

## **Chairman's address**

### **Annual General Meeting of Tessengerlo Chemie on 3 June 2008**

Ladies and Gentlemen,  
Dear Shareholders,

The group has been developing in an international climate, which, in 2007, continued to be characterised by increasingly costly energy and raw materials prices, a weak dollar and a major financial crisis, which came about in the second half of the year.

Although these conditions are not particularly favourable for our industry, we are however in a position to present you with the accounts, which are showing improvement in almost all our trades.

This is due to two fundamental reasons:

The first is internal to the group, and is the result of the restructuring plan and savings we have made since the end of 2005, which yielded impressive results in 2007. The effects were particularly felt in chemical commodity products, but also in fine chemicals, where they explain in large part the improvement we have observed. The impact of this plan on the 2007 accounts stands at 39 million EUR of recurring savings.

The second is linked to world-wide economic growth, still led by the Asian nations, which at 3.7 % remained rather sustained.

This is obviously what is responsible for the sharp hike in prices for raw materials and energy, but it has also allowed us in most cases to contain the increases in our own prices so as to preserve our margins.

We have also been able to take advantage of the increase in some raw materials ourselves which we have access to. This was the case in animal fats, for example, which are a by-product both of our gelatin activity and our waste collection activity in French slaughterhouses. Their price effectively followed that of vegetable fats, pushed up both by high food demand and biofuels. The same was true for sulphur, which we can access through our refiner service activity in the United States.

The economic climate was particularly favourable in 2007 for the agri-food sector, and the group which has over 20 % of its business linked to this sector, was able to take full advantage of it.

It was also favourable for plastic materials, with margins for PVC returning to a suitable level.

Only the window profile sector recorded results slightly below those for the previous year, essentially due to the difficult situation in the United States.

These conditions, which were favourable overall, allowed us to achieve over 150 million EUR, the best operating result ever made by the group. Added to this is a significant gain made at the beginning of the year thanks to the sale of a joint venture in the United States, which also brings the net result for the year to its best ever level.

For these reasons, your Board proposes to review the progress of the dividend this year and increase it to 95 cents net per ordinary share.

This quicker-than-expected progress does not take us away from our strategic objectives:

The economy drive is continuing and should allow us to achieve a significant drop in our costs for 2008, as well as a reduction in capital employed thanks to rigorous monitoring of working capital requirements.

The objective of a return of 12 % on capital employed in each of our trades is of course upheld. Overall, this was achieved in 2007. But there is still progress to make, so that it may be achieved in every trade.

The year's acquisitions contributed to our objective of increasing the weight of specialities in the portfolio. Three acquisitions were made by our American subsidiary TKI in the phytosanitary domain, and in the chemical residuals service and recovery sector, where a speciality was garnered successfully.

The significant reduction in our debt which took place this year strenuously strengthened our resources for external developments since we now have only 244 million EUR in debts at the end of December 2007, which is only 30 % of our equity capital. It is therefore our intention to significantly increase acquisitions in the specialities activities.

There are still trades in which it will be difficult for us to reach the profitability objective alone. For these areas, a partner search remains the preferred solution and several strategic think-tanks have been started to this end.

Once again this year, your Board of Directors decided to offer all the group's staff the opportunity to subscribe to a corporate capital increase exclusively reserved for it. This operation which we have undertaken annually for almost 20 years, is aimed at creating even closer links between the staff and group growth and development. This capital increase is, as in the previous years, based on a maximum of 150,000 new shares. The subscription price is set at 26,27 EUR. This price corresponds to the maximum price drop allowed by law for this type of operation, after dividend deduction.

A number of items which were behind the sound results this year remain present at the beginning of 2008. The economy drive in particular, thanks to a postponement effect for some measures into full-year terms, will give us additional funds.

High demand for food on an international scale is structural in nature and should continue to be favourable to our trades which deal with agri-food.

Only the construction sector, affected in turn by the financial crisis has already started to show signs of weakness.

However, for the moment, the positive items broadly outweigh the negative ones, which means that in the first quarter of 2008, we were able to announce operating profit (rebit) up a little more than 50 % compared to the previous year's. This increase was further heightened in April, which means that it should be still substantial in terms of results for our first half-year.

For the second part of 2008, uncertainty remains in terms of how much of a slowdown will occur in the European economy following the financial crisis. This means that we do not wish to extend the results for the first half-year over the year as a whole.

However, we do not think that we will have to present you with 2008 results next year which are significantly down on 2007.

G rard Marchand  
CEO