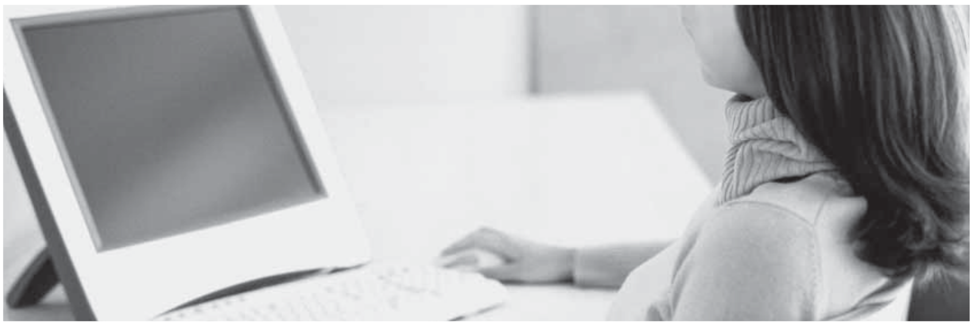
SIOEN INDUSTRIES



CORPORATE INFORMATION

FINANCIAL OVERVIEW

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I REPORT OF THE BOARD OF DIRECTORS

Sioen Industries group

Sioen Industries is the leading world producer of coated technical textiles, European market leader in industrial protective clothing, a niche specialist in fine chemicals and a major world player in processing technical textiles into semi-finished products and technical end products.

- In 2006 Sioen posted net group sales of EUR 339.4 million, (of which EUR 3.7 million from new acquisitions), up 7% on an annual basis from EUR 316.2 million the year before.
- Despite historically high raw materials prices and increased competition, the group succeeded in maintaining its gross margin.
- Services and miscellaneous goods rose proportionally with sales. The largest increases in this area were in energy and energy-related costs (gas, electricity, fuel and energy).
- Personnel costs also rose in step with sales. To be borne in mind here are obviously the two acquisitions in the Chemicals group and sharply rising demand in the Industrial Applications division. Also included are a number of one-off costs.
- Other operating costs consist mainly of a number of non-profit related taxes such as property tax, taxe professionnelle in France and the like. Every year these non profit-related taxes grow more onerous, to the extent that they are now just as important as corporation tax.
- Operating cash flow (EBITDA) rose 3% to EUR 44.8 million.
- Financial costs were approx. EUR 1 million higher than in 2005. This is due primarily to a EUR 21 million increase in net financial debt to EUR 147.7 million, occasioned essentially by takeovers and the relatively heavy investment programme in 2006.
- The effective tax rate rose from 32% to 37%, due to the non-recognition of deferred tax assets in respect of losses in certain subsidiaries.
- This brings the final net profit for 2006 to EUR 12.1 million, compared with EUR 13.6 million in 2005.
- Net operating cash flow rose EUR 2 million from EUR 29.5 to 31.5 million.
- In 2006 dividends of EUR 0.24 per share (gross) were paid in respect of 2005.
- The Board of Directors will be proposing to the Annual Meeting of Shareholders that the company declare a dividend of EUR 0.26 (gross) per share in respect of 2006.

COATING DIVISION

The Coating Division specializes in the integrated coating of technical textiles, of which it masters the entire production process from the extrusion of the yarn (spinning), to weaving the technical fabric, producing pigment pastes, granulates, varnishes and inks, and coating with various materials. The group is the only player in the world with proficiency in five different coating technologies. Sioen enjoys a prominent position in markets where technical excellence is a decisive sales argument.
For the Coating division 2006 was a year in which we confirmed our market leadership and achieved substantial progress. It was also a year of challenges with further rises in raw materials prices, rapidly growing competition in transfer coating activities and capacity shortages in direct coating and elsewhere. With its extensive range and flexible production apparatus, Sioen Coating succeeding in capturing much of the growth in traditional markets (transport, camping, textile architecture).

- The favourable economic climate in the transport sector produced a sharp rise in demand for trucks & trailers. This resulted in attractive growth in terms of product and price for our direct coating line, and in particular for products used for trailer and railway tarpaulins. We invested in a new direct coating machine to meet strongly rising demand.
- Our open structure fabrics product line (anchoring nets, geotextiles, windbreak nets, advertising banners) continued its solid advance. To meet fundamentally rising demand, we are bringing forward to 2007 our planned investments to double our capacity.
- Despite price pressure in our traditional markets (mattress protection and protective clothing) and higher raw materials prices, the transfer coating unit maintained its market position. New projects provided further sales increases.
- Notwithstanding constant price increases for the main raw materials (polyester granulate, PVC powder, plasticizers and technical fillers), the coating division was able to increase its operating cash flow (EBITDA) by 15%. The reasons can be found in improved production efficiency and price increases.
- In 2006 the strategy of extending our fine chemicals activities took further shape. The colour chemicals department, located in our EMB (European Master Batch) subsidiary, grew spectacularly in 2006. This growth came both from our traditional markets of pigment pastes and silicones, including investment in a new production hall at our Bornem site and in a new varnish line, and from two acquisitions that opened up new sales markets:
  First the takeover in September 2006 of a number of assets of Siegwerk Benelux. In this way EMB acquired Siegwerk Benelux's sales in the decorative inks and varnishes market, and acquired a number of new product formulae, with applications in various markets in which EMB already supplies a number of related products:
  • Floor coverings (vinyl, laminates)
  • Wall coverings (flexo, gravure and screen printing inks for paper and vinyl substrate)
  • Decorative paper (inks for gravure printing on paper and vinyl for decorating furniture, laminates, etc.)
  • Rigid and flexible PVC panels.
  Scarcely one month later EMB also acquired the French company Richard Colorants. Richard Colorants is France's leading specialist producer of water-based colour pigments. These pigments are used in all applications which need colours in liquid form for colouring:
  • paint, ink, varnish, glues and textile coatings,
  • wallpaper, paper and laminated paper,
  • floor coverings, PU foam, plaster,
  • shoe polish, sponges and gloves,
  • finger paints, wax crayons.
  And in January 2007 we purchased the Belgian company Fillink, which specializes in inks for wide format printers (see under "Events after balance sheet date" below)

In short we have, in a very short space of time, built up an unique position that guarantees further expansion in these sectors.

APPAREL DIVISION

The Apparel division designs and produces high quality protective clothing for industrial applications. Sioen's reputation is based here on quality and flexibility.

- During 2006 the division optimized its internal organization, both in Belgium and at its manufacturing plants in Tunisia and Indonesia.
- Together with a focus on professional markets, this led to a slight drop in absolute sales, but provided - more importantly - a 6% increase in operating cash flow. Operating result fell by 0.2 million to EUR 3.2 million. This is explained mainly by a number of one-off costs involved in redirecting activities towards professional markets.
- In 2006 Sioen also extended its ultra-modern R&D centre at Ardooie with a brand-new section specializing in testing and research on industrial protective clothing
- Examples of where Sioen is called on to produce protective clothing abound:
  - For a handling company at Brussels-National airport Sioen supplied water and windproof jackets to the customer's own specifications.
  - Europe's leading deep-frozen products transportation and logistics company recently opted for Sioen protective clothing for its 7,500 employees.
  - Nantes, Bordeaux, Toulouse and Lyon are just a few French cities in which Sioen won tenders for rain protective clothing.
  - In the Netherlands Sioen supplies high-tech flame retardant and anti-static rainwear to a major gas producer.
  - Dutch police motor cyclists will in future be clad in Sioen rain overalls.
  - The public tender to provide protective clothing for Belgium's fire fighting services for the next three years has just been awarded to Sioen.
  - The Belgian ports authority has chosen Mullion lifejackets for its harbour pilots.

Whenever quality and technical excellence are vital in protective clothing, Sioen has an appropriate solution.

INDUSTRIAL APPLICATIONS DIVISION

The Industrial Applications division processes coated fabrics and PVC film into a range of industrial items.

- The Sioen Group successfully prospects and supplies a number of markets in the transport sector, via various subsidiaries. For truck and container curtains and tarpaulins Sioen is the preferential supplier of Europe's best known trailer builders.
- The group also produces train tarpaulins. A number of technical innovations in production have again given Sioen a significant position on the European market.
- 2006 saw an unprecedented boom (+ 33% year-on-year) in curtains and tarpaulins. Three factors lie behind this growth:
  - the strong economic development of a number of Central European countries following their accession to the EU;
  - rising demand for more complex and higher added value products;
  - increasing professionalization in the sector (production, logistics etc.)
- Sioen also supplies the military market with truck and jeep covers (with or without printed camouflage patterns), camouflage nets, tents, etc. The group is hard at work on a number of tenders

for the armed forces, in particular for camouflage netting, and has high hopes of winning a substantial portion of these orders.

- The Sioen group is applying its knowledge in a very wide range of industrial markets. For example with kadors (PVC-based coated fabric) for tents and inflatable silos. We also cut airbags.
- In the non-wovens market (needlefelt) we also made significant technical breakthroughs that will ensure the continued development of this activity. Our subsidiary Sioen Nordifa has won no less than three prizes for the innovative development of:
  - a Polylactyl-based biodegradable non-woven;
  - a non-woven with specific acoustic features; and
  - a non-woven that can separate out oil and water, with the oil then broken down by bacteria.
- A lack of production capacity led to the use of subcontractors and the recruiting and training of a relatively large number of new workers. This occasioned a number of unforeseen expenditures which depressed the operating result.

OUTLOOK

Sioen Industries continues to focus on technical excellence and innovation. The first months of 2007 have continued the trends of the previous year, with high demand for technical textiles. This demand set to remain strong in the truck tarpaulins sector, where trailer builders' prognoses are very optimistic right through 2007. A number of capacity extension investments are ready for finalization in the first half of the year. These will give us additional capacity in online coating, calendering and direct coating from 2008 onwards.

EVENTS AFTER BALANCE SHEET DATE

- In January EMB acquired Zaventem-based Fillink Technologies n.v. Fillink specializes in eco-solvent, solvent and UV inks for wide format and superwide-format digital printers. The group expects this new takeover to add around EUR 7 million of sales in 2007.
In January the smaller of our two Indonesian production facilities suffered from flooding. Assets and loss of business are both insured. The group is doing everything possible to minimize the operational and financial implications.

II. GROUP STRUCTURE

SIOEN INDUSTRIES NV

COATING DIVISION

%	Company	Activity
99%	Sioen Coating n.v.	Direct Coating Belgium
100%	Saint Frères s.a.s.	Direct Coating France
100%	Sioen Coating Distribution n.v.	Sales Office Belgium
100%	Sioen Fabrics s.a.	Weaving/Transfer Coating Belgium
100%	Sioen Fibres s.a.	Spinning Belgium
100%	Sioen Shanghai (3)	Sales office China
100%	Siofab s.a.	Transfer Coating Portugal
100%	TIS n.v.	Weaving Belgium
99%	Veranneman TT n.v.	Weaving/Direct Coating Belgium
100%	Pennel Automotive s.a.s.	Calendering France
100%	Inducolor s.a.	Ink production Belgium
90% 10%(2)	European Master Batch n.v.	Master batch production Belgium
100%	Richard s.a.s. (8)	
100%	Copidis s.a.s. (9)	
100%	Astra Colorants s.a.	

APPAREL DIVISION

%	Company	Activity	%
99%	Sioen n.v.	Apparel Belgium	
	Confection Tunisienne de Sécurité s.a	Apparel Tunisia	89%
	Donegal Protective Clothing Ltd (4)	Apparel Ireland	100%
100%	Mullion Manufacturing Ltd	Apparel U.K.	
95%	P.T. Sioen Indonesia	Apparel Indonesia	5%
95%	P.T. Sungintex	Apparel Indonesia	5%
100%	Sioen Fibres s.a.	Central Distribution Unit Belgium	
	Sioen France s.a.s.	Sales office France	100%
100%	Sioen Tunisie s.a.	Sales office Tunisia	
100%	Sioen UK Ltd.	Sales office UK	
99%	Sioen Zaghouan s.a.	Apparel Tunisia	
95%	Sioen USA Inc. (5)	Sales office USA	

INDUSTRIAL APPLICATIONS

Company	Activity	%
Coatex n.v.	Processing of coated fabrics and films Belgium	25% 75% (2)
Saint Frères Confection s.a.s.	Heavy-duty manufacturing France	100%
Sioen Nordifa s.a.	Filter production Belgium	100%
Roland International b.v. (6)	Manufacturing of truck tarpaulins	100%
Roltrans Group	America Inc.	100%
Roland Planen GmbH		100%
Roltrans Group	Polska sp.z.o.o.	100%
Roland Ukraine Llc (7)		100%
Roland Tilts UK Ltd.		100%

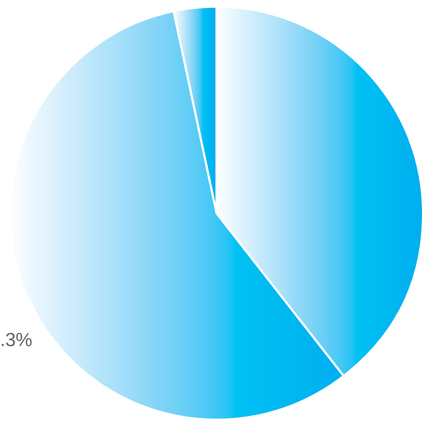
(1) Quoted percentages have been rounded, and reflect the situation at 31 December 2006
(2) Via Sioen Coating nv
(3) The official name is Sioen Coated Fabrics Shanghai Trading Ltd.
(4) The official name is Gairmeidi Caomhnaithe Dhun na nGall Teoranta.
(5) 5% via P.T. Sungintex
(6) Via Monal s.a. and Roltrans Group b.v.
(7) In December 2006 Roland International b.v. acquired 100% of the shares of Roland Ukraine Llc
(8) The Richard group was acquired in October 2006
(9) The official name is Colorants Pigments Distribution

III SHARE INFORMATION

Listing

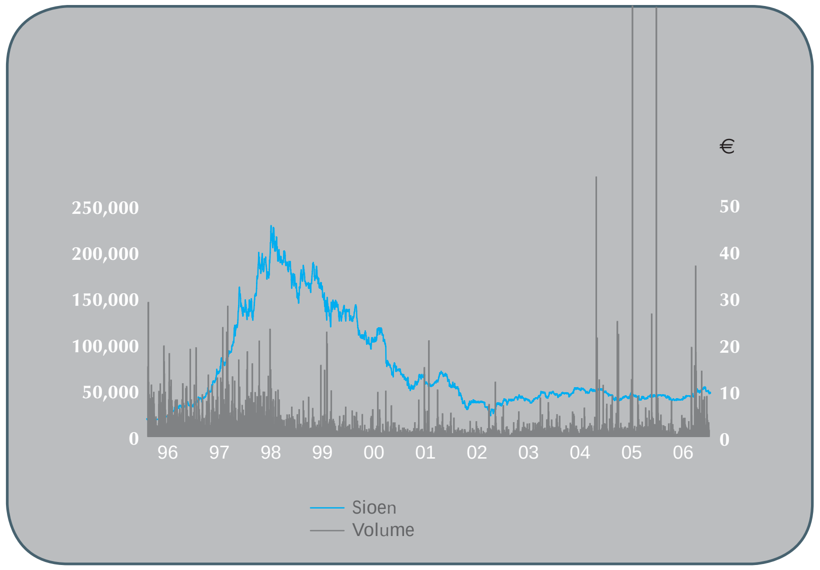
In order to support and secure the company's fast growth, and in the conviction that a transparent policy would further strengthen the group's growth possibilities, the Sioen Industries share was introduced on the cash market, double fixing, of the Brussels Stock Exchange, on 18 October 1996.
A year later the share was listed on the semi-continuous segment of the forward market. Since 11 March 1998 it has been quoted on the continuous segment of the Brussels forward market, which has since become Euronext Brussels.
At the moment 7,758,538 shares or 36.3% of the total number of shares are spread among the public. 60.3% are controlled via the holding company Sihold n.v., controlled by the Sioen family, and 3.4% are held by Shell Pension Fund

Shareholders structure



Evolution of the share in 2006

The share was quoted at its highest price on 12 December 2006, at EUR 10.41. On 31 December 2006, at EUR 9.60, the share noted 16% higher than its price, on 30 December 2005 (EUR 8.30). With a combination of steady growth of turnover, cash flow and profit, a presence in the Next Prime segment and an active communication policy, Sioen is seeking to pro-actively stimulate investor interest. Market capitalization amounted on 31 December 2006 to EUR 205.3 million.



Indices

In mid June 2000 the Sioen Industries share was included in the IN.flanders, a share index made up of the 100 most important listed employers in Flanders. The selection and weighting of the companies in the index are a function of employment, established on the basis:

- for subsidiaries of foreign enterprises, the number of employees in Flanders
- for Flemish enterprises, the number of employees worldwide
- the evolution of employment in Flanders for the subsidiaries, or worldwide for the Flemish company.

The Sioen Industries share in this index is 1.22% (31/12/2005).

Financial communication policy

The Sioen Industries share is included on Euronext Brussels in Compartment B (Mid-Caps).

Dividend policy

The Board of Directors aims for a pay-out ratio of more than 15%, with the dividend increasing year after year, in order to have the dividend closely linked to cash flow expectations on the one hand, and on the other hand to reward shareholders' confidence in the company.
The pay out ratio for 2006 amounts to 45.6%, as compared to 37.8% last year. At EUR 0.26 gross (EUR 0.1950 net), the dividend is 8.3% higher than last year. The dividend is payable at Dexia Bank, ING-Bank, Fortis Bank and KBC Bank from 8 June 2007.

