tessenderlo Group and the business units. By doing this the group creates a globally consistent framework for developing, rewarding and empowering its people. The reward allows the group to attract, retain and motivate the best talent, while operating a globally consistent reward framework that rewards the achievement of business objectives and that encourages the delivery of shareholder value.

The Group Reward principles are:

- **Alignment with the business strategy and linkage with the corporate goals & values**
- **Creation of a pay for performance culture**
- **Internal fairness and external competitiveness in order to enable the group to attract, retain & motivate talent**
- **Overall business affordability**

For the executive compensation, the group not only envisages short-term company performance, but puts the emphasis as well on long-term sustainability.

Each year, the Appointment and Remuneration Committee considers the appropriate compensation to be offered for the GMC based on recommendations from the HR department (Group Reward).

These recommendations result from a regular market study conducted by Towers Watson, and Hay for a second reference for non-Belgian functions, to ensure the competitiveness of the compensation packages and to stay in line with market movements.

Tessenderlo Group benchmarks the GMC's total cash compensation against a defined peer group of Belgian companies of similar size within the span of activities of Tessenderlo Group. Non-Belgian GMC members are benchmarked with reference to their local market. The actual compensation level for each individual member is set according to the benchmark and taking into account the member's performance and experience in relation to the benchmark.

Compensation of GMC members is reviewed on an annual basis by the Appointment and Remuneration Committee on the recommendation of the CEO, while compensation of the CEO is reviewed on the recommendation of the Chairman of the Board of Directors.

Compensation package

The GMC compensation package consists of the following items:

Base salary
Variable salary (including short and long-term variable plans)
Other compensation items

Details on the contents of each of these items are provided hereafter.

Base salary

The base salary compensates individual members as per market reference towards a peer group and with respect to their level of competence/experience and position within the group.

Variable compensation

I. Short-term variable compensation

Tessenderlo Group has developed a short-term variable compensation plan in order to ensure that all GMC members are compensated according to the overall performance of Tessenderlo Group as well as in relation to their individual performance in the year preceding the year in which the bonus is paid out.

The cash target bonus for the CEO has been increased during 2011 and varies between 0% and 100% of the base salary. The objectives measured over the calendar year are set on predetermined group financial objectives and personal objectives, established by the Appointment and Remuneration Committee. For 2011, the financial objectives of the group were set at ROCE, REBITDA and net result on equity levels. The personal objectives were linked to further progress in strategy execution and talent management processes within the group. The evaluation of the CEO target objectives against the realizations is done after the end of the financial year by the Appointment and Remuneration Committee and submitted for approval towards the Board of Directors.

For the other GMC members, the target cash bonus is set at a percentage between 25% and maximum 50% of salary depending on the function, geography and market practice. Payment of this percentage can vary between 0% and 200% based on performance. As such, some GMC members have received a higher 2011 target cash bonus versus 2010. Cash bonuses for business group Directors within the GMC consist of three performance components; one element relates to the group's financial performance (40%), another relates to the financial performance of the business group (30%) and the third relates to individual objectives (30%). For functional members of the GMC (HR, CLO, Risk/Audit), there are only two performance components, one relates to the group's financial performance (between 30% and 40%) and another relates to individual objectives (between 60% and 70%). For the CFO/IT Director, the group's financial performance component equals 50% and the individual objective component equals 50%. The business and/or individual objectives of the GMC members are set by the

CEO based on a cascade of the group's strategies and objectives. Objectives take into account specific circumstances in the field of activities or business units that each member manages. The GMC target objectives are evaluated on a calendar year basis; the evaluations are done after the end of the financial year by the CEO and submitted for approval towards the Appointment and Remuneration Committee and Board of Directors.

The short-term compensation plan does not explicitly provide any "claw-back" provisions.

II. Long-term variable compensation

In 2011, a one-year share option (warrant) plan was developed for both the GMC members as well as the Leadership Team. Different numbers of options were granted to the CEO, the Directors of the business groups and the functional Directors (CFO/IT, HR, CLO, Risk/Audit) within the GMC.

Subscription rights can only be exercised after three years and only for two consecutive years, except if extended by Board decision. The list of beneficiaries, being the GMC and the Leadership Team, is determined each year by the Board of Directors. The Board of Directors entrusts distribution to beneficiaries of these subscription rights to the Appointment and Remuneration Committee. Subscription rights are registered and non-transferable, except in case of death. The exercise price of options issued by the Board of Directors on October 26, 2011, with acceptance period until December 25, 2011, has been set at 21.72 EUR, and at 22.29 EUR for the sub plan in place for the United States.

Other compensation items

Members of the GMC (including the CEO) are eligible to participate in the extra-legal pension plan, a hospitalization plan, a life insurance plan, etc, which are also available to the members of the Leadership Team. No distinction is made in this respect. Since the GMC has members of different nationalities, plans may vary according to the local legal and competitive environment.

GMC members also benefit from certain other benefits such as a company car and representation allowance.

The CEO and GMC members participate in either a "defined benefit" plan or a "defined contribution" plan. The "defined contribution" plan applies to GMC members that have a Belgian employment contract which took effect on or after January 1, 2008. All GMC members that have a Belgian employment contract in effect before December 31, 2007, remain affiliated to the "defined benefit" plan. All these compensation elements are included in the compensation declaration. Jordan Burns participates in a 401K plan in the United States.

Changes in reward policy

The Appointment and Remuneration Committee of May 4, 2011 advised to issue a one year share option plan with a maximum of 350,000 options (warrants) to improve the alignment of the long-term incentive to the prevailing market practice, and long-term vision as per the Corporate Governance law of April 6, 2010. The Board of Directors, following the advice of the Appointment and Remuneration Committee, decided to issue options under such a one year share option plan. It was decided to no longer issue options under the Plan 2007-2011 as insufficient options were available under said plan to effect the above alignment. The overall number of share options attributed to the GMC members and the Leadership Team increased.

Apart from the number of available options for distribution, there were no changes in the new plan rules versus the old five year share option plan (Plan 2007-2011).

During 2012, a new long-term incentive plan for the GMC and Leadership Team will be proposed for approval by the Board upon recommendation of the Appointment and Remuneration Committee.

Furthermore, as the group is becoming more global, it is envisaged to conduct an international benchmark study on total direct compensation (base salary + short-term variable compensation + long-term variable compensation) for the CEO and GMC members during 2012, by defining an international peer group of companies acting as reference for the international benchmark study on total direct compensation[1].

Remuneration earned in 2011

CEO

Annual gross compensation earned by the CEO in 2011 is detailed below:

Component	Amount
Fixed compensation (excluding Director fees)[2]	527,875 €
Variable compensation (excluding options)	403,042 €
TOTAL	930,917 €
Pension[3]	60,102 €
Other benefits[4]	23,798 €

GMC (excluding CEO) gross compensation earned in 2011

Component	Amount
Fixed compensation[5/6]	2,117,081 €
Variable compensation (excluding Tessenderlo options)[5/6]	972,900 €[7]
TOTAL	3,089,981 €[8]
Pension[9]	223,297 €
Other benefits	218,370 €

1 Information in accordance with art. 96, §3, 2° d) Companies Code.
2 Total 2011 salary mass (including impact legal adjustment mechanisms) - excluding employer social security contributions.
3 Defined benefit plan: annual estimate service cost for 2011, as calculated by an actuary.
4 Other benefits include coverage for death, disability, work accident insurance, taxes (4.40%) on an additional personal contribution pension plan, meal vouchers, company car – all under the same conditions applicable to other Leadership Team members and the ruling approved by the Belgian tax authorities for representation allowances.
5 Excluding employer social security contributions.
6 Exchange rate used: 1 USD = 0.7184 EUR (for all conversions related to the US compensation package for Jordan Burns) - (2011 impact legal adjustment mechanisms included).
7 Some members convert variable compensation in fund options resulting in a deferral of payment for one year - value included.
8 Rudi Nerinckx joined as Group HR Director on April 1, 2011.
9 For the type of pension plan, see in this respect section Other compensation items, last paragraph.

Stock options (warrants) granted to GMC members

Stock options are awarded to GMC members after the Board of Directors' approval upon the recommendation of the Appointment and Remuneration Committee. The following table shows the respective number of options that were allocated to each member of the GMC during 2011, the number of options lost during 2011 (as the term for exercise elapsed) and the number of shares exercised during 2011:

Name	2011 grant	Exercise price	Value at grant*	Options time period elapsed in 2011	Options exercised in 2011
Frank Coenen	55,000	21.72 €	297,000 €	0	0
Pol Deturck	20,000	21.72 €	108,000 €	0	0
Jan Vandendriessche	20,000	21.72 €	108,000 €	0	0
Albert Vasseur	20,000	21.72 €	108,000 €	0	0
Jordan Burns	25,000	22.29 €	135,000 €	0	0
Mel de Vogue	25,000	21.72 €	135,000 €	0	0
Jettie Van Caenegem	15,000	21.72 €	81,000 €	0	0
Eddy Vandenbriele	12,000	21.72 €	64,800 €	0	0
Rudi Nerinckx	15,000	21.72 €	81,000 €	0	0

*Value of 5.4 EUR per option according to the binomial valuation model at October 25, 2011. IFRS reporting takes into account Black&Scholes methodology at the final date of acceptance (i.e. December 25, 2011).

Agreements on severance pay

The employment contracts of the European members of the GMC contain provisions recognizing part of the seniority built up with previous employers for purposes of calculating any termination indemnity. The employment contract of the American member of the GMC contains a termination indemnity equal to 1 ½ year's salary, in line with usual practice for this level of function.

Main features of the company Internal Control and Risk Management

Internal Control framework

Main features of the company's Internal Control framework.

Responsibilities

The Board of Directors approves the Internal Control framework and the Internal Control approach.

The Audit Committee monitors the implementation of the Internal Control framework and the effectiveness of the internal controls.

The company's local management is primary responsible for developing and maintaining an adequate Internal Control system.

The ultimate responsibility for day to day operations is delegated to the GMC. A Director reporting to the CEO is accountable for Internal Control, as well as Risk Management and Internal Audit. The Director of Internal Control reports directly to him.

The management determines the risk acceptance level and the levels of the residual risks that are acceptable. This defines the levels of internal control on the various processes with the objective to reduce possible misstatements of the parent's and group's financial statements. For achieving this objective, an Internal Control system must be implemented.

Scope of the Internal Control framework

The Internal Control system is based on the COSO Internal Control – Integrated Framework. In a first phase, the focus will be on the internal control over the financial reporting. This internal control process is designed to provide reasonable assurance regarding the reliability of the financial reporting. This will especially be realized by mitigating risks through entity level controls, process level controls, general IT controls and segregation of duties.

Internal Control system approach

The various steps in the Internal Control system approach are the scoping exercise, the documentation of the processes, the assessment of the control activities, the evaluation of the control weaknesses and the reporting to both local and corporate management.

Deliverables of the Internal Control project

On the local level, a documentation of all the processes, description of risks and controls, control gap analysis and remediation plans are realized.

The same information is available at the group level in addition to an Internal Control system manual, documentation of IT general controls and any issues on segregation of duties.

Monitoring and compliance

This is the primary responsibility of the local management that has a mission to review, further implement and update the internal controls.

The Internal Audit department will test internal controls in selected processes in the course of internal audit reviews and report to local management, the GMC and to the Audit Committee.

Internal Control activities in 2011

Based on the half year 2011 consolidated financial statements the companies, relevant accounts and linked processes have been selected. Group-wide processes were identified and a number of them were included in the first wave of reviews.

Predefined questionnaires were developed per process and a test performed at one of the major business units.

The review of the internal control procedures in the shared service center was completed in 2011, the remaining missing controls listed and remediation plans agreed upon.

Business unit Directors and their Finance Directors are required to certify in writing through a compliance questionnaire that their financial reporting is based on reliable data, and that all disclosures were made on legal, human resources and taxation issues. This checklist includes also a statement on Internal Control confirming their responsibility for the design, documentation, implementation and maintaining of an adequate system of Internal Control.

Internal Control procedures for the preparation and processing of financial and accounting information

Control environment

The finance function consists of centralized functional departments and each business group's controlling department. The operating units are responsible for the content of their financial statements and for their own Internal Control procedures.

Information and communication

The internal information system is based on a state of the art consolidation software that allows the group to produce the financial information required to manage and control the operating units activities. All procedures related to the security and applications of this consolidation tool are documented. All financial managers have access to the group's policies and procedures including accounting policies through the intranet portal.

Control activities

Each business group has a finance and controlling department responsible for the monitoring of the performance of the operating units. On top of that, a central finance and controlling department coordinates and controls the entire financial function within the group. The principal components of the performance review process are combined in a financial planning process that includes a strategic plan, a budget process, quarterly updated forecasts and monthly closings. In this context, each operating unit prepares a monthly detailed financial report and twice a year an exhaustive consolidation package.

Continuous monitoring

Internal audits are conducted on the key control procedures in the preparation of the financial information both in the subsidiaries and in the group's headquarters.

The aim of these internal audits amongst others is to verify the effective application of the key control procedures and the quality of the accounting and financial information.

Enterprise Risk Management (ERM) system

Risks are an important and unavoidable aspect of conducting business. In recent years, the group had already developed and implemented a number of procedures in order to manage and reduce risks as much as possible:

- To reduce the effects of credit risk, the group has defined a credit policy with regard to requests for credit limits, approval procedures and ongoing credit risk monitoring. Furthermore, the collection of a part of the outstanding debts is outsourced (factoring);
- The group prepares short and long-term forecasts on a regular basis in order to match the financial resources with the predefined needs. In addition, the group has a number of credit lines;
- The group anticipates fluctuations in energy prices through a centralized purchasing policy;
- The group hedges transactions in foreign currency. Its subsidiaries are also required to communicate their net foreign currency positions for invoiced amounts (customers, suppliers) to Tessenderlo Finance NV, a subsidiary created specifically for this purpose. All positions are aggregated at the level of Tessenderlo Finance NV. The net balances, which are very small, are then purchased or sold on the market. This is done primarily by way of the spot purchase and sales of currencies, followed by currency swaps;
- Operational, health and safety risks have been kept to a minimum with a system for managing the production process risks, with an evaluation of the risks related to safety, the environment, production and quality. The necessary measures were taken with regard to risk control, such as preventive maintenance, stocks of critical spare parts and operational procedures. This enduring and constant focus on risk means Tessenderlo Group succeeded in reducing accident figures at the group level by 20% in 2011.The Risk Management department conducts safety audits in various production sites to ensure occupational safety. The risk aspect is considered a priority for any new construction or modifications to existing facilities, which means that the limitation of risks and/or reduction of existing risks is an essential part of any project. Several subsidiaries are audited every year by an external insurance company, in collaboration with the Risk Management department. During these visits, preventive actions are recommended and implemented by Risk Management. The group's smaller subsidiaries are not left out of this process: the Risk Management department visits them on a regular basis to help maintain risk awareness. Moreover, there is an optimum insurance cover for operational risks, damage to property (including all aspects related to the interruption of activities at all sites), operational and other liabilities;

- An extensive strategic planning process has been implemented to allow even better control of the group's strategic risks, by thoroughly analyzing the strategy, development and content of each business unit and how these aspects dovetail with the group's strategy;

- The observance of laws and regulations and in particular anti-trust legislation is ensured by means of an anti-trust compliance program in which the anti-trust compliance officer provides the necessary training and oversees the implementation of the program;

- Following the launch of the group-wide Enterprise Risk Management system (ERM) in 2010, a detailed examination of the project was carried out in 2011. To do this, an Enterprise Risk Management policy was drafted which is applicable to the entire group and all its affiliates worldwide. This describes the organization and goals of the ERM system, as well as its responsibilities. Tessenderlo Group has opted for a double approach to risk management: (i) on the one hand, a periodic in-depth mapping of risk and mitigating actions is performed to get a comprehensive snapshot on risks in a business unit at a certain point in time; (ii) on the other hand, there is a continuous identification of new and augmented risks, via the inclusion of a risk chapter at decision points in different business processes, whereby risks identified in these processes are then included in the business unit risk mapping. In order for risk management to become an inherent part of daily operations, a risk management structure has been rolled out, both on group level and on business group / business unit level. The higher in the risk management organization, the more aggregated a view on risk is used and the more emphasis is put on effectiveness of systems to manage risks. The lower in the organization, the more risk management will be focused on individual risks with actions designed to mitigate a specific risk. The risk management structure is developed around three different roles: (i) the risk owners (manager - business unit / business group management - GMC (with risk committee) - Board of Directors); (ii) multidisciplinary groups of experts which judge risks and provide advice to risk owners on how to manage risks (risk councils at business unit, business group and group level, and the Audit Committee); (iii) risk coordinators which organize the ERM activities, and provide process support to the risk owners and the risk experts (risk coordinators at business unit / business group level and at group level). Once the existing risks had been identified in various business units and supporting departments in 2010, several projects were launched in 2011 to allow the evaluation of these risks to be improved as well as the implementation of risk optimization. The status of these projects is reported to the GMC and the Audit Committee on a regular basis;

- The launch of a "Group Crisis Management Policy" in 2011 set in motion the harmonization of crisis management across all business units. Risk Management will be responsible for coordinating this policy at the group level and for providing guidance to the various entities in drafting a harmonized crisis plan and clarifying the responsibilities and reporting channels;

- Closer cooperation between Risk Management, Internal Control and Internal Audit means these departments can make their checks and audits much more responsive to existing risks.

Policy on inside information and market manipulation

Chapter 7 of the Charter sets out the corporate policy with regard to inside information and market manipulation.

The Compliance Officer is responsible for supervising compliance with the policy that the company has laid down with regard to inside information and market manipulation. He/she is also the point of contact for questions about the application of the policy.

In 2011, the function of Compliance Officer was assumed by the Chief Legal Officer.

External audit

Klynveld, Peat Marwick Goerdeler Bedrijfsrevisoren (KPMG), represented by Ludo Ruysen was reappointed as the group's statutory auditor by the shareholders meeting of June 1, 2010.

The fees paid by Tessenderlo Group to its auditors in 2011 amounted to:

(Thousands EUR)	Audit	Audit related	Other	Total
KPMG (Belgium)	350	4	233	587
KPMG (outside Belgium)	641	14	95	750
Total	991	18	328	1,337

Subsequent events

On January 31, 2012, the group announced the purchase of the crop protection assets of the global carbaryl business from Bayer CropScience, by Tessenderlo Kerley Inc., a US subsidiary within the operating segment "Tessenderlo Kerley". The acquisition is projected to add an estimated 15 million EUR to the annual revenue of Tessenderlo Kerley Inc. Tessenderlo Kerley Inc. will acquire global crop protection assets including trade names, knowhow, registrations and registration data.

Application of art. 523 of the Companies Code

A. The 2011 warrant plan and variable compensation

Excerpt from the minutes of the Board of Directors held on October 26, 2011

(Excerpt minutes :)

[…]

-* Preliminary declaration *-

The Chairman states that:

1. Agenda

The agenda items to be discussed in the presence of the notary are the following:

- Notice of the non-existence of the warrants not accepted from previous plans.
- Decision to issue three hundred and fifty thousand (350,000) warrants, each entitling to subscription to one (1) new share of the company.
- Decision to nullify, in application of art. 596 in conjunction with art. 603 of the Companies Code, the preferential right of subscription of the shareholders in connection with this issuance of warrants.
- The establishment of the conditions of issuance of the warrants.
- Decision to increase, under the suspensive condition of the exercise of the warrants, the share capital through the issuance of up to three hundred and fifty thousand (350,000) new shares of the same nature and enjoying the same rights and benefits as the existing shares, reserved for warrant holders.
- Determination of the list of the beneficiaries and allocation of the warrants to the beneficiaries.
- Powers to be granted to ensure the implementation of the decisions taken.

2. Call to meeting

The call to the meeting, including the agenda, was sent to the Directors on October 18, 2011.

3. Quorum

The Chairman notes that given the majority of the members of the Board are present or represented, it may validly deliberate on the agenda.

4. Authorized capital

The Chairman reminded the Board of the powers granted to him by the Extraordinary General Meeting of shareholders of June 7, 2011, as these are set out in art. 7, paragraph 4, of the Articles of Association, namely to increase the share capital by a maximum amount of forty million EUR (40 million EUR) in one or more transactions, exclusively in connection with (i) capital increases reserved for employees of the company or its subsidiaries, (ii) capital increases in connection with the issuance of warrants granted to certain employees of the company or its subsidiaries, and possibly, to certain persons who are not personnel of the company or its subsidiaries, (iii) capital increases under an optional dividend, whether in this context the dividend is directly paid in shares or the dividend is paid in cash and then the distributed cash may be used to subscribe to shares, as appropriate, an equalization payment in cash and (iv) capital increases effected by capitalization of reserves or other items of capital in order to allow the amount of capital to be increased to a suitably round amount.

The Chairman also pointed to the content of art. 8, in line of the Articles of Association, which states that in the context of the authorized capital, the Board of Directors acting in the interest of the company may decide to reduce or eliminate the preferential right of existing shareholders even if that restriction or elimination is done in favor of one or more persons who are not employees of the company or one or more of its subsidiaries, insofar as permitted by law.

The Chairman also reminded the Board of the contents of the report drawn up in execution of art. 604, third paragraph, of the Companies Code in order to obtain aforesaid permission to increase the capital, the report indicating according to which specific conditions the authorized capital may be used and for which purpose.

Reports

The Chairman submits to be attached to this deed to the undersigned notary, the special report by the Board of Directors prescribed by art. 583, 596 in conjunction with art. 603 of the Companies Code.

A report was prepared by the auditors in pursuance of the same decisions; the report is submitted to the undersigned notary.

Article 523

The Chairman states to the Board that Frank Coenen, Director, has informed him that he has a financial interest in the stated decisions regarding the stock option plan, as he is also a recipient of Tranche 2011 of the aforementioned warrant plan.

Under art. 523 of the Companies Code, this Director abstains from attending and participating in the vote on the deliberations of the Board concerning these issues.

Decisions

This being explained and using the powers granted them by art. 7 of the Articles of Association, the Board of Directors takes, acting unanimously, the following decisions:

First decision

The Board notes the non-existence of the warrants not accepted from previous plans.

Second decision

The Board decides to approve to offer a maximum of three hundred and fifty thousand (350,000) warrants to top managers of Tessenderlo Chemie NV and its subsidiaries , each warrant entitling to subscription to one (1) new share of the company.

The plan includes only one tranche, being the Tranche 2011.

With application of art. 596 in conjunction with art. 603 of the Companies Code, the Board decided to nullify the preferential right of subscription by the shareholders in the context of the recently decision to issue warrants to the benefit of the beneficiaries of the issue appearing on the list to the Board for consideration and approved by them.

The Board decided to issue the warrants subject to the conditions described in the report of the Board and in the information brochure, and in particular the following conditions:

a. Allocation

The warrants are granted for free.

The beneficiaries are persons employed under an employment contract with Tessenderlo Chemie NV or one of its subsidiaries. They can only subscribe to this tranche if they, at the time of the offer, have not left Tessenderlo Group for any reason whatsoever.

A nominative list of the persons listed above who can participate in the subscription to the Tranche 2011 warrants and the allocation of a number of warrants must be approved by the Board of Directors, based on a proposal made by the Appointment and Remuneration Committee.

b. Offering

The offer is valid from October 26, 2011 (hereinafter the "offer"). Beneficiaries must confirm that they accept the offer and for which number of warrants the acceptance applies by December 25, 2011, at the latest.

The warrants not accepted within the offering period will be considered as not existing.

c. Nature of the warrants

The warrants are nominative and may not be transferred inter vivos.

d. Exercise price of the warrants

The warrants entitle the holder to subscribe to new shares to be issued by the company at the price which will be calculated according to the following calculation method to the lower value of:

- either the average closing price of the Tessenderlo Chemie NV stock on NSYE Euronext Brussels during the thirty days preceding the offer.
- or the last closing price for the Tessenderlo Chemie NV share on NYSE Euronext Brussels preceding the date of the offer.

The actual exercise price of the warrants amounts to twenty-one EUR and seventy-two cents (21.72 EUR).

The exercise price of the warrants will, for some participants who are not Belgian residents, be equal to such an exercise price as is applicable under the current legislation for stock option plans in the respective countries of different participants, provided that such exercise price matches as closely as possible with the exercise price pursuant to the current plan.

- For U.S. residents, the exercise price is equal to the price of the Tessenderlo Chemie NV stock at the close of business on the day of the offer.

The actual exercise price of the warrants, calculated as defined above, will be established on October 26, 2011 by the Secretary of the Board of Directors.

In the case of the execution of a transaction that affects the representation of the share capital or has a major impact on the net equity per share, as the case may be for the exceptional dividend distribution or incorporation of reserves in the capital involving the issue of free shares, the exercise price of the warrants may be modified by the Board in order to safeguard the interests of the warrant holders.

The difference between the subscription price and the par value of the issued share represents an issue premium, which will be consigned as provided in art. 7, third paragraph, of the Articles of Association.

e. Exercise term of the warrants

To enjoy the reduced tax rate of 7.5% instead of 15% of the benefit in kind (for participants who are Belgian resident), coupled with the calculation of acceptance of the warrants, the options may not be exercised before the end of the third calendar year after which the offer has been made. Thus the warrants are exercisable during the fourth and fifth year following the year of the offer, either in 2015 or 2016. In each of these years, exercise periods are open from the fifth banking day following the approval of financial statements, approved by the ordinary General Meeting of shareholders, until the fifteenth bank day before the end of the respective years. Within these exercise periods, the warrants may not be exercised in the closed periods and, where appropriate, the occasional closed periods (under the Tessenderlo Chemie NV Corporate Governance Charter). Such a prohibition shall also include during 30 calendar days preceding the publication of the results of Tessenderlo Group and the day of their publication.

f. Modalities for the exercise of warrants

The written request relating to exercise of warrants should be directed to the company during the exercise periods of the warrants. The payment of the price of the shares must be made to the bank account opened for that purpose.

g. New shares

The creation and provision of new shares will take place after the adoption of the capital increase by notarial deed, depending on the request of the subscriber and within the limits provided by law in the form of dematerialized securities.

The new shares are entitled to the dividends declared for the year in which the registration is completed.

h. Suspensive condition

The allocated subscription rights must be accepted by the beneficiaries.

i. Taxes, fees and contributions

The taxes, fees and contributions that would be payable in connection with this operation or operations that directly or indirectly resulting there from, are borne by the beneficiary.

Third decision

Under the condition precedent of the exercise of the warrants of which the issue has just been decided, the Board decided to increase the share capital by a maximum one million seven hundred fifty thousand EUR (1,750,000 EUR) through the issuing of a maximum of three hundred and fifty thousand (350,000) new shares of the same nature and enjoying the same rights and benefits as the existing shares, which subscription is reserved to the warrant holders.

Fourth decision

Based on the advice of the Appointment and Remuneration Committee, the Board establishes the list of beneficiaries and allocates the warrants to the beneficiaries as listed in the document attached to this act.

Fifth decision

The Board decides to grant all powers to the Secretary of the Board of Directors to determine the exercise price of these warrants for the US residents on the basis of the criteria established by the Board.

The Board decides to grant full powers to any current or future Director of the company and/or the Secretary of the Board of Directors of the company, with the right to act jointly or separately and the right to transfer this power in order to:

a) implement the resolutions passed, including the execution of the capital increase and determine that the conditions required by the Board for the completion have been met;
b) under art. 591 of the Companies Code, record the number of new shares issued, their full paid status, the corresponding realization of the capital increase and the subsequent amendment of the Articles of Association.

[…]

(Report Excerpt :)

[…]

In the plan the full exercise of the warrants of the Tranche 2011 may result in a maximum financial dilution for existing shareholders of 0.23%, to a dilution in terms of profits and voting rights of 1.1713% and a dilution of 0.141% on equity, taking into account the number of securities in circulation on October 26, 2011. […]

B. The remuneration of the CEO for 2010 and 2011

(Excerpt minutes :)

[…]

At the Board meeting of February 23, 2011, prior to the Board discussing or taking any decision, Frank Coenen declared that he had a direct conflicting interest of a proprietary nature in the implementation of the decisions taken by the Board relating to his remuneration.

In accordance with art. 523 of the Companies Code, Frank Coenen did not take part in the Board's discussions concerning this decision and did not take part in the voting.

[...]

After the report on the activities, the Board, upon recommendation formulated by the Appointment and Remuneration committee, approves the variable payment over the year 2010 as well as the target bonus over the year 2011, set at 50% of fixed salary or 512,275 EUR.

The fixed salary of Frank Coenen for the year 2011 will be set at 512,275 EUR, to which have to be added the remuneration as a Director amounting to 53,679 EUR, which brings his total fixed salary package to 565,954 EUR.

[...]

For more details on the remuneration of the CEO, please refer to the remuneration report.

Information required by art. 34 of the Royal Decree of November 14, 2007

Art. 34 of the Royal Decree of November 14, 2007 requires Tessenderlo Chemie NV to disclose in the management report a list of, and explanations with respect to, certain items listed in said Royal Decree, to the extent these items have consequences in the event of a public takeover bid. Said information is disclosed hereunder.

In accordance with the applicable provision of the Companies Code, the shares issued for the benefit of the personnel of Tessenderlo Group cannot be transferred during a period of five years as from the date of subscription of the shares.

The Board of Directors can acquire, for a duration which may not exceed three years as from the publication in the Belgian Official Gazette of the resolution of the General Meeting of May 11, 2011, shares, profit-sharing certificates, or certificates relating thereto, of Tessenderlo Chemie NV, without the prior decision of the General Meeting, by acquisition or exchange, directly or indirectly, when this acquisition is necessary in order to protect the company against imminent and serious damage. The Board of Directors has also been authorized to proceed to capital increases in the context of the authorized capital within the framework of an optional dividend; as such capital increases do not occur with limitation or annulment of the right of preference of the shareholders, such capital increase could - theoretically - be done during a public takeover bid and have an impact thereon.

