

Press release

Deceuninck's turnover for the first quarter of 2005 rises to 125.5 million euros

Hooglede-Gits, 14 April 2005. – Group Deceuninck, a worldwide leading manufacturer of PVC window systems and profiles for the construction industry, achieved turnover of 125.5 million euros during the first quarter (2004: 123.9 million euros) despite the weak market demand in Western Europe and the consequences of the hoarding effect last year in Poland. Excluding Poland, turnover would be up by more than 4%. The exchange rate and turnover from divested activities together had a negative impact of 2.1%. The volume sold rose by 1.4%.

A late but hard surge of winter during March combined with an early Easter period hampered the construction business significantly, mainly in Europe. The good start in January was thus partially offset in March.

Divergent regional trends

1. Poland

Poland continues to be the most difficult market. The weak sales results since 1 May of last year continued and provide a distorted image on a quarterly basis, due to the fact that the hoarding effect in 2004 primarily appeared in the period from January until April. However, the Polish market is also characterised by lower demand compared with the first quarter of 2003.

2. The United States

Sales in the United States were very good compared with last year. Construction market economic indicators are positive for the coming months both for new construction and for renovation.

3. Growth markets

The positive trend in the most important European growth markets, especially Spain plus central and south-eastern Europe, continues to be remarkable. Deceuninck was able to record a growth in turnover of over 20% in almost all growth regions.

4. Ageing markets

The situation in Germany and the United Kingdom is a cause of concern to Deceuninck. Demand in both markets was characterised by a decline which cannot simply be explained by seasonal factors. Recent information on the expected window market in 2005, where the PVC share yet continues to rise, indicates stagnating to falling business in both countries.

Strategic projects

1. Zendow

The transition to the Zendow system currently underway at full speed in Benelux, the United Kingdom and Spain and which strongly influenced turnover in France last year, is creating an exceptional temporary situation. On the one hand some window manufacturers are cutting back their stocks completely in expectation of the changeover, while others are carefully rebuilding stocks.

2. Russia

Despite the severe winter Russia saw a significant rise in its turnover compared with 2004. Deceuninck is now reaping the benefits in Russia of the customer acquisition strategy implemented last year, which have amply offset the negative impact of the harsh winter on turnover.

Preparations for a small-scale production start-up near Moscow by the end of the second quarter are proceeding according to plan and are merely being impeded by the slow local bureaucracy.

3. Turkey

Turkey performed excellently again in line with expectations. Winsa was jointly consolidated for a full quarter for the first time.

4. Wood composite

The sale of wood composite decking in the United States is progressing according to plan. Production has since been extended by three new extrusion lines, which means that output capacity has been doubled.

In Europe the first wood composite construction products were presented to a limited professional public during the construction trade fairs in Brussels and Utrecht (The Netherlands). They generated a great deal of interest and approval. Their launch is being prepared in full and plans for the first deliveries during the second half of the year continue to be maintained.

Development of raw materials prices during the first quarter

Weak demand in Europe and the slower than expected pick-up in the economic cycle in China led to a slight dip in the price index of raw materials KI. Prices nonetheless remain exceptionally high and pressure on prices is expected again as soon as demand rallies.

Sales prices

The passing on of the increased raw materials cost via a second price increase is proceeding according to plan. The first effects are already visible in the results for the first quarter. It is expected that this factor will be even more pronounced during the second quarter.

Further expectations for the complete 2005

Deceuninck retains its expectations for 2005 as a whole with a rise in turnover of 5 to 10% and a substantial rise in the operating result (EBIT) and operating cash flow (EBITDA).

Deceuninck is an integrated group of world format, specialised in compounding, tool fabrication, design, development, extrusion, finishing, gaskets, recycling and injection moulding of PVC-U systems and profiles for the building industry. The company is active in more than 60 countries, has 32 subsidiaries (production and/or sales) and is supported by 3043 personnel, 670 of them in Belgium. In 2004 the Deceuninck Group achieved consolidated sales of 582.1 million euros.

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