

## Press Release

# Results under pressure due to high PVC prices, Turkish Lira and launch costs of new products

Accelerated cost-cutting and new price increases made at end of first half

- **Increase in turnover of 6.6% to 316 million euros (1H2005: 296.6 million euros)**
- **EBITDA: 20.7 million euros (1H2005: 36.4 million euros)**
- **EBITA: - 3.5 million euros (1H2005: 9.7 million euros)**
- **Earnings before tax: - 11.1 million euros (1H2005: 7.7 million euros)**
- **Net earnings: - 9.8 million euros (1H2005: 5.2 million euros)**

**Hooglede-Gits, 27 July 2006. – The Deceuninck Group, one of the world's leading producers of PVC window systems and building profiles, is publishing its half-year results today. During the first half of this year, a turnover of 316 million euros was achieved. The operating cash flow (EBITDA) was 20.7 million euros (1H2005: 36.4 million euros), and EBITA – 3.5 million euros (1H2005: 9.7 million euros). The disappointing results are mainly attributable to the continuing increase in the cost of raw materials, which could not yet be passed on to the market, the devaluation of the Turkish Lira and the final stage of the changeover in Zendow window system in Europe.**

### Turnover

During the first half of 2006 turnover rose by 6.6% to 316 million euros. Deceuninck owes this increase mainly to a strong first quarter in general and to greatly increased sales in East Europe and Turkey throughout the entire half year, despite the devaluation of the Turkish Lira.

Turnover also grew at Deceuninck North America during the first half, mainly attributable to the greatly increased sale of wood composite decking. The sharp fall in the United Kingdom meant that turnover in Western Europe declined slightly during the first half. However, sales increased in every other region, the most striking being the growth in turnover of over 10% in the Benelux domestic market.

The innovative products and projects are performing better than expected. The sales budget, set at the end of 2005, for the Twinson wood composite products,, which had a promising start in Europe, could be increased substantially.

### Operating results

#### 1. EBITDA

The operating cash flow (EBITDA) is 20.7 million euros (1H2005: 36.4 million euros). Contrary to expectations, June did not bring any improvement in the operating cash flow.

This rather disappointing result is chiefly attributable to the greatly increased cost of raw material that it has not yet been possible to pass on to the market, the negative exchange rate, the costs associated with switching over the remaining customers to Zendow and the increased costs of transport and energy.

## **2. EBITA**

The operating earnings (EBITA) are -3.5 million euros (2005: 9.7 million euros), with non-cash costs during the first half of 2006 2.5 million euros lower than in the same period in 2005.

## **3. Financial results**

In comparison with the first half of 2005, the financial results have suffered a negative effect of 4.8 million euros from the unfavourable developments in certain currencies, The exchange rate of the Turkish lira represents the biggest part of this negative effect.

## **4. Net financial debt**

At the end of June 2006 net financial debt amounted to 230.5 million euros (1H2005: 203 million euros).

## **5. Investments**

During the first half, 27 million euros of investments were made. This mainly involved the expansion of capacity in Turkey and Eastern Europe and the capacity increase for Twinson wood composite products in Europe. Besides these, land was purchased for the new WINSA extrusion plant in Turkey and a new warehouse and offices in Spain.

Investments for 2006 will remain limited to 40 million euros.

## **Actions to improve results**

### **1. Price increases**

Because of the heavy devaluation of the Turkish Lira in May and June, local sales prices were adjusted to the devalued Lira since the end of May. Substantial price increases are planned in all European regions from July. In the United States, the sales prices of wood composite products are being increased from 1 August because of the greatly increased price of polyethylene.

### **2. Streamlining of plants**

As part of the streamlining of plants, production has been stopped at Pontivy, France. The extrusion capacity released has been transferred to the plant in Roye. In the United Kingdom the warehouse in Royton was closed and all distribution activities will be organised centrally from the logistics centre in Calne. In the United States too, work is being done on streamlining the extrusion operations activities on the three production sites.

The restructuring of operations already carried out in 2005 (closure of the production plant in Oldham) and the restructuring in the second quarter of 2006 have led to an accelerated reduction in staffing by 190, mainly temporary workers worldwide. The effect of this on the results will mainly become apparent during the second half.