ISIN	BE0003743573	MEP	BRU	Local
Euronext code	BE0003743573	Mnemo	SIOE	
Type	Stock - Ordinary stock - Continuous			
Market	Euronext Brussels - Eurolist - Local shares			Compartment B (Mid-Caps)

ICB Sector classification
3000, Consumer Goods
3700, Personal & Household Goods
3760, Personal Goods
3763, Clothing & Accessories

Reuters SIOE.BR
Bloomberg SIO.BB
Datastream B:SIO

IV CORPORATE GOVERNANCE

The Sioen family has been supported by external, independent directors since 1986. Their expertise and experience contribute to the proper and effective management of the company.
On 22 March 2005 the Board of Directors adopted a Corporate Governance Charter, in accordance with the Belgian Corporate Governance Code. The Corporate Governance Charter has been in force since the 2005 General Meeting, and can be consulted on the Sioen Industries website (www.sioen.com).
No changes have been made to the Corporate Governance Charter since it came into effect.

The board of directors

Composition (situation as at 1 April 2007)

CHAIRMAN	**Mr J. J. Sioen** (1), chairman/director in various other companies
MANAGING DIRECTOR	**MJS Consulting b.v.b.a.** Represented by Ms M. Sioen (1) Director in various other companies
DIRECTORS (5)	**Ms J. N. Sioen-Zoete** (1), director in various other companies **D-Lance b.v.b.a.** Represented by Ms D. Parein-Sioen (2) Director in various other companies **P. Company b.v.b.a.** Represented by Ms P. Sioen (1) Director in various other companies **Pol Bamelis n.v.** Represented by Mr P. Bamelis (3) Director in various other companies **Revam b.v.b.a.** Represented by Mr W. Vandepoel (3) Managing director Lessius Corporate Finance n.v.. Director in various other companies **Sheng n.v.** Represented by Mr L.-H. Verbeke (3) Chairman of Mitiska n.v.. Director in various other companies **K.E.M.P. n.v.** Represented by Mr L. Sterckx (3) CEO of SPE/Luminus. Director in various other companies **Vean n.v.** Represented by Mr L. Vansteenkiste (3) Managing director of Recticel n.v. Director in various other companies
SECRETARY	Mr G. Asselman CFO Sioen Industries Group
STATUTORY AUDITOR (4)	Deloitte Bedrijfsrevisoren c.v.b.a. Represented by Mr G. Verstraeten and Mr G. Wygaerts

(1) Executive director
(2) Non-executive director
(3) Independent director. In defining which directors are independent, the Company has opted for the criterion whereby a director may not remain in his post for more than three four-year mandates, as from the General Meeting of 2005. The consequence of this is that three current directors are considered as independent, although they have already held directorships for more than twelve years in the Sioen Group. This is to ensure the continuity of the Company and its management.
(4) The Statutory Auditor's mandate expires at the ordinary general meeting in 2008.
(5) The directors' mandates expire at the 2008 general meeting.

The Board of Directors and how it works

In accordance with the Articles of Association, the Board of Directors meets regularly as a function of the company's needs and interests. In 2006 it met six times.

The number of meetings attended by the individual directors in 2006 were as follows:

Mr Jean-Jacques Sioen	6
Ms Michèle Sioen	6
Ms Jacqueline Sioen-Zoete	5
Ms Danielle Sioen	6
Ms Pascale Sioen	6
Mr Pol Bamelis	6
Mr Wilfried Vandepoel	6
Mr Louis-Henri Verbeke	6
Mr Luc Sterckx	6
Mr Luc Vansteenkiste	6

The permanent agenda of every Board of Directors meeting includes the discussion of and taking of decisions with respect to the individual results of companies in the group, division results, consolidated results, current investments and projects, new projects and proposals for investment opportunities. The board also deals with specific points on the agenda as a function of concrete matters in hand.

Working committees

The Sioen Industries Group has three working committees:

a) Audit Committee:
In 2006 the Audit Committee consisted of four independent directors, namely Messrs Vandepoel (Chairman), Bamelis, Verbeke and Sterckx.

The Audit Committee met six times in 2006. The number of meetings individually attended by the members of the Audit Committee in 2006 was as follows:

Mr Wilfried Vandepoel	6
Mr Pol Bamelis	3
Mr Louis-Henri Verbeke	6
Mr Luc Sterckx	3

b) Remuneration Committee
In 2006 the Remuneration Committee was made up of three independent directors, namely Messrs Bamelis (chairman), Sterckx and Vansteenkiste.
The Remuneration Committee advises the Board of Directors on pay policy in general and on the compensation paid to the members of the Board of Directors and the Management Committee in particular. The share option plans also fall under its remit. The Remuneration Committee met three times in 2006. All members of the committee were present at each meeting.

c) Nomination Committee
On 22 March 2005 a Nomination Committee was set up in accordance with Sioen Industries' Corporate Governance Charter. It is made up of two independent directors (Messrs Bamelis and Sterckx) and one executive director (Mr Jean-Jacques Sioen).

1 D-Lance b.v.b.a., represented by Ms Parein - Sioen, no longer forms part of the Management Committee as of 1 January 2007, but continues to attend Management Committee meetings as an observer from the Board of Directors.

Management Committee

The members of the Management Committee (as of 1 April 2007[1]) are:

MJS Consulting b.v.b.a., represented by Ms M. Sioen
P.Company b.v.b.a., represented by Ms P. Sioen
Mr Geert Asselman
Mr Erwin Van Uytvanck
Mr Michel Devos
Secretary: Mr Loebrecht Lievens

External audit

Within the Sioen Industries group, external audit is chiefly carried out by Deloitte Bedrijfsrevisoren. This involves the auditing of both the statutory financial statements and the consolidated annual financial statements of Sioen Industries n.v. and its subsidiaries. To the extent that the audits of a number of subsidiaries are carried out by other auditing companies, Deloitte makes use of their work, as stated in the Statutory Auditor's report. During the past financial year the Statutory Auditor received EUR 65,500 from Sioen Industries in respect of its statutory auditor mandate. Additionally the Statutory Auditor and its network received EUR 8,740 for other auditing work, EUR 6,043 for fiscal consultancy services and EUR 71,680 for other assignments outside its audit mandate.
The mandate of Deloitte Bedrijfsrevisoren as Statutory Auditor of Sioen Industries n.v. expires at the annual meeting of 2008. Deloitte Bedrijfsrevisoren is represented by Mr G. Verstraeten and Mr G. Wygaerts.

Share option plans

Under a Share Option Scheme originally introduced in 1996, a total of 6,500 options were issued in 2000 of which 3,250 remain outstanding and exercisable at a price of EUR 20.335 per share until January 2008. No share options have been granted since 2000. The Board of Directors remains authorized to grant up to 158,000 options. No options have been allotted to directors until now.

Overview of the 2000 share option plan

Date of Board decision	10/10/2000
Option price as % of market price	7.5%
Option price	1.5375
Option exercise price	20.3550
Allocation	6,500
Unused	3,250
Balance to be Exercised January 2005-2008	(3,250)

Protocol to prevent insider trading

To prevent privileged information being used illegally by directors, shareholders, and members of the management and staff (i.e. "insiders"), or even to prevent such an impression possibly being created, the Board of Directors of Sioen Industries n.v. has produced a protocol for the prevention of abuse of insider information ("1997 Protocol").

Further to Directive 2003/6/EU a new protocol was approved by the Board of Directors on 1 May 2005. The protocol is initially aimed at protecting the market as such, ensuring observance of the statutory provisions and maintaining the group's reputation.
In addition to a number of prohibitions concerning the trading of Sioen Industries n.v. financial instruments when insiders have privileged information that is not (yet) available to the public, it also contains a number of preventive measures and directives designed to maintain the confidential nature of privileged information. All insiders eligible for this have signed this protocol. A Compliance Officer has been appointed to monitor observance of the protocol.

V. GENERAL INFORMATION

Registered office and name (Articles 1 and 2)

The registered office of Sioen Industries, a public limited liability company under Belgian law, is established at Fabriekstraat 23, B-8850 Ardooie. The company is registered (in the register of legal persons of Brugge) listed under enterprise number 441.642.780.

Incorporation and publication

Sioen Industries was incorporated under the name "Sihold" by deed executed before notary-public Ludovic du Faux in Moeskroen on 3 September 1990, published in the Annexes to the Belgian Official Journal of 28 September 1990, under no.: 900928-197.

Financial year (Article 36)

The financial year begins on 1 January and ends on 31 December of each year.

Term (Article 4)

The company is established for an indefinite period.

Object of the company (Article 3)

The company's object, in Belgium and abroad, on its own behalf and on behalf of third parties, is:

- The weaving of fibres of all kinds, the coating of fabrics and all other material, the printing thereof, the manufacture of plastic and plasticised material, the manufacture, purchase and sale, both in Belgium and abroad, of material useful for or relating to aforesaid products and raw materials, as well as the manufacture of chemical products and pigments;
- The manufacture of pre-fabricated outer clothing in woven fabric, the manufacture of all kinds of tailor-made clothing and embroidery; the manufacture of outer clothing in knitted fabrics, and of household linen and interior decoration items interior decoration items; the manufacture of wall cladding, the printing and finishing of all fabrics; the manufacture of ready-to-wear items and outfits for ladies and gentlemen, knitwear, embroidery, household and table linen, children's clothing. The manufacture of safety and high visibility articles. The wholesale and retail trade in all the above-mentioned items;
- The investment in, subscription to, permanent takeover, placement, purchase, sale, and trading of shares, dividend certificates, bonds, certificates, claims, currencies and other movable securities, issued by Belgian or foreign companies, whether or not in the form of trading companies, administration offices, institutions and associations either with or without a (semi-) public law status;
- The management of investments and participations in subsidiaries, the holding of executive posts, the giving of advice, management and other services to or in accordance with the activities carried out by the company itself. These services may be provided by virtue of a contractual or statutory appointment and in the capacity of external consultant or representative of the company.

All of this insofar as the company complies with the statutory requirements. The company may, in Belgium and abroad, effect all industrial, trading, financial, movable and immovable transactions that may develop or promote its business either directly or indirectly. It may acquire all movable or immovable goods even if these are not related directly or indirectly to the company's object. It may, by any means, acquire participating interests in all associations, businesses, enterprises or companies that are striving for the same or a similar or related object or that can promote its business or facilitate the sale of its products or services, and it may collaborate or merge therewith.

Consultation of documents

The statutory and consolidated annual accounts of the company and the accompanying reports are filed with the National Bank of Belgium. The articles of association and the special reports required by the Companies Code as well as the annual and half-yearly reports and all information published for the benefit of the shareholders, are available at the registered office of the company. The articles of association, the annual and half-yearly reports can also be downloaded from the website www.sioen.com.

Historical development of the capital

The historical development of the capital is included under the comments on the consolidated annual accounts.

Authorized capital

The board of directors is authorised during a period of five years counting from the date of publication in the Annexes to the Belgian Official Journal of the deed concerning the amendment of the articles of association of 30 May 2003 (BOJ of 23 June 2003) to increase the subscribed capital on one or more occasions, by a maximum amount of forty-six million euros.
This renewable authority is valid for capital increases in cash, in kind or by conversion of reserves. At the moment this full amount is still available.
In the framework of the authorised capital, the board of directors is authorised, in the interest of the company and subject to observance of the conditions laid down in Articles 535 and 592 to 599 of the Companies Code, to cancel or restrict the preferential subscription right that is granted to the shareholders by law. The board of directors is authorised to restrict or cancel the preferential subscription right in favour of one or more particular persons, even if these persons are not members of staff of the company or its subsidiaries.
In the event of the increase of the subscribed capital, carried out within the limits of the authorised capital, the board of directors is authorised to ask for an issue premium. If the board of directors decides to do so, this issue premium should be allocated to an unavailable reserve account that can only be reduced or written off by resolution of the general meeting passed in the manner required for the amendment of the articles of association.

In default of an express authorisation given by the general meeting to the board of directors, the board of directors' authority to increase the subscribed capital through a contribution in cash with cancellation or restriction of the existing shareholders' preferential subscription rights, or through contribution in kind, is suspended from the date of notification to the company by the Banking, Finance and Insurance Commission of a public takeover bid for the company's shares.
This authority will be reinstated immediately after the closing of such a takeover bid. The general meeting of 27 May 2005 expressly authorised the board of directors to increase the subscribed capital on one or more occasions, from the date of notification by the Banking, Finance and Insurance Commission to the company of a public takeover bid for the company's shares, through contributions in cash with cancellation or restriction of the existing shareholders' preferential subscription right or by contributions in kind, in accordance with Articles 557 and 607 of the Companies Code. This authority was granted for a period of three years as from 27 May 2005 and is renewable.

Acquisition by the company of shares in its own capital

The general meeting of the 28 of May 2004 expressly authorised the board of directors, in accordance with the provisions of the Companies Code, to acquire or have the disposal of its own shares or profit-sharing bonds, if the acquisition thereof is necessary to avoid an impending serious detriment to the company. This authorisation is valid for a period of three years from the date of publication of the above-mentioned resolution in the Annexes to the Belgian Official Journal (BOJ of 23 June 2004).
The general meeting of the 26 May 2006 authorised the board of directors, in accordance with Articles 620 to 623 and 625 of the Companies Code, to obtain its own shares through purchase or exchange up to the maximum number permitted by law, and at a price equal to the market value of the shares. This authorisation (also extends to the acquisition of shares of the company by one or more of its direct subsidiaries within the meaning of the law and is valid for a period of eighteen months counting from 26 May 2006 and is renewable.

SIOEN INDUSTRIES

FINANCIAL OVERVIEW

FINANCIAL OVERVIEW

Sioen industries consolidated financial statements

LETTER TO SHAREHOLDERS

Dear Shareholder,

"We are positive on our short and long-term future."

2006 was another year of strong growth at Sioen Industries in terms of both production and profitability. It was also a year of innovation par excellence, in which investment projects were completed, R&D centres opened, markets explored, and production processes upgraded.

At EUR 339.4 million, consolidated turnover was up 7% on 2005. Gross margin was 50.72% of turnover. EBITDA and EBIT rose 3% and 2% respectively to EUR 44.8 million and EUR 25.9 million.

These results enable Sioen Industries to pay a dividend of EUR 0.26 per share to its shareholders. On the stock market too, Sioen Industries gave a dynamic performance, with the share price rising by more than 16% year-on-year.

We are bullish on the future of Sioen Industries. Even if raw material prices are placing pressure on earnings and competition is very sharp on certain low-end markets, Sioen is showing itself to be resilient and able to react fast to events.

Sioen Industries is a growth company in every field: we are focused on growth and profit, think long-term, and aim for market leadership in all our activities. Our corporate slogan is "protection through innovation". It is innovation, know-how and vision that take Sioen forward. Innovation is embedded in our corporate culture, providing us with new products, new processes, new applications and new markets. Know-how and expertise are key assets, with nearly 50 years' experience of coating technologies, markets and standards. Vision is our strength: we possess entrepreneurship and creativity, a nose for good business opportunities and are always ready for new challenges

"We are confirming our market leadership and achieving substantial progress"

For the Coating division 2006 was a year in which we confirmed our market leadership and achieved substantial progress. It was also a year of challenges with further rises in raw materials prices, rapidly growing competition in transfer coating activities and capacity shortages in direct coating and elsewhere. Rising raw materials prices we were able to offset with cost reduction and price increases. We invested in a new (additional capacity) varnish line and a new direct coating machine to meet strongly rising demand. With its extensive range and flexible production apparatus, Sioen Coating has succeeding in capturing much of the growth in traditional markets (transport, camping, textile architecture).

In 2006 the strategy of extending our fine chemicals activities took further shape. Under the common denominator of Sioen Chemicals we now produce colour pigment pastes, inks, varnishes and granulates. We invested in a new production hall at the Bornem site, took over part of the assets of Siegwerk Benelux and acquired French company Richard Colorants. And in January 2007 we bought Belgian company Fillink, which specializes in inks for wide format printers. In short we have, in a very short space of time, built up an unique position that guarantees further expansion in these sectors.

To react better and more effectively to a competitive and constantly evolving market, the Apparel division optimized its internal organization. We achieved ever greater successes in technical markets like firefighting clothing and arc flame resistant apparel. This division also continues to perform well in its core industrial protective clothing activities.

The Industrial Applications division, in which we process technical textiles, did very well in 2006. The lion's share of the growth in this product line came from transport-related activities. We will also be investing further in larger production shops, automation and wide-format printing.

"R&D is a state of mind"

We are proud to announce that 2006 was a strong year. We are continuing with the same dynamism to carry out various investment projects which will increase capacity and, through far-reaching automation, improve cost control.

We continue to focus on growth and on profit, with a permanent emphasis on R&D. This research and development is providing us with new products, new markets, new production processes and new technical features. Sioen intends to be a market leader in each of its activities.

In 2006 we extended our ultra-modern central R&D centre at Ardooie with a brand-new section specializing in testing and research in industrial protective clothing.

R&D is a cornerstone of our organization. It is a state of mind, an attitude of all our employees, at every level. Workers, salespeople, foremen, chemists, production managers, general managers, we are all in our own way busy with improvement and innovation.

With this annual report we provide an overview of the activities of Sioen Industries, a glimpse behind the scenes, how we see the business, where we stand and where we intend going.

We are convinced that this vision, dynamism and team spirit will enable us to advance with unflagging élan. We thank all Sioen employees for their devotion and commitment in putting all this into practice day after day. Finally we thank you, our shareholders, for your continuing trust in Sioen Industries.

