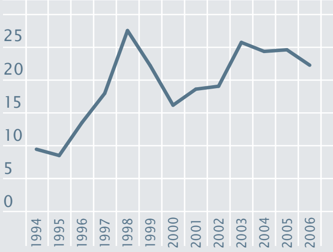
Annual report 2006

deceuninck

deceuninck

# Stock information

SHARE PRICE AT 31/12
SINCE 1994 (IN EUROS)




| CONSOLIDATED FIGURES PER SHARE (21,550,000 SHARES) (IN EUROS*) | 2005 | 2006 |
|---|---|---|
| EQUITY | 11.14 | 8.84 |
| NET PROFIT | 0.88 | -1.62 |
| CURRENT NET PROFIT | 0.88 | -0.71 |
| GROSS DIVIDEND | 0.24 | 0.24 |
| NET DIVIDEND | 0.18 | 0.18 |
| EBIT | 1.42 | -1.00 |
| EBITA | 1.42 | -0.08 |
| EBITDA | 3.91 | 2.48 |

* FIGURES ARE ROUNDED OFF

- (1) $\frac{\text{SHARE PRICE AT 31 DECEMBER}}{\text{NET PROFIT PER SHARE}}$
- (2) $\frac{\text{NET DIVIDEND}}{\text{SHARE PRICE AT 31 DECEMBER}}$
- (3) $\frac{\text{GROSS DIVIDEND}}{\text{CONSOLIDATED NET PROFIT}}$
- (4) IN THOUSANDS OF EUROS

| QUOTATIONS ON EURONEXT BRUSSELS (IN EUROS) | 2005 | 2006 |
|---|---|---|
| LOWEST PRICE | 22.20 | 20.35 |
| HIGHEST PRICE | 27.00 | 27.30 |
| PRICE AT 31 DECEMBER | 24.75 | 22.39 |
| PRICE/EARNING (PER) AT 31/12 (%) (1) | 28.01 | N/A* |
| NET DIVIDEND YIELD AT 31/12 (%) (2) | 0.74 | 0.82 |
| RETURN DECEUNINCK SHARE (%) | 1.01 | -9.50 |
| PAY-OUT RATIO (%) (3) | 27.45 | N/A* |
| MARKET CAPITALIZATION AT END OF FINANCIAL YEAR (4) | 533,363 | 482,505 |

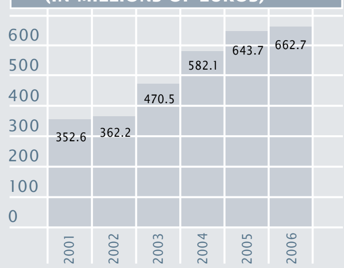
* NOT RELEVANT DUE TO LOSS POSITION

# Key figures

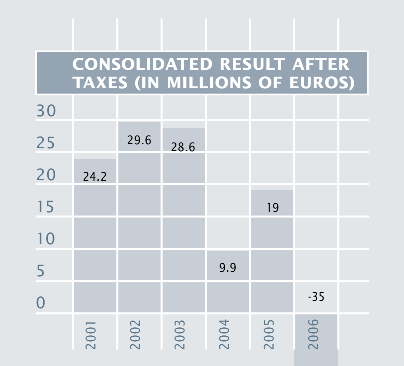
| DECEUNINCK GROUP (CONSOLIDATED) (IN EUROS*) | 2005 | 2006 |
|---|---|---|
| TURNOVER | 643.7 | 662.7 |
| CURRENT NET PROFIT (1) | 19.0 | -15.2 |
| CONSOLIDATED RESULTS BEFORE TAXES | 22.1 | -33.6 |
| CONSOLIDATED RESULTS AFTER TAXES | 19.0 | -35.0 |
| EBIT | 30.7 | -21.5 |
| EBIT (MARGIN IN %) | 4.8 | -3.2 |
| EBITA | 30.7 | -1.7 |
| EBITA (MARGIN IN %) | 4.8 | -0.3 |
| EBITDA | 84.3 | 53.5 |
| EBITDA (MARGIN IN %) | 13.1 | 8.1 |
| EQUITY | 240.1 | 190.6 |
| NET DEBT | 184.3 | 184.6 |
| WORKING CAPITAL | 166.8 | 142.1 |
| TOTAL ASSETS | 595.0 | 558.2 |
| CAPITAL EXPENDITURE | 57.5 | 54.7 |
| **RATIOS** | | |
| PROFITABILITY RATIO (2) | 7.9% | -18.4% |
| LIQUIDITY RATIO (3) | 1.7 | 1.6 |
| PAY-OUT RATIO (4) | 27.45% | -14.95% |
| R.O.C.E. (5) | 6.50% | -5.00% |
| STAFF (UNITS) | 2,979 | 2,924 |

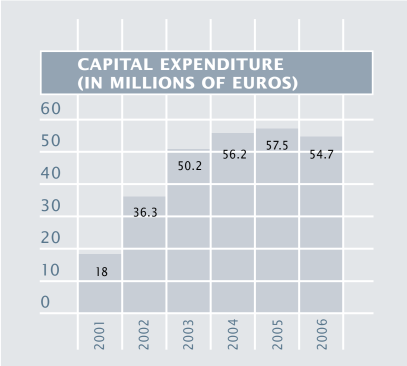
* FIGURES ARE ROUNDED OFF

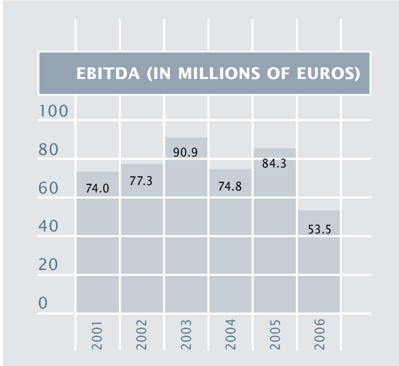
CONSOLIDATED TURNOVER
(IN MILLIONS OF EUROS)

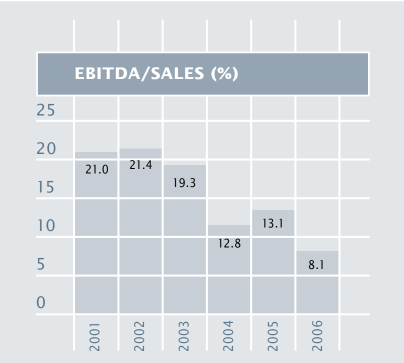


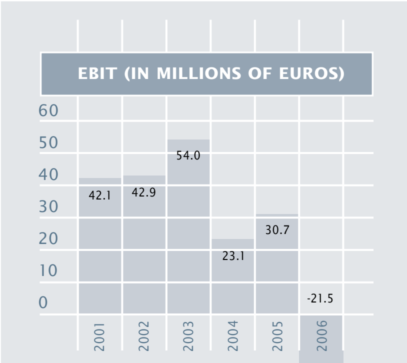

- (1) CURRENT NET PROFIT = NET PROFIT + AMORTIZATION ON GOODWILL
- (2) $\frac{\text{NET PROFIT}}{\text{EQUITY}}$
- (3) $\frac{\text{CURRENT ASSETS}}{\text{CURRENT LIABILITIES + ACCRUED CHARGES AND DEFERRED INCOME}}$
- (4) $\frac{\text{GROSS DIVIDENDS}}{\text{CONSOLIDATED NET PROFIT}}$
- (5) RETURN ON CAPITAL EMPLOYED: $\frac{\text{OPERATING RESULTS}}{\text{CAPITAL EMPLOYED}}$

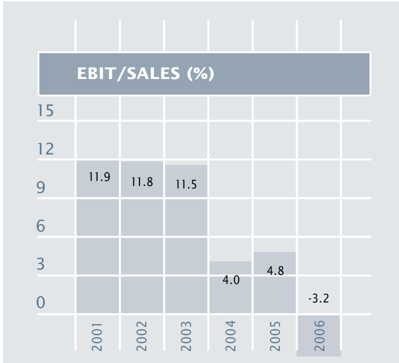

CONSOLIDATED RESULT AFTER TAXES (IN MILLIONS OF EUROS)
30
25
20
15
10
5
0
24.2
29.6
28.6
9.9
19
-35
2001
2002
2003
2004
2005
2006

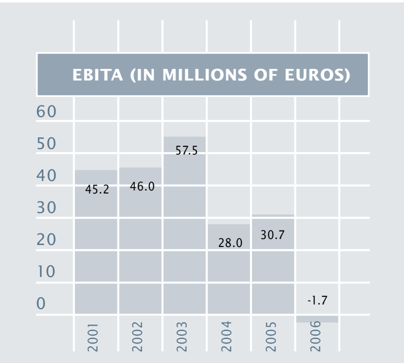

CAPITAL EXPENDITURE (IN MILLIONS OF EUROS)
60
50
40
30
20
10
0
18
36.3
50.2
56.2
57.5
54.7
2001
2002
2003
2004
2005
2006

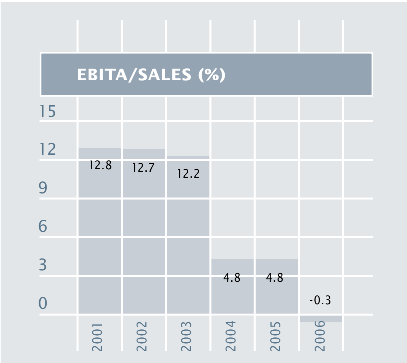

EBITDA (IN MILLIONS OF EUROS)
100
80
60
40
20
0
74.0
77.3
90.9
74.8
84.3
53.5
2001
2002
2003
2004
2005
2006

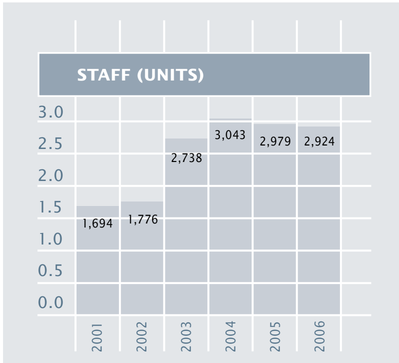

EBITDA/SALES (%)
25
20
15
10
5
0
21.0
21.4
19.3
12.8
13.1
8.1
2001
2002
2003
2004
2005
2006

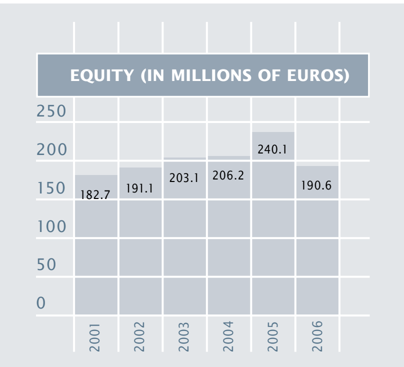

EBIT (IN MILLIONS OF EUROS)
60
50
40
30
20
10
0
42.1
42.9
54.0
23.1
30.7
-21.5
2001
2002
2003
2004
2005
2006

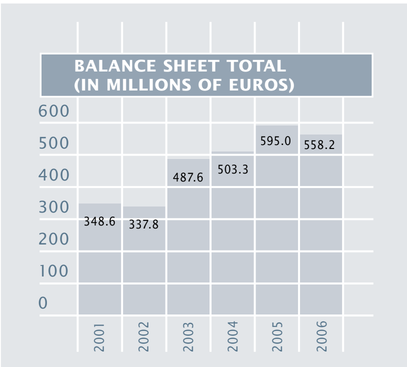

EBIT/SALES (%)
15
12
9
6
3
0
11.9
11.8
11.5
4.0
4.8
-3.2
2001
2002
2003
2004
2005
2006

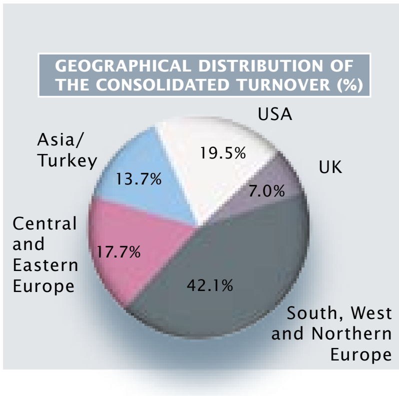

EBITA (IN MILLIONS OF EUROS)
60
50
40
30
20
10
0
45.2
46.0
57.5
28.0
30.7
-1.7
2001
2002
2003
2004
2005
2006


EBITA/SALES (%)
15
12
9
6
3
0
12.8
12.7
12.2
4.8
4.8
-0.3
2001
2002
2003
2004
2005
2006


STAFF (UNITS)
3.0
2.5
2.0
1.5
1.0
0.5
0.0
1,694
1,776
2,738
3,043
2,979
2,924
2001
2002
2003
2004
2005
2006


EQUITY (IN MILLIONS OF EUROS)
250
200
150
100
50
0
182.7
191.1
203.1
206.2
240.1
190.6
2001
2002
2003
2004
2005
2006


BALANCE SHEET TOTAL (IN MILLIONS OF EUROS)
600
500
400
300
200
100
0
348.6
337.8
487.6
503.3
595.0
558.2
2001
2002
2003
2004
2005
2006


GEOGRAPHICAL DISTRIBUTION OF THE CONSOLIDATED TURNOVER (%)
USA
19.5%
UK
7.0%
Asia/ Turkey
13.7%
Central and Eastern Europe
17.7%
42.1%
South, West and Northern Europe

## CONTENTS

# Company profile

Deceuninck is an integrated worldwide Group, specialized in compounding, mould manufacturing, design, development, extrusion, finishing, recycling and injection moulding of PVC window systems and profiles and seals for the building industry. Over the years the Deceuninck Group has succeeded in securing a place amongst the global elite within its sector. Deceuninck is the market leader in several European countries.
Thanks to an active and effective expansion and acquisition policy, Deceuninck has experienced considerable growth in recent years.
The Deceuninck Group currently owns 35 subsidiaries (production and/or sales) spread across Europe, North America and Asia and employs 2,924 people.
The Group's head offices and coordination centre are in Belgium.
In 2006 the Deceuninck Group achieved a turnover of 663 million euros, an increase of 3% in comparison with the previous financial year (organic growth + 4.6% in volume).

# Mission statement

Deceuninck's goal is to operate as one global integrated company, to deliver a large range of extruded PVC window and door systems and building products with high added value and to exceed customers' expectations through our passion for excellence.

# Strategy and objectives

In October 2005, Deceuninck presented its business plan for 2009. The 2009 business plan emphasises innovation, internal growth, improving productivity and pursuing the reduction of company debts.
Deceuninck forecasts an increase in its turnover and operating result between now and 2009.
This planned turnover increase in the Fenestration division will on the one hand be the result of a volume increase in the growth markets of Eastern Europe and Turkey and on the other hand of a continued growing demand for coloured window systems in the mature West European markets.
New products and applications will contribute to a turnover increase in the Non-Fenestration division.
Reduced complexity and the expansion of production capacity in Eastern Europe and Turkey will benefit productivity. Passing increased raw materials costs onto the market, will also contribute to improved operational results.

# Statement to the shareholders

2006 was the final phase of a three-year transition period following the take-over of Thyssen Polymer GmbH in July 2003. During this period numerous integration, innovation and synergy projects were initiated and completed. This took place during a period of continual increases in the price of raw materials and energy, which reached a record high.

The shift of the growth markets to Eastern Europe and Turkey encouraged Deceuninck to adapt its extrusion capacity to the changed market conditions. In the shrinking markets of the United States and Western Europe, mainly the United Kingdom, five subsidiaries were closed, while more production resources were created in Central and Eastern Europe. France, Germany and the headquarters in Belgium too, did not escape a necessary restructuring of activities.

The mature West European markets experienced a phase of high innovation dynamics. Many new products and technologies were introduced: Zendow, Inoutic, Twinson, Deuctone, Cyclefoam, etc. This was a necessary preparation for Deceuninck to accomplish the objectives of the 2009 business plan by means of volume increases, productivity improvements and price adjustments.

Needless to say these efforts have affected the results in recent years, but especially in 2006. During the past year, turnover increased to 662.7 million euros, operational cash flow (EBITDA) declined to 53.5 million euros and due to depreciation on fixed assets (5.1 million euros) liquidation of obsolete stocks after the changeover to the Zendow platform and the new white colour (2.7 million euros) the operating result before goodwill amounted to a negative 1.7 million euro.

The integration of new companies, new markets and cultures proceeded at a steady pace. Today we are well on the way to being the homogeneous, powerful Group of before. In 2007 this will be emphasized by a new corporate identity and a new logo symbolizing the global feeling of unity between the different subsidiaries within the Group.

At the end of 2006 the efforts of the past few years resulted in a number of promising bright spots. The success of Zendow formed the basis of a substantial increase in turnover in France and the Benelux. Inoutic in Germany profited from the sudden upturn in the demand for energy efficient windows. There was a remarkable and spectacular growth in Russia, the Ukraine and in most Central and Eastern Europe countries. New products were responsible for a substantial increase of the volume sold in Turkey. There was also the striking success of the Twinson products straight from the launch at the start of 2006. The turnover figures of the last quarter in 2006 showed the effect of the announced price increases. The reduced complexity led to an improvement in productivity.

2007 has started well in Europe and Turkey. In the United States, necessary pro-active measures were taken to align the organization with the greatly reduced volume as a result of the collapse of the residential new building market.

We have complete confidence that important steps were taken in the past three years to achieve the objectives of the 2009 business plan.

Despite the particularly difficult circumstances the Management could always rely on the support of the new Board of Directors who, when making decisions, always recognised the particular nature of the many investments and decisions.

The entry of Sofina into the capital and the Board of Directors led to stability of the shareholding. This notable event is highly valued by the Management and the Board of Directors as a positive decision for the future of the company.

On behalf of the Board of Directors and the Management we would like to offer a special word of thanks to our employees all over the world for their efforts and sustained hard work during the past years.

We would also like to thank our shareholders for their confidence and trust – even in difficult circumstances – during the past year.

A clear improvement of the result in 2007 will put us back on track to achieve the objectives in our 2009 business plan. Our efforts to accomplish this as soon as possible will continue undiminished.

CLEMENT DE MEERSMAN
CHIEF EXECUTIVE OFFICER

ARNOLD DECEUNINCK
CHAIRMAN

# Overview of products

## FENESTRATION

### DOOR AND WINDOW SYSTEMS

A wide range of profiles for the construction of the most up-to-date windows in all styles and colours: casement windows, tilt-turn windows, French windows, doors, etc.

### SLIDING SYSTEMS

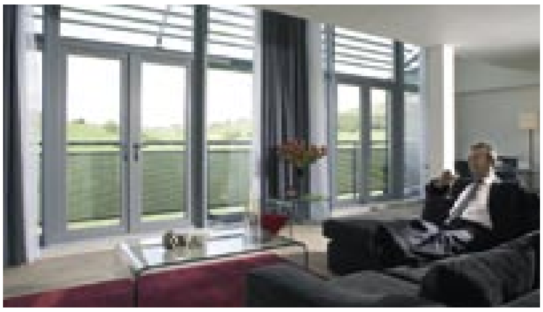
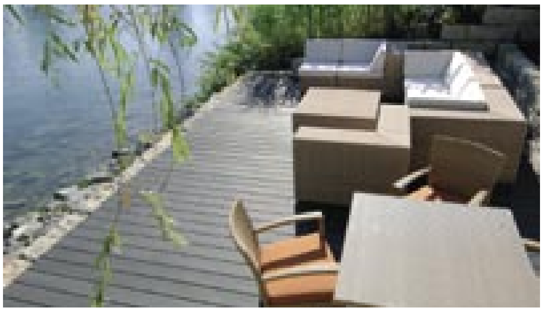
Profiles used in the manufacture of horizontal and vertical sliding doors and windows.

### FINISHING PROFILES

A wide range of profiles for decorative finishes on doors and windows.

### HOME PROTECTION

A range of systems for roller shutters, roller shutter boxes, decorative shutters, balustrades and fences.

## NON-FENESTRATION

### INTERIOR DECORATION

A wide range of cladding for walls and ceilings, suspended ceiling profiles, skirting boards, decorative frames and window sills.

### EXTERNAL CLADDING

A range of claddings for walls and roofline systems.

### MULTIFUNCTIONAL PRODUCTS

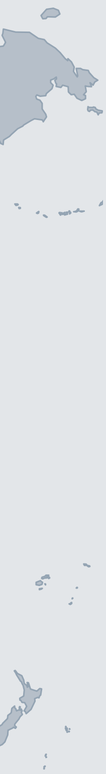
Including accessory profiles, finishing profiles, multi-purpose panels and planks for decks.

### TPE SEALS

Weather seals for doors and windows.

### SOUND BARRIER

# Deceuninck international network



## AUSTRALIA
MELBOURNE

## BELGIUM
HOOGLEDE-GITS
DIKSMUIDE
DOTTENIJS

## BOSNIA-HERZEGOVINA
LUKAVAC

## BULGARIA
PLOVDIV

## CHINA
QINGDAO

## GERMANY
BOGEN
HÜNDERDORF

## FRANCE
ROYE

## ITALY
PONTEDERA

## KAZACHSTAN
ALMATY

## CROATIA
ZAGREB

## LITHUANIA
KAUNAS

## THE NETHERLANDS
ULVENHOUT

## THE UKRAINE
KIEV

## POLAND
POZNAN
WROCLAW

## PORTUGAL
LISBON

## ROMANIA
BUCHAREST

## RUSSIA
MOSCOW
EKATERINBURG
NOVOSIBIRSK
ROSTOV-ON-DON
SAMARA
SERPUKHOV
ST PETERSBURG

## SERBIA
BELGRADE

## SPAIN
COSLADA

## THAILAND
SAMUTPRAKARN

## CZECH REPUBLIC
BRNO

## TURKEY
ADANA
ADAPAZARI
ANKARA
ISTANBUL
IZMIR

## UNITED KINGDOM
CALNE

## UNITED STATES
MONROE, OHIO
LITTLE ROCK, ARKANSAS
OAKLAND, NEW JERSEY

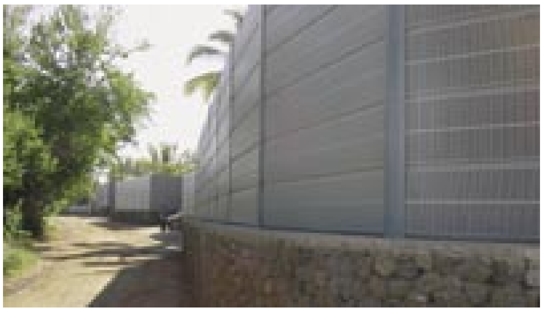
*Extrusion*
*Sales and/or stock*

# Deceuninck International

Spain

Ukraine

Romania



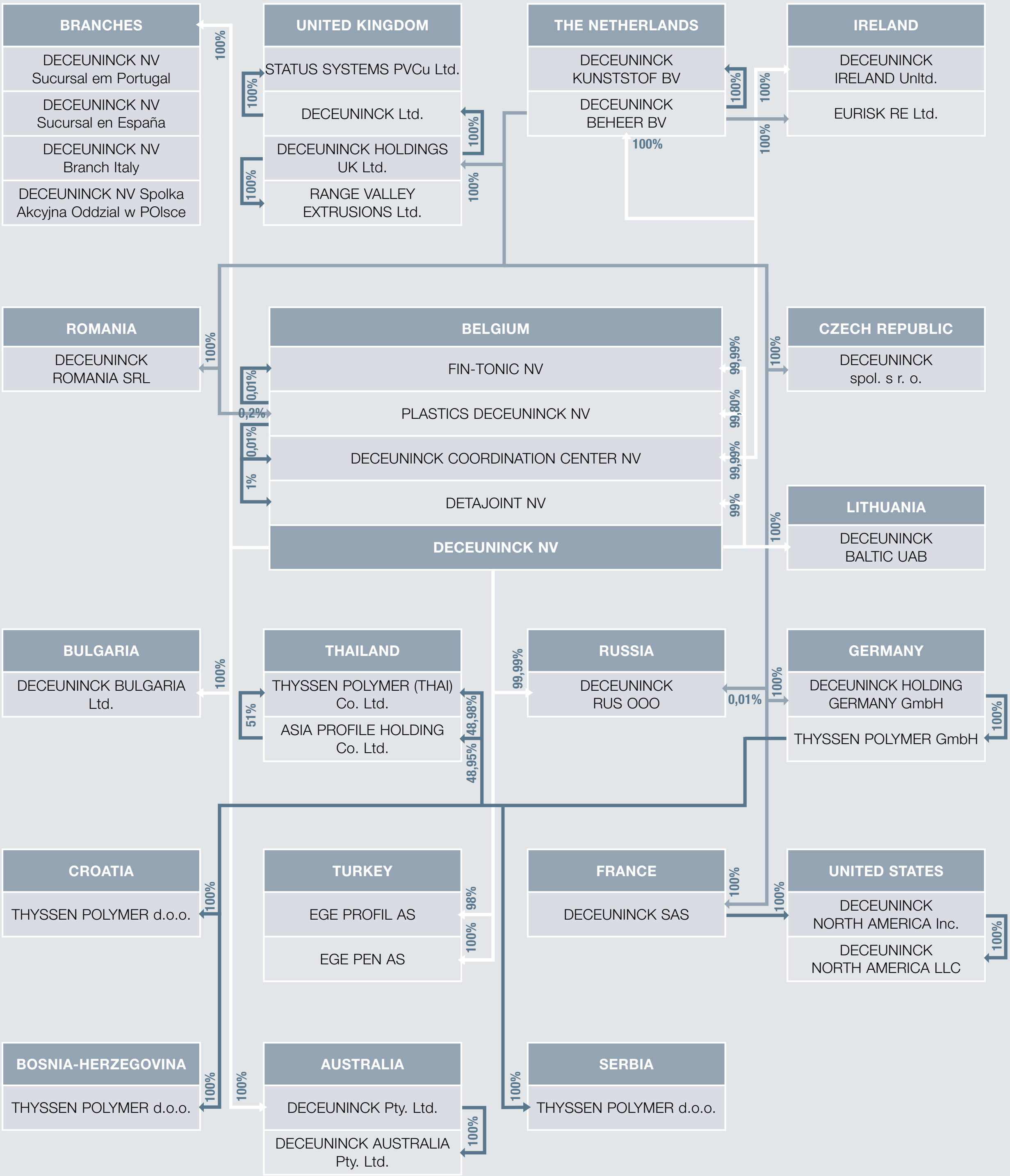
Ile de la Réunion

Belgium

Russia

United Kingdom

United States




*Rep offices/sales offices: 100% property of Deceuninck NV China, Ukraine, Russia and Kazakhstan, 100% property of Deceuninck Rus OOO (Russia): Novosibirsk, St. Petersburg, Rostov-on-Don, Ekaterinburg and Samara, 100% property of Thyssen Polymer GmbH (Germany): Ukraine*

*Minority interests:*
*Deceuninck NV: 10% in Sistemas Sumum SL (Spain)*
*Deceuninck SAS: 3.59% in Huis Clos SA (France)*
*Thyssen Polymer GmbH: 9.52% in Rewindo GmbH (Germany)*

# Highlights of 2006

**January**
Detajoint became a 100% owned subsidiary of Deceuninck.

**February**
Successful introduction of Twinson at Batibouw (Belgium).

**April**
Thyssen Polymer launches the Inoutic brand name during the Fensterbau exhibition in Nuremburg (Germany).

**May**
Purchase of new sites in Kocaeli (Turkey).

**June**
Sofina NV takes a participating interest of 17.5% in Deceuninck.
Thyssen Polymer GmbH celebrates its 50th anniversary.
The logistics centre of Deceuninck Romania is moved to a new and larger complex in Bucharest.
The warehouse at Royton (United Kingdom) was closed. All distribution activities take place from the modern distribution centre in Calne.

