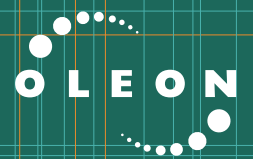


oleon

OUR YEAR REPORT

year report

2005



oleon processes vegetable oils and
animal fats into a broad range of

OUR ACTIVITIES

oleochemical products and it is

one of the leading european

companies in the oleochemical sector

oleon produces oleochemical base products such as fatty acids, fatty alcohols and glycerine, as well as oleochemical speciality products such as esters, dimers and isostearic acid.

Our products are used in a broad range of sectors, including soaps, detergents and fabric softeners, personal care and cosmetic products and candle production, as well as in industrial applications such as rubber processing, paper industry, biodegradable lubricants, textiles, plastic additives, and drilling for oil.

Thanks to their natural origin, our raw materials are by definition renewable and our products are biodegradable.

oleon has its headquarters and biggest production unit in Ertvelde (near Ghent), a production site in Oelegem (near Antwerp) and another in Sandefjord (Norway). Sales are handled by our sales affiliates, of which six are located in Europe, one in the USA and one in Malaysia. The group provides work to approximately 400 motivated and well-trained employees. oleon develops and produces quality products that perfectly fulfill our customers' requirements. All production processes are carried out in the safest and most ecological way.

oleon, thanks to nature

the operating environment

OUR ENVIRONMENT

of oleon has been subjected
to enormous changes in recent
years, especially since the turn of the millennium

OUR SALES OFFICES



- ✿ With regard to raw materials, a fundamental rearrangement of the supply chain for animal fats was implemented after the BSE crisis in the late 1990's. That led to professionalisation and a substantially sharpened quality control in the raw material supply. The prohibition on the use of animal by-products in food also led to an increased use of natural oils.
- ✿ The emergence of biodiesel increased the demand for rapeseed oil and caused an exponential increase in the supply of glycerine, with the result that this valuable by-product of oleochemical production has now become a commodity.
- ✿ The European definition of biomass and the emergence of 'green electricity' certificates for electrical power generation will also affect the raw materials market in the coming years.
- ✿ A rising level of ecological awareness in Europe undoubtedly had a stimulating effect, resulting in a considerable increase of the demand for biodegradable chemicals.
- ✿ In 2005 energy prices doubled. The sharp increase in this significant cost component for the oleochemical industry also has a positive effect. It makes a large number of oleochemical products based on natural raw materials competitive with respect to their counterparts based on mineral oil.
- ✿ 2005 was also characterised by a large number of announcements of shareholder changes in the oleochemical business. That was partly a consequence of a previous wave at the end of the last century, when financial shareholders assumed the place of the traditional industrial groups, but it was equally inspired by strongly modified environmental factors.

OLEON has withstood all these developments well, and in 2005 above all, it confirmed its breakthrough with very attractive results. That is a consequence of adjustment of the organisation and culture of OLEON to transform it into a flexible SME, market-oriented and customer-oriented.

During 2005, a considerable amount of time was devoted to determining the right answers and developing a clear strategy for the future. Among other things, this led to taking the step into the biodiesel industry, which demonstrates the believe of management and the shareholders in an attractive future for OLEON.