Jean-Jacques Sioen	**Michele Sioen**
Chairman of the Board	CEO Sioen Industries n.v.

I. COMMENTS ON THE CONSOLIDATED FINANCIAL STATEMENTS

Sioen Industries is the leading world producer of coated technical textiles, European market leader in industrial protective clothing, a niche specialist in fine chemicals and a major world player in processing technical textiles into semi-finished products and technical end products.

Sales

- In 2006 Sioen achieved net group sales of EUR 339.4 million, up 7% from EUR 316.2 million the year before. A booming transport sector in 2006 with strongly rising demand for trucks and trailers meant attractive growth figures for both our Coating and our Industrial Applications divisions (10% and 19.5% respectively). Apparel division sales slipped slightly as the division redirected its activities towards more professional markets, producing a rise in operating cash flow.

Gross margin-EBITDA-EBIT

- Despite historically high raw materials prices and increased competition, the group was able to maintain its gross margin and to increase EBITDA at group level by 3%. Free cash flow (cash available for investments) grew explosively from EUR 17.3 million in 2005 to EUR 37.6 million in 2006. This rise is even stronger in the **Coating division**. Price increases for final products, a continuous drive for cost efficiency and constant R&D efforts all produced fruit. Whilst sales rose by 10%, operating cash flow increased by 15%. The **Apparel division** succeeded, in very competitive conditions, not only to maintain but even increase its gross margin. This obviously had a positive impact on operating cash flow, which rose from EUR 5.8 million in 2005 to EUR 6.1 million in 2006. In this division too, technical excellence is crucial, in particular with professional users that set very high standards. The **Industrial Applications** division faced a slight drop in both gross margin and EBITDA. This fall is only temporary, given recent price increases.
- **Services and miscellaneous goods** rose in line with sales. The fastest rising costs here are energy and related costs (gas, electricity, fuel and transport).
- **Personnel costs** also rose in step with sales. Here one should bear in mind the effect of the two acquisitions by the Chemicals group and also strongly rising demand in the Industrial Applications division. This heading also covers a number of non-recurring costs.
- **Other operating costs** covers a number of generally non profit-related taxes like property tax, *taxe professionelle* in France and the like. Every year these non profit-related taxes grow more onerous, to the extent that they are now just as important as corporation tax.
- This gives the group an operating result of EUR 25.9 million in 2006 compared with 25.4 million in 2005.
- Operating cash flow (EBITDA) rose by 3% to EUR 44.8 million.
- **Financial costs** were approx. EUR 1 million higher than in 2005. This is due primarily to a EUR 21 million increase in net financial debt to EUR 147.7 million, occasioned primarily by takeovers and the relatively heavy investment programme in 2006.
- The **effective tax rate** rose from 32% to 37%, due entirely to the non-recognition of latent tax assets in respect of losses in certain subsidiaries.
- This brings the final **net profit** for 2006 to EUR 12.1 million, compared with EUR 13.6 million in 2005.
- **Net operating cash flow** rose by EUR 2 million from EUR 29.5 to 31.5 million.

Investments

- Total investment in tangible fixed assets amounted to EUR 27.5 million. The largest items here are:

o The new production line at Nordifa: EUR 2.3 million
o The new production hall at EMB: EUR 2.5 million
o Investment in a new ERP package: EUR 2.5 million
o A number of new looms: EUR 0.5 million
o Air conditioning for the yarn extrusion plant: EUR 0.4 million
o Initial investments in the new calendaring plant: EUR 6.1 million.

- In addition two acquisitions were made by the group last year, representing a net investment of EUR 23.5 million.
- Last year the group received EUR 1.5 million in investment grants. These are deducted from the acquisition cost of the assets in question.

Balance sheet

In nominal amounts working capital rose from EUR 107.5 million at 31/12/2005 to EUR 111.8 million at 31/12/2006. Bearing in mind that sales have increased by EUR 23 million, working capital as a percentage of sales has fallen from 34% to 32.9%. Net financial debt has risen to EUR 147 million, owing to the investment programme of around EUR 47 million (investments and capital expenditure together).

Risks

Sioen Industries NV is a company listed on Euronext, that does not itself exercise any industrial activity. Sioen Industries holds participations in companies operating in the following sectors:

Coating of technical textiles

Designing, developing and production of protective clothing.
Processing heavy technical textiles into finished products.

Sioen Industries is influenced, in particular in terms of its income stream, by the economic performance of these divisions.
These divisions are in turn dependent on general economic trends and more specifically:

- The volatility of crude oil prices and the more or less related volatility of prices of its principle raw materials. (PVC, polyester, plasticizers, etc.)
- With regard to the processing of heavy technical textiles, the group's evolution closely tracks the economic cycles of the truck sector.
- The protective clothing division follows the current trend in industrial activity in Western Europe. The emphasis is here less on volume and more on the technical specifications of the clothing.

II. CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements for 2006 were approved by the Board of Directors for publication on 14 March 2007.

II.1. CONSOLIDATED BALANCE SHEET in thousands of euros

ASSETS	Note	2005	2006
Non-Current assets			
Intangible assets	III.5.1.	2 267	17 716
Goodwill	III.5.2.	16 548	17 935
Property, plant and equipment	III.5.4.	142 278	150 420
Long term trade receivables	III.5.5.	59	22
Other long term assets	III.5.5.	524	504
Deferred tax assets	III.5.15.	7 010	6 199
TOTAL NON-CURRENT ASSETS		**168 686**	**192 796**
Current Assets			
Inventories	III.5.6.	78 463	84 472
Trade receivables	III.5.7.	69 416	70 414
Other receivables	III.5.8.	11 118	9 423
Other investments and deposits	III.5.8.	260	532
Cash and cash equivalents	III.5.8.	8 312	12 584
Deferred charges and accrued income	III.5.8.	1 428	1 612
TOTAL CURRENT ASSETS		**168 997**	**179 037**
TOTAL ASSETS		**337 683**	**371 833**

EQUITY & LIABILITIES	Note	2005	2006
Equity			
Share capital		46 000	46 000
Retained earnings		81 317	88 338
Hedging and translation reserves		2 046	1 459
Minority interests		19	0
TOTAL EQUITY		**129 383**	**135 797**
Non-Current liabilities			
Interest bearing loans - payable after one year	III.5.11.	53 831	117 033
Provisions	III.5.10.	1 023	2 509
Pension obligations	III.5.9.	1 256	1 671
Deferred tax liabilities	III.5.15.	16 821	18 360
Finance leasing - payable after one year	III.5.12.	13 049	11 428
Other amounts - payable after one year	III.5.11.	33	3
TOTAL NON CURRENT LIABILITIES		**86 012**	**151 004**
Current liabilities			
Trade and other payables	III.5.13.	36 510	31 744
Interest bearing loans - up to one year	III.5.11.	67 290	31 162
Provisions - up to one year	III.5.10.	379	1 293
Pension obligations - up to one year	III.5.9.	65	42
Tax liabilities	III.5.13.	5 589	7 364
Finance leasing - up to one year	III.5.12.	1 142	1 270
Other amounts payable - up to one year	III.5.13.	11 313	12 157
TOTAL CURRENT LIABILITIES		**122 288**	**85 032**
TOTAL EQUITY AND LIABILITIES		**337 683**	**371 833**

II.2. CONSOLIDATED INCOME STATEMENT
by function | in thousands of euros

	2005		% of Sales	2006	% of Sales
Net sales	316 237		100.0%	339 389	100.0%
Cost of goods sold	-251 877	(1)	-79.6%	-267 436	-78.8%
Manufacturing contribution	**64 360**		**20.4%**	**71 954**	**21.2%**
Sales and marketing expenses	-15 896		-5.0%	-15 573	-4.6%
R&D expenses	-5 554	(1)	-1.8%	-7 021	-2.1%
Administrative expenses	-19 887		-6.3%	-22 465	-6.6%
Other operating result	2 940		0.9%	304	0.1%
Non recurring result (2)	-505		-0.2%	-1 307 (2)	-0.4%
Operating profit	**25 457**		**8.1%**	**25 891**	**7.6%**
Financial result	-5 470		-1.7%	-6 565	-1.9%
EBT	**19 987**		**6.3%**	**19 326**	**5.7%**
Tax	-6 399		-2.0%	-7 172	-2.1%
EAT	**13 588**		**4.3%**	**12 153**	**3.6%**
Cash flow	29 535		9.3%	31 496	9.3%
EBITDA	43 647		13.8%	44 843	13.2%
EBIT	25 457		8.1%	25 891	7.6%

(1) in 2005: Reallocation of goods produced for R&D purposes to R&D expenses in an amount of kEUR 1,337 in 2005 to permit comparison with figures for 2006

(2) in 2006: Non-recurring items relate to restructuring expenses in France (Pennel Automotive SAS). A provision for restructuring has been taken amounting to EUR 1.3 million EUR.

II.2. CONSOLIDATED INCOME STATEMENT
by nature | in thousands of euros

	2005		% on Turnover	2006	% on Turnover
CONSOLIDATED PROFIT AND LOSS STATEMENT					
A. Turnover	316 237			339 389	
B. Changes in stocks and wip	4 647		1.47%	4 620	1.36%
D. Other operating income	4 026		1.27%	3 339	0.98%
I. REVENUE	324 910			347 348	
II. Cost of sales	160 844	(1)	50.86%	171 856	50.64%
Gross margin	**50.61%**			**50.72%**	
III. Services and other goods	-50 705	(1)	-16.03%	-55 266	-16.28%
IV. Remuneration, social security and pensions	-63 450		-20.06%	-67 640	-19.93%
V. Depreciations	-17 899		-5.66%	-17 919	-5.28%
VI. Amounts written down on stocks and trade debts	-862		-0.27%	-230	-0.07%
VII. Provision liabilities & charges	572		0.18%	-804	-0.24%
VIII. Other operating expenses	-5 758		-1.82%	-6 435	-1.90%
IX. NON RECURRING ITEMS	-505		-0.16%	-1 307	-0.39%
X. OPERATING RESULT	**25 457**		**8.05%**	**25 891**	**7.63%**
XIII. FINANCIAL RESULT	-5 470		-1.73%	-6 565	-1.93%
XVI. PROFIT BEFORE TAX	**19 987**		**6.32%**	**19 326**	**5.69%**
XVII. TAXES	-6 399		-2.02%	-7 172	-2.11%
XVIII. PROFIT AFTER TAX	**13 588**		**4.30%**	**12 153**	**3.58%**
XII. MINORITY INTEREST	-6		0.00%	0	0.00%
XX. RESULT PART OF THE GROUP	**13 582**		**4.29%**	**12 153**	**3.58%**
EBIT	**25 457**		8.05%	**25 891**	7.63%
EBITDA	**43 647**		13.80%	**44 843**	13.21%
Cash Flow	**29 535**		9.34%	**31 496**	9.28%

(1) in 2005: Reallocation of goods produced for R&D purposes to R&D expenses in an amount of kEUR 1,337 in 2005 to permit comparison with figures for 2006

II.3. CONSOLIDATED CASH FLOW STATEMENT | in thousands of euros

	2005	2006
Recurring operating result	25 962	27 198
Non recurring items	-505	-1 307
Depreciation	17 899	17 919
Impairment		0
Write off inventory and receivables	862	230
Provision other risks and charges	-1 026	2 792
Changes in working capital	-16 664	-2 254
Other changes	-521	-175
Cash flow from operating activities	**26 007**	**44 402**
Current taxes	-8 642	-6 782
Net cash flow from operating activities	**17 365**	**37 620**
Received interests	343	786
Acquired intangible and tangible assets through business combinations		-16 594
Acquired working capital through business combinations		-5 562
Goodwill resulting from business combinations		-1 387
Deferred tax resulting from business combinations		1 676
Investments in intangible and tangible fixed assets	-19 571	-27 440
Disposal and sale of intangible and tangible fixed assets	534	382
Increase in capital grants	830	1 565
Translation adjustments on intangible and tangible assets		558
Net cash flow from investing activities	**-17 865**	**-46 016**
Net cash flow before financing activities	**-500**	**-8 396**
Paid interest	-6 280	-7 512
Disbursed dividend	-4 706	-5 133
Increase long term interest bearing loans	20 000	98 900
Decrease long term interest bearing loans	-24 293	-35 698
Increase/(decrease) short term intrest bearing loans	8 097	-36 157
Increase/(decrease) finance lease obligations	-1 066	-1 493
Other	-18	-45
Currency result	484	205
Cash flow from financing activities	**-7 781**	**13 068**
Impact of cumulative translation adjustments and hedging	1 966	-128
Change in cash and cash equivalents	-6 314	4 543
Net cash position at the end of previous period	14 887	8 572
Net cash position at the end of current period	8 572	13 116

II.4. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY | in thousands of euros

2006

	Capital	Reserves	Translation differences	Hedging reserves	Minority
At the end of last financial year	46 000	81 318	2 466	-420	19
Result		12 153			
Dividends		-5 134			
Hedging				1 938	
Deferred tax				-673	
Cumulative translation adjustments			-1 766		
Change in consolidation scope					-19
Transfer to profit on cash flow hedges				-86	
At the end of current financial year	46 000	88 337	700	759	0

The company paid in 2006 5.1 Mio Eur dividends over 2005.

Proposed dividend over 2007 under condition of approval by the general shareholders meeting amounts to 5.6 Mio EUR.

2005

	Capital	Reserves	Translation differences	Hedging reserves	Minority
At the end of last financial year	46 000	72 439	-137		0
Result		13 582			6
Dividends		-4 707			
Hedging				-636	
Deferred tax				216	
Cumulative translation adjustments			2 603		17
Other		4			-4
At the beginning of last financial year	46 000	81 318	2 466	-420	19

III. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS I in thousands of euros

III.1. KEY ACCOUNTING RULES

SUMMARY OF KEY ACCOUNTING RULES

The consolidated annual financial statements of Sioen Industries NV (the 'Company') include the annual financial statements of the Company, its subsidiaries and those entities which are consolidated by the proportional method (together referred to below as the 'Group').
The consolidated financial statements are drawn up in conformity with the International Financial Reporting Standards (IFRS), as accepted within the European Union.
In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (the IFRIC) of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1January 2006, all of which have been endorsed by the European Union.

Application of new IFRS

The Group has not applied in advance the following new standards and interpretations which, on the date of approval of these annual accounts, had been issued, but were not yet effective

- IFRS 7 Financial Instruments: Disclosures, effective for - IFRS 7 Financial Instruments: Disclosures; effective for annual periods beginning on or after 1 January 2007
- IFRS 8 Operating Segments; effective for annual periods beginning on or after 1 January 2009
- IFRIC 7 Applying the Restatement Approach under IAS 29; effective for annual periods beginning on or after 1 March 2006
- IFRIC 8 Scope of IFRS 2; effective for annual periods beginning on or after 1 May 2006
- IFRIC 9 Reassessment of Embedded Derivatives; effective for annual periods beginning on or after 1 June 2006
- IFRIC 10 Interim Financial Reporting and Impairment; effective for annual periods beginning on or after 1 November 2006
- IFRIC 11 IFRS 2 Group and Treasury Share Transactions; effective for annual periods beginning on or after 1 March 2007
- IFRIC 7 Service Concession Arrangements; effective for annual periods beginning on or after 1 January 2008

Except for IFRS 7 and IFRS 8 which will impact the amount of information to be disclosed, the future application of the above-mentioned standards and interpretations would appear at a first estimate to have no material impact on the annual financial statements.

General principles

The consolidated annual accounts give a general overview of the Group's activities and the results obtained. They give an accurate picture of the entity's financial position, financial performance and cash flow, and are drawn up on a going concern basis.
The annual accounts are stated in thousands of euros, as the euro is the currency of the primary economic environment in which the Group is active. The annual financial statements of foreign partipations are converted in accordance with the principles described in the section 'Foreign Currencies'.
The consolidated financial statements are presented on the basis of the historical cost method, unless otherwise stipulated in the accounting principles set out below.

Foreign currencies

On the basis of the Group's relevant economic environment and its transactions, the euro has been chosen as the reporting currency.
Foreign subsidiaries' financial statements are converted as follows:
Transactions in foreign currencies are converted at the exchange rate which applied on the date of the transaction. On each balance sheet date, cash assets and liabilities expressed in foreign currency are converted at the closing rate. Non-cash assets and liabilities which are shown at their fair value in a foreign currency are converted at the exchange rate which applied when their fair value was determined.
Gains and losses arising from such conversions are recorded in the income statement. However, if they are deferred, they are recorded as equity. Assets and liabilities from the Group's foreign activities are converted at the closing rate.
Income and expenses are converted at the average exchange rate over the period, unless exchange rates have fluctuated greatly. The resultant exchange rate differences are recorded in equity, under the heading "Conversion differences".
If a foreign activity is disposed of, the cumulative amount of the exchange rate differences that was recognised in equity is recorded in the income statement.
Goodwill and adjustments to the fair value arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and converted at the closing rate.

Consolidation principles

Subsidiaries

Subsidiaries are companies over which the Company exercises a decisive influence ('control'). Control is the power to steer an entity's financial and operational policy in order to derive benefit from its activities. The consolidation of subsidiaries starts on the date on which the Group acquires control over them and stops when it loses that control. The companies in question are accounted for by the full consolidation method.
Subsidiaries' annual accounts are drawn up for the same financial year as those of the parent company and on the basis of uniform financial reporting principles for comparable transactions and other events in similar circumstances.

