Proviron

A human and ecological approach to chemistry

Annual Report 2010

Content

The start of a great future

After a tumultuous time, 2010 became the year of recovery for Proviron. Our employees showed their best side and together with the recovering markets, this led to very good results. This is apparent from the figures, but more significantly, the upturn is noticeable in the company. Now it is important to stay on this path and grasp new opportunities with both hands.

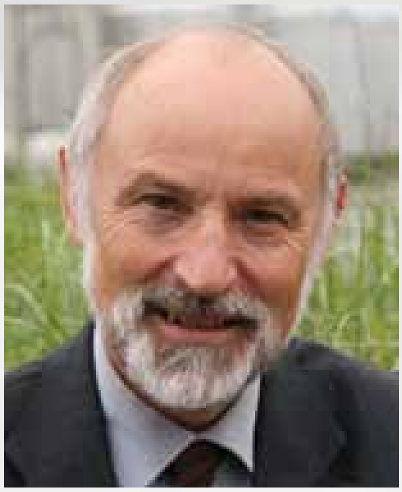
Despite the fact that we were still partially working within the cost structure of the crisis in 2010, we managed to generate more revenue. That is especially important as this revenue originated from long-term measures. It is obvious we have learned lessons from the crisis and have worked hard on building sound foundations for the future. That is true both in financial terms, with our debt relief, and in operational terms, with the continued integration in feedstock and with efficiency improvement. Research, technical progress, and partnerships have all contributed to this.

Strategy

In 2010, the focused strategy, which we resolutely chose in 2008, started bearing fruit. This success has definitely confirmed that we are following the right track. This new, market-oriented approach enables a margin increase based on the functionality of our molecules and offers tailor-made answers to the needs of existing and future customers. A nice example of this is the way we reacted with unprecedented flexibility to the massive demand for our de-icers by airports. A class act!

Visibility

During the past year, Proviron increased its exposure and enhanced its identity. We stood in the spotlight with our microalgae at the Shanghai World Expo, as well as many other trade fairs where the industry got to know us (better) as a strong brand. Our new website has also been playing an important part. It sometimes looks as if Proviron is back in its prime and becoming an even healthier, modern company that all employees can be proud of.



"The figures show that Proviron is back on the right track, but even more important is that everyone feels this in the day-to-day operations of the company."

Leo Michiels
Chairman

"Our chosen strategy is starting to bear fruit. We will therefore continue with all our employees to pursue this strategy."

Wim Michiels
Managing Director

No change: 'Say what we do and keep to what we say'

The year 2010 has shown that the chosen strategy is the right one, and that is why we will continue to pursue this strategy. We must consolidate existing markets and where possible, expand them worldwide. We will back this ambition by means of efficient production sites and a financial policy, based on recurrent revenues. And overall, we stick to our creed: 'Say what we do and keep to what we say.'

Operational growth will doubtlessly continue in 2011, but it is important that we remain rational about our business. Some large infrastructure projects are overdue, but we will evaluate these very strictly. For smaller projects too, we will not loosen the reins. And overall, we should produce as well as we can with the means at hand. *Lean manufacturing* is not a fashionable craze, but a basic philosophy.

Commercial

The biggest commercial challenge for the coming year is geographical expansion. With a new sales office in *Hangzhou* (province of Zhejiang – China), we intend to strengthen our position in the Asian market. Our purpose is threefold. Firstly, we will sell our own products in combination with our application knowhow. Secondly, we are looking at possibilities to buy products locally to widen our own portfolio. Finally, we want to resell these products and add our know-how. In order to act swiftly, we will pursue these plans locally with our own personnel.

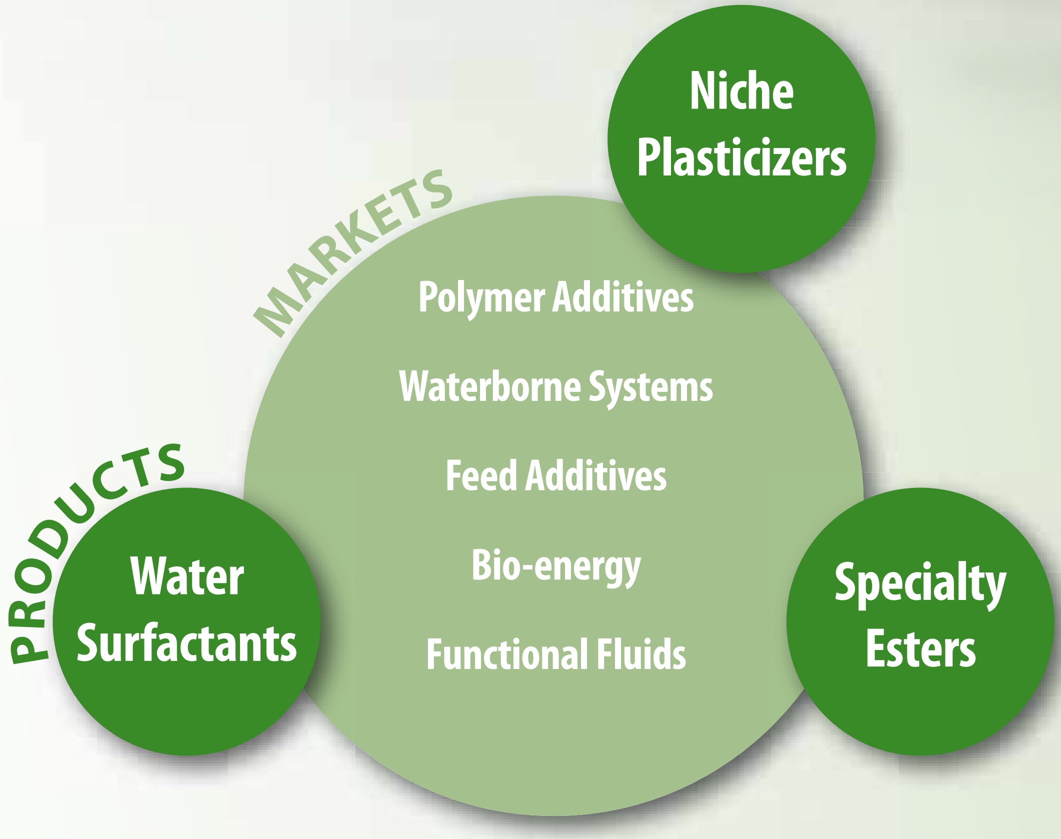
New products

In today's competitive market, it is crucial to position one's products clearly. That is why we will invest even more in application testing. This costs time and money, but promises a considerable return. We will also continue to explore our five core markets and look for new applications. This also means that we must be open to learning new things, and that goes for everyone, from researchers to operators. For that, an open mind and a flexible attitude are a must. We have started to promote the products of our five core markets at their specific global fairs, and this is really new for Proviron. The commercial product topics in this annual report are hence split up according to these five markets.

Safety

After the zero accident figure in 2009, we continued to stay below the chemical industry's average accident rate. Yet, there were a few lost time accidents in 2010. That is regrettable, in the first place for the victims. It goes without saying that we need to improve our safety performance. There is positive news too: the number of first

aid incidents has fallen, which illustrates that the number of accidents can also be reduced. We cannot allow a working place to exist that is not safe. We must remain on the alert and continue to *pre-reflect* about safety. Our objectives are clear: zero lost time accidents and a maximum of eighty first aid incidents per million hours worked.



“Our customers must always be able to rely on PBC to meet their requirements, which in 2010 was ensured in an excellent way by the PBC team.”

Raf Jacxsens
CEO Proviron Basic Chemicals

Phthalic Anhydride

Positive spiral of events results in good figures

2010 was the first full year in which Proviron Basic Chemicals (PBC) operated as an independent entity within the group. That first year has been prosperous in all respects. An active sales approach enabled a clear growth of our market share in an otherwise stable market. In addition, the start-up of a number of important investments in 2010, ensures successful future operations

It is PBC’s mission to excel in producing and supplying phthalic anhydride and derivates, thereby creating sustainable value for the stakeholders. In 2010, the company’s focus was on ensuring two things: that customers could always rely on PBC to meet their requirements, and that production involved minimal variable cost.

