Press release

Strong second quarter offsets high raw materials prices

Deceuninck confirms expectations for 2005

Hooglede-Gits, 18 August 2005. – Group Deceuninck, a worldwide leading manufacturer of PVC window systems and profiles for the construction industry, is announcing its half-year results today. Turnover of 296.6 million euro was achieved during the first half of this year. EBIT was 9.7 million euro (2004: 16.9 million euro) and operating cash flow (EBITDA) was 36.4 million euro (2004: 40.7 million euro). The weaker first quarter left traces in the results for the first half. The margins appeared to have clearly improved during the second quarter due to increased growth in volume and the successful passing on of higher raw materials costs to sales prices.

Turnover

During the first half of the year, turnover rose by 5.7% to 296.6 million euro, primarily due to a strong second quarter. Turnover rose in almost all regions with the exception of Poland and the saturated markets of Germany and the United Kingdom. The rise in turnover was most evident in Turkey, in both organic growth and thanks to Winsa, which was acquired last December. Turkey's share of total turnover amounts to 13%.

Sales of window systems in the strategically important growth market Russia are progressing according to plan. In the United States the sale of innovative wood composite products is gradually advancing, despite the lag in planning occurred during the second quarter. The Cyclefoam® noise barrier is enjoying growing interest, which has translated into a greater number of orders.

Operating results

During the first half Deceuninck recorded an operating cash flow (EBITDA) of 36.4 million euro and an operating result (EBIT) of 9.7 million euro.

1. EBITDA

Over 70% of EBITDA was realised in the second quarter of the year. This meant that performance was clearly better than in 2004 despite higher PVC prices which were even 20% higher than the expected annual average during the first quarter.

The operating costs rose more strongly than volume because both 2004 and 2005 are transitional years in which many operational and commercial projects are being launched. In particular, these involve the investments and promotion costs for the launch of **zen**dow® and the changeover to this new window system, development of wood composite technology in Europe, the launch campaign for the new wood composite products, the investment costs linked to the takeover of the Turkish firm Winsa and preparations for the start-up of a local production unit in Russia. All of this affected costs in the first half. At present over half of the window manufacturers have switched over to **zen**dow® and various launch investments have been completed which should result in operating costs being lower during the second half.

2. EBIT

The non-cash expenses for the first half-year were higher due to the rise in depreciation, the precautionary provision of 1.7 million euro for the shutdown of the production unit in Oldham (United Kingdom) and the extra precautionary provisions on customer debts especially in Poland.

3. Goodwill

At the end of June no further depreciation was provided on goodwill (this amounted to 2.1 million euro at the end of June 2004) in accordance with the new IFRS standards.

The impairment test will be performed during the second half of the year on the basis of the business plans for the countries where goodwill was booked.

4. Financial results

The financial results were favourably influenced by exchange rate profits amounting to 2.8 million euro, especially on outstanding loans in dollars and on the attractive rate for the Turkish lira.

5. Tax rate

The tax rate of 30.6% was unfavourably influenced by changes in the American tax system which led to an adjustment of the deferred tax assets of 0.7 million euro.

6. Net financial debt

At the end of June net financial debt amounted to 203 million euro. This is in line with the seasonal progress of the working capital and investment expenditure. This debt will be sharply reduced by the end of the year, as it was last year.

7. Investments

The investments during the first half amounted to 35.5 million euro and were primarily a continuation of strategic projects. In the United Kingdom the work on the new logistics centre in Calne was completed. Wood composite technology was developed further in Europe. Investment in additional production capacity for wood composite decking was carried out in the United States. A production unit for window profiles for the local market was launched in Russia at the start of August, and production capacity in Turkey was expanded to cope with sharply increasing demand. The volume of investment will be significantly lower during the second half.

Cost reduction projects

1. Streamlining of the facilities

The restructuring projects in the United Kingdom, the United States and Poland are progressing according to plan and will continue unabated.

1.1. United Kingdom

The halt in production in Oldham, England, is a fact as of the end of August. The first savings can be expected during the second half of the year.

1.2. United States

A restructuring of activities in the various facilities in the United States was prepared. A reorganisation was implemented at company and management level and should lead to additional savings in the second half of the year. The first changes implemented are already evident in the results for the first half-year.