Combinations of companies

If the Group takes over an entity or business activity, the identifiable assets, liabilities and contingent liabilities of the party which has been taken over are adopted at their fair value.
Subsidiaries' financial statements are included in the scope of consolidation from the date of acquisition until control ceases.
The difference between the cost price and the acquiring party's stake in the net fair value of the identifiable assets, liabilities and contingent liabilities is recorded as goodwill. If this difference is negative, the surplus, after reassessment of the fair values, is accounted for directly in the income statement.
If the group increases its interest in an investment in which it did not yet have control, the surplus or deficit compared with the net asset, after adjustment to the fair value that was acquired, is processed as if it were a new acquisition according to the methodology explained in the above section. If the group increases its interest in an investment in which it already had control, the greater or lesser price that was paid vis-à-vis the share in the net assets that was acquired, is included directly in the company's own equity.
All intercompany transactions, intercompany balances and unrealised profits on intercompany transactions are eliminated unless they relate to a permanent write-down.
Minority interests are valued on the basis of their share in the fair value of the recorded assets, liabilities and contingent liabilities.

Balance sheet

Intangible assets

Intangible assets are valued at cost price. Intangible assets are recognised if it is likely that the Group will receive the associated future economic benefits and if the asset's cost price can be reliably determined. After their initial recognition in the accounts, all intangible assets are valued at cost price, less any accumulated depreciation or impairments. Intangible assets are

III. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

III.1. KEY ACCOUNTING RULES

depreciated on a straight-line basis over the best estimate of their economic life.
The remaining economic life and the depreciation method used are reassessed at the close of every financial year. Any change in the economic life of an intangible asset is treated as a revaluation.
Internally generated intangible assets are only recognised if all the following conditions are satisfied:

- an identifiable asset has been generated
- it is likely that the generated asset will yield future economic benefits; and
- the asset's cost price can be reliably determined.

Subsequent expenditure on capitalised intangible assets is only included in the balance sheet if it increases the likely future economic benefits associated with the asset concerned. All other expenditure is recorded in the income statement at the time it is incurred.

Licences, patents and similar rights
Expenditure on purchased licences, patents, trademarks and similar rights is capitalised and depreciated on a straight-line basis over the contractual term, where applicable, or over the estimate economic life, which is deemed to be no more than five years.

Computer software
Expenditure relating to the development or maintenance of computer software is normally offset against the result of theperiod in which it is incurred. Only external expenditure which is directly related to the purchase and implementation of purchased software is recorded as an intangible asset and depreciated on a straight-line basis over three years. Purchased ERP software and the associated implementation costs are depreciated on a straight-line basis over seven years.

Research and development
Research expenditure with a view to the acquisition of new scientific or technological insights or knowledge is included as a cost in the income statement as it arises.

Development expenditure in which research results are used in a plan or design for the production of new or substantially improved products and processes prior to commercial production or implementation is only recognised in the balance sheet if all the following conditions are satisfied:

- the product or process is precisely defined and the expenditure is individually identifiable and reliably measurable;
- the product's technical feasibility has been sufficiently demonstrated;
- the product or process will be commercialised or used within the company;
- the assets will generate future economic benefits (e.g. a potential market exists for the product or its internal usefulness has been sufficiently proven);
- the appropriate technical, financial and other resources are available to finalise the project.

If the above criteria are not satisfied, the development costs are taken to the income statement as they arise. Capitalised development costs are depreciated on a straight-line basis over the expected duration of the generated benefits from the start of commercial production or the implementation of the product or process.

Goodwill
Goodwill represents the additional premium paid on the acquisition of an interest over the fair value of the Group's interest in the acquired assets and liabilities at the time of acquisition.
Goodwill is recorded as an asset and subjected to a impairment test at least once a year. Any impairment loss is immediately recorded in the income statement and is not subsequently written back.
Negative goodwill represents the amount by which the fair value of the Group's interest in the acquired assets and liabilities at the time of acquisition exceeds the price paid.
On the disposal of a subsidiary, associated undertaking or entity over which joint control is exercised, the related goodwill is included in the calculation of the gain or loss on disposal.

Tangible fixed assets
Tangible fixed assets are valued at cost price less accumulated depreciation and impairments. A tangible fixed asset is recognised if it is likely that the Group will receive the associated future economic benefits and if the asset's cost price can be reliably determined.

The cost price includes all direct costs and all directly attributable costs incurred in order to bring the asset to the location and condition necessary for it to function in the intended way. Interest during construction is not capitalised.

Subsequent expenditure associated with a tangible fixed asset is usually recorded in the income statement as it is incurred. Such expenditure is only capitalised if it can be clearly shown to result in an increase in the expected future economic benefits from the use of the tangible fixed asset compared with the original estimate. Repair and maintenance costs which do not increase the likely future economic benefits are recorded as costs as they are incurred.

The different categories of tangible fixed assets are depreciated by the straight-line method over their estimated economic life. Depreciation commences once the assets are ready for their intended use.

The estimated economic life of the main tangible fixed assets lies within the following ranges:

Buildings:	20 years
Machines:	5 to 15 years
Equipment:	10 years
Furniture:	5 years
Hardware:	5 years
Vehicles:	5 years

If an asset's book value is lower than the estimated realisable value, it is immediately written down to the realisable value.

The gain or loss on the sale or disposal of an asset is determined as the difference between the net income on disposal and the asset's book value. This difference is recorded in the income statement.

Lease agreements

Financial leasing
Lease agreements which assign to the Group all the main risks and benefits associated with ownership are regarded as financial leasing. The assets acquired under financial leasing arrangements are stated in the balance sheet at their fair value at the start of the lease agreement, or, if this is lower, at the present value of the minimum lease payments, less accumulated depreciation and impairments.

The discount rate used in the calculation of the present value of the minimum lease payments is the interest rate implicit in the lease agreement, where this can be determined, or otherwise the company's marginal borrowing rate. Initial direct costs are included in the capitalised amount. Lease payments are broken down into interest charges and repayments of the principal. The interest charges are spread over the duration of the lease agreement such that a constant periodic interest rate is obtained on the outstanding balance for each period. A financial lease agreement results in the recording of both a depreciation amount and an interest charge in each period. The depreciation rules for assets acquired under financial leasing arrangements are consistent with those for assets over which full ownership is acquired.

Operational leasing
Lease agreements in which all the main risks and benefits associated with ownership reside with the lessor are regarded as operational leasing. In operational leasing, the lease payments are recorded as costs and spread on a straight-line basis over the lease period. The total value

III. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

III.1. KEY ACCOUNTING RULES

of discounts or benefits granted by the lessor is offset against the leasing costs and spread on a straight-line basis over the lease period.

Property investments

A property investment, i.e. one which is maintained in order to generate rental income, an appreciation of value or both, is shown at fair value on the balance sheet date. Gains or losses arising from a change in the fair value of a property investment are recorded in the results for the period in which they arise.

Financial investments

Investments are recorded in/ removed from the accounts on the transaction date, i.e. the date on which an entity undertakes to buy or sell the asset in question. Financial investments are valued at the fair value of the price paid, plus the transaction costs. Investments held for trading or available for sale are recorded at their fair value. If investments are maintained for trading purposes, the gains and losses arising from changes in the fair value are taken to the income statement for the period in question. In the case of investments which are available for sale, gains and losses arising from changes in the fair value are immediately recognised in equity until the financial asset is sold or subject to impairment.
In this case, the cumulative gain or loss which had previously been recognised in equity is included in the income statement for the period. Holdings which are not classified as available for sale, which are not listed on an active market and whose fair value cannot reliably be determined using alternative valuation rules are valued at cost price. Financial investments which are held until they mature are valued at their amortised cost price, using the effective interest method. This does not apply to short-term deposits, as these are valued at their cost price.

Investment grants

Investment grants relating to the purchase of tangible fixed assets are offset against the purchase price or manufacturing cost of the assets in question. The expected amount is recorded in the balance sheet at the time of initial approval, and, if necessary, corrected subsequently at the time of definitive allocation of the grant. The grant is recorded in the income statement in proportion with the depreciation of the tangible fixed assets for which it was obtained.

Inventories

Inventories are valued at the lower of cost price or realisable value. The cost price includes all direct and indirect costs incurred to bring the goods to the stage of completion they have reached on the balance sheet date. The cost price is calculated using the weighted average cost price method. The realisable value is the estimated sale price minus the estimated finishing costs and costs associated with marketing, sale and distribution.

Receivables

Short-term receivables are stated at nominal value, less suitable provisions for any debts regarded as doubtful. Long-term receivables are valued at amortised cost price.

Cash and cash equivalents

Cash and short-term investments which are maintained until the end of the period are stated at their cost price. Cash equivalents are short-term, extremely liquid investments which can be converted immediately into cash of a known amount, and which do not carry any material risk of change of value.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified on the basis of the economic reality of the contractual agreement. An equity instrument is a contract which includes the residual right to a share in the Group's assets, after the deduction of all liabilities. Equity instruments issued by the Company are recorded to the amount of the received consideration, less the direct costs of issue.

Income tax

Tax expenses consist of tax due for the reporting period and deferred taxes. The tax due for the reporting period is based on the taxable profit for the period. Taxable profit differs from the net profit in the income statement, because it excludes certain items of income or expenditure which are taxable or deductible in subsequent years, or which will never be taxable or deductible.

The current tax liability is calculated on the basis of the tax rates for which the legislative process has been (substantially) completed by the balance sheet date. Deferred taxes are taxes which are expected to be paid or recovered on the basis of differences between the book value of assets or liabilities in the annual accounts and their taxable value used for the calculation of the taxable profit. They are account for using the balance sheet liability method. Deferred tax liabilities are usually recognised for all taxable temporary differences and deferred tax receivables are recognised to the extent that it is likely that a taxable profit will be available against which the recoverable temporary difference can be offset. Such assets and liabilities are not recorded if the temporary differences arise from goodwill or from the initial recognition (other than in connection with a business combination) of other assets and liabilities in a transaction which has no effect on the taxable profit or the profit before tax.

Deferred tax liabilities are recognised for taxable temporary differences which relate to investments in subsidiaries, associated undertakings and enterprises accounted for by the equity method unless the Group can determine the time when the temporary difference will be resolved or if it is likely that the temporary difference will not be resolved in the near future.
The book value of deferred tax receivable is assessed at every balance sheet date and reduced if it is no longer likely that sufficient taxable profit will be available to make it possible to use all or some of the benefit of the deferred tax receivable.

Deferred taxes are valued on the basis of the tax rates which are expected to apply in the period in which the tax recovery is realised or the liability is settled. Deferred taxes are recorded as income or expenses in the income statement for the period, unless the taxation arises from a transaction or event that has been directly included in equity. In this case, the deferred tax is also accounted for in equity.

Pensions and related liabilities

In accordance with laws and practices of each country, associated entities have either defined benefit schemes or defined contribution schemes.

Defined contribution schemes

Contributions to defined contribution schemes are recorded as an expense as they fall due.

Defined benefit schemes

In defined benefit schemes, the amount on the balance sheet (the 'net liability') corresponds to the present value of the gross liability, adjusted for unrecorded actuarial gains and losses, after deduction of the fair value of the scheme investments and unrecorded prior service costs. The 'present value of the gross liability of a defined benefit scheme' is the present value, before deduction of the scheme investments, of expected future payments required to settle the liability which results from the employee's service record in the current and previous periods.

The discounted value of the liability arising from defined pension rights and the assigned pension costs associated with the year of service and prior service pension costs are calculated by accredited actuaries using the projected unit credit method.

The discount rate corresponds to the rate of return on the balance sheet date on corporate bonds with a high degree of creditworthiness and a remaining term comparable with the term of the Group's liabilities. The discount rate is adjusted annually to reflect the market

III. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

III.1. KEY ACCOUNTING RULES

return from high-value corporate bonds whose term is consistent with the estimated term of the gross liabilities arising from payments after retirement.

'Actuarial gains and losses' include adjustments on the basis of experience (the consequences of differences between previous actuarial assumptions and what has actually happened) and the consequences of changes to actuarial assumptions. In principle, actuarial gains and losses are not recognised at the moment they arise, but, to the extent that the cumulative amount falls outside a certain 'corridor', they are spread on a straight-line basis over the expected average remaining working life of the employees who are members of the scheme. This corridor is determined individually for each defined benefit scheme and has lower and upper limits of 110% and 90% respectively of the higher of the present value of the gross liabilities and the fair value of the scheme investments.

'Prior service costs' refer to the increase in the present value of the gross liability for services provided by employees in previous periods and which result in the current period from the introduction of or changes to payments after retirement or other long-term personnel remuneration. Prior service costs are taken gradually to the income statement and spread on a straight-line basis over the average term until the benefit rights have been acquired.
If benefit rights can be regarded as acquired as a result of a new scheme or changes to an existing scheme, prior service costs are immediately recorded in the income statement.

If the liability to be recorded on the balance sheet is negative, the asset entry that is included may not exceed the total unrecorded cumulative actuarial net losses and prior service costs and the present value of future repayments from the scheme or reductions in future contributions to the scheme (the 'asset ceiling' principle). In this case, however, the actuarial gains and losses are immediately taken to the income statement if deferring them would result in the recording of a gain purely as a consequence of an actuarial loss in the current financial year, or of a loss purely and simply as a consequence of an actuarial gain in the current financial year. Prior service costs are in this case likewise immediately included if spreading them out on a straight-line basis would result in the recording of a gain purely as a consequence of an increase in prior service costs during the current financial year.

Other long-term personnel remuneration
Other long-term personnel remuneration such as long-service bonuses is accounted for using the 'projected unit credit' method. However, the accounting treatment differs from that of defined benefit schemes, in that actuarial gains and losses and prior service costs are recorded immediately.

Provisions

Provisions are established in the balance sheet if the Group has a legally enforceable or de facto liability on the balance sheet date as a result of an event in the past, for which it is likely that an outlay will be required of resources which contain economic benefits, and if this outlay can be reliably estimated. The amount recorded as a provision is the best estimate on the balance sheet date of the outlay required to satisfy the existing liability, if necessary discounted if the time value of money is relevant.

Provisions for reorganisation costs are recorded if the Group has a detailed formal plan for the reorganisation that has already been communicated to the parties concerned before the balance sheet date.

Interest-bearing financing

Interest-bearing financing is recorded at the value of the income received less transaction costs incurred. It is then valued at amortised cost price using the effective interest rate method. Any difference between the income (after deduction of transaction costs) and the redemption value (including premiums payable on redemption) is recorded in the income statement over the period of the financing.

Trading accounts payable and other payables

Non-interest-bearing trade liabilities are valued at their cost price, which represents the fair value of the amount payable.

Derivative financial instruments

The Group uses various derivatives to hedge against currency risks arising from its operating activities, financing and investment activities. The net risk of all Group subsidiaries is managed centrally in line with the objectives and rules established by the Group management. It is the Group's policy to avoid engaging in speculative transactions or transactions with a leverage effect and not to engage in trading in financial instruments under any circumstances.

Derivative financial instruments are treated as follows:

Cash flow hedging

Changes in the fair value of derivative financial instruments which are ascertained to provide effective hedging for future cash flows are recorded directly in equity, while the non-effective element of the gain or loss on the hedging instrument is recorded in the income statement. If the cash flow hedging of a fixed commitment or a highly likely future transaction results in the recognition of an asset or liability, then the associated profits and losses on the derivative instrument which were formerly recorded in equity are now included in the initial valuation of the asset or liability at the time of recognition. For hedges which do not result in the recognition of an asset or liability, amounts which were deferred in equity are recorded in the income statement for the period during which the hedged item affects the gain or loss.

Fair value hedging

A derivative instrument is recorded as a fair value hedge if the instrument hedges against the risk that the fair value of the recorded assets and liabilities may change. Derivatives accounted for as fair value hedges and hedged assets and liabilities are recorded at their fair value. The corresponding changes in the fair value are recorded in the income statement. Changes in the fair value of derivative financial instruments which do not qualify as hedging transactions are recorded in the income statement when they arise. Hedge accounting is discontinued when the hedging instrument expires, is sold, terminated or exercised or when the hedging no longer satisfies the criteria for hedge accounting.
In this case the cumulative gain or loss on the hedging instrument which is accounted for directly in equity continues to be recorded separately in equity until the expected future transaction takes place. If an expected future transaction is not expected to take place any more, the cumulative gain or loss shown in the equity is transferred to the income statement for the period.

Income

Income is recorded if it is likely that the company will receive the economic benefits associated with the transaction and the amount of the income can be measured reliably. Turnover is recorded after the deduction of turnover tax and discounts.
Income from the sale of goods is recorded when the delivery and the complete transfer of risks and benefits have taken place.
Interest income is recorded on a time basis that reflects the actual return on the asset. Royalties are included on an accrual basis in accordance with the conditions of the agreement.
Dividends are recorded when the shareholder's right to receive them has arisen.

Miscellaneous

Impairment of tangible and intangible assets

Like goodwill, which is subjected to an impairment test every year, intangible assets and tangible fixed assets also undergo such a test when there is an indication that their book value may be lower than their realisable

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III.1. KEY ACCOUNTING RULES

value. If an asset does not generate a cash influx which is independent of other assets, the Group estimates the realisable value of the cash flow generating unit to which the asset belongs.

The realisable value is the highest value of the fair value minus sales costs and the value to the business.

The method of the going concern value uses cash flow forecasts based on the financial budget that is approved by the management. Cash flows after this period are extrapolated by making use of the most justified percentage growth over the long term for the sector in which the cash flow-generating unit is active. The management bases its assumptions (prices, volumes, return) on past performances and on its expectations with regard to the development of the market. The weighted average growth percentages are in conformity with the forecasts included in the sector reports. The discount rate used is the estimated weighted average equity cost of the group before taxes, and takes account of the current market evaluations of the time value of money and the risks for which the future cash flows are adapted.