**July**
The production in Pontivy (France) was closed at the end of July. The released capacity was transferred to the production site in Roye.

**August**
Official opening of a new logistics centre in Popuvky (Czech Republic).

**October**
Establishment of a Rep. Office in Qingdao, Shandong (China).

**November**
Deceuninck North America concentrates its extrusion activities in Monroe (Ohio) and Little Rock (Arkansas) and the production in Oakland (New Jersey) is closed.

**December**
Purchase of a new site with building in Protvino (Russia).
Purchase of a new site in Toledo (Spain).
Establishment of a subsidiary in Victoria (Australia).

# Key figures 2006

- world leader
- turnover of 662.7 million euros
- > 4,750 customers worldwide
- presence in over 75 countries
- 35 subsidiaries (including branches)
- 330,000 km of extruded profiles
- 2,924 employees
- 250,000 tonnes of compounds produced
- management of 2,800 tools

# Management

( AS AT 31 MARCH 2007 )

## EXECUTIVE COMMITTEE

**Clement De Meersman,** Chairman
*Managing Director, CEO*

**Dirk Demeulemeester**
*Group Finance, Controlling &*
*Corporate Development Manager, CFO*

**Geert Demeurisse**
*Group Technology & Research Manager*

**Lieven Vandendriessche**
*Group Supply Chain & Manufacturing Manager*

## MANAGEMENT COMMITTEE

**Ann Bataillie**
*General Counsel*

**Wim Clappaert**
*General Manager Operations, Hooglede*

**Bruno Deboutte**
*General Manager Non-Fenestration, Europe*

**Henk Demets**
*General Manager Investments & Purchasing*

**Filip Levrau**
*General Manager ICT*

**Marc Michels**
*General Manager Human Resources*

**Michel Strypstein**
*General Manager Special Projects*

**Alain Swyngedauw**
*General Manager Export*

**Everd Van den Hende**
*General Manager Deceuninck Ltd. (United Kingdom)*

**Bernard Vanderper**
*General Manager Benelux*

**Karel Vandoorne**
*General Manager Marketing Fenestration, Europe*

**Guido Vanhalst**
*General Manager Consolidation & Controlling*

**Frans Van Vaerenbergh**
*General Manager Compound*

## REGIONAL MANAGEMENT

**Ergun Cicekci**
*General Manager Ege Profil AS (Turkey)*

**Stephan Coester**
*General Manager Thyssen Polymer GmbH (Germany)*

**Antonio Escobar**
*General Manager Deceuninck NV Sucursal em*
*Portugal & Sucursal en España (Portugal & Spain)*

**Volker Guth**
*General Manager Deceuninck Rus OOO (Russia)*

**Tomas Klima**
*General Manager Deceuninck spol. s r.o.*
*(Czech Republic)*

**Elena Marica**
*General Manager Deceuninck Romania SRL*
*(Romania)*

**Mark Parrish**
*General Manager Deceuninck North America LLC*
*(United States)*

**Martin Rosocha**
*General Manager CIS countries*

**Alain Swyngedauw**
*General Manager Export*

**Everd Van den Hende**
*General Manager Deceuninck Ltd. (United Kingdom)*

**Bernard Vanderper**
*General Manager Benelux*

**Paul Van Wambeke**
*General Manager Deceuninck SAS (France)*

**Przemyslaw Zdziebkowski**
*General Manager Deceuninck Polska Sp. z o.o. (Poland)*

## INTERNAL AUDITOR

**Steven Powell**
*Internal Audit Manager*

## AUDITORS

**Ernst & Young, Company Auditors BCVBA,**
*represented by Mr. Marc Van Hoecke*

# Corporate governance

In pursuance of the Belgian Corporate Governance Code of 9th December 2004 (hereinafter: “the Code”), Deceuninck has since the end of 2005 formally adopted a Corporate Governance Charter (hereinafter: “the Charter”). This Charter is available on the website at www.deceuninck.com. Via this Charter the Board of Directors declares its intent to comply with the vast majority of the principles of the Code. The Charter describes the important aspects of Deceuninck’s corporate governance and the internal regulations of the Board of Directors and the Committees. For an overview of these internal regulations reference should be made to the Charter. This chapter of the annual report describes the Corporate Governance policy applied during the past year. Although Deceuninck has implemented most recommendations of the Code, an overview is also provided of principles and provisions of the Code which are not implemented, along with the justification for not doing so.

## COMPOSITION OF THE BOARD OF DIRECTORS

| | | | |
|---|---|---|---|
| **MEMBERS WHO REPRESENT THE REFERENCE SHAREHOLDERS** | | | |
| CHAIRMAN | ARNOLD DECEUNINCK PERMANENT REPRESENTATIVE OF R.A.M. COMM. VA | DIRECTOR OF COMPANIES | MEMBER OF THE REMUNERATION AND NOMINATION COMMITTEE |
| VICE CHAIRMAN | WILLY DECEUNINCK PERMANENT REPRESENTATIVE OF T.R.D. COMM. VA | DIRECTOR OF COMPANIES | MEMBER OF THE AUDIT COMMITTEE |
| DIRECTOR | FRANÇOIS GILLET | DIRECTOR SOFINA NV AND DIRECTOR AT COLRUYT, DOLMEN COMPUTER APPLICATIONS, LUXEMPART, KREDIT BANK POLAND AND AT PRIVATE EQUITY FUNDS | |
| DIRECTOR | SOPHIE MALARME-LECLOUX | DIRECTOR’S ASSISTANT SOFINA NV AND DIRECTOR AT PRIVATE EQUITY FUNDS, VIVES NV, START-IT AND AT CAPITAL E | |
| **EXECUTIVE DIRECTOR** | | | |
| MANAGING DIRECTOR | CLEMENT DE MEERSMAN | DIRECTOR OF ROULARTA MEDIA GROUP NV AND OF ELIA NV | MEMBER OF THE REMUNERATION AND NOMINATION COMMITTEE |
| **INDEPENDENT DIRECTORS** | | | |
| DIRECTOR | HERWIG BAMELIS PERMANENT REPRESENTATIVE OF HBM CONSULT BVBA | DIRECTOR OF COMPANIES | CHAIRMAN OF THE REMUNERATION AND NOMINATION COMMITTEE |
| DIRECTOR | PIERRE-ALAIN DE SMEDT | DIRECTOR OF BELGACOM, FEBIAC, VALEO AND OF THE NATIONAL PORTFOLIO COMPANY | MEMBER OF THE AUDIT COMMITTEE |
| DIRECTOR | GERHARD ROOZE | DIRECTOR OF THE BANK DEGROOF NV | CHAIRMAN OF THE AUDIT COMMITTEE |
| **SECRETARY** | | | |
| DIRK DEMEULEMEESTER, CFO | | | |

Sophie Malarme-Lecloux

Mrs. Sophie Malarme-Lecloux has a Master in Business Administration from the Solvay Business School.
After a career with IBM as financial analyst and with ING as account manager, she joined Sofina NV in 2002, where as a member of the management, she is responsible for the analysis and follow-up of a number of investment projects.

François Gillet

Mr. François Gillet has a Master of Business Administration from the Louvain School of Management.
He started his career at Union Minière.
In 1988 he made the move to Sofina NV where he is a Director. His responsibilities include the follow-up of the investment projects in Colruyt, Dolmen Computer Applications, Luxempart, Kreditbank Poland, Codic International, Callataÿ & Wouters, and at private equity funds. In these companies he holds a Director's mandate. He is also an independent Director in a personal capacity at the Emakina Group.

Directors are appointed by the Annual General Meeting for a maximum term of four years.

By resolution of the Extraordinary General Meeting of 24 October 2006 and on the recommendation of the Remuneration and Nomination Committee Mrs. Sophie Malarme-Lecloux and Mr. François Gillet were appointed as non-independent Directors. Their mandate will expire at the conclusion of the General Meeting of 2010.

The mandate of Mr. Pierre-Alain De Smedt will expire at the conclusion of the General Meeting of 2009.

From left to right: Arnold Deceuninck, Willy Deceuninck, Dirk Demeulemeester, Sophie Malarme-Lecloux, François Gillet, Pierre-Alain De Smedt, Clement De Meersman, Herwig Bamelis, Gerhard Rooze.

The other mandates will expire at the conclusion of the General Meeting of 2007. On the recommendation of the Remuneration and Nomination Committee the General Meeting of 8 May 2007 will be requested to renew the following mandates for a period of four years:

**Directors, representing the reference shareholder:**
- Mr. Arnold Deceuninck, permanent representative of R.A.M. Comm. VA;
- Mr. Willy Deceuninck, permanent representative of T.R.D. Comm. VA.

**Managing Director:**
Mr. Clement De Meersman.

**Independent Directors:**
- Mr. Herwig Bamelis, permanent representative of HBM Consult BVBA;
- Mr. Gerhard Rooze.

The mandates will thus expire at the conclusion of the General Meeting of 2011.

## BOARD OF DIRECTORS AND COMMITTEE MEETINGS IN 2006

### BOARD OF DIRECTORS

In 2006, the Board of Directors convened ten times at the company's head offices in Roeselare, Belgium. One Director was excused from the meeting of 29 August. All of the Directors attended all of the other board meetings.
At the end of the meeting of 22nd December 2006, a meeting was held in which the Managing Director did not take part, as is customary each year.

### AUDIT COMMITTEE

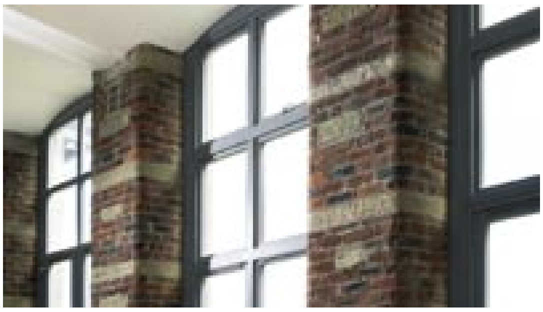
The Audit Committee convened four times during 2006.

### REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee convened twice in 2006.

## INDEPENDENCE REQUIREMENT

The independence of the Directors is assessed on the basis of various criteria, including: "that he has not served more than three terms as non-executive Director on the Board of Directors, except if the Board of Directors should decide that a mandate of more than three terms does not impair the independence of the Director".
One Director does not meet this requirement, as he has served more than three terms on the Board of Directors. However, the education and professional experience of this Director is considered to be a major added value to the company. During this time, the Director has also acquired such knowledge of the Deceuninck Group and its products, processes and structures that his absence from the Board of Directors would constitute a significant loss to the company.



## REMUNERATION AND NOMINATION COMMITTEE

In accordance with the Code, the Charter stipulates that the Remuneration and Nomination Committee must comprise at least three Directors, all of whom should, as a rule, be non-executive Directors.
The Managing Director is a member of the Remuneration and Nomination Committee in order to fulfill his responsabilities in connection with the remuneration of the Executive Committee and other members of the Board. The Committee currently comprises three members, one of whom is an independent Director. For duties not concerning the remuneration of Executive Committee members and other Managers, the Committee currently comprises two members, one of whom is an independent Director. Currently independence and conflict of interest pose no problem and the Board of Directors has decided that a new composition of the Committee is not required at this moment.

## POLICY TO PREVENT THE ABUSE OF INSIDE INFORMATION

Paragraph 3.7. of the Code obliges the company to comply with the Market Abuse Directive 2003/6/EG. This Directive has already been transposed into Belgian Law. Deceuninck has adapted its policy for the prevention of abuse of inside information to this new Belgian legislation, including the Royal Decree of 5 March 2006.

**RULES OF CONDUCT FOR TRANSACTIONS AND OTHER CONTRACTUAL RELATIONS BETWEEN THE COMPANY, ITS DIRECTORS AND EXECUTIVE COMMITTEE MEMBERS NOT SUBJECT TO THE REGULATION ON CONFLICTS OF INTEREST**

During the past financial year there were no transactions or contractual relations, liable to give rise to the application of the policy defined in sections 2.8.e) and 5.6.3. of the Charter.

**COMMUNICATION OF THE AMOUNT OF REMUNERATION AND OTHER BENEFITS PAID TO INDIVIDUAL DIRECTORS AND EXECUTIVE AND MANAGEMENT COMMITTEE MEMBERS AS A WHOLE**

Deceuninck NV complies with the recommendations of Code 2004 as far as possible. Regarding the communication of remuneration on an individual basis, it considers that the communication of the individual amounts provides no added value to investors/shareholders. It fears this would rather have a reverse effect as this information could be used or abused by others. Such communication may also be detrimental to the interests of the people concerned. This position is similar to that expressed in the negative advice handed down on 8th December 2005 by the Committee on the Protection of Privacy relating to (private) bills aimed at imposing the publication of the individual remunerations of Directors of listed companies (Belgian House of Representatives, 2005-2006, DOC 51 1505/003).
Disclosure of the total remunerations of the Directors, Executive and Management Committee members is sufficient to enable shareholders to make an informed assessment of the influence of remunerations on the position, business and results of Deceuninck NV. In view of the evolutionary nature of this subject, the company will decide each year on the appropriateness of publishing individual remunerations as recommended by the Code. Total remuneration of members of the Board of Directors in 2006 amounted to 1,135,000 euros. This

amount includes additional remuneration granted to Directors for their attendance on committees to which they belong and special remuneration paid to Directors responsible for specific assignments. This remuneration is approved by the General Meeting and considered to be general costs.
Executive Committee and Management Committee members received a base remuneration of 2,612,000 euros, including 13.4% variable remuneration. This variable remuneration is based on personal performance and achievements in individual areas of responsibility. The Management Committee was expanded with four new members at the start of January 2006.
The retirement indemnification amounts to 343,000 euros and consists of a defined contributions type pension plan via an external insurance company.
During the past year, no options were granted on existing Deceuninck NV shares.
The Extraordinary General Meeting of 24 October 2006 has approved a share option scheme, authorizing the Board of Directors to issue options on existing shares to an annual maximum of seventy five thousand (75,000), whereby the exercise price of the option shall be equal to the lowest of (i) the average market price of the shares during thirty consecutive days preceding the offer, or (ii) the closing price prior to the day of the offer, subject to and in accordance with the terms of the share option scheme.

## GENERAL MEETINGS

Contrary to the Code's recommendations, the Charter does not envisage that shareholders holding a percentage of the shares representing at least 5% of the capital can submit proposals to the General Meeting. However, in accordance with the Belgian Companies Code (article 532), shareholders who own more than 20% of the company's shares are entitled to convene a General Meeting of Deceuninck NV. Given the size of the company, a smaller percentage of 5% is not appropriate.
By resolution of the Extraordinary General Meeting of 12 June 2006 the Board of Directors was given the authority, for a period of 18 months and without prior authorisation of the General Meeting, by virtue of article 620 and following of the Companies Code, to acquire own shares by purchase or by exchange of the maximum permitted number of shares for a price between 6 and 40 euros per share.
By resolution of the same meeting the Board of Directors was authorised to transfer, without restriction of time, the thus purchased shares, either directly or through an intermediary acting in its own name, but for the account of the company, at (i) a price of at least 6 euros, being the minimum price established in the price range determined for the authorization of buyback of own shares, or (ii) at the exercise price of the options if the transfer occurs as part of the share option schemes of November 1999, December 2000, 2001, 2002, 2003, 2004 and 2005.
In the latter case, the Board of Directors is authorised to transfer shares off market with the permission of the beneficiaries of the share option schemes. By resolution of the Extraordinary General Meeting of 24 October 2006 the Board of Directors was given the authority for a period of three years to acquire or transfer own shares, profit participating certificates, or certificates relating thereto, in accordance with articles 620 up to and including 625 and 630 of the Companies Code, if the acquisition or transfer is necessary to avert severe and imminent damage to the company.

# Activities of product divisions and regional activities

## ACTIVITIES OF PRODUCT DIVISIONS

### FENESTRATION

Global turnover of this product division is based on four main pillars. Turnover in Europe can be divided into two main platforms; the Zendow and the Inoutic platforms, which are compatible with the third pillar, the Turkish platform. A fourth pillar is the window systems of Deceuninck North America, which are mainly sold on the North American market.

#### Turnover

Turnover amounted to 583.20 million euros, which accounted for 88% of the consolidated turnover of the Deceuninck Group compared to 88.8% in 2005.

#### Europe

Three trends are evident in Europe. The growth markets of Central and Eastern Europe were characterized by a strong increase in volume. Most mature continental Western European regions shared in a healthy market growth. Market conditions in the United Kingdom remained difficult.

#### Western Europe

Turnover of the Deceuninck Group was to a large extent achieved in the mature markets of Western Europe. A double digit growth in sold volume was recorded in most regions. With the increased demand for coloured window systems, Deceuninck managed to almost entirely compensate the decline in sales on the British market.
For the first time in ten years the German windows market saw a significant resurgence. In this favourable climate Thyssen Polymer managed to achieve a substantial increase in turnover in the German market.
In the Benelux and in France the Deceuninck window systems also experienced a quite considerable increase in volume. Markets were aided in particular by low mortgage interest rates, a temporary low VAT rate on renovations and a number of government initiatives aimed at the reduction of heating costs and $CO_2$ emission. The changeover to the Zendow platform, a process started in 2004, was completed during the second quarter.
In the United Kingdom a revised product strategy was implemented in 2006, which should enable the British sales division to turn around the decreased volume into a substantial increase.

#### Eastern Europe

In Eastern Europe, Deceuninck succeeded in achieving a substantial turnover increase. An increase of more than 20% was registered and Deceuninck consolidated its position in all regions, with the exception of Poland. Innovation of the Inoutic product range during the past years was at the core of this success. Russia in particular should be mentioned with a turnover increase of more than 60%. The growth markets of Central and Eastern Europe have clearly gained momentum.
This growth is mainly driven by the breakthrough of thermally efficient white PVC windows in the renovation segment. Replacement of thermally inefficient windows contributes to the reduction of ever increasing heating costs.
In most regions of Eastern Europe, the Zendow window has become a highly valued product in the sector of high income single-family houses.

#### Turkey

Dynamic building activity continued in Turkey in 2006. The volume sold has increased by over 15%. New products were launched on the market to meet the demand for improved thermal performance high-quality design and to offer a solution to the fast growing residential construction market with a simple window.

#### United States

As a result of difficult market conditions, a declining demand for windows and an atmosphere of consolidation within the windows industry the volume sold has decreased.
From the second quarter, in particular, the market started to drop. The residential construction sector, which accounts for almost 50 percent of the PVC windows sold, was severely affected. On an annual basis the activity in the renovation sector also stagnated, as a result of which the declining



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demand could not be fully compensated. The market suffered dramatically during the fourth quarter. The indicators for the residential new construction sector showed a decrease in activity of more than 25%.

## NON-FENESTRATION

### Turnover

Turnover from the Non-Fenestration product group amounted to 79.5 million euros, which accounted for 12% of the consolidated turnover of the Deceuninck Group compared to 11.2% in 2005.

### Building profiles

In 2006 the main emphasis was on innovation and optimisation of products for interior decoration and external cladding. As in previous years the major part of the turnover is generated by sales of these products.

After the launch of many new innovative products at the end of 2005 and the beginning of 2006, this was the year to reap the profits for this product group.

### Wood composite products

2006 was a breakthrough year for wood composite products. The success of Twinson, the wood composite technology developed by Deceuninck for the European market (mainly decking), surpassed expectations, as a result of which supply could not keep up with demand. Production capacity was increased during the third quarter. Due to a mild winter, sales remained strong during the fourth quarter.

### Special Projects

The Special Projects division coordinates a series of new developments of the Deceuninck Group. As soon as new materials and applications are ready for production and the market, they flow through to the Fenestration and Non-Fenestration product divisions, where they are supported and optimised by the Special Projects division.

Special Projects was co-responsible for the launch of the Twinson products in 2006. Both Cyclefoam, the technology whereby used solid PVC waste is recycled to make profiles, for example, for sound barrier walls, and the Belface wall cladding profiles found their origin in this division. The successful realisation of an 8,600 m$^2$ Cyclefoam sound barrier wall along the Brussels-Cologne TGV line at the beginning of 2006 generated much interest from the building sector. Its light weight and low maintenance makes Cyclefoam sound barrier walls eminently suitable to reduce noise impact from, for example, commercial air conditioning equipment. The Special Projects division has also developed the swimming pool cover system (pool-on-pool-up).

### Evolution of raw material prices

The production of PVC resins is based on two natural materials: crude oil (43%) and salt (57%) and in contrast to other synthetic materials PVC resins are only partly an oil derivative. Monthly changes in the prices of PVC resins are determined by ethylene (oil) prices, on the one hand, and by global supply and demand on the other.

