

Press Release

Deceuninck: turnover first semester 2006 up by 6.5% to €316 million

Volume in Q2 increases by 6%, sales rise to €172,6 million (+ 1,2%)
PVC resin prices at record levels

Hooglede-Gits, 13 July 2006 – The Deceuninck Group, a worldwide leading manufacturer of plastic window systems and building profiles, has succeeded in increasing its turnover during Q2 of 2006 to €172,6 million compared with a strong Q2 in 2005. The increase came despite extremely difficult market conditions in the United Kingdom and a weak Turkish Lira. There was satisfactory volume growth in Central and Eastern Europe, in Turkey, and, surprisingly, in the Benelux. Year-on-year, turnover rose by 6.5%. The devaluation of the Turkish Lira and the shift of sales to regions where demand for coloured window systems is lower, explains why the consolidated volume increase by 6% in Q2 could not be translated into a proportional increase in consolidated turnover in Euro terms.

Regional Trends

Europe

Turnover in Europe rose during Q2 2006 by 2%, with the substantial decline in the window market in the United Kingdom leading the decline in Western Europe by 5% while sales in all Eastern European outlets, with the exception of Poland, rose by more than 20%.

In the Benelux, and to a lesser degree in Deceuninck's French division, as well, the good start in Q1 carried on into Q2. The slender profile of **Zendow**, along with the Deuctone colour strategy, provides a response to the new-build market and has turned out to be a successful combination. It has enabled Deceuninck to strengthen its position in the market even further.

In Germany, Inoutic, which recently won the prestigious iF communication design label for 2006 for its concept in Germany, experienced growth of 5% in the local market for the first time during a complete quarter.

United States

The weakening of the building market during the second quarter is evident in the sales of the North American branch, Deceuninck North America, which only produces for the local market. Expressed in US dollars, turnover was maintained at the level of Q2 2005. After six months, Deceuninck North America has experienced turnover growth of more than 5% in USD (>10% in Euro).

Turkey

By the end of June, the Turkish Lira had lost more than 25% of its value against the Euro when viewed against the beginning of the year. Deceuninck was able to limit the damage by making timely use of hedging possibilities. Reacting to the sudden decline of the Turkish Lira, Deceuninck adapted its prices at the end of May, as it has done in the past under similar situations.

The Turkish Lira is expected to remain stable during the second half of 2006.

Despite the devaluation of the Turkish Lira, especially during May, the strong building activity continued unabated. A strong increase in volume, reaching historic records during June, meant that the Turkish divisions of Deceuninck was largely able to compensate for the loss of turnover when expressed in Euros during Q2. During the first half, the volume sold in our Turkish division rose by 20%.

Innovations

Zendow

Starting in the second half of 2006, Deceuninck will begin harvesting the fruits of its switchover to the **Zendow** platform, which became operational on the European mainland at the end of March. That will primarily be expressed in strong improvements in productivity due to the strong decrease in complexity, both in production and in logistics.

Wood composite

Following the successful launch of the Twinson wood composite products for terraces and façade cladding at the European building shows, the great interest has been translated into hard orders. The success, primarily for terraces, exceeded expectations, leading to the situation that, from time to time, demand could not be met immediately. The expansion of the Twinson wood composite products in the market has since been accelerated. The sale of wood composite terrace planks in Deceuninck North America, following the successful adaptation of the colour range at the end of 2005, is also proceeding according to plan.

Raw materials prices

Due to the high ethylene prices and the strong demand in the market, prices in Europe are 25% higher than during the same quarter of 2005. The trend for the third quarter continues to rise. In the United States, as well, the prices during Q2 were 10% higher than in the comparable period of 2005. The rising costs for raw materials could only be passed on effectively starting in the second quarter on a selective and phased basis. The price increases will generally manifest especially during the second half of the year.

Prospects

"All things considered, Deceuninck has again achieved strong quarterly turnover. Six per cent increase in volume, when compared to a strong second quarter of 2005. Nevertheless, the rising costs for raw materials, the foreign exchange rates and the difficult market conditions, especially in the United Kingdom, but also in Poland and the United States, are a cause of some concern for us," says Clement de Meersman, CEO of Deceuninck.

Deceuninck recalls that growth of 5% to 10% in turnover and better results for the full year 2006, were foreseen on the basis of stable (high) raw materials prices and stable currencies. The Turkish Lira has since weakened and the raw materials prices have increased by approximately 10% over the past six months.

Deceuninck will therefore carry on unabated with implementing its projects from the business plan 2009. The streamlining projects will shortly lead to increased productivity in the production sites in the United Kingdom, the United States, France and Belgium and the personnel costs could be reduced more rapidly. Most of those concerned were on temporary contracts. The extrusion locations in Pontivy (France) and, as early as last year in Oldham (United Kingdom) were closed. In the United Kingdom, the distribution activities of Royton were transferred to the new distribution centre at Calne. Furthermore, as stated in the business plan, additional measures were taken to reduce working capital and cost evolution is being monitored closely.

"With the measures we have taken, we are doing everything we can to achieve our financial objectives in 2006. The evolution in raw materials prices, along with the currency developments and the volume growth during Q3, will be decisive in succeeding," De Meersman says.

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.

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