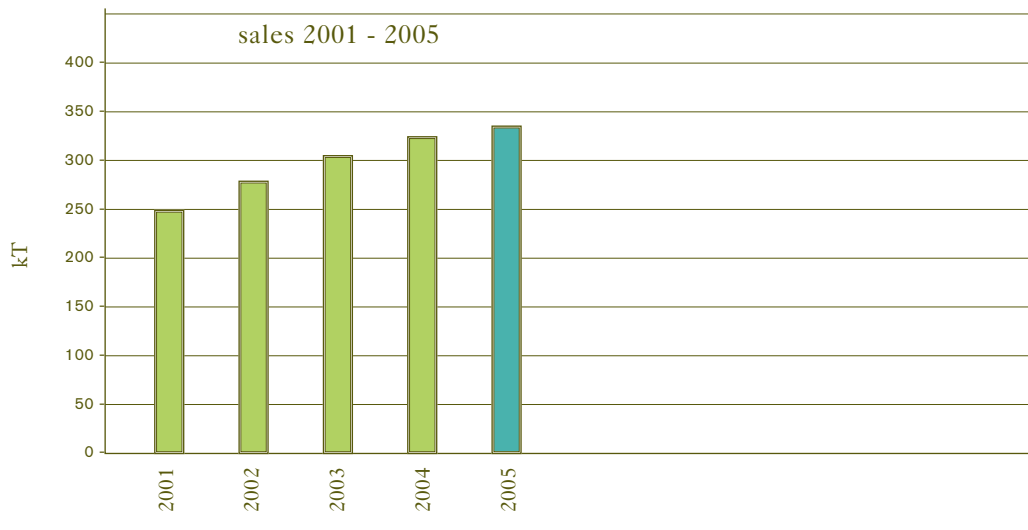
oleochemical base products

OUR MARKETS

The markets for fatty acids, fatty alcohols and glycerine showed a healthy demand during 2005, so all installations were able to run at full capacity. As a result, oleon produced a record volume of more than 280,000 tons of fatty acids, fatty alcohols and glycerine.

The Ertvelde site had good utilisation and a stable customer portfolio. Pressure on the margins could be compensated by increases in efficiency. Things went less well with the division in Sandefjord, which suffered from a variety of structural problems including energy efficiency. Consequently, closure of the fatty acid division in Sandefjord was announced in early 2006.

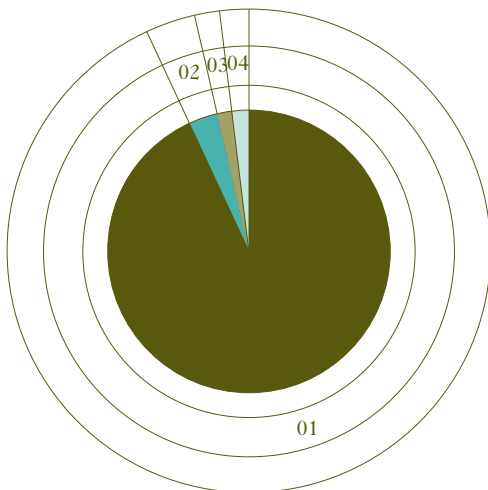
The supply of glycerine has doubled in recent years, solely and entirely due to 200,000 tons of additional glycerine traded on the market by biodiesel producers. oleon has responded to this by constructing a new plant for refining this glycerine. For the first time, that plant operated for an entire year at full capacity during 2005.



oleochemical speciality products

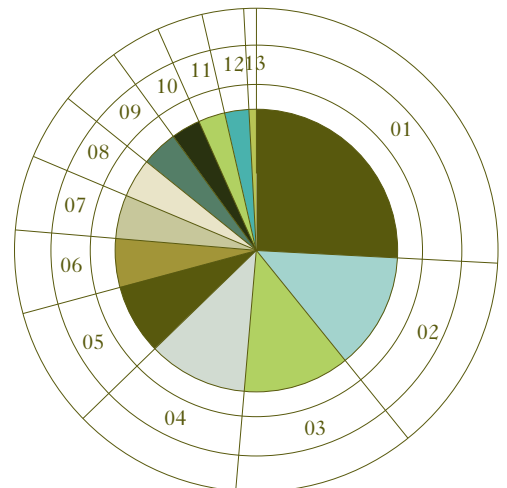
Sales of esters increased again by 10% in 2005 thanks to a clearly focused strategy. The demand for esters increased very strongly in the second half of the year. That is undoubtedly a favourable side effect of the increase in petroleum prices. Esters derived from natural raw materials are now not only better for the environment, but also more competitive in price.

oleon has also been producing dimers and isostearic acid since 2004. Following a somewhat longer than expected run-up period, various new market segments were successfully tapped in 2005. The demand for dimers and isostearic acid was very good.



sales for 2005 by region

- 01. eu-25
- 02. other european countries
- 03. america
- 04. asia



sales for 2005 by application

- 01. chemical synthesis
- 02. distribution
- 03. manufacturing
- 04. detergents - fabric softeners
- 05. lubricants
- 06. paper & de-inking
- 07. coating - resins
- 08. rubber & tyres
- 09. cosmetics
- 10. liquid & solid soaps
- 11. plastics
- 12. foodstuffs
- 13. drilling applications

safety, environment and quality are of great importance

S A F E T Y

Efforts related to safety and accident prevention were continued during the entire year, with special attention to safety awareness and a sense of responsibility throughout the entire organisation.

In Ertvelde, the counter for the number of days without occupational accidents stands at 405, three accidents were recorded in Oelegem during the entire year. There were 478 days without occupational accidents at Sandefjord.