In Europe, the prices of PVC resins have increased by 15% compared with 2005. The increase during the first half year was more than 10%. After stagnation at a historically high level during the summer months the prices continued to rise during the second half year. The increase in the second half year amounted to almost 20%.

These price increases contrasted sharply with the global decline in oil prices during the second half year. This can be explained by the combination of an unexpectedly strong demand for PVC products in Eastern Europe, mainly Russia and Germany, and a limited supply of PVC resins.
In the United States the prices of PVC resins increased by 6% in 2006 on an annual basis. Despite the restored capacity after the production standstill, caused by the hurricanes Katrina and Rita, prices of PVC resins remained at a high level throughout the year due to the high oil prices. Only when demand from the construction sector declined during the fourth quarter did prices start to drop.

Prices of additives used during the PVC compounding process have kept pace with the price of PVC resins in 2006.

At a consolidated level the additional cost of PVC resins and additives amounted to 14 million euros.
During the second quarter, in particularly, Deceuninck has managed to partly absorb this excess cost by increasing sales prices. At the end of 2006 a substantial part of the increased raw material costs was recuperated. At the end of 2006 further price increases for 2007 were announced in the market.

## REGIONAL ACTIVITIES

### BENELUX

Several segments of the Belgian construction sector experienced a peak year in 2006. Residential and apartment construction were the driving force for this growth.
The renovation market also benefited from this strong dynamic growth, which can be attributed to a low VAT rate and government initiatives to encourage renovation work aimed at the reduction of energy consumption.

EPB (Energy Performance Benchmarking) regulations, already in force in Flanders and in the near future also in Wallonia, generated a demand for building materials with a high insulation value.
Deceuninck was very successful with Zendow in this sector. The introduction of the Zendow products in the Benelux was completed in 2006. The introduction of the new Monorail sliding window system was a conducive factor to the success of Zendow. This (lifting) sliding window has undergone extremely rigorous quality tests and is a trendsetter for high and large sliding windows in the modern, traditional and apartment construction sectors. The new Twinson products have generated an unprecedented response in both the private and the professional market. Over a period of three months a network of dealers was established, who had to regularly replenish their stock. The autumn exhibition Green Expo gave additional impetus.

The increase in sales in the Netherlands was primarily due to the new construction sector. The changeover to Zendow during the first half year was completed without any major problems. The Deuctone colour strategy was a great success in the Netherlands. Sales of coloured windows registered a significant increase. Belface, a wall cladding concept in Deuctone colours, and the Twinson (ᴓ-face and ᴓ-terrace) products were successfully launched in autumn 2006 and gave new impetus to the building profiles division in the Netherlands.

### VARIOUS EXPORT COUNTRIES

In close cooperation with the local organisations the corporate export department coordinates the various European window platform systems in the various market segments for almost all regions in Central and Eastern Europe.

The expansion of the network of window

manufacturers in the Italian and Greek markets was carried out in close consultation with the corporate export department.
The highly valued, slim profiled Zendow system in combination with the Deuctone colour strategy meets the increasing demand. Furthermore, Zendow windows satisfy the stricter requirements in the area of thermal insulation.
The Turkish branches were also very active in the export markets of North Africa, the Middle East and the countries surrounding the Persian Gulf and the Pacific Ocean. The contacts that Ege Profil AS has in Australia were the reason for the establishment of a subsidiary in Victoria in December 2006.

### SPAIN AND PORTUGAL

In 2006 the PVC windows market in Spain and Portugal was characterized by two opposing trends. Demand for new construction stagnated, while demand for renovation increased.
The new Technical Building Standard was approved as well as the compulsory energy certificate. Together with the introduction of the CE quality mark, these measures are expected to result in increased demand for windows with high insulation properties in the coming years.

With the Sumum project Deceuninck succeeded in directly reaching the end consumer, the most important decision maker for renovation. Sumum is the brand name for the distribution project for PVC windows sold through independent Deceuninck customers.

At an operational level 2006 was a transitional year. The existing Thyssen Polymer customer base was completely integrated. The new Zendow window system was very favourably received by the market.
At the same time that the Zendow changeover was successfully completed, the new white colour was introduced that caused a temporary increased complexity.
A major event was the purchase of a site in Toledo in December. Due to increased demand the existing warehouse had become

too small to be able to offer the required level of customer service. As it was not possible to expand locally it was decided to move this facility to the outskirts of Madrid, which benefited distribution and the accessibility for the customers.

## UNITED KINGDOM

The British market was a real challenge for Deceuninck Ltd. in 2006. Turnover fell partly as a result of very competitive and difficult market conditions. The most difficult period appears to be behind us. A new base was created from which further development can take place.

New Fenestration and Non-Fenestration products were launched. The new 2500 window system received a favourable response from the existing window manufacturers and the windows market. The classic design and a productivity improvement for the manufacturer drew the attention of many potential customers and resulted immediately in a number of new important customers.
The launch of the Twinson decking assortment produced new market opportunities and Deceuninck successfully reinforced its reputation as an innovator in the building profiles market.

During the year the operational activities at Oldham, which was closed in 2005, were integrated into the Calne organisation.
After intensive market analysis the warehouse at Royton was closed in June 2006 and the storage and distribution activities were transferred to the new logistic centre in Calne.
In line with the existing extrusion activity for window systems, the production at Calne has been transformed into a “Centre of Excellence” for all group activities with regard to cellular foam applications. From now on Calne, which has been given the leadership within the group, will supply all West European factories with cellular foam profiles. Investments have been made in four new sophisticated extrusion lines to support this. Deceuninck Ltd. is set to re-establish its position in the British market. The focus will be on increasing the level of customer service, the promotion of a new high-quality design, compatible window series and the creation of added value for the end user with regard to the colour assortment and the supply of innovative building profiles.

## GERMANY

With the launch of the new Inoutic brand name, Thyssen Polymer GmbH achieved an historic increase in sales volume in 2006.
The demand for windows grew in Germany for the first time since 1998. The activity in the residential windows market, particularly during the second half of the year, clearly performed better than average. In view of the residential character of the demand, PVC material benefited most from this upturn.
The greatly improved market conditions are mainly due to government initiatives aimed at financially supporting investment in improved insulating materials. Another factor is the energy certificate which will become compulsory for residential housing in 2008. Due to a 3% increase in VAT on building materials, which starts on 1 January 2007, there was also the temporary effect of advanced purchases during the fourth quarter. In this favourable economic climate Thyssen Polymer managed to clearly consolidate its position in the local market with a comfortable double figure growth.
At a commercial level the positioning of the new brand name in the German and export markets received particular attention.
Its launch did not go unnoticed among the many visitors to the two-yearly Fensterbau trade exhibition in Nuremburg.
The renewed concept gained wide approval within the circles of design and marketing specialists. Thyssen Polymer’s management team were presented with numerous awards in 2006, including the prestigious iF Design Award, the Goldener Adam Award and the Good Design Award.

At an operational level promising results were achieved in the various departments.
A record volume of compounds and profiles was produced. Against a background of continuously rising costs the highest priority was given to productivity enhancing projects.
In the short term these projects have led to a substantial improvement of the production efficiency in almost all departments.

## FRANCE

After the successful changeover of its window manufacturers to the Zendow platform in 2005, Deceuninck SAS could again concentrate on extending its commercial actions in the French market and on operational projects to improve internal production efficiency.

Deceuninck has succeeded in further strengthening its market position in the French PVC window market. The increased demand for window systems from the Zendow platform was particularly clear during the second half of the year. The French windows market, with

a high and stable market share for PVC windows, has grown in recent years into a mature market with constant growth.
Deceuninck's private sales network, "Les Menuisiers Pévécistes" was supported by a series of carefully planned media campaigns and new promotional marketing products.
The network was further expanded in 2006. Attendance at more regional building fairs and the national trade fair Equip'Baie contributed to greater brand awareness among the general public.
The product range was expanded with a new series of decorative shutters. Special attention was given to the building materials trade with the introduction of Twinson products.

With regard to operational matters, most of the attention was given to the reorganisation of the production units. The production in Pontivy was ended and the released capacity was transferred to Roye. A re-distribution of the production volume within the Deceuninck Group resulted in a reduction in complexity for Roye, noticeably less production waste and the expected increased efficiency.
The reorganisation of the shift system also contributed to this. Extra attention to product and process quality resulted in a further improvement of the already high level of quality.

## NOMINATION

The Board of Directors would like to congratulate Mr. Paul Van Wambeke, Director of Deceuninck SAS (France) on receiving the honour of "Chevalier de l'Ordre National du Mérite".
This nomination was presented by Mr. Gilles de Robien, Minister of National Education, Higher Education and Research on 9 March 2007.
Mr. Gilles de Robien praised Paul's achievements during his speech. This distinction therefore is a mark of great honour.
Mr. Van Wambeke became the 28th Belgian to be honoured in France, and the first non-French resident of Picardy, for his contribution to the development of the Picardy region.
Mr. Van Wambeke, born in Belgium in 1947, joined Deceuninck in 1985.
"It all began with Roger Deceuninck, Chairman of the Board" said Mr. Van Wambeke in his speech. "He had a great affinity for France and promised me his trust, just as my colleagues and partners with whom we have built this wonderful company over the past 25 years."

## POLAND

The improved economic climate in the construction industry especially benefited investment and infrastructure activities.
On the other hand, compared to previous years, a decline of activity in residential construction was noticed. An explanation for this is the discontinuation of a reduced rate of VAT for renovation and the changed purchasing behaviour of the end customer. The turnover in Poland decreased as a result of these difficult market conditions.
At an operational level the Polish Division has mainly focused on a further consolidation of the Deceuninck and Thyssen Polymer organisations in 2006.
Improved efficiency in production and logistics, as well as an improved level of customer service, were the logical consequences.
The production capacity was expanded to support market growth in Central Europe.
The number of customers that use the e-business platform, SynergeBuild, was increased.
In the meantime Profiprogram was further developed. Profiprogram is a marketing

concept for the building materials trade and for fitters of finished windows. From 2006 Thyssen window manufacturers can also make use of this marketing concept.

## ROMANIA

In line with previous years the building trade in Romania continued to flourish in 2006. Both new construction and renovation construction profited from this favourable climate. The Romanian subsidiary succeeded in substantially increasing the sales volume and in further expanding its market position. Depending on the market sector, optimal use was made of the various European platform systems of the Deceuninck Group.
The Zendow window systems, for instance, are a highly valued product in the sector of high-income single-family houses.
The residential Domus Stil project in Bucharest, where in 2006 all houses were fitted with Zendow windows, is a good example.
The launch of the new showroom concept was highly valued.
During the first half of the year SynergeBuild was implemented.
In order to provide its customers with an even better service level in the coming years, the Deceuninck Romania logistic centre was moved to a larger warehouse in Bucharest in June 2006.

## CZECH REPUBLIC, SLOVAKIA AND HUNGARY

The Central European countries, in which Deceuninck spol s r.o. operates, benefited from an upturn in the building industry in 2006. In the Czech Republic this mainly concerns new construction of both residential and non-residential buildings. In Hungary and Slovakia the market conditions of the building industry are mainly determined by the renovation sector in multi-family accommodation.
Due to a consistent multi-brand marketing strategy and continuous attention to improving customer support, Deceuninck spol s r.o. managed to achieve a double digit turnover growth. Deceuninck spol s r.o. took optimal advantage of the synergies between the window system platforms; Inoutic and Zendow.
Deceuninck strengthened its market position in all countries.

The new distribution complex was opened in 2006. As an extra service for the manufacturers this storage space also serves as a production facility for curved semi-finished products. The existing lamination capacity was expanded.

## THE UKRAINE

The windows market in the Ukraine experienced continued strong growth in 2006. The market share for PVC windows, mainly in the residential sector, increased further due to their excellent insulation properties. It is expected that the increase in demand for PVC window systems will continue in the coming years.

Deceuninck was successful in significantly strengthening its position in the market.
The local sales and marketing organisation concentrated on promoting the Zendow and Inoutic platform systems. Brand awareness of both systems had increased significantly by the end of 2006. A considerable number of window manufacturers from all regions of the Ukraine became customers.

## RUSSIA

In 2006 the Russian construction industry continued to perform strongly. Deceuninck Rus has managed to grow almost twice as fast as the predicted market growth.
This success is not only the result of the increasing brand awareness of the Favorit brand name from the Inoutic platform but also due to the expansion of the product range with a simple window system for residential construction projects. Furthermore, Deceuninck Rus is active in the more expensive product segment with the Zendow platform. The classic building profiles also received much attention.

At an operational level Deceuninck Rus acquired an existing building with grounds in Protvino in December 2006. Protvino is

located 10 km from the current (rented) production facilities at Serpuchov. Renovation work was started at the end of 2006. Production will commence at the end of June. Deceuninck in Russia is gradually developing into one of the most important players in the Russian market for PVC windows.
With its increasing brand awareness and reputation Deceuninck Rus continues to succeed in attracting new partners. Innovative products, a motivated and experienced team and a good reputation form the foundations for accomplishing the ambitious objectives for the coming years.

## TURKEY

In Turkey the economy ran at full speed in 2006. The driving force behind this upswing was the activity in the construction industry. However, 2006 also had a downside.
During the 2nd quarter the Turkish lira depreciated by 34% against the Euro. On an annual basis this amounted to a devaluation of 16%. In this climate the Turkish subsidiary managed to increase the sales volume by 15%. Due to the devaluation the strong volume growth was not fully reflected in the turnover figures which, when converted back to euros, only increased by 3.5%.
The increased costs could, for the most part but with some delay, be passed on to the market by increases in sales prices.
In Turkey, Deceuninck maintained a multi-brand strategy with the Winsa and Ege Pen Deceuninck window systems, both systems finding their way to different market segments. Both brands contributed substantially to the increased turnover. The Winsa brand name is synonymous for quality and status. Ege Pen Deceuninck capitalised on the demand from the project market. Both systems could make use of new products such as a new horizontal sliding window system. Particularly noticeable was a marked increase in the sales of coloured window systems. Deceuninck increasingly presents itself as a specialist for window systems with high added value.
Ege Profil generated a significant part of its turnover in North Africa, the Middle East and the countries surrounding the Persian Gulf and the Pacific Ocean.

Operationally, Ege Profil AS has had an extremely busy but very successful year. The production units at Izmir and Adapazari produced continuously at full capacity. At the same time the production of TPE seals was started up and a new compound tower was put into production. A site was purchased in Kocaeli for the construction of a new extrusion unit. The foundation work was started in 2006. The removal of the current production capacity from the rented buildings in Adapazari is scheduled for the end of 2007.

## UNITED STATES

### Fenestration

Turnover fell due to weak market conditions, especially in the new residential construction sector and an atmosphere of consolidation among the window manufacturers. Renovation activity stagnated.

To bring capacity more in line with demand, Deceuninck North America has started the reorganization of its existing production centres. The decision was taken to close the extrusion activities in Oakland and concentrate the production capacity in Monroe (Ohio) and Little Rock (Arkansas).

### Decking range

Early in 2006 the modified wood composite decking assortment “Oasis” was presented to the building materials trade.
After the introduction of the four new colours of this product range with their remarkable properties with regard to colour stability, sales finally picked up.

## RESEARCH AND DEVELOPMENT

2006 in Europe was principally marked by the breakthrough of wood with PVC in extrusion. During the coming years research and development will continue to be focused on this. Work was carried out with research centres and universities on improving and optimizing the properties of this material.

The emphasis in PVC extrusion and finishing lay on improved process management and greater flexibility. In particular, research has been done into the utilization and development of process measuring equipment and statistically sound evaluation methodologies. With the utilization of clustering techniques and statistically sound test plans the many quality tests imposed were more professionally organized.

## PRODUCTION

The strategy within production is directed towards the improvement of quality, management, productivity and flexibility of the processes, while giving careful attention to safety and environmental aspects.
The implementation, development and modernisation of production resources are based on these objectives. In 2006 high priority was given to projects aimed at reducing raw material usage and production waste, increasing process stability, rationalising energy usage, improving on-time delivery performance and shortening lead times.

This department ensures on a global basis that compounding, extrusion and finishing are in line with demand and capacity.
It was decided to consolidate the production in the United States. The small extrusion site at Pontivy in France was closed. Preparations were made to increase capacity in the new growth markets of Russia and Turkey.
The capacity in Poland was expanded to accommodate the increasing demand in Central Europe. At Group level the “extrusion excellence” platform was set up with the intention of making optimal use of resources by, for example, exchange of technology and the reduction of production waste. The first results were booked in the second quarter.

Productivity was greatly increased in all departments in Germany, which enabled growth using existing resources. The industrial production of the Twinson product range was started at the Gits production site and

measures were taken to increase the flexibility and the automation of the finishing activities. Since 2006 the capacity of all finishing departments is managed centrally across the Group in Europe.

## COMPOUND

During the past year much attention has been focused in Europe to optimising the different formulations by the exchange of technology between the various compound production units. The use of more environmentally friendly CaZn stabilisers was greatly increased and the formulations for composite materials were finalised.
At an operational level the focus was mainly on the optimisation of the available capacity utilisation at the various locations to meet demand. In Turkey a new tower with a capacity of 15,000 tonnes was put into operation.

## TPE SEALS

Since 1 January 2006 Detajoint, where Thermoplastic Elastomer (TPE) seals are developed and extruded, is a 100% subsidiary of the Deceuninck Group.
The total number of metres sold increased by more than 15%.
This increase was mainly due to the window systems from the Zendow platform.
The necessary preparations were carried out for an increased application of these seals in the window systems of the Inoutic platform, starting early 2007.

Following a thorough analysis of the required quantity, in combination with transport and possible import costs, production of TPE seals in Turkey was started in the third quarter.

## TOOLS AND CALIBRATORS

In 2006 the mould manufacturing departments within the Group have concentrated on the exchange of know-how with the intention of standardising, rationalising and optimising the current mould concepts.

## LABORATORY

In 2006 Deceuninck actively cooperated on the development of new national and international quality standards for wood composite and coloured PVC applications and on updating the existing standards in line with the latest measuring methodologies.
The measuring equipment and measuring methodology were optimised, which will enable the development of new test methods and their adoption as standards. The CE marking has led to revised national regulations with regard to reaction to fire. Research into the burning behaviour of the various materials was carried out in cooperation with international laboratories.
Ongoing research is being carried out into more environmentally friendly products and/or processes, such as CaZn stabilised raw materials, low solvent paints and lamination processes.

## LOGISTICS

Logistics is globally responsible for adapting demand, distribution and storage of the product range within the Deceuninck Group to the requirements of the market.
With the changeover to the Zendow series and the restructuring of the storage to support the evolution of the various markets, Logistics ended three hectic years at the end of 2006.
After an extensive market analysis in the United Kingdom it was decided to carry out all distribution activities from the new distribution centre in Calne. In the strong growth markets of Eastern Europe additional satellite warehouses were established, for instance in Bulgaria, Serbia, Bosnia-Herzegovina and finally in Lithuania, from where the two other Baltic States, as well as Kaliningrad and Belarus are supplied. Improvement of delivery reliability by means of new planning software was worked on. Most attention was given to the reduction of lead times for the products from the finishing departments.
Many projects were started to address the sharply increasing transport costs of the past year with the intent to increase the loading level of incoming and outgoing transport flows.

## SYNERGEBUILD

The SynergeBuild service platform was started last year with the introduction of new stock control modules and the on-line availability of technical documentation.
These new modules enable Deceuninck to work more closely with its partners and optimize the logistics. Of course, an increasing use of the ordering module remained the top priority. The Croatian and Romanian branches were added to the platform in 2006.
The share of the group turnover that was realised through SynergeBuild in 2006 amounted to 50% in comparison with 43% in 2005.

## PURCHASING

The central purchasing system was expanded resulting in an increase in the percentage of purchases through the central purchasing service.
Furthermore, a great deal of attention was given to the optimisation of products and production processes at suppliers.

## INVESTMENTS

The principal investments for 2006 were the expansion of the PVC extrusion capacity in the growth markets of Russia and Turkey and the expansion of the Twinson extrusion capacity in Belgium.
The storage capacity in Gits was increased by the building of a 10,000 m² new warehouse. New sites were acquired in Spain, Russia and Turkey.

## ICT

The group's ICT strategy of the past years continued to be developed. The approach is based on three pillars: "platform approach", "best of breed" and "consolidation".
The most important event of 2006 was the implementation of SAP software as a replacement for a number of existing platform applications. This satisfied the increasing demand for integration between these applications.
It is a phased implementation so that the operational and cost risks are reduced to a minimum.
During the first phase the various financial applications within the Deceuninck Group, will be migrated to SAP.

# Human resources

### HRIS (Human Resources Information System)

In 2006 the personnel administration was further computerised to provide and distribute information faster within the Group.

### HORIZON

The objective of the Horizon programme is to develop a career policy for all employees, taking into account their age and employability and recognising that gaining knowledge and skills are essential elements. In practice, this means for instance defining competences, self-assessment and assessment by the supervisor and training programmes using the PC.

An adapted programme based on competences and performance reviews has led to an individual development plan followed by training programmes.

Acquiring new knowledge and skills is important for all employees. Continuous training is part of the company culture.

### LEARNING ORGANIZATION IN COOPERATION WITH ESF (European Social Fund)

Deceuninck has worked closely together with ESF for several years. The fund allows more attention to be given to low skilled and older employees.
Apart from the Horizon programme training was given within the scope of "Deceuninck excellent learning" in 2006.

ESF in VLAANDEREN 2000 - 2006

### HUMAN RESOURCES DEVELOPMENT

The creation of an international Human Resources Development structure offers support in achieving group objectives.

Concrete objectives are:
- Focused succession planning;
- Retention of high quality and flexible employees;
- Focused training to support the needs of the organisation and the individual;
- Guarantee the quality, knowledge and expertise of all HR employees.

Apart from a concrete action plan a detailed manual was developed.

# Accident prevention, health and safety

The prevention of incidents and accidents and the protection of employees' health is the most important aspect of the Deceuninck company policy. Deceuninck considers it a moral responsibility to ensure that its employees suffer no injury and health complaints as a result of carrying out their job. During 2006 special attention was given to the safe driving of fork-lift trucks. In cooperation with the external service for accident prevention and safety a thorough analysis was done of the influence of shift and night work on employee's health.
Through good cooperation between management and the employees' representatives in the Health & Safety Committee, Deceuninck NV could again present exceptionally good safety figures this year. There were no accidents resulting in disability at the branches in Gits (Belgium), Poland, the Czech Republic and Romania.

Protecting the environment for future generations is, just like prevention, an important policy instrument. At present most attention is given to the changeover to solvents which are less harmful to the environment to avoid the emission of VOM (Volatile Organic Material) and to meet the legal standards. A complete update was made of the environment and exploitation licence. In Belgium the certificate of the West Flemish Environmental Charter was again obtained.

**PVC AND ENVIRONMENT**

The impact of PVC on the environment is a regular topic of discussion. This resulted in the creation of the “Vinyl 2010” project in 2000. This project is a voluntary European agreement, by which all industries involved have defined projects with quantified objectives, with the intention of limiting the impact of PVC on the environment.
As a founding member of the EuPC sector group EPPA (European PVC window & building Profiles Association), Deceuninck actively participates in projects concerning the recycling of old windows, roller shutters and such and the changeover to environmentally friendlier stabilisers. The annual results are reported in a progress report and are available on the Vinyl 2010 website (www.vinyl2010.org).

The study of the European Commission “Life Cycle Assessment of PVC and of principal competing materials” from April 2004 should be interpreted within this context. On page 4 of the “Executive Summary” the commission writes the following “For windows, one of the most important PVC applications, the available studies conclude that there is no preference material that appears as the ‘winner’ since most of the studies come to the conclusion that none of the materials has a predominant advantage with regard to the standard environmental impact categories. Therefore the choice of material is of secondary importance, as long as the material can offer the requisite window system quality.”

**REACH**

In December 2006 the European Parliament approved REACH. REACH (Registration, Evaluation and Authorization of Chemical materials) is the new strategy with regard to chemical materials. The directive is applicable from June 2007.