### **3. Productivity improvement**

A number of measures that should lead to an improvement in productivity as stated in the 2009 business plan have already been initiated. These measures mainly relate to accelerated implementation of various platforms at all plants and in all operational processes. At the end of the first half, the first results were discernable – albeit still minimally.

#### 4. Temporary impact of launching new products and brands

The completion of the launch of Zendow also entailed substantial commercial and switchover costs during the first half. The launch of the Twinson wood composite products and the new name Inoutic for the German Thyssen Polymer company were in turn associated with greatly increased communication costs. This also applies to the change in the colour range of Oasis wood composite products in the United States. Since the switchover to Zendow was completed during the second quarter and the new products and brands have been launched, expenditure on these matters should be limited during the second half.

#### Prospects

For the first time since its stock exchange flotation Deceuninck is reporting an operating loss in the first semester. An unforeseeable combination of circumstances during the second quarter has forced this on us.

"The actions taken form a good basis for a strong second six months. With a positive evolution of raw materials and currencies an improvement on 2005's results is not out of the question", thinks Clement De Meersman, Deceuninck's CEO. "In any case it is very hopeful to be able to record that the first results of the improved productivity are already beginning to make themselves felt. We should reap the fruits of them, together with the results of the price increases we have made during the second half. It is also encouraging that our years of investing in innovative products and processes are doing better than expected, thereby making Deceuninck well equipped for the medium to long term future. The current situation is undoubtedly the most difficult challenge Deceuninck has had to face in the last decade. The measures from the 2009 business plan are being rushed through. We are doing everything we can to turn the tide as quickly as possible", De Meersman continues.

#### 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.

#### Notes

The notes on the interim financial statements in accordance with IAS 34 and the external auditor's report will be available on the website before the end of September.

(End of Press Release)

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### Summary of the half-year figures for the Deceuninck Group (June 2006)

The results shown below (both 2005 and 2006) are reported in accordance with International Financial Reporting Standards.

The results presented as at 30 June 2006 have not been subjected to external audit.

Figures in million euros	30.06.05	30.06.06	Var %	31.12.05
	Unaudited			Audited
Turnover	296,590	316,032	6.6	643,695
EBITDA (1)	36,416	20,711	-43.1	84,291
EBITDA margin	12.3	6.6		13.1
EBITA (2)	9,697	-3,491	-136	30,693
EBITA margin	3.3	-1.1		4.8
EBIT (3)	9,697	-3,491	-136	30,693
EBIT margin	3,3	-1,1		4.8
Financial result	-1,958	-7,580	287.2	- 8,622
EBT (4)	7,739	-11,071	-243.1	22,071
	% of sales	2.6	s-3.5	3.4
Net result before goodwill (5)	5,236	-9,822	-287.6	19,045
	% of sales	1.8	-3.1	3.0
Taxes	-2,372	1,262		2,711
Consolidated result	5,368	-9,809	-282.7	19,360
	% of sales	1.8	-3.1	3.0
Group result	5,236	-9,822	-287.6	19,045
	% of sales	1.8	-3.1	3.0

EPS (non diluted) (6)	0.25	-0.46		0.89
EPS before goodwill	0.25	-0.46		0.89

Equity (9)	218,763	210,938		237,968
Total assets	585,710	612,699		595,004
% Equity	37.4	34.4		40.0
Net debt (7)	-203,017	230,535		-184,254
Working capital (8)	168,613	184,185		166,770

(1) EBITDA = Earnings Before Interest, Taxes, Depreciation, Amortization and Provisions

(2) EBITA = Earnings Before Interest, Taxes, Amortization of goodwill

(3) EBIT = Earnings Before Interest and Taxes = consolidated result before tax + financial result = operating result

(4) EBT = Earnings Before Taxes

(5) Net result before goodwill = current net profit

(6) EPS (non diluted) = Earnings per share

(7) Net financial liabilities = cash and cash equivalents - financial debt

(8) Working capital = trade receivables + inventories - trade payables

(9) Equity = equity including minority interest