Positive spiral

Thanks to its small and independent structure, the PBC team was able to work fast and efficiently. After all, the company has a lot to offer: service, flexibility, high quality products and the capacity to react quickly to changes in the customers’ requirements. That focus has created a positive spiral of better service and more satisfied customers for PBC.

Investments

The reliability and efficiency of the new incinerator have been improved spectacularly by the construction of a new scrubber. Thus, the emission of particulates has been reduced to almost nothing. Apart from that, the company has started the renewal of the internal high voltage network. In production, the preliminary study was concluded to replace one of the four catalysts with a new type that offers a higher output. Finally, the preparatory study concerning the improvement of the energy management was concluded and subsequently, 2011 will see a detailed analysis of the energy plan. Building a steam turbine and combined power production is one of the elements of that plan.

Tolling

Return to historical quantities

The year 2010 turned out to be a very good one, after a difficult 2009. Figures are on the same level as before the crisis. Trusted customers stayed on and we received a large number of new requests. That makes us hopeful for the future. Contribution by contract manufacturing remains substantial, in spite of Proviron's strategic emphasis on products.

The recovery is a logical consequence of the crisis: in that difficult period, many companies rationalized part of their production capacity for economic reasons. As the markets improved at the beginning of 2010, they were unable to meet the needs of the customers and required extra capacity. This was true for both existing and potential customers of Proviron.

Flexibility and service

The loyal host of customers appreciates the high service level Proviron offers. That reputation, as well as the flexibility and the capacity to respond to requests, leads to new requests. In other words, there is still new potential in the market and Proviron will rationally consider to what extent it will tap into it. Significant investments are not under discussion at this moment, but opportunities offering healthy margins will certainly be seized. After all, in this tolling market we remain dependent on the success and the sales of our customers, and a tolling partner such as Proviron has little or no influence on this. Our contribution is to supply a product or service to the best of our ability.

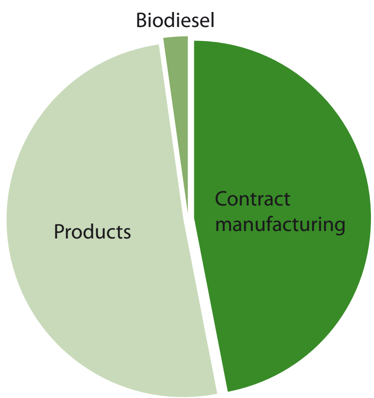
Three domains

As before, Proviron will remain active in three domains. The sulphur-based chemistry market was the most important growth initiator in 2010 and remains interesting. Brake fluids and polyurethanes have also recovered fully from the 2009 downturn. Innovations present themselves in these areas, which we should not ignore. We are always looking for methods to optimally use our capacities and some projects in this respect are already very concrete.

"The recovery is a logical consequence of the crisis. Our customers have reduced their production capacity and find themselves unable to meet the increased demand. Proviron offers a flexible solution."

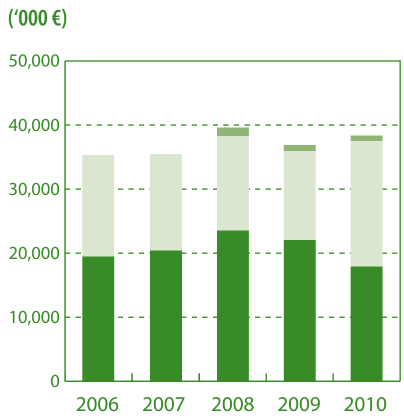
Pat Walsh
Plant Manager Friendly

Overview Contribution



Biodiesel 2%
Products 51%
Contract manufacturing 47%

Evolution Contribution



Biodiesel
Products
Contract manufacturing

"2010 was a particularly good year for our plasticizers. Fundamentally however, the plasticizer market changed substantially, but because of our flexible structure, we can respond well to these changes."

Vanessa Doms
Business Unit Manager, Products

Polymer Additives

Excellent figures in a recovering market

2010 was a very good year for our plasticizers. That is true for both the sales of our conventional plasticizers, and the launch of new, specialized products. Proviron is increasingly being seen as a flexible player, offering high quality technological solutions to complex issues. Even though elevated feedstock prices might spoil the fun somewhat, the 2011 outlook remains very positive.

After the global recess affected a number of crucial areas that are important to polymers, such as construction and the automotive industry, the market picked up strongly in 2010. Demand soared spectacularly because polymer stocks had been exhausted. The concern that this demand would decline again after a short peak, proved unfounded: sales boomed during the whole of 2010. Fundamentally however, the plasticizer world changed substantially. Previously, it was a stable market with fixed prices and agreements, whereas now it is all about the short term and things evolving very quickly. Fortunately, we can respond well to these changes because of our flexible structure. As a supplier, Proviron's influence has increased and we can safeguard our margins better than before.

Conventional plasticizers

Our offer of conventional plasticizers has shrunk following the 2009 crisis and the fierce competition from a number of big players in some areas. But with this smaller portfolio we now produce as many tonnes as we did in, for example, 2008. Our prime product remains Proviplast® 024, a classic amongst plasticizers, used in nylon applications such as petrol and brake conduits. Also, our plasticizers for PVB and rubber (Proviplast® 0142/01422) have grown steadily with the market. Because of strict demands within the REACH legislation, Proviplast® 2102 too was back on the rise. That additive is better suited to withstanding high temperatures.

New plasticizers

To increase our portfolio, and take market-oriented initiatives, Proviron has been developing high standard, bio-based plasticizers, responding to the consumer's ecological requirements. These products are especially important in the food contact market. The new products, Proviplast® 2624/2604 and Proviplast® 1944, are based on renewable raw materials such as citric acid. Both products have only recently entered the market, but have already attracted much interest at important fairs such as K-messe and Arabplast. After all, there is a global consciousness about the necessity of sustainable alternatives.

Waterborne Systems

Solid growth strengthens market leadership

"The market of Provichem® 2202 is a real niche market. Boasting a global share of 50 %, Proviron is clearly the market leader."

Claus Neufeld
Sales & Marketing Manager

This portfolio of additives is aimed at replacing classical solvents by using water, which is environmentally sound. Our active additives play an important role in the production of emulsifying polymers such as paint or glue. They control the size of the particles in the final product, thus co-determining viscosity, temperature stability, and curing quality. Our most important product is Provichem® 2202, an active surfactant.

Boasting a global share of 50 %, Proviron is clearly the market leader. Moreover, sales rose significantly in 2010. End product markets, such as paint and glue, picked up again, as did construction. The biggest growth occurred in the US, where we used our Friendly site's logistical assets to the maximum.

Transparent market

Our improved figures show that our customers appreciate our product quality and impeccable logistics. Furthermore, we find that Proviron's global span helps customers to meet their local requirements appropriately. We expect our sales to keep on growing in 2011. This being said, it is vital to keep a finger on the pulse. Our most important customers are big players in the paint industry and we have noticed a tendency towards consolidation in that business. In other words, it is essential to keep in contact with the right people and react swiftly to a rapidly changing environment.

Innovation

Creating new products is another challenge. We have taken a first step with Provichem® 220P. Unlike Provichem® 2202, this is a polymer that has different applications. R&D is also 'conducting research into new molecules. The oil drilling market for example, offers many interesting possibilities. Our waterborne systems can be used as auxiliary fluids in the drilling shaft. In this, we can boast the inherently ecological nature of systems based on water. In view of the growing interest in sustainable business, that is a strong commercial argument.

"Proviron entered the feed business rather by accident. But we quickly saw that it was a promising market in which we could make a difference with our specific know-how"

Jan Roelandt
Business Manager Feed Additives

Feed Additives

A new and promising market

Jan Roelandt is one of Proviron's new employees and he takes on the role of Business Manager Feed Additives. He boasts rich experience in the world of feed where he will introduce Proviron. After all, our company has only recently entered the business of feed additives. The request for us to do so came from the sector itself, which proves that it is a relevant market for us.