The direct impact of REACH on the operational activities within the Deceuninck Group today will probably be restricted to a greater obligation to provide information on the material safety data sheets which the compound departments provide to internal and external customers.
The indirect impact of REACH on Deceuninck is difficult to estimate at this time. Which chemical products will fall under an authorisation obligation within which period of time and which costs this will involve is still not clear.
Deceuninck has carefully prepared itself for these new regulations. An inventory was taken of the purchased chemical materials at all production sites within the EU and the appropriate documents were prepared to satisfy the enhanced obligation to provide information.

**RECYCLING**

Optimal use of recyclable PVC for new products is part of Deceuninck’s environmental policy.
By using a project based follow-up of the waste percentages, absolute priority is given to the avoidance of waste. Furthermore the industrial waste at customers and from our own extrusion is effectively re-used in new products as replacement for new PVC. High quality white recyclable PVC is mixed with new PVC compound. High quality recyclable PVC in various colours is deployed as semi-finished product for Non-Fenestration products which are provided with a decorative film in a later process. Finally there is the recyclable material coming from old, rigid PVC applications such as, for example, windows and roller shutters.
Deceuninck has developed the Cyclefoam technology for this purpose. Its application for Belface facade cladding and sound barriers was a result of this development.

# Characteristics of Deceuninck shares

**NUMBER OF SHARES**

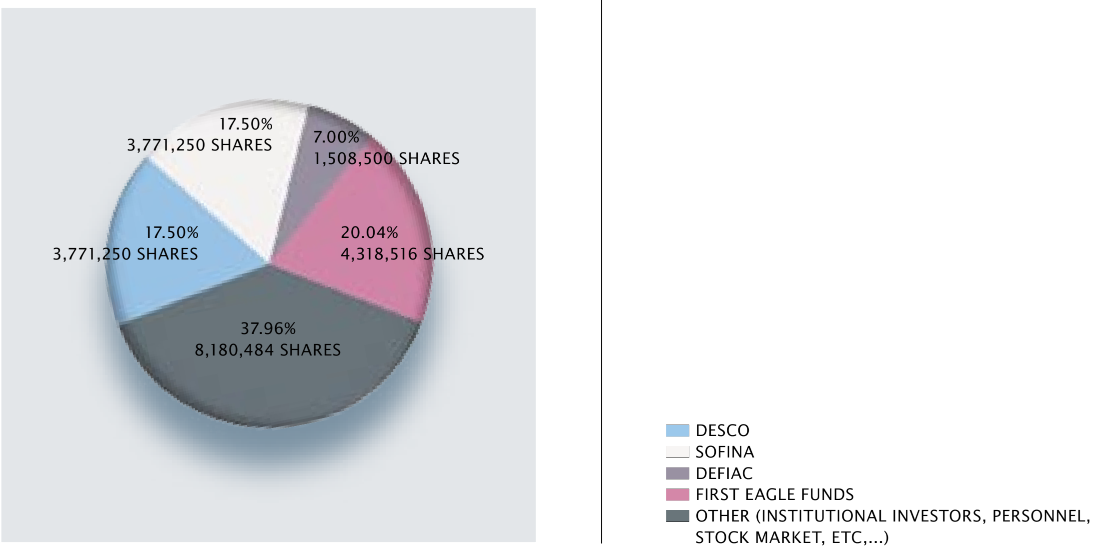
The company capital (8,499,000 euros) is represented by 21,550,000 shares. The Deceuninck company holds 155,563 of its own shares.

**REGISTERED AND BEARER SHARES**

There are 17,778,687 bearer shares and 3,771,313 registered shares. For any conversion of registered shares into bearer shares and vice versa, please contact the Legal Department of Deceuninck NV, Bruggesteenweg 164, B-8830 Hooglede-Gits.

**BREAKDOWN OF SHAREHOLDERS**

The latest details of shareholdings received in application of the Act of 31 March 1989 revealed the following breakdown of shareholders:



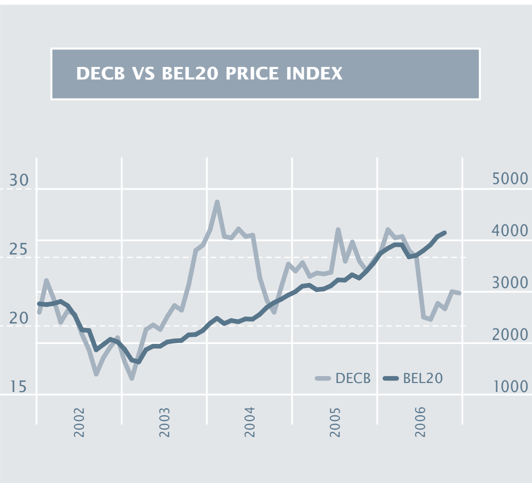

On 27 June 2006 Deceuninck NV received a notification from Sofina NV, a Belgian financial holding company, in which notice was made that Sofina NV had acquired 17.5% of the Deceuninck NV shares.
The Plastec and Dasco Corporations have given notification respectively on 26 June and 10 July 2006 that they have transferred all Deceuninck shares and that the corporations were dissolved.
On 10 July 2006 Deceuninck NV received a notification from the Desco Corporation giving notice that they had acquired 17.5% of the Deceuninck NV shares.
The notifications from Sofina NV and from Desco NV state that both are acting by mutual consultation.
Deceuninck considers the participating interest of Sofina NV as a guarantee of a stable shareholding with a view to securing the future of the company which is in the interests of all stakeholders.
On 14 July 2006 Deceuninck NV received notification of a participating interest of 7% from Defiac NV.

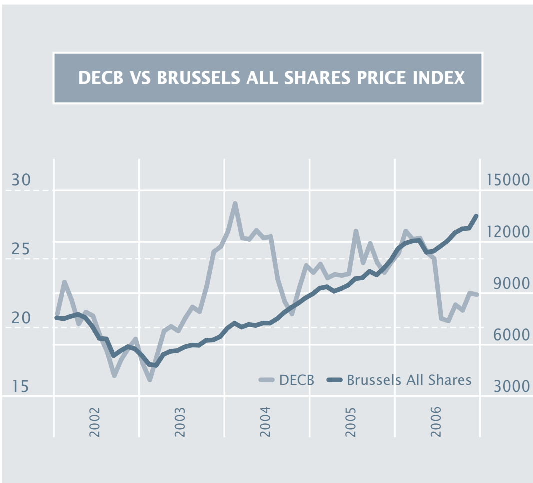
## STOCK MARKET INFORMATION

The closing price of Deceuninck shares on 29 December 2006 was 22.39 euros. Deceuninck adheres strictly to the Belgian regulation relating to the financial information which has to be provided to Euronext and the Banking, Finance and Insurance Commission.

## QUOTATION ON THE STOCK EXCHANGE – STOCK EXCHANGE INDEX

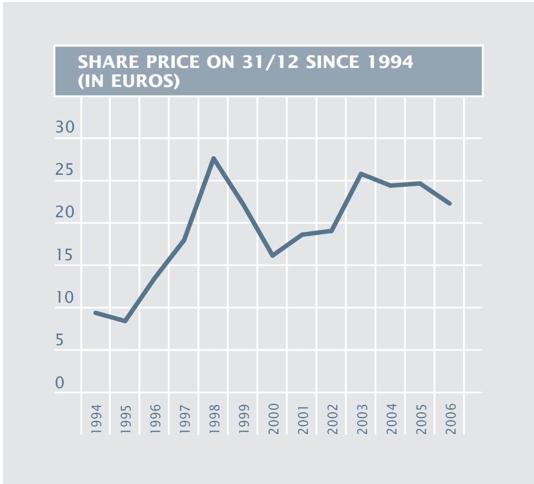
Deceuninck shares are listed under the code DECB and traded continuously on Euronext Brussels. They are also in the NextPrime segment (NPRI) of Euronext.

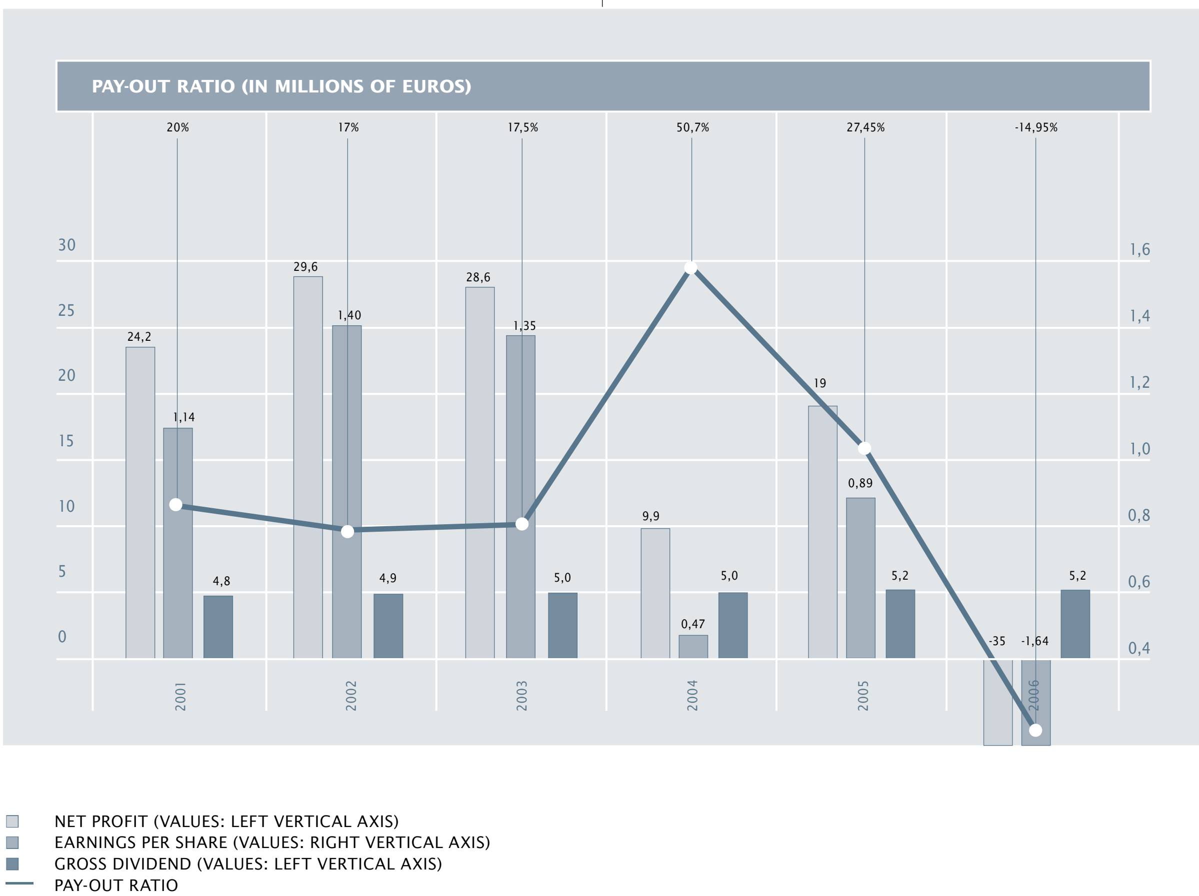


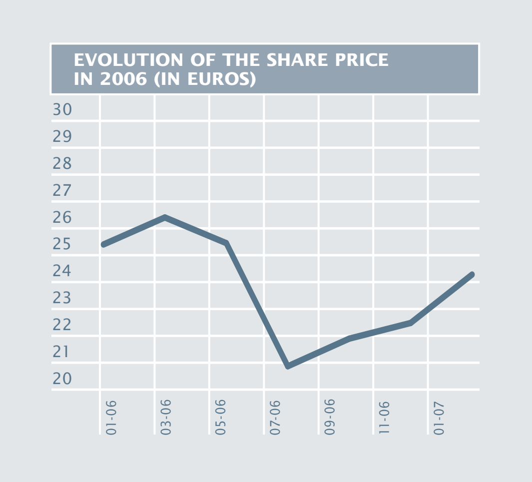



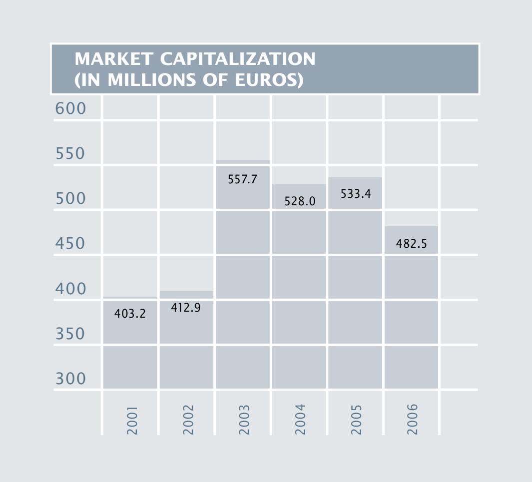
## EVOLUTION OF THE DECEUNINCK SHARE PRICE

The price of the Deceuninck share fell from 24.75 euros on 31 December 2005 to 22.39 euros on 31 December 2006.
The average price was 23.15 euros. The lowest price was 20.35 euros on 8 September 2006 and the highest price was 27.30 euros on 7 March 2006.






| SHAREHOLDER'S CALENDAR | |
|---|---|
| 12 APRIL 2007 | TRADING UPDATE 1ST QUARTER 2007 |
| 8 MAY 2007 | ANNUAL GENERAL MEETING OF SHAREHOLDERS AT 11 AM |
| 22 MAY 2007 | DIVIDEND PAYMENT (VOUCHER NO. 7) |
| 12 JULY 2007 | TRADING UPDATE 2ND QUARTER 2007 |
| 27 JULY 2007 | ANNOUNCEMENT OF THE HALF-YEARLY RESULTS FOR 2007 |
| 11 OCTOBER 2007 | TRADING UPDATE 3RD QUARTER 2007 |
| 17 JANUARY 2008 | TRADING UPDATE FULL YEAR 2007 |
| 13 MARCH 2008 | ANNOUNCEMENT ANNUAL RESULTS 2007 |
| 17 APRIL 2008 | TRADING UPDATE 1ST QUARTER 2008 |
| 13 MAY 2008 | ANNUAL GENERAL MEETING OF SHAREHOLDERS AT 11 AM |
| 27 MAY 2008 | DIVIDEND PAYMENT (VOUCHER NO. 8) |
| 17 JULY 2008 | TRADING UPDATE 2ND QUARTER 2008 |
| 31 JULY 2008 | ANNOUNCEMENT OF HALF-YEARLY RESULTS 2008 |
| 16 OCTOBER 2008 | TRADING UPDATE 3RD QUARTER 2008 |

## INFORMATION PER SHARE

| CONSOLIDATED FIGURES PER SHARE (21,550,000 SHARES) (IN EUROS*) | 2005 | 2006 |
|---|---|---|
| EQUITY CAPITAL | 11.14 | 8.84 |
| NET PROFIT | 0.88 | -1.62 |
| CURRENT NET PROFIT | 0.88 | -0.71 |
| GROSS DIVIDEND | 0.24 | 0.24 |
| NET DIVIDEND | 0.18 | 0.18 |
| EBIT | 1.42 | -1.00 |
| EBITA | 1.42 | -0.08 |
| EBITDA | 3.91 | 2.48 |

* FIGURES ARE ROUNDED OFF

| EURONEXT SHARE PRICES (IN EUROS) | 2005 | 2006 |
|---|---|---|
| LOWEST PRICE | 22.20 | 20.35 |
| HIGHEST PRICE | 27.00 | 27.30 |
| PRICE AT 31 DECEMBER | 24.75 | 22.39 |
| PRICE/EARNING (PER) AS AT 31/12 (%) (1) | 28.01 | N/A* |
| NET DIVIDEND YIELD AS AT 31/12 (%) (2) | 0.74 | 0.82 |
| RETURN ON DECEUNINCK SHARE (%) | 1.01 | -9.5 |
| PAY-OUT RATIO (%) (3) | 27.45 | N/A* |
| MARKET CAPITALIZATION AS AT END FINANCIAL YEAR (4) | 533,363 | 482,505 |

* NOT RELEVANT DUE TO LOSS POSITION

(1) $\frac{\text{SHARE PRICE ON 31 DECEMBER}}{\text{NET RESULT PER SHARE}}$

(2) $\frac{\text{NET DIVIDEND}}{\text{SHARE PRICE ON 31 DECEMBER}}$

(3) $\frac{\text{GROSS DIVIDEND}}{\text{CONSOLIDATED NET PROFIT}}$

(4) IN THOUSANDS OF EUROS

**INSTITUTIONAL INVESTORS AND FINANCIAL ANALISTS**

During 2006, Deceuninck has continuously informed the financial world about the evolution of the company in a consistent fashion and in line with the previous years. Press releases with periodic reporting were issued at the scheduled times before the stock market opened. Two reports containing occasional information were issued before the stock market opened, namely with regard to the change of shareholders on 28 June 2006 and the announcement of the closure of the extrusion activities in Oakland (N.J.) on 16 November. The report with occasional information concerning an adjustment of the guidance with regard to turnover, EBITDA and EBIT was issued on 22 December 2006 after the stock exchange closed.
In May and in line with the tradition of the previous years the “sell side” analysts, who actively follow the Deceuninck share, and the financial press were invited to the plant in Izmir (Turkey) for a presentation of the Deceuninck activities in Turkey and a visit to the local operational activities.
Deceuninck has also participated in numerous investor relations activities in the financial centres at home and abroad. This mainly concerned individual or group discussions in Brussels, Paris, London, Munich and Zurich.
Furthermore the CEO and CFO have regularly held sessions with institutional investors at the head office in Hooglede-Gits. Private investors had the opportunity to obtain information at the Deceuninck stand during the private investors’ events of the VFB (Flemish Federation of Investment Clubs and Investors) in April and November. French speaking private investors, members of Investa asbl, had the opportunity to obtain information about the company during a visit to the company in April.
The Deceuninck share is no longer part of the Euronext Next150 index since 3 July 2006.

**INVESTOR RELATIONS**

Investors and shareholders or other people who wish to receive a copy of the annual report or any other financial information can request it from the
Corporate Communications department
Bruggesteenweg 164
B-8830 Hooglede-Gits
ludo.debever@deceuninck.com

**SUMMARY VERSION OF THE BOARD OF DIRECTORS' REPORT TO THE ANNUAL GENERAL MEETING OF DECEUNINCK NV (8TH MAY 2007)**

The following pages are taken from the annual report and financial statements of Deceuninck NV. The complete version of the annual financial statements and the annual report will be available on request and on the website within the times stipulated by the Belgian Companies Code.

The annual financial statements and the annual report will be drawn up in accordance with Belgian legal provisions, which differ considerably from the IFRS accounting principles which apply to the consolidated annual financial statements. The auditor has issued an unqualified and approved statement on the annual financial statements of Deceuninck NV.

## RESULTS

The net profit for the financial year 2006 was achieved in the following manner:

| IN THOUSANDS OF EUROS | 2005 | 2006 |
|---|---|---|
| OPERATING INCOME | 266,870 | 279,798 |
| OPERATING COSTS | -261,611 | -275,154 |
| OPERATING PROFIT | 5,259 | 4,644 |
| FINANCIAL INCOME | 8,394 | 10,145 |
| FINANCIAL COSTS | -14,063 | -19,079 |
| PROFIT FROM NORMAL OPERATIONS BEFORE TAXES | -411 | -4,290 |
| EXTRAORDINARY INCOME | 1,076 | 790 |
| EXTRAORDINARY COSTS | -155 | -197 |
| PROFIT FOR THE FINANCIAL YEAR | 511 | -3,697 |
| TRANSFER FROM DEFERRED TAXATION | 50 | 90 |
| TRANSFER TO DEFERRED TAXATION | -138 | -125 |
| TAXES ON THE RESULT | -507 | -178 |
| PROFIT FOR THE FINANCIAL YEAR | -84 | -3,910 |
| TRANSFER FROM THE TAX-FREE RESERVES | 86 | 174 |
| TRANSFER TO THE TAX-FREE RESERVES | -280 | -243 |
| **PROFITS AVAILABLE FOR APPROPRIATION FOR THE FINANCIAL YEAR** | **-279** | **-3,979** |

Sales and services increased from 266.87 million euros to 279.8 million euros. This increase is explained, on the one hand by the continued growth in turnover in the Benelux, new advances in the pursuit of Eastern European markets and an increase in effective turnover from the Polish market as a result of the new branch structure set up in 2005. The increase in financial income was negatively influenced by the increase in raw material prices, which explains the fall in operating profit, from 5.3 million euros in the previous year, to 4.6 million euros this year. The annual result available for appropriation totalled -4 million euros loss, compared with -0.3 million euros loss in the previous year.

## INVESTMENTS

Deceuninck NV invested 17 million euros. These investments were recognised at their purchase prices or production prices (fixed assets produced). They essentially cover the production of new dies, the building of a new warehouse, the purchase of accounting software, the purchase of ground by the Spanish branch, the purchase of two additional lines for wood extrusion, a packaging line, a paint mixing installation, a lamination line and the extension and modernisation of logistic equipment.

## ALLOCATION OF THE RESULT

The 2006 financial year closed with a non-consolidated net loss available for appropriation of 4 million euros. Profits carried over from 2005 totalled 11.6 million euros. Profits available for appropriation totalled 7.6 million euros. The Board of Directors proposes the following appropriation:

| | |
|---|---|
| CAPITAL REMUNERATION (GROSS DIVIDEND: 0.2450 PER SHARE) | 5.242 MILLION EUROS |
| PROFIT TO TRANSFER | 2.412 MILLION EUROS |
| **TOTAL** | **7.654 MILLION EUROS** |

In accordance with legal provisions, the financial statements presented for approval have been prepared in accordance with the above allocation; a gross dividend of 0.2450 euros per share will be paid out, i.e. 0.18375 euros per share after deduction of withholding tax. Dividends will be payable as from 22 May 2007 in exchange for coupon n.7.

## PARTICIPATIONS

During the financial year Deceuninck NV has acquired an additional participating interest of 25% in Detajoint NV for 1,611,000 euros. Thereafter one share was sold to Plastics Deceuninck NV for a total amount of 1,042.02 euros. During the financial year Deceuninck NV subscribed to the capital increase in Deceuninck Polska Sp. z o.o. for 76,500,000 PLZ without change of their stake. Finally, Deceuninck NV subscribed to the capital increase in Deceuninck Coordination Center NV for a total amount of 40,000,000 euros without change of their stake.

## BUYBACK OF OWN SHARES

The total number of own shares bought and held in the portfolio at the end of the year stood at 155,563 shares. Convertible debenture loans and existing stock option plans resulted in 58,875 share rights being exercised during the year. Own shares currently represent a fractional value of 84,571.16 euros or 0.72% of the subscribed capital. The gross book value of own shares in the portfolio at the end of the year was 3,536,398.39 euros, for which an unavailable “buyback of own shares” reserve is held.

## SUBSIDIARIES OF THE COMPANY

Deceuninck NV has a subsidiary in Spain (Deceuninck NV-Spain Branch), in Portugal (Deceuninck NV-Portugal Branch), in Italy (Deceuninck NV-Italy Branch) and in Poland (Deceuninck NV-Poland Branch).
These subsidiaries conduct solely commercial activities.

## ADDITIONAL SERVICES PERFORMED BY THE STATUTORY AUDITOR

No additional services were undertaken by the auditor within the context of specific assignments.

## STATUTORY APPOINTMENTS

By resolution of the Extraordinary General Meeting of 24 October 2006 and on the recommendation of the Remuneration and the Nomination Committee, Mrs. Sophie Malarme-Lecloux and Mr. François Gillet were appointed as non-independent Directors.

The following mandates expire at the conclusion of the General Meeting of 2007. On the recommendation of the Remuneration and Nomination Committee the General Meeting of 8 May 2007 will be requested to renew the following mandates for a period of four years:

**Directors, representing the majority shareholder:**
- R.A.M. Comm. VA with permanent representative Mr. Arnold Deceuninck;
- T.R.D. Comm. VA with permanent representative Mr. Willy Deceuninck.

**Managing Director:**
Mr. Clement De Meersman.

**Independent Directors:**
- HBM Consult BVBA, with permanent representative Mr. Herwig Bamelis;
- Mr. Gerhard Rooze.

The mandates will thus expire at the conclusion of the General Meeting of 2011.