If the realisable value of an asset (or cash flow generating unit) is estimated to be lower than its book value, the asset's (or cash flow generating unit's) book value is reduced to its realisable value. An impairment loss is immediately recorded in the income statement.
If an impairment loss is subsequently written back, the asset's (or cash flow generating unit's) book value is increased to the revised estimate of its realisable value, but only to the extent that the increased book value is no higher than the book value that would have been recorded if no impairment loss had been recorded for the asset (or cash flow generating unit) in previous years. However, impairment losses on goodwill are never written back.

Post-balance sheet events

Post-balance sheet events which provide additional information about the company's situation on the balance sheet date
('adjusting events') are included in the annual accounts. Other post-balance sheet events are mentioned in the notes only if they may have a significant impact.

The most important assessment criteria in the application of the Valuation rules

In the application of the valuation rules, in certain cases an accounting assessment must be made. This assessment is done by making the most accurate assessment possible of uncertain future evolutions. The management determines its assessment on the basis of different realistically assessed parameters, such as future market expectations, sector growth rates, industry studies, economic realities, budgets and multi-year plans, expected profitability studies, etc. The most important elements within the group that are subject to this are: impairments, provisions and deferred tax items.

III.2. SEGMENT INFORMATION

PRIMARY SEGMENT INFORMATION

For management purposes, the Group is organised into three major operating divisions – Coating, Apparel and Industrial Applications. These divisions are the basis on which the Group reports its primary segment information.
The principal products and services of each of these divisions are described previously.
For more details on these divisions reference is made to the first part of this annual report.
Inter-segment sales are done at prevailing market conditions.

Segments 2006	Coating	Apparel	Industrial applications	Eliminations	Consolidated
Net sales	**212 897**	**75 270**	**83 687**		**339 389**
External sales	183 468	75 211	80 710		339 389
Intersegment sales	29 429	60	2 976	-32 465	0
Segment profit from operational activities	**18 971**	**3 229**	**6 084**		**28 285**
Unallocated profit from operational activities					-2 394
Profit from operational activities					**25 891**
Net financial charges					-6 565
Profit before taxation					**19 326**
Taxes					-7 172
Profit after taxation					**12 153**
Segment assets	275 217	58 424	54 508	-22 746	365 402
Unallocated assets					6 430
Total consolidated assets					**371 833**
Segment liabilities	275 217	58 424	54 508	-22 746	365 402
Unallocated liabilities					6 430
Total consolidated liabilities					**371 833**

Other information	Coating	Apparel	Industrial applications	Head office	Eliminations	Consolidated
Depreciation	13 949	1 499	1 691	780	0	17 919
Write downs of inventories	59	1 690	366	0	0	2 116
Write downs of receivables	-1 008	-356	-522	0	0	-1 886
Additions to/(reversals) of provisions	605	76	123	0	0	804
EBITDA	32 577	6 138	7 742	-1 642	29	44 843
Impairments	0	0	0	0	0	0
Reorganisation costs	1 195	61	1	50	0	1 307
Investments in intangible fixed assets	28	32	2	2 712	0	2 773
Investments in tangible fixed assets	19 266	721	2 561	548	0	23 097

III.2. SEGMENT INFORMATION

PRIMARY SEGMENT INFORMATION

Segments 2005	Coating	Apparel	Industrial applications	Eliminations	Consolidated
Net sales	**193 431**	**78 138**	**70 066**		**316 237**
External sales	170 740	78 127	67 370		316 237
Intersegment sales	22 691	11	2 696	-25 398	0
Segment profit from operational activities	**15 356**	**3 456**	**6 743**		**25 554**
Unallocated profit from operational activities					-97
Profit from operational activities					**25 457**
Net financial charges					-5 470
Profit before taxation					**19 987**
Taxes					6 399
Profit after taxation					**13 588**
Group share in profit or loss					**13 582**
Segment assets	229 324	69 189	55 206	-20 604	333 015
Unallocated assets					4 667
Total consolidated assets					**337 683**
Segment liabilities	229 324	69 189	55 206	-20 604	333 015
Unallocated liabilities					4 667
Total consolidated liabilities					**337 683**

Other information	Coating	Apparel	Industrial applications	Head office	Eliminations	Consolidated
Depreciation	13 599	1 753	1 786	740	22	17 899
Write downs of inventories	135	516	278	0	0	930
Write downs of receivables	-145	105	-28	0	0	-67
Additions to/(reversals) of provisions	-522	-30	-20	0	0	-572
EBITDA	28 423	5 800	8 760	517	147	43 647
Reorganisation costs	419	83	0	50	0	505
Investments in intangible fixed assets	42	43	20	631	0	736
Investments in tangible fixed assets	11 395	1 081	3 390	765	0	16 632

2006	Gross Sales		Assets		Cost of acquisitions	
Germany	68 519	20.0%	1 376	0.4%	4	0.0%
France	62 657	18.3%	57 286	15.4%	4 293	16.6%
Belgium	39 801	11.6%	259 779	69.9%	20 143	77.9%
Eastern Europe	33 872	9.9%	10 866	2.9%	819	3.2%
Netherlands	31 202	9.1%	13 070	3.5%	8	0.0%
Great Britain	23 173	6.8%	1 952	0.5%	0	0.0%
Italy	14 232	4.2%	0	0.0%	0	0.0%
Scandinavia	9 637	2.8%	0	0.0%	0	0.0%
Spain	8 979	2.6%	0	0.0%	0	0.0%
USA	8 654	2.5%	3 386	0.9%	151	0.6%
Ireland	4 206	1.2%	3 127	0.9%	41	0.2%
Switzerland	4 138	1.2%	0	0.0%	0	0.0%
Austria	3 759	1.1%	0	0.0%	0	0.0%
Other	29 120	8.5%	20 992	5.6%	411	1.6%
Subtotal	341 949	100.0%	371 833	100.0%	25 871	100.0%
Discounts	2 560					
Net Sales	339 389					

2005	Gross Sales		Assets		Cost of acquisitions	
France	64 331	20.2%	40 597	12.0%	5 014	27.6%
Germany	56 308	17.7%	1 950	0.6%	45	0.2%
Belgium	39 087	12.3%	230 584	68.3%	11 779	64.7%
Great Brittain	27 560	8.7%	6 588	2.0%	58	0.3%
Netherlands	26 732	8.4%	13 426	4.0%	24	0.1%
Eastern Europe	25 707	8.1%	8 990	2.7%	306	1.7%
Italy	13 011	4.1%	0	0.0%	0	0.0%
Scandinavia	10 186	3.2%	0	0.0%	0	0.0%
Spain	8 357	2.6%	0	0.0%	0	0.0%
USA	7 133	2.2%	2 782	0.8%	98	0.5%
Switzerland	4 743	1.5%	0	0.0%	0	0.0%
Austria	4 090	1.3%	0	0.0%	0	0.0%
Ireland	3 811	1.2%	3 076	0.9%	38	0.2%
Other	27 417	8.6%	29 324	9.1%	834	4.6%
Subtotal	318 473	100.0%	337 683	100.0%	18 197	100.0%
Discounts	2 236					
Net Sales	316 237					

III.3. EXCHANGE RATE

Code	RATE	2005	2006
EUR	average	1.0000	1.0000
	closing	1.0000	1.0000
USD	average	1.2400	1.2632
	closing	1.1797	1.3170
GBP	average	0.6836	0.6819
	closing	0.6853	0.6715
RMB	average	10.1523	10.0492
	closing	9.5202	10.2796
PLN	average	4.0217	3.9011
	closing	3.8600	3.8310
TDN	average	1.6114	1.6742
	closing	1.6112	1.7106
UAH	average	6.3199	6.3686
	closing	5.9588	6.6551

III.4. DETAILED INCOME STATEMENT

	2005	2006
NET SALES		
Sales of goods	317 567	342 190
Subcontracting	2 156	1 641
Commissions and discounts	-3 486	-4 442
Net sales	**316 237**	**339 389**
COST OF GOODS SOLD		
Purchases	159 088	165 329
Transport cost goods purchased	1 410	1 144
Stock variation	-8 180	-3 440
Subcontracting	5 206	5 669
Personnel expenses	42 199	43 439
Depreciation	14 697	14 589
Services and other goods	36 529	38 590
Amounts written off inventory and receivables	930	2 116
Cost of goods sold	**251 877 (1)**	**267 436**
SALES AND MARKETING		
Subcontracting	0	4
Personnel expenses	8 257	9 725
Depreciation	117	303
Other services and other goods	7 590	7 428
Amounts written off inventory and receivables	-67	-1 886
Sales and marketing	**15 896**	**15 573**
RESEARCH AND DEVELOPMENT		
Personnel expenses	2 876	3 272
Depreciation	532	544
Other services and goods	2 147	3 206
Research and development expenses	**5 554 (1)**	**7 021**
GENERAL AND ADMINISTRATIVE EXPENSES		
Personnel expenses	10 127	11 245
Depreciation	2 554	2 483
Other services and goods	7 206	8 737
General overhead expenses	**19 887**	**22 465**
OTHER OPERATING INCOME AND EXPENSES		
Gain/loss on realization fixed assets	917	54
Provision liabilities & charges	572	-804
Impairment loss	0	0
Received indemnities	155	548
Local taxes	-670	-910
Other	1 966	1 416
Other operating income and expenses	**2 940**	**304**

(1) in 2005: Reallocation of goods produced for R&D purposes to R&D expenses in an amount of kEUR 1,337 in 2005 to permit comparison with figures for 2006

III.4. DETAILED INCOME STATEMENT

	2005	2006
NON RECURRING RESULT		
Restructuring expenses	-505	-1 307
Non recurring result	**-505**	**-1 307**
Operating result		
X. OPERATING RESULT	**25 457**	**25 891**
FINANCIAL RESULT		
Interests received	251	562
Interests paid	-6 280	-7 512
Realized currency result	228	-174
Unrealized currency result	194	388
Other	136	170
Financial result	**-5 470**	**-6 565**
TAXES		
Current tax	-8 642	-6 782
Deferred tax	2 242	-391
Taxes	**-6 399**	**-7 172**
Earnings after taxes	13 582	12 153

	2005	2006
Reconciliation between taxes and result before taxes		
Profit before taxes	**19 987**	**19 326**
Tax on profit of fiscal entities against theoretical local tax rate	6 024	6 532
Theoretical tax rate (1)	30,14%	33,80%
Tax impact of change in tax rate (3)		1 147
Non-deductible expenses	197	312
Specific tax regimes	-720	-810
Deferred tax assets not recognised	1 415	1 597
Valuation allowance on previously recognised deferred tax assets	1 771	
Usage of non-recognised deferred tax assets		-1 393
Regularisation of current tax on previous years	-842	68
Carry back (4)		-186
Notional interest deduction		-645
Deferred taxes on undistributed reserves	260	252
Sale Sirec(2)	-1 576	
Other	-130	298
Tax on profit as shown in the P&L	6 399	7 172

(1) is the weighted average tax rate

(2) in 2005 Sioen Industries sold Sirec to a reinsurance company. This resulted in the realization of a deferred tax liability.

(3) tax rate in Netherlands 25.5% while last year 31.5%

(4) tax paid in 2003 in Pennel can be claimed back

DIVIDENDS

Dividend for the period ending 31 December 2005 of EUR 0.24 per share.
Proposed dividend for the period ending 31 December 2006 of EUR 0.26 per share.
The proposed dividend is subject to shareholders' approval at the annual general meeting and is not shown as a liability in these annual accounts.

ORDINARY PROFIT PER SHARE

The calculation of the ordinary and diluted profit per share is based on the following data:

	2005	2006
Net profit or loss for the period	13 582	12 153
Net profit or loss from continuing activities	13 582	12 153
Weighted average number of outstanding shares	21 391 070	21 391 070
Ordinary shares	21 391 070	21 391 070
Weighted average number of shares for ordinary profit per share	21 391 070	21 391 070
Ordinary profit per share	**0.63**	**0.57**
Ordinary profit per share from continuing activities	0.63	0.57
DILUTED PROFIT PER SHARE		
Diluted elements	-	
Net profit or loss from continuing activities	13 582	12 153
Profit or loss attributable to ordinary shareholders	13 582	12 153
Weighted average number of outstanding ordinary shares	21 391 070	21 391 070
Weighted average number of shares for diluted profit per share	21 391 070	21 391 070
Diluted profit per share	**0.63**	**0.57**
Diluted profit per share from continuing activities	0.63	0.57
Anti dilutive elements not included in the calculation		

Shares option plan as the options are out of the money compared to the average share price in 2005 and 2006.

III.5. DETAILED BALANCE SHEET

III.5.1 INTANGIBLE FIXED ASSETS

2006	Opening balance	Purchases	Disposals	Sales	Transfers	Exchange rate differences	Acquired via Business Combination	Depreciation	Impairment	Closing balance
Development expenses : acquisition	8				-8					
Concessions, patents, licences etc.: acquisition	1 653	6				4	8 418			10 082
Software : acquisition	8 399	2 767			15	-16	180			11 345
Customer portfolio : acquisition	2 568					0	5 582		0	8 150
TOTAL	**12 628**	**2 773**	**0**	**0**	**7**	**-11**	**14 180**	**0**	**0**	**29 576**
Development expenses : depreciation	0					0				0
Concessions patents licences etc.: depreciation	1 512					4		242		1 758
Software : depreciation	7 334				1	-10	173	361		7 859
Customer portfolio : depreciation	1 514					0	0	729	0	2 243
TOTAL	**10 361**	**0**	**0**	**0**	**1**	**-6**	**173**	**1 333**	**0**	**11 860**
Intangible assets	**2 267**	**2 773**			**6**	**-5**	**14 007**	**-1 333**	**0**	**17 716**

2005	Opening balance	Purchases	Disposals	Sales	Transfers	Exchange rate differences	Acquired via Business Combination	Depreciation	Impairment	Closing balance
Development expenses : acquisition	0	8								8
Concessions, patents, licences etc.: acquisition	1 629	17			0	7			0	1 653
Software : acquisition	7 693	711			-22	18			0	8 399
Customer portfolio : acquisition	2 568									2 568
TOTAL	**11 889**	**736**	**0**	**0**	**-22**	**24**	**0**	**0**	**0**	**12 628**
Development expenses : impairment										
Concessions patents licences etc.: impairment										
Software : impairment										
Customer portfolio : impairment	6			-6		0			0	
TOTAL	**6**	**0**	**0**	**-6**	**0**	**0**	**0**	**0**	**0**	**0**
Development expenses : depreciation	0									0
Concessions patents licences etc.: depreciation	1 465					3		44		1 512
Software : depreciation	6 902				-18	10		440	0	7 334
Customer portfolio : depreciation	720							794		1 514
TOTAL	**9 088**	**0**	**0**	**0**	**-18**	**13**	**0**	**1 278**	**0**	**10 361**
Intangible assets	**2 796**	**736**		**6**	**-4**	**11**		**-1 278**	**0**	**2 267**

Total purchases of intangible fixed assets amount to EUR 2.8 million compared with EUR 0.8 million in 2005. This is mainly due to increased purchases of software relating to the SAP implementation.

Purchases of software in 2005 consist predominantly of the initial expenditure on the ERP project (SAP). Also in 2006 purchases of software consist mainly of SAP implementation costs. As SAP was not in use, no depreciation was recorded in 2006. Once in use, purchased ERP software and associated implementation costs will be depreciated over seven years on a straight-line basis.

Assets acquired through the acquisition of Siegwerk Benelux business and of Richard Colorants SA, Copidis SAS and Astra SA (together «Richard» below) are mentioned under acquisition via business combination. The client portfolio of the Siegwerk Benelux business purchased in 2006 was valued at EUR 1.4 million and the product portfolio at EUR 5.9 million. The product portfolio is being depreciated over 8 years, the client portfolio over 5 years.
The client portfolio of Richard was valued at EUR 4.2 million and the product portfolio at EUR 2.5 million. This product portfolio is being depreciated over 10 years, the client portfolio over 5 years.

Depreciation of intangible fixed amounts to EUR 1.3 million and is shown in the income statement by function. Depreciation of the customer portfolio is included in sales and marketing expenses, depreciation of the product portfolio is included in the manufacturing contribution.

No development expenses have been capitalized.

Intangible assets that meet the recognition criteria of IAS 38 - Intangible Assets are recognised to the extent that future economic benefits are probable. To the extent that the recoverable amount of the intangible assets (i.e. the higher of its fair value less costs to sell and the present value of the future cash flows expected from the continuing use of these assets and their disposal) is less than the carrying amount, an impairment loss is recognised in accordance with IAS 36 - Impairment of Assets. The recoverable amount of a CGU (Cash-Generating Unit) is generally determined on the basis of value-in-use calculations. For certain assets clearly identified, the "net selling price" in a binding sales agreement of an arm's length transaction can however be used to determine the recoverable amount of the asset. The value-in-use method involves cash flow projections based on financial budget approved by management. Cash flows are extrapolated using the most appropriate estimated growth rate which does not exceed the long-term average growth rate for the business in which the CGU operates.

Management determines these assumptions (prices, volumes and performance yields) based on past performance and its expectations for the market development. The weighted average growth rates used are consistent with the forecasts included in the industry reports. The discount rate used is based on the Group's estimated pre-tax weighted average cost of capital and reflects current market assessments of the time value of money and risks for which future cash flows have not been adjusted and are similar to those disclosed under caption "V.5.2. Goodwill"

No impairments were recorded in 2006.