Tessenderlo Chemie NV is a party to the following contracts which enter into force, undergo changes or terminate in case of a change of control over Tessenderlo Chemie NV after a public takeover bid:

- the Facilities Agreement executed on February 26, 2010 (as amended on December 20, 2010 and amended and restated on April 28, 2011) for a maximum amount of 450 million EUR between, amongst others, Tessenderlo Chemie NV as company, guarantor and borrower, Tessenderlo Finance NV and Tessenderlo NL Holding BV as guarantors and borrowers, certain subsidiaries of Tessenderlo Chemie NV as guarantors, Commerzbank Aktiengesellschaft, Crédit Agricole Corporate and Investment Bank SA, Fortis Bank NV/SA, ING Bank NV and KBC Bank NV as mandated lead arrangers, ING Bank NV as facility agent and swingline agent and KBC Bank NV as issuing bank (the "Facilities Agreement"): according to the terms of this agreement, a change of "control" over Tessenderlo Chemie NV can lead to partial or full cancellation of the facilities and hence, the obligation for Tessenderlo Chemie NV to repay part or all monies lent under the facility agreement and to provide full cash cover for part or all letters of credit which are at that time outstanding under the Facilities Agreement; for purposes of the Facilities Agreement, "control" of Tessenderlo Chemie NV means either the direct or indirect ownership of more than 50 percent of the voting rights in the company. The change of control clause described above has been approved by the General Meeting of shareholders of Tessenderlo Chemie NV on June 1, 2010 and again on June 7, 2011 (due to the amendment and restatement of the Facilities Agreement) and a copy of these resolutions have been filed at the registry of the Court of Commerce promptly thereafter;

- the prospectus dated October 25, 2010 of Tessenderlo Chemie NV regarding the issue of senior unsecured bonds, due October 27, 2015, for an amount of 150 million EUR: according to the terms and conditions of these bonds, a "change of control" over Tessenderlo Chemie NV will entitle each bondholder to require Tessenderlo Chemie NV to redeem their bonds by submitting a change of control put exercise notice. If as a result thereof, bondholders submit change of control put exercise notices in respect of at least 85 percent of the aggregate principal amount of the bonds for the time being outstanding, Tessenderlo Chemie NV may redeem all of the bonds then outstanding. For purposes of the change of control clause described above, a "change of control" shall occur if an offer is made by any person to all such shareholders of Tessenderlo Chemie NV other than the offerer and/or any parties acting in concert, to acquire all or a majority of the issued ordinary share capital of Tessenderlo Chemie NV and the offerer has acquired or, following the publication of the results of such offer by the offerer, is entitled to acquire as a result of such offer, post completion thereof, ordinary shares or voting rights of Tessenderlo Chemie NV so that it has either the direct or indirect ownership of more than 50 percent of the voting rights in Tessenderlo Chemie NV. The change of control clause described above has been approved by the General Meeting of shareholders of Tessenderlo Chemie NV on June 7, 2011 and a copy of this resolution has been filed at the registry of the court of commerce promptly thereafter;

- terms and conditions of the bond loan with warrants issued under the Plan 2002-2006, and terms and conditions of the warrants issued under the Plan 2007-2011 and under the Plan 2011 of Tessenderlo Chemie NV: according to the terms and conditions mentioned above, the warrant holders will be entitled to exercise their warrants prior to the date on which they normally become exercisable, in the event of any operation that significantly impacts the shareholder structure. This paragraph also relates to any public takeover bid on the Tessenderlo Chemie NV shares or any other form of taking control or any merger involving a redistribution of the securities. Such early exercise allows the warrant holders to take part in the above mentioned operations at the same conditions as existing shareholders. Per December 31, 2011, 1,174,389 warrants were outstanding. The clauses described above have been approved by the General Meeting of shareholders of Tessenderlo Chemie NV on June 7, 2011 and a copy of this resolution has been filed at the registry of the court of commerce promptly thereafter.

Dividend policy

The dividends policy remains unchanged: Tessenderlo Group aims to maintain a stable gross dividend per share, independent of the result of any single financial year, while taking into account the financial position of the group.

A gross dividend per share for the financial year 2011 in the amount of 1.3333 EUR, in line with last year, will be proposed at the General Meeting of June 2012.

Information required by art. 96, §2, 2° Companies Code

(Deviations from the Belgian Corporate Governance Code 2009)

In 2011, no rule was in place guaranteeing a shareholder representing no more than 5% a right to submit proposals for the General Meeting (deviation from 8.8 Corporate Governance Code). However, as from January 1, 2012, in accordance with the law of December 20, 2010 on shareholders rights, shareholders representing at least 3% of the capital can add topics to the agenda of the General Meeting and submit proposals for resolution.

The composition of the Board of Directors fulfills the objective of assembling complementary skills in terms of competencies, experience and business knowledge. However, in light of the mandates currently in effect, the composition does not fully comply with the provision of the code with respect to gender diversity (deviation from 2.1 Corporate Governance Code). At present, in view of the fact that a strategic re-alignment was in progress, continuity was the more important factor. At the shareholders meeting of June 7, 2011, a step has been taken towards gender diversity by the appointment as independent Director of Ms. Dominique Damon.

The current Chairman of the Board of Directors is the previous CEO of the company (deviation from 4.7 Corporate Governance Code). In view of the strategic alignment which was in progress, continuity was deemed the more important factor. Given his previous function as CEO of the company, the Chairman of the Board of Directors still receives certain benefits in kind, i.e. the use of a company car and cell phone (deviation from 7.7 Corporate Governance Code).

Currently, no formal evaluation procedure exists with respect to the Appointment and Remuneration Committee (deviation from 4.11 Corporate Governance Code). It is intended that the Appointment and Remuneration Committee is evaluated in the course of 2012, according to a procedure similar to the one in place for the Audit Committee.

Currently, no formal evaluation procedure exists with respect to individual Directors (deviation from 4.13 Corporate Governance Code). The company is of the opinion that the individual evaluation of the Directors is only feasible up to the extent that the evaluation process is entrusted to an external company, an option which is not retained by the company. However, the company is convinced that the formal evaluation of the Board of Directors, for which the company uses a standard questionnaire as developed by Guberna (Belgian Institute of Directors) as described under section Activities of Board of Directors is sufficient in order to ensure the active and proper contribution of each member of the Board.

TRANSFORMING, BECAUSE WE ARE COMMITTED TO TRANSPARENT FINANCIAL COMMUNICATION

Consolidated financial statements

CONSOLIDATED INCOME STATEMENT

In June 2011, the group sold the PVC/Chlor-Alkali and part of the Organic Chlorine Derivatives activities to Kerling (through Ineos ChlorVinyls). In accordance with IFRS 5 *Non-current assets held for sale and discontinued operations*, a distinction is made in the income statement between continuing and discontinued operations. This distinction applies to the PVC/Chlor-Alkali activities for the 2011 figures as well as to the comparative 2010 figures. The sold Organic Chlorine Derivatives activities are considered to be a disposal group.

(Million EUR)	note	2011	2010
Continuing operations			
Revenue		2,126.0	2,024.0
Cost of sales		-1,690.1	-1,632.1
Gross profit		**435.9**	**391.9**
Distribution expenses		-98.9	-104.6
Sales and marketing expenses		-69.2	-64.2
Administrative expenses		-152.8	-134.7
Other operating income and expenses	6	-10.1	-15.4
Profit (+) / loss (-) from operations before non-recurring items (REBIT)		**104.9**	**73.0**
Gains and losses on disposals	7	11.2	22.2
Provisions and claims	7	2.1	13.4
Restructuring	7	-5.6	-11.6
Impairment losses	7	-0.7	-14.8
Other income and expenses	7	-6.0	-6.2
Profit (+) / loss (-) from operations (EBIT)		**105.9**	**76.0**
Finance costs	10	-45.9	-40.2
Finance income	10	20.4	11.3
Finance costs - net		**-25.6**	**-28.8**
Share of result of equity accounted investees, net of income tax	15	5.9	1.6
Profit (+) / loss (-) before tax		**86.2**	**48.8**
Income tax expense	11	-28.3	-15.7
Profit (+) / loss (-) for the period from continuing operations		**57.9**	**33.0**
Discontinued operations			
Profit (+) / loss (-) for the period from discontinued operations, net of income tax	5	**-153.6**	**-12.8**
Profit (+) / loss (-) for the period		**-95.6**	**20.3**
Attributable to :			
- Equity holders of the company		**-95.5**	**20.7**
- Non-controlling interest		**-0.1**	**-0.4**
Basic earnings per share (EUR)	23	-3.23	0.70
Diluted earnings per share (EUR)	23	-3.23	0.70
Basic earnings per share (EUR) - Continuing operations	23	1.96	1.14
Diluted earnings per share (EUR) - Continuing operations	23	1.96	1.14

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Million EUR)	note	2011	2010
Profit (+) / loss (-) for the period		**-95.6**	**20.3**
Translation differences	22	-8.6	15.7
Net change in fair value of derivative financial instruments	28	-5.7	-1.4
Income tax on other comprehensive income		1.9	0.5
Other comprehensive income for the period, net of income tax		**-12.4**	**14.8**
Comprehensive income (+) and expense (-) for the period		**-108.0**	**35.1**
Attributable to:			
- Equity holders of the company		-108.2	35.5
- Non-controlling interest		0.2	-0.4
Comprehensive income (+) and expense (-) for the period		**-108.0**	**35.1**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Million EUR)	note	2011	2010
Assets			
Total non-current assets		**695.3**	**877.9**
Property, plant and equipment	12	518.8	682.2
Goodwill	13	55.0	53.4
Other intangible assets	14	58.1	61.2
Investments accounted for using the equity method	15	20.8	27.7
Other investments	16	5.7	6.7
Deferred tax assets	17	7.4	23.7
Trade and other receivables	18	29.5	22.9
Total current assets		**676.6**	**800.4**
Inventories	19	350.8	349.7
Trade and other receivables	18	290.9	299.5
Derivative financial instruments	28	0.0	0.7
Cash and cash equivalents	20	34.9	150.5
Non-current assets classified as held for sale	21	**7.8**	**18.1**
Total assets		**1,379.7**	**1,696.5**

(Million EUR)	note	2011	2010
Equity and Liabilities			
Equity			
Equity attributable to equity holders of the company	22	**600.3**	**724.8**
Issued capital	22	147.9	143.7
Share premium	22	73.5	57.5
Reserves and retained earnings	22	378.9	523.6
Non-controlling interest	22	**4.3**	**3.7**
Total equity		**604.6**	**728.6**
Liabilities			
Total non-current liabilities		**309.0**	**362.2**
Financial liabilities	24	180.5	195.4
Employee benefits	25	30.6	38.2
Provisions	26	56.1	65.9
Trade and other payables	27	2.4	30.2
Derivative financial instruments	28	8.8	0.8
Deferred tax liabilities	17	30.6	31.6
Total current liabilities		**466.1**	**599.2**
Bank overdrafts	24	0.7	7.1
Financial liabilities	24	73.2	110.0
Trade and other payables	27	379.3	469.6
Derivative financial instruments	28	1.6	0.2
Current tax liabilities		3.0	0.4
Provisions	26	8.4	11.9
Liabilities associated with assets classified as held for sale	21	**0.0**	**6.5**
Total liabilities		**775.1**	**967.9**
Total equity and liabilities		**1,379.7**	**1,696.5**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Million EUR)	note	Issued capital	Share premium	Legal reserves	Translation reserves	Re-valuation reserves	Hedging reserves	Retained earnings	Equity attributable to equity holders of the company	Non-controlling interest	Total equity
Balance at January 1, 2010		**139.0**	**43.9**	**13.8**	**-30.0**	**10.7**	**-1.6**	**529.4**	**705.2**	**2.3**	**707.5**
Profit (+) / loss (-) for the period		-	-	-	-	-	-	20.7	20.7	-0.4	20.3
Other comprehensive income for the period											
- Translation differences		-	-	-	15.6	-	-	-	15.6	0.1	15.7
- Net change in fair value of derivative financial instruments, net of tax		-	-	-	-	-	-0.9	-	-0.9	-	-0.9
Comprehensive income for the period, net of income taxes		0.0	0.0	0.0	15.6	0.0	-0.9	20.7	35.4	-0.3	35.1
Transactions with owners, recorded directly in equity											
- Shares issued	22	0.5	0.8	-	-	-	-	-	1.3	-	1.3
- Shares issued (stock dividend)	22	4.2	12.7	-	-	-	-	-	16.9	-	16.9
- Dividends paid to shareholders	22	-	-	-	-	-	-	-37.1	-37.1	-	-37.1
- Warrants and capital increase		-	-	-	-	-	-	3.0	3.0	-	3.0
Total contributions by and distributions to owners		4.7	13.5	0.0	0.0	0.0	0.0	-34.1	-15.9	0.0	-15.9
Change in consolidation scope		-	-	-	-	-	-	-	0.0	1.7	1.7
Balance at December 31, 2010		**143.7**	**57.5**	**13.8**	**-14.4**	**10.7**	**-2.5**	**516.0**	**724.8**	**3.7**	**728.5**
Balance at January 1, 2011		**143.7**	**57.5**	**13.8**	**-14.4**	**10.7**	**-2.5**	**516.0**	**724.8**	**3.7**	**728.5**
Profit (+) / loss (-) for the period		-	-	-	-	-	-	-95.5	-95.5	-0.1	-95.6
Other comprehensive income for the period											
- Translation differences		-	-	-	-9.0	-	-	-	-9.0	0.3	-8.6
- Net change in fair value of derivative financial instruments, net of tax		-	-	-	-	-	-3.8	-	-3.8	-	-3.8
Comprehensive income for the period, net of income taxes		0.0	0.0	0.0	-9.0	0.0	-3.8	-95.5	-108.2	0.2	-108.0
Transactions with owners, recorded directly in equity											
- Shares issued	22	0.5	1.7	-	-	-	-	-	2.2	-	2.2
- Shares issued (stock dividend)	22	3.7	14.4	-	-	-	-	-	18.1	-	18.1
- Dividends paid to shareholders	22	-	-	-	-	-	-	-38.3	-38.3	-	-38.3
- Warrants and capital increase		-	-	-	-	-	-	1.7	1.7	-	1.7
Total contributions by and distributions to owners		4.2	16.0	0.0	0.0	0.0	0.0	-36.6	-16.3	0.0	-16.3
Other movements		-	-	0.6	-	-	-	-0.6	0.0	-	0.0
Change in consolidation scope		-	-	-	-	-	-	-	0.0	0.3	0.3
Balance at December 31, 2011		**147.9**	**73.5**	**14.4**	**-23.4**	**10.7**	**-6.3**	**383.5**	**600.3**	**4.3**	**604.6**

CONSOLIDATED STATEMENT OF CASH FLOWS

(Million EUR)	note	2011	2010
Operating activities			
Profit (+) / loss (-) for the period		-95.6	20.3
Depreciation, amortization and impairment losses on tangible assets, goodwill and other intangible assets	9/12/13/14	247.7	130.2
Impairment losses on other investments	16	-	1.1
Changes in provisions		-3.8	-46.3
Finance costs	10	47.2	40.2
Finance income	10	-20.9	-11.6
Profit on sale of non-current assets		-9.5	-24.9
Share of result of equity accounted investees, net of income tax		-5.9	-1.6
Income tax expense	11	28.9	10.1
Other non-cash items		-4.9	-0.5
Changes in inventories		-58.2	13.9
Changes in trade and other receivables		-96.1	-17.1
Changes in trade and other payables		-39.1	79.3
Cash generated from operations		**-10.3**	**193.1**
Interest paid		-12.6	-11.9
Interest received		1.2	1.4
Other finance costs paid		-8.0	-9.5
Income tax paid		-27.7	-18.6
Dividends received from investments accounted for using the equity method	32	8.8	5.0
Cash flow from operating activities		**-48.6**	**159.5**
Investing activities			
Acquisition of property, plant and equipment	12	-106.5	-117.1
Acquisition of other intangible assets	14	-7.1	-3.7
Acquisition of investments accounted for using the equity method		-3.0	-9.3
Acquisition of businesses, net of cash acquired	4	-7.6	-
Acquisition of other investments		-	-1.6
Proceeds from sale of property, plant and equipment		6.1	11.0
Proceeds from sale of other intangible assets		0.1	2.2
Proceeds from sale of subsidiaries, net of cash disposed of	4	143.7	24.2
Proceeds from sale of other investments		-	3.6
Cash flow from investing activities		**25.7**	**-90.7**
Financing activities			
Increase of issued capital and share premium	22	2.2	1.3
Increase/(decrease) of financial liabilities		-58.1	64.9
Payment of transaction costs related to financial liabilities		-3.7	-11.1
(Increase)/decrease of long term receivables		-6.5	1.2
Dividends paid to shareholders	22	-20.2	-20.2
Cash flow from financing activities		**-86.4**	**36.1**
Net increase/(decrease) in cash and cash equivalents		**-109.3**	**104.9**
Effect of exchange rate differences		0.1	1.3
Cash and cash equivalents less bank overdrafts at the beginning of the period*	20/24	143.4	44.3
Cash and cash equivalents less bank overdrafts at the end of the period	20/24	34.2	150.5

* As from 2011 on, the bank overdrafts are deducted from the cash and cash equivalents. In 2010 these bank overdrafts were still included within the financial liabilities, explaining the difference between the cash and cash equivalents less bank overdrafts at the end of the period 2010 (150.5 million EUR) and the cash and cash equivalents less bank overdrafts at the beginning of the period 2011 (143.4 million EUR).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

		Page
1	Summary of significant accounting policies	100
2	Determination of fair values	114
3	Segment reporting	116
4	Acquisitions and disposals	118
5	Discontinued operations	121
6	Other operating income and expenses	122
7	Non-recurring income/(expense) items	123
8	Payroll and related benefits	125
9	Additional information on operating expenses by nature	126
10	Finance costs and income	127
11	Income tax expense	128
12	Property, plant and equipment	129
13	Goodwill	132
14	Other intangible assets	134
15	Investments accounted for using the equity method	136
16	Other investments	137
17	Deferred tax assets and liabilities	138
18	Trade and other receivables	139
19	Inventories	140
20	Cash and cash equivalents	140
21	Non-current assets classified as held for sale	141
22	Equity	142
23	Earnings per share	144
24	Financial liabilities	145
25	Employee benefits	149
26	Provisions	154
27	Trade and other payables	155
28	Financial instruments	156
29	Operating leases	166
30	Guarantees and commitments	167
31	Contingencies	167
32	Related parties	168
33	Auditor's fees	170
34	Subsequent events	170
35	Group companies	171
36	Critical accounting estimates and judgements	175

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 December 31, 2011 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 authorized for issue by the Board of Directors of Tessenderlo Chemie NV on Wednesday March 28, 2012.

(A) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) 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, which is the company's functional currency, rounded to the nearest million which may not add up due to rounding. They are prepared on the historical cost basis except for derivative financial instruments and investments available-for-sale, which are stated at fair value.

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 IFRS requires management to make judgments, 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 judgments 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 recognized 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.

Judgments made by management in the application of IFRS 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 36 – Critical accounting estimates and judgments.

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 company and all consolidated companies 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. If the group no longer has control over a subsidiary all assets and liabilities of the subsidiary, any non-controlling interests and other equity components with regard to the subsidiary are derecognized. The gains or losses arising on the loss of control are recognized in the income statement. Any remaining interest in the former subsidiary is measured at fair value at the date that control is lost. Subsequently the investment is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Separate disclosure is made of non-controlling interests. Losses realized by subsidiaries with non-controlling interests are proportionally allocated to the non-controlling interests in these subsidiaries, even if this means that the non-controlling interests display a negative balance.

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity of owners and therefore no goodwill is recognized as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

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 unrealized gains and losses on transactions between group companies have been eliminated. Unrealized gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the group's interest in the entity. Unrealized losses are eliminated in the same way as unrealized 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 recognized 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 the functional currency 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 applicable at the balance sheet date. The income statement of 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 company are translated at historical rates.

Exchange differences arising from the translation of the equity attributable to the equity holders of the company to euro at year-end exchange rates are recognized in other comprehensive income and presented within "Translation reserves" in Equity. In case of non-wholly owned subsidiaries, only the relevant proportion of the translation difference is allocated to non-controlling interest.

When a foreign operation is disposed off such that control, significant influence or joint control is lost, the cumulative amount in the translation reserves related to that foreign operation is reclassified to the income statement as part of the gain or loss on disposal of the foreign operation.
When the group disposes off only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount in the translation reserves is reattributed to non-controlling interests. When the group disposes off only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to the income statement.

• Exchange rates

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

	Closing rate		Average rate	
1 EUR equals:	2011	2010	2011	2010
Argentine peso	5.5760	5.4260	5.7444	5.2021
Brazilian real	2.4159	2.2177	2.3265	2.3314
Canadian dollar	1.3215	1.3322	1.3761	1.3651
Chinese yuan	8.1588	8.8220	8.9960	8.9712
Czech crown	25.7870	25.0610	24.5900	25.2840
Hungarian forint	314.5800	277.9500	279.3700	275.4800
Polish zloty	4.4580	3.9750	4.1206	3.9947
Pound sterling	0.8353	0.8608	0.8679	0.8578
Swiss franc	1.2156	1.2504	1.2326	1.3803
US dollar	1.2939	1.3362	1.3920	1.3257

(E) Other intangible assets

• Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized 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 capitalized if all of the following conditions are met:

- It is technically feasible to complete the asset so that it will be available for sale or use;
- Management intends to complete the development of the asset;
- It is demonstrated how the asset will generate probable future economic benefits. The market potential or the usefulness of the intangible asset have been clearly demonstrated;
- Adequate technical, financial and other resources to complete the development are available; and
- The expenditures related to the process or product can be clearly identified and reliably measured.

The capitalized expenditure includes the cost of materials, direct labor and an appropriate proportion of overheads. Other development expenditure is recognized in the income statement as an expense as incurred. Capitalized development is stated at cost less accumulated amortization (see below) and impairment losses (see accounting policy J).

• Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an other intangible asset, requiring a long preparation, are included in the cost of the other intangible asset. All other borrowing costs are expensed as incurred and are recognized as finance costs. Borrowing costs consist of interest and other costs that are incurred in connection with the borrowing of the funds.

• Emission allowances

The cost of acquiring emission allowances is recognized as other intangible asset, whether they have been purchased or received free of charge (in the latter case 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 acquired. This provision is measured at the estimated amount of the expenditure required to settle the obligation.

The fair value of forward purchase and sale contracts of emission allowance certificates is based on quoted market prices for futures of EU allowances (EUAs) and Certified Emission Reductions (CERs).

• Green certificates

Green certificates held for sale in the ordinary course of business are accounted for as inventories acquired by way of a government grant. These are initially measured at fair value. Green certificates to be used for own use are accounted for as other intangible assets acquired by way of a government grant. These are also initially measured at fair value. The grant is presented in the income statement as other operating income. They are subsequently measured at the lower of cost or net realizable value in the case of inventories and remain at cost in the case of other intangible assets, but subject to impairment testing. Sales of the green certificates are recognized as revenue, when the green certificates were initially recognized as inventories, and are expensed as cost of sales. Upon the sale of green certificates initially held for own use, if the sales price is different from the carrying amount, this difference will be presented as gain (loss) on sale of other intangible assets (other operating income/expense).

• Other intangible assets

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

• Subsequent expenditure

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

• Amortization

Other intangible assets with a finite life are amortized 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

Useful lives and residual values, if not insignificant, are reassessed annually and adjusted if appropriate.

The other intangible assets with indefinite life relate to trademarks which are considered to have an indefinite life unless plans would exist to discontinue the related activity. There are no legal, regulatory, contractual, competitive, economic or other factors that limit the useful life of the trademarks. Other intangible assets with an indefinite useful life are not amortized but are tested for impairment on an annual basis.

(F) Goodwill

• Goodwill

All business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the group.

The group measures goodwill at the acquisition date as:
- the fair value of the consideration transferred; plus
- the recognized amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in the income statement after reassessment of the fair values.

Transaction costs, other than those associated with the issue of debt or equity securities, that the group incurs are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in the income statement.

Goodwill is tested at least annually for impairment and whenever there is an indicator that the cash generating 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.

• Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of investments accounted for using the equity method, the carrying amount of goodwill is included in the carrying amount of the investment.

(G) Property, plant and equipment

• Owned assets

Items of Property, plant and equipment (further also "PPE") are stated at cost less accumulated depreciation and impairment losses. Cost includes the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management (e.g. non refundable tax, transport and the costs of dismantling and removing the items and restoring the site on which they are located, if applicable). The cost of a self-constructed asset is determined using the same principles as for an acquired asset and includes the cost of materials, direct labor 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.

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. Capitalization 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.

Useful lives and residual values, if not insignificant, are reassessed annually and adjusted if appropriate.

• 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 group will comply with the conditions attached to it. They are deducted in the income statement from the related depreciation charges on a straight-line basis over the estimated useful life of the related asset.

Grants that compensate the group for expenses incurred are recognized as other operating income on a systematic basis in the same periods in which the expenses are incurred.

(H) Leased assets

Leases of Property, plant and equipment where the group assumes substantially all the risks and rewards of ownership are classified as finance leases at the moment of the commencement of the lease term. Finance leases are capitalized 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 financial liabilities. The interest element is charged to the income statement as a finance charge over the lease period. Property, plant and equipment acquired under a finance lease contract is depreciated over the shorter of the lease term and their useful lives, unless it is reasonably certain that the group will obtain ownership by the end of the lease term (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 over the term of the lease.

(I) Other investments

Each category of other investments is accounted for at transaction 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 recognized in equity, except for impairment losses. On disposal of an other investment, the cumulative gain or loss previously recognized directly in equity is recognized in the income statement.

• Other investments

Other investments mainly include cash guarantees. They are initially measured at fair value. Subsequently other investments are measured at amortized cost.

(J) Impairment

The carrying amounts of financial assets, property, plant and equipment, goodwill and other intangible assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset or the related cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement.

Goodwill, other intangible assets with indefinite useful life and other intangible assets not yet available for use are tested for impairment annually, even if no indication of impairment exists.

Impairment losses recognized 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

An impairment loss, in respect of the group's assets other than goodwill, recognized in prior periods, is assessed at each balance sheet date for any indication that the impairment loss has decreased or no longer exists. 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 amortization, if no impairment loss had been recognized.

An impairment loss in respect of goodwill cannot be reversed.

(K) Inventories

Inventories are stated at the lower of cost and net realizable 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 labor, other direct costs and an allocation of fixed and variable production 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 realizable 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 initially measured at fair value and subsequently stated at amortized cost less appropriate allowances for impairment losses.

(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 maturity date of three months or less from the acquisition date and are subject to an insignificant risk of change in value.

(N) Issued capital

• Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a reduction from equity, net of any tax effects.

• Repurchase of issued capital

When share capital recognized as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

• Dividends

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

(O) Financial liabilities

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

(P) Provisions

Provisions are recognized in the balance sheet when the group 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. The unwinding of the discount is presented as a component of finance costs.

• Restructuring

A provision for restructuring is recognized when the group 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 recognized when the expected benefits to be derived by the group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. Such provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the group recognizes an impairment loss on the assets associated with that contract.

• Others

Includes provisions for litigations and warranties.

(Q) Employee benefits

• Post employment benefits

Post employment benefits include pensions and medical benefits. The group operates a number of defined benefits and defined contribution plans throughout the world, of which the assets 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 recognized as an expense in the income statement as incurred. A defined contribution plan is a pension plan under which the group pays fixed contributions into a fund. There is no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

All defined contribution plans in Belgium are legally subject to a minimum guaranteed return. If the legal minimum guaranteed return is sufficiently covered, the group has no obligation to pay further contributions than those that are recognized as an expense in the income statement as incurred. In that case, these pension plans are also accounted for as defined contribution plans.

- 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 recognized 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 unrecognized actuarial gains and losses, less unrecognized past service costs and less the fair value of the plan assets.

All actuarial gains and losses as at January 1, 2004, the date of transition to IFRS, were recognized. In respect of actuarial gains and losses that arise subsequent to January 1, 2004 in calculating the group's obligation in respect of a plan, to the extent that any cumulative unrecognized 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 recognized 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 recognized.

Where the calculation results in a benefit to the group, the recognized asset is limited to the net total of any unrecognized 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.

The group recognizes gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment or settlement comprises any resulting change in the fair value of plan assets, change in the present value of defined benefit obligation and any related unrecognized actuarial gains and losses and unrecognized past service costs.

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

These benefits arise as a result of the group'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 warrant plan allows senior management to acquire shares of the company. The warrant'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 recognized in the financial statements based on the fair value of the awards measured at grant date, spread over the vesting period. When the warrants are exercised, equity is increased by the amounts of the proceeds received.

• Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(R) Income tax

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively 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 goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and 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 recognized 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. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that related tax benefit will be realized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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

(S) Trade and other payables

Trade and other payables are stated at fair value at initial recognition and subsequently at amortized cost.

(T) Income

• Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the group. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the customer, there are no significant uncertainties regarding recovery of the consideration due, when the associated costs and possible return of goods can be estimated reliably, when there is no continuing management involvement with the goods and when the amount of revenue can be estimated reliably.

For the sale of goods, revenue is recognized in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

• Financial income

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

(U) Expenses

• Financial expenses

Finance costs comprise interest payable on borrowings, unwinding of the discount on provisions, foreign exchange losses and losses on derivative financial instruments.
The interest expense component of finance lease payments is recognized in the income statement using the effective interest method.

All finance costs (borrowing costs) directly attributable to the acquisition, construction or production of a qualifying asset that form part of the cost of that asset are capitalized. This capitalization of borrowing costs is recorded in the other intangible assets (see also (E) above) and Property, plant and equipment (see also (G) above). All other borrowing costs are expensed as incurred and are recognized as finance costs.

(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 recognized initially at fair value plus its directly related transaction costs. The determination of fair values for each type of financial and non-financial assets and liabilities are further discussed in note 2 - Determination of fair values. Subsequent to initial recognition, derivative financial instruments are stated at their fair value at balance sheet date. Depending on whether cash flow hedge accounting (see below) is applied or not, any gain or loss on this re-measurement is either recognized directly in other comprehensive income or in the income statement.

• Cash flow hedges

The group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income (hedging reserves in equity). Any ineffective portion of changes in the fair value of the derivative is recognized immediately in the income statement.