# MANAGEMENT REPORT BY THE BOARD OF DIRECTORS TO THE SHAREHOLDERS OF DECEUNINCK NV, RELATING TO THE CONSOLIDATED FINANCIAL STATEMENTS

## INTRODUCTION

This annual report should be read in conjunction with the audited consolidated financial statements of the Deceuninck Group, also referred to as the Group, and the related appendices. These audited, consolidated financial statements were approved by the Board of Directors on 26th March 2007.

## PRINCIPAL CHANGES WITHIN THE GROUP DURING THE 2006 FINANCIAL YEAR

In January 2006 the remaining 25% of the shares in Detajoint NV were acquired. Their stake in the company thus increased to 100%.

## GROUP FINANCIAL RESULTS AND CASH POSITION

**CONSOLIDATED TURNOVER** *Consolidated turnover increased from 643.7 million euros in 2005 to 662.7 million euros in 2006, an increase of 19 million euros or 3%. Internal growth expressed in volume and prices was respectively 4.6 and 0.3%. The significant weakening of specific currencies and in particular of the Turkish lira reduced the turnover by 12.3 million euros or 1.9%.*

**EBIT – EBITDA** *The EBITDA fell by 30.8 million euros or 36.5% from 84.3 million euros in 2005 to 53.5 million euros in 2006. Expressed as a percentage of consolidated turnover, EBITDA amounts to 8.1%, compared with 13.1% in 2005. This significant decline compared to 2005 is mainly due to the extra costs for raw materials and the one-off transition costs resulting from the launch of new products (Zendow, Inoutic and Twinson) and the reorganization costs caused by the reorganization of operational activities, mainly in the United States and the United Kingdom.*
*The extra costs for raw materials alone had an impact of 14 million euros. Furthermore, the margins in Turkey were impacted by a weak currency. The EBITA, the operating result before the amortisation of goodwill, amounted to minus 1.7 million euros, which is a decrease of 32.4 million euros compared to 2005. This result was firstly influenced by exceptional impairments in value of 5.1 million euros on fixed assets, as a result of the closureof  the production facility in Oakland (United States,) and secondly due to the decrease of wood composite activities, also in the United States. The operational result after amortisation of goodwill (EBIT) amounted to minus 21.5 million euros. The specially booked impairment on goodwill amounts to 19.8 million euros. This brings the goodwill which arose following the acquisition of Status Systems in the United Kingdom and Vinyl Products in the United States almost to zero.*

**NET PROFIT** *The Group's share in the result fell from 19 million euros in 2005 to minus 35 million euros in 2006. The financial result was 3.5 million euros lower than the previous year due to less positive exchange rate fluctuations on the financial fixed assets on the one hand and 1.8 million higher interest charges as a result of the increase of the net debt position during the financial year on the other.*

**BALANCE SHEET TOTAL, CAPITAL AND RESERVES** *The balance sheet total fell from 595 million euros in 2005 to 558.2 million euros in 2006. This was partly due to the reduction of the operational working capital in value of 24.7 million euros and the exceptional impairment of the fixed assets for an amount of 24.9 million euros. Corporate capital and reserves amounted to 190.6 million euros, a reduction of 49.5 million euros compared with 2005. Capital and reserves were reduced by the consolidated results for the year and amounted to 34.1% of the total balance sheet. The net financial debts remained almost unchanged and now amount to 184.6 million euros. This stagnation is mainly the result of the significant reduction and strict control of the operational working capital.*

**INVESTMENTS EXPENDITURE** *Investment expenditure includes the acquisition of specific assets with the objective of using them in the manufacturing process or to use them in an administrative or supporting role. The Group financed its operating resources and investment expenditure from its own capital and reserves. Net investment expenditure for the acquisition of investment goods amounted to 54.7 million euros in*

| DECEUNINCK CONSOLIDATED: PRINCIPAL FINANCIAL DATA | | | | | | |
|---|---|---|---|---|---|---|
| IN MILLIONS OF EUROS | (IFRS) 2001 | (IFRS) 2002 | (IFRS) 2003 | (IFRS) 2004 | (IFRS) 2005 | (IFRS) 2006 |
| FIXED ASSETS | 192.4 | 188 | 276 | 283 | 308.8 | 282 |
| CURRENT ASSETS | 156.2 | 149.8 | 211.6 | 220.3 | 286.2 | 276.2 |
| EQUITY CAPITAL | 182.7 | 191.1 | 203.1 | 206.2 | 240.1 | 190.6 |
| PROVISIONS | 3.4 | 5.5 | 16.9 | 16 | 15 | 14.7 |
| DEFERRED TAX DEBTS | 11.1 | 14.4 | 23.9 | 25.9 | 24.7 | 23.2 |
| LONG-TERM LIABILITIES | 59.3 | 47.7 | 134.7 | 132.6 | 146.7 | 161.7 |
| CURRENT LIABILITIES | 92.1 | 79.2 | 109 | 122.5 | 168.5 | 168 |
| TOTAL ASSETS | 348.6 | 337.8 | 487.6 | 503.3 | 595 | 558.2 |
| OPERATING RESOURCES | 86.5 | 84.6 | 137.2 | 137 | 166.8 | 142.1 |
| INVESTMENTS | 18 | 36.3 | 50.2 | 56.2 | 57.5 | 54.7 |
| NET DEBT | -70.5 | -51.7 | -152.2 | -162.9 | -184.3 | -184.6 |
| NET TURNOVER | 352.6 | 362.2 | 470.5 | 582.1 | 643.7 | 662.7 |
| EBITDA | 74 | 77.3 | 90.9 | 74.8 | 84.3 | 53.5 |
| EBITDA MARGIN | 21.0% | 21.3% | 19.3% | 12.8% | 13.1% | 8.1% |
| EBITA | 45.2 | 46 | 57.5 | 28 | 30.7 | -1.7 |
| EBITA MARGIN | 12.8% | 12.7% | 12.2% | 4.8% | 4.8% | -0.3% |
| EBIT | 42.1 | 42.9 | 54 | 23.1 | 30.7 | -21.5 |
| EBIT MARGIN | 11.9% | 11.8% | 11.5% | 4.0% | 4.8% | -3.2% |
| EBT | 35 | 37 | 43.1 | 16.7 | 22.1 | -33.6 |
| EBT MARGIN | 9.9% | 10.2% | 9.2% | 2.9% | 3.4% | -5.1% |
| NET PROFIT | 24.2 | 29.6 | 28.6 | 9.9 | 19 | -35 |
| NET PROFIT MARGIN | 6.9% | 8.2% | 6.1% | 1.7% | 3.0% | -5.3% |
| EARNINGS PER SHARE | 1.14 | 1.4 | 1.35 | 0.47 | 0.89 | -1.64 |
| EQUITY CAPITAL/TOTAL ASSETS | 52.4% | 56.6% | 41.7% | 41.0% | 40.4% | 34.1% |
| NET PROFIT/EQUITY CAPITAL | 13.2% | 15.5% | 14.1% | 4.8% | 7.9% | -18.4% |
| GEARING | 38.6% | 27.1% | 74.9% | 79.0% | 76.8% | 96.9% |
| ACTUAL TAX RATE | 30.9% | 20.0% | 32.7% | 37.6% | 12.3% | N/A* |

* NOT RELEVANT DUE TO LOSS POSITION

*2006 and 57.5 million euros in 2005. This high level of investment is related to the following factors:*

- *purchase of grounds in Turkey with the view of building new factories;*
- *purchase of ground in Spain with the view to building a new warehouse;*
- *purchase of ground with existing building in Russia;*
- *expansion of capacity for wood composite extrusion at the Gits plant;*
- *expansion of capacity and further automation of the finishing processes mainly in the area of coating and foiling;*
- *further extrusion capacity expansions in the growth markets;*
- *expansion of the warehouse capacity in the Gits plant and in various Central and Eastern European entities.*

**CONTROL OF MARKET RISK** *The principal market risks confronting the Group are fluctuations in raw material prices, exchange rates and interest rates. The Group limits the adverse consequences of fluctuations in raw material prices on the financial results by making use of sales contracts in which the sales prices to a considerable extent are coupled to the evolution of raw materials prices, a system that is more applicable in the United States than in the rest of the world. Hedging these raw material prices (PVC) via specific products is being investigated but until now offers neither sufficient comfort nor acceptable cover in view of the niche market of the raw materials. This was clearly visible during recent months when oil prices moved steadily downwards contrary to the prices of PVC.*
*Due to its international character, and in view of the various currency exposures, the Group has to increasingly take account of various exchange rate risks, particularly in relation to the YTL, the USD, the GBP, the PLN, the CZK, the HRK and the RUR.*
*The Group's treasury department closely monitors these positions and limits the risks by compensating for transactions within a single currency, and thus obtaining a "natural hedge", or by fixing the exchange rate using futures contracts and other financial instruments. Both the balance sheet and the cash flows are checked for susceptibility to exchange rate fluctuations. To the extent to which it is possible the most optimal hedges are considered and/or entered into. The risk associated with interest rate fluctuations is fairly limited for the Group at the present time, given that nearly all long-term loans are at fixed interest rates. The short-term loans contracted on a temporary basis, mainly in EUR, remain liable to short-term interest rates, as does a bullet loan of USD 26,000,000.*
*The Group strives to achieve an optimal balance between short and long term debt financing in order to minimise potential negative interest rate fluctuations.*
*Through the extent and diversification of its customer portfolio, the Group was not confronted by any significant concentration of credit risks. It has prepared various strategies and additional procedures enabling its customers' credit risk to be precisely monitored. The Group insures a large portion of its portfolio of outstanding customers through the intervention of credit insurance companies. The contract for credit insurance was extended for three years at the end of December. The liquidity risk is linked to the evolution of the Group's operating capital, which is highly susceptible to seasonal fluctuations. Deceuninck monitors the changes through targeted actions, such as the increase in the speed of stock rotation and by giving priority to monitoring its customers' credit and discussions on payment conditions with suppliers.*

## RESEARCH & DEVELOPMENT

Research and development efforts focused mainly on the final development of the new window system and perfecting the wood extrusion technology.

## IMPORTANT EVENTS AFTER FINANCIAL YEAR END

No significant events have taken place after the end of the financial year.

## OTHER CIRCUMSTANCES

No other event has taken place which has significantly influenced the Group's situation.

## ADDITIONAL SERVICES PERFORMED BY THE STATUTORY AUDITOR

In 2006 at Group level an amount of 761,356 euros in costs was recognized in the result with regard to an honorarium for auditing assignments. With regard to assignments concerning tax advice the costs charged to the financial year amount to 251,140 euros. No other fees were considered.

## DECEUNINCK CONSOLIDATED INCOME STATEMENT (PERIOD FROM 1 JANUARY 2006 TO 31 DECEMBER 2006 AND FROM 1 JANUARY 2005 TO 31 DECEMBER 2005)

| DECEUNINCK CONSOLIDATED INCOME STATEMENT | | | |
|---|---|---|---|
| IN THOUSANDS OF EUROS | NOTE | 2005 | 2006 |
| NET TURNOVER | | 643,695 | 662,695 |
| COST PRICE GOODS SOLD | 4 | -446,315 | -489,567 |
| GROSS PROFIT | | 197,380 | 173,128 |
| MARKETING, SALES AND DISTRIBUTION COSTS | | -120,349 | -120,901 |
| RESEARCH AND DEVELOPMENT COSTS | | -5,832 | -5,106 |
| ADMINISTRATION CHARGES AND OVERHEADS | | -43,882 | -46,050 |
| OTHER OPERATING INCOME (COSTS) | 4 | 3,376 | -2,780 |
| OPERATING RESULT BEFORE GOODWILL | | 30,693 | -1,709 |
| SPECIAL IMPAIRMENT ON GOODWILL | 8 | 0 | -19,757 |
| OPERATING RESULT | | 30,693 | -21,466 |
| FINANCIAL RESULT | 4 | -8,622 | -12,122 |
| PROFIT BEFORE TAXES | | 22,071 | -33,588 |
| TAX ON PROFITS | 5 | -2,711 | -1,224 |
| PROFIT FOR THE FINANCIAL YEAR* | | 19,360 | -34,812 |
| ORDINARY EARNINGS PER SHARE ALLOCATABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY (EURO)* | | 0.89 | -1.64 |
| DILUTED EARNINGS PER SHARE ALLOCATABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY (EURO)* | | 0.89 | -1.64 |

| THE PROFIT FOR THE FINANCIAL YEAR IS ALLOCATABLE TO: | 2005 | 2006 |
|---|---|---|
| SHAREHOLDERS OF THE PARENT COMPANY | 19,045 | -34,969 |
| MINORITY INTERESTS | 315 | 157 |
| **TOTAL** | **19,360** | **-34,812** |

* THERE ARE NO DISCONTINUED ACTIVITIES. CONSEQUENTLY THE NET PROFIT AND EARNINGS PER SHARE CORRESPOND WITH THOSE OF THE CONTINUED ACTIVITIES

| DECEUNINCK CONSOLIDATED BALANCE SHEET AT 31ST DECEMBER | | | |
|---|---|---|---|
| IN THOUSANDS OF EUROS | NOTE | 2005 | 2006 |
| INTANGIBLE FIXED ASSETS | 7 | 10,514 | 7,806 |
| GOODWILL | 8 | 39,915 | 19,167 |
| TANGIBLE FIXED ASSETS | 9 | 249,442 | 245,680 |
| FINANCIAL ASSETS AVAILABLE FOR SALE | 10 | 1,538 | 2,059 |
| LONG TERM RECEIVABLES | 11 | 1,887 | 1,693 |
| DEFERRED TAX PROVISIONS | 5 | 5,488 | 5,607 |
| **FIXED ASSETS (1)** | | **308,784** | **282,012** |
| STOCK | 12 | 95,880 | 93,947 |
| TRADE DEBTORS | 13 | 159,806 | 140,494 |
| OTHER RECEIVABLES | | 5,537 | 10,219 |
| CASH AND CASH EQUIVALENTS | 14 | 19,801 | 29,232 |
| OTHER FLOATING ASSETS | | 5,196 | 2,260 |
| **CURRENT ASSETS (2)** | | **286,220** | **276,152** |
| **TOTAL ASSETS (1+2)** | | **595,004** | **558,164** |
| SUBSCRIBED CAPITAL | | 8,499 | 8,499 |
| CONSOLIDATED RESERVES | | 233,161 | 192,960 |
| REASSESSMENT AT THE ACTUAL VALUE | | -835 | 1,229 |
| OWN SHARES | | -4,446 | -3,347 |
| CURRENCY TRANSLATION DIFFERENCES | | 1,589 | -9,788 |
| **EQUITY CAPITAL EXCLUDING MINORITY INTEREST** | **15** | **237,968** | **189,553** |
| MINORITY INTEREST | 15 | 2,111 | 1,030 |
| **EQUITY CAPITAL INCLUDING MINORITY INTEREST** | **15** | **240,079** | **190,583** |
| LIABILITIES FOR PENSIONS AND OTHER BENEFITS AFTER RETIREMENT | 16 | 9,550 | 9,731 |
| LONG-TERM PROVISIONS | 17 | 5,416 | 4,967 |
| DEFERRED TAX DEBTS | 5 | 24,714 | 23,153 |
| INTEREST BEARING DEBTS | 18 | 146,712 | 161,733 |
| **LONG-TERM LIABILITIES** | | **186,392** | **199,584** |
| INTEREST BEARING DEBTS | 18 | 57,343 | 52,137 |
| TRADE PAYABLES | | 88,916 | 92,295 |
| TAX LIABILITIES | | 2,959 | 1,475 |
| EMPLOYEE RELATED LIABILITIES | | 10,829 | 12,434 |
| OTHER LIABILITIES | 19 | 3,264 | 7,066 |
| OTHER CURRENT LIABILITIES | | 5,222 | 2,590 |
| **CURRENT LIABILITIES** | | **168,533** | **167,997** |
| **TOTAL LIABILITIES** | | **595,004** | **558,164** |

| DECEUNINCK ABBREVIATED CONSOLIDATED CASH FLOW STATEMENT (AS AT 31ST DECEMBER) | | | |
|---|---|---|---|
| IN THOUSANDS OF EUROS | NOTES | 2005 | 2006 |
| **BUSINESS ACTIVITIES** | | | |
| NET PROFIT | | 19,045 | -34,969 |
| DEPRECIATION ON (IN)TANGIBLE FIXED ASSETS | 7.9 | 43,228 | 43,993 |
| BOOKED SPECIAL IMPAIRMENTS ON GOODWILL | 8 | | 19,757 |
| BOOKED SPECIAL IMPAIRMENTS ON (IN)TANGIBLE FIXED ASSETS | 8.9 | 1,533 | 5,122 |
| REFUSAL OF IMPAIRMENT | | -54 | |
| IMPAIRMENTS ON FINANCIAL FIXED ASSETS | | 1,432 | |
| IMPAIRMENTS ON CURRENT ASSETS | | 6,132 | 4,270 |
| UNREALISED EXCHANGE RATE GAINS (LOSSES) | | -297 | 2,591 |
| INTEREST INCOME | 4 | -1,640 | -2,180 |
| FUNDS RECEIVED FROM FINANCIAL FIXED ASSETS | | -79 | |
| MONETARY IMPACT OF HYPERINFLATION ACCOUNTING | 22 | -34 | |
| INTEREST EXPENSES | 4 | 9,361 | 11,707 |
| CAPITAL GAIN FROM TANGIBLE FIXED ASSETS | 4 | -2,907 | -1,081 |
| CAPITAL LOSS FROM TANGIBLE FIXED ASSETS | 4 | 960 | 853 |
| SHARE-BASED PAYMENT TRANSACTIONS SETTLED IN EQUITY | | 325 | 464 |
| TAX ON PROFITS | 5 | 2,711 | 1,224 |
| MINORITY INTERESTS | | 316 | 157 |
| **CASH FLOWS FROM BUSINESS ACTIVITIES BEFORE UPDATE IN OPERATING RESOURCES AND PROVISIONS** | | **80,032** | **51,908** |
| DECREASE/(INCREASE) IN TRADE DEBTORS AND OTHER RECEIVABLES | | -42,728 | 12,958 |
| DECREASE/(INCREASE) IN STOCKS | | -17,205 | -665 |
| DECREASE/(INCREASE) IN OTHER CURRENT ASSETS | | -2,108 | 3,619 |
| INCREASE/(DECREASE) IN TRADE PAYABLES | | 26,063 | 3,379 |
| DECREASE/(INCREASE) IN OTHER FIXED ASSETS | | -298 | 194 |
| INCREASE/(DECREASE) IN OTHER CURRENT LIABILITIES | | 1,638 | 1,156 |
| INCREASE/(DECREASE) IN OTHER LONG-TERM LIABILITIES | | -39 | 346 |
| **CASH FLOWS GENERATED FROM BUSINESS ACTIVITIES** | | **45,355** | **72,893** |
| PAID INTERESTS | | -8,986 | -11,805 |
| RECEIVED INTERESTS | | 887 | 1,497 |
| PAID TAXES | | -3,642 | -3,777 |
| **CASH FLOWS FROM BUSINESS ACTIVITIES** | | **33,614** | **58,808** |
| **INVESTMENT ACTIVITIES** | | | |
| CASH RECEIPTS ON SALES OF TANGIBLE FIXED ASSETS | | 8,357 | 2,195 |
| ACQUISITIONS OF TANGIBLE FIXED ASSETS | 9 | -56,679 | -54,525 |
| ACQUISITIONS OF INTANGIBLE FIXED ASSETS | 7 | -801 | -176 |
| ACQUISITIONS OF FINANCIAL ASSETS INTENDED FOR SALE | | -525 | -323 |
| TRANSACTIONS IN GOODWILL | 8 | 89 | -517 |
| PAYMENT FOR PROCUREMENT OF SUBSIDIARIES EXCLUSIVE OF ACQUIRED FUNDS AND CASH EQUIVALENTS | 3 | | -1,611 |
| REPAYMENT FOR PROCUREMENT OF SUBSIDIARIES | 8 | | |
| OTHER TRANSACTIONS | | 1,204 | 1,099 |
| CASH FLOWS FROM INVESTMENT ACTIVITIES | | -48,355 | -53,858 |

| FINANCING ACTIVITIES | NOTE | 2005 | 2006 |
|---|---|---|---|
| NEW LONG-TERM LIABILITIES | 18 | 14,094 | 15,021 |
| REPAYMENTS LONG-TERM LIABILITIES | 18 | | -19,151 |
| NEW SHORT-TERM FINANCING | 18 | 21,149 | 27,726 |
| REPAYMENT SHORT-TERM FINANCING | 18 | -4,726 | -13,781 |
| PAID OUT DIVIDENDS | | -5,022 | -5,227 |
| UNREALISED EXCHANGE RATE GAINS (LOSSES) | | -1,020 | 352 |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | **24,475** | **4,940** |
| **NET TRANSACTION CASH & CASH EQUIVALENTS** | | **9,734** | **9,890** |
| **CASH AND CASH EQUIVALENTS AS AT 1ST JANUARY** | **14** | **10,613** | **19,801** |
| IMPACT OF EXCHANGE RATE FLUCTUATIONS ON CASH AND CASH EQUIVALENTS | | -546 | -459 |
| **CASH AND CASH EQUIVALENTS AS AT 31ST DECEMBER** | **14** | **19,801** | **29,232** |

## NOTES

### 1. MAIN ACCOUNTING PRINCIPLES

**Summary of the main valuation principles – Deceuninck NV**
**Basis for establishing the annual financial statements.**
*The annual consolidated financial statements have been prepared in accordance with the “International Financial Reporting Standards” (IFRS) as approved for use in the European Union. The annual consolidated financial statements were approved by the Board of Directors on 26 March 2007.*
*They can be modified until the General Meeting of Deceuninck NV on 8 May 2007.*

**Basis of presentation**
*The annual consolidated financial statements are presented in thousands of euros unless mentioned otherwise. They have been established on the basis of historic cost, except for the fair valuation of derivatives and long-term financial assets available for sale.*
*The consolidated financial statements present the financial position as at 31 December 2006. They have been established prior to the allocation of the parent company's result as proposed at the General Meeting of Shareholders.*

**Consolidation principles**
*The consolidated annual financial statements include the individual financial statements of Deceuninck NV and its subsidiaries.*
*Subsidiaries are taken to mean companies in which the Group, either directly or indirectly, holds over half of the shares with voting rights, or whose activities are, either directly or indirectly, controlled by the Group.*
*The acquisition of subsidiaries is accounted for using the acquisition method. The annual reporting date of subsidiaries is identical to that of the parent company. These annual financial statements apply the same valuation principles.*
*Any required adjustments are carried out in order that the annual financial statements comply with any divergent accounting principles. Associated companies are companies in which the Group exercises significant influence, without controlling them. This is generally the case if the Group holds between 20 and 50% of the shares with voting rights.*

*Associated companies are consolidated using the equity method, from the date on which the significant influence began until the date when it ended. If the Group share in the losses exceeds the book value of the associated companies, this value is reduced to zero and the losses exceeding this amount are not recognized, except when the Group has contracted obligations relating to this company. On 31 December 2005 and 31 December 2006, the Group did not have any associated companies. The list of the Group's principal subsidiaries appears in this annual report starting on page 93.*

**Use of estimates and judgments**

*In order to establish the annual financial statements in accordance with IFRS standards, the management has to make a number of estimates and assumptions which have an impact on the amounts noted in the annual financial statements. The valuations conducted on the reporting date reflect the existing conditions on these dates (for example: market prices, interest rates and foreign exchange rates).*
*Even though the management conducts these estimates based on its best possible knowledge of current business and actions that the Group may undertake, the actual results may vary in relation to these estimates.*

*Use of judgments*

*In the application of the Group's accounting principles, the following judgment, by contrast to the estimates, has been made which has a significant influence on the financial statements:*

*Provision for early retirement*

*The company considers that there is a de facto obligation in this respect and that the currently applicable standard employment contract will be systematically renewed.*

*Use of estimates*

*The principal application of estimates which are likely to exercise a significant influence on the net book value of assets and liabilities for the coming year involves:*