E N V I R O N M E N T

A soil decontamination project was carried out in Ertvelde, and a similar project is still being monitored in Oelegem.

In Ertvelde, permits were obtained for construction of a co-generation plant to produce electricity and steam using renewable bio-oil. The operating permit for the biodiesel plant was also received in 2005.

iso 14001 certification of oleon's environmental management system was renewed in early 2006. Action plans with regard to controlling waste water quality were also formulated, and the necessary actions were undertaken in order to create stricter discharge standards.

The emission rights awarded to the Belgian sites in 2005 within the context of the energy benchmark covenant are sufficient to account for the total CO₂ emissions.

An iso 14001 recertification audit was conducted successfully in Sandefjord late 2005.

Q U A L I T Y

Implementation of haccp (Hazard Analysis and Critical Control Point) was successfully carried out in the production installation for vegetable glycerine. Certification for this was received after a successful audit early 2005.

Considerable effort was put into the food esters project in Oelegem during 2005. The investments required for the food esters line run in parallel with the implementation of haccp.

The quality procedures were reviewed in 2005 and were aligned to the new business unit organisation. Audits for iso 9001 recertification were conducted successfully at all sites late 2005.

the strategy to be followed is

OUR STRATEGY

efficiency improvement

During the past years, oleon has managed to successfully adapt to drastically altered market conditions. oleon has structured itself as a market-oriented and customer-oriented enterprise with two core activities: oleochemical base products and oleochemical speciality products.

In the base oleochemical products market, where highly competitive pricing goes hand in hand with high quality, good delivery reliability and logistics, oleon customers can also count on technical support and product development based on expertise in all the raw materials, both animal and vegetable.

In the base oleochemical products area, the priority is on further increases in efficiency. oleon's nearly unique combination of expertise in animal fats and vegetable oils is strategically important in that regard.

In the area of oleochemical speciality products (esters, dimers and isostearic acid), we strive to develop customer-oriented solutions at a very high level of quality with tight specifications. This division can also boast a rich tradition of r&d.

Knowledge of customer applications and cooperation with customers are the key factors here. oleon desires to grow in these activities in Europe and in Asia, either by investments in capacity expansion or by acquisitions.

flexibility with raw materials further

the almost unique combination of animal fats and vegetable oils are key elements

In 2005, a clear answer was also found to the challenges posed by the biodiesel sector. oleon has decided to construct a biodiesel plant in Ertvelde, and it is studying the possibility of investing in biodiesel production in Sandefjord.

Glycerine is a logical by-product of biodiesel. oleon presently has a market share of approximately 15% in Europe and is above all active in high-value applications, such as pharmaceuticals and foods. Thanks to the enormous growth of the biodiesel industry, in which oleon will also participate, the supply of raw glycerine will continue to increase. However, the reduced valuation of glycerine has also caused an enormous increase in demand. oleon has thus decided to further increase its level of activity in glycerine refining by building new units (either alone or together with partners) and expanding the existing plant in Ertvelde.

Finally, oleon desires to play a role in the consolidation and globalisation of the sector. The strongly altered environmental factors will undoubtedly lead to a reorganisation of the sector. oleon wants to have a very strong position in Europe, but it also wants to respond to the trend towards vegetable oils that parallels the expansion of the Asian markets.

B I O D I E S E L

The decision to construct a biodiesel plant in Ertvelde was undoubtedly the most important decision taken in 2005. The industrial synergy is obvious. Rapeseed methyl ester is an oleochemical product that was jointly developed and produced by Oleofina (the former name of OLEON before its independence in 2001) as early as 1994 using the methanolysis unit in Ertvelde. A new campaign was produced and delivered in 2005 (to Total Germany). OLEON thus has the chemistry and the expertise in house.

The economies of scale with the existing production units, along with the good logistics infrastructure of the port of Ghent, are expected to make OLEON one of the most competitive biodiesel producers in Europe.