Some customers' R&D people expressed their interest in butyric acid as a product to support gastrointestinal functioning. After all, good intestinal fitness is a basic requirement for a good health. Butyric acid's positive effects had been well known for some time already, but its pungent odour kept it from becoming popular with both animals and farmers. By means of esterification, Proviron managed to get rid of the odour, which resulted in the development of Provifeed™ 07304. After all, the demand for natural, health-supporting products is on the rise following a recent EU regulation banning preventative use of traditional antibiotics.

Registration

If a company wants to enter the feed additive market, the greatest challenge is the registration with the *European Food Safety Authority* (EFSA). Procedures and mandatory tests require much time and money, and a great deal of that was spent in 2010. But in the end, the Provifeed™ 07304 registration as a feed ingredient went smoothly and didn't cost that much.

Sales

Despite the smooth registration, intense animal testing is commercially important. It allows the product to be compared with others, and customers do look at these results. Our first production was sold to partners who had been interested from the start, but others showed interest as well. On the other hand, it takes time to penetrate this conservative market. However, the combination of innovative products, a clever and direct market strategy, and the governmental and public pressure concerning the use of antibiotics, assure the future of Provifeed. The same goes for similar products that are in full development.

Bio-Energy

Side-stream valorisation

In the world of bio-energy, Proviron used to be active only in biodiesel. Recently that portfolio has been expanded to include other ways to create energy from renewable sources. Biogas is one of the most important applications. Researchers are constantly exploring new opportunities in the market. Proviron strongly believes in the future of bio-energy, even though biodiesel is struggling at the moment.

The fundamental problem in the development of bio-energy is the indispensable governmental support. The players must therefore cooperate to bring about a change in mentality. After all, as long as traditional fossil fuels remain cheap, nothing fundamental will change. However, biodiesel is not the only form of bio-energy.

Biodiesel

Biodiesel sales did not rise in 2010, despite hopeful expectations. The first months went quite well, as we were able to offer biodiesel to the market at a very interesting price. However, in the last quarter, feedstock prices went through the roof following a disappointing rapeseed harvest. That made biodiesel much more expensive than mineral diesel, even with fiscal measures taken into account. On top of that, the majority of our customers had already fulfilled the obligation to add a minimum of four percent biodiesel. Mixing in more was therefore not commercially interesting and sales dropped. Only if the price spread between renewable sources and mineral diesel diminishes, and if governments enforce a higher percentage, will things change for the better. If not, expectations for 2011 remain modest.

Biogas

Proviron is active in the promising biogas market. A side-stream of our biodiesel production is glycerine. This glycerine can be used as a feed additive, but it is also a carbon source for the production of biogas. There is great demand for glycerine, but little on the market because of modest biodiesel production. We market the glycerine as Provigrow G300, an energy source for biogas-producing bacteria. Based on that know-how, we started looking for alternative carbon sources in our side-streams in 2010, and Provigrow H100 is our first successful result. Biogas production is on the rise and the same is true for the demand for carbon sources. There is definitely a future in this business.

"The biodiesel market remains very difficult. Therefore, we are looking for other ways to be successful in bio-energy. Marketing biogas carbon sources is promising."

Arent Arnout
Account Manager Bio-Energy

"In most functional fluids markets, figures went up significantly. We were able to strengthen our market leadership."

Anne-Mie De Backer
Product Officer, Oostende

Functional Fluids

De-icers are a hit

Functional fluids **is our generic term for products with a broad variety of applications. These are used in de-icers, pharmaceuticals, automotive products and the agricultural industry. Proviron produces both intermediate and fully-fledged end products. In a number of these products we are a global market leader. As with the other markets, the sales of functional fluids went up in general, but the situation is different for every product.**

Provifrost®

In 2010, Provifrost® was a complete success story in the functional fluids market. This de-icer is primarily used to make or keep airport runways ice-free. Apart from our traditional acetic acid formula, we have launched a formic acid version. Because of strict legislations in some neighbouring countries, a much wider market has opened to us, and meanwhile Provifrost® KF is already making up a third of our de-icer production. Word-of-mouth advertising about our impeccable delivery record has enabled a steady increase in our customers.

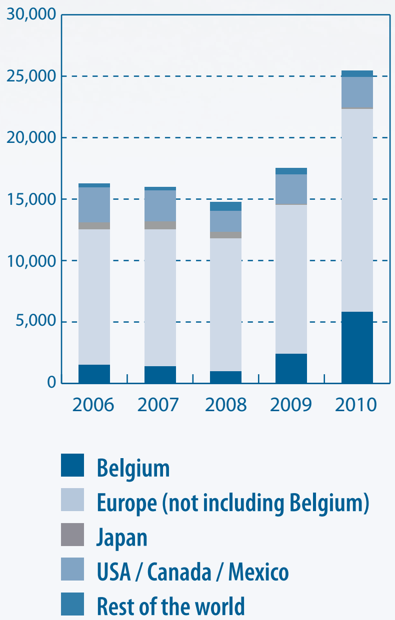
Provichem® 0203

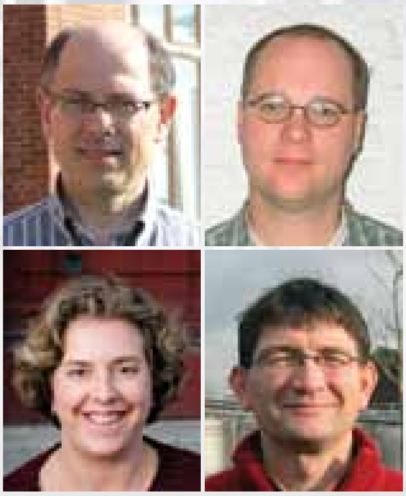
Provichem® 0203 is a product for internal use as a Proviplast® 024 building block. In 2010, we saw a return to growth thanks to extra demand in the rubber industry among others. An important competitor from the Far East has left, enabling us to strengthen our market leader position.

A good year

On top of everything, we have reacted well to the increased demand for our other functional *fluids*. Together with the Provifrost products, 2010 concluded with excellent figures.

Product volumes per geographical zone
(in tonnes)





"In 2010, Proviron continued to innovate and launch innovative products with great resolve. In addition, we have offered our customers even more technical support."

José Vanheule (top left)
Technical Director

Marc L'abbé (top right)
Product Development, plasticizers and waterborne systems

Tina Rogge (left below)
Product Development, specialty esters

Bart Cools (right below)
REACH Coordinator

Intense innovation

Proviron has resolutely opted for innovation, and in 2010 too that yielded a number of new benefits. The motivator behind this focus on innovation is offering solutions to market enquiries. 2010 was also the year of REACH. Hard work has been done to write and enter product registration files.

Niche plasticizers

In the plasticizers market, Proviron has continued to look for products that help to meet the requirements of the *food contact* market. In that respect, 2010 saw the successful start of the citric acid plasticizers marketing and the continued development of other ecological plasticizers. The products in question, Proviplast® 2604/2624 and Proviplast® 1944, are bio-based and are aimed at high value applications. R&TD also looks after the technical support for these commercial activities.

Specialized esters

The most important evolution in this area was situated in the feed industry. In 2010, the Provifeed™ 07304 production process was finalized. Other products such as Provifeed™ 07112 are still under development. Application areas have been expanded and extensive testing programmes allow us an increasingly better view of the way these products and product combinations perform. In this research, R&TD closely worked with commercial partners or research institutions.

Functional fluids

In 2010, R&TD developed a new formula for Provifrost®, a *de-icer* used to defrost airport runways. Apart from our traditional formula, based on acetic acid, a formic acid version was developed which uses less oxygen per day during its decomposition. The stricter legislation in some of our neighbouring countries encourages its use.