*Special impairment on goodwill*

*Goodwill relating to business combinations is submitted each year to an impairment test. This test requires an estimate of the value-in-use of cash-generating units to which the goodwill is attributed. The estimation of the value-in-use requires an estimate of expected future cash flows of the cash-generating units and the choice of an appropriate discount rate in order to determine the present value of these cash flows. For more details on this subject, please see note 8.*

**Foreign currencies**

*Transactions in foreign currencies*

*The Group's reporting currency is the Euro. Transactions conducted in foreign currencies are recognized in euros using the exchange rate applicable on the trade date. Monetary assets and liabilities in foreign currencies are converted on the balance date, using the closing exchange rate applicable on this date. Gains and losses resulting from foreign currency transactions and the conversion of monetary assets and liabilities in foreign currencies are recognized in the consolidated income statement as an operating result or a financial result, depending on the nature of the transaction. Non-monetary assets and liabilities are converted to euros using the exchange rate applicable on the transaction date. Assets and liabilities from foreign entities are converted to euros on balance date based on the closing price of that day.*
*The income statements of foreign entities, except for foreign entities operating in hyperinflationary economies, are converted into euros at annual average exchange rates, which are similar to the exchange rate applicable on the transaction date. The components of capital and reserves are converted at their historic exchange rate. Translation differences generated by the conversion of equity into euros at the closing rate applicable on the balance date, are posted as "Translation differences" under capital and reserves.*

*Exchange rates*
*Exchange rates used for the establishment of the annual financial statements:*

| EXCHANGE RATE | | | | |
|---|---|---|---|---|
| 1 EUR IS EQUAL TO | CLOSING PRICE 31/12/2005 | CLOSING PRICE 31/12/2006 | AVERAGES 31/12/2005 | AVERAGES 31/12/2006 |
| USD | 1.1797 | 1.3170 | 1.2379 | 1.2629 |
| GBP | 0.6853 | 0.6715 | 0.6831 | 0.6819 |
| PLN | 3.8595 | 3.8314 | 4.0225 | 3.9002 |
| CZK | 28.9855 | 27.4725 | 29.7619 | 28.2486 |
| RUB | 34.0368 | 34.7222 | 35.1617 | 34.1297 |
| HRK | 7.3715 | 7.3529 | 7.3964 | 7.3206 |
| BGN | 1.9573 | 1.9558 | 1.9535 | 1.9558 |
| THB | 48.4370 | 46.7290 | 50.0000 | 47.6190 |
| RON | 3.6771 | 3.4625 | 3.6313 | 3.5315 |
| LTL | 3.4528 | 3.4528 | 3.4528 | 3.4528 |
| TRY | 1.5913 | 1.8560 | N/A* | 1.8242 |

* UNTIL THE END OF 2005 THE TURKISH ECONOMY WAS CONSIDERED AS A HYPER-INFLATIONARY ECONOMY

**Intangible fixed assets other than goodwill**

*Patents and licences*
*Costs relating to patents are capitalized in the balance sheet at their cost price less accumulated amortization and impairments, and are amortized on a straight-line basis over a period of less than or equal to 15 years for patents recognized in North America, and 5 years for all other patents, or over a period equal to the contractual period, if this is shorter. Software licences are capitalized and amortized on a straight-line basis over 3 years or over a period equal to the contractual period, if this is shorter than 3 years.*

*Research and development*
*Research expenditure, undertaken with a view to the acquisition of new scientific or technological knowledge, is included in the result. Development expenditure, by which the results of research are applied in a plan or a design for the production of new or significantly improved products and processes, is only capitalized if and only if all the criteria defined by IAS 38 are fulfilled. Capitalized costs include costs which can be directly attributed to the creation, production and preparation of assets for use (including raw materials, direct payroll costs and a proportion of the directly attributable general costs), less any accumulated amortization and impairment. These costs are currently amortized on a straight-line basis over their estimated life span, which does not exceed 5 years.*

*Other intangible fixed assets*
*Other intangible assets acquired by the Group are recognized at their cost price less accumulated amortization and impairments. These costs are currently amortized on a straight-line basis over their estimated life span of five years. Costs relating to internally generated goodwill and brands are recognized as costs in the income statement. Intangible assets which have an unlimited life span or which are not available for use are subjected annually to an impairment test.*

*Subsequent expenditure*
*Expenditure relating to intangible assets paid out after they have been purchased or completed are only recognized in the balance sheet if they increase the future economic benefits specific to the asset item to which they relate. Any other expenditure items are considered as costs.*

**Goodwill**
*Goodwill is the positive difference between the purchase price and the share of the Group in the actual value of the acquired identifiable net-assets of the subsidiary or associated company at the moment of procurement. In accordance with IAS 36, since 1 January 2005 the goodwill associated with business combinations is no longer amortized, but is submitted each year to an impairment test. Goodwill is expressed in the currency of the company concerned and is converted into euros at the closing exchange rate on the balance sheet date.*

**Tangible fixed assets**
Tangible assets are recognized at their historic cost, less accumulated amortization and impairments. Historic cost is the initial purchase price plus any other direct acquisition costs (non-recoverable taxation, transport, etc.). The cost of fixed assets produced by the company itself (such as extrusion tools) includes the cost price of materials, direct payroll costs and a proportionate fraction of general production costs. Subsequent expenditure is only recorded in the balance sheet if it increases the future economic benefits resulting specifically from the fixed assets to which they relate. Repair and maintenance work which does not increase future economic benefits are recognized in the income statement as costs. Depreciation is calculated using the straight-line method, starting from the first date of use and over the entire duration of their expected life span. The economic life span is defined as follows:

| ASSETS | |
|---|---|
| BUILDINGS | 40 YEARS |
| BUILDING FIXTURES AND FITTING | 10 YEARS |
| MACHINES AND EQUIPMENT | 8 YEARS |
| SCREWS AND CYLINDERS | 4 YEARS |
| EXTRUSION TOOLS | 5 YEARS |
| INSTALLATIONS | 10 YEARS |
| OFFICE EQUIPMENT | 5 YEARS |
| INFORMATION TECHNOLOGY | 3 YEARS |
| CONTAINERS AND SMALL EQUIPMENT | 5 YEARS |
| FURNITURE | 10 YEARS |
| VEHICLES | 5 YEARS |

*Land, which is deemed to have an unlimited life span, is not depreciated.*

**Leasing**
*Financial lease contracts, under which the Group assumes almost all of the risks and benefits inherent to the ownership of the leased property, are posted as tangible assets in the balance sheet at the present value of their minimum repayments when the financial lease contract was entered into or at market value, if lower. Repayments are partly considered as financial costs and partly as reimbursement of the lease debt. There is therefore a constant interest charge over the entire duration of the contract, in relation to the capital to be repaid. Finance costs are charged directly against revenue.*
*Lease contracts of which the lessor retains almost all the risks and benefits of the assets are considered as operational leases. Payments made under the operational lease system are recognized as costs in the income statement, on a straight-line basis over the entire term of the contract.*

**Financial instruments**
*Actual value of the financial instruments. The following methods and principles are applied to estimate the fair value of financial instruments:*

- *for investments in non-listed companies, for which no reliable fair value can be defined, the fair value calculation is based on the historic cost corrected by any possible impairments;*
- *for investments in listed companies, the fair value is equal to their share price on an official stock exchange;*
- *for other long-term financial assets (excluding derivative products), the amortized cost is intended to approach the estimated fair value;*
- *for trade receivables, trade debts and other current assets and liabilities, the recorded book values are an approximation of their fair value, given their reduced life span;*
- *for cash and cash equivalents, the book values recorded are an approximation of their fair value, given their reduced life span;*
- *for long-term interest-bearing financial debts subject to floating interest rates, the amortized cost is assumed to approach the fair value;*
- *for long-term interest-bearing financial debts subject to fixed interest rates, the fair value is defined based on the present value of future cash flows;*
- *for derivative products, fair values are estimated by means of various valuation techniques, and in particular the discounted value of future cash flows.*

*Criteria relating to the initial or no longer recognition of financial assets and liabilities*
*Financial instruments are recognized for the first time when the Group subscribes to the related contractual provisions. Purchases and sales of financial assets are booked on the transaction date. Financial assets (or parts thereof) are no longer recognized when the Group exercises contractual claims on them, when these rights mature, when the Group renounces them or when the Group loses control of the contractual claims associated with the financial assets. Financial liabilities (or parts thereof) are no longer recognized if the obligation stipulated in the contract is withdrawn, cancelled or expires.*

*Criteria for offsetting financial assets and liabilities*
*A financial asset and a financial liability are offset and the net amount is recorded in the balance sheet, if there is a legally enforceable right to set off the amounts and there is an intention to settle the liability and simultaneously realize the asset or settle the liability on a net basis.*

*<u>Financial fixed assets available for sale</u>*
*All financial assets are initially recognized at their acquisition cost, plus transaction costs. The Group mainly owns financial assets which are available for sale. Unrealized gains or losses resulting from modifications of the fair value of financial assets available for sale are directly recognized in equity, until the asset is sold, cashed in or disposed of, or until it is established that the financial asset has been subject to an impairment.*
*At that time, the accumulated gains and losses previously recognized in equity are carried as gains or losses for the period concerned. The reversal of impairments relating to shares will not be recognized in the income statement. Unrealized gains or losses resulting from the modification of the fair value of financial assets held for trading are directly recorded in the income statement.*

*Other long-term financial assets normally held until their maturity,* such as obligations, are valued at their amortized cost, which is determined by means of the effective interest method. The amortized cost is calculated taking into account any potential discount or premium received upon acquisition. When financial assets are valued at their amortized cost price, the gain or loss is recorded in the income statement when the financial assets cease to be recognized or when an impairment is applied, or as a result of repayments.

*Trade receivables are carried at their face value, less any possible impairment*
An estimate of impairments is recognized when recovery of the full amount becomes improbable. Impairments are recognized in the result for the period during which they are identified.

*Cash and cash equivalents are carried at cost*
Cash and cash equivalents consist mainly of cash in hand, demand deposits and short-term, liquid investments (maturing in a maximum of three months after their acquisition date) which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the cash flow table, cash and cash equivalents include liquid assets and bank balances (current and deposit accounts). Any negative cash flow is presented net of current debts with credit institutions ("bank overdrafts").

*Interest-bearing financial debts are initially valued at the fair value of the remuneration received,* after deduction of transaction and related costs. After the initial recognition, interest-bearing financial debts are valued at their amortized cost, and the difference between the amortized cost and the repayment value is included in the income statement over the duration of the loan based on the effective interest rate method or until the debt is no longer held.

*Derivative financial instruments*
The Group uses derivative financial instruments (mainly interest rate swaps and cross-currency swaps) in order to limit the risks associated with interest and exchange rate fluctuations. The Group's policy forbids the use of these instruments for speculative purposes.

Derivative financial instruments are classed as fair value hedges if these instruments hedge changes in the fair value of recognized assets and liabilities, or as cash flow hedges if they cover cash flow variations associated with a specific risk in relation to a recognized asset or liability or an expected transaction.
For fair value hedges which meet the special requirements in order to be recognized as a hedge transaction, gains or losses resulting from the revaluation of the fair value hedging instrument are directly posted in the income statement.
Attributing gains or losses on the hedged debt position to the hedged risk leads to an adjustment of the book value of the hedged debt position and should be recorded in the results. If the adaptation is associated with the book value of an interest-bearing financial debt, it is amortized in the income statement such that it is entirely amortized upon maturity.
For cash flow hedges on the Group's fixed liabilities which satisfy the special requirements so that they can be recognized as hedging transactions, the proportion of the gain or loss on the hedge instrument considered as an effective hedge is directly recorded in equity, and the non-effective proportion is posted in the income statement. Financial instruments which do not meet the special requirements to be recognized as a hedging transaction are valued at their fair value, and any gain or loss resulting from a change in the fair value of the instrument is directly posted in the income statement.

**Stocks**
Stocks are valued at cost or at their realizable value, if lower. This realizable value is defined as the estimated selling price, under normal operating conditions, net of any estimated product finishing and sales and marketing costs. Costs incurred in bringing each product to its current destination and conditions are recorded as follows:

- raw materials – purchase price based on the FIFO principal;
- finished goods and work in process – direct material and labour costs and a part of the general production costs on the basis of the normal production capacity;
- goods purchased for resale – purchase price based on the FIFO principal.

**Own shares**
*When the company purchases its own shares, the amount paid, including any directly attributable expenses, is deducted from equity.*

**Impairments**
*The Group's assets excluding stocks and deferred tax assets are re-examined on each reporting date, in order to determine whether an asset has possibly been subject to impairment. If this appears to be the case, the realizable value of the asset is estimated. If the realizable value of an asset is lower than its book value or that of the cash-generating unit to which it belongs, an impairment is recognized. Impairments are posted in the income statement. The realizable value of financial assets normally held until maturity by the Group and receivables is the net present value of future cash flows inherent to these assets discounted at the initial effective interest rate.*
*The realizable value of other assets is the higher of their present value or the intrinsic value of the assets concerned. In order to determine intrinsic value, the net present value of expected future cash flows is calculated using a pre-tax discount rate, reflecting both current market rates and the asset's inherent risks. When an asset does not generate largely independent cash flows, the realizable value of the cash generating unit to which this asset belongs is determined. Impairments of financial assets normally held by the Group until maturity or receivables are reversed if a subsequent increase in their realizable value can be objectively associated with an event arising after the recognition of the loss. Impairments relating to goodwill are not reversed. Impairments of other assets are reversed if a change takes place in the estimates used to determine the realizable value. An increase in the book value of an asset resulting from the reversal of an impairment cannot be higher than the book value (after depreciation) which would have been obtained if no impairments had been recorded for this asset in previous years.*

**Provisions**
*Provisions are established when the Group has to settle (legal or de facto) commitments resulting from a past event, when it is probable that financial resources will have to be paid out to meet the said commitments and the extent of these can be reliably estimated. When the Group expects that all or part of the expenditures required to settle contractual commitments will be reimbursed by another party, the amount to be reimbursed will only be recognized as assets if it is practically certain that they will be effectively collected. A warranty provision is established for all products under warranty, based on historic data relating to repairs and returns of goods.*

**Employee benefits**

*Pensions*
*The Group mainly participates in defined contribution pension plans and specific defined benefit pension plans in its German subsidiary. The funds used in these pension plans are made up of employee and employer contributions. The group recognizes contributions paid in the context of obligations resulting from defined benefits systems as costs in the income statement for the year in which they were made. For defined benefit pension plans, the pension commitment is valued using the projected unit credit method.*
*This method considers each period of service as a separate unit which offers entitlement to an additional unit of pension benefits. Under this method, pension costs are recorded in the income statement in order to distribute the costs evenly over the remaining service of employees contributing to the plan, based on recommendations from actuaries, who perform a complete pension plan valuation at least once a year. The amounts recognized in the income statement include any increase in the current value of guaranteed pension rights, interest charges, the expected return on pension funds, actuarial gains or losses and costs recognized over the time of service worked.*

*Pension obligations are recognized in the balance sheet by calculating the present value of estimated future outgoing cash flows, using the interest rates of first-rate company bonds of a similar duration to the pension obligation, after the incorporation of actuarial gains and losses which had not yet been recorded and after deduction of costs which have not yet been recognized for the time of service worked and the fair value of the fund's assets. Actuarial gains and losses are the effects of differences between previous actuarial parameters and current actuarial parameters and the modifications made to them. Actuarial gains and losses of more than 10% of the fair value of pension fund assets or the present value of future obligations, if this value is higher, are recognized in the income statement over the average remaining service of the employees contributing to the fund. Any lower actuarial gains and losses are not recognized.*
*If these calculations result in a benefit for the Group, the recognized assets will be limited to the net total of all the unrecognized actuarial losses, costs under past service periods and the present value of all pension plan reimbursements or reductions in future contributions to the plan. The Group also provides provisions for early retirement which can be paid to all members of its personnel. These provisions are established by calculating the present value of future amounts promised to the employees concerned.*

### *Remuneration in shares*
*Various stock option programmes enable the Group's employees, senior executives and certain members of the Board of Directors to acquire company shares. The exercise price for options is equal to the market price for the underlying shares on the allocation date. When options are exercised, the equity is increased by the amounts received.*
*The cost of share-based payment transactions, conducted with members of personnel, is valued at the fair value on the allocation date. The fair value is determined by an expert, using the binomial tree structure.*
*The cost of share-based payment transactions is recognized at the same time as the corresponding increase in equity, over the vesting period.*

### *Bonuses*
*Bonuses granted to the Group's senior executives are based on key financial objectives. The estimated amount of the bonus is recognized as a cost, based on an estimate on the balance date.*

## Turnover
*Turnover is deemed to have been earned when it is probable that the economic benefits associated with the transaction will be received by the Group and if the amount of revenue can be reliably determined.*
*Turnover is deemed to have been earned when the advantages and risks of the sale are entirely covered by the purchaser and any uncertainty has been removed in terms of the collection of the agreed amount, transaction costs and any return of the goods.*

## Public grants
*Public grants are recognized at their fair value when it is practically certain that they will be obtained and it is practically certain that the Group will fulfil all of the conditions related to them. Public grants are systematically recognized as other revenues over the necessary accounting periods in order to be able to attribute the grants to the relevant costs which they are intended to compensate. When the grant involves an asset, it is presented in the balance sheet as deferred income.*

## Financing costs
*Financing costs are recognized in the income statement.*

## Tax on profits
*Tax for the period includes current tax and deferred taxation. Taxation is recognized in the income statement, except if it involves items which have been recognized directly in*

*equity, in which case they are charged directly against capital and result.*
*Current tax includes the expected amount of taxation payable on the taxable earnings for the period, along with adjustments of fiscal liabilities for previous years. The taxable earnings calculation for the year is based on the tax rates applicable on the reporting date.*
*Deferred taxation is calculated in accordance with the liability method for all temporary variances between the tax base of assets and liabilities and their book value for financial reporting purposes. The calculation is based on rates of taxation for which the legislative process (material) has been completed on the reporting date.*
*Under this method, the Group notably has to calculate deferred tax on the difference between the fair value of the net assets acquired and their tax base as a result of a new acquisition.*
*Deferred tax assets are only recognized if it is probable that sufficient taxable profits will be generated in the future to make use of the tax benefit. The book value of a deferred tax asset is reduced when it becomes unlikely that the tax benefit relating to it will be realized.*

**Financial income/costs**
*Accrued interest includes interest earned on loans granted, and interest charges include interest due on loans contracted.*
*The interest recognized is based on the effective interest method. Apart from any realized and unrealized exchange gains or losses relating to interest-earning debts, financial income or costs include losses or gains recognized following a revaluation on the fair value of derivative financial instruments considered as "fair value" hedging instruments if the hedged risks are of a financial nature, or of financial instruments which do not meet the special "hedge accounting" requirements.*

**Dividends**
*Dividends are recognized in the income statement at the time when they are distributed.*

**Recently published IFRS accounting standards**
*During 2006 the Group has applied a number of new and adjusted IFRS standards and IFRIC interpretations. The application of these adjusted standards and interpretations does not impact the balance sheet and income statement. The application has however led to the inclusion of a limited number of additional notes in the directors' report.*
*The new or revised standards applicable after 2006 have not yet been applied.*
*The application of these standards does not however have any material effect on the 2006 figures.*
*In November 2006 the IASB published the new standard IFRS8, operating segments. This standard should be first applied in the figures of 2009. The new standard requires that segment reporting must take place based on "management estimates". We do not expect that IFRS8 will cause a material change to our present segment reporting.*

## 2. SEGMENTED INFORMATION

*A business segment is a separate component in the Group which produces goods or provides specific services in a defined economic environment, whose risks and profitability differ from those of the other sectors.*
*The Group has opted to report primarily on a geographic basis as this is used for its internal reporting of financial information. The secondary segmented reporting level is that of business units. We have defined three primary segments based on the location of assets. They include the following countries:*

1. Western Europe: Benelux, France, Spain, Italy, Germany and the United Kingdom;
2. United States;
3. Central Europe, Eastern Europe and Asia: Bulgaria, Croatia, Lithuania, Poland, Russia, the Czech Republic, Romania, Turkey and Thailand.

*The secondary segment has been defined as follows:*

1. Fenestration;
2. Non-Fenestration.

*Prices charged between segments are established "at arm's length". Segment information includes the results, assets and liabilities which can be attributed to a segment, either directly or on a reasonable basis.*
*Segment investments are the total expenses incurred during the year in the purchase of segment assets which will be used during a period exceeding the duration of a financial year.*

| SEGMENTED INFORMATION | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| IN THOUSANDS OF EUROS | WESTERN EUROPE | | AMERICA | | CENTRAL AND EASTERN EUROPE AND ASIA | | CONSOLIDATED | |
| | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 |
| SALES | 519,562 | 529,881 | 135,992 | 129,377 | 209,375 | 231,946 | 864,929 | 891,204 |
| INTRA-GROUP SALES | -183,844 | -194,616 | | | -37,390 | -33,893 | -221,234 | -228,509 |
| NET TURNOVER | 335,718 | 335,265 | 135,992 | 129,377 | 171,985 | 198,053 | 643,695 | 662,695 |
| SHARE IN CONSOLIDATED TURNOVER | 52.2% | 50.6% | 21.1% | 19.5% | 26.7% | 29.9% | 100% | 100% |
| SEGMENT RESULT | 53,338 | 32,736 | 16,686 | 11,292 | 14,267 | 9,425 | 84,291 | 53,453 |
| AS PERCENTAGE OF NET TURNOVER | 15.9% | 9.8% | 12.3% | 8.7% | 8.3% | 4.8% | 13.1% | 8.1% |
| OPERATING RESULT BEFORE GOODWILL | 24,520 | 4,256 | 3,086 | -7,367 | 3,087 | 1,402 | 30,693 | -1,709 |
| AS PERCENTAGE OF NET TURNOVER | 7.3% | 1.3% | 2.3% | -5.7% | 1.8% | 0.7% | 4.8% | -0.3% |
| OPERATING RESULT | 24,520 | -5,604 | 3,086 | -17,264 | 3,087 | 1,402 | 30,693 | -21,466 |
| AS PERCENTAGE OF NET TURNOVER | 7.3% | -1.7% | 2.3% | -13.3% | 1.8% | 0.7% | 4.8% | -3.2% |
| FINANCIAL RESULT | | | | | | | -8,622 | -12,122 |
| TAX ON PROFITS | | | | | | | -2,711 | -1,224 |
| **NET PROFIT** | | | | | | | **19,360** | **-34,812** |
| SEGMENTED ASSETS | 306,830 | 282,440 | 133,511 | 90,728 | 154,663 | 184,996 | 595,004 | 558,164 |
| TOTAL ASSETS | | | | | | | 595,004 | 558,164 |
| SEGMENTED LIABILITIES | 80,609 | 93,640 | 8,991 | 13,904 | 28,374 | 18,949 | 117,974 | 126,493 |
| TOTAL OPERATING LIABILITIES | | | | | | | 117,974 | 126,493 |
| INVESTMENTS | 30,722 | 29,036 | 11,657 | 6,858 | 15,101 | 18,808 | 57,480 | 54,702 |
| DEPRECIATION OF (IN)TANGIBLE FIXED ASSETS | 24,341 | 24,970 | 12,264 | 11,806 | 6,623 | 7,217 | 43,228 | 43,993 |
| IMPAIRMENTS ON GOODWILL | | 9,859 | | 9,898 | | | 0 | 19,757 |
| IMPAIRMENTS | 909 | 475 | 496 | 4,522 | 74 | 124 | 1,479 | 5,121 |
| OTHER NON-CASH COSTS | 3,568 | 3,036 | 840 | 2,330 | 4,483 | 682 | 8,891 | 6,048 |

| SECONDARY SEGMENT INFORMATION | | | | | | |
|---|---|---|---|---|---|---|
| | FENESTRATION | | NON-FENESTRATION | | CONSOLIDATED | |
| | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 |
| NET TURNOVER | 571,600 | 583,172 | 72,095 | 79,523 | 643,695 | 662,695 |
| SHARE IN CONSOLIDATED TURNOVER | 88.8% | 88.0% | 11.2% | 12.0% | 100% | 100% |
| SEGMENTED ASSETS | 528,364 | 491,184 | 66,640 | 66,980 | 595,004 | 558,164 |
| INVESTMENTS | 51,042 | 48,138 | 6,438 | 6,564 | 57,480 | 54,702 |

