

Press Release

Deceuninck: turnover in third quarter rises to 180.3 million euro

Third-quarter volume grows by 6.5%, wood composite products on the rise in Europe.
PVC resin prices continue to increase.

Hooglede-Gits, 12 October 2006. - The Deceuninck Group, one of the world's leading producers of PVC window systems and building profiles, is reporting a strong third quarter with a turnover of 180.3 million euros. Despite a weak Turkish Lira and to a lesser extent American Dollar which depressed the turnover by 3%, this is a slight increase of 1% compared to a strong third quarter in 2005. For the first nine months of 2006, the turnover amounts to 496.3 million euros (in the corresponding period of 2005 this was 475 million euros), an increase of 4.5%. The most striking growth regions remain Russia and Turkey. Turnover in Western Europe, on the one hand, is being boosted by a recovery of construction in Germany whilst on the other, the turnover in the United Kingdom continues to decline. Demand for the Twinson wood composite products is exceeding expectations in Europe.

Europe

During the third quarter the turnover in Europe rose by 4%.

In Western Europe was, in contrast to the second quarter, the decrease limited to 2% (Q2: -5%). The continuing sharp decline in demand for windows for the renovation segment in the United Kingdom is being offset by the clear recovery of residential construction and consequently double-figure turnover growth in Germany. Deceuninck also recorded a substantial turnover increase in other regions, including France and Belgium.

In Eastern Europe, the trend from the first half of the year continues, with a turnover increase of 11%. If one disregards Poland, where the downward trend persists, the turnover grew by almost 25%. Deceuninck owes this primarily to the building boom in Russia and Ukraine and the good performances in Central Europe, which is supplied by the Deceuninck subsidiary in Popovky (Czech Republic).

United States

In the United States, turnover, expressed in euro, has stagnated compared to the same quarter of 2005. The cooling of the construction market, which above all effects new residential construction and to a lesser degree the renovation market, has resulted, during the third quarter, in a decrease in the demand for windows. Deceuninck North America succeeded in offsetting the drop in sales of window systems with the increased turnover in wood composite decking.

Turkey

In Turkey, the sold volume once again rose by almost 20%. Compared to the end of June, the Turkish Lira increased slightly in value vis-à-vis the euro. Compared to the third quarter 2005, however, this still means a substantial currency devaluation.

Innovations

In Europe, demand for Twinson wood composite products continues to exceed expectations, especially with regard to the decking product range. In order to meet the enormous demand, during the third quarter the production capacity was expanded and production work continued throughout the traditional vacation period. Demand will also remain very positive in the coming months, even if the season is now past its peak. Further capacity expansion is planned.

Raw material prices

Contrary to a hoped-for decrease at the end of the second quarter, PVC resin prices are continuing to rise. During the third quarter in Europe there was an increase of more than 25% compared to the third quarter of 2005. PVC resin prices are also remaining at a high level in the United States, with an increase of 15% compared to the third quarter of 2005. The reasons for the high PVC resin prices are, firstly, the high ethylene prices and secondly, particularly in Europe, the strong demand for PVC profiles. Market trends suggest that the PVC resin price will rise again during the coming months. The impact of the recent decrease in oil prices on PVC resin prices is only expected by the end of 2006.

In the meantime, Deceuninck has increased its market prices. The initial results were already noticeable during the month of September, but the full impact will only be seen in the results of the fourth quarter. Deceuninck follows the evolution of the PVC resin prices closely, and will, if necessary, continue with its price increase policy, as it has done in the past.

Prospects

"With a more than 6% increase in volume during the third quarter, the Deceuninck Group has once again achieved a sharp increase in sales. However, the circumstances are not altogether positive. The favourable evolution in raw material prices and exchange rates, which was still hoped for at the end of July as a catalyst for an improvement of the results of 2005, has not materialised. The raw material prices continue to increase. The evolution of the currencies, above all the Turkish Lira, compared to last year produces a distorted image of the good progress which Deceuninck achieved during the third quarter. A 5% turnover increase, on an annual basis, remains among the possibilities. But an improvement of the 2005 results is now excluded," observes Clement De Meersman, CEO of the Deceuninck Group. "Important for the medium term is that we have further strengthened our strategic position in the most important growth markets, in particular Russia, Ukraine and Turkey, that the climate has become more favourable for the necessary market price adjustments and that the announced streamlining projects were succeeded successfully. At present it is still too early for a more concrete estimate of the annual result. For this we have to wait for the results of the months of October and November. After all, September, October and November are our top volume months. Every year they contribute substantially to the operating result of the entire working year. Given the good volumes of the past period, it looks like things won't be any different in 2006," De Meersman concludes.

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.

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