When the hedged item is a non-financial asset, the amount accumulated in equity is included in the carrying amount of the asset when the asset is recognized. In any other case, the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects the income statement.

If the hedging instrument no longer meets the criteria for hedge accounting, or when the hedging instrument is expired, sold or terminated, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the income statement. If the forecast transaction is no longer expected to occur, then the cumulative gain or loss recognized in other comprehensive income is reclassified immediately to finance costs and income.

(W) Non-current assets classified as held for sale and discontinued operations

A non-current asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. A sales transaction occurs when the following conditions are met:

- The asset must be available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such assets or disposal groups; and
- The sale of the non-current asset must be highly probable.

The group presents a non-current asset classified as held for sale and the assets of a disposal group classified as held for sale separately from the other assets in the statement of financial position. Similarly, the liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position. Statements of financial position for comparative periods are not represented. Moreover, the group presents separately any income or expense recognized directly in equity that is related to a non-current asset classified as held for sale e.g. translation differences.

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 IFRS. Then, on initial classification as held for sale, non-current assets and disposal groups are recognized at the lower of carrying amount and fair value less costs to sell. The assets classified as held for sale, including those within a disposal group, are no longer depreciated or amortized.

Impairment losses on initial classification as held for sale are included in the income statement. 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, is part of a co-ordinated single plan to dispose of a separate line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the date when the operation meets the criteria to be classified as held for sale or when an operation has been disposed off.

When operations are classified as discontinued, the "Profit (+) / Loss (-) for the period from discontinued operations" is presented on a separate line in the income statement and in the statement of comprehensive income.

In addition to the requirements for the presentation of disposal groups in the statement of financial position, the figures of the reported comparable period in the income statement and the statement of comprehensive income are represented for the presentation of the results of discontinued operations. Furthermore, net cash flows attributable to the operating, investing and financing activities of the discontinued operations are presented separately.

(X) Earnings per share

The group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period.

The diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to the management.

(Y) Segment reporting

Operating segments are components of the group that engage in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the group's other components. Discrete financial information is available and evaluated regularly by the Group Management Committee in deciding how to allocate resources and in assessing performance. The Group Management Committee has been identified as the chief operating decision maker.

Aggregation of segments has been done in accordance with IFRS 8 *Operating segments* and only when the segments have similar economic characteristics based upon their nature of products and services, nature of the production process, type or class of customer, methods used to distribute products or provide services and the nature of the regulatory environment.

The segment information reported to the Group Management Committee (including the measurement of segment profit or loss, segment assets and liabilities) is prepared in conformity with the same accounting policies as those described in the summary of significant accounting policies.

Revenues, expenses and assets are allocated to the operating segments to the extent that items of revenue, expenses and assets can be directly attributed or reasonably allocated to the operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

(Z) Recently issued IFRS

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

IFRS 9 Financial Instruments is intended to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 deals with classification and measurement of financial assets and financial liabilities. This standard is the first phase in the replacement of IAS 39 and will become mandatory for the group's 2013 consolidated financial statements, with retrospective application. The group does not plan to adopt this standard early and the extent of the impact has not yet been determined.

Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12). The amendments introduce an exception to the general measurement requirements of IAS 12 *Income Taxes* in respect of investment properties measured at fair value and will become mandatory for the group's 2012 consolidated financial statements. The amendments are not expected to have a significant impact on the group's consolidated financial statements.

Presentation of Items of Other Comprehensive Income (Amendments to IAS 1). The amendments require that an entity presents separately the items of other comprehensive income that would be reclassified to the income statement in the future if certain conditions are met from those that would never be reclassified to the income statement. The amendments which become mandatory for the group's 2013 consolidated financial statements, are not expected to have a significant impact on the group's consolidated financial statements.

IFRS 10 Consolidated Financial Statements introduces a new approach to determine which investees should be consolidated and provides a single model to be applied in the control analysis for all investees and will become mandatory for the group's 2013 consolidated financial statements, with retrospective application. This new standard is not expected to have a significant impact on the group's consolidated financial statements.

IFRS 11 Joint Arrangements focuses on the rights and obligations of joint arrangements, rather than the legal form (as is currently the case). It distinguishes joint arrangements between joint operations and joint ventures; and always requires the equity method for jointly controlled entities that are now called joint ventures. IFRS 11 will become mandatory for the group's 2013 consolidated financial statements, with retrospective application and is not expected to have a significant impact on the group's consolidated financial statements.

IFRS 12 Disclosure of Interests in Other Entities contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities. IFRS 12 will become mandatory for the group's 2013 consolidated financial statements, with retrospective application and is not expected to have a significant impact on the group's consolidated financial statements.

IFRS 13 Fair Value Measurement replaces the fair value measurement guidance contained in individual IFRS's with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 will become mandatory for the group's 2013 consolidated financial statements and is not expected to have a significant impact on the group's consolidated financial statements.

IAS 19 Employee Benefits (amended 2011) includes the following requirements:
- actuarial gains and losses are recognized immediately in other comprehensive income; and
- expected return on plan assets recognized in the income statement is calculated based on the rate used to discount the defined benefit obligation.

The amendments become mandatory for the group's 2013 consolidated financial statements. The group does not plan to adopt this standard early. Reference is made to note 25 – Employee benefits in which the unrecognized actuarial losses are disclosed (-15.9 million EUR as per December 31, 2011). The alignment of the rate of expected return on plan assets with the discount rate would have impacted the 2011 consolidated income statement by an estimated -1.3 million EUR.

IAS 28 Investments in Associates and Joint Ventures (2011) makes the following amendments:
- IFRS 5 applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and
- on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or vice versa, the entity does not remeasure the retained interest.

The amendments which become mandatory for the group's 2013 consolidated financial statements, are not expected to have a significant impact on the group's consolidated financial statements.

2. Determination of fair values

A number of the group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Property, plant and equipment

The fair value of property, recognized as a result of a business combination or used in impairment testing, is based on the estimated amount for which a property could be exchanged on the date of valuation in an arm's length transaction. The result is benchmarked with market values, if available. If no significant and active market exists, it is more appropriate to use the replacement cost. The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement costs when appropriate. The replacement cost is the combined result of the cost of a new plant, equipment, fixtures and fittings with the same capacity and the value in use considering the business activity. The measurement of the fair value of property plant and equipment is based on valuation studies performed internally as well as outsourced to external, independent valuation companies having appropriate qualifications and experience.

Other intangible assets

The fair value of patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the patent or trademark being owned.

The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows.
The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.
The measurement of the fair value of other intangible assets is based on valuation studies performed internally as well as outsourced to external, independent valuation companies having appropriate qualifications and experience.

Inventories

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

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 forward rate at closing date.

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

The fair value of forward purchase and sale contracts of emission allowance certificates is based on quoted market prices for futures of EU allowances (EUAs) and Certified Emission Reductions (CERs).

Share-based payment

IFRS 2 *Share-based payment* requires share based payments made to employees to be recognized in the financial statements based on the fair value of the warrants measured at grant date. According to the transition provisions included in IFRS 2, the warrants granted before November 7, 2002, and not yet vested at January 1, 2005, are not amortized through the income statement. The fair value of the warrants granted is determined using the Black & Scholes valuation model.

Provisions

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.

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, which is determined for disclosure purposes.

Interest-bearing loans and borrowings

The fair value, determined for disclosure purposes, is calculated based on discounted expected future principal and interest cash flows.

The interest rates used to discount estimated cash flows, where applicable, are based on the government yield curve at the reporting date plus an adequate credit spread.

Financial leasing payables

The fair value, determined for disclosure purposes, 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.

The interest rates used to discount estimated cash flows, where applicable, are based on the government yield curve at the reporting date plus an adequate credit spread.

3. Segment reporting

The group has eight operating segments within the continuing operations, based on the principal business activities and economic environments, as defined under IFRS 8 *Operating Segments*. The customers and main markets of these segments are different. Five operating segments (including the discontinued operating segment) fulfil the quantitative thresholds and are reported separately.

On June 14, 2011, the group sold the majority of the PVC/Chlor-Alkali activities (see also note 5 – Discontinued operations). In accordance with IFRS 5 *Non-current assets held for sale and discontinued operations*, this segment is reported separately as "Discontinued operations PVC/Chlor-Alkali". The remaining Chlor-Alkali activities (Water Treatment and Sulphur Derivatives) no longer fulfil the quantitative thresholds and have been included in "Other Businesses". 2010 comparative figures are provided.

The operating segments Pharmaceutical Intermediates, Organic Chlorine Derivatives, Compounds and the remaining Chlor-Alkali activities do not fulfil the quantitative thresholds and are grouped in "Other Businesses". The information provided below is consistent with the information that is available and evaluated regularly by the Chief Operating Decision maker (the Group Management Committee).

The following summary describes the operations in each of the group's reportable segments:

- Inorganics - includes manufacturing and distributing potassium sulphate fertilizers and animal feed phosphates.
- Gelatin and Akiolis - includes manufacturing and distributing gelatins; collecting and processing of animal by-products.
- Plastic Pipe Systems and Profiles - includes manufacturing and distributing PVC profiles, pipes and fittings.
- Tessenderlo Kerley - includes manufacturing and distributing sulphur–based liquid fertilizers, crop protection products and Tessenderlo Kerley services (production plants linked to refineries to recover sulphur and other residuals).
- Other Businesses - includes manufacturing and distributing Organic Chlorine Derivatives (OCD), Pharmaceutical Intermediates, Compounds and the remaining Chlor-Alkali activities. None of these segments meets any of the quantitative thresholds for determining the reportable segments in 2011 and 2010.
- Discontinued PVC/Chlor-Alkali - includes manufacturing and distributing caustic potash and soda and PVC which has been sold in 2011. The remaining Chlor-Alkali activities (Water Treatment and Sulphur Derivatives) are grouped in the "Other Businesses".

'Non allocated' groups all activities related to the corporate activities which provide services to the eight operating segments and also includes an insurance captive, financing and holding companies.

The group is a diversified specialty group that is worldwide active in many areas of agriculture, food, water management, efficient re(use) of natural resources and other industrial markets. The products of the group are used in various applications and consumption markets. Although a leadership position is occupied by the group in a number of diverse markets, the diversification of the group's revenue makes the group not reliant on major customers.

The Chief Operating Decision maker assesses the performance of the operating segments based on a measure of REBIT (Recurring Earnings Before Interests and Taxes). Finance costs and income are not allocated to operating segments, as this type of activity is driven by the central treasury department, which manages the cash position of the group.

There are no differences from the last annual financial report in the principles of segmentation or in the method of measurement of segment REBIT and EBIT.

The major line items of the income statement and statement of financial position are shown per operating segment in the table below:

		Inorganics		Gelatin and Akiolis		Plastic Pipe Systems and Profiles		Tessenderlo Kerley		Other Businesses		Non-allocated		Tessenderlo Group (Continuing operations)		Discontinued operations PVC/ Chlor-Alkali		Tessenderlo Group	
(Million EUR)	**note**	2011	2010*	2011	2010	2011	2010	2011	2010	2011	2010*	2011	2010	2011	2010	2011	2010*	2011	2010
Revenue (internal and external)		428.5	401.0	484.7	416.4	569.2	562.3	271.0	231.4	386.2	423.3	-	-	2,139.6	2,034.4	352.8	496.9	2,492.4	2,531.3
Revenue (internal)		0.4	0.3	9.3	5.7	0.1	0.1	0.2	0.0	3.6	4.3	-	-	13.6	10.4	-**	-**	13.6	10.4
Revenue		**428.1**	**400.7**	**475.4**	**410.8**	**569.1**	**562.1**	**270.8**	**231.4**	**382.6**	**419.0**	**0.0**	**0.0**	**2,126.0**	**2,024.0**	**352.8**	**496.9**	**2,478.8**	**2,520.9**
Profit (+) / loss (-) from operations before non-recurring items (REBIT)		**22.9**	**14.3**	**37.3**	**31.8**	**17.7**	**15.7**	**56.2**	**37.4**	**2.2**	**-0.4**	**-31.4**	**-25.9**	**104.9**	**73.0**	**4.2**	**-14.1**	**109.0**	**58.9**
Non-recurring income/ (expense) items	7	-0.5	9.6	0.3	0.9	-1.4	-7.0	0.3	-0.8	4.7	-14.0	-2.3	14.1	1.0	3.0	-156.4	-4.6	-155.4	-1.6
Profit (+) / loss (-) from operations (EBIT)		**22.4**	**23.9**	**37.5**	**32.8**	**16.2**	**8.7**	**56.5**	**36.7**	**6.9**	**-14.3**	**-33.8**	**-11.7**	**105.9**	**76.0**	**-152.3**	**-18.6**	**-46.4**	**57.4**
Return on revenue (REBIT/revenue)		**5.3%**	**3.6%**	**7.8%**	**7.8%**	**3.1%**	**2.8%**	**20.8%**	**16.2%**	**0.6%**	**-0.1%**	**-**	**-**	**4.9%**	**3.6%**	**1.2%**	**-2.8%**	**4.4%**	**2.4%**
Segment assets		176.0	135.7	409.8	379.6	309.8	332.1	182.2	147.8	179.2	188.2	53.9	21.8	-	-	-	282.7	1,310.9	1,487.8
Investments accounted for using the equity method	15	-	-	3.7	3.0		-	8.5	9.4	-	-	8.6	15.3	-	-	-	-	20.8	27.7
Other investments	16	-	-	-	-	-	-	-	-	-	-	5.7	6.7	-	-	-	-	5.7	6.7
Deferred tax assets	17	-	-	-	-	-	-	-	-	-	-	7.4	23.7	-	-	-	-	7.4	23.7
Cash and cash equivalents	20	-	-	-	-	-	-	-	-	-	-	34.9	150.5	-	-	-	-	34.9	150.5
Other unallocated receivables		-	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-	-	0.1
Total assets		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**282.7**	**1,379.7**	**1,696.5**
Segment liabilities		114.2	102.3	111.7	106.5	88.1	106.1	24.2	19.7	63.3	72.1	88.8	109.8	-	-	-	107.3	490.3	623.8
Financial liabilities	24	-	-	-	-	-	-	-	-	-	-	253.6	305.4	-	-	-	-	253.6	305.4
Bank overdrafts	24	-	-	-	-	-	-	-	-	-	-	0.7	7.1	-	-	-	-	0.7	7.1
Deferred tax liabilities	17	-	-	-	-	-	-	-	-	-	-	30.6	31.6	-	-	-	-	30.6	31.6
Total equity		-	-	-	-	-	-	-	-	-	-	604.6	728.6	-	-	-	-	604.6	728.6
Total Equity and Liabilities		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**107.3**	**1,379.7**	**1,696.5**
Capital expenditures: property, plant and equipment and other intangible assets	12/14	9.8	5.5	45.9	48.0	18.0	20.0	17.2	8.7	17.1	23.8	1.2	2.1	109.1	108.2	4.5	12.6	113.6	120.8
Amortization and depreciation	9	-5.8	-6.4	-28.8	-29.0	-26.2	-28.8	-10.5	-10.6	-10.8	-12.8	-1.7	-2.7	-83.9	-90.3	-12.6	-26.1	-96.5	-116.4
Impairment losses on goodwill, other intangible assets and property, plant and equipment	9	-	-	-	0.5	-0.2	-3.1	-	-0.2	-	-11.0	-	-	-0.2	-13.8	-151.0	-	-151.2	-13.8

* Restated 2010 figures as a consequence of the discontinued operation PVC/Chlor-Alkali (note 5 – Discontinued operations).

** The discontinued PVC/Chlor-Alkali activities do no longer report internal revenue. All revenue realized with other operating segments of the group (2010: 86.0 million EUR; 2011: 69.8 million EUR) is considered as external revenue. The reclassification from internal to external revenue within the other operating segments amounts to 7.5 million EUR in 2011 (2010: 5.6 million EUR).

The reconciliation of the profit before tax from continuing operations is as follows:

(Million EUR)	2011
Profit (+) / loss (-) from operations of reportable segments	-19.5
Profit (+) / loss (-) from operations of non-allocated and other businesses	-26.9
Profit (+) / loss (-) from operations (EBIT)	**-46.4**
Elimination of discontinued operations	152.3
Finance costs - net	-25.6
Share of result of equity accounted investees, net of income tax	5.9
Profit (+) / loss (-) before tax - Continuing operations	**86.2**

In presenting information on the basis of geographical segments, segment revenue from continuing operations is based on the geographical location of customers. Non-current segment assets are based on the geographical location of the assets.

Geographical information 2011 (Million EUR)	Revenue by market	Non-current segment assets
Belgium	183.1	98.5
The Netherlands	189.2	46.3
France	429.3	166.9
Italy	63.0	29.4
United Kingdom	262.7	68.1
Other European countries	374.6	23.2
USA	360.0	108.9
Rest of the world	264.1	90.6
Tessenderlo Group	**2,126.0**	**631.9**

Geographical information 2010 (Million EUR)	Revenue by market	Non-current segment assets
Belgium	159.0	252.5
The Netherlands	175.5	60.6
France	413.7	199.7
Italy	48.4	28.4
United Kingdom	264.2	68.3
Other European countries	337.3	15.0
USA	344.2	106.2
Rest of the world	281.7	66.1
Tessenderlo Group	**2,024.0**	**796.8**

The decrease in the non-current segment assets (property, plant and equipment, other intangible assets and goodwill) is mainly explained by the sale of the PVC/Chlor-Alkali activities and the sale of Chelsea Building Products Inc. and Dynaplast-Extruco Inc., included in the 2010 non-current segment assets for an amount of 189.2 million EUR, 9.7 million EUR and 2.0 million EUR respectively.

4. Acquisitions and disposals

Acquisitions – Activities / Subsidiaries

On August 23, 2011, Tessenderlo Kerley Inc. announced the acquisition of the assets of the Purfresh crop protection sun screen business and the Purshade product line including the trademarks, formulation knowledge, registrations, pending patents, other intellectual property and customer lists from Purfresh Inc., Fremont California. Purshade is approved for sale in over fourty countries. The Purshade business is managed and marketed by Tessenderlo Kerley's NovaSource® business unit and is a complementary offering to the company's Surround® Crop Protectant product line. The Purshade activity was immediately integrated in Tessenderlo Kerley Inc.'s operations. The contribution of the Purshade activity to the group's 2011 revenue and result of the year as from the date of acquisition is considered to have been immaterial. If the acquisition had taken place at the beginning of the year, the contribution to the 2011 revenue and result of the group would have been insignificant as well.

On September 9, 2011, the group announced the acquisition of BT Bautechnik Group. Dyka GmbH, a German subsidiary within the operating segment "Plastic Pipe Systems and Profiles", acquired 100% of the shares and voting rights of BT Bautechnik Group, which includes BT Bautechnik Impex GmbH & Co. Kg, BTH Fitting Kft and Impex Wimmer GmbH. This business combination allows to enlarge the product portfolio to our customers, create a stronger presence in Central and Eastern Europe, and enhance our storm water management offering. The consideration paid includes a cash payment of 2.2 million EUR, while the transaction costs were negligible. The outstanding financial liabilities of the acquired companies (8.9 million EUR) were also acquired by the group. The total acquisition cost could be attributed completely to the acquired assets and liabilities and consequently this purchase did not result in the recognition of goodwill. As from closing date October 31, 2011, the Bautechnik Group has contributed 1.7 million EUR to the group's 2011 revenue and -0.5 million EUR to the result of 2011. If the acquisition had taken place at the beginning of 2011, the revenue of the group for the entire year 2011 would have increased by approximately 23.0 million EUR, while the impact on the 2011 result would have been insignificant.

The table below summarizes the impact of the acquisition of the BT Bautechnik Group on the financial position of the group in 2011.

(Million EUR)	Pre-acquisition carrying amounts	Fair value adjustments	Recognized values on acquisition
Property, plant and equipment	11.9	-1.8	10.1
Deferred tax assets	-	0.7	0.7
Non-current assets	**11.9**	**-1.1**	**10.8**
Inventories	4.9	-0.3	4.6
Trade and other receivables	3.5	-	3.5
Cash and cash equivalents	0.4	-	0.4
Current assets	**8.8**	**-0.3**	**8.5**
Financial liabilities	4.9	0.7	5.6
Provisions	0.4	-	0.4
Trade and other payables	3.0	-	3.0
Non-current liabilities	**8.3**	**0.7**	**9.0**
Financial liabilities	3.0	0.3	3.3
Trade and other payables	4.7	-	4.7
Current tax liabilities	0.1	-	0.1
Current liabilities	**7.8**	**0.3**	**8.1**
Net assets	**4.6**	**-2.4**	**2.2**
Consideration (paid)/received, satisfied in cash			-2.2
Cash acquired/(disposed) of			0.4
Net cash (outflow)/inflow			**-1.8**

Acquisitions – Investments accounted for using the equity method

In October 2011, Akiolis Group SAS, a French subsidiary within the operating segment "Gelatin and Akiolis", has acquired a 20.46% stake in Meta Bio Energies SAS. This company converts organic waste into valuable fertilizer products, thereby producing green energy. A consideration of 0.6 million EUR has been paid for this 20.46% stake, while the transaction costs were negligible.The financial impact of this transaction to the 2011 group result is insignificant (note 15 – Investments accounted for using the equity method).

Disposals

The disposal of businesses presented as discontinued operations under IFRS 5 *Non-current assets held for sale and discontinued operations* has been disclosed in note 5 – Discontinued operations. During 2011 the group also entered into several agreements that resulted in the sale of assets, liabilities and subsidiaries that have been accounted for as a disposal group under IFRS 5 *Non-current assets held for sale and discontinued operations*.

On January 31, 2011, the group sold the subsidiary Tessenderlo Fine Chemicals Ltd (operating segment "Organic Chlorine Derivatives") to Tennants Consolidated Ltd. In accordance with IFRS 5 *Non-current assets held for sale and discontinued operations*, the assets and liabilities of the disposal group were presented as assets and liabilities held for sale at the end of December 2010. The sale resulted in a non-recurring gain, after deducting expenses related to this transaction, of 4.5 million EUR (note 7 – Non-recurring income/(expense) items). Tessenderlo Fine Chemicals Ltd has contributed 4.3 million EUR to the group's 2011 revenue (2010: 51.8 million EUR), and 0.2 million EUR to the 2011 result (2010: 2.8 million EUR).

On July 25, 2011, the group completed the sale of Chelsea Building Products Inc. (operating segment "Plastic Pipe Systems and Profiles") to Graham Partners. The sale resulted in a non-recurring gain, after deducting expenses related to this transaction, of 6.4 million EUR (note 7 – Non-recurring income/(expense) items). Chelsea Building Products Inc. has contributed 16.2 million EUR to the group's 2011 revenue (2010: 34.9 million EUR), and 10.5 million EUR to the 2011 result or 0.1 million EUR, after excluding non-recurring income items (2010: 1.6 million EUR).

On September 30, 2011, the group sold its Canadian subsidiary Dynaplast-Extruco Inc. (operating segment "Plastic Pipe Systems and Profiles") to a private investor. The sale resulted in a non-recurring loss, after deducting expenses related to this transaction, of -3.1 million EUR (note 7 – Non-recurring income/(expense) items). Dynaplast-Extruco Inc. has contributed 4.0 million EUR to the group's 2011 revenue (2010: 6.6 million EUR), and -0.1 million EUR to the 2011 result (2010: -3.1 million EUR or -0.8 million EUR, after excluding non-recurring expense items).

The table below shows the major classes of assets and liabilities of the disposal groups at the date of their disposal:

(Million EUR)	Tessenderlo Fine Chemicals Ltd	Chelsea Building Products Inc.	Dynaplast-Extruco Inc.	Total
Goodwill	0.5	-	-	0.5
Property, plant and equipment	8.2	9.2	1.8	19.2
Other investments	-	-	0.1	0.1
Trade and other receivables	-	0.2	0.1	0.3
Deferred tax assets	0.1	0.6	-	0.7
Non-current assets	**8.8**	**10.0**	**2.0**	**20.8**
Inventories	4.3	7.7	1.4	13.4
Trade and other receivables	9.3	4.7	0.7	14.7
Current assets	**13.6**	**12.4**	**2.1**	**28.1**
Non-current assets classified as held for sale	**-**	**-**	**0.4**	**0.4**
Deferred tax liabilities	0.3	0.7	-	1.0
Non-current liabilities	**0.3**	**0.7**	**-**	**1.0**
Trade and other payables	6.4	3.9	0.9	11.2
Current tax liabilities	0.5	-	-	0.5
Current liabilities	**6.9**	**3.9**	**0.9**	**11.7**

On September 21, 2011, the group announced the sale of 13.33% of the shares of T-Power SA, an independent power producer with a 425 MW natural gas fired power station located in Tessenderlo (Belgium) to Tokyo Gas. The transaction is still subject to approval by the authorities, other shareholders rights, and 3rd party consents. After closing of the transaction, the group will retain 20.0% of the shares and voting rights in T-Power SA. As per December 31, 2011, the 13.33% participation has been presented as "Non-current assets classified as held for sale" (note 21 – Non-current assets classified as held for sale).

5. Discontinued operations

On June 14, 2011, the group sold the PVC/Chlor-Alkali and part of the Organic Chlorine Derivatives (OCD) activities to Kerling (through INEOS ChlorVinyls), one of the major chlor-alkali producers in Europe, a global leader in chlorine derivatives and Europe's largest PVC manufacturer.

This transaction resulted in the shares of the following companies being sold: Limburgse Vinyl Maatschappij NV (Belgium), Société Artésienne de Vinyle SAS (France), LVM Limburg BV (the Netherlands) and Tessenderlo Chemie Maastricht BV (the Netherlands). These businesses employ about 850 people. The transaction was closed as per August 1, 2011. On August 1, 2011, the group received 110.0 million EUR on a cash-free, debt-free basis.

In accordance with IFRS 5 *Non-current assets held for sale and discontinued operations*, a distinction is made in the income statement and in the statement of comprehensive income between continuing and discontinued operations. This distinction applies to the PVC/Chlor-Alkali activities for the 2011 figures as well as to the comparative 2010 figures. The Organic Chlorine Derivatives activities are considered to be a disposal group since the group still has ongoing OCD activities in Italy and China.

The effect of the discontinued operations on the income statement and the cash flow statement of the group is detailed in the table below:

(Million EUR)	2011 (7M)	2010 (12M)
Result of discontinued operations		
Revenue	352.8	496.9
Expenses	-348.6	-511.0
Profit (+) / loss (-) from operations before non-recurring items (REBIT)	**4.2**	**-14.1**
Non-recurring income/(expense) items	1.0	-4.6
Loss on the sale of discontinued operations	-157.4	-
Profit (+) / loss (-) from operations (EBIT)	**-152.3**	**-18.6**
Finance costs - net	-0.7	0.2
Profit (+) / loss (-) before tax	**-152.9**	**-18.4**
Income tax expense	-0.6	5.6
Profit (+) / loss (-) for the period from discontinued operations, net of income tax	**-153.6**	**-12.8**
Cash flows from (used in) discontinued operations		
Net cash from (used in) operating activities	-80.5	20.8
Net cash from (used in) investing activities	102.8	-9.3
Net cash from (used in) financing activities	-22.3	-11.5
Effect on cash flows	**-**	**-**

The total loss on the sale of the discontinued operations amounts to 157.4 million EUR including the impairment loss of 151.0 million EUR on the other intangible assets and property, plant and equipment following the remeasurement to the lower of its carrying amount and its fair value less costs to sell. The loss also includes the recognition of the unrecognized actuarial losses on the defined benefit pension plans within the sold entities, contract cancellation fees and consultancy fees. In addition, proper consideration has been given to provisions for possible indemnifications payable to the acquirer, if any, including matters in the area of health, environment, tax, product liability, restructuring, competition, pensions and share incentives.

The table below shows the major classes of assets and liabilities of the discontinued operations and the other disposal group as per closing date of the transaction. The discontinued operations include the PVC/Chlor-Alkali activities, while the other disposal group includes the sold OCD activities. The sold OCD activities have contributed 35.8 million EUR to the group's 2011 revenue (2010: 49.6 million EUR), and -0.3 million EUR to the 2011 result (2010: -0.1 million EUR).

(Million EUR)	Discontinued operations	Other disposal group	Total
Total assets	**215.6**	**15.4**	**231.0**
Total non-current assets	**42.8**	**4.9**	**47.7**
Property, plant and equipment	25.9	4.9	30.8
Deferred tax assets	16.9	0.0	16.9
Total current assets	**172.8**	**10.5**	**183.3**
Inventories	52.5	5.0	57.5
Trade and other receivables	120.3	5.5	125.8
Total liabilities	**103.7**	**6.4**	**110.1**
Total non-current liabilities	**20.9**	**0.0**	**20.9**
Employee benefits	8.1	0.0	8.1
Provisions	9.8	0.0	9.8
Deferred tax liabilities	3.0	0.0	3.0
Total current liabilities	**82.8**	**6.4**	**89.2**
Trade and other payables	82.0	6.4	88.4
Current tax liabilities	0.1	0.0	0.1
Provisions	0.7	0.0	0.7

The net assets transferred amount to 120.9 million EUR. At closing date, the group received 110.0 million EUR on a cash-free, debt-free basis.
The share purchase agreement included several purchase price adjustments and as a consequence thereof, the group has an outstanding current other receivable towards the acquirer for an amount of 14.7 million EUR as per December 31, 2011, which also includes the amount of cash outstanding in the sold subsidiaries as per closing date.

6. Other operating income and expenses

Other operating income and expenses from continuing operations is shown in the table below:

(Million EUR)	2011	2010
Additions to provisions	-0.2	-0.5
Research and development cost	-11.9	-11.0
Grants	0.6	0.3
Depreciation	-0.6	-1.5
Gains on disposal of property, plant and equipment and other intangible assets	0.7	-0.3
Impairment losses on trade receivables	-3.2	-3.3
Other	4.4	1.0
Total	**-10.1**	**-15.4**

Costs arising from the research phase of an internal project are expensed as incurred. The major part of research and development costs from continuing operations relates to salaries paid for an amount of 8.4 million EUR (2010: 8.0 million EUR) and depreciation charges for an amount of 0.2 million EUR (2010: 0.2 million EUR). In 2011 and 2010, no development costs were capitalized. We refer to note 14 – Other intangible assets.