REACH

2010 was the year that REACH (Registration, Evaluation, Authorisation and restriction of CHemical substances) really came into effect. REACH is legislation forcing the industry to register chemical products. In 2010, we too were compelled to do this for all products we manufacture in quantities of over a thousand tonnes per year. That is true for ten products in total, and for three of these, we were the *lead registrant*. This means that for the registration of the products in question, you take the lead in the industry and you do most of the work. In 2011 and 2012, R&TD will work on the registration of products we manufacture in quantities of between one hundred and one thousand tonnes per year.

"In 2010, the ProviAPT photo bioreactor was finalized and Proviron made its work on microalgae public."

Mark Michiels
Managing Director

Developments are being noticed

Our progress in the field of microalgae production has received worldwide attention. Proviron's ProviAPT photo bioreactor was introduced on numerous occasions in 2010, and has become a real *showcase* of the company's ecological vision and innovative force. At the same time, the developers have perfected both the reactor design and the algae cultivation by, among other things, welcoming a biologist to the team. This and other factors led to the first sales agreements.

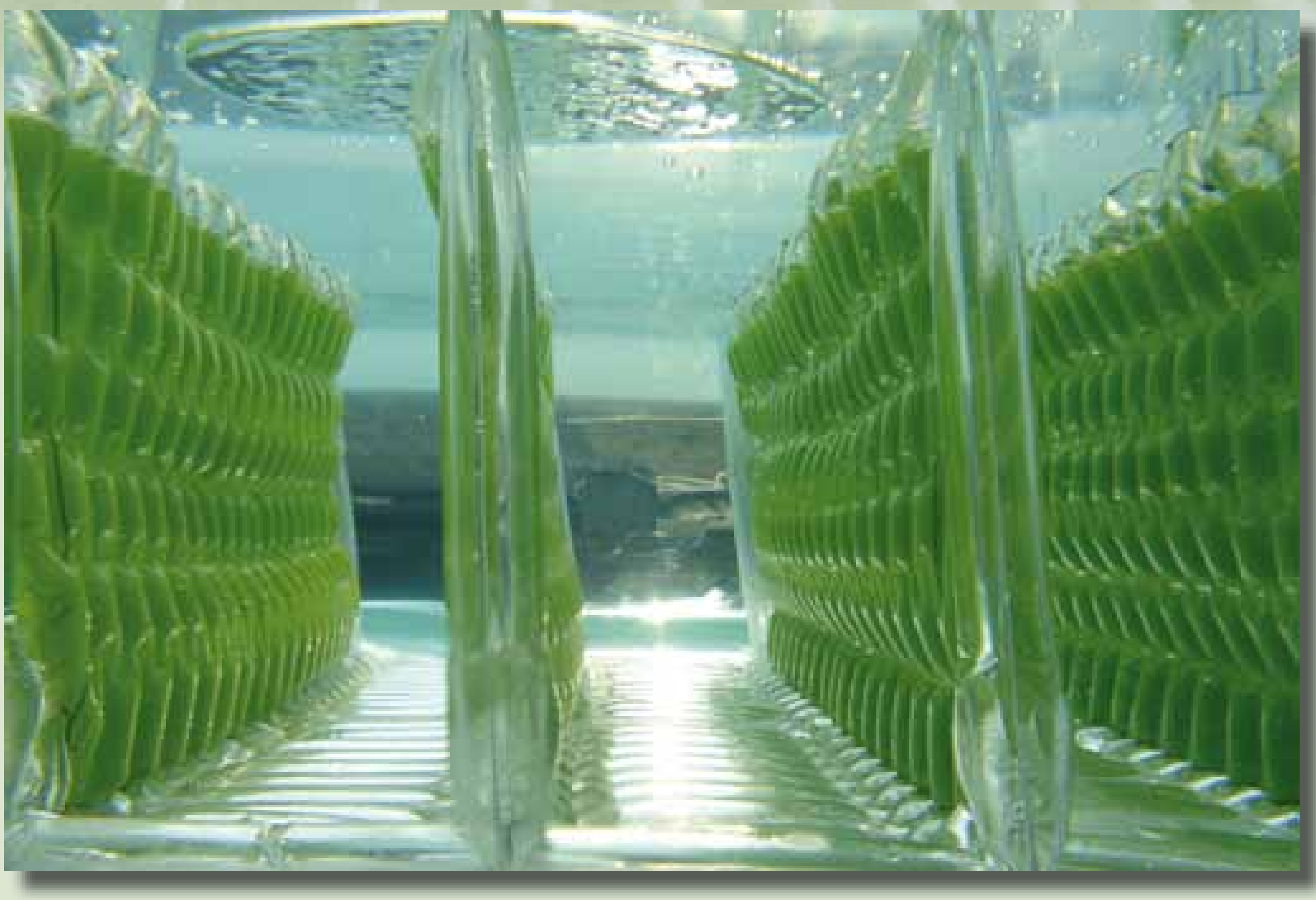
The topic of 2010 was a successful test of a larger scale ProviAPT at the Hooge Maey (Port of Antwerp) which produced some promising results and a wealth of information. The climate in Belgium for example, turned out to be surprisingly favourable for the cultivation of algae with a high added value. At the same time, Proviron has developed a two-track policy for future commercialisation: on the one hand the in-company cultivation and sales of microalgae, especially for feed and fish feed purposes as well as for scientific research. On the other hand, the company also intends to sell the reactors themselves to a number of licence holders, albeit under clear conditions.

Patent

Quite early on, Proviron applied for a patent relating to the ProviAPT photo bioreactor. Meanwhile, the Belgian and European patent applications have been approved, but that does not mean that the invention is automatically protected everywhere. However, we are at a point where we can quickly apply for new patents in individual countries by means of a simple translation. At the beginning of 2011 that was done for the USA, China, Japan and a number of other countries.

Visibility

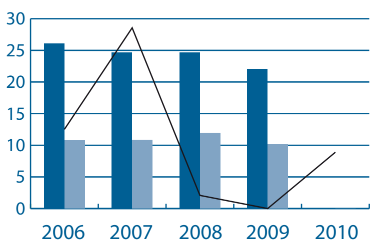
During 2010, it became very clear that there is great public and industrial interest in the algae project. After we took part in *Living Tomorrow* near the Brussels ring road, requests for information poured in. Eventually, that resulted, among other things, in an invitation to the Shanghai World Expo. Apart from that, Proviron's algae is now one of the five pillars of the ambitious Flemish chemical industry's FISCH project. Now it is a matter of turning this interest into concrete sales. Important in that respect is the rapid increase of the production capacity at the Hooge Maey. Our first sales agreements have already been signed and the algae will be delivered in 2011 as harvesting progresses. The future for the algae market looks very promising: we envisage many applications with a great deal of good added value.



"Unfortunately, the number of 'lost time accidents' went up, but thanks to a significant drop in the number of first aid incidence rate we can still say there was a positive trend."

Jean Gobin
Prevention Advisor

Number of accidents per million hours exposed



Safety

Underlying trend is positive

As always, the objective for 2010 was zero 'lost time accidents' (LTA). Proviron did better than the industry's average score, but unfortunately, we did not manage to keep zero on the scoreboard as there were some LTA accidents. Though that is regrettable, it does not tell the whole story as the number of first aid incidents went down by 37 percent. Some departments even recorded a drop of over fifty percent.

Despite the LTA accidents, we dare to speak about a positive safety trend in 2010. Part of the explanation is the fading economic crisis, easing concerns and doubts, and allowing more attention to be given to safety. Other positive elements were the *Safe Maintenance* campaign, renewed training, and consistent incident follow-up by means of toolbox meetings. That is encouraging in view of our ambitious objective to keep the frequency rate of first aid incidents below eighty.

Training

Safety education was given much attention in 2010: the standard internal safety trainings were intensified, including many repeat sessions. Training went hand in hand with a renewed *work permit* procedure. This procedure now includes a Last Minute Risk Analysis (LMRA), which is an extra control step. Much stress was also put on the *First Time Right* principle. Proper agreements and clear communication were granted an even more prominent place in the work permit procedure. Finally, a great training effort was devoted to the new EU regulation on classification, labelling and packaging of substances and mixtures.

