

Press Release

Deceuninck: fourth-quarter turnover reaches EUR 166 million

Strong turnover figures in growth regions and the success of Twinson and Zendow largely compensate for weaker than expected turnover in the United Kingdom, the United States and Poland

Hooglede-Gits, 11 January 2007. – The Deceuninck Group, one of the world's leading producers of PVC window systems and building profiles, reflects, with mixed feelings, on the fourth quarter of 2006, and the turnover of EUR 166 million (- 1.5%).

Strikingly strong growth figures were recorded in some mature markets, but especially in the new, growth markets. This was augmented with the success of Twinson, the innovative wood composite applications for decking and external wall cladding. The slight 1.5% downturn is, however, mainly due to a 20% fall in US sales. The combined turnover of Europe and Turkey rose by 6% compared to a strong fourth quarter in 2005. The 2006 full year turnover for the entire Deceuninck Group amounted to EUR 662.5 million (2005: EUR 643.7 million) which represents a volume increase year-on-year of 4.6%.

REGIONAL TRENDS

Europe

For the whole year, turnover in Europe was EUR 444 million, an increase of 5% compared to 2005. The increase was clearly stronger in Eastern Europe where, with the exception of Poland, an increase of more than 20% was recorded in all regions. The leader was Russia, with an increase in turnover of more than 60%.

In Western Europe, the turnover increase in Germany (15% year on year) is the most noteworthy. The windows market grew for the first time in years, by 10%. With its innovative Inoutic concept, Deceuninck was able to strengthen its market position. During the fourth quarter, the turnover in the German market rose by more than 30% in comparison with the same period in 2005. The strongly improved market situation is primarily the result of government initiatives to promote investments in improved insulation materials. An additional factor was the requirement for owners of residential dwellings to prepare their properties for the energy certificate, which will be required commencing in 2008. During the fourth quarter, there was the additional, if temporary, effect of purchases that had been brought forward to avoid the 3% VAT increase on building materials that went into effect on 1 January 2007.

In the mature markets, especially in Belgium, with double digit growth, and in France, Deceuninck scored some noteworthy sales successes. Success in those markets is primarily due to the new Zendow window system and the Deuctone colour strategy. The United Kingdom, under difficult market conditions, saw a significant decline in turnover.

United States

Expressed in dollars, annual turnover in the United States declined by 3% (5% in Euros). This is primarily the result of an unexpectedly weak second half. While the first half of the year saw a dollar increase in turnover of more than 5%, that was more than offset by a decrease in the second half by more than 10%. Turnover during the fourth quarter declined by 20%.

According to the most recent figures from the National Association of Home Builders (NAHB), the number of building permits and housing starts declined by more than 25% in the fourth quarter compared with the corresponding period in 2005. Despite a slight improvement of construction indicators at the end of 2006, expectations are that the decline will continue to have a negative impact on turnover in the United States during the first half of 2007. In that market, approximately 45% of the PVC windows products are destined for the new-build market.

Turkey

In Turkey, the 3% rise in turnover year-on-year does not give a true picture of the situation. The sales volume rose by more than 18%, which is not shown in the Euro sales because of the devaluation of the Turkish lira in the spring.

TWINSON

The success of Twinson, the innovative wood composite application continued during the fourth quarter. In Europe that affected the decking product line in particular. Demand remained strong, helped by the mild winter allowing decking installation until the end of the year.

MOST IMPORTANT PLANNED INVESTMENTS FOR 2007

In terms of investments, 2007 will primarily focus on growth markets and innovations. In 2006, investments were made in new locations in Turkey, Russia and Spain.

In Turkey, Winsa will be moving from the leased premises in Adapazari to a new production unit in Koçali. Groundwork was started at the end of 2006 and the aim is to move into the new buildings at the end of 2007. An investment of EUR 5.5 million has been allocated for the construction.

In Russia, there are plans to increase production capacity gradually to 25,000 tonnes in 2007. Currently, a large percentage of the profiles for Russia are being delivered from Germany and Belgium. The Russian import taxes on profiles in Russia have placed Deceuninck at a competitive disadvantage in comparison with local profile producers. In 2006, property, with an existing factory, was purchased in Protvino. The factory is currently being renovated. The intention is to move into the buildings near the summer.

In Spain, investments were made in property, with the intention of setting up over time a new storage facility with office buildings. The current location in the centre of Madrid (Coslada) has no more room for expansion.

Finally, at the main site in Gits (Belgium), the production capacity for the Twinson wood composite products will be doubled.

RAW MATERIALS

Raw material prices rose again in the fourth quarter (by 5% compared with Q3) to reach historical highs in Europe. That resulted in PVC resin prices being 12% higher than during the corresponding period in 2005. Year on year, the PVC resin prices rose by 15% in Europe. The price increases are in stark contrast with the worldwide decrease in oil prices during the second half. An explanation can be found in the unexpectedly strong demand for rigid PVC products in Eastern Europe, primarily in Russia and in Germany, against a limited supply of PVC resins.

Expectations are that PVC-resin prices will stabilise at a high level in 2007.

TURNOVER EXPECTATIONS IN 2007

"The black pages of 2006 have been turned. Deceuninck now holds the aces and the potential to again get on track with its business plan 2009. As a result, turnover growth of 5% to 10% is expected for 2007" according to Clement De Meersman, CEO of Group Deceuninck.

The 2006 financial results will be released to the market on Thursday 15 March next before Stock Exchange opening.

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 2006 the Deceuninck Group achieved consolidated sales of 662.5 million euros.

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