deceuninck

## Press release

# Deceuninck: after the transitional year 2006 everything is ready to continue with the business plan 2009

- **Turnover increase by 3% to 662.7 million Euro (2005: 643.7 million Euro)**
- **EBITDA: 53.5 million Euro (2005: 84.3 million Euro)**
- **EBITA: -1.7 million Euro (2005: 30.7 million Euro)**
- **24.9 million Euro special amortizations**
- **Net consolidated result: - 34.8 million Euro (2005: 19.4 million Euro)**
- **Working capital reduced by 24 million Euro**

**Hooglede-Gits, 15 March 2007. – The Deceuninck Group, worldwide leading producer of PVC window systems and construction profiles, is today publishing its financial results for the financial year that closed on 31 December 2006. The operating cash flow (EBITDA) is 53.5 million Euro. This is in line with the lower limit of the forecast published at the end of December. The poor market conditions in the United States and the United Kingdom have led, in those countries, to a merger of organisations and the centralisation of the operational activities. The exceptional amortization of goodwill and fixed assets that results from this amounts to 24.9 million Euro. The net financial debt stayed at the 2005 level. 2007 started well in Europe and Turkey. In the United States the beginning of the year was difficult as expected.**

### Turnover

The turnover rose by 3% to 662.7 million Euro with a volume increase by 4.6%. The decreased turnover in the United States, United Kingdom and Poland was compensated by strong growth in the Eastern European growth markets and in the majority of West European mature markets.

As a result of the devaluation of the Turkish Lire in the second quarter, the increase in turnover in Turkey, when converted to Euro only rose by 3% while the volume increased by over 15%. In the total Group turnover, the share of the growth markets in Eastern Europe and Turkey rises to almost 40%.

In the United States the turnover fell by 5% when converted to Euro. The fall mainly occurred in the second semester because of the accelerating deterioration in activity in the American residential window market which resulted in a 20% decrease in volume in the fenestration product group.. This fall could only be partially compensated by sales in the non-fenestration product division.

88% of the consolidated turnover is realised in the window systems product division.

### Operating results

The **Earnings Before Interest, Taxes, Depreciation, Amortization and Provisions (EBITDA)** is 53.5 million Euro. The significant fall compared to 2005 is primarily due to the increased costs for raw materials, the one-off transition costs as a result of the launch of the new products Zendow, Inoutic and Twinson and the restructuring costs through the reorganisation of the operating activities, primarily in the United States and the United Kingdom. The

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additional expenses for the raw materials on their own had an impact of 14 million Euro. The margins in Turkey were decreased by a weaker currency.

The **Earnings Before Interest, Taxes, Amortization of goodwill (EBITA)** amounts to 1.7 million negative. The result was influenced by special amortizations amounting to 5.1 million Euro. This is due, firstly, to the depreciation of fixed assets after the closure of the production site in Oakland (United States) and, secondly, to amortization provided for the wood composite activities in the United States. These wood composite activities have not contributed positively to the operating result in 2006.

The **Earnings Before Interest and Taxes (EBIT)** amounts to 21.5 million Euro negative. The total minimum value on goodwill is 19.8 million Euro.

The **consolidated net Group result** was 35 million Euro negative.

## Net financial debts

Despite the fall in operating cash flow, a positive free cash flow of 18 million Euro was generated at the end of 2006. In 2006 the working capital was reduced by 24 million Euro which allowed the net financial debts to be kept at the same level at the end of 2006 as at the end of 2005. At the end of the second half-year, the net financial debt fell by 47 million Euro compared to the end of June 2006.

## Investments

The investments in 2006 amounted to 54.7 million Euro which corresponds to 8.25% of the turnover. The most important items here were the purchase of land in Turkey and Spain and land with an existing building in Russia. Further investments were mainly made in capacity expansion in the growth markets and for Twinson in Europe.

## Dividend

The Board of Directors shall propose, at the general meeting of the shareholders, maintaining the dividend for the 2006 financial year at the same level as for 2005. This is a sign of their faith in the future. If this proposal is accepted, a gross dividend of 0.245 Euro per share shall be paid. This corresponds with a net dividend per share of 0.18375 Euro. The dividend is payable from 22 May 2007.

## Prospects for 2007

Over the last three years Deceuninck has experienced a metamorphose that was required to achieve the targets of the business plan 2009. Innovative products, the Deuctone colour strategy, the streamlining of existing operating activities and adjustment of the operating capacity to the newest market developments were the main corner stones in this. In 2006 the majority of projects were completed.

2007 has started well, partly helped in Europe and Turkey as a result of the mild winter and initiatives resulting from energy-saving programmes. The beginning of the year in the United States has, as anticipated, started with difficulty and is being made more difficult as a result of a sudden, but persistent cold snap since February.

Prices for raw materials have stagnated at a high level and sales prices have been adjusted. Should the prices for raw materials rise again then Deceuninck shall be again forced to pass these on to the market.

"2006 was the final part of a three-year transitional period in which Deceuninck renewed its product portfolio and in which its operating activities were aligned to the developments in various geographical markets.

The Zendow-project has been completed and the launch of Inoutic, Deuctone and Twinson has been finalised in Europe. Together with the increase of the profile prices we will continue in 2007 with the trend started in 2005 en route to the results set in the business plan 2009," says 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 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 663 million euros.

(End of Press Release)

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## Overview of key figures from the Deceuninck Group

The results give below (both for 2005 and 206) are represented according to IFRS (International Financial Reporting Standards).

The statutory auditor has confirmed that the audit procedures on the consolidated financial statements have been completed substantially and that no significant corrections have been identified that should have been adjusted in the financial information included in the press release.

| Figures in million Euro | 31.12.06 | 31.12.05 |
|---|---|---|
| Turnover | 662,695 | 643,695 |
| EBITDA (1) | 53,453 | 84,291 |
| EBITDA-margin | 8,1 | 13,1 |
| EBITA (2) | -1,709 | 30,693 |
| EBITA-margin | -0,3 | 4,8 |
| EBIT (Operating result) (3) | -21,466 | 30,693 |
| EBIT-margin | -3,2 | 4,8 |
| Financial result | -12,122 | - 8,622 |
| EBT (4) | -33,588 | 22,071 |
| % in relation to turnover | -5,1 | 3,4 |
| Net result for goodwill (5) | -15,212 | 19,045 |
| % in relation to turnover | -2,3 | 3,0 |
| Taxes | 1,224 | 2,711 |
| Consolidated result | -34,812 | 19,360 |
| % in relation to turnover | -5,3 | 3,0 |
| Group result | -34,969 | 19,045 |
| % in relation to turnover | -5,3 | 3,0 |
| EPS (non diluted) (6) | -1,64 | 0,89 |
| EPS for goodwill | -0,71 | 0,89 |
| Equity capital (7) | 190,583 | 240,079 |
| Total assets | 558,164 | 595,004 |
| % Equity capital | 34,1 | 40,3 |
| Net debt (8) | -184,638 | -184,254 |
| Working capital (9) | 142,145 | 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 = operating result
(4) EBT = Earnings Before Taxes
(5) Net result for goodwill = current net profit
(6) EPS (non diluted) = Earnings per share
(7) Equity capital = Equity capital including minority interests
(8) Net financial debt = cash and cash equivalents – financial debts
(9) Working capital = customers + stock – suppliers