Keeping an eye on the ball

In 2011, our objective will again be to keep zero LTA on the scoreboard, as well as a continued reduction of the first aid incident rate. That is why we will continue with our training sessions, giving particular attention to communication. We will also permanently audit the work permit performance, and continue converting our prevention guide into the QSE software application in accordance with the OHSAS 18001 standard. This fits in with the overall integration of our management systems and document management. That way, the existing guide will become more controllable and more accessible. Finally, we will have to organize many specific walkabouts focusing on the risks of slips and trips. All these measures will surely help us achieve our ambitious objectives.

Quality

Applying the new philosophy

Since she began the job, Quality Manager Pascale Vincke has developed a new approach to quality management, which goes beyond the mere follow-up on finished products. In 2010, this strategy was deepened and implemented by means of specific projects. Clear reporting and measuring are essential in this.

The quality management development fits in with the overall integration of our management systems, including safety and environmental care. This integration is an ongoing process and big steps were taken in 2010. In the near future, the integration will be finalised when these services are brought together in one office space.

Three pillars

Quality management as well as other management systems rest on three pillars: training, document organisation, and action supervision. In 2010, these pillars were further strengthened and numerous training sessions were organized. The new training planning is very impressive and automatically signals requirements. In 2010, document management renewal was finalized. The software application QSE, including version management and structured workflow, was well used throughout the company. The Action Management System was very intensively used in 2010. This *Lotus Notes* application enables structured reporting and handling of certain problems.

Audits

In order to measure our operational efficiency and quality, monitoring is essential, both internally and by third parties. In both cases, that was a success in 2010. Proviron passed the follow-up audits concerning ISO 9001 and GMP with flying colours. The same was true for a number of additional audits by customers, including very strict testing by pharmaceutical companies. At the same time, sixteen internal audits were executed, resulting in 123 actions for improvement. The greatest effort was made by the technical department, Maintenance.

Tangible results

Thanks to our new measuring systems and close monitoring, the results of customer complaints follow-up are much clearer than before. The number and financial impact of these complaints have decreased and on top of that, a large number of these turned out to be *unjustified*. That is a very good result. In 2011, the opinion of our customers will be mapped even more accurately by a fully revised survey.

"The proper functioning of our management systems rests on three pillars: training, document organisation and action supervision. In 2010, these pillars were further strengthened."

Pascale Vincke
Quality Manager

"More production in the exothermic units allowed lower CO_2 emissions for the entire Ostend site."

Rudy De Doncker
Environmental Coordinator

Care for the environment

Environmental permit's remaining points for action smoothly solved

2010 was a reasonably good year in the field of environmental care. We were able to smoothly check off the remaining points for action mentioned in the specific conditions of our environmental permit from 2009. On the other hand, there were too many minor environmental incidents, leaving great room for improvement in that area. However, in the field of tradable emission rights and soil remediation, we took several steps in the right direction.

Much has happened in 2010. As part of our environmental permit we were able to quickly and efficiently solve the remaining points for action. The investment in new ceramic filters for the PSA incinerator reduced our particulates emission to zero. We fixed the flow registration of the canal intake points, and simply stopped the discharge of phosphate-containing water. Much time was spent on a comprehensive waste water study, the results of which were largely positive.

Quick reporting

In spite of our efforts, there were too many environmental incidents. Most of these were spills whose consequences we fortunately managed to rectify immediately. The causes were both human failure and the condition of some older equipment. Both require our attention, and recently we have installed a suitable Action Management System that allows much faster reporting and improved follow-up of problems.

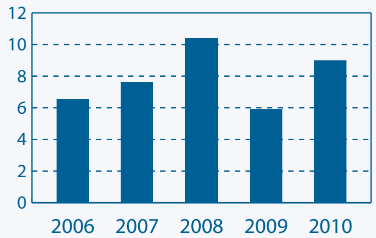
Emission rights

In 2010, production went up considerably. For the exothermic units, this meant a significant steam creation increase. That steam was used elsewhere on site, allowing us to produce less steam overall. That in turn brought about lower CO2 emissions, allowing us to make up considerably the 2009 arrears. By the same token, it is less likely that we will have to buy extra emission rights for the period 2008-2012.

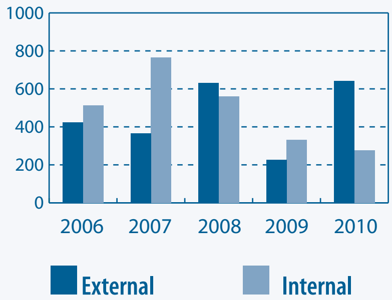
Soil remediation

As to soil remediation, efforts continued unabatedly in 2010. Actual digging has not started yet, but on-site sanitation keeps the situation stable, as was proven by 50 000 measurements. The brown field covenant agreed with the Flemish government remains in force, but we did not exercise it in 2010.

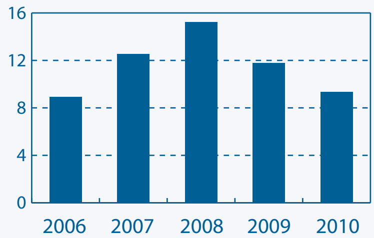
Kg chemical waste / tonne end product



Waste treatment
(in tonne)



Kg COD / tonne end product



"The crisis has taught us to create an organisation which can respond to the challenges of today's competitive market in a fast and flexible manner."

Katrien De Zutter
HR Manager, Proviron Basic Chemicals

Towards a market-oriented organisation

After a turbulent crisis period, which included emergency measures, Proviron was able to look towards the future again. That does not mean that everything went as it had always done. After all, the last couple of years have taught us to remain on the alert and adapt our structures to the ever evolving (market) environment. To achieve that, a slim, efficient, and flexible organisation is essential.

Effective communication is of the utmost importance in a modern company where everyone is increasingly requested to be flexible. Much friction can be avoided by transparent deliberation, and management devotes great attention to communications. That was made concrete in the creation of a consultative quarterly meeting with first line management, functioning alongside existing platforms.

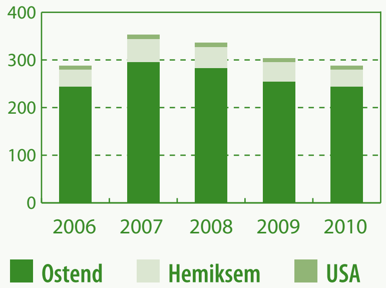
Training

Investing in people is another essential precondition for success. That is why in 2010, Proviron invested in training with renewed vigour. That caused an over fifty percent increase in the number of training hours with managerial staff and office workers. Subjects covered a wide range, but the emphasis was on qualities necessary to become a market and future-oriented organisation. Blue-collar workers attended fewer training sessions in 2010 than in 2009 because strongly increased production required much manpower. That was mainly the case in the second half of 2010.

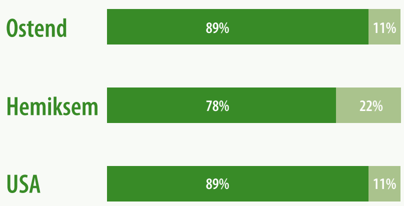
Recruiting

There were no compulsory redundancies in 2010, but people leaving because of natural wastage were not automatically replaced either. The policy has been focused on using the existing manpower as efficiently as possible. This being said, the economic upturn has enabled and necessitated the taking on of a number of new people. Those reinforcements can be seen against the general strategy of offering solutions for customer requirements in a number of core markets. For this, extra capacity was needed in R&TD and commercial services. In those departments, staff numbers went up.

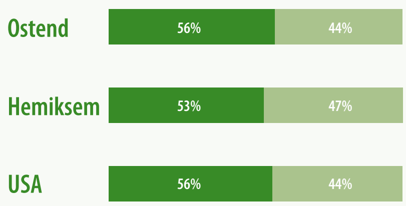
Number of employees



Ratio man/woman



Ratio blue-collar / white-collar



"The 2010 positive results prove that we have taken the right measures. Our cost structure has improved fundamentally, and our focused market approach is paying off."

