

Press Release

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Interim statement

Deceuninck: third-quarter turnover holds its own

Tom Debusschere strengthens management structure and given responsibility for the Europe region

Hooglede-Gits, 16 October 2008. – Deceuninck is today reporting third-quarters sales of EUR 177 million (2007: EUR 178.7 million). At steady exchange rates, sales remained virtually unchanged in comparison with the same period of last year. Excluding results from the United States, sales rose by 2.5%. Measures implemented to improve results are on track. Changes to the operational organisation structure will support the plans for growth and innovation.

Group Deceuninck sales – third quarter

Group sales during the third quarter were EUR 177 million (2007: EUR 178.7 million). Currency fluctuations had a negative impact of 1.1%. Volume sold declined slightly by 1.3%, primarily due to lower demand in the United States. Price increases and changes to the product mix combined to have a positive impact of 1.4%. Excluding results from the United States, sales rose by 2.5%.

During the first nine months of the year sales declined by 2% to EUR 488.3 million (2007: EUR 498.3 million). The decline is primarily due to the strong euro versus the US dollar and the British Pound Sterling. At steady foreign exchange rates, the decline is only 0.2% in comparison with the first nine months of 2007. In spite of the difficult conditions in the United States, volumes sold year-on-year remained virtually unchanged. Excluding figures from the US, volume rose by 4.1%.

Regional trends

Europe

Sales rose in Europe in the third quarter by nearly 3% in comparison with the same period last year. The weak Pound Sterling and the competitive, difficult market conditions in Poland had a particularly negative effect on sales during the period.

In Western Europe, both the Benelux and France showed exceptionally strong quarters with sales increases of 7% and 15% respectively. In spite of difficult market conditions, volumes in Spain and the United Kingdom also remained steady. In Spain, Deceuninck succeeded in gaining market share, which resulted in volumes holding steady in comparison with the third quarter of 2007. In the United Kingdom, a double-digit volume growth in the building products range compensated for the decline in volumes in the window systems range. Expressed in euros, sales

declined, however, as a result of the weak Pound Sterling. Sales remained steady in the German market in comparison with the same period in 2007.

Eastern Europe, excluding Poland, again saw double-digit sales growth, driven primarily by continued strong growth in Russia and Central Europe. Competitive and difficult market conditions in Poland resulted in significant sales declines in that country.

Sales growth of 70% in the Twinson® wood composite applications range also contributed to the positive growth of sales in Europe.

Turkey

Following the ruling by the Turkish Supreme Court concerning the position of the political party AKP, confidence returned to the Turkish economy. This had an effect on the activities of the Turkish subsidiaries. Exports from Turkey (to the Middle East for instance) grew significantly, while the volumes sold in the local market grew once again. All of this, combined with a rise in the value of the Turkish Lira compared to the Euro, was translated into a historically high sales for the Turkish companies for the month of August.

United States

In the US market sales declined with 16%, expressed in dollars, in spite of strong sales in September. The share of the sales in the United States in the consolidated turnover remained stable in comparison with the previous quarter at 11%.

Prices of raw materials

High increases in oil and related ethylene prices led to an expected strong increase in the prices for PVC raw materials, especially at the beginning of the third quarter. The KI index for the third quarter showed an average increase of nearly 10% versus the second quarter. In order to limit the impact of the price increases for raw materials to a minimum, Deceuninck raised its sales prices in all markets.

Changes to the organisation structure

In order to protect itself better against the new challenges of the future, Deceuninck has strengthened and changed its operational organisation structure to respond to the major changes in the economic environment. This process was already started with the appointment of Philippe Maeckelberghe as new CFO as of 1 June and is now continued with the reorganisation of the regions worldwide.

The existing regions of Turkey and the United States will be joined by the new region of Europe. The regions will be headed by three regional managers reporting to the Managing Director.

The new region of Europe will be headed by Tom Debusschere. Tom is a Civil Engineer in Electro-mechanics with an additional postgraduate degree in 'Industrial Engineering'. He started his career in 1992 as Logistics Manager within the Deceuninck Group. In 1995 he started a nine-year spell with the American daughter company Dayton Technologies, where he rose to Vice President Operations and in 2004 he moved over to the Belgian Unilin Group as President of the Decor division.

As VP Marketing & Sales, Tom Debusschere will be a member of the Executive Committee, which, in addition to Managing Director Clement De Meersman, also comprises Philippe Maeckelberghe, CFO, and Lieven Vandendriessche, VP Supply Chain and Manufacturing.

Prospects

"In spite of the turbulent financial times and the sombre predictions of the future about construction in Western Europe, Deceuninck's order books were relatively well filled at the beginning of October. This was partly due to ongoing high demand from the renovation market, which is somewhat less susceptible to economic fluctuations, and the success of our 'product leadership' strategy with Zendow®, Inoutic®, & Deuctone® for the windows segment and the Twinson® composite applications for the building profiles segment," according to Clement De Meersman, Managing Director of the Deceuninck Group.

"Our ability to look into the future is limited, however. The price increases that we introduced – the impact of which has become visible starting in September – have enabled us to recoup a substantial part of the cost increases. Our 'Local for Local' restructuring project is in the final phase and additional measures were implemented during the third quarter in the United States to adjust the costs and capacity to the market conditions. The personnel strength has been reduced by approximately half since the beginning of 2006. In Russia, the compounding unit will become operational within the next few weeks. The first tests have already been carried out. The positive evolution of the operational cash flow during the second quarter, excluding the restructuring in Germany, was continued in the third quarter. The positive net results for the third quarter will compensate, as early as the end of September, for the negative net result from the first half. The full impact of the price increases will show up in the results during the fourth quarter. All of those factors give us the confidence to stay with our 'guidance' and the expectation that the results for 2008 will be positive, albeit to a small degree," De Meersman says.

"In the short run it will be very difficult to assess the chance and the possible impact of a recession on the activities of Deceuninck. The Board of Directors and the management of the Deceuninck Group are taking the necessary structural and operational measures to reinforce the situation in order to steer the Group through this difficult period and to reap the fruits immediately in case of an economic revival," concluded 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 composite applications for the building industry. The company is active in more than 75 countries, has 35 subsidiaries (production and/or sales) and is supported by 2.940 personnel, 680 of them in Belgium. In 2007 the Deceuninck Group achieved consolidated sales of 657 million euros.

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