The other operating income and expenses from continuing operations can be mainly explained by the following items:
- The income from the sale of electricity, which is not used in own production, an electricity interruption fee and green certificates for an amount of 3.3 million EUR (2010: 1.3 million EUR).
- The income from insurance premiums received by the insurance captive of the group for an amount of 3.3 million EUR (2010: 3.7 million EUR).

- Following the sale of the PVC/Chlor-Alkali activities, transactions between the continuing and discontinued operations were no longer eliminated, which resulted in an income of 2.2 million EUR within the continuing operations (2010: -0.7 million EUR).
- The tax charges other than income taxes, such as withholding taxes and regional taxes, for an amount of -7.8 million EUR (2010: -8.5 million EUR).

The remaining balance of other operating income and expenses of 2011 consists of several, individually insignificant items within several subsidiaries of the group.

7. Non-recurring income/(expense) items

The non-recurring items from continuing operations for 2011 show a net income of 1.0 million EUR (2010: 3.0 million EUR).

(Million EUR)	2011	2010
Gains and losses on disposals	11.2	22.2
Provisions and claims	1.9	12.8
Restructuring	-5.6	-11.6
Impairment losses	-0.7	-14.8
Environmental provisions	0.2	0.5
Other income and expenses	-6.0	-6.2
Total	**1.0**	**3.0**

The gain on disposals in 2011 can be mainly explained as follows:
- On January 31, 2011, the group sold the UK subsidiary Tessenderlo Fine Chemicals Ltd (operating segment "Organic Chlorine Derivatives") to Tennants Consolidated Ltd. The sale resulted in a non-recurring gain, after deducting expenses related to this transaction, of 4.5 million EUR (note 4 – Acquisitions and disposals).
- On July 25, 2011, the group sold the US subsidiary Chelsea Building Products Inc. (operating segment "Plastic Pipe Systems and Profiles") to Graham Partners, a US-based, privately held investment company. The sale resulted in a non-recurring gain, after deducting expenses related to this transaction, of 6.4 million EUR (note 4 – Acquisitions and disposals).
- On September 30, 2011, the group sold its Canadian subsidiary Dynaplast-Extruco Inc. (operating segment "Plastic Pipe Systems and Profiles"), to a private investor. The sale resulted in a non-recurring loss, after deducting expenses related to this transaction, of -3.1 million EUR (note 4 – Acquisitions and disposals).

The remaining gain on disposals (3.4 million EUR) relates to several, individually insignificant sales transactions, mainly of land and buildings, within the operating segments "Tessenderlo Kerley", "Plastic Pipe Systems and Profiles" and "Compounds".

The gain on "provisions and claims" is mainly a consequence of an amortization of unrecognized actuarial gains of pension plans within French subsidiaries for an amount of 2.3 million EUR, which led to a decrease of the liabilities recorded.

Restructuring expenses amount to -5.6 million EUR and mainly relate to:
- further operational efficiency improvements within several subsidiaries in the operating segments "Plastic Pipe Systems and Profiles" (-3.0 million EUR) and "Gelatin and Akiolis" (-1.2 million EUR).
- adjustments to the estimated costs of ongoing restructuring plans of French subsidiaries operating in the segments "Plastic Pipe Systems and Profiles" and "Pharmaceutical Intermediates" (-0.5 million EUR).
- the closing of the phosphate production unit in Italy. In September 2011, the group's subsidiary Aliphos Italia informed the relevant social partners of its intention to discontinue production at its site in Italy (Cologna Veneta) as from early 2012. The group aims to adjust its production capacities to a declining feed phosphate market in Europe, while improving its fixed cost base. Restructuring expenses and provisions for an amount of -0.8 million EUR were recognized to cover the costs associated with the closure, mainly including employee termination benefits.

The other non-recurring income and expenses (-6.0 million EUR) are mainly related to:
- the realized and unrealized losses on electricity (forward) contracts which are no longer for own use following the sale of the majority of the PVC/Chlor-Alkali activities in 2011 (-6.3 million EUR).
- one-off consultancy fees related to the reorganization and optimization of several activities (-2.0 million EUR).
- a provision made for onerous lease contracts for an amount of -1.2 million EUR (see note 26 - Provisions).

These items were partially offset by:
- a reversal of a write-off on trade receivables which was no longer necessary for 1.5 million EUR (note 28 – Financial instruments).
- an obtained insurance reimbursement for 1.5 million EUR.
- a curtailment gain of 0.9 million EUR realized on a defined benefit pension plan in the UK following the sale of the subsidiary Tessenderlo Fine Chemicals Ltd, within the operating segment "Organic Chlorine Derivatives" (note 25 – Employee benefits).

The non-recurring items from continuing operations for 2010 showed a net income of 3.0 million EUR.

The gain on disposals in 2010 could be mainly explained as follows:
- On March 1, 2010, the group sold its zinc chloride activity through its subsidiary "Produits Chimiques de Loos SAS", located in Loos, France (operating segment "PVC/Chlor-Alkali") to Floridienne Chimie, a Belgian company. A non-recurring income of 1.6 million EUR was realized.
- On November 30, 2010, the group sold its subsidiary "Immo Watro NV", a real estate company owning the group's administrative building in Brussels, to the German institutional fund manager GLL Real Estate Partners GmbH. The group entered into an operating lease agreement with the German institutional fund manager and the headquarters of the group remained at the present location. A non-recurring income, after deducting expenses related to this transaction, of 12.6 million EUR was realized.
- During the fourth quarter of 2010, Tessenderlo Chemie NV has sold land located in Tessenderlo, Belgium, on which a non-recurring result of 6.3 million EUR was realized.

The remaining gain on disposals (1.8 million EUR) related to several, individually insignificant sales transactions, mainly of land and customer lists, within the operating segments "Gelatin and Akiolis", "Inorganics", "Plastic Pipe Systems and Profiles" and "Pharmaceutical Intermediates".

The European Commission had rendered a decision on the cartel investigations by the European Commission on animal feed phosphates, which were started in 2004 and completed by a EU Commission decision on July 20, 2010. The decision rendered by the European Commission set the fine at 83.8 million EUR while the provision totaled 97.0 million EUR. A non-recurring income was recorded for an amount of 13.2 million EUR in the line item provisions and claims.

The restructuring expenses of 2010 mainly related to a major reorganization of the activities in the operating segment "Pharmaceutical Intermediates" at the site in Calais (France). The reorganization had been initiated in order for the site to recover in the short-term, with the intention of developing new markets and maintaining its position on the pharmaceutical market to return to a healthy situation. Restructuring expenses and provisions were recognized for an amount of 5.5 million EUR to cover the costs associated with the reorganization, including mainly employee termination benefits.
During the fourth quarter of 2010, the group also started the closure of a subsidiary within the operating segment "Plastic Pipe Systems and Profiles", located in Avion, France. Restructuring expenses and provisions for an amount of 1.6 million EUR were recognized to cover the costs associated with the closure, mainly including employee termination benefits.
The remaining restructuring expenses were individually less significant and amounted in total to 4.5 million EUR and were mainly recorded within the operating segment "Plastic Pipe Systems and Profiles" (2.2 million EUR) and "Non-allocated" (1.5 million EUR). Those expenses related to further operational efficiency improvements.

The impairment losses amounted to 14.8 million EUR. Impairment losses were mainly recognized on Property, plant and equipment within the operating segments "Organic Chlorine Derivatives" (10.4 million EUR) and "Plastic Pipe Systems and Profiles" (2.6 million EUR).

An impairment loss on goodwill was recognized for 0.6 million EUR as a result of the annual goodwill impairment test at the end of 2010 within the operating segments "Plastic Pipe Systems and Profiles" and "Pharmaceutical Intermediates".
The remaining impairment losses (1.2 million EUR) mainly related to several, individually insignificant write-offs recorded on other investments within "Non-allocated" (1.1 million EUR).

The other non-recurring income and expenses (-6.2 million EUR) included several, individually less significant items including one-off consultancy fees related to the reorganization and optimalisation of several activities (2.5 million EUR).

8. Payroll and related benefits

The payroll and related benefits costs from continuing operations are shown in the table below:

(Million EUR)	note	2011	2010
Wages and salaries		-274.7	-260.6
Employer's social security contributions		-70.2	-63.1
Other personnel costs		-20.6	-30.1
Contributions to defined contribution plans		-4.3	-3.7
Expenses related to defined benefit plans	25	-1.3	-6.4
Total		**-371.1**	**-363.9**

The other personnel costs also include the cost of the shares, issued in favor of the personnel, for 0.5 million EUR (2010: 0.3 million EUR) and the cost of the share-based payments for 1.2 million EUR (2010: 2.7 million EUR), both being recognized in the income statement against equity.

The average number of FTEs of continuing operations for 2011 is 7,186 (2010: 7,356).

9. Additional information on operating expenses by nature

Depreciation, amortization and impairment losses from continuing operations are included in the following line items in the income statement in 2011:

(Million EUR)	Depreciation and impairment losses on PPE	Amortization and impairment losses on other intangible assets	Impairment losses on goodwill	Total
Cost of sales	-63.5	-5.7	-	-69.2
Administrative expenses	-8.2	-	-	-8.2
Sales and marketing expenses	-	-5.7	-	-5.7
Other operating income/(expenses)	-0.8	-	-	-0.8
Impairment losses	-0.2	-	-	-0.2
Total	**-72.7**	**-11.4**	**-**	**-84.1**

Total depreciation, amortization and impairment losses from continuing operations in 2011 amount to 84.1 million EUR and 163.9 million EUR from discontinued operations (note 12 – Property, plant and equipment, note 13 – Goodwill and note 14 – Other intangible assets). Taking into account the depreciation on government grants in discontinued operations in 2011 for 0.3 million EUR, the net depreciation charges, amortization and impairment losses amount to 247.7 million EUR.

Depreciation, amortization and impairment losses from continuing operations are included in the following line items in the income statement in 2010:

(Million EUR)	Depreciation and impairment losses on PPE	Amortization and impairment losses on other intangible assets	Impairment losses on goodwill	Total
Cost of sales	-69.1	-4.3	-	-73.4
Administrative expenses	-8.0	-	-	-8.0
Sales and marketing expenses	-	-7.3	-	-7.3
Other operating income/(expenses)	-1.7	-	-	-1.7
Impairment losses	-13.0	-	-0.8	-13.8
Total	**-91.8**	**-11.6**	**-0.8**	**-104.1**

Total depreciation, amortization and impairment losses from continuing operations in 2010 amount to 104.1 million EUR and 27.1 million EUR from discontinued operations (note 12 – Property, plant and equipment, note 13 – Goodwill and note 14 – Other intangible assets). Taking into account the depreciation on government grants in discontinued operations in 2010 for 1.0 million EUR, the net depreciation charges, amortization and impairment losses amount to 130.2 million EUR.

10. Finance costs and income

Finance costs (continuing operations):

(Million EUR)	2011	2010
Interest expense on financial liabilities measured at amortized cost	-16.1	-17.1
Foreign exchange losses	-7.6	-6.2
Revaluation to fair value of derivative financial instruments	-13.3	-5.2
Other	-8.9	-11.7
Total	**-45.9**	**-40.2**

Finance income (continuing operations):

(Million EUR)	2011	2010
Interest income from cash and cash equivalents	1.2	1.4
Dividend income from non-consolidated companies	0.1	-
Foreign exchange gains	12.6	9.2
Revaluation to fair value of derivative financial instruments	6.4	0.5
Other	0.1	0.3
Total	**20.4**	**11.3**

At the end of April 2011, the group signed an agreement on the amendment and extension of the syndicated credit facility originally entered into in February 2010, for an aggregate amount of 450.0 million EUR (see also note 24 – Financial liabilities). This new syndicated credit facility has a maturity of 5 years, until April 2016. The total transaction costs paid on this amended and extended syndicated credit facility equals 3.7 million EUR. These transaction costs are included in the financial liabilities and are amortized using the effective interest method. The amortization of the period is reported in the interest expenses.
The amortization charges on the transaction costs (first and second syndicated credit facility and private placement) amount to 2.0 million EUR in 2011 (2010: 3.6 million EUR), while the remaining outstanding amount of non-amortized transaction costs amounts to 8.1 million EUR as per December 31, 2011.

The foreign exchange gains and losses are partially compensated by the revaluation to fair value of financial derivatives (see also note 28 – Financial instruments).

The other finance costs from continuing operations mainly include charges related to the non-recourse factoring program (3.8 million EUR), the unwinding of discounts for provisions (0.8 million EUR), the payment of the commitment fee which applies on the unused portion of the syndicated credit facility (2.2 million EUR), a penalty fee for the early reimbursement of the loan of the European Investment Bank (0.3 million EUR) as well as other bank costs and fees.

The decrease of the other finance costs compared to 2010 is mainly explained by the one-time expense for the unwinding of the cross currency interest rate swaps in the last quarter of 2010 (1.6 million EUR) and the waiver fees and lawyer costs (1.1 million EUR) which were incurred in 2010 as a consequence of the breach of covenants at the end of 2009.

11. Income tax expense

The total income tax expense is reconciled with the income tax from continuing and discontinued operations as follows:

(Million EUR)	2011	2010
Income tax expense recognized in the income statement		
Continuing operations		
Current tax expense	-27.9	-17.0
Adjustment current tax expense previous periods	1.1	0.0
Deferred income taxes	-1.5	1.3
Total income tax expense from continuing operations	**-28.3**	**-15.7**
Discontinued operations		
Current tax expense	-0.1	-0.1
Deferred income taxes	-0.5	5.7
Total income tax expense from discontinued operations	**-0.6**	**5.6**
Total income tax expense in the income statement	**-28.9**	**-10.1**

The reconciliation between the theoretical tax rate and the effective tax rate for the total income tax expense is as follows:

(Million EUR)	2011	2010
Continuing and discontinued operations		
Recognized in the income statement		
Current tax expense	-28.0	-17.1
Adjustment current tax expense previous periods	1.1	-
Deferred income taxes	-2.0	7.0
Total income tax expense in the income statement	**-28.9**	**-10.1**
Profit (+) / loss (-) before tax	-66.7	30.4
Less share of result of equity accounted investees, net of income tax	5.9	1.6
Profit (+) / loss (-) before tax and before result from equity accounted investees	**-72.6**	**28.8**
Effective tax rate	**N/A**	**35.1%**
Reconciliation of effective tax rate		
Profit (+) / loss (-) before tax and before result from equity accounted investees	**-72.6**	**28.8**
Theoretical tax rate (*)	28.1%	43.4%
Expected income tax at the theoretical tax rate	**20.4**	**-12.5**
Difference between theoretical and effective tax expenses	**-49.3**	**2.4**
Adjustment on deferred taxes	**-0.7**	**-0.4**
Change in tax rates	0.1	-
Recognition (+) / derecognition (-) of previously recognized tax losses	-0.8	-0.4
Adjustment on tax expenses	**-48.6**	**2.8**
Non deductible expenses	-55.6	-3.4
Special tax regimes	3.9	4.5
Use or recognition of tax losses / tax credits not previously recognized	3.1	7.3
Tax losses for which no deferred tax asset has been recorded	-2.5	-10.8
Impact of tax consolidation regimes	-	-
Adjustment current tax expense previous periods	1.1	-
Other	1.4	5.2

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

The 2011 non-deductible expenses mainly relate to the sale of the PVC/Chlor-Alkali and part of the Organic Chlorine Derivatives (OCD) activities. Following this sale, an impairment loss of 151.0 million EUR on property, plant and equipment and other intangible assets was recognized (note 5 – Discontinued operations).
The loss on the share transaction is not tax deductible and is included in the "Non-deductible expenses" for -50.3 million EUR.

12. Property, plant and equipment

(Million EUR)	Land and buildings	Plant, machinery and equipment	Furniture and vehicles	Assets under construction	Total
Cost					
At January 1, 2011	**444.8**	**2,045.5**	**114.6**	**66.3**	**2,671.2**
- change in consolidation scope (disposal groups)	-9.8	-120.7	-2.3	-2.1	-134.9
- change in consolidation scope (discontinued operations)	-57.8	-599.4	-5.5	-7.9	-670.6
- change in consolidation scope acquisitions)	6.6	3.5	-	-	10.1
- dismantlement provision	0.1	0.2	-	-	0.3
- capital expenditure	3.4	24.1	3.2	75.8	106.5
- sales and disposals	-1.4	-10.8	-7.3	-	-19.5
- transfers	8.7	31.8	0.9	-38.8	2.6
- translation differences	1.1	-7.3	-1.5	-1.4	-9.1
At December 31, 2011	**395.7**	**1,366.9**	**102.1**	**91.9**	**1,956.6**
Depreciation and impairment losses					
At January 1, 2011	**-241.7**	**-1,646.6**	**-94.6**	**0.0**	**-1,982.9**
- change in consolidation scope (disposal groups)	3.4	112.6	2.1	0.9	119.0
- change in consolidation scope (discontinued operations)	37.1	590.5	5.5	5.7	638.8
- depreciation	-13.1	-63.5	-8.0	-	-84.6
- impairment losses	-10.5	-132.2	-0.4	-6.6	-149.7
- sales and disposals	0.3	9.5	6.9	-	16.7
- transfers	-0.1	-3.8	0.5	-	-3.4
- translation differences	-0.9	7.8	1.4	-	8.3
At December 31, 2011	**-225.5**	**-1,125.7**	**-86.6**	**0.0**	**-1,437.8**
Carrying amounts of governments grants					
- net government grants at January 1, 2011	-	-6.1	-	-	-6.1
- net government grants at December 31, 2011	-	-	-	-	-
Carrying amounts					
At January 1, 2011	**203.1**	**392.8**	**20.0**	**66.3**	**682.2**
At December 31, 2011	**170.3**	**241.1**	**15.5**	**91.9**	**518.8**

(Million EUR)	Land and buildings	Plant, machinery and equipment	Furniture and vehicles	Assets under construction	Total
Cost					
At January 1, 2010	**452.3**	**2,014.5**	**124.5**	**48.3**	**2,639.6**
- change in consolidation scope	-16.5	-0.2	-0.1	-	-16.8
- dismantlement provision	-	0.6	-	-	0.6
- capital expenditure	10.2	32.8	2.6	71.5	117.1
- sales and disposals	-3.6	-28.4	-6.0	-	-38.0
- transfers to non-current assets classified as held for sale (note 21)	-2.3	-31.2	-0.7	-0.1	-34.3
- transfers	1.0	40.4	-6.6	-54.9	-20.1
- translation differences	3.7	17.0	0.9	1.5	23.1
At December 31, 2010	**444.8**	**2,045.5**	**114.6**	**66.3**	**2,671.2**
Depreciation and impairment losses					
At January 1, 2010	**-236.0**	**-1,603.0**	**-98.8**	**0.0**	**-1,937.8**
- change in consolidation scope	4.7	0.1	0.1	-	4.9
- depreciation	-14.3	-82.5	-7.2	-	-104.0
- impairment losses	-0.7	-12.3	-	-	-13.0
- sales and disposals	2.4	25.9	5.6	-	33.9
- transfers to non-current assets classified as held for sale (note 21)	1.8	23.5	0.7	-	26.0
- transfers	1.4	13.6	5.7	-	20.7
- translation differences	-1.0	-11.9	-0.7	-	-13.6
At December 31, 2010	**-241.7**	**-1,646.6**	**-94.6**	**0.0**	**-1,982.9**
Carrying amounts of governments grants					
- net government grants at January 1, 2010	-	-7.1	-	-	-7.1
- net government grants at December 31, 2010	-	-6.1	-	-	-6.1
Carrying amounts					
At January 1, 2010	**216.3**	**404.4**	**25.7**	**48.3**	**694.7**
At December 31, 2010	**203.1**	**392.8**	**20.0**	**66.3**	**682.2**

The decrease of the carrying amount of Property, plant and equipment is mainly impacted by the sale of the PVC/Chlor-Alkali and part of the Organic Chlorine Derivatives activities (note 5 – Discontinued operations) as well as by the sale of the subsidiaries Chelsea Building Products Inc. and Dynaplast-Extruco Inc. (note 4 – Acquisitions and disposals). Before classification to non-current assets classified as held for sale, the assets have been measured at the lower of the carrying amount and fair value less cost to sell. The sale of the PVC/Chlor-Alkali and part of the Organic Chlorine Derivatives activities (note 5 – Discontinued operations) resulted in an impairment loss of 151.0 million EUR of which 149.5 million EUR related to items of Property, plant and equipment. The impairment loss has been recorded as a non-recurring expense item of the income statement of discontinued operations.

On October 31, 2011, the group acquired BT Bautechnik Group (note 4 – Acquisitions and disposals). The change in consolidation scope through acquisition amounts to 10.1 million EUR.

The capital expenditure on Property, plant and equipment amounts to 106.5 million EUR and mainly relates to the following operating segments:

- "Gelatin and Akiolis" (39.3 million EUR), mainly with respect to the construction of new factories for the production of gelatin in Acorizal, Mato Grosso, Brazil and in Heilongjiang, China, both which are expected to be fully operational in 2012. The assets under construction in this operating segment amount to 53.9 million EUR as per December 2011.

- "Tessenderlo Kerley" (17.0 million EUR), including the capital expenditure for the construction of a new ATS plant (Oklahoma), scheduled to be operational by the end of 2012. The assets under construction amount to 14.6 million EUR as per December 2011.
- "Plastic Pipe Systems and Profiles" (15.8 million EUR). In addition to ongoing capital expenditures, the group announced in November 2011 the opening of a new recycling facility for PVC profiles, based in Derbyshire (UK).

The capital expenditure in 2011 includes 1.9 million EUR of borrowing costs related to the construction of a new factory for the production of gelatin in Brazil. Only insignificant amounts of borrowing costs were incurred in 2010.

For the line items of the income statement in which depreciation, impairment losses and reversal of impairment losses from continuing operations have been recorded, refer to note 9 – Additional information on operating expenses by nature.

In 2007, the Flemish government granted Tessenderlo Chemie NV and Limburgse Vinyl Maatschappij NV 12.5 million EUR for large-scale environmental investments. The remaining net government grant as per December 31, 2010 amounted to 6.1 million EUR and was depreciated for 0.3 million EUR in 2011. This grant was included within the discontinued operations.

Following the amended credit facility agreement (note 24 – Financial liabilities), 22 subsidiaries are acting as guarantor and ensure the fulfillment of the obligors payment obligations (these are as well borrowers as guarantors) in accordance with the credit facility agreement. The total Property, plant and equipment of the guarantors, during the entire term of the credit agreement, should amount to a minimum of 60% of the Property, plant and equipment at group level, if not, additional subsidiaries of the group will have to act as guarantor to the credit facility agreement. As per year-end 2011, the Property, plant and equipment of the guarantors amounts to 66.4% (2010: 75.8%) of the total Property, plant and equipment of the group.
In addition the Property, plant and equipment of the gelatin plant in Brazil is serving as guarantee for the FCO loan with Banco Do Brasil SA (note 24 – Financial 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 31, 2011, the net carrying amount of leased Property, plant and equipment amounted to 2.1 million EUR (2010: 3.4 million EUR). For an overview of the lease payables, we refer to note 24 – Financial liabilities.

The finance leases mainly consist of furniture and vehicles for an amount of 0.2 million EUR (2010: 1.0 million EUR) and land and buildings for an amount of 1.9 million EUR (2010: 2.4 million EUR).

The impairment losses for an amount of 13.0 million EUR in 2010 mainly related to Property, plant and equipment of subsidiaries in the operating segments "Organic Chlorine Derivatives" (10.4 million EUR) and "Plastic Pipe Systems and Profiles" (2.6 million EUR).
These impairment losses related to the following:
- An impairment loss of 10.4 million EUR was recognized within the Cash Generating Unit (CGU) of the Italian "Organic Chlorine Derivatives" which consists of one production plant in Pieve Vergonte. The market and margins for the related company's products remained unsatisfactory throughout 2010, and the results of the Cash Generating Unit, of which the identification did not change compared to prior year, did not reach the forecasts. These results caused the group to revaluate its projections and views of the market's ability to improve. The recoverable amount of the assets of the CGU was determined based on value in use calculations and lead to an impairment loss of 10.4 million EUR. The discount rate used for the calculation of the value in use amounted to 12.05%. The impairment loss was recorded within the following asset categories: land and buildings and plant, machinery and equipment.
- An impairment loss of 2.3 million EUR was recognized within the production unit of an overseas Cash Generating Unit active within the operating segment "Plastic Pipe Systems and Profiles". The economic climate, as well as the loss of two major customers, were considered as a triggering event for the performance of an impairment test at year-end 2010. The recoverable amount of the assets of the CGU was determined based on value in use calculations and lead to an impairment loss of 2.3 million EUR. The discount rate used for the calculation of the value in use amounted to 10.47%. The impairment loss

was allocated first to reduce the carrying amount of goodwill (0.5 million EUR, note 13 – Goodwill) and the remaining impairment loss was recorded within the asset category plant, machinery and equipment (1.8 million EUR).

- Following the closure of a site in France (Avion) within the operating segment "Plastic Pipe Systems and Profiles", the recoverable amount of their Property, plant and equipment was determined through its fair value less cost to sell. An external and internal study was conducted to assess the fair value of each asset category of the related Property, plant and equipment. Unmarketable assets were fully written off at the date of termination of the activities. Marketable assets were valued based on the available in-house knowledge and experience within the related operating segment, taken into account available secondhand market value information. Any estimated cost to sell was deducted from the determined fair value. The impairment loss for an amount of 1.0 million EUR was recorded within the following asset categories: land and buildings and plant, machinery and equipment.

The transfer to other asset categories as per December 2010 mainly related to the separate presentation in the balance sheet of Property, plant and equipment held for sale in accordance with IFRS 5 *Non-current assets held for sale and discontinued operations*. The sale of the subsidiary Tessenderlo Fine Chemicals Ltd has been completed in January 2011 (note 4 – Acquisitions and disposals).

13. Goodwill

(Million EUR)	2011	2010
Cost		
At January 1	**80.5**	**79.7**
- change in consolidation scope (disposal groups)	-1.1	-
- transfers to non-current assets classified as held for sale (note 21)	-	-1.0
- translation differences	2.0	1.8
At December 31	**81.4**	**80.5**
Impairment losses		
At January 1	**-27.1**	**-26.1**
- change in consolidation scope (disposal groups)	1.1	-
- impairment losses	-	-0.8
- transfers to non-current assets classified as held for sale (note 21)	-	0.5
- translation differences	-0.4	-0.7
At December 31	**-26.4**	**-27.1**
Carrying amounts		
At January 1	**53.4**	**53.6**
At December 31	**55.0**	**53.4**

During the fourth quarter of 2011, the group completed its annual impairment test for goodwill and concluded, based on the assumptions below that no impairment charges were 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.
Goodwill only accounts for approximately 4.0% of the group's total assets as per December 31, 2011 or 55.0 million EUR (2010: 3.2% or 53.4 million EUR).

The carrying amount of goodwill per operating segment and per cash generating unit, is shown in the table below:

	2011			2010		
(Million EUR)	Cost (*)	Impairment/ Amortization (**)	Carrying amounts	Cost	Impairment/ Amortization (**)	Carrying amounts
Gelatin and Akiolis	**28.9**	**-1.8**	**27.1**	**27.8**	**-1.7**	**26.1**
Group Akiolis	20.6	-1.4	19.2	20.6	-1.4	19.2
Gelatin America	8.3	-0.4	7.9	7.2	-0.4	6.8
Tessenderlo Kerley	**7.0**	**-4.4**	**2.6**	**6.8**	**-4.3**	**2.5**
Plastic Pipe Systems and Profiles	**44.9**	**-19.5**	**25.4**	**45.3**	**-20.4**	**24.9**
Dynaplast-Extruco Inc.	-	-	-	1.1	-1.1	-
Group Eurocell	22.6	-5.6	16.9	21.9	-5.5	16.4
John Davidson Pipes	3.5	-1.1	2.3	3.4	-1.1	2.3
Plastic Pipe Systems Benelux	3.0	-	3.0	3.0	-	3.0
Profialis	15.9	-12.7	3.2	15.9	-12.7	3.2
Other Businesses	**0.6**	**-0.6**	**-**	**0.6**	**-0.6**	**-**
Chemilyl SAS	0.6	-0.6	-	0.6	-0.6	-
Total	**81.4**	**-26.4**	**55.0**	**80.5**	**-27.1**	**53.4**

(*) No goodwill was added in 2011. Differences with 2010 figures may occur due to translation differences.
(**) Goodwill has been amortized till January 1, 2004.

The carrying amount of goodwill is significant in comparison with the group's total carrying amount of goodwill within the following cash generating units as per December 31, 2011:
- Group Akiolis (part of the operating segment Gelatin and Akiolis); 19.2 million EUR (2010: 19.2 million EUR).
- Gelatin America (part of the operating segment Gelatin and Akiolis); 7.9 million EUR (2010: 6.8 million EUR).
- Group Eurocell (part of the operating segment Plastic Pipe Systems and Profiles); 16.9 million EUR (2010: 16.4 million EUR).

The impairment testing on goodwill relies on a number of critical judgements, estimates and assumptions. Goodwill has been tested for impairment on the level of its cash generating unit and is based on value-in-use calculations.

The key judgements, estimates and assumptions used in these calculations are as follows:

- The cash flow projection of the first year is based on the current year financial budget approved by the management (2012).
- For the next four years, the cash flows are based on the assets in their current condition and do not include future capital expenditures improving or enhancing the assets in excess of their originally assessed standard of performance. Only the capital expenditure required to stay in business is included. The most important parameters for determining the future free cash flows are the evolution of the market, market share and the margin on sales. The cash flow is based on the most recent financial projections and is based on the management's perception of developments in sales and cost items during the forecasted period.
- In order to calculate the terminal value, the data of the fifth year are extrapolated by using simplified assumptions such as constant volumes, combined with constant costs. The growth rate is assumed to be zero.
- Projections are made in the functional currency of the cash generating unit and are discounted at the after-tax Weighted Average Cost of Capital (WACC) at the level of the cash generating unit. The latter ranged between 7.5% and 10.7%. Since after-tax cash flows are incorporated into the calculation of the "value in use" of the cash generating units, a post-tax discount rate is used in order to remain consistent.