### 3. ACQUISITION OF SUBSIDIARIES

*There were no important acquisitions in 2006.*

### 4. INCOME AND COSTS

| OTHER OPERATING INCOME (IN THOUSANDS OF EUROS) | | |
|---|---|---|
| | 2005 | 2006 |
| RECEIVED SUBSIDIES | 886 | 580 |
| EXCHANGE RATE GAINS | 5,721 | 6,970 |
| REALIZED CAPITAL GAINS ON TANGIBLE AND FINANCIAL FIXED ASSETS | 2,907 | 1,081 |
| RECEIVED COMPENSATION | 547 | 1,393 |
| REVERSAL OF NON-EMPLOYED PROVISIONS AND DEPRECIATION | 53 | 11 |
| OTHER | 1,273 | 3,132 |
| **TOTAL** | **11,387** | **13,167** |

*The increase of other operating income compared to 2005 is mainly attributable to an increase of the operational exchange rate gains and from the various assignments to third parties (included in "other") as a result of an increase in subcontractor costs.*

*This increase was partially offset by a fall in the capital gains realized on the sales of assets. In 2005 a substantial capital gain was realized on the sale of the Status Systems building. The grants received consist almost entirely of assistance received from the ESF.*

| OTHER OPERATING COSTS (IN THOUSANDS OF EUROS) | | |
|---|---|---|
| | 2005 | 2006 |
| EXCHANGE RATE LOSSES | 1,455 | 8,163 |
| INCREASE OF PROVISIONS | 2,682 | 1,777 |
| IMPAIRMENTS | 1,532 | 5,133 |
| CAPITAL LOSS REALIZED ON TANGIBLE AND FINANCIAL FIXED ASSETS | 960 | 853 |
| OTHER | 1,382 | 21 |
| **TOTAL** | **8,011** | **15,947** |

*The increase in other operating costs compared with 2005 is essentially the result of an increase in operational exchange rate losses and an increase in impairments which more than compensate for the fall of provisions and various operational costs (included in "other"). The impairments are mainly related on the one hand to machinery and on the other hand to the closure of the leased warehouse in Royton. However, the greatest impact was caused by the depreciation of a number of assets related to our wood extrusion department in the United States and to the closure of our plant in Oakland.*

| FINANCIAL INCOME (IN THOUSANDS OF EUROS) | | |
|---|---|---|
| | 2005 | 2006 |
| INTEREST INCOME | 1,640 | 2,180 |
| EXCHANGE RATE GAINS | 9,974 | 9,728 |
| OTHER | 722 | 718 |
| **TOTAL** | **12,336** | **12,626** |

| FINANCIAL COSTS (IN THOUSANDS OF EUROS) | | |
|---|---|---|
| | 2005 | 2006 |
| INTEREST COSTS | 9,361 | 11,707 |
| FINANCIAL DISCOUNTS | 2,113 | 1,675 |
| EXCHANGE RATE LOSSES | 6,337 | 10,014 |
| IMPAIRMENTS | 1,432 | 0 |
| OTHER | 1,715 | 1,352 |
| **TOTAL** | **20,958** | **24,748** |

*The financial result was 3.5 million euros less than in 2005, mainly as a result of an increase in the interest charges and in the exchange rate losses. This increase was only partly compensated by the decrease in assigned financial discounts. In 2005 1.4 million euros impairment was booked to the participation in Huis Clos.*

| WAGE COSTS AND OTHER SOCIAL BENEFITS (IN THOUSANDS OF EUROS) | 2005 | 2006 |
|---|---|---|
| WAGES AND SALARIES | 95,240 | 106,259 |
| SOCIAL SECURITY CONTRIBUTIONS | 28,463 | 29,569 |
| CONTRIBUTIONS TO DEFINED CONTRIBUTORY SCHEME | 2,488 | 2,467 |
| OTHER PERSONNEL COSTS | 12,390 | 3,991 |
| **TOTAL** | **138,581** | **142,286** |
| NUMBER OF EMPLOYEES ON THE BALANCE DATE | **2,979** | **2,924** |

*Despite a decrease in the number of employees the personnel costs have increased. This is mainly due to reorganizations in Belgium and the United States in 2006 and their associated costs.*

| COST PRICE GOODS SOLD (IN THOUSANDS OF EUROS) | 2005 | 2006 |
|---|---|---|
| MATERIAL COSTS | 297,848 | 336,770 |
| WAGES AND SALARIES | 78,580 | 79,110 |
| DEPRECIATION OF TANGIBLE FIXED ASSETS | 32,220 | 32,830 |
| OTHER PRODUCTION COSTS | 37,667 | 40,857 |
| **TOTAL** | **446,315** | **489,567** |

| COSTS PER CATEGORY (IN THOUSANDS OF EUROS) | 2005 | 2006 |
|---|---|---|
| MATERIAL COSTS | 297,848 | 336,770 |
| PERSONNEL COSTS | 138,581 | 142,286 |
| DEPRECIATIONS | 43,228 | 43,993 |
| OTHER COSTS | 136,721 | 138,575 |
| **TOTAL** | **616,378** | **661,624** |

*The increase of the total costs is explained by an increase of the traded volume. The increase of the raw material prices resulted in extra costs of 14.0 million euros over a comparable period.*

| IN THOUSANDS OF EUROS | 2005 | 2006 |
|---|---|---|
| TAXES ON THE RESULT | | |
| CURRENT FINANCIAL YEAR | 5,318 | 3,010 |
| TAX ADJUSTMENTS OF PREVIOUS PERIODS | -150 | -88 |
| DEFERRED TAXES | | |
| ORIGIN AND REVERSAL OF TEMPORARY DIFFERENCES | 232 | -2,895 |
| BOOKED/APPLIED DEFERRED TAXES ON LOSSES IN CURRENT FINANCIAL YEAR | 344 | -2,033 |
| BOOKED/APPLIED DEFERRED TAXES ON LOSSES IN PREVIOUS FINANCIAL YEARS | -2,807 | 3,024 |
| OTHER DEFERRED TAXES | -226 | 206 |
| **TOTAL TAX COSTS IN THE INCOME STATEMENT** | **2,711** | **1,224** |
| | | |
| PROFIT BEFORE TAXES | 22,071 | -33,588 |
| TAXES AT STATUTORY TAX RATE DECEUNINCK NV (33.99%) | 7,502 | -11,417 |
| EFFECT OF VARIOUS TAX PERCENTAGES IN OTHER COUNTRIES | -4,416 | -3,592 |
| (FISCAL) NON-DEDUCTIBLE EXPENDITURE | 2,247 | 6,874 |
| DEFERRED TAXES ON STATUTORY GOODWILL | -1,587 | 0 |
| APPLICATION OF TAX TRANSFERABLE LOSSES | -1,380 | -241 |
| DEFERRED TAX ON CAPITAL GAINS EARNED OVER SEVERAL YEARS | 94 | 36 |
| APPLICATION/BOOKING OF DEFERRED TAX ON LOSSES FROM PREVIOUS FINANCIAL YEARS FOR WHICH NO DEFERRED TAX WAS RECOGNIZED IN PREVIOUS YEARS | -984 | -21 |
| NON-RECOGNITION OF DEFERRED TAXES ON LOSSES IN CURRENT FINANCIAL YEAR | 668 | 9,212 |
| DEFERRED TAXES ON BUSINESS COMBINATIONS (WINSA) | 0 | 0 |
| DEFERRED TAXES ON TEMPORARY DIFFERENCES FOR WHICH IN PREVIOUS YEARS NO DEFERRED TAXES WERE BOOKED | 512 | -445 |
| REVERSAL/APPLICATION OF EARLIER RECOGNIZED DEFERRED TAX ASSETS | 1,548 | 1,046 |
| CHANGE OF TAX PERCENTAGE: IMPACT ON THE DEFERRED TAXES | -6 | -942 |
| TAX INCENTIVES (TURKEY) | -1,526 | -434 |
| TAX EFFECT AS A RESULT OF ALTERATIONS TO FISCAL LEGISLATION | 690 | 0 |
| TAX ADJUSTMENTS OF PREVIOUS PERIODS | -150 | -88 |
| OTHER | -501 | 1,236 |
| **TOTAL TAX COSTS IN THE INCOME STATEMENT** | **2,711** | **1,224** |
| ACTUAL TAX RATE | 12.3% | N/A* |

* DUE TO THE LOSS IN THE FINANCIAL YEAR THE ACTUAL TAX RATE IS NOT APPLICABLE IN 2006

## 5. TAX ON PROFITS

*The breakdown of tax costs for the 2006 financial year is presented in the table opposite.*

*The following table gives an overview of the fiscal effect of the temporary differences after compensation per legal entity as at 31 December 2006 and 2005.*

| IN THOUSANDS OF EUROS | 2005 | TRANS-ACTION THROUGH ACQUI-SITION | INCOME STATEMENT TRANS-ACTION | DIRECT TRANS-ACTIONS IN THE EQUITY CAPITAL | EFFECT OF FOREIGN CURRENCY | TRANS-FERS | 2006 |
|---|---|---|---|---|---|---|---|
| DEFERRED TAX PROVISIONS | | | | | | | |
| TAX EFFECT TAX TRANSFERABLE LOSSES | 1,235 | | 568 | | -9 | 220 | 2,014 |
| DEFERRED TAXES ON TANGIBLE FIXED ASSETS | 3,004 | | -145 | | 2 | -179 | 2,682 |
| DEFERRED TAXES ON PROVISIONS | 334 | | 6 | | 1 | 92 | 433 |
| DEFERRED TAXES ON STOCKS | 1,035 | | -179 | | | 55 | 911 |
| DEFERRED TAXES ON OTHER ASSETS | -120 | | 21 | | | -334 | -433 |
| **DEFERRED TAX PROVISIONS** | **5,488** | **0** | **271** | **0** | **-6** | **-146** | **5,607** |
| | | | | | | | |
| DEFERRED TAX LIABILITIES | | | | | | | |
| DEFERRED TAXES ON TANGIBLE FIXED ASSETS | 32,803 | | -3,839 | | -1,448 | 99 | 27,615 |
| TAX EFFECT ON TAX TRANSFERABLE LOSSES | -5,706 | | -4,545 | | 722 | 6,612 | -2,917 |
| DEFERRED TAXES ON CAPITAL GAINS | 811 | | 36 | | | | 847 |
| DEFERRED TAXES ON STOCKS | -989 | | 97 | | 137 | 139 | -616 |
| DEFERRED TAXES ON PROVISIONS | -3,321 | | 905 | | 197 | 265 | -1,954 |
| DEFERRED TAXES ON OTHER ASSETS | -844 | | 6,002 | | -158 | -6,392 | -1,392 |
| DEFERRED TAXES ON OTHER LIABILITIES | 1,960 | | -83 | 568 | -6 | -869 | 1,570 |
| **DEFERRED TAX LIABILITIES** | **24,714** | **0** | **-1,427** | **568** | **-556** | **-146** | **23,153** |
| | | | | | | | |
| **NET DEFERRED TAX LIABILITY (CLAIM)** | **19,226** | **0** | **-1,698** | **568** | **-550** | **0** | **17,546** |

*Reconciliation with the deferred taxes booked in the consolidated balance sheet:*

| IN THOUSANDS OF EUROS | 2005 | 2006 |
|---|---|---|
| DEFERRED TAX PROVISIONS | 5,488 | 5,607 |
| DEFERRED TAX LIABILITIES | 24,714 | 23,153 |
| **NET DEFERRED TAX LIABILITY** | **19,226** | **17,546** |

*In 2006 the Group has booked deferred tax assets to non-compensatory losses of subsidiaries (mainly in Belgium, Poland, Russia and the United States), for which the application is dependant on future taxable profits. The total amount of this deferred claim amounted to 4,931 thousand euros at end 2006. In 2006 there were no new tangible deferred tax assets recognized on earlier losses. The budgets provide adequate guarantee that these companies will generate sufficient taxable profits in the near future to be able to apply the booked deferred tax assets. The Group has no deferred taxes reflected in tax transferable losses realized in United Kingdom (8.7 million GBP) and the United States (8.4 million USD) in current and previous financial years. Relevant tax transferable losses are transferable in the United Kingdom with no time limitations. The tax transferable losses in the United States have arisen at various times and are transferable within a time limitation of 15 to 20 years. During 2006 a positive tax effect was booked as a result of a decrease in the tax rate in Turkey.*

## 6. EARNINGS PER SHARE

*The ordinary earnings per share is calculated by dividing the net profit of the financial year, which can be allocated to the ordinary shareholders, by the weighted average of the number of ordinary shares outstanding during the financial year with the exception of the ordinary shares purchased by the Group and kept as purchased own shares (average number of shares in thousands).*

| IN THOUSANDS OF EUROS | 2005 | 2006 |
|---|---|---|
| NET PROFIT ALLOCATED TO SHAREHOLDERS | 19,045 | -34,969 |
| WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES | 21,314 | 21,380 |
| **ORDINARY EARNINGS PER SHARE (EURO)** | **0.89** | **-1.64** |

*Diluted earnings per share are calculated by dividing the net profit for the year, distributable to ordinary shareholders and adjusted for the effect on the result of potential ordinary shares, by the weighted average number of ordinary shares in circulation during the year, plus the weighted average number of ordinary shares which would have been issued upon conversion into ordinary shares of all the potential shares, thereby resulting in a dilution. Since the Group holds purchased own shares for the exercising of assigned options, there will be no additional ordinary shares created if they are exercised, but purchased own shares will be assigned (average number of shares in thousands).*

| IN THOUSANDS OF EUROS | | |
|---|---|---|
| | 2005 | 2006 |
| NET PROFIT ALLOCATED TO SHAREHOLDERS | 19,045 | -34,969 |
| WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES | 21,314 | 21,380 |
| DILUTIVE EFFECT OF THE NON-EXERCISED OPTIONS | 31 | 0 |
| WEIGHTED AVERAGE NUMBER OF SHARES AFTER DILUTIVE EFFECT | 21,345 | 21,380 |
| | | |
| **DILUTED EARNINGS PER SHARE (EURO)** | **0.89** | **N/A*** |

* GIVEN THE LOSS OF THE FINANCIAL YEAR THERE IS NO DILUTIVE EFFECT

## 7. INTANGIBLE FIXED ASSETS, OTHER THAN GOODWILL

*Depreciation of intangible assets, other than goodwill, is recognized in the cost of goods sold. Intangible assets with an unlimited life span have been subjected to an impairment test. This refers in particular to the Winsa commercial brand name. For this asset, there is no foreseeable end to the period during which it will generate cash flows. The net book value of this asset is 2,730 thousand euros. The net book value of the Winsa customer base is 1,217 thousand euros and has a remaining life span of 19 years. During the 2006 financial year, approximately 655 thousand euros of research and development costs were recognized as an expense. The Management has booked impairments in value of 431 thousand euros. These impairments are related to licences and development costs from our wood extrusion department in the United States. It concerns licences and development costs which will generate insufficient cash in view of the uncertain future of our wood extrusion activities.*

| IN THOUSANDS OF EUROS | PATENTS, LICENCES AND SIMILAR RIGHTS | DEVELOPMENT COSTS | TOTAL |
|---|---|---|---|
| **ACQUISITION VALUE** | | | |
| BALANCE AT THE END OF 2004 | 14,952 | 1,738 | 16,690 |
| ADJUSTMENTS AS PER IAS 29 | 905 | | 905 |
| BALANCE AT THE END OF 2004 AFTER ADJUSTMENTS | 15,857 | 1,738 | 17,595 |
| ACQUISITIONS | 801 | | 801 |
| RETIREMENTS | -204 | | -204 |
| ACQUISITIONS THROUGH PROCUREMENT OF SUBSIDIARIES | | | 0 |
| OTHER TRANSFERS | -248 | -125 | -373 |
| EFFECT OF CHANGE IN FOREIGN CURRENCIES | 1,103 | 35 | 1,138 |
| BALANCE AT THE END OF 2005 | 17,309 | 1,648 | 18,957 |
| | | | |
| **DEPRECIATIONS AND IMPAIRMENTS** | | | |
| BALANCE AT THE END OF 2004 | -6,277 | -430 | -6,707 |
| ADJUSTMENTS AS PER IAS 29 | -22 | | -22 |
| BALANCE AT THE END OF 2004 AFTER ADJUSTMENTS | -6,299 | -430 | -6,729 |
| ACQUISITIONS | -990 | -323 | -1,313 |
| RETIREMENTS | 204 | | 204 |
| OTHER TRANSFERS | 40 | -40 | 0 |
| EFFECT OF CHANGE IN FOREIGN CURRENCIES | -600 | -5 | -605 |
| BALANCE AT THE END OF 2005 | -7,645 | -798 | -8,443 |
| | | | |
| **INTANGIBLE FIXED ASSETS** | | | |
| AT ORIGINAL COST | 17,309 | 1,648 | 18,957 |
| ACCUMULATED DEPRECIATION | -7,645 | -798 | -8,443 |
| | | | |
| **NET BOOK VALUE** | **9,664** | **850** | **10,514** |

| IN THOUSANDS OF EUROS | PATENTS, LICENCES AND SIMILAR RIGHTS | DEVELOPMENT COSTS | TOTAL |
|---|---|---|---|
| **ACQUISITION VALUE** | | | |
| BALANCE AT THE END OF 2005 | 17,309 | 1,648 | 18,957 |
| ADJUSTMENTS AS PER IAS 29 | | | 0 |
| BALANCE AT THE END OF 2005 AFTER ADJUSTMENTS | 17,309 | 1,648 | 18,957 |
| ACQUISITIONS | 176 | | 176 |
| RETIREMENTS | -36 | | -36 |
| ACQUISITIONS THROUGH PROCUREMENT OF SUBSIDIARIES | | | 0 |
| OTHER TRANSFERS | -85 | | -85 |
| EFFECT OF CHANGE IN FOREIGN CURRENCIES | -1,569 | -27 | -1,596 |
| BALANCE AT THE END OF 2006 | 15,795 | 1,621 | 17,416 |
| | | | |
| **DEPRECIATIONS AND IMPAIRMENTS** | | | |
| BALANCE AT THE END OF 2005 | -7,645 | -798 | -8,443 |
| ADJUSTMENTS AS PER IAS 29 | | | 0 |
| BALANCE AT THE END OF 2005 AFTER ADJUSTMENTS | -7,645 | -798 | -8,443 |
| ACQUISITIONS | -991 | -322 | -1,313 |
| RETIREMENTS | 2 | | 2 |
| IMPAIRMENTS | -302 | -129 | -431 |
| OTHER TRANSFERS | | | 0 |
| EFFECT OF CHANGE IN FOREIGN CURRENCIES | 561 | 14 | 575 |
| BALANCE AT THE END OF 2006 | -8,375 | -1,235 | -9,610 |
| | | | |
| **INTANGIBLE FIXED ASSETS** | | | |
| AT ORIGINAL COST | 15,795 | 1,621 | 17,416 |
| ACCUMULATED DEPRECIATION AND IMPAIRMENTS | -8,375 | -1,235 | -9,610 |
| | | | |
| **NET BOOK VALUE** | **7,420** | **386** | **7,806** |

## 8. GOODWILL

| GOODWILL | | |
|---|---|---|
| **IN THOUSANDS OF EUROS** | **2005** | **2006** |
| **ACQUISITION VALUE** | | |
| BALANCE AT THE END OF PREVIOUS FINANCIAL YEAR | 61,506 | 65,948 |
| ADJUSTMENTS AS PER IAS 29 | 5 | |
| BALANCE AT THE END OF PREVIOUS FINANCIAL YEAR AFTER ADJUSTMENTS | 61,511 | 65,948 |
| ACQUISITIONS AS A RESULT OF CHANGE OF THE ACTUAL VALUE OF ACQUIRED ASSETS AND LIABILITIES | 399 | |
| DECREASE AS A RESULT OF CHANGES OF THE ACTUAL VALUE OF ACQUIRED ASSETS AND LIABILITIES | -501 | |
| ACQUISITIONS THROUGH PROCUREMENT OF SUBSIDIARIES | 13 | 517 |
| EFFECT OF CHANGE IN FOREIGN CURRENCIES | 4,526 | -2,841 |
| BALANCE AT THE END OF THE FINANCIAL YEAR | 65,948 | 63,624 |
| | | |
| **AMORTISATION AND IMPAIRMENTS** | | |
| BALANCE AT THE END OF PREVIOUS FINANCIAL YEAR | -24,021 | -26,033 |
| IMPAIRMENTS | | -19,756 |
| EFFECT OF CHANGE IN FOREIGN CURRENCIES | -2,012 | 1,332 |
| BALANCE AT THE END OF THE FINANCIAL YEAR | -26,033 | -44,457 |
| | | |
| **GOODWILL** | | |
| AT ORIGINAL COST | 65,948 | 63,624 |
| BOOKED AMORTISATION AND IMPAIRMENTS | -26,033 | -44,457 |
| **NET BOOK VALUE** | **39,915** | **19,167** |

*The application of IAS 3 Business combinations, stipulates that when a company is acquired, the assets and liabilities should be recognized at their fair value at that time. All differences between the net asset value of the company acquired and the fair value defined at the time of the acquisition should be attributed to goodwill and any potential remaining differences in equity. Adjustments for the year concern an increase of the goodwill in value of 517 thousand euros as a result of the acquisition of the remaining 25% of the Detajoint NV shares during January 2006.*
*In accordance with IAS 36, goodwill is no longer amortized but is subjected each year to an impairment test. Except in the United Kingdom, where the cash generating unit*

*has been defined based on the geographic identity of the United Kingdom, all the cash-generating units have been defined at the level of the individual entities for which goodwill is expressed. In practice, this generally refers to the geographic region, given that except for the United Kingdom and Belgium, there is only one operational unit per country. The realizable value referred to in these cases is the operating value. The discount rate used was determined on the base of the weighted average cost of capital (WACC) per entity. This varies between 7 and 8%. Expected future cash flows have been defined on the basis of budgets for the next five years. A perpetuity growth rate of 2% has been used, which corresponds to the general growth rate for the sector. The principal assumptions involve the turnover growth rate, the gross margin and the evolution of operating costs. These assumptions are based on both historic data and external sources. The tests in question resulted in the recognition of impairments in the United Kingdom and in the United States.*
*A sensitivity analysis revealed that the valuation test for Deceuninck North America is extremely sensitive to potential divergences with respect to the estimated budget.*

*In view of the difficult market conditions in the United States it was decided to book an impairment in value of 12.5 million USD.*
*In view of the integration of Status into Deceuninck Ltd., for which goodwill was paid at that time in the United Kingdom, and the fall in turnover in the United Kingdom it was decided to completely impair that goodwill in value of 6.7 million GBP. The net book value of goodwill is attributed as follows:*

| CASH FLOW GENERATING UNIT | | |
|---|---|---|
| IN THOUSANDS OF EUROS | 2005 | 2006 |
| TURKEY | 9,708 | 9,647 |
| UNITED STATES | 16,219 | 4,825 |
| GERMANY | 3,448 | 3,448 |
| BELGIUM (DETAJOINT) | 730 | 1,247 |
| UNITED KINGDOM | 9,810 | 0 |
| | | |
| **NET BOOK VALUE** | **39,915** | **19,167** |