III.5.2 GOODWILL

2006	Opening balance	Increase	Decrease	Charge to equity	Exchange rate differences	Acquired via business combination	Closing balance
Goodwill	16 548				-2	1 388	17 935
2005							
Goodwill	16 548				-2	0	16 548

Allocation to segments :

Coating	15 560
Apparel	2 360
Industrial application	15

In 2006 the group purchased various assets of Siegwerk Benelux. These were included in the consolidated financial statements using the purchase accounting method. The resultant goodwill of EUR 0.6 million is not depreciated, in line with IFRS 3.

In 2006 Richard Colorants SA, Copidis SAS and Astra SA were purchased. The figures were included in the Group's financial statements from 1 October 2006. The purchased assets were included in the consolidated annual accounts using the purchase accounting method. The resultant goodwill of EUR 0.7 million is not depreciated, in line with IFRS 3.

The book value of goodwill acquired in a business combination must be allocated on a reasonable and consistent basis to each cash flow-generating unit or the smallest group of cash flow-generating units, in conformity with IAS 36.

The realisable value of a cash flow-generating unit is determined on the basis of the going concern value. For calculating the going concern value, cash flow forecasts are used that are based on financial budgets and projections. These projections contain extrapolations making use of the most justified growth percentage that cannot be higher than the average growth percentage over the long term for the sector in which the cash flow-generating unit is active, that is, between 2% and 3%.

Management bases its assumptions on past performances and on its expectations over the coming years. The discount rate used is calculated per segment and varies between 6% and 10%.

III.5.3 SUBSIDIARIES

			% holding 2006	2005	
Sioen n.v.	Belgium	Ardooie	99.47%	99.47%	apparel
Veranneman Technical Textiles n.v.	Belgium	Ardooie	98.72%	98.72%	coating
European Master Batch n.v.	Belgium	Bornem	100.00%	100.00%	coating
Coatex n.v.	Belgium	Poperinge	100.00%	100.00%	industrial applications
Sioen France s.a.s.	France	Narbonne	99.83%	99.83%	apparel
Confection Tunisienne de Sécurité s.a.	Tunesia	Tunis	89.25%	89.25%	apparel
Donegal Protective Clothing Ltd.	Ireland	Derrybeg	100.00%	100.00%	apparel
Sioen Coating Distribution n.v.	Belgium	Ardooie	100.00%	100.00%	coating
Siofab s.a.	Portugal	Santo Tirso	100.00%	100.00%	coating
P.T. Sungintex	Indonesia	Jakarta	100.00%	100.00%	apparel
Saint Frères s.a.s.	France	Flixecourt	99.97%	99.97%	coating
Sioen Fabrics s.a.	Belgium	Moeskroen	100.00%	100.00%	coating
Saint Frères Confection s.a.s.	France	Flixecourt	100.00%	100.00%	industrial applications
P.T. Sioen Indonesia	Indonesia	Jakarta	100.00%	100.00%	apparel
Sioen Tunisie s.a.	Tunesia	Tunis	99.83%	99.83%	apparel
Sioen Fibres s.a.	Belgium	Moeskroen	100.00%	100.00%	coating/apparel
TIS n.v.	Belgium	Haaltert-Kerksken	100.00%	100.00%	coating
Sioen UK Ltd.	United Kingdom	Chorley	100.00%	100.00%	apparel
Mullion Manufacturing Ltd.	United Kingdom	Scunthorpe	100.00%	100.00%	apparel
Sioen Shanghai	China	Shanghai	100.00%	100.00%	coating
Sioen Zaghouan s.a.	Tunesia	Zaghouan	99.50%	99.50%	apparel
Sioen Nordifa s.a.	Belgium	Luik	100.00%	100.00%	industrial applications
Inducolor s.a.	Belgium	Meslin-L'Evêque	100.00%	100.00%	coating
Sioen Coating n.v.	Belgium	Ardooie	99.47%	99.47%	coating
Pennel Automotive s.a.s.	France	Roubaix	100.00%	100.00%	coating
Roland International b.v.	The Netherlands	Tegelen	100.00%	100.00%	industrial applications
Roland Planen GmbH	Germany	Werlte	100.00%	100.00%	industrial applications
Roltrans Group America Inc.	USA	Arlington	100.00%	100.00%	industrial applications
Roltrans Group Polska Spzoo	Poland	Konin	100.00%	100.00%	industrial applications
Roland Tilts UK Ltd.	United Kingdom	Bradford	100.00%	100.00%	industrial applications
Monal s.a.	Luxemburg	Luxemburg	100.00%	100.00%	industrial applications
Roltrans Group b.v.	Nederland	Tegelen	100.00%	100.00%	industrial applications
Roland-Ukraine Llc	Ukraine	Rivne	100.00%	60.00%	industrial applications
Sioen USA Inc.	USA	Aberdeen	100.00%	100.00%	apparel
Richard s.a.s.	France	Lomme	100.00%	0.00%	coating
Colorants Pigments Distribution s.a.s.	France	Lomme	100.00%	0.00%	coating
Astra Colorants s.a.	France	Lomme	100.00%	0.00%	coating
Sioen Industries n.v.	Belgium	Ardooie	100.00%	100.00%	group

Changes with respect to 2005:

The client portfolio of Sioen UK Ltd is acquired on 30 juni 2006 by Sioen n.v.

Roland International b.v. acquired in december 2006 100% of the share in Roland-Ukraine Llc

The group Richard (Richard s.a.s., Copidis s.a.s. en Astra Colorants s.a.) has been acquired in october 2006

III.5.4 TANGIBLE FIXED ASSETS

2006	Opening balance	Purchases	Disposals	Sales	Transfers	Exchange rate differences	Acquired via Business Combination	Depreciation	Closing balance
Land : acquisition	16 718	675		-1	-7	-61	308	0	17 633
Buildings : acquisition	50 312	2 539	-121		-179	-544	996	0	53 003
Infrastructure buildings : acquisition	16 580	3 166	-46	-15		2	2 253	0	21 940
Plant, machinery and equipment : acquisition	151 462	8 783	-324	-754	23	-577	4 107	0	162 721
Furniture : acquisition	3 649	142	-18	-3		-116	568	0	4 222
Vehicles : acquisition	3 407	693	-33	-441	-40	-30	22	0	3 578
Hardware : acquisition	5 335	426	-26	-2		-121	0	0	5 612
Leasing land and buildings : acquisition	20 245				-874	7	0	0	19 378
Leasing furniture and equipment: acquisition	277	156		-40	-347	-3	0	0	43
Assets under construction : acquisition	102	6 517			1 416	1	0	0	8 036
TOTAL	**268 087**	**23 097**	**-568**	**-1 256**	**-7**	**-1 440**	**8 255**	**0**	**296 168**
Buildings : depreciation	20 363		-64		525	-169	882	1 849	23 385
Infrastructure buildings : depreciation	10 057		-33	-15		2	1 927	1 222	13 160
Plant, machinery and equipment : depreciation	80 686		-110	-759	-1	-504	2 364	11 280	92 955
Furniture : depreciation	3 304		-11	-7	0	-99	494	184	3 865
Vehicles : depreciation	2 733		-33	-350	-30	-17	1	345	2 650
Hardware : depreciation	3 928		-3	-21		-85	0	580	4 400
Leasing land and buildings: depreciation	4 674				-411	2	0	1 064	5 330
Leasing furniture and equipment: depreciation	64			-37	-85	-1	0	61	3
Assets under construction: depreciation	0						0	0	0
TOTAL	**125 808**	**0**	**-253**	**-1 189**	**-1**	**-871**	**5 668**	**16 586**	**145 748**
a) Land	16 718	675		-1	-7	-61	308	0	17 633
b) Buildings	36 472	5 705	-70	0	-704	-374	440	-3 071	38 399
2) Plant, Machinery and Equipment	70 776	8 783	-213	5	24	-73	1 743	-11 280	69 765
3) Furniture and Vehicules	2 426	1 261	-31	-68	-10	-66	96	-1 110	2 498
4) Fixed assets held under leasing and other simil	15 784	156		-2	-726	3	0	-1 125	14 089
5) Assets under construction and advance payments	102	6 517			1 416	1	0	0	8 036
Property, plant and equipment	142 278	23 097	-315	-67	-6	-569	2 587	-16 586	150 420

2005	Opening balance	Purchases	Disposals	Sales	Transfers	Exchange rate differences	Acquired via Business Combination	Depreciation	Closing balance
Land : acquisition	16 814			-138	-126	168	0	0	16 718
Buildings : acquisition	46 414	3 559		-401	-206	946	0	0	50 312
Infrastructure buildings : acquisition	16 168	622		-1	-235	24	0	0	16 580
Plant, machinery and equipment : acquisition	139 746	10 770		-972	1 005	914	0	0	151 462
Furniture : acquisition	3 437	92	-8	-7	6	128	0	0	3 649
Vehicles : acquisition	3 727	279		-660	-35	95	0	0	3 407
Hardware : acquisition	5 043	412		-252	-25	158	0	0	5 335
Leasing land and buildings : acquisition	19 272	516			466	-9	0	0	20 245
Leasing furniture and equipment: acquisition	204	58			-9	23	0	0	277
Assets under construction : acquisition	151	324			-378	5	0	0	102
TOTAL	**250 976**	**16 632**	**-8**	**-2 431**	**463**	**2 453**	**0**	**0**	**268 087**
Buildings : depreciation	18 426			-206	-4	284		1 862	20 363
Infrastructure buildings : depreciation	8 776			-1	-3	12		1 272	10 057
Plant, machinery and equipment : depreciation	69 388			-885	52	745		11 387	80 686
Furniture : depreciation	2 955		-8	-7	0	101		263	3 304
Vehicles : depreciation	2 891			-566	-17	68		357	2 733
Hardware : depreciation	3 422			-232	-27	100		665	3 928
Leasing land and buildings: depreciation	3 655				24	-3		999	4 674
Leasing furniture and equipment: depreciation	22				-1	4		39	64
Assets under construction: depreciation	0							0	0
TOTAL	**109 535**	**0**	**-8**	**-1 897**	**25**	**1 310**		**16 843**	**125 808**
a) Land	16 814			-138	-126	168		0	16 718
b) Buildings	35 380	4 182		-195	-435	675		-3 134	36 472
2) Plant, Machinery and Equipment	70 358	10 770		-87	953	169		-11 387	70 776
3) Furniture and Vehicules	2 940	783	0	-114	-10	112		-1 285	2 426
4) Fixed assets held under leasing and other simil	15 798	574			434	14		-1 037	15 784
5) Assets under construction and advance payments	151	324			-378	5		0	102
Property, plant and equipment	141 442	16 632	0	-534	439	1 143		-16 843	142 278

III.5.4 TANGIBLE FIXED ASSETS

Tangible fixed assets

During 2006, a total of EUR 24.3 million of tangible fixed assets were acquired (before deduction of investment grants).
The main investments in 2006 were:

- EUR 0.7 million in land at Moeskroen for calendering project
- EUR 1.4 million in a building at Moeskroen for calendaring project
- EUR 1.3 million in a building for Richard Colorants at Lomme
- EUR 2.6 million in a new warehouse at EMB at Bornem
- EUR 1.0 million in a new showroom at Ardooie
- EUR 0.4 million in air conditioning at fibres production plant
- EUR 1.9 million in a needle felt production line at Nordifa
- EUR 1.0 million in machinery at EMB
- EUR 0.5 million looms at Veranneman
- EUR 4.7 million calendering machinery

The fixed assets under construction consist of the calendering factory expected to be in use by 2008.

In total EUR 1.6 million of investment grants have been received for the investments in Nordifa.

In total, EUR 1.4 million of investment grants were recognised in deduction of depreciation during period 2006.

During 2005, the total acquisition of tangible fixed assets amounted to EUR 16.6 million (including investment grants).
The main investments in 2005 were:

- EUR 3.6 million in a new coating line at Saint Frères Enduction in France
- EUR 1.8 million in the further expansion of the production hall at Saint Frères Enduction
- EUR 2.1 million in a needle felt production line at Nordifa
- EUR 3 million on looms at Veranneman and TIS
- EUR 2 million on a new warehouse at EMB in Bornem

In 2005 an investment grant of EUR 0.8 m was received from the Walloon Region. This has been deducted from the acquisitions. The fixed assets under leasing relate to the buildings at Ardooie and the Saint Frères Enduction building.

The building in Tegelen (net book value of EUR 4 million) is not used in production and therefore is not depreciated.

The different categories of tangible fixed assets are depreciated by the straight-line method over their estimated economic life. Depreciation starts once the assets are ready for their intended use.

The estimated economic life of the main tangible fixed assets lies within the following ranges:

Buildings:	20 years
Machines:	5 to 15 years
Equipment:	10 years
Furniture:	5 years
Hardware:	5 years
Vehicles:	5 years

There are no mortgages secured on the tangible fixed assets. Tangible fixed assets are subject to the application of IAS 36, Impairments, when there is an indication that their book value may be lower than their realisable value. If an asset does not generate a cash influx which is independent of other assets, the Group estimates the realisable value of the cash flow generating unit to which the asset belongs. No impairments were recorded.
At 31 December 2006, the Group had entered into contractual commitments for the acquisition of property, plant & equipment amounting to EUR 6.4 million.

III.5.5 LONG-TERM TRADE RECEIVABLES

Long term trade receivables

The term of these trade receivables is between two and three years. These long-term receivables have been valued at their net current value.

2006	Opening balance	Increase	Decrease	Fair value adjustment	Closing balance
Trade debtors LT	59	43	-59	-22	22
Trade debtors LT : revaluation					
Trade debtors LT : impairment					
Long term trade receivables	**59**	**43**	**-59**	**-22**	**22**

2005	Opening balance	Increase	Decrease	Fair value adjustment	Closing balance
Trade debtors LT		59			59
Trade debtors LT : revaluation					
Trade debtors LT : impairment					
Long term trade receivables		**59**			**59**

Other long term assets

As in previous years these other long term assets mainly consist of VAT deposits.

2006	Opening balance	Increase	Decrease	Fair value adjustment	Closing balance
Affiliated enterprises : amounts receivable					
Other shares : acquisition					
Guarantees and deposits : acquisition	524.00	41.00	-63.00		504.00
Other amounts receivable long term : acquisition					
Other long term assets	**524.00**	**41.00**	**-63.00**		**504.00**

2005	Opening balance	Increase	Decrease	Fair value adjustment	Closing balance
Affiliated enterprises : amounts receivable					
Other shares : acquisition					
Guarantees and deposits : acquisition	684.00		-160.00		524.00
Other amounts receivable long term : acquisition	0.04				
Other long term assets	**684.00**		**-160.00**		**524.00**

III.5.6 INVENTORIES

Gross Inventory	
2006	**Closing balance**
Raw materials	32 566
Consumables	848
Work in progress	5 101
Finished goods	49 877
Goods in transit	3 845
Contracts in progress	
	92 237

Amounts written off	
2006	**Closing balance**
Amounts written off raw materials	-2 888
Amounts written off consumables	
Amounts written off work in progress	
Amounts written off finished goods	-4 876
Amounts written off goods in transit	
Amounts written off : contracts in progress	
	-7 765

Net inventory	
2006	**Closing balance**
1) Raw materials	29 677
2) Consumables	848
3) Work in progress	5 101
4) Finished goods	48 846
5) Contracts in progress	
	84 472

III.5.6 INVENTORIES

Gross Inventory	
2005	**Closing balance**
Raw materials	32 241
Consumables	298
Work in progress	7 277
Finished goods	40 065
Goods in transit	3 960
Contracts in progress	
	83 840

Amounts written off	
2005	**Closing balance**
Amounts written off raw materials	-2 137
Amounts written off consumables	
Amounts written off work in progress	
Amounts written off finished goods	-3 240
Amounts written off goods in transit	
Amounts written off : contracts in progress	
	-5 377

Net inventory	
2005	**Closing balance**
1) Raw materials	30 105
2) Consumables	298
3) Work in progress	7 277
4) Finished goods	40 784
5) Contracts in progress	
	78 463

Gross inventories (excluding write-offs) rose EUR 8.4 million compared with 2005. Increased activity in the Coating segment caused an increase of EUR 7.8 million, partially due to the acquisition of the Richard Colorants Group (EUR 4 million). Inventory in Industrial Applications increased by EUR 2 million. In Apparel it fell by EUR 1.4 million, reflecting decreased activity.

Obsolescence reserves on inventories amount to EUR 7.8 million (2005: EUR 5.4 million).
Write-downs of inventory for obsolescence to net realisable value included in expenses amounts to EUR 2.1 million in 2006 (2005: EUR 0.9 million).
These obsolescence reserves are recorded on the basis of a detailed ageing and rotation analysis per unit.

III.5.7 TRADE RECEIVABLES

2006

Trade receivables	69 599
Trade receivabes doubtful	4 820
Amounts written off	-4 005
Total trade receivables	**70 414**

	Outstanding		Balance turnover	
Customer 1	4 594	6.17%	11 565	3.41%
Customer 2	2 162	2.91%	5 940	1.75%
Customer 3	1 666	2.24%	4 609	1.36%
Customer 4	1 631	2.19%	4 055	1.19%
Customer 5	1 413	1.90%	2 717	0.80%
Other	62 953	84.59%	310 503	91.49%
Total	74 419	100.00%	339 389	100.00%

2005

Trade receivables	69 953
Trade receivabes doubtful	5 245
Amounts written off	-5 782
Total trade receivables	**69 416**

	Outstanding		Balance turnover	
Customer 1	4 441	5.91%	10 976	4%
Customer 2	2 896	3.85%	7 331	2%
Customer 3	1 708	2.27%	7 084	2%
Customer 4	1 635	2.17%	4 567	1%
Customer 5	1 371	1.82%	4 378	1%
Other	63 146	83.97%	281 900	89%
Total	75 198	100%	316 236	100%

Trade receivables include amounts to be received from the sale of goods of EUR 74.4 million. Compared with last year, trade receivables decreased slightly despite the increase of EUR 4.5 million due to business combinations. Last year trade receivables rose through major orders in the Apparel Division, while this year in the same division sales fell by more than EUR 3 million.