For Group Eurocell, Group Akiolis and Gelatin America the WACC used in the impairment test was respectively 9.6% (2010: 10.7%), 8.3% (2010: 8.0%) and 10.7% (2010: 8.2%).
An increase of these WACC's used by 1% and a simultaneous reduction of total projected future cash flow by 10% would not have resulted in the carrying amounts of these significant Cash Generating Units exceeding their recoverable amount.

Although the group believes that its judgements, assumptions and estimates are appropriate, actual results may differ from these estimates under different assumptions or conditions.

14. Other intangible assets

(Million EUR)	Useful life: Finite – Development	Finite – Concessions, patents, licenses	Finite – Software	Finite – Customer lists	Finite – Other intangible assets	Indefinite – Other intangible assets	Total
Cost							
At January 1, 2011	**3.8**	**49.4**	**16.8**	**39.1**	**18.2**	**2.0**	**129.3**
- change in consolidation scope (acquisitions)	-	0.6	-	1.0	1.1	-	2.7
- change in consolidation scope (discontinued operations)	-	-13.8	-	-	-	-	-13.8
- capital expenditure	-	1.5	5.5	0.1	-	-	7.1
- sales and disposals	-0.4	-0.1	-0.1	-0.9	-	-	-1.5
- transfers	-3.1	3.0	-0.3	-	-	-	-0.4
- translation differences	-	0.8	0.1	0.7	0.7	0.1	2.4
At December 31, 2011	**0.3**	**41.4**	**22.0**	**40.0**	**20.0**	**2.1**	**125.8**
Amortization and impairment losses							
At January 1, 2011	**-3.2**	**-30.1**	**-13.4**	**-12.7**	**-8.7**	**0.0**	**-68.1**
- change in consolidation scope (discontinued operations)	-	13.8	-	-	-	-	13.8
- amortization	-0.3	-4.8	-1.3	-4.6	-1.2	-	-12.2
- impairment losses	-	-1.5	-	-	-	-	-1.5
- sales and disposals	0.4	0.1	0.1	0.9	-	-	1.5
- transfers	2.9	-3.0	-	-	-	-	-0.1
- translation differences	-	-0.5	-	-0.4	-0.2	-	-1.1
At December 31, 2011	**-0.3**	**-26.0**	**-14.6**	**-16.8**	**-10.1**	**0.0**	**-67.7**
Carrying amounts							
At January 1, 2011	**0.6**	**19.3**	**3.4**	**26.4**	**9.5**	**2.0**	**61.2**
At December 31, 2011	**0.0**	**15.5**	**7.4**	**23.2**	**9.9**	**2.1**	**58.1**

(Million EUR)	Useful life: Finite – Development	Finite – Concessions, patents, licenses	Finite – Software	Finite – Customer lists	Finite – Other intangible assets	Indefinite – Other intangible assets	Total
Cost							
At January 1, 2010	**3.8**	**46.3**	**16.3**	**37.2**	**17.3**	**1.9**	**122.8**
- capital expenditure	-	1.6	1.0	0.8	0.3	-	3.7
- sales and disposals	-	-0.2	-1.0	-	-0.1	-	-1.3
- transfers	-	0.2	-	0.1	-0.4	-	-0.1
- translation differences	-	1.5	0.5	1.0	1.1	0.1	4.2
At December 31, 2010	**3.8**	**49.4**	**16.8**	**39.1**	**18.2**	**2.0**	**129.3**
Amortization and impairment losses							
At January 1, 2010	**-2.6**	**-25.8**	**-12.7**	**-7.9**	**-6.4**	**0.0**	**-55.4**
- amortization	-0.7	-4.3	-1.6	-4.6	-2.2	-	-13.4
- sales and disposals	-	0.2	1.0	-	-	-	1.2
- transfers	-	-	-	-	0.2	-	0.2
- translation differences	0.1	-0.2	-0.1	-0.2	-0.3	-	-0.7
At December 31, 2010	**-3.2**	**-30.1**	**-13.4**	**-12.7**	**-8.7**	**0.0**	**-68.1**
Carrying amounts							
At January 1, 2010	**1.2**	**20.5**	**3.6**	**29.3**	**10.9**	**1.9**	**67.4**
At December 31, 2010	**0.6**	**19.3**	**3.4**	**26.4**	**9.5**	**2.0**	**61.2**

On August 23, 2011, Tessenderlo Kerley Inc. acquired the global assets of the Purfresh crop protection sun screen business and the Purshade product line including the trademarks, formulation knowledge, registrations, pending patents, other intellectual property and customer lists from Purfresh Inc., Fremont California (USA). Purshade is approved for sale in over fourty countries (note 4 - Acquisitions and disposals).

The sale of the PVC/Chlor-Alkali and part of the Organic Chlorine Derivatives activities (note 5 – Discontinued operations) only had a minor impact on the outstanding balance of the other intangible assets. Before classification to non-current assets classified as held for sale, the assets have been measured at the lower of the carrying amount and fair value less cost to sell. The sale of the PVC/Chlor-Alkali and part of the Organic Chlorine Derivatives activities (note 5 – Discontinued operations) led to an impairment loss of 151.0 million EUR of which 1.5 million EUR related to the items of other intangible assets. The impairment loss has been recorded as a non-recurring expense item of the discontinued income statement.

The capital expenditure on other intangible assets amounts to 7.1 million EUR in 2011 and is broken down per operating segment in note 3 – Segment reporting. The capital expenditure mainly relates to the development and implementation of a new ERP software, of which 1.5 million EUR is still under construction as per year-end and therefore not yet amortized.

No borrowing costs were capitalized during 2011 and 2010.

The "other" intangible assets with finite useful lives consist mainly of non-competition agreements, know how, product labels and land-use rights. The non-compete agreements, the product labels and the know-how are being amortized on a straight-line basis over 5-15 years.

See note 9 – Additional information on operating expenses by nature for the line items of the income statement in which amortization, impairment losses and reversal of impairment losses from continuing operations have been recorded.

The other intangible assets with indefinite life relate to trademarks which are considered to have an indefinite life unless plans would exist to discontinue the related activity. The other intangible assets with indefinite useful life have been tested for impairment and no impairment charge was deemed necessary.

No intangible assets are pledged as security for liabilities.

15. Investments accounted for using the equity method

Investments accounted for using the equity method consist of joint ventures and associates.

The joint ventures of the group are:

	Country	Ownership 2011	Ownership 2010
MPR Middle East WLL	Bahrain	50%	50%
Établissements Michel SAS	France	50%	50%
Établissements Violleau SAS	France	50%	50%
Siram SARL	France	50%	50%
Jupiter Sulphur LLC	USA	50%	50%

The associates of the group are:

	Country	Ownership 2011	Ownership 2010
T-Power SA	Belgium	33.33%	33.33%
Meta Bio Energies SAS	France	20.46%	-
Alkemin S de RL de CV	Mexico	49.50%	49.50%
Wolf Mountain Products LLC	USA	45.00%	45.00%

In October 2011, Akiolis Group SAS, a French subsidiary within the operating segment "Gelatin and Akiolis", acquired a 20.46% stake in Meta Bio Energies SAS. This company converts organic waste into valuable fertilizer products, thereby producing green energy. A consideration of 0.6 million EUR has been paid for this 20.46% stake (note 4 – Acquisitions and disposals).

The carrying amount of the investments accounted for using the equity method is as follows:

(Million EUR)	2011	2010
Alkemin S de RL de CV	0.0	0.0
Établissements Michel SAS	0.6	0.6
Établissements Violleau SAS	1.5	1.4
Jupiter Sulphur LLC	8.5	8.2
MPR Middle East WLL	0.0	0.0
Siram SARL	1.0	1.0
T-Power SA	8.6	15.2
Meta Bio Energies SAS	0.6	-
Wolf Mountain Products LLC	0.0	1.3
Total	**20.8**	**27.7**

The share capital of the associate T-Power SA, in which Tessenderlo Chemie NV has a 33.33% participation, was increased in 2011 by 6.6 million EUR. As a consequence Tessenderlo Chemie NV contributed 2.2 million EUR.

In September 2011, Tessenderlo Group sold 13.33% of the shares in T-Power SA, reducing the participation from 33.33% to 20.00%. The transaction is still subject to approval by the authorities, other shareholders rights and 3rd party consents. The approval is expected in the course of 2012. As per December 31, 2011, 13.33% of the participation in T-Power SA (5.8 million EUR) is transferred to the 'Non-current assets classified as held for sale' (note 21 – Non-current assets classified as held for sale).

The financial performance of Wolf Mountain Products LLC led to an impairment of the assets of Wolf Mountain Products LLC during 2011 for 3.7 million USD, of which the impact for the group amounted to 1.2 million EUR (included within "Share of result of equity accounted investees, net of income tax"). This impairment reduces the carrying amount of the participation in Wolf Mountain Products LLC to zero.

Summary financial information on investments accounted for using the equity method at 100%:

(Million EUR)	2011	2010
Current assets	30.6	28.2
Non-current assets	454.2	404.1
Current liabilities	27.1	19.6
Non-current liabilities	388.5	341.8
Revenue	95.6	44.1
Gross profit	59.5	14.5
Profit (+) / loss (-) from operations before non-recurring items (REBIT)	35.3	10.9
Profit (+) / loss (-) from operations (EBIT)	32.7	6.7
Finance costs - net	-10.7	-0.2
Profit (+) / loss (-) before tax	22.0	6.5
Profit (+) / loss (-) for the period	13.3	2.8

The commercial operations of T-Power SA started in July 2011 under a tolling agreement with RWE Group, a major power company headquartered in Germany. Revenue of T-Power SA in 2011 amounted to 38.6 million EUR while the profit for the period amounted to 5.4 million EUR.

16. Other investments

(Million EUR)	2011	2010
Investments in equity securities	4.5	5.3
Cash guarantees / deposits / others	1.2	1.4
Total	**5.7**	**6.7**

Investments in equity securities	2011	2010
Exeltium SAS, France	0.7	1.4
FERTI NRJ SAS, France	0.3	0.3
GLOBE International SA, Belgium	0.5	0.5
Indaver SA, Belgium	0.6	0.6
LVM United Kingdom Ltd, United Kingdom	0.1	0.1
Tessenderlo Chemie España TCE sa, Spain	0.6	0.6
Tessenderlo Schweiz AG, Switzerland	0.8	0.8
Other	0.9	1.0
Total	**4.5**	**5.3**

The investments in unquoted companies are measured at cost less impairment losses as their fair value can not be reliably determined.

17. Deferred tax assets and liabilities

(Million EUR)	Assets		Liabilities		Net	
	2011	2010	2011	2010	2011	2010
Property, plant and equipment	4.4	6.7	-30.2	-37.3	-25.8	-30.6
Goodwill	1.4	2.0	-	-	1.4	2.0
Other intangible assets	3.4	5.0	-8.2	-7.5	-4.8	-2.5
Inventories	1.5	1.5	-2.6	-2.0	-1.1	-0.5
Receivables	0.2	0.3	-	-	0.2	0.3
Derivative financial instruments	1.1	-	-0.7	-0.9	0.4	-0.9
Other current assets	1.9	1.5	-1.8	-2.0	0.1	-0.5
Employee benefits	3.4	4.7	-8.6	-6.5	-5.2	-1.8
Provisions	3.5	5.6	-17.4	-18.3	-13.9	-12.7
Other items	0.5	-	-2.0	-2.3	-1.5	-2.3
Losses carried forward	27.0	41.6	-	-	27.0	41.6
Gross deferred tax assets / (liabilities)	**48.3**	**68.9**	**-71.5**	**-76.8**	**-23.2**	**-7.9**
Set-off of tax	**-40.9**	**-45.2**	**40.9**	**45.2**		
Net deferred tax assets / (liabilities)	**7.4**	**23.7**	**-30.6**	**-31.6**	**-23.2**	**-7.9**

The decrease of the net deferred tax assets and deferred tax liabilities can mainly be explained by the sale of the PVC/Chlor-Alkali and part of the Organic Chlorine Derivatives activities in 2011. The recognized deferred tax assets on the fiscal losses carried forward within these activities amounted to 15.1 million EUR as per December 31, 2010.

All movements of deferred tax assets and deferred tax liabilities are recorded through the income statement, except for the exchange rate effect arising when translating the deferred tax assets and liabilities of foreign entities included in the consolidation to euro and the deferred taxes on cash flow hedging contracts which are recorded through equity.

On December 31, 2011, a deferred tax liability of 9.2 million EUR (2010 : 10.6 million EUR) relating to undistributed reserves within the subsidiaries of the group has not been recognized because management believes that this liability will not be incurred in the foreseeable future. The decrease of this liability is mainly due to the upstreaming of dividends in 2011.

Tax losses and tax credits carried forward, including notional interest deduction, on which no deferred tax asset is recognized amount to 143.8 million EUR (2010 : 215.2 million EUR). 6.7 million EUR of these tax credits have a finite life (expiry period 2013-2018). Deferred tax assets have not been recognized based on the probability assessment whether the future taxable profits (within the next 5 years) will be available, against which the unused tax losses and credits can be utilized.

18. Trade and other receivables

(Million EUR)	2011	2010
Non-current trade and other receivables		
Trade receivables	0.9	1.1
Gross trade receivables	0.9	1.1
Amounts written off	-	-
Other receivables	0.4	1.1
Assets related to employee benefit schemes	28.2	20.7
Total	**29.5**	**22.9**

(Million EUR)	2011	2010
Current trade and other receivables		
Trade receivables	234.5	253.8
Gross trade receivables	245.9	268.3
Amounts written off	-11.5	-14.5
Other receivables	53.2	42.7
Prepayments	2.4	1.1
Receivables from related parties	0.8	1.9
Total	**290.9**	**299.5**

Receivables from related parties concern receivables from joint-ventures and associates (note 32 – Related parties).

The ageing of the gross trade receivables and amounts written off is disclosed in the section "Credit risk" of note 28 – Financial instruments.

The 2010 figures include non-current other receivables (0.6 million EUR) and current trade receivables (48.9 million EUR) contributed by the sold PVC/Chlor-Alkali and part of the Organic Chlorine Derivatives activities (note 5 – Discontinued operations) as well as by the sold subsidiaries Chelsea Building Products Inc. and Dynaplast-Extruco Inc. (note 4 – Acquisitions and disposals).

The increase of the assets related to employee benefit schemes is mainly due to paid employer contributions which were higher than the net periodic pension cost of the related defined benefit pension plan and the curtailment gain recorded following the disposal of Tessenderlo Fine Chemicals Ltd (note 25 – Employee benefits).

At December 31, 2011, an amount of 85.8 million EUR (2010 : 121.2 million EUR) has been received in cash under various non-recourse factoring agreements, whereby trade receivables are sold at their nominal value minus a discount in exchange for cash. The net amount of the sold trade receivables is derecognized from the balance sheet.

19. Inventories

(Million EUR)	2011	2010
Consumables	97.3	105.2
Work in progress	21.1	22.5
Finished goods	193.5	184.2
Goods purchased for resale	39.0	37.8
Total	**350.8**	**349.7**

The inventories of the sold PVC/Chlor-Alkali and part of the Organic Chlorine Derivatives activities (note 5 – Discontinued operations) as well as of the sold subsidiaries Chelsea Building Products Inc. and Dynaplast-Extruco Inc. (note 4 – Acquisitions and disposals) amounted to 65.4 million EUR in 2010, consisting mainly of consumables (25.9 million EUR) and finished goods (36.9 million EUR). The inventories recognized at the acquisition date of BT Bautechnik Group amount to 4.6 million EUR (note 4 – Acquisitions and disposals).

The inventories as per December 31, 2011 were particulary impacted by low sales at year-end in the operating segment "Inorganics", and by an increased raw material stock versus an exceptional low stock level as per December 31, 2010.

There are no inventories pledged as security.

The cost of inventories recognized as cost of sales in 2011 amounts to 1,023.2 million EUR for the continuing operations (2010 : 933.8 million EUR).

The carrying amount of inventory, which was set at net realizable value as per year-end 2011 amounts to 24.6 million EUR (2010 : 31.5 million EUR). An amount of 3.3 million EUR was expensed in continuing operations in 2011 (2010 : 4.3 million EUR).

In 2011, a reversal of a write-off on inventories was recognized for an amount of 0.2 million EUR in continuing operations (2010 : 1.8 million EUR) following a change in estimates.

20. Cash and cash equivalents

(Million EUR)	2011	2010
Term accounts	4.3	86.5
Current accounts	30.6	64.0
Total	**34.9**	**150.5**
Bank overdrafts	-0.7	-7.1
Cash and cash equivalents in the statement of cash flows	**34.2**	**143.4**

21. Non-current assets classified as held for sale

(Million EUR)	2011	2010
Non-current assets classified as held for sale	7.8	18.1
Liabilities classified as held for sale	-	6.5

On September 21, 2011, the group announced the sale of 13.33% of the shares of T-Power SA, an independent power producer with a 425 MW natural gas fired power station located in Tessenderlo (Belgium) to Tokyo Gas. The transaction is still subject to approval by the authorities, other shareholders rights, and 3rd party consents. After closing of the transaction, the group will retain 20.0% of the shares and voting rights in T-Power SA (note 15 – Investments accounted for using the equity method). As per December 31, 2011, the 13.33% participation, of which the carrying amount equals 5.8 million EUR, has been presented as "Non-current assets classified as held for sale". No impairment was deemed necessary as the fair value was higher than the related carrying amount. This reclassification did not have any impact on the consolidated income statement nor on the consolidated statement of comprehensive income. T-Power SA holds interest rate swaps of which the fair value is, in accordance with the accounting policy related to cash flow hedging, recognized directly in equity. The fair value, net of taxes, related to the 13.33% participation, recognized directly in equity, amounts to -3.6 million EUR as per December 31, 2011.

The remaining amount of 2.0 million EUR relates to the carrying amount of non-strategic assets, mainly land located at a French subsidiary within the operating segment Plastic Pipe Systems and Profiles, which management committed to sell.

The non-currents assets classified as held for sale as per December 31, 2010 mainly related to the assets and liabilities of Tessenderlo Fine Chemicals Ltd, located in Leek Staffordshire, UK (operating segment "Organic Chlorine Derivatives"). This disposal group has been sold on January 31, 2011 (note 4 – Acquisitions and disposals / note 7 – Non-recurring income/(expense) items).

The table below shows the major classes of assets and liabilities of the disposal group classified as held for sale as per December 31, 2010:

(Million EUR)	note	2010
Assets		**17.7**
Total non-current assets		**8.9**
Goodwill	13	0.5
Property, plant and equipment	12	8.3
Deferred tax assets		0.1
Total current assets		**8.8**
Inventories		3.9
Trade and other receivables		4.9
Liabilities		**6.5**
Total non-current liabilities		**0.3**
Deferred tax liabilities		0.3
Total current liabilities		**6.2**
Trade and other payables		6.2

The non-current assets held for sale at December 31, 2010 also included the land and building of a site of a subsidiary in the operating segment "Plastic Pipe Systems and Profiles", which were recognized at their carrying amount of 0.4 million EUR. Following a restructuring of its activities, these assets remained unused and were set for sale. During the third quarter of 2011 this subsidiary was sold (note 4 – Acquisitions and disposals).

22. Equity

Issued capital and share premium

	Ordinary shares 2011	Ordinary shares 2010
On issue at January 1	28,715,584	27,798,255
Payment of stock dividend 2009 at July 16, 2010	-	844,258
Issued for cash at August 30, 2010	-	73,071
Payment of stock dividend 2010 at July 19, 2011	722,809	-
Issued for cash at August 26, 2011	92,665	-
On issue at December 31 – fully paid	**29,531,058**	**28,715,584**

The number of shares comprised 8,370,060 registered shares (2010 : 8,043,692) and 21,160,998 ordinary shares (2010 : 20,671,892). The shares are without nominal value. The holders of Tessenderlo Chemie NV shares are entitled to receive dividends as declared and are also entitled to one vote per share at shareholders' meetings of the company.

The Board of Directors' proposal to distribute a gross dividend of 1.3333 EUR per share or 38.3 million EUR for the financial year 2010 was approved by the shareholders of Tessenderlo Chemie NV at their annual general meeting on June 7, 2011. The Board of Directors decided to offer shareholders a choice of payment conditions : the option of receiving a dividend in new shares (stock dividend) at a price of 25.00 EUR per share, or in cash, or a combination of both. The choice of shareholders for payment in new shares resulted in the creation of 722,809 additional shares. These shares (with VVPR strip) were included for trading on Eurolist on NYSE Euronext Brussels on July 19, 2011 and led to an increase of issued capital and share premium by 18.1 million EUR.

On August 26, 2011, Tessenderlo Chemie NV included 92,665 additional shares (with VVPR strip) in trading on Eurolist on NYSE Euronext Brussels. These are 85,465 ordinary shares subscribed by staff on 150,000 presented and 7,200 ordinary shares emitted at the time of the conversion of warrants, which led to an increase of issued capital and share premium by 2.2 million EUR.

The Board of Directors' proposal to distribute a gross dividend of 1.3333 EUR per share or 37.1 million EUR for the financial year 2009 was approved by the shareholders of Tessenderlo Chemie NV at their annual general meeting on June 1, 2010. The Board of Directors decided to offer shareholders a choice of payment conditions : the option of receiving a dividend in new shares (stock dividend) at a price of 20.00 EUR per share, or in cash, or a combination of both. The choice of shareholders for payment in new shares resulted in the creation of 844,258 additional shares. These shares (with VVPR strip) were included for trading on Eurolist on NYSE Euronext Brussels on July 16, 2010 and led to an increase of issued capital and share premium by 16.9 million EUR.

On August 30, 2010, Tessenderlo Chemie NV included 73,071 additional shares (with VVPR strip) in trading on Eurolist on NYSE Euronext Brussels. These are 73,071 ordinary shares subscribed by staff on 150,000 presented, which led to an increase of issued capital and share premium by 1.3 million EUR.
No ordinary shares were emitted in 2010 at the time of the conversion of warrants.

Authorized capital

According to the decision of the extraordinary general meeting of June 7, 2011, the Board of Directors was granted the authority to increase the capital in one or more times, during the period and in the manner specified, up to a maximum amount of 40.0 million EUR, exclusively within the frame of (i) capital increases reserved for the personnel of the company or of its affiliates, (ii) capital increases within the frame of the issue of warrants in favor of certain members of the personnel of the company or of its affiliates and, possibly, in favor of certain persons who are not part of the personnel of the company or of its affiliates, (iii) capital increases within the frame of an optional dividend, whether in this respect the dividend is directly distributed in the form of shares or is directly distributed in cash and afterwards the paid cash can be used to subscribe to shares, the case being by means of a surcharge and (iv) capital increases carried out by conversion of reserves or other entries of equity capital, so as to enable to round the amount of the capital to the nearest convenient rounded amount. The unused amount of the authorized capital at the balance date amounts to 34.6 million EUR.

Translation reserves

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

Hedging reserves

The hedging reserves comprise the effective portion of the cumulative net change in the fair value of cash flow hedges to the extent the hedged risk has not yet impacted the income statement.

Legal reserves

According to Belgian law, 5% of the statutory net income of a Belgian company must be transferred each year to a legal reserve until the legal reserve reaches 10% of the issued capital. At balance sheet date, the legal reserve of the company amounts to 14.4 million EUR. Generally, this reserve cannot be distributed to the shareholders other than upon liquidation.

Revaluation reserves

The revaluation reserves, in accordance with IFRS 3 for business combinations achieved in stages, include the remeasurement of its previously held equity interest in the acquiree at the acquisition date fair value. The revaluation surplus is transferred to retained earnings upon disposal of the assets. The revaluation reserves of 10.7 million EUR relate to the increase in the fair value of the net assets, as per June 2009, on the previously acquired interest of 50% relating to the Group Fiso (operating segment “Gelatin and Akiolis”).

Dividends

After the balance sheet date, the Board of Directors will propose to the shareholders at the annual shareholders’ meeting of June 5, 2012, to approve a dividend distribution of 39.4 million EUR or a gross dividend per share of 1.3333 EUR. Pending approval by the shareholders, the dividend has not been accounted for as a liability.

Capital Management

The Board of Directors policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.
Capital consists of the issued capital, share premium, reserves and retained earnings.
The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.
The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a strong capital position. The gearing ratio (net financial debt divided by net financial debt and equity attributable to the equity holders of the company) at the end of 2011 is 26.8% (2010 : 18.3%).

There were no changes in the group’s approach to capital management during the year.

23. 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.

In accordance with IFRS accounting standards, the basic and diluted earnings per share were adjusted retrospectively for all periods presented, taking into account the issuance of 722,809 additional shares as a consequence of the stock dividend (note 22 - Equity).

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

	2011		2010	
	Continuing operations	Discontinued operations	Continuing operations	Discontinued operations
Number of ordinary shares at January 1	28,715,584	28,715,584	27,798,255	27,798,255
Effect of stock dividend 2009	-	-	844,258	844,258
Effect of stock dividend 2010	722,809	722,809	722,809	722,809
Adjusted number of ordinary shares at January 1	**29,438,393**	**29,438,393**	**29,365,322**	**29,365,322**
Effect of shares issued	32,750	32,750	24,623	24,623
Adjusted weighted average number of ordinary shares at December 31	**29,471,143**	**29,471,143**	**29,389,945**	**29,389,945**
Profit (+) / loss (-) attributable to equity holders of the company (million EUR)	58.0	-153.6	33.5	-12.8
Basic earnings per share (in EUR)	**1.96**	**-5.20**	**1.14**	**-0.43**

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.

Potential ordinary shares are treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations.

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

	2011		2010	
	Continuing operations	Discontinued operations	Continuing operations	Discontinued operations
Adjusted weighted average number of ordinary shares at 31 December	29,471,143	29,471,143	29,389,945	29,389,945
Effect of warrants issued	84,399	-	15,962	-
Diluted weighted average number of ordinary shares at December 31	**29,555,542**	**29,471,143**	**29,405,907**	**29,389,945**
Profit (+) / loss (-) attributable to equity holders of the company (million EUR)	58.0	-153.6	33.5	-12.8
Diluted earnings per share (in EUR)	**1.96**	**-5.20**	**1.14**	**-0.43**

24. Financial liabilities

(Million EUR)	2011	2010
Non-current financial liabilities	180.5	195.4
Current financial liabilities	73.2	110.0
Total financial liabilities	**253.6**	**305.4**
Cash and cash equivalents	-34.9	-150.5
Bank overdrafts	0.7	7.1
Net financial liabilities	**219.4**	**162.0**

The gearing ratio at the end of 2011 is 26.8% (year-end 2010: 18.3%).

The movement table of the non-current and current financial liabilities as per December 31, 2011 is as follows:

(Million EUR)	Non-current financial liabilities	Current financial liabilities	Total
Opening balance at January 1, 2011	**195.4**	**110.0**	**305.4**
Change in consolidation scope	5.4	3.2	8.6
New loans	15.9	13.2	29.1
Repayments	-23.7	-63.4	-87.1
Translation differences	-1.5	0.9	-0.6
Transfers	-11.5	11.5	-
Total	**180.0**	**75.4**	**255.4**
Additions to transaction costs related to financial liabilities	-	-3.7	-3.7
Transaction costs related to financial liabilities - Amortization	0.5	1.5	2.0
Closing balance at December 31, 2011	**180.5**	**73.2**	**253.6**

Current financial liabilities included an amount of 43.5 million EUR of commercial paper at December 31, 2011 (December 31, 2010: 53.0 million EUR). Several new issues and repayments took place in 2011. Only the net evolution of this commercial paper has been included in the table above.

The changes in scope of consolidation mainly refer to the acquisition of BT Bautechnik Group, which include the non-current and current financial liabilities of BT Bautechnik Impex GmbH & Co. Kg and BTH Fitting Kft.

The movement table of the non-current and current financial liabilities as per December 31, 2010 was as follows:

(Million EUR)	Non-current financial liabilities	Current financial liabilities	Total
Opening balance at January 1, 2010	**11.6**	**241.7**	**253.3**
New loans	329.5	13.4	342.9
Repayments	-10.0	-275.1	-285.1
Translation differences	-0.1	0.7	0.6
Transfers	-196.4	196.4	-
Transfers following the receipt of waiver letters	65.0	-65.0	-
Total	**199.6**	**112.1**	**311.7**
Additions to transaction costs related to financial liabilities	-6.9	-3.0	-9.9
Transaction costs related to financial liabilities - Amortization	2.7	0.9	3.6
Closing balance at December 31, 2010	**195.4**	**110.0**	**305.4**

Non-current financial liabilities

(Million EUR)	2011	2010
Non-current financial liabilities		
Lease payables	1.2	0.5
Credit institutions	181.7	199.1
Transaction costs related to financial liabilities	-2.4	-4.2
Total	**180.5**	**195.4**

Terms and debt repayment schedule 2011 :

	2011						
	Other currencies in million EUR	In million EUR	Total	Rate (%)		Effective rate (%)	Maturity
Credit institutions (private placement)		150.0	150.0	5.25	(fixed)	5.72	'15
Credit institutions (Banco Do Brasil SA)	23.0		23.0	8.5	(fixed)	-	'13-'22
Credit institutions	1.5	7.2	8.7	0-7.0	(fixed)	-	'13-'18
Lease payables		1.2	1.2	5.8	(fixed)	-	'13-'17
Transaction costs related to financial liabilities		-2.4	-2.4				'12-'15
Total	**24.5**	**156.0**	**180.5**				

Terms and debt repayment schedule 2010 :

	2010						
	Other currencies in million EUR	In million EUR	Total	Rate (%)		Effective rate (%)	Maturity
Credit institutions (private placement)		150.0	150.0	5.25	(fixed)	5.72	'15
Credit institutions (EIB)		20.0	20.0	5.258	(fixed)	-	'12-'13
Credit institutions (ING)		10.0	10.0	3.65	(fixed)	-	'12
Credit institutions (Banco Do Brasil SA)	11.4		11.4	8.5	(fixed)	-	'13-'22
Credit institutions	1.5	6.2	7.7	0-6.0	(fixed)	-	'12-'17
Lease payables		0.5	0.5	5.8	(fixed)	-	'12-'13
Transaction costs related to financial liabilities		-4.2	-4.2				'12-'13
Total	**12.9**	**182.5**	**195.4**				

An ING loan, included for an amount of 10.0 million EUR within the non-current financial liabilities and for 10.0 million EUR within the current financial liabilities as per December 31, 2010, is still outstanding for an amount of 10.0 million EUR within the current financial liabilities as per December 31, 2011.