Serge Maes
Financial Director

Very good figures with a recurrent basis

2010 was a very positive year for Proviron. The efforts in the past couple of years to convert the company into a slim and efficient organisation have been visibly paying off. All our *Key Performance Indicators* are pointing in the right direction. In 2010, EBITDA grew for the fourth consecutive year, by an impressive forty percent. Our market share has remained stable and our debt ratio has decreased. This evolution is based on recurrent elements, and this is fundamental.

Comparing 2010 with 2009 does not really hold water. 2009 was a year in which hefty and one-off measures were taken. Therefore the 2009 figures were not all that bad, but the foundations were of a temporary nature. The 2010 outline looks completely different: volumes have risen in line with the market, and margins too have increased. At the same time, we kept costs under control by means of good management. As a result, the operational result moved back into the black for the first time in five years.

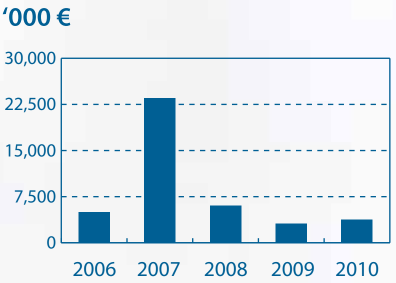
Market oriented

This positive evolution owes much to the fading economic crisis, but fundamentally our strategy to become more market-oriented is even more important. Proviron has become better known in the chemical world, and we are more active in promoting ourselves at trade fairs and on other commercial platforms. This has enabled us to evolve with the market in a consistent manner. At the same time, we are still a market leader in a number of products, and our flexibility as a small and medium enterprise remains a vital advantage when competing with, for example, companies from South-East Asia.

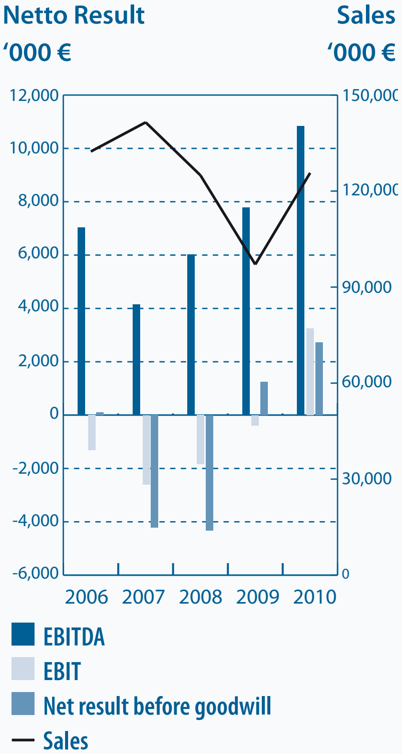
De-icers

A good example of those qualities is what happened with our de-icer sales, which in 2010, made an essential contribution to the cash flow. Admittedly, the two harsh winter episodes were a slice of unexpected fortune, but it was our reaction to that situation that made the difference. We managed to tackle the challenges in feedstock, production and logistics with unprecedented speed and flexibility. This enabled us to meet the demand that remained unanswered by the competition. We will enthusiastically stay on this successful road in 2011.

Investments



Sales, operating profit & Operational Cash flow



Key Figures 2006 - 2010

in '000 €	2006	2007	2008	2009	2010
Sales	132,365	141,479	124,919	97,061	125,675
Raw Materials	83,932	91,038	72,035	46,900	71,486
Margin	48,433	50,442	52,884	50,160	54,189
Services and other goods	20,188	23,740	23,806	20,430	22,217
Remuneration	19,549	20,969	21,697	19,551	19,646
Other operating charges	1,669	1,576	1,906	1,997	1,453
Provisions	90	-715	217	-186	-196
Write offs	225	913	-763	587	232
Ebitda	**6,712**	**3,959**	**6,021**	**7,782**	**10,837**
Depreciation	8,025	6,561	7,864	8,169	7,577
Operating profit	-1,313	-2,601	-1,843	-386	3,259
Interest and debt charges (net)	-882	-1,611	-2,905	-2,217	-1,392
Other financial results	-178	-197	360	89	61
Extraordinary result	2,894	205	128	3,755	748
Result before taxes	521	-4,204	-4,260	1,241	2,677
Taxes	414	14	60	-2	-45
Net current result	107	-4,218	-4,320	1,243	2,722
Net result	-1,609	-5,934	-6,036	-473	1,006

in '000 €	2006	2007	2008	2009	2010
Fixed assests	30,949	68,573	66,668	61,329	57,276
Goodwill	21,678	20,159	18,641	17,122	15,604
Stocks	10,779	13,130	9,849	8,456	9,460
Trade debtors	16,753	14,384	10,421	17,072	14,847
Other amounts receivable	2,643	4,999	4,286	5,615	6,450
Cash at blank and in hand	1,058	958	640	447	675
Deffered charges and accrued income	1,110	1,002	284	990	1,037
Total assets	84,970	123,206	110,788	111,031	105,349
Capital and reserves	35,821	47,747	41,790	41,275	42,333
Minority interests	3	3	3	5	8
Provisions	10,797	12,773	12,777	12,668	12,204
Financial debt	16,514	31,242	31,678	29,773	25,872
Trade payables	16,097	25,379	16,301	18,495	16,930
Amounts payable reg. taxes, remuneration and social security	5,165	5,395	7,209	7,783	6,590
Other amounts payable	45	28	111	499	903
Accured charges and deferred income	527	638	920	533	509
Total liabilities	84,970	123,206	110,788	111,031	105,349

As at 31/12/2000 the consolidation difference has been determined, and the amortisations have been booked according to the valuation rules.

PROVIRON HOLDING N.V

Consolidated balance sheet and income statement

ASSETS		Codes	31.12.2010 in '000 €	31.12.2009 in '000 €
FIXED ASSETS		20/28	72,880	78,451
I.	Formation Expenses	20	832	1,248
II.	Intangible Assets	21	2,217	2,908
III.	Positive Consolidation Differences	9920	15,604	17,122
IV.	Tangible Assets	22/27	54,063	57,009
	A. Land and buildings	22	28,577	28,971
	B. Plant, machinery and equipment	23	16,937	20,174
	C. Furniture and vehicles	24	147	160
	D. Leasing and other similar rights	25	4,024	5,035
	E. Other tangible assets	26		
	F. Assets under construction and advance payments	27	4,378	2,670
V.	Financial Assets	28	164	164
	A. Companies accounted for using the equity method	9921	0	0
	1. Participating interests	99211		
	2. Amounts receivable	99212		
	B. Other enterprises	284/8	164	164
	1. Participating interests and shares	284	153	153
	2. Amounts receivable	285/8	11	11
CURRENT ASSETS		29/58	32,469	32,580
VI.	Amounts Receivable After One Year	29	2,556	0
	A. Trade debtors	290		
	B. Other amounts receivable	291	2,556	
	C. Deferred taxation	292		
VII.	Stocks And Contracts In Progress	3	9,460	8,456
	A. Stocks	30/36	9,460	8,456
	1. Raw materials and consumables	30/31	4,434	5,125
	2. Work in progress	32		
	3. Finished goods	33	4,594	3,292
	4. Goods purchased for resale	34	432	38
	5. Immovable property acquired or constructed for resale	35		
	6. Advance payments	36		
	B. Contracts in progress	37		
VIII.	Amounts Receivable Within One Year	40/41	18,742	22,687
	A. Trade debtors	40	14,847	17,072
	B. Other amounts receivable	41	3,895	5,615
IX.	Investments	50/53	0	0
	A. Own shares	50		
	B. Other investments and deposits	51/53	0	0
X.	Cash At Bank And In Hand	54/58	675	447
XI.	Deferred Charges And Accrued Income	490/1	1,037	990
TOTAL ASSETS		20/58	105,349	111,031

