

Press release

Innovation and new growth markets compensate for strong decline in turnover in U.S. and Germany

Third-quarter turnover amounted to € 178.3 million (2006: € 180.4 million).

Turnover in Europe and Turkey (combined) up by 5%

Hooglede-Gits, 11 October 2007. – Deceuninck, leading worldwide producer of PVC window systems and building profiles, today reports that the Group achieved turnover of 178.3 million euro in the third quarter. That represents a decrease by 1.2% in comparison with the same period last year. The explanation for the decline is the greater than expected reduction in turnover in the United States and Germany. Turnover volumes were down by 3,2%, while the changed product mix, foreign exchange, and higher sales prices combined to create a positive impact of 2,9% on the quarterly turnover. The non-comparable quarterly turnover (i.e. the sales of raw materials to third parties) and the turnover loss from the unprofitable wood-composite activities in the United States combined had a negative impact of 4,7 million euro. The turnover decline from wood-composite activities followed the takeover of Deceuninck's distributor Alcoa Home Exteriors by the building-products giant Ply Gem Industries. Without the figures from the United States, turnover rose by 5%.

On an annual basis, the consolidated turnover amounted to 498 million euro (2006: 496 million euro). Deceuninck confirms the expectation of an EBITDA margin of at least 10% for the whole year but assumes that the turnover rise will be less than 5%. The goal of achieving turnover of approximately 850 million euro by 2009 has been moved back to 2010.

Regional Trends

Europe

The quarterly turnover in Europe rose by 3%. The rise in turnover is largely due to the continued good performance in the mature Western European markets of France and Belgium and the strong increased demand in Eastern Europe.

Western Europe

With Deceuninck's double-digit increase in turnover in the mature markets of France and Belgium, the trend from the second quarter is continuing. The successful introduction of the innovative Zendow and Twinson products (window systems and terraces respectively), in combination with good new residential construction and renovation activities, are the foundation of the success in both regions. Deceuninck was also successful in increasing the share of coloured windows in turnover which reinforces Deceuninck's position as the premium supplier and leader in the coloured PVC windows market.

The good turnover figures in France and Belgium are in stark contrast to the reduced demand from the residential construction sector in Germany. The decrease in the number of building permits in residential new construction was not without consequences for the demand for building materials. The increased demand from the renovation segment and non-residential construction was not enough to compensate for the decline in new construction. That trend is expected to continue for the next few months due to the effect of advance orders during the fourth quarter of 2006 in anticipation of the VAT increase that took effect on 1 January 2007.

Double digit sales growth in the non fenestration segment was noted in the United Kingdom. On the other hand demand for fenestration products weakened towards the end of the quarter.

Eastern Europe

The new growth markets in Eastern Europe continued their good performance during the quarter. Strong performance in Russia, Ukraine and most of the countries in South-eastern Europe enabled Deceuninck to achieve growth of 10%. That resulted in the Eastern European region representing 33% of the quarterly turnover, led by Russia which has grown to become the most important sales market in Europe in the third quarter.

Turkey

In euro terms, turnover in Turkey grew by 15%. That increase is largely due to the increased export activity, the strong Turkish Lire and the favourable changes to the product mix with a larger share being taken by coloured window systems. In the local Turkish market, Deceuninck experienced a temporary slow-down in construction activity, with a decline in sales volumes.

United States

The ongoing difficulties in the housing market in the U.S. has hit demand, in the third quarter, for building materials more severely than expected. Partly due to a weak dollar and the temporary halt to sales of wood-composite products, turnover declined by 27% in euro terms. At the end of 2006, Deceuninck's wood-composite decking distributor in the United States, Alcoa Home Exteriors, was taken over by Ply Gem Industries. That led to a halt in the distribution of the wood-composite decking. In 2006, wood-composite product sales were good for 15 million dollars on an annual basis. Five million dollars of that was booked during the third quarter.

The share of the total Group turnover represented by the U.S. dropped in the third quarter to 14%.

The accelerated streamlining of operational activities ensured that the cost-savings objective and the increased productivity were on plan during the third quarter. In spite of the fact that the housing crisis only became fully apparent during the fourth quarter last year resulting in a reduction in sales, Deceuninck expects a smaller decline for Q4 2007.

Prices of raw materials

The increased trend of PVC resin prices continued with an increase of 3% over the second quarter. On an annual basis, the European PVC resin KI index was 7% higher than in 2006. Higher ethylene prices and strong demand in Eastern Europe and Asia are behind the additional increase. PVC prices also rose slightly over the 2nd quarter in the United States.

Business plan 2009

The decline in Deceuninck's mature markets – United Kingdom, United States, and Germany – has led to a turnover loss of approximately 50 million euros annually over the past three years. Although that loss is compensated by the new growth regions and innovations, it still means that the turnover objective of 850 million euros will only be achieved in 2010.

Outlook 2007

"The crisis in the U.S. housing market and the residential construction market in Germany had a more severe impact on our turnover in the third quarter than had been expected. Although October and November are traditionally our top two months for turnover and the fact that we had a weak fourth quarter last year, we nevertheless no longer consider a turnover increase of 5% for the whole year to be achievable. Turnover growth is still expected but it will be lower than 5%. The cost-savings and improved productivity due to the restructuring confirm our expectations for an EBITDA margin of at least 10% for the full year," according to Clement De Meersman, Managing Director of Deceuninck.

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 35 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 663 million euros.

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