The EIB (European Investment Bank) loan, included for an amount of 20.0 million EUR within the non-current financial liabilities and for 10.0 million EUR within the current financial liabilities as per December 31, 2011, has been completely reimbursed through an early repayment in May 2011.

On October 15, 2010, a FCO loan (Fundos Constitucionais de Financiamento, a state fund) has been granted to the Brazilian subsidiary PB Brasil through Banco Do Brasil SA for the construction of a gelatin factory in Mato Grosso, Brazil. The total amount of the credit equals to 55.8 million BRL (23.0 million EUR at closing rate as per December 31, 2011), which has been drawn completely. An interest rate of 8.5%, which is linked to the longer duration of the loan, is due on this credit. The assets to be acquired with the financing are serving as guarantee for the loan with Banco Do Brasil SA (note 12 – Property, plant and equipment). In case these assets would not be able to fulfil the liability, Tessenderlo Chemie NV and PB Leiner Argentina SA are acting as second degree guarantor. Repayments on this credit are due as from October 2013 onwards until September 2022.

At the end of April 2011, the group signed an agreement on the amendment and extension of the original syndicated credit facility of February 2010, for an aggregate amount of 450.0 million EUR. This new syndicated credit facility has a maturity of 5 years, until April 2016.

The following credit lines are now available:

- A 350.0 million EUR revolving credit facility (Facility B) with maturity date April 2016 at a rate of Euribor 1, 2, 3 or 6 months + a margin (from 100 to 160 basis points (BP)) depending on the leverage of the group (Net Financial Debt/Rebitda).
- A 100.0 million EUR revolving loan facility (Facility C) with maturity date April 2016 at a rate of Euribor 1, 2, 3 or 6 months + a margin (from 100 to 160 BP) depending on the leverage of the group (Net Financial Debt/Rebitda).

As per December 31, 2011, 10.0 million EUR has been drawn from these credit lines in the form of the ING loan as explained above. Furthermore, an amount of 28.3 million EUR has been used from this credit line as guarantee to be provided for the outstanding payable related to the EU fine due in October 2012.

Facility A of the original syndicated credit facility, outstanding for an amount of 9.5 million EUR as per December 31, 2010 has been completely reimbursed in 2011.

The total amount of transaction costs paid on this amended and extended syndicated credit facility equals 3.7 million EUR. These transaction costs are recorded as a deduction of the amount of financial liabilities. The transaction costs are being amortized using the effective interest method and the amortization of the period is reported in the interest expenses. The remaining amount of transaction costs on the amended syndicated credit facility within the financial liabilities amounts to 3.2 million EUR as per December 31, 2011.
The remaining amount of transaction costs on the original syndicated credit facility and on the private placement within the financial liabilities amounts to 2.4 million EUR and 2.4 million EUR respectively as per December 31, 2011. Considering that the conditions to include these transactions costs within the financial liabilities are still complied with, the transaction costs of the original syndicated credit facility are being amortized over the extended period of the amended syndicated credit facility until April 2016. The transaction costs on the private placement are still being amortized over the original period until October 2015.

Covenants of the amended syndicated credit facility differ from the original syndicated credit facility as follows:
- Original syndicated credit facility: maximum gearing, minimum coverage of the interest, maximum leverage, maximum factoring amount and maximum net debt. All covenants were complied with.
- Amended syndicated credit facility: maximum gearing, minimum coverage of the interest, maximum leverage and maximum factoring amount. All covenants were complied with.

Current financial liabilities

(Million EUR)	2011	2010
Current financial liabilities		
Current portion long term financial liabilities	12.8	30.3
Lease payable within 1 year	0.3	1.1
Credit institutions and commercial paper	65.8	80.7
Transaction costs related to financial liabilities	-5.7	-2.1
Total	**73.2**	**110.0**

The group has access to a Belgian commercial paper program of 200.0 million EUR of which 43.5 million EUR was used at the end of December 2011 (December 31, 2010: 53.0 million EUR). These are issued by Tessenderlo Finance NV, a Belgian subsidiary. The commercial paper issued by Tessenderlo NL Holding BV, a Dutch subsidiary, outstanding as per December 31, 2010 for an amount of 8.0 million EUR, has been completely reimbursed in 2011.

Non-current and current financial liabilities by currency

Analysis of non-current and current financial liabilities by currency, expressed in EUR (2011):

(Million EUR)	EUR	BRL	CNY	Other	Total
Current financial liabilities [*]	56.1	-	13.8	3.3	73.2
Non-current financial liabilities	156.0	23.0	-	1.5	180.5
Total financial liabilities	**212.0**	**23.0**	**13.8**	**4.8**	**253.6**
In percentage of total financial liabilities	**83.60%**	**9.07%**	**5.44%**	**1.89%**	**100.00%**

[*] Part of these loans are denominated in EUR and afterwards swapped in GBP and USD (see also note 28 – Financial instruments). The original loan remains in EUR.

The financial liabilities in EUR include an amount of 8.1 million EUR non-amortized transaction costs, of which 2.4 million EUR and 5.7 million EUR in non-current and current financial liabilities respectively.

Analysis of non-current and current financial liabilities by currency, expressed in EUR (2010):

(Million EUR)	EUR	BRL	CNY	Other	Total
Current financial liabilities [*]	104.2	-	2.3	3.5	110.0
Non-current financial liabilities	182.5	11.4	-	1.5	195.4
Total financial liabilities	**286.7**	**11.4**	**2.3**	**5.0**	**305.4**
In percentage of total financial liabilities	**93.88%**	**3.73%**	**0.75%**	**1.64%**	**100.00%**

[*] Part of these loans are denominated in EUR and afterwards swapped in GBP and USD (see also note 28 – Financial instruments). The original loan remains in EUR.

The financial liabilities in EUR included an amount of 6.3 million EUR non-amortized transaction costs, of which 4.2 million EUR and 2.1 million EUR in non-current and current financial liabilities respectively.

Finance leasing

Terms and repayment schedule for finance lease contracts for 2010 and 2011:

	2011			2010		
(Million EUR)	Lease payables	Interest	Principal	Lease payables	Interest	Principal
Less than one year	0.4	0.1	0.3	1.2	0.1	1.1
Between 1 and 5 years	1.3	0.1	1.2	0.5	0.0	0.5
More than 5 years	0.0	0.0	0.0	0.0	0.0	0.0
Total	**1.7**	**0.2**	**1.5**	**1.7**	**0.1**	**1.6**

25. Employee benefits

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

(Million EUR)	Early retirement provision	Defined benefit pension plan	Total
Balance at January 1, 2011	**11.6**	**26.6**	**38.2**
Change in consolidation scope	-2.3	-5.8	-8.1
Additions	0.1	4.9	5.0
Use of provision	-2.2	-0.4	-2.6
Reversal of provisions	-	-2.4	-2.4
Other movements	-0.1	0.6	0.5
Balance at December 31, 2011	**7.0**	**23.6**	**30.6**

A general description of the type of plan

• Employee Benefits

These liabilities are recorded to cover the post employment benefits and cover the pension plans and other benefits in accordance with 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 group pays pre-determined contributions to a legal entity or a separate fund, in accordance with the settings of the plans. The group's legal or constructive obligation is limited to the amount contributed. The contributions are recognized as an expense in the income statement as incurred and are included in note 8 – Payroll and related benefits.

All defined contribution plans in Belgium are legally subject to a minimum guaranteed return. If the legal minimum guaranteed return is sufficiently covered, the group has no obligation to pay further contributions than those that are recognized as an expense in the income statement as incurred. In that case, these pension plans are also accounted for as defined contribution plans.

• Defined benefit plans

These plans are financed externally by pension funds or insurance companies. Independent actuaries perform an actuarial valuation on a regular basis.

Defined benefit pension plan

The amounts recognized in the statement of financial position are as follows:

(Million EUR)	2011	2010	2009	2008	2007
Present value of wholly funded obligations	100.4	24.7	22.6	78.9	83.7
Present value of partially funded obligations	61.9	160.6	150.4	71.2	75.4
Present value of wholly unfunded obligations	18.4	19.6	20.1	18.0	18.9
Total present value of obligations	180.7	204.9	193.1	168.1	178.0
Fair value of plan assets	169.5	180.6	161.3	147.3	161.7
Deficit	**11.2**	**24.3**	**31.8**	**20.8**	**16.3**
Unrecognized actuarial gains (losses)	-15.9	-18.4	-25.7	-10.0	3.1
Net liability (asset)	**-4.7**	**5.9**	**6.1**	**10.8**	**19.4**
Experience adjustments arising on plan liabilities	0.9	11.0	-2.3	-4.6	0.3
Experience adjustments arising on plan assets	-5.2	10.5	3.8	-23.5	-4.0
Unrecognized in % of obligations	8.79%	8.98%	13.31%	5.95%	-1.74%
Unrecognized in % of plan assets	9.38%	10.19%	15.93%	6.79%	-1.92%
Amounts in the statement of financial position:					
Liabilities	23.6	26.6	26.1	25.3	29.6
Assets (note 18)	28.2	20.7	20.0	14.5	10.2
Net liability (asset)	**-4.7**	**5.9**	**6.1**	**10.8**	**19.4**

The decrease of the present value of the obligations can mainly be explained by the sale of the PVC/Chlor-Alkali activities to Kerling (through Ineos Vinyls) and the transfer of the pension obligations incorporated in the sale.

The amounts recognized in the income statement are as follows (2010 figures are restated and represent the pension cost from continuing operations):

(Million EUR)	2011	2010
Current service cost	5.2	4.8
Interest cost	8.6	8.7
Expected return on plan assets	-9.5	-7.6
Amortization of actuarial losses/(gains)	-1.7	1.1
Unrecognized past service cost (benefit)	-	-0.5
Curtailment cost (benefit)	-1.3	-0.1
Total, included in 'payroll and related benefits' (note 8)	**1.3**	**6.4**

The amortization of actuarial losses/(gains) is mainly related to the amortization of unrecognized gains on pension plans within French subsidiaries, which led to a decrease of the liabilities recorded by 2.3 million EUR. This amortization was recorded as a non-recurring income (note 7 – Non-recurring income/(expense) items). The curtailment benefit, which was also recorded within non-recurring income items, mainly relates to the gain (0.9 million EUR) realized on the UK defined benefit pension plan following the sale of the subsidiary Tessenderlo Fine Chemicals Ltd, within the operating segment Organic Chlorine Derivatives (note 7 – Non-recurring income/(expense) items).

The net periodic pension cost is included in the following line items of the income statement (2010 figures are restated and represent the net periodic pension cost from continuing operations):

(Million EUR)	2011	2010
Cost of sales	4.1	4.1
Distribution expenses	-0.3	0.1
Sales and marketing expenses	0.7	1.6
Administrative expenses	0.4	0.6
Other operating income/(expenses)	-	0.1
Non-recurring items, net	-3.6	-0.1
Total	**1.3**	**6.4**

Changes in the present value of the defined benefit obligation are as follows (2010 figures represent continuing and discontinued operations):

(Million EUR)	2011	2010
Opening defined benefit obligation	**204.9**	**193.1**
Change in consolidation scope	-21.3	-
Current service cost	6.3	7.3
Past service cost (benefit)	-	-0.5
Interest cost	8.6	10.1
Actuarial losses (gains)	-7.0	5.2
Exchange differences on foreign plans	1.0	0.8
Settlement and curtailment	-1.3	-0.2
Benefits paid	-10.5	-10.9
Closing defined benefit obligation	**180.7**	**204.9**

In 2011, the current service cost is financed by employee contributions for 1.1 million EUR (2010: 1.3 million EUR).

Changes in the fair value of plan assets are as follows (2010 figures represent continuing and discontinued operations):

(Million EUR)	2011	2010
Opening fair value of plan assets	**180.6**	**161.3**
Change in consolidation scope	-16.4	-
Expected return	9.5	9.0
Actuarial gains and (losses)	-5.7	11.3
Contributions by employee	1.1	1.3
Contributions by employer	9.8	7.6
Exchange differences on foreign plans	1.1	1.0
Benefits paid	-10.5	-10.9
Closing fair value of plan assets	**169.5**	**180.6**

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 from continuing operations in 2011 and 2010 was 3.8 million EUR and 19.2 million EUR respectively.

The group expects to contribute 5.3 million EUR to its defined benefit pension plans in 2012.

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

	2011	2010
Equities	23%	25%
Fixed interest investments	14%	17%
Cash and deposits	4%	3%
Property	2%	2%
Insurance contracts	57%	53%
Total	**100%**	**100%**

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

	2011	2010
Discount rate at 31 December	5.0%	4.8%
Expected return on plan assets at 31 December	5.8%	5.6%
Future salary increases	2.5%	2.5%

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

These benefits arise as a result of the group'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 warrant plan has been created in order to increase the loyalty and motivation of the group's senior management. The plan gives senior management the opportunity to accept warrants which gives them the right to subscribe to shares. The Board of Directors determines annually 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 pre-retirement. The Appointment and Remuneration Committee allocates the warrants granted to the beneficiaries based on performance.

The exercise price of the warrant equals the lower 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. For American residents, the exercice price equals the price of the normal shares of Tessenderlo Chemie NV at the stock exchange closing on the day itself of the offer.

The table below gives an overview of the granted warrants at December 31, 2011.

Allocation date	Last exercise date	Average exercise price	Number of outstanding warrants
November '02	July '12	25.87	9,800
November '03	July '15	26.45	9,800
November '04	July '16	31.69	31,400
November '05	July '17	27.11	31,400
November '06	July '18	30.02	59,040
January '08	December '17	43.10	92,425
February '09	December '13	22.85	130,750
January '10	December '14	22.43	192,542
December '10	December '15	24.09	279,499
December '11	December '16	21.78	337,733
Total			**1,174,389**

Following the Economic Recovery law (Economische Herstelwet) of March 27, 2009, published in the Belgian Official Journal of April 7, 2009, the duration of the warrants of the allocation period 2003-2008 was prolonged with 5 years in 2009.

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

On October 26, 2011, the Board of Directors decided to offer a new emission of warrants, which had to be accepted by their beneficiaries ultimately by December 25, 2011. On December 25, 2011, 337,733 warrants were accepted by senior management with an average exercise price of 21.78 EUR. The cost of these warrants was recognized in 2011.

The fair value of the warrants granted is determined using the Black & Scholes valuation model.
The total cost of warrants recognized in the result of the group in 2011 amounts to 1.2 million EUR (2010: 2.7 million EUR).

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

	2011	2010	
		Fourth tranche	Third tranche
Fair value of warrants (EUR)	3.6	6.6	4.4
Share price (EUR)	20.55	27.19	23.03
Exercise price (EUR)	21.78	24.09	22.43
Expected volatility	37.04%	34.85%	35.04%
Expected option life (years)	4.5	4.5	4.5
Expected dividend yield	6.49%	4.90%	5.78%
Risk free interest rate	3.38%	3.23%	2.64%

The volatility is based on the 5-year weekly average volatility of Tessenderlo Chemie NV shares.

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

	2011		2010	
	Weighted average exercise price	Number of warrants	Weighted average exercise price	Number of warrants
Outstanding at the beginning of the period	26.59	851,726	30.54	381,605
Forfeited during the period	38.17	7,870	30.02	1,920
Exercised during the period	26.70	7,200	-	-
Granted during the period	21.78	337,733	23.41	472,041
Outstanding at the end of the period	25.13	1,174,389	26.59	851,726
Exercisable at the end of the period	34.70	233,865	29.12	151,760

7,200 warrants were exercised of which 4,800 warrants by former GMC members and 2,400 warrants by the group's senior management (note 22 – Equity). 7,870 warrants were forfeited in 2011.

As per year-end 2011, 233,865 warrants are exercisable at an average exercise price of 34.70 EUR (the actual exercise price being between 25.87 EUR and 43.10 EUR). As per year-end 2010, the number of exercisable warrants amounted to 151,760 with an average exercise price of 29.12 EUR (the actual exercise price being between 25.87 EUR and 31.69 EUR).

The weighted average remaining contractual life of the warrants outstanding as per December 31, 2011 is 4.2 years (2010: 4.9 years).

26. Provisions

(Million EUR)	2011 Current	2011 Non-Current	2011 Total	2010 Current	2010 Non-Current	2010 Total
Environment	2.7	28.9	31.6	2.9	33.0	35.9
Dismantlement	-	17.3	17.3	-	22.4	22.4
Restructuring	3.2	2.2	5.4	8.5	0.8	9.3
Other	2.5	7.7	10.2	0.5	9.7	10.2
Total	**8.4**	**56.1**	**64.5**	**11.9**	**65.9**	**77.8**

	Environment	Dismantlement	Restructuring	Other	Total
Balance at January 1, 2011	**35.9**	**22.4**	**9.3**	**10.2**	**77.8**
Change in consolidation scope	-4.2	-5.0	-	-0.9	-10.1
Additions	0.7	0.3	3.3	4.4	8.7
Use of provisions	-1.4	-0.5	-6.8	-2.8	-11.5
Reversal of provisions	-	-	-0.5	-0.3	-0.8
Effect of discounting	0.3	0.1	-	-	0.4
Other movements	0.3	-	0.1	-0.4	0.0
Balance at December 31, 2011	**31.6**	**17.3**	**5.4**	**10.2**	**64.5**

The environmental provisions mainly relate to the present obligation of Tessenderlo Chemie NV to remediate soil contamination. The group committed itself to adapt its production process and to remediate previous sludge basins in Limburg (Belgium). A remaining provision of 29.5 million EUR is outstanding as per December 31, 2011.
The sale of the PVC/Chlor-Alkali and part of the Organic Chlorine Derivatives activities (note 5 – Discontinued operations) resulted in a decrease of the environmental provisions by 4.2 million EUR.
The cash outflow of the environmental provisions is expected in the period 2012-2040. The amounts recognized reflect management's best estimate of the expected expenditures required to settle the present obligation at balance sheet date.

In France, some facilities operated by the group are subject to regulations pertaining to environmentally regulated facilities (Classified Facilities for the Protection of the Environment "ICPE"). This legislation requires to dismantle the classified facilities. Based on an internal assessment which was performed for the first time in 2009, a provision was recorded in that year. This provision did not have a material impact on the income statement of the group since this provision is included in the cost basis of the related Property, plant and equipment, which cost is depreciated accordingly. The total provision recognized amounts to 16.1 million EUR as per December 31, 2011.
The amounts recognized are based on an internal assessment and on the gross book value of the related assets. They reflect management's best estimate of the expected expenditures. The expected timing of the cash outflow is not yet known. However, no cash outflow is expected to take place within the foreseeable future.
The sale of the PVC/Chlor-Alkali and part of the Organic Chlorine Derivatives activities (note 5 – Discontinued operations) resulted in a decrease of the dismantlement provisions by 5.0 million EUR which related mainly to the provision for the decommissioning of a mercury chlor alkali plant.

In September 2011, the group's subsidiary Aliphos Italia informed the relevant social partners of its intention to discontinue production at its site in Italy (Cologna Veneta) as from early 2012. The group aims to adjust its production capacities to a declining feed phosphate market in Europe, while improving its fixed cost base. A restructuring provision of 0.8 million EUR was recognized to cover the costs associated with the closure, mainly including employee termination benefits (note 7 – Non-recurring income/(expense) items). The estimated costs were based on the terms of the relevant contracts, and are expected to be settled within one year.
Following a reorganization of the UK profiles activities in order to optimize operational efficiency, a restructuring provision of 1.6 million EUR has been recognized mainly to cover employee termination benefits and onerous contracts. This provision is expected to be settled in the period 2012-2016.

The remaining amount of additions to the restructuring provisions can be mainly explained by adjustments to the estimated costs of an ongoing restructuring plan of a French subsidiary operating in the segment "Plastic Pipe Systems and Profiles".

The use of restructuring provisions mainly relates to the closure of three sites in France, as announced in 2009 and 2010, and the reorganization of the activities of one site in France as announced in 2010 (within the operating segments "Plastic Pipe Systems and Profiles", "Compounds" and "Pharmaceutical Intermediates") for which an expense of 6.8 million EUR was incurred in 2011. The implementation of these restructuring plans is almost finalized and the remaining part is expected to be settled in the period 2012-2013 (remaining outstanding restructuring provision of 3.0 million EUR).

The restructuring provisions recognized reflect management's best estimate of the expected expenditures required to settle the present obligation at balance sheet date.

The additions to the "other" provisions mainly relate to the estimated future costs of onerous lease contracts (1.2 million EUR) recognized in the non-recurring items of the operating segment "Plastic Pipe Systems and Profiles" (note 7 – Non-recurring income/(expense) items). Settlement of this provision is expected in the period 2012-2014.
The remaining balances of "Other" provisions mainly consist of several, individually insignificant amounts. The amounts recognized reflect management's best estimate of the expected expenditures required to settle the present obligation at balance sheet date. The expected timing of the cash outflows of these remaining balances is unknown.

No assets have been recognized as all expected reimbursements, if any, are deemed immaterial (e.g. resulting from the execution of environmental and dismantlement plans).

27. Trade and other payables

(Million EUR)	2011	2010
Non-current trade and other payables		
Trade payables	0.2	-
Other amounts payable	2.3	30.2
Total	**2.4**	**30.2**
Current trade and other payables		
Trade payables	250.0	320.1
Other amounts payable	67.0	81.9
Remuneration and social security	62.4	67.6
Total	**379.3**	**469.6**

The decrease of the current and non-current other amounts payable can mainly be explained by the payment of the 2011 portion of the EU-fine for an amount of 29.0 million EUR. The remaining part of the EU fine, including the accrued interest charge of 2.5%, is to be paid in October 2012 and is outstanding in the current other amounts payable for an amount of 28.4 million EUR as per December 31, 2011.

The trade and other payables of the sold PVC/Chlor-Alkali and part of the Organic Chlorine Derivatives activities (note 5 – Discontinued operations) as well as of the sold subsidiaries Chelsea Building Products Inc. and Dynaplast-Extruco Inc. (note 4 – Acquisitions and disposals) amounted to 99.8 million EUR in 2010, of which current trade payables (94.1 million EUR), current remuneration and social security payables (4.8 million EUR) and current other amounts payable (0.9 million EUR).

28. Financial instruments

Exposure to foreign currency, credit and interest rate 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 or are used to swap floating interest rates to fixed interest rates. Derivative financial instruments which are used by the group include forward exchange contracts, cross currency interest rate swaps, interest rate swaps, foreign currency swaps and foreign exchange options.

Risk Management Framework

Risks are an important and unavoidable aspect of conducting business. In recent years the group had already developed and implemented a number of procedures in order to manage and reduce risks as much as possible.

- To reduce the effects of credit risk, the group has defined a credit policy with regard to requests for credit limits, approval procedures and ongoing credit risk monitoring. Furthermore, the collection of a part of the outstanding receivables is outsourced (factoring).

- The group prepares short and long-term forecasts on a regular basis in order to match the financial resources with the predefined needs. In addition, the group has a number of credit lines.

- The group anticipates fluctuations in energy prices through a centralised purchasing policy.

- The group hedges transactions in foreign currency. Its subsidiaries are also required to communicate their net foreign currency positions for invoiced amounts (customers, suppliers) to Tessenderlo Finance NV, a subsidiary created specifically for this purpose. All positions are aggregated at the level of Tessenderlo Finance NV. The net balances, which are very small, are then purchased or sold on the market. This is done primarily by way of the spot purchase and sales of currencies, followed by currency swaps.

- Operational, health and safety risks have been kept to a minimum with a system for managing the production process risks, with an evaluation of the risks related to safety, the environment, production and quality. The necessary measures were taken with regard to risk control, such as preventive maintenance, stocks of critical spare parts and operational procedures. This enduring and constant focus on risk means Tessenderlo Group succeeded in reducing accident figures at the group level by 20% in 2011.

- The Risk Management Department conducts safety audits in various production sites to ensure occupational safety. The risk aspect is considered a priority for any new construction or modifications to existing facilities which means that the limitation of risks and/or reduction of existing risks is an essential part of any project. Several subsidiaries are audited every year by an external insurance company, in collaboration with the Risk Management Department. During these visits, preventive actions are recommended and implemented by Risk Management and the group's smaller subsidiaries are not left out of this process. The Risk Management department also visits them on a regular basis to help maintain risk awareness.

- Moreover, there is an optimum insurance cover for operational risks, damage to property (including all aspects related to the interruption of activities at all sites), operational and other liabilities.

- An extensive strategic planning process has been implemented to allow even better control of the group's strategic risks, by thoroughly analysing the strategy, development and content of each business unit and how these aspects dovetail with the group's strategy.

- The observance of laws and regulations and in particular anti-trust legislation is ensured by means of an anti-trust compliance programme in which the anti-trust compliance officer provides the necessary training and oversees the implementation of the programme.

- Following the launch of the group-wide Enterprise Risk Management system (ERM) in 2010, a detailed examination of the project was carried out in 2011. To do this, an Enterprise Risk Management policy was drafted which is applicable to the entire group and all its affiliates worldwide. This describes the organisation and goals of the Enterprise Risk Management System, as well as its responsibilities. Tessenderlo Group has opted for a double approach to risk management: (i) on the one hand, a periodic in-depth mapping of risk and mitigating actions is performed to get a comprehensive snapshot on risks in a business unit at a certain point in time; (ii) on the other hand, there is a continuous identification of new and augmented risks, via the inclusion of a risk chapter at decision points in different business processes, whereby risks identified in these processes are then included in the business unit risk mapping. In order for risk management to become an inherent part of daily operations, a risk management structure has been rolled out, both on group level and on business group / business unit level. The higher in the risk management organisation, the more aggregated a view on risk is used and the more emphasis is put on effectiveness of systems to manage risks. The lower in the organisation, the more risk management will be focused on individual risks with actions designed to mitigate a specific risk. The risk management structure is developed around three different roles:
  (i) the risk owners (manager - business unit / business group management - Group Management Committee (with risk committee) - Board of Directors),
  (ii) multidisciplinary groups of experts which judge risks and provide advice to risk owners on how to manage risks (risk councils at business unit, business group and group level, and the audit committee) and
  (iii) risk coordinators which organise the ERM activities, and provide process support to the risk owners and the risk experts (risk coordinators at business unit / business group level and at group level). Once the existing risks had been identified in various business units and supporting departments in 2010, several projects were launched in 2011 to allow the evaluation of these risks to be improved as well as the implementation of risk optimization. The status of these projects is reported to the Group Management Committee and the audit committee on a regular basis.

- The launch of a 'Group Crisis Management Policy' in 2011 set in motion the harmonization of crisis management across all business units. Risk Management will be responsible for coordinating this policy at the group level and for providing guidance to the various entities in drafting a harmonized crisis plan and clarifying the responsibilities and reporting channels.

- Closer cooperation between Risk Management, Internal Control and Internal Audit means these departments can make their checks and audits much more responsive to existing risks.

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 USD, GBP, PLN, HUF, CNY, ARS and BRL.

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

The main management tools are the spot purchases and sales of currencies followed by currency swaps.

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 currency, this local currency being obtained, where appropriate, by currency swaps against the currency held by the finance companies Tessenderlo Finance NV and Tessenderlo NL Holding BV and by Tessenderlo Chemie NV. In that way, there is no exchange risk either in the finance companies or in the companies finally using the funds. The cost of these currency swaps is included in the finance costs.

In emerging countries, it is not always possible to borrow in local currency 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.

• Exposure to foreign currency risk

The group's exposure to foreign currency risk was as follows based on nominal amounts (for the exchange rates used, please refer to note 1 – Summary of significant accounting policies):

	2011			2010		
(Million EUR)	EUR	USD	GBP	EUR	USD	GBP
Assets	11.4	295.3	56.2	15.4	167.9	64.3
Liabilities	-16.1	-52.6	-11.2	-18.8	-29.7	-3.2
Gross exposure	**-4.7**	**242.7**	**45.0**	**-3.4**	**138.2**	**61.1**
Forward exchange contracts	-0.8	-248.8	-42.8	7.0	-133.3	-62.0
Net exposure	**-5.5**	**-6.1**	**2.2**	**3.6**	**4.9**	**-0.9**
Net exposure (in EUR)	**-5.5**	**-4.7**	**2.6**	**3.6**	**3.7**	**-1.0**

The remaining net exposure is due to a difference between the recording date and the value date of the transactions. Coverage of the foreign exchange exposure is done on a continuous basis.

If the euro had strengthened or weakened by 10% against following currencies with all other variables being held constant, the impact on equity and post-tax profit for the year would have been as follows:

(Million EUR)	Change in rate	Impact on the income statement: loss(-)/gain(+)	Impact on equity: loss(-)/gain(+)
At December 31, 2011			
USD	+10%	-3.1	-1.8
	-10%	3.8	2.2
GBP	+10%	-0.2	-5.2
	-10%	0.2	6.4
At December 31, 2010			
USD	+10%	-2.7	-12.0
	-10%	3.4	14.7
GBP	+10%	0.0	-4.7
	-10%	0.0	5.8

Credit risk

The group is highly risk averse. In its strategy to increase the stakeholder value, the group aims at a dynamic corporate portfolio management to develop new markets in full confidence: group exposure, asset quality, portfolio diversification are considered together with the maximisation of market shares, which requires efficient processes, cost effective payment default protection and best Customer Relationship Management practices.

The international financial and economic crisis resulted in a deep crisis of confidence. The group keeps on focusing especially on its relationships of confidence with long term partners. For large exposures with open account terms, an internal credit committee is organised, on request by group corporate finance. This committee, which is attended by a senior risk analyst, the business unit Director and the business unit controller, assesses the risk and decides about the acceptable level of exposure. Special and legitimate attention is given to new relationships, for which, if necessary, secured payment methods are used.