Proviron Holding Consolidated

LIABILITIES		Codes	31.12.2010 in '000 €	31.12.2009 in '000 €
CAPITAL AND RESERVES		10/15	42,333	41,275
I.	Capital	10	39,169	39,169
	A. Issued capital	100	39,169	39,169
	B. Uncalled capital (-)	101		
II.	Share Premium Account	11		
III.	Revaluation Surpluses	12	18,015	18,015
IV.	Consolidated Reserves (+)(-)	9910	-14,516	-15,519
V.	Negative Consolidation Differences	9911	26	26
Vbis.	To Charge Positive Consolidation Differences	99201		
VI.	Translation Differences (+)(-)	9912	-365	-421
VII.	Investment Grants	15	4	5
MINORITY INTERESTS			8	5
VIII.	Minority Interests	9913	8	5
PROVISIONS, DEFERRED TAX AND LATENT TAXATION LIABILITIES		16	12.204	12.668
IX.	A. Provisions for liabilities and charges	160/5	9,202	9,664
	1. Pensions and similar obligations	160	1,239	1,000
	2. Taxation	161		
	3. Major repairs and maintenance	162		187
	4. Other liabilities and charges	163/5	7,963	8,477
	B. Deferred tax and latent taxation liabilities	168	3,002	3,004
CREDITORS		17/49	50,804	57,083
X.	Amounts Payable After One Year	17	9,696	10,665
	A. Financial debts	170/4	9,696	10,665
	1. Subordinated loans	170	4,775	4,775
	2. Unsubordinated debentures	171		
	3. Leasing and other similar obligations	172	4,367	5,295
	4. Credit institutions	173	180	219
	5. Other loans	174	375	375
	B. Trade debts	175	0	0
	1. Suppliers	1750		
	2. Bills of exchange payable	1751		
	C. Advances received on contracts in progress	176		
	D. Other amounts payable	178/9		
XI.	Amounts Payable Within One Year	42/48	40,598	45,885
	A. Current portion of amounts payable after one year	42	1,146	1,125
	B. Financial debts	43	15,030	17,983
	1. Credit institutions	430/8	10,595	13,506
	2. Other loans	439	4,434	4,477
	C. Trade debts	44	16,423	18,495
	1. Suppliers	440	16,423	18,495
	2. Bills of exchange payable	441		
	D. Amounts payable regarding contracts in progress	46		
	E. Amounts payable regarding taxes, remuneration and social security	45	7,097	7,783
	1. Taxes	450/3	4,451	4,469
	2. Remuneration and social security	454/9	2,646	3,314
	F. Other amounts payable	47/48	903	499
XII.	Accrued Charges And Deferred Income	492/3	509	533
TOTAL LIABILITIES		10/49	105,349	111,031

Proviron Holding Consolidated

2. INCOME STATEMENT

(Analysis of operating results by type)

		Codes	2010 in '000 €	2009 in '000 €
I.	Operating Income	70/74	125,675	97,061
	A. Turnover	70	124,710	98,496
	B. in stocks of finished goods, work and contracts in progress (increase +; decrease -)	71	-1,967	-3,957
	C. Fixed assets - own construction	72	1,458	1,431
	D. Other operating income	74	1,474	1,090
II.	Operating Charges	60/64	-122,613	-97,644
	A. Raw materials, consumables and goods for resale	60	71,486	46,900
	1 Purchases	600/8	72,920	48,939
	2 Increase (-). Decrease (+) in stocks	609	-1,434	-2,039
	B. Services and other goods	61	22,217	20,430
	C. Remuneration, social security costs and pensions (notes XIV,B1)	62	19,646	19,551
	D. Depreciation of and other amounts written off formation expenses, intangible and tangible fixed assets	630	7,775	8,366
	E. Increase (+); Decrease (-) in amounts written off stocks contracts in progress and trade debtors	631/4	232	587
	F. Increase (+). Decrease (-) in provisions for liabilities and charges	635/7	-196	-186
	G. Other operating charges	640/8	1,453	1,997
	H. Operating charges capitalised as reorganization costs (-)	649		
III.	Operating Profit (+) Operating Loss (-)	70/64	3,062	-584
IV.	Financial Income	75	653	425
	A. Income from financial fixed assets	750	2	6
	B. Income from current assets	751	378	182
	C. Other financial income	752/9	273	238
V.	Financial Charges (-)	65	-3,502	-4,071
	A. Interest and other debt charges	650	1,770	2,223
	B. Amounts written on positive consolidation differences	9961	1,518	1,518
	C. Increase (+); Decrease (-) in amounts written off current assets other than those mentioned under II.E	651		
	D. Other financial charges	652/9	214	330
VI.	Profit On Ordinary Activities Before Taxation (+) Loss On Ordinary Activities Before Taxation (-)	70/65	213	-4,230
VII.	Extraordinary Income	76	554	3,905
	A. Adjustments to depreciation of and to other amounts written off intangible and tangible fixed assets	760		
	B. Adjustments to amounts written off consolidation differences	9970		
	C. Adjustments to amounts written off financial fixed assets	761		
	D. Adjustments to provisions for extraordinary liabilities and charges	762		
	E. Gain on disposal of fixed assets	763	0	30
	F. Other extraordinary income	764/9	554	3,875
VIII.	Extraordinary charges	66	194	-150
	A. Extraordinary depreciation of and amounts written off formation expenses, intangible and tangible fixed assets	660	1	
	B. Extraordinary amounts written on positive consolidation differences	9962		
	C. Amounts written off financial fixed assets	661		
	D. Provisions for extraordinary liabilities and charges (increase +, decrease -)	662	-266	80
	E. Loss on disposal of fixed assets	663	2	
	F. Other extraordinary charges	664/8	70	70
	G. Extraordinary charges capitalised as reorganisation costs (-)	669		
	H. Negative consolidation differences (-)	9963		

		Codes	2010 in '000 €	2009 in '000 €
IX.	Profit (Loss) for the financial period before taxation (+)(-)	70/66	961	-475
X.	A. Transfer from deferred tax and latent taxation liabilities (+)	780	2	2
	B. Transfer to deferred tax and latent taxation liabilities (-)	680		
XI.	Income taxes (-)(+)	67/77	43	0
	A. Income taxes (-)	670/3	-2	0
	B. Adjustment of income taxes and write-back of tax provisions	77	45	0
XII.	Profit (Loss) for the financial period (+)(-)	70/67	1,006	-473
XIII.	Share in the result of the companies accounted for using the equity method	9975	0	0
	A. Profits (+)	99751		
	B. Losses (-)	99651		
XIV.	Consolidated Profit (Loss) (+)(-)	9976/66	1,006	-473
	A. Share of third parties (+)(-)	99761	4	1
	B. Share of the group (+)(-)	99762	1,002	-474

Statement of intangible assets
(in '000 €)

	Costs of research and development	Concessions, patents, licenses, etc	Goodwill	Advance payments
ACQUISITION COST				
As at the end of the preceding period	6,608	2,440	1,377	
Movements during the period:				
Acquisitions, including fixed assets, own production				
Sales and disposals (-)	-40	-50		
Transfers from one heading to another (+) (-)	59	68		
Translation differences (+) (-)	17			
Other movements				
At the end of the period	6,644	2,458	1,377	
DEPRECIATION AND AMOUNTS WRITTEN DOWN				
As at the end of the previous period	4,971	1,375	1,171	
Movements during the period:				
Recorded	360	202	206	
Written back as superfluous (-)				
Acquisitions from third parties				
Written down after sales and disposals (-)	-40			
Transfers from one heading to another (+) (-)				
Translation differences (+) (-)	17			
Other movements				
At the end of the period	5,308	1,577	1,377	
NET CARRYING VALUE AT THE END OF THE PERIOD	1,336	881	0	

Statement of tangible fixed assets
(in '000 €)