EUR 4 million in total has been provided for estimated uncollectible amounts. A provision is recorded for Overdue Trade receivables between 30 days and 150 days and more, based on estimated irrecoverable amounts determined by reference to past default experience.

As of 1/4/2005 the Group decided to cover itself for the credit risk by concluding stop loss credit insurance.

The average credit period on sales of goods is 70 days. Generally no interest is charged on overdue trade receivables except when legal proceedings are started.

Before accepting any new customer, the Group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed continuously.

III.5.8 OTHER CURRENT ASSETS

Other current assets	2005	2006
Advances	34	26
VAT receivable	8 194	6 348
Tax prepayment	1 641	2 493
Capital grants receivable	109	-
Insurance premiums receivable	99	362
Other	1 040	195
Other receivables	**11 117**	**9 42**

Other current assets consist primarily of EUR 6.3 million of reclaimable VAT, pre-paid taxes of EUR 2.5 million and EUR 0.4 million of insurance premiums receivable.
The entry “Other” related in 2005 mainly to amounts receivable relating to the sales of the buildings in Antwerp and in Foix.

Investments	2005	2006
Other investments and deposits	260	532
Investments	**260**	**532**

Investments relate to deposits on 3 months (but shorter than 1 year). The book value of the investment reflects the estimated market value.

Cash and cash equivalents	2005	2006
Cash at bank	7 438	12 210
At hand	874	374
Cash and cash equivalents	**8 312**	**12 584**

Deferred charges and accrued income	2005	2006
Deferred charges	1 343	1 476
Other	85	136
Deferred charges and accrued income	**1 428**	**1 612**

Deferred charges amounting to EUR 1.5 million consist primarily of pre-paid rent, insurance policies and interest charges.

III.5.9 PENSION LIABILITIES

The following net liabilities are recognized for post-employment and other long term benefits :

	2005	2006
Post-employment benefits (pension plans)	1 321	1 578
Other long term benefits (jubilee benefits)	0	136
Total	**1 321**	**1 714**
The amounts recognised in the balance sheet are as follows:		
Present value of funded obligations		420
Fair value of plan assets		-381
Present value of unfunded obligations	1 422	1 849
(Surplus)/deficit	1 422	1 888
Unrecognised actuarial gains/(losses)	-101	-303
Unrecognised past service cost	0	-7
Net liability recognized in balance sheet	**1 321**	**1 578**
of which liabilities	1 321	1 578
The amounts recognised in profit or loss are as follows :		
Service cost	119	139
Interest cost	60	82
Past service cost recognized	-41	-4
Actuarial losses (gains) recognized	-30	-22
Curtailment (gain)/loss	-3	-104
Benefit expense	**105**	**91**
Changes in the present value of the defined benefit obligation are as follows:		
Opening defined benefit obligation	**1 261**	**1 422**
Service cost	119	139
Interest cost	60	82
Past service cost	0	-4
Benefits paid	-75	-112
Curtailment	0	-104
Actuarial losses (gains)	27	75
Liabilities assumed in a business combination	0	773
Currency translation changes	30	-2
Closing defined benefit obligation	1 422	2 269
Changes in the fair value of plan assets are as follows:		
Contributions	75	112
Benefits paid	-75	-112
Assets acquired in a business combination	0	381
Closing fair value of plan assets	0	381

The plan assets represent investments in bonds;
The expected 2007 contributions amount to 42 kEUR.

Principal actuarial assumptions at the balance sheet date :

	2005	2006	
		Eurozone	**Indonesia**
discount rate	4.0%	4.60%	10,50%
future salary increase	2.0% / 3.0%	2.50%	8%
normal retirement age	60	60	55

The funded status and experience adjustments are as follows :

	2005	2006
Defined Benefit Obligation	1 422	2 269
Plan assets	0	-381
(Surplus)/deficit	1 422	1 888

Cost relative to IAS 19 provisions are booked under personnel expenses and allocated according the function of the personnel involved (cost of goods sold, sales and marketing expenses, R&D expenses and administrative expenses). Interest component is recognised in financial result.

PROVISIONS FOR PERSONNEL REMUNERATION

In accordance with law and practice in each country, associated entities have either defined benefit schemes or defined contribution schemes.

Defined contribution schemes

Contributions to defined contribution schemes are recorded as an expense when they are due.

Defined benefit schemes

In defined benefit schemes, the amount on the balance sheet (the ‘net liability’) corresponds to the present value of the gross liability, adjusted for unrecorded actuarial gains and losses, after deduction of the fair value of the scheme investments and unrecorded prior service costs. The discounted value of the liability associated with defined pension rights and the assigned pension costs associated with the year of service and prior service pension costs are calculated by accredited actuaries using the projected unit credit method.

Defined benefit schemes mainly relate to pension liabilities in France, where such schemes are required by law.

III.5.10 PROVISIONS

2006	Opening balance	Increase	Utilisation	Reversal	Exchange rate differences	Acquired via Business Combination	Fair value	Closing balance	More then one year	Withing one year
Provisions for taxation									-	-
Provisions for environmental issues	1 023	500					52	1 575	1 575	-
Provisions for other liabilities and charges	379	2 213	-770		-43	448		2 227	934	1 293
VII. Provisions	**1 402**	**2 713**	**-770**		**-43**	**448**	**52**	**3 802**	**2 509**	**1 293**
2005										
Provisions for taxation									-	-
Provisions for environmental issues	1 242			-219				1 023	1 023	-
Provisions for other liabilities and charges	1 245	538	-647	-851			94	379		379
VII. Provisions	**2 487**	**538**	**-647**	**-1 070**	**0**	**0**	**94**	**1 402**	**1 023**	**379**

The provisions for environmental issues consist mainly of a provision relating to the cleaning of polluted soils in Temse belonging to TIS NV and the land in Ardooie belonging to Sioen Coating NV. The risk in Temse originates in the period before the takeover. The risk in Ardooie was identified during the periodical environmental check-up of the site. These provisions are set up for more than one year and are discounted using the weighted average capital cost of the Group.

Provisions for other liabilities and charges consist of the social cost of restructurings currently being carried out by Coating at Pennel and by Apparel in France during 2006, consisting of the termination cost of an agency agreement by SCD NV.

III.5.11 INTERESTBEARING LOANS

2006	Value at the end of year	Within one year	2 years	3 years	4 years	5 years	after 5 years
Bond	98 970						98 970
Bank loans	18 062	17 363	10 048	5 013	1 689	1 200	111
Finance leases	11 428	1 228	1 551	1 199	1 253	1 294	6 130
Other loans	3						3
Total interest bearing loans long term	**128 463**	**18 591**	**11 600**	**6 212**	**2 943**	**2 495**	**105 214**
Current portion of amounts payable after one year	17 362						
Credit institutions short term	13 800						
Bank loans	31 162						
Current portion of leasing	1 228						
Leasing short term	42						
Finance leases	1 270						
Total interest bearing loans short term	**32 433**						

2005	Value at the end of year	Within one year	2 years	3 years	4 years	5 years	after 5 years
Bank loans	53 519	20 984	36 477	9 791	4 750	1 429	1 071
Finance leases	13 049	1 142	1 344	1 377	1 494	1 105	7 729
Other loans	344						344
Total interest bearing loans long term	**66 912**	**22 126**	**37 821**	**11 168**	**6 244**	**2 534**	**9 144**
Current portion of amounts payable after one year	20 984						
Credit institutions short term	46 306						
Bank loans	67 290						
Current portion of leasing	1 065						
Leasing short term	77						
Finance leases	1 142						
Total interest bearing loans short term	**68 432**						

Financial accounts payable

This note provides information about the group's interest-bearing loans.

Long-term accounts payable, including financial long-term leasing debts.

The weighted average interest rate of long-term debts in 2006 is 4.77%, compared to 4.55% in 2005. This increase is mainly due to the longer term character of the loans in 2006 compared with 2005.

All loans have a fixed interest rate, apart from one EUR 20 million variable- rate roll-over loan. This 'bullet' loan, taken up on 20/12/2005 with expiry date 30/06/2007, was repaid early on 14 March 2006 without additional cost.

On 14 March 2006, a EUR 100 million bond listed on Eurolist by Euronext Brussels was successfully issued, with a ten-year term and fixed coupon interest of 4.75%. To cover the interest rate on this bond issue, an IRS (Interest Rate

III.5.11 INTERESTBEARING LOANS

Swap) was concluded on 20/12/2005. This IRS is described in the note on 'Financial instruments', and designated as 'cash flow hedging'. Effective combined interest rate on the EUR 100 million bond is 4.72%.

Short-term accounts payable

In 2005, short-term straight loans amount to EUR 44.6 million. They consist of EUR 36.4 million of euro loans with a weighted average interest rate of 3.24% and a dollar loan of USD 9.7 m. At 31/12/2006, the short-term straight loans were reduced to EUR 13.8 million.

There was also a tax prepayment financing which expired on 10/4/2006.

No securities were issued for these financial debts. Most (approx. 90%) of the Group's financial liabilities are centrally contracted and managed.

III.5.12 FINANCIAL LEASING DEBTS

Obligations under financial leases

2006	Value at the end of year	Within one year	2 years	3 years	4 years	5 years	after 5 years
Leasing and other similar obligations LT	11 428		1 551	1 199	1 253	1 294	6 130
Current portion of leasing	1 228	1 228					
Leasing short term	42	42					
Obligations under financial leases	**12 698**	**1 270**	**1 551**	**1 199**	**1 253**	**1 294**	**6 130**

	Minimum lease payments	Present value of lease payments
Lease payments due within one year	0	1 270
One - Two years	2 125	1 485
Two - Three years	1 984	1 406
Three - Five years	1 740	1 228
After 5 years	3 480	7 309
Total lease payments	6 683	12 698
Future financial charges	16 067	12 753
Present value of lease obligations	3 314	0
Less amount due for settlement within 12 months		1 270
Amount due for settlement after 12 months		11 428

2005	Value at the end of year	Within one year	2 years	3 years	4 years	5 years	after 5 years
Leasing and other similar obligations LT	13 049		1 344	1 377	1 494	1 105	7 729
Current portion of leasing	1 065	1 065					
Leasing short term	77	77					
Obligations under financial leases	**14 191**						

	Minimum lease payments	Present value of lease payments
Lease payments due within one year	1 657	1 142
One - Two years	2 188	1 543
Two - Three years	2 228	1 643
Three - Five years	3 480	2 526
After 5 years	8 423	7 336
Total lease payments	17 975	14 191
Future financial charges	3 784	
Present value of lease obligations	14 191	14 191
Less amount due for settlement within 12 months		1 142
Amount due for settement after 12 months		13 049

Leasing debts relate mainly to buildings (Ardooie, Flixecourt and Moeskroen). The interest inherent in the leases is fixed for the entire lease term. The average effective interest rate contracted is approximately 5.44% p.a. (2005 5.44% p.a.).

III.5.13 OTHER ACCOUNTS PAYABLE

TRADE ACCOUNTS PAYABLE AND OTHER DEBTS

2006	Closing balance
Trade payables	33 104
Credit notes to receive	-2 010
Advances	650
TOTAL	**31 744**
2005	
Trade payables	37 425
Credit notes to receive	-1 213
Advances	299
TOTAL	**36 510**

Trade and other payables include outstanding amounts for trade purchases and current charges. There is a decrease as compared to 2005.

OTHER DEBTS UP TO ONE YEAR

	2005	2006
Current tax liabilities	5 589	7 364
Social debts	10 288	10 940
Other	62	72
Accrued charges and deferred income	963	1 145
Total other debts up to one year	**16 902**	**19 521**

The tax liabilities consist primarily of corporate taxes and VAT payable.

III.5.14 FINANCIAL INSTRUMENTS

Financial Derivatives	2005		2006	
	Notional Value	Fair Value	Notional Value	Fair Value
Forward sales contracts				
Forward sales contracts within 1 year				
Rights	2 933	41	7 375	62
Duties	4 399	-8	11 063	-85
IRS Forward	100 000	636	100 000	1 346

The Group manages a portfolio of derivatives to hedge against risks relating to exchange rate and interest rate positions arising as a result of operating and financial activities. It is the Group's policy to avoid engaging in speculative transactions or transactions with a leverage effect and not to hold derivatives for trading purposes.

Interest risk

The Group's interest risk is relatively limited, as the interest rate on virtually all loans is fixed. It is the group's strategy to arrange a fixed interest rate for the long-term portion of debts, and to keep short-term debts floating. Thanks to an optimal portfolio of long-term and short-term debt financing, potential negative interest-rate fluctuations are minimised.

In connection with the group's refinancing, it was decided in December 2005 to enlist the support of the capital market via the issue of a EUR 100 m bond over ten years with fixed coupon interest. Because such an operation can easily take three months, and interest rates at the end of December 2005 were very attractive, Sioen concluded a ten-year IRS starting in April 2006, the presumed starting date of the bond. As this IRS can be regarded as effective cash flow hedging as per IAS39, the EUR 636k negative market value fluctuation on 31/12/2005 of this IRS has been deducted from equity.

On 02/02/2006, the fair value was up kEUR 1,346, and it was realised following the hedge strategy at the moment of issuing of the bond. This received premium satisfies the conditions for cash flow hedging defined in IAS39, and will be spread out over the term of the bond.

The gain realised (kEUR 1.346) was recognised in equity and is taken into income over the life of the bond (10 years).

Exchange rate risk

It is the Group's policy to hedge centrally against exchange risks arising from financial and operating activities.

The risks are limited by compensating for transactions in the same currency, or by fixing exchange rates via forward contracts or options.

The fluctuation in the market value of these exchange rate contracts has been included in the income statement and amounted to a EUR 32k positive balance in 2005 and a negative balance in 2006 of 23K EUR.

Credit risk

In view of the relative concentration of credit risk (see note "trade receivables), the company covers credit risk on trade receivables via a stop loss insurance with an own risk exposure of kEUR 500. In addition, credit control strategies and procedures have been devised in order to monitor individual customers' credit risk.

III.5.15 DEFERRED TAX

	2005 deferred tax asset	2006	2005 deferred tax liability	2006
Intangible fixed assets	47	399		1 697
Tangible fixed assets	2 404	2 868	16 917	16 178
Inventories	1 765	1 656		
Receivables	312	253		
Other assets				
Pension liabilities	411	512		
Other provisions	329	339		
Other liabilities	44	59		
Conversion differences		74	1 270	1 937
Hedging reserves	216			458
Undistributed reserves			1 904	2 152
Tax losses carried forward	15 779	10 952		
Total	**21 307**	**17 112**	**20 091**	**22 422**
Non recognition of deferred tax receivable	-11 027	-6 851		
Netting	-3 270	-4 062	-3 270	-4 062
Total	**7 010**	**6 199**	**16 821**	**18 360**
The value of carried-forward tax losses arranged by expiry date				
One year				
Two years				
Three years	2 037			
Four years	1 116	2 037		
Five years and later		17 557		
No expiry date	45 481	16 319		
Unrecognised carried forward tax losses	32 287	17 273		
Unrecognised deferred tax on undistributed reserves	306	295		

Deferred tax assets which do not appear to be collectable in the near future are not recognised. In this assessment the management takes account of budgets and multi-year planning.

Major deferred tax asset on tax losses carryforward is relative to Roland International BV. Based upon business plans an asset has been recognised using estimated tax profits over 9 years.

The company recognises deferred tax liabilities on non distributed reserves in affiliates unless there is a firm commitment not to distribute reserves from that particular affiliate in the foreseeable future.

In the Netherlands tax rate has decreased from 31.5% to 25.5% resulting to 1.1 Mio EUR additional tax expense as the deferred tax asset decreases.

Reconciliation of movement of deferred tax

Net tax liability as per 31 December 2005	9 811
Net tax liability as per 31 December 2006	12 161
Difference	2 350
Deferred tax as shown in the P&L	391
Deferred tax effect through equity	673
Deferred tax acquired via business combinations	1 286

III.5.16 ACQUISITIONS AND DISPOSALS OF INTERESTS

EFFECTS OF ACQUISITIONS AND SALES OF INVESTMENTS

2006

Acquisition of Group Richard Colorants

	Book value	Adjustments	Fair value
Non current assets	**2 991**	**5 007**	**7 998**
Intangible and tangible fixed assets	2 991	5 007	7 998
Current assets	**15 588**	**-280**	**15 308**
Inventories	4 402	-127	4 275
Debtors	6 113	-153	5 960
Other debtors			-
Cash and banks	5 073		5 073
Non current liabilities	**1 168**	**2 238**	**3 406**
Provisions	548	209	757
Pensions		353	353
Deferred tax liabilities		1 676	1 676
Long term financial debt	620		620
Current liabilities	**3 965**	**636**	**4 601**
Creditors	3 406		3 406
Other creditors	559	636	1 195
Total net assets	13 446	1 853	15 299
Goodwill on acquisition			752
Paid in cash			**16 051**

Acquisition of assets of Siegwerk Benelux NV

Customer portfolio	1 425
Product portfolio	5 948
Machinery	1 153
Goodwill	622
Deferred tax asset	380
Paid in cash	**9 528**

2005

Sale Sirec SA

Current assets	44
Equity	8 629
Deferred tax liabilities	3 167
Short term payables	37
Sale price in cash	10 205
Income (1)	1 576

(1) Given that the yield of this sales arises from the reversal of a deferred tax liability, this is included in deferred tax revenue.

