

Press release

Deceuninck looks forward to 2007 with confidence

Sudden drop in US construction market
slows down improvement of results in the fourth quarter 2006

Hooglede-Gits, 22 December 2006. – Just over a week before the end of the 2006 financial year, the Deceuninck group, a worldwide top producer of PVC window systems and building profiles, looks forward to 2007. With the full product renewal everything has been prepared to develop 2007 into a milestone on the way to targets set for 2009.

Latest sales trends 2006

There are only ten days between the Deceuninck Group and the new 2007 financial year. In most countries building activities stop between Christmas and New Year. A turnover in the fourth quarter of the same level as for the fourth quarter of 2005 is expected.

The trend from previous quarters has also been continued in the fourth quarter with the exception of the US market. As the quarter progressed, the slowdown in the US economy and the building activity there, resulted in a fall in turnover of over 20%. The reduced volume of the American windows market has, however, been compensated by the strong performance of the Russian, Turkish and, more importantly, German markets. Without the US the growth in volume during the fourth quarter is still expected to be more than 5%.

Raw materials

In 2006 the cost of raw materials increased by 15%. For Deceuninck this resulted in an additional cost of 12 to 15 million euro. Deceuninck succeeded – indeed with delay - in passing the increased cost on to the market, which was mainly achieved in the fourth quarter.

PVC-resin prices stagnated, for the first time in twelve months, in December. The expectations for 2007 are for a stabilisation in raw material prices with perhaps a slight fall from the high levels of 2006.

Innovations: Zendow – Twinson – Inoutic

The non-recurrent costs arising from the launch of the innovative window platform systems Zendow, Inoutic and, mainly, Twinson, the innovative concept for decking, are now behind us. All these products were successfully launched on the market and have strengthened the market position of Deceuninck.

The switch to Zendow has been completed. In the second half of the year, the number of stock keeping units fell spectacularly as a result of this, which has benefited productivity as anticipated.

Inoutic, the new brand name for Thyssen Polymer, was launched with the necessary media attention. The German organisation can now concentrate fully on the volume segment that is growing strongly, amongst others, in the Ukraine, Russia and Germany.

Expectations for the whole of 2006

Turnover will probably remain stable in the second half of the year in comparison to a strong second half of the year in 2005. On an annual basis this means an increase in turnover and volume of 3% and 5% respectively. Without the US the volume sold on an annual basis will probably have grown by almost 8%.

During the first three quarters of the year the operational margins remained under pressure. Only in the fourth quarter the results improved, but insufficiently to influence the situation significantly on an annual basis. As a result, Deceuninck has adjusted expectations, with regard to the annualised operational cash flow, to 54 to 60 million euro. The operational result (EBITA) should close positively on an annual basis between 5 and 8 million euro. Due to, among others, a high tax rate on the consolidation result, the net result on an annual basis is expected to be negative. The reduction in the net financial debts is going well. At the end of November they amounted to 192 million euro as opposed to 230.5 million euro at the end of June 2006. For early 2007 the order book is well filled and Deceuninck expects that this positive trend will be persevered.

"Deceuninck has experienced a complete metamorphosis over three years and has been prepared for the challenges of the next three years. The restructuring programmes ensured that the production system was adapted, both as regards product and as regards capacity, to the needs and the speed of growth of the local market. As a consequence, four production sites were closed and also new production units added in Turkey and Russia. Existing units, such as Poland and Belgium were also expanded considerably. The success of the launch of innovative products and concepts exceeded expectations," responded Clement De Meersman, CEO of Deceuninck, "The slowdown of the US economy and, more importantly, the US residential construction activity is still a concern to us. But we also implemented the most important projects here. Only the currency markets and high oil prices with their impact on energy, transport and the cost of raw materials can still bother us. However, we do have a feeling that the worst is over here as well," says a hopeful Clement De Meersman.

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 and wood composite applications for the building industry. The company is active in more than 75 countries, has 31 subsidiaries (production and/or sales) and is supported by 2.900 personnel, 710 of them in Belgium. In 2005 the Deceuninck Group achieved consolidated sales of 643,7 million euros.

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To Editors: for more information, please contact:

DECEUNINCK, Ludo Debever, tel. 051/23 92 48 of 0473/55 23 35, e-mail: ludo.debever@deceuninck.com.

www.deceuninck.com

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