	Land and buildings	Plant, machinery and equipment	Furniture and vehicles	Leasing and other similar rights	Other tangible assets	Assets under construction and advance payments
ACQUISITION COST						
As at the end of the preceding period	13,592	96,585	2,262	7,114	0	2,670
Movements during the period:						
Acquisitions, incl. fixed assets,						
own construction,						3,756
Sales and disposals (-)	-37	-443	-18			
Transfers from one heading to another (+)(-)	1	1,854	69			-2,051
Translation differences (+)(-)	52	56	7	3		3
Other movements			-47			
At the end of the period	13,609	98,052	2,272	7,117	0	4,378
REVALUATION SURPLUSES						
As at the end of the preceding period	21,015					
Movements during the period:						
Recorded						
Acquisitions from third parties						
Reversals (-)						
Transfers from one heading to another (+) (-)						
Translation differences (+) (-)						
Other movements						
At the end of the period	21,015					
DEPRECIATION AND AMOUNTS WRITTEN DOWN						
As at the end of the preceding period	5,636	76,411	2,102	2,079		0
Movements during the period:						
Recorded	400	5,099	82	1,011		
Written back as superfluous (-)						
Acquisitions from third parties						
Written down after sales and disposals		-443	-16			
Transfers from one heading to another						
Translation differences (+) (-)	11	48	4	3		
Other movements			-47			
At the end of the period	6,047	81,115	2,125	3,093	0	0
NET CARRYING VALUE AT THE END OF THE PERIOD	28,577	16,937	147	4,024	0	4,378

Cashflows, from operations, investments and financing
(in ‘000 €)

	2010
OPERATIONAL GROSS RESULT	
Operational gross result before tax	11,842
Operational tax	-710
OPERATIONAL GROSS RESULT AFTER TAX	11,132
CHANGES IN OPERATIONAL NET WORKING CAPITAL	
Operational current assets	107
Provisions, deferred tax and tax deferrals	
Operational debts	-2,782
Conversion differences arising on items other than fixed assets	
TOTAL CHANGES IN OPERATIONAL NET WORKING CAPITAL	-2,676
NET CASHFLOW FROM OPERATIONS	8,456
INVESTMENTS IN FIXED ASSETS AND CONSOLIDATED SHAREHOLDINGS	
I. Set-up costs	0
II. Intangible fixed assets	-77
III. Tangible fixed assets	-3,589
IV. Financial fixed assets	0
Consolidated shareholdings	
Loss on sale of fixed assets	-2
NET CASHFLOW FROM INVESTMENTS	-3,668
FREE OPERATIONAL CASHFLOW AFTER INVESTMENTS	4,788
FINANCING	
Financial cost of loan capital after tax	-1,062
Financial debts	-3,497
Group’s share of distributable profit (-)	
Third parties’ share of distributable profit (-)	
External shareholders’ equity excluding negative consolidation differences, conversion differences and capital subsidies	
Capital subsidies	-1
NET CASHFLOW FROM FINANCING	-4,560
NET CASHFLOW FROM OPERATIONS, INVESTMENTS AND FINANCING	228
Opening cash (liquid assets + investments)	447
Closing cash (liquid assets + investments)	675
MOVEMENT OF CASH	228

Subsidiary companies

LIST OF THE CONSOLIDATED SUBSIDIARY COMPANIES AND COMPANIES INCLUDED USING THE EQUITY METHOD

Name, address and VAT number	Proportion of capital held	Change of percentage of capital held (as compared to the previous period)
Proviron Functional Chemicals NV Oudenburgsesteenweg 100 8400 Oostende Belgium BE0456.889.301	99.99%	0.00
Proviron Industries NV Zone 2 - Gilliotstraat 60 2620 Hemiksem Belgium BE0425.193.758	99.79%	0.00
Proviron America Inc 2 South State Route 3807 26146 Friendly, West Virginia USA	100.00%	0.00
Industrieterreinen De Cluyse NV Zone 2 - G. Gilliotstraat 60 2620 Hemiksem Belgium BE0429.400.885	99.00%	0.00
Proviron Basic Chemicals NV Stationsstraat 123 8400 Oostende Belgium BE0453.390.074	99.99%	0.00

Consolidations differences

STATEMENT OF CONSOLIDATION DIFFERENCES AND DIFFERENCES RESULTING FROM THE APPLICATION OF THE EQUITY METHOD (IN '000 EURO)	CONSOLIDATIONDIFFERENCES	
	Positive	Negative
NET CARRYING VALUE AT THE END OF THE PRECEDING PERIOD:	17,122	26
Movements during the period:		
Arising from an increase of the percentage held		
Arising from a decrease of the percentage held		
Write-downs	-1,518	
Differences transferred to the income statement		
Other modifications		
NET CARRYING VALUE AT THE END OF THE PERIOD:	15,604	26

CONSOLIDATION DIFFERENCES	Originally	already deducted	Position 31.12.2009	Increase	Depreciation	Position 31.12.2010
From foundation Proviron NV						
positive goodwill	12,242	7,496	4,746		487	4,259
negative goodwill	-26		-26			-26
Grand goodwill to:						
Land	2,978		2,978			2,978
Buildings	3,948	1,819	2,129		197	1,932
From foundation Proviron Holding						
goodwill	20,627	8,251	12,376		1,031	11,345
Total	39,770	17,566	22,204	0	1,716	20,488

Statement of amounts payable

	AMOUNTS PAYABLE WITH A RESIDUAL TERM OF		
	not more than 1 year	between 1 and 5 years	over 5 years
1. Subordinated loans		4,775	
2. Unsubordinated debentures			
3. Leasing and other similar obligations	1,008	4,367	
4. Credit institutions	137	180	
5. Other loans		375	
Total	1,146	9,696	0


Leo Michiels


Mark Michiels


Walter Vissers


Gilbert Devos


Raf Jacxsens

The board of directors

Chairman

Leo Michiels

External directors

Pierre Klees
Jan Brouwers
Edouard Croufer

Directors

Mark Michiels
Managing Director

Wim Michiels
Managing Director

Walter Vissers
Raf Jacxsens

External auditor

CVBA BDO, Bedrijfsrevisoren,
represented by
Philip Vervaeck

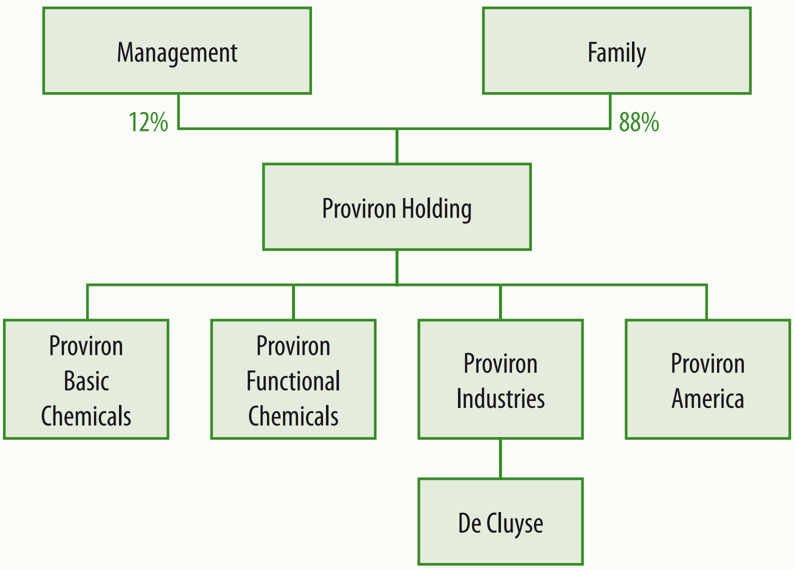
Advice

Proco nv,
represented by
Gilbert Devos

Proviron Basic Chemicals

Raf Jacxsens

Proviron shareholders organization chart



The executive committee

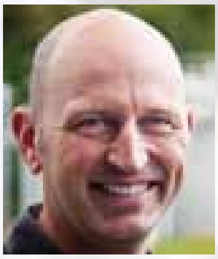
Chairman
Wim Michiels

Operational
Serge Bekaert

Technology
José Vanheule

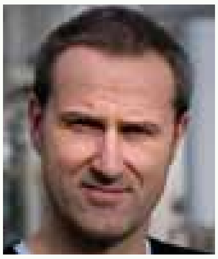
Commercial
Stefaan Depecker

Financial
Serge Maes


Wim Michiels


Serge Bekaert


José Vanheule


Stefaan Depecker


Serge Maes

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