A Group Credit Procedure, a quick and consistent credit decision process, appropriate payment terms, an efficient collection tool and an accurate risk mitigation tool are used to accelerate the cash flow, to minimise 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. An excess of loss credit insurance contract is used to mitigate the risks. When a risk cannot be assessed or when it is too high, the group resorts to classical credit insurance or other forms of guarantees.

At December 31, 2011, no significant concentrations of credit risk existed. The liquidities available at the end of the year are deposited at very short-term at international high rated banks.

The maximum exposure to credit risk at the reporting date was:

(Million EUR)	2011	2010
Trade receivables	235.4	254.9
Gross trade receivables	246.8	269.4
Amounts written off	-11.5	-14.5
Other receivables	56.0	44.9
Receivables from related parties	0.8	1.9
Assets related to employee benefit schemes	28.2	20.7
Derivative financial instruments	0.0	0.7
Cash and cash equivalents	34.9	150.5
Total	**355.3**	**473.6**

The maximum exposure to credit risk for trade receivables at the reporting date by operating segment was (see also note 18 – Trade and other receivables):

(Million EUR)	2011	2010
Inorganics	37.0	34.4
Gelatin and Akiolis	82.1	72.1
Plastic Pipe Systems and Profiles	48.5	54.3
Tessenderlo Kerley	31.3	27.1
Other Businesses	34.4	27.4
Non-allocated	2.1	1.3
Discontinued operations PVC/Chlor-Alkali	-	38.3
Total	**235.4**	**254.9**

The exposure to credit risk for trade receivables of the continued Chlor-Alkali activities (Water Treatment and Sulphur Derivatives) for 2010 and 2011 is included in "Other Businesses".

The ageing of trade receivables at the reporting date was:

	2011		2010	
(Million EUR)	Gross	Amounts written off	Gross	Amounts written off
Not past due	156.8	-1.0	176.2	-0.3
Past due 0-30 days	56.3	-1.0	52.2	-0.8
Past due 31-120 days	13.8	-1.6	16.8	-1.2
Past due 121-365 days	4.2	-1.4	4.5	-1.0
More than one year	15.7	-6.5	19.7	-11.2
Total	**246.8**	**-11.5**	**269.4**	**-14.5**

The group estimates that the unimpaired amounts that are past due are still collectible, based on historic payment behavior and extensive analysis of customer credit risk.

Based on the group's monitoring of customer credit risk, the group estimates that, except for the amounts mentioned in the table above, no impairment allowance is necessary in respect of trade receivables not past due.

The overdue trade receivables amount to 90.0 million EUR (2010: 93.2 million EUR). The overdue trade receivables for more than one year are mainly situated in the operating segment "Gelatin and Akiolis" (10.3 million EUR of which 1.1 million EUR has been written off).

Since 2009, Group Akiolis is no longer active as rendering plant commissioned by the public authorities. This service was privatised in July 2009 after an agreement was reached with seven national farming federations, for a period of two years. This had little impact on Group Akiolis, but it did result in a considerable increase of late payments by customers in 2009 because no agreement was established with the public authorities regarding the payment of invoices issued from December 2008 to July 2009 (overdue amount of 7.6 million EUR). These invoices became overdue for more than one year in 2010. A litigation was due to a different view between cattle organisations and public authorities on the implementation of the French state decision concerning the partial participation of breeders in the financing of rendering public service. There was already a reduction of the overdue trade receivables in 2010 following the payment of France Agrimer, a public administrative institution under the supervision of the French state. In January 2012, an agreement for payment of the overdue trade receivables for an amount of 7.6 million EUR was reached with ATM Eleveurs de Ruminants (Federation of cattle breeders), and the payment of these took already place in January 2012. As per December 31, 2011 a reversal of an impairment loss was recorded for an amount of 1.5 million EUR (note 7 – Non-recurring income/(expense) items).

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

(Million EUR)	2011	2010
Balance at January 1	**14.5**	**14.7**
Change in consolidation scope	-0.5	-
Impairment loss recognized	4.0	3.3
Reversal of impairment loss	-2.3	-0.6
Other movements	-4.2	-2.9
Balance at December 31	**11.5**	**14.5**

Interest risk

Changes in interest rates may cause variations in interest income and expenses resulting from interest-bearing assets and liabilities. In addition, they can affect the market value of certain financial assets, liabilities and instruments.

At the reporting date, the interest rate exposure of the group's interest-bearing financial instruments was:

(Million EUR)	note	2011	2010
Fixed rate instruments			
Financial assets	20	4.3	86.5
Financial liabilities	24	195.6	287.7
Variable rate instruments			
Financial assets	20	30.6	64.0
Financial liabilities	24	66.7	31.1

The group uses different hedging instruments after Board of Directors approval:
- Cross currency interest rate swaps (CCIRS) for USD and GBP debt hedging.
- Interest rate swaps (IRS) for the interest rate risk on the USD debt hedging.

• Cash flow sensitivity analysis for variable rate instruments

An increase (decrease) of 100 basis points in interest rates at the reporting date would have increased (decreased) profit and loss by 0.3 million EUR (2010: 0.3 million EUR). This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Liquidity Risk

The group will be able to meet its financial obligations as they fall due. The group's approach to manage liquidity is to ensure that the group will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

In order to limit this risk, the group took a series of actions:
- Set up of a factoring program for up to 200.0 million EUR at the end of 2009.
- Sign up in February 2010 of a 500.0 million EUR syndicated credit facility to provide liquidity to the group (167.0 million EUR with a maturity of 18 months, 333.0 million EUR with a maturity of 3 years).
- The launch of a private placement with a maturity of 5 years in October 2010 (150.0 million EUR).
- The set up of a Brazilian loan with a duration of 12 years for 55.8 million BRL (23.0 million EUR at closing date December 31, 2011), in October 2010.
- Amendment in April 2011 of the syndicated credit facility in order to increase the maturity up to 5 years, with more flexibility for the businesses (total amount of 450.0 million EUR).

In addition, the group uses a commercial paper program of maximum of 200.0 million EUR.

Furthermore, the group establishes forecasts on a regular base on short and longer term in order to be able to adapt financial means to forecasted needs.

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements.

	2011				
(Million EUR)	Carrying amount	Contractual cash flows	Less than one year	Between 1 and 5 years	More than 5 years
Non-Derivative Financial liabilities					
Credit institutions (private placement)	150.0	181.5	7.9	173.6	-
Non amortized cost (private placement)	-2.4	-	-	-	-
Credit institutions (ING)	10.0	10.4	10.4	-	-
Non amortized cost (syndicated loan)	-5.7	-	-	-	-
Credit institutions (commercial paper)	43.5	43.6	43.6	-	-
Credit institutions (Banco Do Brasil SA)	23.0	38.3	2.0	16.1	20.2
Credit institutions	33.7	35.6	24.5	5.0	6.1
Bank overdrafts	0.7	0.7	0.7	-	-
Finance lease liabilities	1.5	1.7	0.4	1.3	-
Total	**254.3**	**311.8**	**89.5**	**196.0**	**26.3**
Derivative Financial liabilities					
Foreign currency swaps	-1.5				
Inflow		-106.8	-106.8	-	-
Outflow		108.3	108.3	-	-
Interest rate swaps	0.0				
Inflow		-26.1	-0.2	-25.9	-
Outflow		26.1	0.2	25.9	-
Electricity forward contracts	-3.1				
Inflow		-35.7	-17.6	-18.1	-
Outflow		38.8	19.4	19.4	-
Emission allowances	-0.1				
Inflow		-0.4	-0.4	-	-
Outflow		0.5	0.5	-	-
Cross currency interest rate swaps	-5.7				
Inflow		-122.9	-0.3	-122.6	-
Outflow		128.9	0.3	128.6	-
Total	**-10.4**	**10.7**	**3.4**	**7.3**	**0.0**

(Million EUR)	2010 Carrying amount	Contractual cash flows	Less than one year	Between 1 and 5 years	More than 5 years
Non-Derivative Financial liabilities					
Credit institutions (private placement)	150.0	189.4	7.9	181.5	-
Non amortized cost (private placement)	-2.9	-	-	-	-
Credit institutions (ING)	20.0	21.1	10.7	10.4	-
Credit institutions (EIB)	30.0	32.9	11.5	21.4	-
Credit institutions (syndicated loan)	9.5	9.6	9.6	-	-
Non amortized cost (syndicated loan)	-3.4	-	-	-	-
Credit institutions (commercial paper)	53.0	53.2	53.2	-	-
Credit institutions (Banco Do Brasil SA)	11.4	16.4	1.0	7.6	7.8
Credit institutions	36.2	37.3	26.9	6.8	3.6
Bank overdrafts	7.1	7.1	7.1	-	-
Finance lease liabilities	1.6	1.7	1.2	0.5	-
Total	**312.5**	**368.7**	**129.1**	**228.2**	**11.4**
Derivative Financial liabilities					
Foreign currency swaps	0.5				
Inflow		-47.7	-47.7	-	-
Outflow		47.2	47.2	-	-
Foreign exchange options	0.2				
Inflow		-14.2	-14.2	-	-
Outflow		14.0	14.0	-	-
Cross currency interest rate swaps	-0.8				
Inflow		-128.1	-0.1	-128.0	-
Outflow		130.2	0.1	130.1	-
Forward rate agreements	-0.2				
Inflow		-	-	-	-
Outflow		-0.2	-0.2	-	-
Total	**-0.3**	**1.2**	**-0.9**	**2.1**	**0.0**

Fair value of financial assets and liabilities

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

(Million EUR)	note	2011 Carrying amount	2011 Fair value	2010 Carrying amount	2010 Fair value
Derivative financial instruments	28	**-10.4**	**-10.4**	**-0.3**	**-0.3**
Cash and cash equivalents	20	**34.9**	**34.9**	**150.5**	**150.5**
Other investments	16	**5.7**	**5.7**	**6.7**	**6.7**
Trade and other receivables	18	**292.2**	**292.2**	**301.7**	**301.7**
Non-current financial liabilities	24	**-180.5**	**-187.4**	**-195.4**	**-202.0**
Leasing payables	24	-1.2	-1.2	-0.5	-0.5
Credit institutions	24	-179.3	-186.2	-194.9	-201.5
Current financial liabilities	24	**-73.9**	**-73.8**	**-117.1**	**-117.1**
Current portion long term financial liabilities	24	-12.8	-12.7	-30.3	-30.3
Leasing payables	24	-0.3	-0.3	-1.1	-1.1
Credit institutions and commercial paper	24	-60.1	-60.1	-78.6	-78.6
Bank overdrafts	24	-0.7	-0.7	-7.1	-7.1
Trade and other payables	27	**-381.7**	**-381.7**	**-499.8**	**-499.8**
Total		**-313.7**	**-320.5**	**-353.7**	**-360.3**

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 favorable contracts or be required to pay to terminate unfavorable contracts at the reporting date, and thereby takes into account the current unrealized gains or losses on open contracts.

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

	2011		2010	
(Million EUR)	Contractual amount	Fair value	Contractual amount	Fair value
Foreign currency swaps	106.8	-1.5	47.7	0.5
Cross currency interest rate swaps	127.8	-5.7	127.8	-0.8
Foreign exchange options	-	-	14.2	0.2
Forward rate agreements	-	-	80.0	-0.2
Interest rate swaps	0.0	0.0	-	-
Electricity forward contracts	38.8	-3.1	-	-
Emission allowances	-0.1	-0.1	-	-
Total	**273.3**	**-10.4**	**269.7**	**-0.3**

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

The fair value of the derivative financial instruments at December 31, 2011 amounts to -10.4 million EUR and mainly consists of the following financial instruments:

- The group holds a portfolio of electricity forward contracts which have previously not been fair valued in accordance with the own use exemption. Following the sale of the PVC/Chlor-Alkali activities, this portfolio has been fair valued. As per December 31, 2011 the fair value of the portfolio amounts to -3.1 million EUR (note 7 – Non-recurring income/(expense) items). The group has purchase commitments of 701,760 MWH of electricity in the period 2012-2014 for an amount of 38.8 million EUR.
- A series of EUR/USD and EUR/GBP cross currency interest rate swaps were contracted in order to hedge the foreign exchange risk from intercompany loans between group entities with a different functional currency. The nominal amounts of these transactions amount to 52.0 million GBP and 95.0 million USD (equal to the principal amount of the intercompany loans) and they mature in October 2015 (equal to the maturity date of the loan). Under these transactions, the group receives a fixed interest rate in EUR and pays a fixed interest rate in USD and GBP (which is offset by the interest received on the intercompany loans). Per December 31, 2011, the fair value of these instruments amounts to -5.7 million EUR (-0.8 million EUR in 2010). In agreement with the requirements from IAS 39, these derivatives have been designated as hedging instruments in a cash flow hedge relationship. The hedged risk is the variability of the principal amount of the intercompany loans due to movements of the EUR/USD and EUR/GBP foreign exchange rates and the hedged items are the intercompany loans in USD and GBP. The effective portion of the change in fair value is recognized in the cash flow hedge reserve, while the ineffective portion is immediately reflected in the income statement.
- The value of foreign currency swaps, which mature during the first quarter of 2012, for -1.5 million EUR.
- In December 2011, Tessenderlo U.S.A. Inc., an American holding company, distributed a dividend of 85.0 million USD to Tessenderlo Chemie NV. In addition to this transaction, the group entered into several foreign currency swaps in order to hedge its position in USD following an intercompany borrowing of

85.0 million USD with Tessenderlo U.S.A. Inc.. Also in December 2011, the group entered into several interest rate swaps in order to cover the interest rate risk on those foreign currency swaps in USD. The interest rate swaps are revalued at fair value in the income statement as per December 31, 2011, and amount to 0.0 million EUR.

The net change in the fair value of derivative financial instruments, as included in the consolidated statement of comprehensive income, amounts to -5.7 million EUR, and can be explained as follows:
- The change in fair value of the cross currency interest rate swaps in the period amounts to -0.1 million EUR.
- The group's part of the change in fair value of the interest rate swaps in the associate T-Power SA for -7.4 million EUR, recorded in equity in accordance with the accounting policy related to cash flow hedging.
- The amortization of the remaining effective part of the cross currency interest rate swaps which have been unwinded in October 2010 for an amount of 1.6 million EUR. Considering the fact that the hedged item for the cross currency rate swaps still exists and that the terms of the underlying contracts did not change in a significant way, only part of the hedging reserve recorded in equity was reclassified to the income statement at the time of unwinding. The remaining (effective) part remained in equity and is amortized through the income statement over the remaining life of the intercompany loans. The remaining amount of 0.3 million EUR will be amortized during the first quarter of 2012.
- The fair value as per December 31, 2010 of the forward rate agreements, which have come to maturity in 2011 (0.2 million EUR).

In respect to the foreign currency swaps and the cross currency interest rate swaps, the table below indicates the underlying contractual amount of the outstanding contracts per currency at year-end (selling of foreign currencies):

	2011		2010	
(Million)	Amount in foreign currency	Amount in EUR	Amount in foreign currency	Amount in EUR
GBP	42.8	48.1	62.0	70.8
USD	248.8	191.0	133.3	97.7
Other	-	0.8	-	7.0
Total		**239.9**		**175.5**

• Interest-bearing loans and borrowings

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

The interest rates used to discount estimated cash flows, where applicable, are based on the government yield curve at the reporting date plus an adequate credit spread, and were as follows:

	2011	2010
Loans and borrowings	5.0%	5.2%

• Financial leasing payables

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

The interest rates used to discount estimated cash flows, where applicable, are based on the government yield curve at the reporting date plus an adequate credit spread, and were as follows:

	2011	2010
Lease liabilities	7.0%	7.0%

• 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.

Fair value hierarchy

IFRS 7 *Financial Instruments: Disclosures* requires the group to present certain information about financial instruments measured at fair value in the statement of financial position.

The following table presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy: this hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified, is determined based on the lowest level of significant input to the fair value measurement.

The financial assets and liabilities measured at fair value in the statement of financial position are grouped into the fair value hierarchy as follows:

	2011			
(Million EUR)	Level 1	Level 2	Level 3	Total
Foreign currency swaps	-	-1.5	-	-1.5
Cross currency interest rate swaps	-	-5.7	-	-5.7
Interest rate swaps	-	0.0	-	0.0
Electricity forward contracts	-	-3.1	-	-3.1
Emission allowances	-	-0.1	-	-0.1
Total	**-**	**-10.4**	**-**	**-10.4**

	2010			
(Million EUR)	Level 1	Level 2	Level 3	Total
Foreign currency swaps	-	0.5	-	0.5
Cross currency interest rate swaps	-	-0.8	-	-0.8
Foreign exchange options	-	0.2	-	0.2
Forward rate agreements	-	-0.2	-	-0.2
Emission allowances	-	0.0	-	0.0
Total	**-**	**-0.3**	**-**	**-0.3**

29. Operating leases

Leases as lessee

The non-cancellable operating leases are payable as follows:

(Million EUR)	2011	2010
Less than one year	27.8	30.9
Between 1 and 5 years	59.3	58.7
More than 5 years	18.8	20.1
Total	**105.9**	**109.7**

The 2010 figures in the table above include the non-cancellable operating lease payables for the continuing and discontinued operations. The decrease in 2011, as a consequence by the changes in consolidation scope, was compensated by additional operating lease contracts, mainly related to the operating leasing of the fleet in the operating segment "Gelatin and Akiolis".

During the current year, 30.8 million EUR was recognized as an expense for the continuing operations in the income statement in respect of operating leases as lessee (2010: 29.1 million EUR).

The non-cancellable operating leases mainly consist of land and buildings (34.4 million EUR), plant, machinery and equipment (24.2 million EUR) and furniture and vehicles (45.4 million EUR).

One of the leased properties has been sublet by the group as from end 2010. Sublease payments of 0.2 million EUR are expected to be received during 2012 and 0.8 million EUR are expected to be received between 2013 and 2016.

Leases as lessor

The group leases out some assets under operating leases. The future minimum lease payments under non-cancellable operating leases are as follows:

(Million EUR)	2011	2010
Less than one year	0.9	0.9
Between 1 and 5 years	1.0	1.4
More than 5 years	2.1	2.2
Total	**3.9**	**4.5**

During 2011, an amount of 0.9 million EUR was recognized as an income in continuing operations in respect of operating leases (2010: 0.6 million EUR).

Operating lease income in 2011 is derived from land and buildings.

30. Guarantees and commitments

(Million EUR)	2011	2010
Guarantees given by third parties on behalf of the group	49.5	79.2
Guarantees given on behalf of third parties	7.5	18.4
Guarantees received from third parties	2.7	2.6
Total	**59.7**	**100.2**

Guarantees given by third parties on behalf of the group mainly relate to the fulfillment of environmental obligations for 18.1 million EUR (2010 : 17.5 million EUR) and to the guarantee given for the remaining portion of the payment of the EU-fine. On July 20, 2010, the European Commission rendered a decision on the cartel investigations by the European Commission on animal feed phosphates. The decision set the fine at 83.8 million EUR, which was to be paid in the period October 2010 - October 2012, through three equal payments of 1/3. In October 2010, a bank guarantee was obtained for an amount of 57.9 million EUR. The second payment took place in October 2011. The remaining outstanding bank guarantee amounts to 28.3 million EUR as per December 31, 2011.

Guarantees given on behalf of third parties mainly relate to guarantees given for the proper execution of projects. The decrease of these guarantees compared to prior year is mainly related to the guarantee given by Tessenderlo Chemie NV to the associate T-Power SA in 2010 for 10.2 million EUR. This guarantee was given for the agreed capital increases and services to be provided by Tessenderlo Chemie NV. Considering that the capital has been fully paid and that all services were provided, this guarantee was no longer required as per year-end 2011.

The guarantees received from third parties concern guarantees, which suppliers grant to the group as guarantee for the proper execution of investment projects.

The shares of T-Power SA are pledged in first degree to guarantee the liabilities in respect of a "facility agreement" of 440.0 million EUR signed on December 18, 2008 between T-Power SA and a syndicate of banks. The T-Power SA shares are pledged in second degree to guarantee the "tolling agreement" for the entire 425 MW capacity signed on August 13, 2008 between T-Power SA and RWE Group. The tolling agreement has a 15 years duration with an optional 5-year extension thereafter.

The group and its subsidiaries have certain other contingent liabilities relating to long-term purchase obligations and commitments. The agreements typically concern strategic raw materials, goods and services, such as electricity and gas.

31. Contingencies

The group is confronted with a number of claims or potential claims and disputes, which are a consequence of the daily operational activities. To the extent such claims and disputes are such that it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate can be made of the amount of the obligation, suitable provisions have been made.

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

These provisions are reviewed periodically and adjusted, if necessary, as assessments and work proceeds 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, a change in legislation or other factors of a similar nature.

As stated in note 26 – Provisions, the environmental provisions in accordance with the above policies aggregated to 31.6 million EUR at December 31, 2011 (2010 : 35.9 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.

In order to acquire an additional stake of 20% in Wolf Mountain Products LLC, the group holds, as agreed with the current owners of that share, an option which may be exercised from January 1, 2014 until June 30, 2014. The exercise price is determined by a formula, which takes into account the financial figures of Wolf Mountain Products LLC.
In order to acquire the remaining stake of 50% in Établissements Violleau SAS, the group holds, as agreed with the current owners of that share, an option which may be exercised from April 1, 2014 until May 15, 2014. The exercise price is determined by a formula, which takes into account the financial figures of Établissements Violleau SAS.
In order to acquire the remaining equity interest of 13.8% in the subsidiary PB Gelatins Heilongjiang & Co Ltd, the group holds, as agreed with the current owners of that share, an option which may be exercised at any time. The exercise price is determined by a formula, which takes into account the financial figures of PB Gelatins Heilongjiang & Co Ltd.

Acquisition, investment and joint-venture agreements as well as divestments may contain habitual provisions leading to price adjustments. In addition, for divestments proper consideration has been given to provisions for possible indemnifications payable to the acquirer, if any, including matters in the area of health, environment, tax, product liability, restructuring, competition, pensions and share incentives.

The group has been granted emission allowances for the period 2008-2012. These granted emission allowances have been obtained free of charge. Any surplus or deficit of emission allowances over that period will not significantly impact the group's consolidated income statements.

32. Related parties

The group has a related party relationship with its subsidiaries, associates, joint ventures and with its main shareholder, Directors and its Group Management Committee.

As per December 31, 2011, Société Nationale des Poudres et Explosifs (SNPE), a French state owned company is holding 7,847,863 shares (26.6% of the company). SNPE is a leading French industrial group specialising in chemicals for energetic materials used at the core of several civilian and military systems, particularly in solid propulsion for strategic and tactical missiles and space launchers. It also operates in the specialities chemical field. SNPE receives dividends related to its shares and is represented in the Board of Directors through three members. SNPE fully subscribed the optional stock dividend related to the dividend for the financial year 2010.

The group purchased and sold goods and services to various related parties in which the group holds a 50% or less equity interest (investment in associates and joint ventures, see note 15 – Investments accounted for using the equity method). Such transactions were conducted at arm's length with terms comparable to transactions with third parties.

Transactions with joint ventures:

(Million EUR)	2011	2010
Revenue	8.1	5.6
Cost of sales	-25.9	-18.0
Current assets	0.8	1.3
Current liabilities	2.2	1.8

Transactions with associates:

(Million EUR)	2011	2010
Other operating income	0.1	-
Current assets	-	1.1

The share capital of the associate T-Power SA, in which Tessenderlo Chemie NV participates for 1/3, was increased in 2011 by 6.6 million EUR. As a consequence Tessenderlo Chemie NV contributed 2.2 million EUR.

Tessenderlo Kerley Inc., a US subsidiary, invested 0.2 million EUR in the associate Wolf Mountain Products LCC as an increase of share capital. Furthermore, Tessenderlo Kerley Inc., increased the loan granted to Wolf Mountain Products LCC from 0.4 million USD to 1.0 million USD. However due to the financial performance of Wolf Mountain Products LCC, both the investment and the loan granted were fully impaired in 2011 (note 15 – Investments accounted for using the equity method).

Dividends were received from joint ventures and associates for an amount of 8.8 million EUR (2010: 5.0 million EUR).

Transactions with the members of the Group Management Committee:

(Million EUR)	2011	2010
Short-term employee benefits	5.7	4.2
Post-employment benefits	0.3	0.2
Share-based payments	0.8	1.5
Total	**6.8**	**5.9**

Short-term employee benefits include salaries and bonuses over 2011 (including social security contributions), car leases and other allowances where applicable.

The short-term employee benefits include 3.8 million EUR fix and 1.9 million EUR variable employee benefits (2010: 3.2 million EUR and 1.0 million EUR respectively).

The cost related to the share-based payment in 2011 only includes the cost of the 2011 tranche of warrants, whereas the share-based payments included in 2010 as well the cost of the 2009 tranche as the 2010 tranche of warrants (note 25 – Employee benefits).

In 2011, no warrants were exercised by members of the GMC (note 25 – Employee Benefits).

33. Auditor's fees

Klynveld Peat Marwick Goerdeler Bedrijfsrevisoren (KPMG), represented by Ludo Ruysen was reappointed as group statutory auditor by the shareholders meeting of the company of June 1, 2010, following an audit tender.

The fees paid by the group to its auditor amounted to :

	2011			
(Million EUR)	Audit	Audit related	Other	Total
KPMG (Belgium)	0.4	0.0	0.2	0.6
KPMG (Outside Belgium)	0.6	0.0	0.1	0.7
Total	**1.0**	**0.0**	**0.3**	**1.3**

	2010			
(Million EUR)	Audit	Audit related	Other	Total
KPMG (Belgium)	0.3	0.2	0.2	0.7
KPMG (Outside Belgium)	0.6	0.0	0.3	0.9
Total	**0.9**	**0.2**	**0.5**	**1.6**

34. Subsequent events

On January 31, 2012, the group announced the purchase of certain assets and assumption of certain liabilities of the global carbaryl business from Bayer CropScience, by Tessenderlo Kerley Inc. (TKI), a US subsidiary within the operating segment "Tessenderlo Kerley". The acquisition is projected to add an estimated 15 million EUR to the annual revenue of TKI. TKI will acquire global crop protection assets including trade names, knowhow, registrations and registration data. At date of authorization for issue of the financial statements by the Board of Directors, the recognition and measuring of the identifiable assets and liabilities acquired was not yet finalized.

35. Group companies

Listed below are all the group companies.

The total number of consolidated companies is 90.