III.5.16 ACQUISITIONS AND DISPOSALS OF INTERESTS

The Richard group (Richard s.a.s., Copidis s.a.s. en Astra Colorants s.a.) was acquired on 27 October 2006. The acquisition cost of EUR 16.1 million was paid in cash. The necessary market valuations were performed to determine the fair value of the customer portfolio and the formulations.

Richard Colorants is a French company based at Lomme, near Lille. Founded in 1864, the company has specialized in pigment pastes since its early days. The group consists of:
- Richard Colorants in Lomme
- Copidis in Lomme
- Astra in Lyon

Richard Colorants excellently complements EMB-Inducolor's existing range. EMB and Inducolor produce mainly solvent-based inks, varnishes and pigment pastes, while Richard Colorants specializes in water-based paints and is France's market leader in this field.

Richard Colorants pigments are used to colour:
- paint, ink, varnish, glues and textile coatings,
- wallpaper, writing paper and laminated paper,
- floor coverings, PU foam, plaster,
- shoe polish, sponges and gloves,
- finger paints, wax crayons, etc.

In short, everything for which colours in liquid form are required.

On end of September EMB bought assets of Siegwerk, a producer of inks and varnishes. These inks and varnishes have numerous applications in the various markets related to the current EMB markets:
- Floor coverings (vinyl, laminates, ...)
- Wall coverings (flexo- gravure and screen printing inks for paper and vinyl substrates)
- Decorative paper (inks for gravure printing on paper and vinyl for decoration of furniture, laminates, ...)
- Rigid and flexible PVC panels (inks for gravure printing)

IV. OTHER

IV.1. OPERATING LEASE ARRANGEMENTS

	2005	2006
Amounts recognised in income	1 030	1 172
Payments due within one year	953	985
Between one and five years	956	905
Over five years	129	
Minimal future payments	2 038	1 889

These leases are mainly relative to vehicles, small equipment and office equipment.

IV.2 EVENTS AFTER BALANCE SHEET DATE

The smaller factory unit in Jakarta was flooded in January 2007. Damage to buildings and machinery (net book value as of 31 December 2006 of kEUR 306), inventories (net book value as of 31 December 2006 of kEUR 1,046) and business interruption are adequately covered by insurance.

On 18 January 2007 the company Fillink SA was acquired by EMB. Fillink specializes in inks for wide and super wide format digital printers. This take over expresses the group's intentions to enlarge the "Chemicals" branch of Sioen Industries. Fillink distributes eco-solvent, solvent and UV-inks through a selected network of distributors. These quality products are high positioned in the market thanks to the know how and market intelligence of the company. Fillink's experience with unique product formulations and wide market knowledge are real added value for Sioen Chemicals.

IV.3. OFF BALANCE SHEET ITEMS

	2005	2006
Guarantees given as securities for debts or commitments		
Rights due to hedging of foreign currencies	2 933	7 375
Commitments due to hedging of foreign currencies	4 399	11 063
Commitments for the acquisition of intangible and tangible assets	8 516	6 447

V.4. TRANSACTIONS WITH RELATED PARTIES

	Nature of transaction	2006
Recticel Group	Sale	1 945
Recticel Group	Purchase	264
INCH	Sale	1 524
SVB	Purchase	0

	Nature of transaction	2005
Recticel Group	Sale	2 079
Recticel Group	Purchase	344
INCH	Sale	1 722
SVB	Purchase	170

These transactions are done on an arm's length basis.

Other transactions with related parties other than directors are not included, given the negligible amount (under EUR 70.000).

With regard to directors' remuneration, the read is referred to section V.6.B.

IV.5. Staff

Land	2005	2006
Belgium	902	930
China	16	16
Germany	18	25
France	292	392
Ireland	42	38
Indonesia	2 016	1 900
Netherlands	7	6
Poland	490	539
Portugal	25	24
Tunesia	788	766
UK	34	28
USA	15	23
Grand Total	**4 645**	**4 687**
Blue Collar	3 785	3 816
White Collar	860	871
Grand Total	**4 645**	**4 687**

IV.6. AUDIT AND NON AUDIT SERVICES PROVIDED BY THE STATUTORY AUDITORS AND HIS NETWORK

2006	Deloitte
Audit fees Sioen Industries NV	65
Other assurance services	9
Tax services	6
Non-audit related services	71

IV.7 CONTINGENT ASSETS AND LIABILITIES

A number of commercial disputes are pending, albeit with a limited value in dispute.

Apparel is currently faced with a quality claim in France, the extent of which could reach EUR 2 million. The quality problem is, however, exclusively due to suppliers, who are sufficiently insured to cover Sioen's possible loss.

The mixed soil pollution identified at the Ardooie site and recorded as a contingent liability last year has now provided against based upon the results of an environmental study in 2006.

IV.8 REMUNERATION OF THE DIRECTORS AND THE EXECUTIVE MANAGEMENT

In 2006 the following fees were paid to the members of the Board of Directors and the Executive management:

- Non-executive and independent directors, as well as the members of the Executive Management in their capacity as director:

Mr. Jean-Jacques Sioen	EUR 20,000
MJS Consulting b.v.b.a. (represented by Mrs. Michèle Sioen)	EUR 20,000
Mrs. Jacqueline Sioen-Zoete	EUR 20,000
D-Lance b.v.b.a. (represented by Mrs. Danielle Sioen)	EUR 20,000
P. Company b.v.b.a. (represented by Mrs. Pascale Sioen)	EUR 20,000
Pol Bamelis n.v. (represented by Mr. Pol Bamelis)	EUR 28,250
Revam b.v.b.a. (represented by Mr. Wilfried Vandepoel)	EUR 29,000
Sheng n.v. (represented by Mr. Louis-Henri Verbeke)	EUR 26,000
K.E.M.P. n.v. (represented by Mr. Luc Sterckx)	EUR 27,500
Vean n.v. (represented by Mr. Luc Vansteenkiste)	EUR 21,500

- Mrs. Michèle Sioen received in 2006 as CEO, besides her remuneration as a member of the Board of Directors, a fixed remuneration of EUR 370,000. She has also received EUR 39,491 of variable remunderation for 2006.
- The fixed remuneration paid to the Executive Management including directors in their capacity as members of the Executive Management amounted to EUR 2,482,508. Variable remuneration of EUR 89,525 for 2006 was also granted. This includes contributions to pension insurance.
- All sums above are gross sums and represent the entire cost to the company.

In 2006 there were no shares, share options or other rights for the acquisition of shares granted to the CEO and the other members of the Executive Management. There are no specific recruitment agreements or agreements for a golden handshake with the members of the Executive Management.

V. STATUTORY AUDITOR'S REPORT

STATUTORY AUDITOR'S REPORT TO THE SHAREHOLDERS' MEETING ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

Free translation – the original report is in Dutch

To the shareholders

As required by law and the company's articles of association, we are pleased to report to you on the audit assignment which you have entrusted to us.
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 accompanying consolidated financial statements of Sioen Industries 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. Those consolidated financial statements comprise the consolidated balance sheet as at 31 December 2006, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated balance sheet shows total assets of 371.833 (000) EUR and a consolidated profit for the year then ended of 12.153 (000) EUR.

The financial statements of several significant entities included in the scope of consolidation which represent total assets of 69.424 (000) EUR and a total turnover of 77.094 (000) EUR have been audited by other auditors. Our opinion on the accompanying consolidated financial statements, insofar as it relates to the amounts contributed by those entities, is based upon the reports of those other auditors.

The board of directors of the company is responsible for the preparation of the consolidated financial statements. This responsibility includes among other things: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with legal requirements and auditing standards applicable in Belgium, as issued by the "Institut des Reviseurs d'Entreprises/Instituut der Bedrijfsrevisoren". Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

In accordance with these standards, we have performed 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 have considered 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. We have assessed the basis of the accounting policies used, the reasonableness of accounting estimates made by the company and the presentation of the consolidated financial statements, taken as a whole.

V. STATUTORY AUDITOR'S REPORT

Finally, the board of directors and responsible officers of the company have replied to all our requests for explanations and information. We believe that the audit evidence we have obtained, together with the reports of other auditors on which we have relied, provides a reasonable basis for our opinion.

In our opinion, and based upon the reports of other auditors, the consolidated financial statements give a true and fair view of the group's financial position as of 31 December 2006, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU and with the legal and regulatory requirements applicable in Belgium.

Additional comment

The preparation and the assessment of the information that should be included in the directors' report on the consolidated financial statements are the responsibility of the board of directors.

Our responsibility is to include in our report the following additional comment which does not change the scope of our audit opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements includes the information required by law and is in agreement with the consolidated financial statements. However, we are unable to express an opinion on the description of the principal risks and uncertainties confronting the group, or on the status, future evolution, or significant influence of certain factors on its future development. We can, nevertheless, confirm that the information given is not in obvious contradiction with any information obtained in the context of our appointment.

Diegem, 15 March 2007
The Statutory Auditor

DELOITTE Bedrijfsrevisoren
BV o.v.v.e. CVBA
represented by

VI. STATUTORY ANNUAL ACCOUNTS SIOEN INDUSTRIES NV

Condensed balance sheet of Sioen Industries n.v. after appropriation of profit

December 31 (ooo) EUR	2006	2005	2004	2003
Fixed assets	61 459	65 910	81 976	81 990
II. Intangible fixed assets	5 934	3 656	3 477	3 472
III. Tangible fixed assets	1 170	1 136	681	555
IV. Financial fixed assets	54 355	61 118	77 818	77 963
Currents assets	179 902	139 941	139 630	136 381
VII. Amounts receivable within one year	178 807	138 611	139 207	136 205
IX. Cash at hand and in bank	825	1 045	286	46
X. Deferred charges and accrued income	270	285	137	130
Total assets	**241 361**	**205 851**	**221 606**	**218 371**
Capital and reserves	80 814	78 034	80 052	79 660
I. Capital	46 000	46 000	46 000	46 000
IV. Legal reserves	3 766	3 339	3 174	2 910
V. Profit brought forward	31 048	28 695	30 878	30 750
Creditors	160 547	127 817	141 554	138 711
VIII. Amounts payable after one year	115 765	51 613	60 284	61 828
IX. Amounts payable within one year	39 588	76 100	81 107	76 784
X. Accrued charges and deferred income	5 194	104	163	99
Total liabilities	**241 361**	**205 851**	**221 606**	**218 371**

The statutory annual accounts of the parent company Sioen Industries n.v. are shown below in condensed form. In June 2007, the annual report and annual accounts of Sioen Industries n.v. and the auditor's report will be filed with the National Bank of Belgium in accordance with Articles 98-102 of the Companies Act. These reports are available on request at the following address:
Sioen Industries n.v. – Fabriekstraat 23 – 8850 Ardooie.
The statutory auditor has issued an unqualified opinion with explanatory paragraph on the statutory financial statements of Sioen Industries NV. The explanatory paragraph is as follows:
The statutory auditor has issued an unqualified opinion with explanatory paragraph on the statutory financial statements of Sioen Industries NV. The explanatory paragraph is as follows:
Without qualifying the unqualified opinion expressed above, we draw the attention to the annual report. Sioen Industries NV has per 31 December 2006, a total outstanding receivable of EUR 16.1 million EUR on the Roltrans group, a 100% subsidiary of Sioen Industries NV. In addition, Sioen Coating Distribution NV, a 100% subsidiary of Sioen Industries NV, has outstanding receivables on the Roltrans group for an amount of EUR 19.0 million. The realisation of these amounts is dependent of the further successful development of Roland. The accompanying financial statements do not include any reductions in value or provisions relating to the above.

VI. STATUTORY ANNUAL ACCOUNTS
SIOEN INDUSTRIES NV

Condensed income statement of Sioen Industries n.v.

December 31 (ooo) EUR	2006	2005	2004	2003
I. Operating income	**5 922**	**5 954**	**5 599**	**5 229**
A. Sales	5 715	5 889	5 317	5 010
D. Other operating income	207	65	282	219
II. Operating charges	**-7 022**	**-6 113**	**-5 886**	**-5 075**
B. Services and other goods	2 897	2 110	2 325	1 762
C. Renumeration	3 060	3 236	2 579	2 256
D. Depreciation and amounts written off	944	754	901	1 023
G. Other operating charges	121	13	81	34
III. Operating profit/loss	**-1 100**	**-159**	**-287**	**154**
IV Financial income	24 581	16 923	15 758	21 201
V. Financial charges	-7 438	-6 416	-6 531	-6 012
Financial result	**17 143**	**10 507**	**9 227**	**15 189**
VI. Profit on ordinary activities	**16 043**	**10 348**	**8 940**	**15 343**
VII. Extraordinary result	**-7 402**	**-6 739**	**-3 596**	**0**
IX. Profit before tax	**8 641**	**3 609**	**5 344**	**15 343**
X. Income taxes	**-99**	**-293**	**-71**	**-495**
XI. Profit for the financial year	**8 542**	**3 316**	**5 273**	**14 848**

Activity of Sioen Industries

The function of Sioen Industries is essentially to outline the strategy of the three divisions. It also appoints the management of the Group companies and supports the Group companies in the areas of personnel management, financial and treasury management, budgeting and controlling, Management Information Systems and IT, and legal affairs.

Comments

The turnover of the holding company decreased by 3% to EUR 5.7 million. Other operating income increased by EUR 0.142 million. In 2006 the operating loss amounted to EUR 1.1 million, compared with an operating loss in 2005 of EUR 0.159 million. Financial income rose to EUR 16 million, compared with EUR 10.3 million in 2004, as a result of higher dividend payments from the various subsidiaries.

All participating interests have been recorded at book value, which results in an extraordinary result for the year.
The extraordinary income last year related to the capital gain on the disposal of the participating interest in Sirec.

Accounting principles

The accounting principles and translation rules applied to the statutory annual accounts of Sioen Industries in accordance with Belgian Generally Accepted Accounting Principles.

Statement of capital

In accordance with Articles 1 to 4 of the Act of March 2, 1989 concerning the disclosure of important holdings in listed companies and regulating take-over bids, the applicable quotas were set at, one the one hand, 5 percent or a multiple thereof and on the other hand at 3 percent or a multiple thereof. (Article 8 of the Articles of Association). In accordance with Article 4 of the Act of March 2, 1989, the following notifications of shareholdings in the company were received:

Situation at 31 March 2007

Notifying party Date of notification Number of shares Percentage of total number of shares:

Sihold n.v.,(1)

Fabriekstraat 23, 8850 Ardooie 18 October 1996
13.336.501 62.5%
Notification of change of percentage shareholding
Sihold n.v. 12 October 2005 12,715,010 59.4%
"Stichting Shell Pensioenfonds" 12 October 2005
726,320 3.4%
Sihold n.v. 30 January 2006 12,906,212 60.3%
Total number of shares 21,391,070 100.0%

This foundation is controlled by the Sioen family.

(1) Sihold n.v. is controlled by Sicorp n.v., which is controlled in turn by the Dutch foundation Stichting Administratiekantoor Midapa.

VII. PROPOSALS TO THE ANNUAL MEETING

Proposals to the Annual Meeting of Sioen Industries n.v.

of May 25, 2007

The board of directors of Sioen Industries proposes to the annual meeting to approve the annual accounts at 31 December 2006 and to consent to the appropriation of profit.

The profit for the financial year ended is EUR 8,542,378, compared to a profit of EUR 3,315,436 for the financial year 2005. The profit brought forward from the previous financial year is EUR 28,694,595. The profit available for appropriation is consequently EUR 37,236,973.

The board of directors proposes to appropriate the profit available for appropriation of EUR 37,236,973 as follows::

The proposed net dividend per share is calculated as follows:

(in EUR)	
Net dividend per share	0.1950
Withholding tax 25/75	0.0650
Gross dividend per share	0.2600
Pay-out ratio (1)	45.76%

The proposed dividend is 8.3% higher than that of 2005. If this proposal is accepted, the net dividend of 0.195 EUR per share will be made payable as from 8 June, 2007 onwards at Dexia Bank, ING Bank, Fortis Bank and KBC Bank on presentation of coupon no 9.

(1) Gross dividend in relation to the share of the Group in the consolidated result

DEFINITIONS

Gross margin %	(Turnover +/- stock movements finished goods - purchases raw materials -/+ stock movements raw materials)/turnover
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization = Operating profit + amortization + provisions for liabilities and other risks + depreciation
EBIT	Earnings Before Interest and Taxes = Operating profit
EBT	Profit Before Taxation
EAT	Profit After Taxation
NOPAT	EBIT - Taxes
EVA	NOPAT - cost of capital at start of the period
ROE	Net result part of the group / equity at end of previous financial year
ROCE	NOPAT / Capital employed of the period
Cash flow	consolidated net profit + depreciation + amortization + provisions for liabilities and charges + deferred taxes
FFO	Net result + depreciations + provisions for liabilities and taxes + amortization + deferred taxes.
Net debt	Financial debt - cash deposits and cash equivalents
Free operating CF	Funds from operations - funds from investing activities
Capital	Equity + minority interests + provisions for liabilities and charges + amounts payable after one year
Working capital	Financial fixed assets + current assets (minus cash deposits and cash equivalents) - non financial debt up to one year - accrued charges and deferred income.
Capital employed	Working capital + tangible and intangible fixed assets + goodwill

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