

Press release

Deceuninck: positive developments in 2005 results

Product innovation and streamlining projects on line

- Sales increased by 10.6% to 643.7 million euro
- EBITDA: 84.3 million euro (2004: 74.8 million euro)
- EBIT: 30.7 million euro (2004: 23.07 million euro)
- EBITA: 30.7 million euro (2004: 28 million euro)
- Pre-tax result: 22.1 million euro (2004: 16.7 million euro)
- Net result: 19 million euro (2004: 9.9 million euro)
- Proposed gross dividend: 0.245 Euro per share (2004: 0.24 per share)

Hooglede-Gits, 16 March 2006. – Today the Deceuninck Group, a world leader in the production of PVC window systems and building profiles, publishes its results for the last financial year, 2005, a year in which the for the future most important product innovation and streamlining projects, have been carried out. The 10.6% increase in sales was much higher than expected at the beginning of the year. The increased cost of raw materials was largely compensated for and the operating cash flow was 84.3 million euros, a rise of 12.7% as against the 2004 financial year. Pre-tax earnings rose vigorously (+32.5%), as did net earnings (+92.3%).

Sales

Total sales rose to 643.7 million euro, mainly thanks to a strong second half in which the increase was more than 15% to 347 million euro. In all Deceuninck's strategic regions sales growth was more than respectable, with the exception of the shrinking markets in the United Kingdom and Germany.

Sales of window systems rose by 11.7% while those of building profiles and special projects rose by 2.5%. Their share of total sales is now 88.8% and 11.2% respectively.

A definite tendency can be discerned toward coloured and innovative building products with high added value. In 2005 several projects using the Cyclefoam sound wall were completed and the order book is also full for the start of 2006.

The acclaim that met the launch, at various building fairs in Europe, of the Twinson wood composite products, is keeping expectations of demand in 2006 high. Deceuninck North America also expects a very positive growth in the market for its wood composite decking now that the range has been expanded.

Raw materials

In Europe the price of PVC resin (index KI) rose by almost 2% on an annual basis, after an increase of 30% in 2004. However, in the United States the CMAI index recorded an increase of 24% compared with 2004.

In Europe the rise of 20% during the fourth quarter, compared with the previous one, was higher than expected. The same applies to the unique increase of almost 40% in the United States during the fourth quarter in comparison with the previous one.

Stagnation of raw material prices at a high level is expected in 2006.



The operating results

The operational cash flow (EBITDA) rose by 12.7% to 84.3 million euro. Deceuninck attributes this result to, amongst other factors, the organic growth in volume and the sales growth resulting from complete consolidation of Winsa. The evolution in the cost of raw materials over the last two years and the implemented price increases also explain this result.

EBIT before goodwill rose from 23.1 million euro in 2004 to 30.7 million euro in 2005, which represents an increase of 7.6 million euro or 33%. This vigorous growth was partly attributable to a change in the IFRS rules, which no longer allow amortisation of goodwill since 1 January 2005. Eliminating the goodwill amortisation would increase operating earnings before goodwill amortisation (EBITA) by almost 10% compared with 2004.

EBITA rose less quickly than EBITDA because of the higher depreciation and write-offs. The higher depreciation must be seen in the context of the large investments over the last few years. The write-offs relate to reductions in working capital and amount to almost 2 million euros more than in 2004.

The one-off costs associated with conversion to the Zendow system, together with a number of other one-off projects and the higher than expected raw material prices during the last quarter, had a major impact on operating earnings. Finally extraordinary losses could be traced to bad debts and stock write-offs resulting from the move to the new window system.

The high net group earnings amounting to 19.1 million euro are attributable to a favourable consolidated real tax rate of 12.3% (2004: 37.6%), which was influenced on a one-off basis by the modification of the structure of the group, so that deferred tax assets could be used, and by the abolition of amortisation of goodwill.

Financial liabilities

The financial liabilities raised with 21.4 million euro in 2005 to 184.3 million euro. This increase is explained by the favourable sales growth in recent months and the need to lay in adequate stocks to be able to continue the same pace of deliveries in early 2006. Besides this the duplicated stocks resulting from the move to Zendow, and the change in the geographic sales mix had a pronounced effect on the final result.

The Group however succeeded during the last quarter in bringing down the net liabilities with 22 million euro to 184.3 million euro.