List of the consolidated companies on December 31, 2011 accounted for by the full consolidation method:

Europe	Entity	Address	Belgian company number	Ownership
Belgium	Dyka Plastics NV	3900 Overpelt	0414467340	100%
Belgium	Limburgse Rubber Produkten NV	3620 Rekem-Lanaken	0415296392	100%
Belgium	Tessenderlo Chemie International NV	1050 Brussels	0407247372	100%
Belgium	Tessenderlo Chemie NV	1050 Brussels	0412101728	100%
Belgium	Tessenderlo Finance NV	1050 Brussels	0878995984	100%
Belgium	Tessenderlo Kerley Europe NV	1050 Brussels	0419875683	100%
Belgium	Profialis NV	8720 Oeselgem	0437458023	100%
Czech Republic	Dyka s.r.o.	273 61 Velka Dobra		100%
France	Akiolis Group SAS	72000 Le Mans		100%
France	Aliphos SAS	59120 Loos		100%
France	Apeval SAS	85120 La Tardière		100%
France	Atemax Nord Est SASU	55100 Charny sur Meuse		100%
France	Atemax Ouest SASU	72000 Le Mans		100%
France	Atemax Sud Est SASU	01440 Viriat		100%
France	Atemax Sud Ouest SAS	47520 Le Passage		100%
France	Ateval Nord Est GIE	55100 Charny sur Meuse		100%
France	Ateval Sud Est GIE	01440 Viriat		100%
France	Ateval Sud Ouest GIE	47520 Le Passage		100%
France	Calaire Chimie SAS	62100 Calais		100%
France	Chemilyl SAS	59120 Loos		100%
France	CTS-Marvyflo SAS	25340 Clerval		100%
France	Établissements Charvet Père et Fils SASU	91490 Milly-La-Forêt		100%
France	France Ester SASU	72000 Le Mans		100%
France	Ispac SAS	64130 Mauléon Licharre		100%
France	Produits Chimiques de Loos SAS	59120 Loos		100%
France	Profex SAS	62210 Avion		100%
France	Profialis SAS	25340 Clerval		100%
France	Saplast SAS	67100 Strasbourg		100%
France	Soleval Nord Est SAS	55100 Charny sur Meuse		100%
France	Soleval Ouest SAS	72000 Le Mans		100%
France	Soleval Sud Est S.A.	01440 Viriat		96.56%
France	Soleval Sud Ouest SASU	47520 Le Passage		100%
France	Sotra-Seperef SAS	62140 Sainte Austreberthe		100%
France	Technicompound SAS	85130 Tiffauges		100%
France	Tefipar SAS	59120 Loos		100%
France	Tessenderlo Services SAS	59120 Loos		100%
France	Thermoplastiques Cousin-Tessier SAS	85130 Tiffauges		100%
Germany	Dyka GmbH	85764 Oberschleissheim		100%
Germany	PB Gelatins GmbH	31582 Nienburg/Weser		100%
Germany	BT Bautechnik Impex GmbH & Co. Kg	85764 Oberschleissheim		100%
Germany	Impex Wimmer GmbH	85764 Oberschleissheim		100%

Hungary	BTH Fitting Kft	3636 Vadna		100%
Hungary	Profialis Kft	2310 Szigetszentmiklós		100%
Italy	Aliphos Italia SRL	37044 Cologna-Veneta		100%
Italy	Farchemia SRL	24047 Treviglio (BG)		100%
Italy	Tessenderlo Italia SRL	24047 Treviglio (BG)		100%
Italy	Tessenderlo Partecipazioni SpA	24047 Treviglio (BG)		100%
Luxembourg	Térélux SA	LU - 2633 Luxembourg		100%
Poland	Dyka Polska Sp.zo.o.	55-221 Jelcz-Laskowice		100%
Poland	T.C.T. Polska Sp.zo.o.	96-500 Sochaczew		100%
Poland	Tessenderlo Polska Sp.zo.o.	60-462 Poznan		100%
Poland	Profialis Sp.zo.o	62-100 Wagrowiec		100%
Romania	Dyka Plastic Pipe Systems s.r.l.	76100 Bucarest, sector 1		100%
Slovakia	Dyka SK s.r.o.	841 02 Bratislava		100%
The Netherlands	Dyka BV	8331 LJ Steenwijk		100%
The Netherlands	Nyloplast Europe BV	3295 KG 's Gravendeel		100%
The Netherlands	Plastic Pipe Systems Holding BV	8331 LJ Steenwijk		100%
The Netherlands	Tessenderlo Nederland BV	4854 MT Bavel		100%
The Netherlands	Tessenderlo Chemie Rotterdam BV	3133 CA Vlaardingen		100%
The Netherlands	Tessenderlo NL Holding BV	4825 AV Breda		100%
United Kingdom	Dyka UK Ltd	Longtown-Carlisle Cumbria CA6 5LY		100%
United Kingdom	Eurocell Building Plastics Ltd	Alfreton-Derbyshire DE55 4 RF		100%
United Kingdom	Eurocell plc	Alfreton-Derbyshire DE55 4 RF		100%
United Kingdom	Eurocell Profiles Ltd	Alfreton-Derbyshire DE55 4 RF		100%
United Kingdom	John Davidson Holdings Ltd	Edinburgh EH3 9AG		100%
United Kingdom	John Davidson Pipes Ltd	Edinburgh EH3 9AG		100%
United Kingdom	PB Gelatins UK Ltd	Pontypridd CF 375 SQ		100%
United Kingdom	Tessenderlo Holding UK Ltd	Mid Glamorgan CF 37 5SU		100%
United Kingdom	Tessenderlo UK Ltd	Leek, Staffordshire ST13 8LD		100%
United Kingdom	Wymar Systems Ltd	DY13 9EZ Stourport-on-severn, Worcestershire		100%

USA	Entity	Address	Belgian company number	Ownership
USA	Environmentally Clean Systems LLC	Dover, DE 19904		51.00%
USA	MPR Services Inc.	Wilmington County - New Castle - Delaware 0801		100%
USA	PB Leiner USA	Davenport, Iowa 52806		100%
USA	Tessenderlo Kerley Inc.	Wilmington County - New Castle - Delaware 0801		100%
USA	Tessenderlo Kerley Services Inc.	New Mexico - 88220 Carlsbad		100%
USA	Tessenderlo U.S.A. Inc.	Wilmington County - New Castle - Delaware 0801		100%
USA	Kerley Trading Inc.	Wilmington County - New Castle - Delaware 0801		100%

Rest of the world	Entity	Address	Belgian company number	Ownership
Argentina	PB Leiner Argentina SA	Santa Fe CC108-S3016WAC - Santo Tomé		100%
Brazil	PB Brasil Industria e Commercio de Gelatinas Ltda	Acorizal, Mato Grosso CEP 74480-000		100%
Chile	Tessenderlo Kerley Latino Americana SA	9358 Santiago		100%
China	CTS Automotive Compounds (Changsu) Co. Ltd	Changsu City - 222023 Jiangsu Province		100%
China	Lianyungang Taile Chemical Industry, Co. Ltd	Lianyungang City - 222023 Jiangsu Province		100%
China	PB Gelatins (Wenzhou) Co Ltd	Ping Yang County - 325401 Zhejiang Province		80,00%
China	PB Gelatins Heilongjiang Co Ltd	Kongguo County - Heilongjiang Province		86,20%
China	Tessenderlo Asia Holding Ltd	Hong Kong		100%
China	Tessenderlo Trading (Shanghai) Co. Ltd	China R.P. - 200021 Shanghai		100%
Japan	Tessenderlo Kerley Inc. Japan KK	Tokyo - Chiyoda-ku		100%
Mexico	Tessenderlo Kerley Mexico SA de CV	85800 Novojoa, Sonora		100%
Peru	Tessenderlo Kerley Peru SAC	Arequipa		96.70%
Turkey	Tessenderlo Agrochem Tarim Ve Kimya San. Ve Tic. Ltd Sti.	34387 Kuştepe - Şişli / İstanbul		100%

List of the consolidated companies on December 31, 2011 accounted for by the equity method:

Europe	Entity	Address	Belgian company number	Ownership
Belgium	T-Power SA	1200 Brussels	0875650771	33.33%
France	Établissements Violleau SAS	79380 La Fôret sur Sèvre		50.00%
France	Établissements Michel SAS	31800 Villeneuve de Rivière		50.00%
France	Meta Bio Energies SAS	49520 Combrée		20.46%
France	Siram SARL	50390 Saint-Sauveur-le-Vicomte		50.00%

Rest of the world	Entity	Address	Belgian company number	Ownership
Bahrain	MPR Middle East WLL	20563 Manama		50.00%
Mexico	Alkemin S de RL de CV	Mexico D.F. 11700		49.50%
USA	Jupiter Sulphur LLC	Wilmington County - New Castle - Delaware 0801		50.00%
USA	Wolf Mountain Products LLC	Lindon - Utah 84042		45.00%

List of the non-consolidated companies on December 31, 2011 due to their insignificant impact on the consolidated figures:

Europe	Entity	Address	Belgian company number	Ownership
Belgium	Globe International SA	1050 Brussels	0416159791	100%
Belgium	Plastival Benelux NV	3900 Overpelt	0450918950	100%
Germany	H.G.S. GmbH	22767 Hamburg		100%
Germany	LVM Kunststoffe GmbH	31582 Nienburg		100%
Spain	Tessenderlo Chemie España TCE sa	28224 Pozuelo de Alarcon (Madrid)		100%
Switzerland	Tessenderlo Schweiz AG	5330 Bad Zurzach		100%
The Netherlands	De Hoeve Kunststofrecycling BV	7772 BC Hardenberg		50.00%
The Netherlands	Wymar Nederland BV	3133 CA Vlaardingen		100%
Ukraine	Wymar Ukraine	03134 Kiev		100%
United Kingdom	Britphos Ltd	Leek, Staffforshire ST13 8LD		100%
United Kingdom	LVM UK Ltd	Alfreton-Derbyshire DE55 4RF		100%

36. 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 judgements, estimates and assumptions that affect the application of the accounting policies, 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 and lower of cost of net realizable value adjustments, depreciation and impairments, 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 property, plant and equipment (note 12), goodwill (note 13), other intangible assets (note 14), lower of cost or net realizable value adjustments with respect to inventories (note 19), provisions (note 26), income taxes and deferred taxes (note 11 and 17), non-current assets classified as held for sale (note 21), employee benefits (note 25), financial instruments (note 28) and contingencies (note 31).

Statement on the true and fair view of the consolidated financial statements and the fair overview of the management report

Frank Coenen (CEO) and Mel de Vogue (CFO) certify, on behalf and for the account of the company, that, to his/their knowledge,

a) the consolidated financial statements which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and the income statement of the company, and the entities included in the consolidation as a whole,

b) the consolidated management report includes a fair overview of the development and performance of the business and the position of the company, and the entities included in the consolidation, together with a description of the principal risks and uncertainties which they are exposed to.

Auditor's report

KPMG

KPMG Bedrijfsrevisoren - Réviseurs d'Entreprises
Prins Boudewijnlaan 24d
2550 Kontich
Belgium

Tel. +32 (0)3 821 17 00
Fax +32 (0)3 825 20 25
www.kpmg.be

Statutory auditor's report to the general meeting of shareholders of Tessenderlo Chemie NV/SA on the consolidated financial statements for the year ended 31 December 2011

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.

Unqualified audit opinion on the consolidated financial statements

We have audited the consolidated financial statements of Tessenderlo Chemie 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 statement of financial position as of 31 December 2011 and the consolidated income statement, the consolidated statement of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The total of the consolidated statement of financial position amounts to € 1.379,7 million and the consolidated income statement shows a loss for the year of € 95,6 million.

Board of directors' Responsibility for the Consolidated Financial Statements

The board of directors of the company is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 Réviseurs d'Entreprises/Instituut der Bedrijfsrevisoren". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.An audit involves performing 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 consider internal control relevant to the group'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.

KPMG Bedrijfsrevisoren - Réviseurs d'Entreprises, a Belgian civil CVBA/SCRL and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

Maatschappelijke zetel – siège social:
Bourgetlaan - Avenue du Bourget 40
1130 Brussel - Bruxelles
België - Belgique

KPMG Bedrijfsrevisoren -
Réviseurs d'Entreprises
CVBA/SCRL
Burgerlijke vennootschap met handelsvorm - Société civile à forme commerciale
RPR - RPM 0419122548
Rechtsgebied Brussel - Ressort judiciaire Bruxelles

An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the board of directors as well as the overall presentation of the consolidated financial statements. 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 audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the group's net worth and consolidated financial position as at 31 December 2011 and of its consolidated financial performance and its consolidated 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

The preparation of the management report on the consolidated financial statements and its content are the responsibility of the board of directors.

Our responsibility is to supplement our report with the following additional comment, which does 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.

Kontich, 28 March 2012

KPMG Bedrijfsrevisoren-Réviseurs
d'Entreprises
Statutory auditor
represented by

Ludo Ruysen
Bedrijfsrevisor/Réviseur d'Entreprises

Statutory financial report

Balance sheet of Tessenderlo Chemie NV

(Million EUR)	2011	2010
Total assets		
Non-current assets	**729.8**	**674.8**
Other intangible assets	2.2	2.2
Property, plant and equipment	72.8	65.7
Financial assets	654.8	606.9
Current assets	**266.9**	**241.1**
Inventories	99.8	63.8
Current trade and other receivables	158.4	105.2
Other investments	4.0	64.4
Cash and cash equivalents	0.1	5.5
Prepaid expenses and accrued income	4.6	2.2
Total assets	**996.7**	**915.9**
Total liabilities		
Shareholders' equity	**576.8**	**484.3**
Issued capital	147.9	143.7
Share premium	73.5	57.5
Reserves	24.5	24.8
Retained earnings	330.8	258.2
Capital grants	0.1	0.1
Provisions and deferred taxes	**48.3**	**48.6**
Provisions	44.8	44.7
Deferred taxes	3.5	3.9
Liabilities	**360.6**	**378.2**
Liabilities due in more than one year	152.0	179.9
Liabilities due within one year	208.6	198.3
Accrued expenses and deferred income	11.0	4.8
Total liabilities	**996.7**	**915.9**

Profit and loss statement of Tessenderlo Chemie NV

(Million EUR)	2011	2010
Total operating income	**672.6**	**638.8**
Sales	538.9	600.4
Change in work in progress, finished goods and orders in progress (increase+/decrease-)	27.3	-32.5
Production capitalized	3.8	2.2
Other operating income	102.6	68.7
Total operating charges	**-685.3**	**-646.7**
Raw materials and goods purchased for resale	-380.9	-328.5
Services and other goods	-212.3	-188.2
Wages, salaries, social charges and pensions	-76.5	-107.6
Depreciations and amortizations on formation expenses, tangible and intangible assets	-10.0	-15.1
Amounts written-off stocks and trade receivable (charges (-) / write-back (+))	-0.6	0.0
Provision for liabilities and charges (utilisations and write-backs less charges)	-0.1	3.5
Other operating charges	-4.9	-10.8
Operating result	**-12.7**	**-7.9**
Finance income	247.7	162.2
Finance costs	-34.8	-12.5
Ordinary profit (+) / losses (-) before taxes	**200.2**	**141.8**
Extraordinary income	104.3	141.2
Extraordinary charges	-193.2	-106.5
Profit before taxes	**111.3**	**176.5**
Income taxes	0.0	0.7
Deferred taxes	0.4	-2.0
Profit (+) / losses (-)	**111.7**	**175.2**
Untaxed reserves	0.7	-3.8
Profit (+) / losses (-) for the year to be allocated	**112.4**	**171.4**

Allocations and distributions

(Million EUR)	2011	2010
The Tessenderlo Chemie NV Board of Directors propose to allocate the		
- Profits, being	112.4	171.4
- Increased by prior years' retained earnings	258.2	125.6
Totalling:	370.6	297.0
In the following manner:		
- Reserves	0.4	0.5
- Dividends	39.4	38.3
- Retained earnings	330.8	258.2
Totalling:	370.6	297.0

If the general assembly of shareholders of June 5, 2012 approves this proposed allocation, the gross dividend will be 1.3333 EUR or a net dividend of 1.0000 EUR for the 29,513,058 ordinary shares and for the VVPR dividend a net amount of 1.0533 EUR remittance of coupon n° 75.

Extract from the Tessenderlo Chemie NV separate (non-consolidated) financial statements prepared in accordance with Belgian GAAP

The preceeding information is extracted from the separate Belgian GAAP financial statements of Tessenderlo Chemie NV. These separate financial statements, together with the management report of the Board of Directors to the general assembly of shareholders as well as the auditors' report, will be filed with the National Bank of Belgium within the legally foreseen time limits. These documents are also available on request at Tessenderlo Chemie NV, Troonstraat 130, 1050 Brussel.

It should be noted that only the consolidated financial statements present a true and fair view of the financial position and performance of the group.

Since Tessenderlo Chemie NV is essentially a holding company, which recognizes its investments at cost in its non-consolidated financial statements, these separate financial statements present no more than a limited view of the financial position of Tessenderlo Chemie NV. For this reason, the Board of Directors deemed it appropriate to publish only an abbreviated version of the non-consolidated balance sheet and income statement prepared in accordance with Belgian GAAP as at, and for the year ended December 31, 2011.

The statutory auditor's report is unqualified and certifies that the non-consolidated financial statements of Tessenderlo Chemie NV prepared in accordance with Belgian GAAP for the year ended December 31, 2011 give a true and fair view of the financial position and results of Tessenderlo Chemie NV in accordance with all legal and regulatory dispositions.

TRANSFORMING, BECAUSE WE WANT TO CREATE VALUE FOR ALL OUR STAKEHOLDERS

Information for shareholders

IN BRIEF:
- IN DECEMBER 2011, RABOBANK RE-INITIATES COVERAGE OF TESSENDERLO CHEMIE NV, JOINING 7 OTHER ANALYSTS;
- TESSENDERLO CHEMIE NV SHARE PRICE REACHES 32.39 EUR IN JUNE 2011, THE HIGHEST CLOSING PRICE OF THE LAST 3 YEARS;
- PROPOSED DIVIDEND OF 1.3333 EUR GROSS PER SHARE, IN LINE WITH LAST YEAR.

Investor relations

Tessenderlo Group strives to provide accurate, quality and timely information to the global financial community.

The group regularly participates in events for investors, including roadshows and conferences, and organizes company visits and meetings with Group Management. Tessenderlo Group is also an active and regular participant in events dedicated to individual shareholders, such as those organized by Euronext Brussels and the Flemish Association of Investor Clubs and Investors (VFB).

Tessenderlo Group meets with analysts and investors on a regular basis in order to comment on the results and future developments. In addition, the group organizes conference calls to present and discuss the quarterly results.

Tessenderlo Chemie NV 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 and Next 150.

During 2011, Tessenderlo Group underwent a tri-annual review of stringent criteria and practices in terms of business ethics, and social and environmental performance by Kempen/SNS SRI Universe. This successfully concluded in keeping the group's shares as part of the 'Kempen/SNS Social Responsibility Index'. Moreover, Tessenderlo Group is taking further steps in complying with the business principles it committed to, and attended its first SRI conference in December 2011, further bringing sustainability to the heart of its strategy.

Analyst coverage

At year-end 2011, Tessenderlo Chemie NV was covered by 8 analysts and the following recommendations were applicable: 4 analysts had a positive rating (compared with 2 of 7 at end 2010), while 4 analysts had a neutral rating (compared with 4 of 7 at end 2010).

Shareholder structure on December 31, 2011:

SNPE SA (FR)	26.6%
Not negotiable shares (held by personnel or former personnel)	1.0%
Free float	72.4%

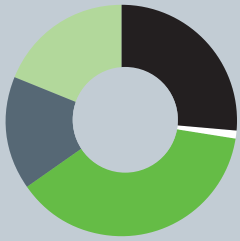
On October 26, 2011, Tessenderlo Chemie NV issued 350,000 warrants under the Plan 2011, under the condition precedent of their acceptance on or prior to December 25, 2011. 337,733 warrants were accepted. At December 31, 2011, there were in total 1,174,389 warrants (for which the acceptance period had lapsed) which were exercisable or which will become exercisable in the future. The total number of shares constituting the issued capital of Tessenderlo Chemie NV is 29,531,058, entitling the shareholders to 1 vote per share.

Share price performance

Tessenderlo Chemie NV's share price declined 24.5% in 2011, underperforming the BEL 20 (19.2% decline) and SX4P (9.7% decline) indexes. However, during June 2011, the share price reached a 3 years high of 32.39 EUR, after announcing in the previous months two expansions at Tessenderlo Kerley, strong first quarter results and the amendment and extension of a credit facility. Tessenderlo Chemie NV's share price rose by 19.3% until the year high, then followed a downward trend during the third quarter, in deteriorating financial market conditions. In the fourth quarter, the share price had a stable to upwards trend, reaching 20.54 EUR on the last trading day of the year.

Share ownership

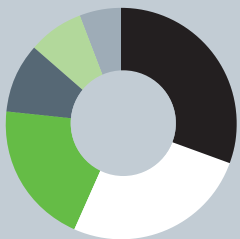
Shares



	shares	% of total
SNPE	7,847,863	26.6%
Personnel*	304,504	1.0%
Institutional investors	11,131,700	37.7%
Retail investors	4,739,100	16.0%
Other investors	5,507,891	18.7%
Total	**29,531,058**	

*not negotiable shares (held by personnel or former personnel)

Institutional investors



	shares	% of total
Belgium	3,406,300	30.6%
United Kingdom	2,901,500	26.1%
United States	2,223,800	20.0%
Denmark	1,094,900	9.8%
France	883,000	7.9%
Other	622,200	5.6%
Total	**11,131,700**	

Evolution of the TESB share price in 2011 (EUR)

Financial data per share as of December 31, 2011 (consolidated figures)

	2007	2008	2009	2010	2011
Data per share (EUR)					
Value of shareholders' equity	29,04	32,55	25,45	25,37	20,47
Profit (+) / Loss (-)	4,69	5,08	-6,01	0,72	-3,23
Net cash flow	8,99	10,11	1,65	3,67	5,02
Net dividend per ordinary share	0,95	1,00	1,00	1,00	1,00
Capital (Million EUR)	137,02	138,00	139,00	143,70	147,90
Capitalization at the end of year (Million EUR)	917,20	599,40	640,70	780,78	606,57

Stock market data

	2007	2008	2009	2010	2011
Number of shares	27 626 444	27 713 288	27 798 255	28 715 584	29 531 058
Minimum/maximum prices					
Fixed ordinary share (EUR)	31.27/47.20	20.05/38.21	20.73/28.17	20.77/27.39	19.53/32.39
Market continuous					
Closing price (EUR)	33,20	21,63	23,05	27,19	20,54
Average daily volume	97,787	103,308	81,747	57,688	51,372
Velocity (in %)*	90,26	95,43	76,05	53,87	46,41
Volume**	24 935 571	26 446 820	20 845 534	14 883 517	13 202 614

* calculated based on the sum of the daily velocity using total regulated market number of shares

** number of shares traded on the Electronic Order Book only

Dividend policy

The dividend policy of Tessenderlo Chemie NV is to maintain stable dividend growth. On average, one third of the net consolidated profit is paid out as dividends. However, this policy can be adjusted in order to ensure that the dividend grows or at least remains stable.

On June 7, 2011, the Annual General Meeting approved a gross dividend for the 2010 financial year of 1.3333 EUR (coupon n°74). This corresponds to a net dividend of 1.0000 EUR. The net dividend for shares with VVPR strips attached will be 1.1333 EUR.

On June 6, 2011, the Board of Directors of Tessenderlo Chemie NV decided to offer to shareholders a choice of payment for the dividend related to the financial year 2010. The choices comprise:

- The possibility to subscribe to newly created ordinary shares of Tessenderlo Chemie NV;
- Payment in cash;
- A combination of both new ordinary shares and cash.

The dividend in cash, new shares or a combination of both was payable as of July 18, 2011.

For further information about the dividend policy, please check the Investor Relations section on our website.

Financial calendar

Financial year 2011	Results announcement	February 16, 2012
	General Meeting	June 5, 2012
First quarter 2012	Results announcement	May 10, 2012
First half year 2012	Results announcement	August 29, 2012
Third quarter 2012	Results announcement	November 15, 2012

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 at www.tessenderlogroup.com/investors/ir_mailing_list/index.jsp

Providers of financial information

Providers of Tessenderlo Chemie NV financial information publish under the following codes:

- Bloomberg: TESB:BB
- Reuters: TESB.BR
- Datastream: B:TES
- BM: 23IT081
- ISIN: BE 000 3 555 639
- Markit: TESB
- SEDOL: 4-884-006
- vwd group: 23IT081

The Tessenderlo Chemie NV share price is published on www.tessenderlogroup.com and on the Euronext website: www.euronext.com.

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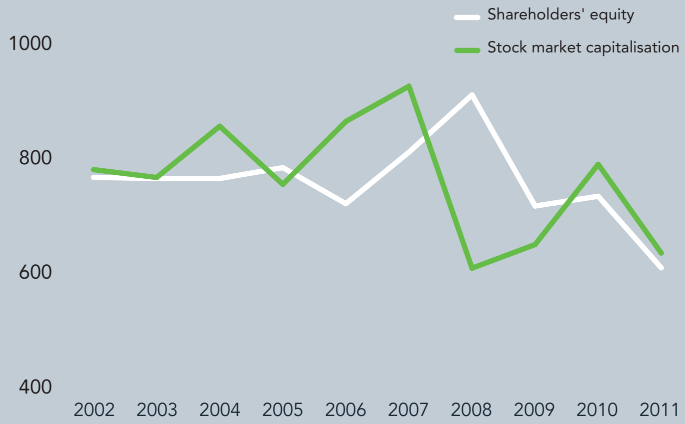
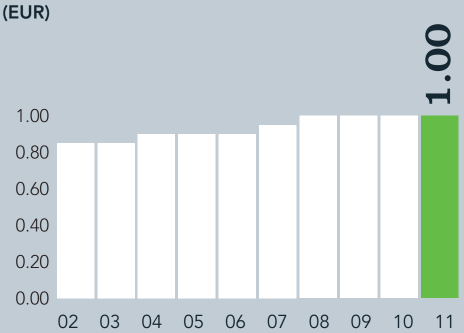
Stock market capitalization

(Million EUR)



Net dividend per share

(EUR)



Return on dividends reinvested

Markets and applications

Agriculture

Ammonium, calcium and potassium thiosulfate:	specialty and broad acre crops fertilizers
Animal fats:	animal nutrition
Cereal based by-products:	animal nutrition
Crop protection products:	plant health of specialty crops
Dehydrated proteins from animal origin:	fertilizers, soil conditioning, composting
Feed phosphates:	highly digestible ingredients for animal feed with minimal impact on environment
Gelatin:	water binder, protein source, encapsulation of vitamins in animal feed and petfood
Hydrolysed proteins:	aquaculture, animal nutrition
Mono-ammonium phosphates	specialty fertilizers
Organic chlorine derivatives:	advanced intermediates for agrochemicals
Organic compost:	fertilizers, soil conditioning
Potassium sulfate:	specialty fertilizers, particularly suited for vegetable, flower and fruit growing and fertirrigation
Sulfuric acid:	fertilizers, crop protection products
Triazone (slow release nitrogen fertilizer):	specialty and broad acre crops fertilizers

Construction industry

Plastics and rigid specialty compounds:	plastic pipe systems, storm water management systems and solutions, door and window profiles, fencing, interior finishing, conservatories, roofline, exterior shutters, composite reinforcements, exterior cladding, paneling, roller shutter systems and shutter blades, cable sleeves, sheet roofing
Thermoplastic elastomers (TPE) and soft materials:	seals for windows, doors and water drainage systems, flooring tiles, roofing liner, traffic cones, corner protection insulation and sheathing for cabling (in the public sector), oil extraction

Health and hygiene

Active pharmaceutical ingredients:	medicines
Animal fats:	detergents, soaps, cosmetics
Calcium thiosulfate:	water and waste water treatment
Caustic soda and caustic potash:	detergents, soaps, cosmetics, drain cleaners, water treatment
Gelatin:	capsules for e.g. drugs, skin cream, treatment of wounds and dietary supplements

Organic chlorine derivatives:	various pharmaceutical products for people, plants and animals
Pharmaceutical intermediates:	a wide range of medicines
Sodium hypochlorite:	sanitizer, water treatment, bleaching

Household

Animal fats:	petfood
Caustic soda:	detergents, food additives such as sweeteners and aromas
Collagen hydrolyzates:	sports bars and drinks, nutritional food and drinks, food supplements for joints, bones, skin, hair and nails, diet food and drinks
Dehydrated proteins from animal origin:	petfood
Feed phosphates:	petfood
Gelatin:	dietary supplements, foodstuffs such as dairy and 'light' products, confectionery, energy bars and drinks
Thermoplastic elastomers (TPE) and soft materials:	seals and gaskets for refrigerator and laundry equipment, hand grips for toothbrushes, razors, tools, rain boots and soles for leisure shoes

Industry

Acetates:	antifreeze products, e.g. for runways
Animal fats:	biodiesel, lipochemistry, green energy
Caustic potash:	potassium chemicals, soft soaps, biodiesel, alkaline batteries, de-icing fluids, oil and gas drilling
Caustic soda:	aluminum, rayon, paper, pulp, textile, removing of residual gases from incinerating ovens
Dehydrated proteins from animal origin:	green energy/biofuel
Ferric chloride:	water treatment
Gelatin:	photographic paper and film, paintballs, electro-plating
Hydrochloric acid:	pickling of steel, food, water treatment
Mono-ammonium phosphate:	fire extinguisher, fire retardant
Organic chlorine derivatives:	paint, photography, coatings
Plastics and rigid specialty compounds:	road safety cones, furniture, casings for water purification installations
Potassium sulfate:	plasterboards
Sulfuric acid:	batteries, nylon production, leaching of ore, water treatment, bio degradable plastics, car windows, billiard balls
Sulfur derivatives:	tanneries, leaching of ore
Thermoplastic elastomers (TPE) and soft materials:	automotive: soft skins for instrument panels and interior surfaces, steering wheel and airbag covers, glazing sealing systems, insulation and sheathing for special cable

Financial glossary

Basic earnings per share (Basic EPS)
Profit (+) / loss (-) for the period attributable to equity holders of the company divided by the weighted average number of ordinary shares.

Capital employed (CE)
The carrying amount of Property, plant and equipment (PP&E), other intangible assets and goodwill together with working capital.

Dividend per share (gross)
Total amount paid as dividend divided by the number of shares issued at closing date.

Diluted earnings per share (Diluted EPS)
Profit (+) / loss (-) for the period attributable to equity holders of the company divided by the fully diluted weighted average number of ordinary shares.

Diluted weighted average number of ordinary shares
Weighted average number of ordinary shares, adjusted by the effect of warrants on issue.

EBIT
Earnings before interests and taxes (Profit (+) / loss (-) from operations).

EBITDA
Earnings before interests, taxes, depreciation, amortization, impairment losses and provisions.

Gearing
Net financial debt divided by the sum of net financial debt and equity attributable to equity holders of the company.

Interest coverage
Profit (+) / loss (-) for the period plus income tax expense and interest expense, divided by the interest expense.

Market capitalization
Number of shares issued (at the end of the period) multiplied by the market price per share (at the end of the period).

Net cash flow
Profit (+) / loss (-) for the period and all non cash flow items included in the income statement (provisions, amortizations, depreciation and impairment losses).

Net financial debt
Non-current and current financial liabilities minus cash and cash equivalents.

Non-recurring income/(expense) items
Items related to restructuring, impairment losses, claims and other income or expenses, which do not occur regularly as part of the normal activities of the company.

Payout ratio
Gross dividend divided by profit for the period attributable to equity holders of the company.

REBIT
Recurring earnings before interests and taxes (Profit (+) / loss (-) from operations before non-recurring income/(expense) items).

REBITDA
Recurring earnings before interests, taxes, depreciation, amortization, and provisions (Profit (+) / loss (-) from recurring operations plus depreciation, amortization and provisions).

Return on capital employed (ROCE)
REBIT divided by capital employed.

Return on equity (ROE)
Profit (+) / loss (-) for the period divided by average equity attributable to equity holders of the company.

Theoretical aggregated weighted tax rate
Calculated by applying the statutory tax rate of each country on the profit before tax of each entity and by dividing the resulting tax charge by the total profit before tax of the group.

Weighted average number of ordinary shares
Number of shares outstanding at the beginning of the period, adjusted by the number of shares cancelled, repurchased or issued during the period multiplied by a time-weighting factor.

Working capital
Inventories, trade and other receivables minus trade and other payables.

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The Annual Report (in English, Dutch, French) may be viewed on our website: www.tessenderlogroup.com

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MANTRAS

1
OUR PLANET IS THE MOST IMPORTANT STAKEHOLDER OF TESSENDERLO GROUP

2
PRODUCING IN A SUSTAINABLE WAY MEANS MAXIMIZING THE REUSE OF EVERY MOLECULE

3
WASTE ONLY EXISTS WHEN THERE IS A LACK OF INNOVATION AND CREATIVITY

4
TREATING WATER RESPECTFULLY IS A BUSINESS MODEL

5
INNOVATION IS THE ONLY WAY OF SECURING THE POSSIBILITY OF FEEDING FUTURE GENERATIONS

6
TRANSPARENCY IS AN ABSOLUTE FOUNDATION FOR A SUSTAINABLE COMPANY

7
OUR SAFETY AND ENVIRONMENT STANDARDS ARE THE SAME ALL OVER THE WORLD, AS WE VALUE EVERY HUMAN BEING EQUALLY

8
ONLY A SUSTAINABLE COMPANY CAN TRULY CONTRIBUTE TO SUSTAINABILITY

More info
www.tessenderlo.com/
a_sustainable_future/manifest/index.html

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