12/01/2005



22/03/2005



OUR INFRASTRUCTURE

22/05/2005



15/12/2005



17/03/2005



29/09/2005



04/03/2005



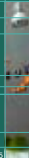
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07/02/2005



03/01/2005



15/08/2005



19/01/2005



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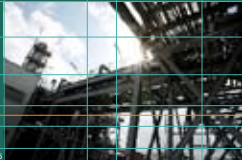




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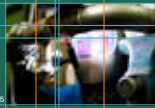
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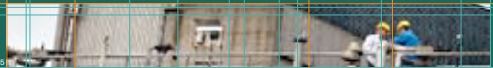
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24/11/2005



09/10/2005



19/05/2005



12/12/2005



26/04/2005



17/08/2005



31/03/2005



13/05/2005

turnover increased again in 2005, despite historically low prices in the markets for glycerine

OUR RESULTS

The recovery in profitability already visible in 2004 was confirmed in 2005. The improvement in profitability is a result of clear business segmenting and adjusting the organisation and culture of oleon to transform it into a market-oriented and customer-oriented SME.

This change in strategy is clearly visible in the results - both in the profit and loss statement and on the balance sheet.

Turnover increased again in 2005, despite historically low prices in the sales markets for glycerine. The strongest increase occurred above all in the esters, boosted by renewed interest in derivatives of vegetable origin.

Operating costs decreased by € 1.5 million, primarily as a result of further refinement of the organisational structure. As a result, oleon booked an operating result of € 17 million, compared with € 11 million in the previous year.

The extraordinary results in 2005 in the amount of € 3.3 million were primarily related to the announced closure of the fatty acid activities of our branch in Norway.

After deduction of taxes, we booked a consolidated net result of more than € 10 million, which corresponds to an increase of more than € 4.5 million compared to the end of 2004. The shareholder capital after accounting treatment of this result amounted to € 50 million.

The decrease in the balance sheet total (relative to 2004) to € 144 million resulted from a decline in fixed assets in the amount of € 5.7 million as a result of reduced investment expenditures during the year.

The strong decrease in the net debt position can be attributed to the redemption of € 7 million in long-term debt and cash generated during the year.

		ytd	ytd
		31-DEC-05	31-DEC-04
	CONSOLIDATED BALANCE SHEET (IN .000 EUR)		
	OLEON HOLDING NV		
	FIXED ASSETS	59.924	65.601
	intangible assets	4.883	5.892
	tangible assets	54.894	59.541
	financial assets	147	168
	CURRENT ASSETS	84.322	83.075
	amounts receivable after one year	88	
	stocks	45.921	45.534
	amounts receivable within one year	36.271	35.492
	cash - banks	1.781	1.790
	deferred charges and accrued income	261	259
	TOTAL ASSETS	144.246	148.676
	CAPITAL AND RESERVES	50.153	39.529
	capital	41.894	41.894
	consolidated reserves	8.068	-2.345
	translation differences	191	-20
	MINORITY INTERESTS	3	3
	PROVISIONS AND DEFERRED TAX	8.403	8.105
	CREDITORS	85.687	101.039
	amounts payable after one year	30.400	38.150
	financial debt within one year	19.042	22.377
	amounts payable within one year	33.951	38.276
	accrued charges and deferred income	2.294	2.236
	TOTAL LIABILITIES	144.246	148.676

		ytd	ytd
	CONSOLIDATED INCOME STATEMENT (IN .000 EUR)	31-DEC-05	31-DEC-04
	OLEON HOLDING NV		
	turnover	268.088	258.593
	other income	1.819	8.896
	operating income	269.907	267.489
	raw materials and consumables	172.031	174.011
	operating expenses	80.812	82.344
	operating result (ebit)	17.064	11.134
	financial result	-3.199	-4.197
	current result	13.865	6.937
	exceptional result	-3.277	-757
	net income before taxes	10.588	6.181
	income taxes	175	340
	net income for the financial period	10.413	5.841

OUR DIRECTORS

board of directors

chairman

Jan Suykens || standing representative of Legimco NV

managing director

Chris Depreeuw || standing representative of DMTC BVBA

directors

Pol Bamelis NV || represented by Pol Bamelis

Fortis Private Equity Belgium NV || represented by Frank Claeys

NIB Capital Bank NV || represented by Daniel Couvreur

Jan De Clerck

René Peeters

Origo Management BVBA || represented by Peter Van Den Brande

Ast Verbiest

management team

managing director || Chris Depreeuw

business unit base oleochemicals || David Drijvers - Eddy Feijen

business unit speciality oleochemicals || Dirk Arens - Dirk Packet

finance and administration || Caroline De Muyck

purchase & supply || Jo De Roover

auditor

PricewaterhouseCoopers CVBA || represented by Herwig Opsomer

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