Investments

Investments in 2005 amounted to 57.48 million euro, representing 8.9% of sales. 72% of the invested funds were used for maintenance investment such as production of new moulds, and the replacement and expansion of the available extrusion lines. 28% went into exceptional investments, the most important of which were the start of production in Moscow, the completion of the warehouse in Calne, and the expansion of European wood extrusion capacity.

Dividend

The board of directors will propose a gross dividend of 0.245 euro per share for the 2005 financial year at the general meeting of shareholders on 9 May 2006. This is equivalent of a net dividend of 0.18375 euro per share. The dividend is payable from 23 May 2006.

Prospects for 2006

Site Plan Optimisation

Deceuninck continues to work on optimising its European and American Site Plan in terms of both production and distribution. In the United States the three production units have been centrally controlled as a single capacity pool since 2005.

In the European growth markets, expanded storage capacity is planned in locations such as Romania and Spain. In the mature and shrinking markets, Deceuninck continues to work on optimising the level of occupancy of the existing storage areas.

Sales and earnings

In line with its Business Plan 2009, the Deceuninck group expects sales to grow by between 5 and 10% in 2006. Deceuninck is being supported by a very vigorous start during the first two months and the favourable economic and construction indicators in Europe at the beginning of 2006. What is particularly noticeable is the positive mood in Germany, where a number of government measures to reward energy-saving renovations with a tax benefit, will have a positive effect on the renovation market. The general increase in VAT rates by 3% from the beginning of 2007 will be a positive stimulus to the purchasing behaviour of the German consumer in 2006.

In order to support growth, new products, such as a new generation sliding window (Tecnocor>2) and louver shutters (Kiuzo) in France, innovations of the roller shutter box system in Germany (Protex), and new complementary window systems in Turkey (Carina & Dorado) and the new L.a.b. designer colours in the Decor range of interior cladding, will be launched in a number of regions.

As far as the operational cash flow (EBITDA) and operating earnings (EBITA) are concerned, Deceuninck once again expects a better result than in 2005. This is based on stable but high raw materials prices.

The 2006 half-year results will be published on Thursday 27 July 2006.

About Deceuninck

Deceuninck is an integrated group of world format, specialised in compounding, tool fabrication, design, development, extrusion, finishing, recycling and injection moulding of PVC-U window systems and profiles and gaskets for the building industry. The company is active in more than 75 countries, has 31 subsidiaries (production and/or sales) and is supported by 3.000 personnel, 670 of them in Belgium. In 2005 the Deceuninck Group achieved consolidated sales of 643.7 million euros.

(End of press release)

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Summary of the key figures for the Deceuninck Group

The results mentioned below (both 2004 and 2005) have been reported in line with IFRS (International Financial Reporting Standards) standards.

The statutory auditor has confirmed that the audit activities, which are essentially completed, have not revealed any need for significant correction of the accounting information contained in the press release.

Figures in millions of euros	31.12.04	31.12.05	Var %
Sales	582.143	643.695	10.6
EBITDA (1)	74.797	84.291	2.7
EBITDA margin % of sales	12.8	13.1	
EBITA (2)	27.984	30.693	9.7
EBITA margin % of sales	4.8	4.8	
EBIT (Operating earnings) (3)	23.073	30.693	33.0
EBIT margin % of sales	4.0	4.8	
Financial earnings	-6.418	- 8.622	
EBT (4)	16.656	22.071	32.5
% of sales	2.9	3.4	
Net earnings before goodwill (5)	14.816	19.045	
% of sales	2.5	3.0	
Taxes	6.260	2.711	
Consolidated earnings	10.395	19.360	
% of sales	1.8	3.0	
Group earnings	9.906	19.045	92.3
% of sales	1.7	3.0	
EPS (non-diluted) (6)	0.47	0.89	
EPS before goodwill	0.70	0.89	
Equity	204.670	237.968	
Total assets	503.246	595.004	
% Equity	40.7	40.0	
Net debt (7)	-162.925	-184.254	
Working capital (8)	136.979	166.770	

(1) EBITDA = Earnings Before Interest, Taxes, Depreciation, Amortization and Provisions

(2) EBITA = Earnings Before Interest, Taxes, Amortization of goodwill

(3) EBIT = Earnings Before Interest and Taxes

(4) EBT = Earnings Before Taxes

(5) Net earnings before goodwill = net cash profit

(6) EPS (non diluted) = Earnings per share

(7) Net debt = cash and cash equivalents – financial liabilities

(8) Working capital = customers + inventories – suppliers