1.3. Poland

The restructuring in Poland has been completed and will also produce savings in the near future. The Deceuninck division in Poznan and the Thyssen Polymer division in Wroclaw have been brought together within a Deceuninck branch and now operate as a single organisation in the market.

2. Complexity reduction programmes

2.1. **zen**dow®

More than half of all Deceuninck window manufacturers in Europe have already changed over to **zen**dow®. This will lead to a substantial fall in the one-off switchover costs combined with enhanced productivity during the second half of the year.

2.2. Elite

A similar platform project is underway at Thyssen Polymer under the Elite name and a number of customers have already switched over. The innovative Elite system has been received very positively by the market, just like the **zen**dow® system at Deceuninck.

Prospects

Transitional phase

Deceuninck has undertaken a huge challenge since 2003 with the execution of projects in the business plan. Thus there was a far-reaching revision of the Deceuninck window system with the introduction of **zen**dow®, and as a consequence high marketing and changeover costs that an operation of this type entails during the launch phase. The changeover was also linked to increased communication costs relating to the final consumer. There was a simultaneous optimisation of the wood composite technology for the decking range in the United States and the new Twinson® construction profiles which will be launched during the second half-year in Europe. In the meantime Deceuninck has expanded into a world leader through the acquisition of the German firm Thyssen Polymer in July 2003 and the Turkish company Winsa in December 2004. Finally there has been investment in geographical expansion in amongst others Russia, Italy and Croatia. All of these efforts were overshadowed last year by historically high raw materials prices.

Expectations

"In the second quarter our efforts began to translate into better operating margins. We also succeeded in repositioning ourselves concerning sales prices, in line with the increased raw materials expenditure", says Clement De Meersman, CEO of Deceuninck. "At present the improvement and restructuring projects are fully underway, there is therefore great potential for optimisation. We expect to be able to take complete advantage of these efforts and synergies in the coming years."

Deceuninck is keeping to its previously stated guidance of a better result in 2005 with a rise in turnover of 5 to 10%.

Deceuninck is an integrated group of world format, specialised in compounding, tool fabrication, design, development, extrusion, finishing, gaskets, recycling and injection moulding of PVC-U systems and profiles for the building industry. The company is active in more than 60 countries, has 31 subsidiaries (production and/or sales) and is supported by 3043 personnel, 670 of them in Belgium. In 2004 the Deceuninck Group achieved consolidated sales of 582.1 million euro.

(End of press release)

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Clarification

The clarification of the interim financial statements in compliance with IAS 34 and the auditor's report will be available via the website before the end of September.

__Note to the editors: for more information, please contact:__

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Overview of the half-yearly key figures of Deceuninck Group (June 2005)

The results stated below (for both 2004 and 2005) are reported according to IFRS (International Financial Reporting Standards). As a result of IFRS 3, which came into force on 01 January 2005, the goodwill is no longer depreciated in 2005; it is evaluated at least annually with a view to special impairment.

The results presented on 30 June 2005 have not been subjected to an external audit.

Figures in millions euro	**30.06.04**	**30.06.05**	**Var %**	**31.12.04**
		Non-audited		Audited
Sales	280.708	296.590	5,7	582.143
EBITDA (1)	40.701	36.416	-10,5	74.797
EBITDA margin	14,5	12,3		12,8
EBITA (2)	19.043	9.697	-49,1	27.984
EBITA margin	6,8	3,3		4,8
EBIT (3)	16.933	9.697	-42,7	23.073
EBIT margin	6,0	3,3		4,0
Financial result	-4.897	-1.958	60,0	-6.418
EBT (4)	12.036	7.739	-35,7	16.656
as % of Sales	4,3	2,6		2,9
Net result before goodwill (5)	10.490	5.236	-50,1	14.816
as % of Sales	3,7	1,8		2,5
Taxes	-3.274	-2.372		6.260
Consolidated result	8.762	5.368	-38,7	10.395
as % of Sales	3,1	1,8		1,8
Result Group	8.379	5.236	-37,5	9.906
as % of Sales	3,0	1,8		1,7

EPS (non diluted) (6)	0,40	0,25		0,47
EPS before goodwill	0,50	0,25		0,70

Equity	210.397	217.052	7,9	204.670
Total assets	534.480	585.710		503.246
% Equity	39,4	37,1		40,7
Net debt (7)	-178.477	-203.017		-162.925
Working capital (8)	159.621	168.613		136.979

(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

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