## 9. TANGIBLE FIXED ASSETS

| TANGIBLE FIXED ASSETS | | | | | | | |
|---|---|---|---|---|---|---|---|
| IN THOUSANDS OF EUROS | LAND AND BUILDINGS | MACHINES AND EQUIPMENT | FURNITURE AND VEHICLES | LEASED FIXED ASSETS | OTHER TANGIBLE FIXED ASSETS | ASSETS UNDER CON-STRUCTION | TOTAL |
| **ACQUISITION VALUE** | | | | | | | |
| BALANCE AT THE END OF 2004 | 104,563 | 302,150 | 16,581 | 2,526 | 473 | 12,607 | 438,900 |
| ADJUSTMENTS AS PER IAS 29 | 1,548 | 5,209 | 167 | | | 79 | 7,003 |
| BALANCE SHEET AT THE END OF 2004 AFTER ADJUSTMENTS | 106,111 | 307,359 | 16,748 | 2,526 | 473 | 12,686 | 445,903 |
| ACQUISITIONS | 2,685 | 20,761 | 2,388 | 279 | 2 | 30,564 | 56,679 |
| RETIREMENTS | -1,234 | -17,804 | -1,224 | | -133 | -444 | -20,839 |
| ACQUISITIONS THROUGH PROCUREMENT OF SUBSIDIARIES | | | | | | | 0 |
| OTHER TRANSFERS | 9,995 | 16,026 | -1,209 | | 5,661 | -30,498 | -25 |
| EFFECT OF CHANGE IN FOREIGN CURRENCIES | 4,392 | 12,685 | 340 | | 17 | 684 | 18,118 |
| BALANCE AT THE END OF 2005 | 121,949 | 339,027 | 17,043 | 2,805 | 6,020 | 12,992 | 499,836 |
| **DEPRECIATIONS AND IMPAIRMENTS** | | | | | | | |
| BALANCE AT THE END OF 2004 | -17,036 | -182,268 | -9,800 | -319 | -238 | | -209,661 |
| ADJUSTMENTS AS PER IAS 29 | -178 | -2,747 | -59 | | | | -2,984 |
| BALANCE SHEET AT THE END OF 2004 AFTER ADJUSTMENTS | -17,214 | -185,015 | -9,859 | -319 | -238 | 0 | -212,645 |
| ACQUISITIONS | -3,626 | -35,918 | -2,106 | -242 | -22 | | -41,914 |
| RETIREMENTS | 377 | 13,356 | 694 | | 2 | | 14,429 |
| IMPAIRMENTS | -126 | -773 | -9 | -73 | -2 | -496 | -1,479 |
| OTHER TRANSFERS | 2 | 3,686 | 838 | | -4,526 | | 0 |
| EFFECT OF CHANGE IN FOREIGN CURRENCIES | -636 | -7,895 | -168 | -62 | | -24 | -8,785 |
| BALANCE AT THE END OF 2005 | -21,223 | -212,559 | -10,610 | -696 | -4,786 | -520 | -250,394 |
| **TANGIBLE FIXED ASSETS** | | | | | | | |
| AT ORIGINAL COST | 121,949 | 339,027 | 17,043 | 2,805 | 6,020 | 12,992 | 499,836 |
| ACCUMULATED DEPRECIATION AND EXCEPTIONAL IMPAIRMENTS | -21,223 | -212,559 | -10,610 | -696 | -4,786 | -520 | -250,394 |
| **NET BOOK VALUE** | **100,726** | **126,468** | **6,433** | **2,109** | **1,234** | **12,472** | **249,442** |

| TANGIBLE FIXED ASSETS | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| IN THOUSANDS OF EUROS | LAND AND BUILDINGS | MACHINES AND EQUIPMENT | FURNITURE AND VEHICLES | LEASED FIXED ASSETS | OTHER TANGIBLE FIXED ASSETS | ASSETS AVAILABLE FOR SALE | ASSETS UNDER CON-STRUCTION | TOTAL |
| ACQUISITION VALUE | | | | | | | | |
| BALANCE AT THE END OF 2005 | 121,949 | 339,027 | 17,043 | 2,805 | 6,020 | | 12,992 | 499,836 |
| ADJUSTMENTS AS PER IAS 29 | | | | | | | | 0 |
| BALANCE SHEET AT THE END OF 2005 AFTER ADJUSTMENTS | 121,949 | 339,027 | 17,043 | 2,805 | 6,020 | 0 | 12,992 | 499,836 |
| ACQUISITIONS | 8,589 | 16,687 | 1,324 | 324 | 57 | | 27,544 | 54,525 |
| RETIREMENTS | -340 | -8,701 | -466 | -54 | | | | -9,561 |
| ACQUISITIONS THROUGH PROCUREMENT OF SUBSIDIARIES | | | | | | | | 0 |
| TRANSFER TO ASSETS AVAILABLE FOR SALE | -104 | -3,759 | | | | 3,863 | | 0 |
| OTHER TRANSFERS | 4,952 | 20,985 | 212 | -83 | 201 | | -26,182 | 85 |
| EFFECT OF CHANGE IN FOREIGN CURRENCIES | -3,666 | -14,294 | -163 | -17 | -590 | | -733 | -19,463 |
| BALANCE AT THE END OF 2006 | 131,380 | 349,945 | 17,950 | 2,975 | 5,688 | 3,863 | 13,621 | 525,422 |
| DEPRECIATIONS AND IMPAIRMENTS | | | | | | | | |
| BALANCE AT THE END OF 2005 | -21,223 | -212,559 | -10,610 | -696 | -4,786 | | -520 | -250,394 |
| ADJUSTMENTS AS PER IAS 29 | | | | | | | | 0 |
| BALANCE SHEET AT THE END OF 2005 AFTER ADJUSTMENTS | -21,223 | -212,559 | -10,610 | -696 | -4,786 | 0 | -520 | -250,394 |
| ACQUISITIONS | -3,935 | -35,696 | -2,090 | -260 | -699 | | | -42,680 |
| RETIREMENTS | 321 | 7,000 | 267 | 18 | | | 23 | 7,629 |
| IMPAIRMENTS | -522 | -3,871 | -57 | | | | -241 | -4,691 |
| TRANSFER TO ASSETS AVAILABLE FOR SALE | | 2,713 | | | | -2,713 | | 0 |
| OTHER TRANSFERS | | -45 | | 43 | 2 | | | 0 |
| EFFECT OF CHANGE IN FOREIGN CURRENCIES | 577 | 9,195 | 51 | 8 | 499 | | 64 | 10,394 |
| BALANCE AT THE END OF 2006 | -24,782 | -233,263 | -12,439 | -887 | -4,984 | -2,713 | -674 | -279,742 |
| TANGIBLE FIXED ASSETS | | | | | | | | |
| AT ORIGINAL COST | 131,380 | 349,945 | 17,950 | 2,975 | 5,688 | 3,863 | 13,621 | 525,422 |
| ACCUMULATED DEPRECIATION AND EXCEPTIONAL IMPAIRMENTS | -24,782 | -233,263 | -12,439 | -887 | -4,984 | -2,713 | -674 | -279,742 |
| **NET BOOK VALUE** | **106,598** | **116,682** | **5,511** | **2,088** | **704** | **1,150** | **12,947** | **245,680** |

*The Group is not subject to any restrictions of ownership rights, except for the mortgage worth 3.1 million euros on the premises of its Czech subsidiary. The Group has no significant commitments with regard to the acquisition of tangible assets. Tangible fixed assets under construction can be specified as follows:*

| IN THOUSANDS OF EUROS | 2005 | 2006 |
|---|---|---|
| LAND AND BUILDINGS | 2,464 | 3,817 |
| MATERIAL, MACHINES AND EQUIPMENT | 9,998 | 9,028 |
| OTHER | 10 | 102 |
| **TOTAL** | **12,472** | **12,947** |

*Tangible assets under leasing refer to a building in Spain, machinery and equipment in Spain and at Detajoint NV, as well as vehicles in Russia. Management has recognized impairments in value of 4.7 million euros. The impairments are mainly related on the one hand to the machinery in Deceuninck NV, Deceuninck North America and Thyssen GmbH and on the other hand to the closure of the leased warehouse in Royton. It concerns machinery that will generate insufficient cash in the future, due to the fact that they are now hardly ever used and have been replaced by equipment specially designed for the launch of new series. The book value of this equipment has been reduced to zero. However, the greatest impact was caused by the depreciation of a number of assets (mainly machines, installations and buildings) related to our wood extrusion department (impact 2.5 million USD) in the United States and to the closure of our plant in Oakland (impact 2.4 million USD). This closure also had as consequence that assets for an amount in value of 1.4 million USD became available for sale.*

## 10. FINANCIAL ASSETS AVAILABLE FOR SALE

| FINANCIAL ASSETS AVAILABLE FOR SALE | | |
|---|---|---|
| IN THOUSANDS OF EUROS | 2005 | 2006 |
| SHARES – LISTED | 1,466 | 1,987 |
| SHARES – NOT LISTED | 72 | 72 |
| **TOTAL** | **1,538** | **2,059** |

*Due to the material and long-term nature of the fall in the share price of Huis Clos SA, an impairment (component of the financial result) in value of 1.4 million euros has been recorded in 2005. The fair value of financial assets is based on the stock market price on* *the reporting date (22.19 euros at the end of 2006 compared with 18.5 euros at the end of 2005). At the end of 2006, the Group had acquired 53,777 shares, or 3.59%, of Huis Clos SA. At end 2006 Thyssen GmbH has purchased securities for a total value of 794 thousand euros. They are listed on the stock exchange but are subject to extremely small variations in value. This acquisition was made, under an obligation imposed by the German government, in order to protect future remuneration of personnel against risk of the employer's insolvency.*

## 11. LONG-TERM RECEIVABLES

| LONG-TERM RECEIVABLES | | |
|---|---|---|
| IN THOUSANDS OF EUROS | 2005 | 2006 |
| TRADE DEBTORS | 1,323 | 1,193 |
| OTHER RECEIVABLES | 564 | 500 |
| **TOTAL** | **1,887** | **1,693** |

*The duration of trade receivables varies between 1 and 4 years. These long-term receivables have been valued at their net present value, for which an average interest rate of 8.36% was applied.*

## 12. STOCKS

| STOCKS | | |
|---|---|---|
| IN THOUSANDS OF EUROS | 2005 | 2006 |
| RAW MATERIALS (AT COST PRICE) | 25,463 | 24,033 |
| GOODS IN PROCESS (AT COST PRICE) | 2,621 | 2,794 |
| FINISHED GOODS | | |
| - AT COST PRICE | 41,413 | 42,537 |
| - AT NET REALIZABLE VALUE | 40,554 | 41,565 |
| GOODS PURCHASED FOR RESALE | | |
| - AT COST PRICE | 28,857 | 26,768 |
| - AT NET REALIZABLE VALUE | 27,242 | 25,555 |
| REAL ESTATE KEPT FOR SALE | 0 | 0 |
| PREPAYMENTS ON STOCKS | 0 | 0 |
| **TOTAL STOCK AT WEIGHTED AVERAGE COST PRICE OR AT NET REALIZABLE VALUE, IF LOWER** | **95,880** | **93,947** |

*In 2006, an additional write down of stocks of 2,598 thousand euros has been posted and the total value of stocks recognized as an expense amounted to 336,770 thousand euros.*

## 13. TRADE DEBTORS

*Gross trade receivables and provisions for doubtful debtors in 2006 and 2005 are as follows:*

| TRADE DEBTORS | | |
|---|---|---|
| IN THOUSANDS OF EUROS | 2005 | 2006 |
| GROSS TRADE RECEIVABLES | 172,582 | 152,869 |
| BOOKED IMPAIRMENTS | 12,776 | 12,375 |
| **NET TRADE RECEIVABLES** | **159,806** | **140,494** |

*Despite the increase of the sold volumes we note a decrease in the overdue gross trade receivables. This can be ascribed to increased attention and associated actions to reduce the working capital.*

## 14. CASH AND CASH EQUIVALENTS

| CASH AND CASH EQUIVALENTS | | |
|---|---|---|
| IN THOUSANDS OF EUROS | 2005 | 2006 |
| CASH | 9,006 | 11,984 |
| CASH EQUIVALENTS | 10,795 | 17,248 |
| **TOTAL** | **19,801** | **29,232** |

## 15. EQUITY CAPITAL

| EQUITY CAPITAL | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| IN THOUSANDS OF EUROS | ISSUED CAPITAL | PROFITS/ LOSSES CARRIED OVER | OTHER RESERVES | REVALUATION AT FAIR VALUE | TREASURY SHARES | CURRENCY TRANSLATION DIFFERENCES | EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS | MINORITY INTEREST | TOTAL |
| **BALANCE AS AT 31 DECEMBER 2004** | **8,499** | **214,489** | **4,293** | **-2,592** | **-5,277** | **-14,742** | **204,670** | **1,526** | **206,196** |
| GAINS ON FINANCIAL ASSETS AVAILABLE FOR SALE | | | | 1,420 | | | 1,420 | | 1,420 |
| CHANGES IN FAIR VALUE OF THE CASH FLOW HEDGES | | | | -426 | | | -426 | | -426 |
| DEFERRED TAXES ON CASH FLOW HEDGES | | | | 438 | | | 438 | | 438 |
| SHARE BASED PAYMENTS | | | | 325 | | | 325 | | 325 |
| OTHER DIRECT CHANGES IN EQUITY | | 356 | | | | | 356 | | 356 |
| DIRECT CHANGES IN EQUITY | 0 | 356 | 0 | 1,757 | 0 | 0 | 2,113 | 0 | 2,113 |
| PROFIT FOR THE PERIOD | | 19,045 | | | | | 19,045 | 315 | 19,360 |
| TOTAL INCOME AND COSTS OF THE FINANCIAL YEAR | | 19,401 | | 1,757 | | | 21,158 | 315 | 21,473 |
| CURRENCY TRANSLATION DIFFERENCES | | | | | | 16,331 | 16,331 | | 16,331 |
| OWN SHARES (SALE) WITHIN THE SCOPE OF EXERCISING OPTIONS | | | | | 831 | | 831 | | 831 |
| CHANGE IN PERCENTAGE MINORITY INTERESTS | | | | | | | 0 | 270 | 270 |
| DIVIDENDS TO SHAREHOLDERS | | -5,022 | | | | | -5,022 | | -5,022 |
| **BALANCE AS AT 31 DECEMBER 2005** | **8,499** | **228,868** | **4,293** | **-835** | **-4,446** | **1,589** | **237,968** | **2,111** | **240,079** |

| EQUITY CAPITAL | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| IN THOUSANDS OF EUROS | ISSUED CAPITAL | PROFITS/ LOSSES CARRIED OVER | OTHER RESERVES | REVALUA-TION AT ACTUAL VALUE | TREAS-URY SHARES | CURRENCY TRANS-LATION DIFFER-ENCES | EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS | MINOR-ITY INTEREST | TOTAL |
| **BALANCE AS AT 31 DECEMBER 2005** | **8,499** | **228,868** | **4,293** | **-835** | **-4,446** | **1,589** | **237,968** | **2,111** | **240,079** |
| GAINS ON FINANCIAL ASSETS AVAILABLE FOR SALE | | | | 198 | | | 198 | | 198 |
| CHANGES IN FAIR VALUE OF THE CASH FLOW HEDGES | | | | 1,835 | | | 1,835 | | 1,835 |
| DEFERRED TAXES ON CASH FLOW HEDGES | | | | -438 | | | -438 | | -438 |
| SHARE BASED REMUNERATION | | | | 464 | | | 464 | | 464 |
| OTHER DIRECT CHANGES IN EQUITY | | | | | | | 0 | | 0 |
| DIRECT CHANGES IN EQUITY | 0 | 0 | 0 | 2,059 | 0 | 0 | 2,059 | 0 | 2,059 |
| PROFIT FOR THE PERIOD | | -34,969 | | | | | -34,969 | 157 | -34,812 |
| TOTAL INCOME AND CHARGES FOR THE YEAR | 0 | -34,969 | 0 | 2,059 | 0 | 0 | -32,910 | 157 | -32,753 |
| CURRENCY TRANSLATION DIFFERENCES | | -5 | | 5 | | -11,377 | -11,377 | -144 | -11,521 |
| OWN SHARES (SALE) WITHIN THE SCOPE OF EXERCISING OPTIONS | | | | | 1,099 | | 1,099 | | 1,099 |
| CHANGE IN PERCENTAGE MINORITY INTERESTS | | | | | | | 0 | -1,094 | -1,094 |
| DIVIDENDS TO SHAREHOLDERS | | -5,227 | | | | | -5,227 | | -5,227 |
| **BALANCE AS AT 31 DECEMBER 2006** | **8,499** | **188,667** | **4,293** | **1,229** | **-3,347** | **-9,788** | **189,553** | **1,030** | **190,583** |

*The capital was composed of 21,550,000 ordinary shares with no specified face value. These shares are fully subscribed. No new shares were issued in 2006. Ordinary shareholders are entitled to a dividend as allocated and a (single) vote per share at the General Meeting of Shareholders of Deceuninck NV. After the balance date, the Board of Directors proposed a net dividend of 0.18375 euros per share or a gross dividend of 0.245 euros per share. The total gross dividend payout amounts to 5.242 million euros. The dividend for 2006 has not been recognized in the annual financial statements of 2006. The Group acquired its own shares for share option schemes for the benefit of its personnel. On 31 December 2006, the Group held 155,563 of its own shares in portfolio. "Translation differences" include all of exchange rate differences resulting from the conversion of annual financial results of foreign activities which are not an integral part of the Group's activities. In accordance with the IAS 27 standard, minority interests are posted as a component of shareholders' equity.*

## 16. PROVISIONS FOR POST EMPLOYMENT BENEFITS

| PROVISIONS FOR POST EMPLOYMENT BENEFITS | | | | |
|---|---|---|---|---|
| IN THOUSANDS OF EUROS | THYSSEN POLYMER | BELGIAN SUBSIDIARIES | OTHER | TOTAL |
| BALANCE AT THE END OF PREVIOUS FINANCIAL YEAR | 6,572 | 2,578 | 810 | 9,960 |
| ADJUSTMENT AS PER IAS 29 | | | | 0 |
| ADJUSTMENT OF OPENING BALANCE | | | | 0 |
| INCREASE THROUGH ACQUISITIONS | | | | 0 |
| INCREASE OF PROVISION | 481 | 341 | 22 | 844 |
| REVERSAL OF PROVISION | -343 | -77 | -81 | -501 |
| EFFECT OF CHANGE IN FOREIGN CURRENCIES | | | -110 | -110 |
| **BALANCE AT THE END OF THE FINANCIAL YEAR** | **6,710** | **2,842** | **641** | **10,193** |
| LONG-TERM | 6,360 | 2,730 | 641 | 9,731 |
| SHORT-TERM | 350 | 112 | | 462 |

**Defined contributory scheme (fixed contribution pension plans)**
*With the defined contributory scheme the Group pays contributions to well-established insurance institutions. The Group has no other payment commitments to the insurance institution apart from these contributions. The pension contributions are included in the income statement during the year in which they are due.*

**Defined benefits plan (pension plan with a defined objective) and other retirement benefits**

*Belgian subsidiaries*
*For Belgian companies the provisions for retirement benefits refer to the provision for early retirement.*

*This plan is available for all early retirees if in accordance with the currently applicable collective labour agreement.*
*In accordance with IFRS the actuarial present value of the promised pension benefits must be calculated, since that value represents the total of the amounts which can currently be allocated to each participant of the plan.*
*This resulted in the pension liabilities rising by 341 thousand euros during the 2006 financial year. The early retirement plan is not financed and is seen as an actual obligation. The actuarial present value was calculated on the basis of the following assumptions:*

| PENSION PLAN BELGIAN SUBSIDIARIES | | |
|---|---|---|
| | 2005 | 2006 |
| DISCOUNT RATE | 4.00% | 4.50% |
| INCREASE OF THE COMPENSATION | 3.50% | 3.50% |
| INCREASE IN SOCIAL SECURITY | 2.00% | 2.00% |
| INCREASE IN PENSIONS | 2.00% | 2.00% |
| INFLATION | 2.00% | 2.00% |

### *Thyssen Polymer GmbH (Germany)*

*For Thyssen Polymer GmbH the provisions for retirement benefits refer to the provision for pensions. This plan is available for all employees and is not financed. There is no legal obligation to offer such a plan to the employees.*
*The actuarial present value was calculated on the basis of the following assumptions:*

| PENSION PLAN THYSSEN POLYMER GMBH | | |
|---|---|---|
| | 2005 | 2006 |
| DISCOUNT RATE | 4.25% | 4.50% |
| INCREASE OF THE COMPENSATION | 3.00% | 3.00% |
| INCREASE IN SOCIAL SECURITY | 3.00% | 3.00% |
| INCREASE IN PENSIONS | 1.75% | 1.75% |
| INFLATION | 1.75% | 1.75% |

*Other*

*The aforementioned provisions for retirement benefits refer to local pension regulations.*

*The table below provides an overview of the retirement costs recognized in the consolidated income statement and the amounts recognized in the consolidated balance sheet for the defined pension plans of Thyssen Polymer GmbH and the Belgian subsidiaries:*

| BREAKDOWN OF NET CHARGES FOR THE 2006 FINANCIAL YEAR | THYSSEN POLYMER | BELGIAN SUBSIDIARIES | TOTAL |
|---|---|---|---|
| **IN THOUSANDS OF EUROS** | | | |
| ADJUSTMENT OF OPENING BALANCE | | | 0 |
| AMORTIZATION OF NET ACTUARIAL PROFIT OR LOSS | 22 | 10 | 32 |
| COMPANY SERVICE COST | 143 | 212 | 355 |
| INTEREST CHARGE | 316 | 119 | 435 |
| **NET CHARGES FOR THE PERIOD** | **481** | **341** | **822** |

| VARIATIONS IN NET DEBTS POSTED IN THE BALANCE SHEET | THYSSEN POLYMER | BELGIAN SUBSIDIARIES | TOTAL |
|---|---|---|---|
| **IN THOUSANDS OF EUROS** | | | |
| DEFINED BENEFIT LIABILITY AS AT 1 JANUARY | 6,572 | 2,578 | 9,150 |
| ADJUSTMENT OF OPENING BALANCE | | | 0 |
| AMORTIZATION OF NET ACTUARIAL PROFIT OR LOSS | 22 | 10 | 32 |
| COMPANY SERVICE COST | 143 | 212 | 355 |
| INTEREST CHARGE | 316 | 119 | 435 |
| PAID (RECEIVED) | -343 | -77 | -420 |
| **DEFINED BENEFIT LIABILITY AS AT 31 DECEMBER** | **6,710** | **2,842** | **9,552** |

| FINANCING | THYSSEN POLYMER | BELGIAN SUBSIDIARIES | TOTAL |
|---|---|---|---|
| **IN THOUSANDS OF EUROS** | | | |
| PRESENT VALUE OF THE OBLIGATION | 7,666 | 2,926 | 10,592 |
| ASSETS | | | 0 |
| NET ACTUARIAL PROFIT OR LOSS | -956 | -84 | -1,040 |
| **DEFINED BENEFIT LIABILITY AS AT 31 DECEMBER** | **6,710** | **2,842** | **9,552** |

## 17. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

| IN THOUSANDS OF EUROS | GUARANTEE OBLIGATION | DISPUTES | OTHER | TOTAL |
|---|---|---|---|---|
| **PROVISIONS AS AT 31 DECEMBER 2005** | **1,776** | **91** | **4,455** | **6,322** |
| INCREASE IN PROVISION | 475 | 538 | 798 | 1,811 |
| UNUSED AMOUNTS REVERSED | -76 | -70 | | -146 |
| PROVISIONS APPLIED DURING THE YEAR | -500 | -17 | -908 | -1,425 |
| NET CURRENCY TRANSLATION DIFFERENCES | -30 | -3 | | -33 |
| **PROVISIONS AS AT 31 DECEMBER 2006** | **1,645** | **539** | **4,345** | **6,529** |
| SHORT-TERM | 262 | | 1,300 | 1,562 |
| LONG-TERM | 1,383 | 539 | 3,045 | 4,967 |

*Provisions are established for indemnities related to the warranty for products sold during the past ten years, according to experience of repairs and returns of goods. The majority of the provisions (0.5 million euros) are however intended to cover complaints in the United Kingdom following discolouration problems. The Group expects that most of these provisions intended to cover warranty obligations will be applied within a period of 2 to 3 years. The remaining provisions are mainly to cover remuneration of Thyssen Polymer GmbH personnel. These are provisions for anniversary bonuses and for a specific measure enabling German employees to gradually end their career. In view of the nature of these provisions it is impossible here to determine a correct period in which they will be applied. A total amount of 0.5 million euros in provisions was laid aside with regard to social costs linked to reorganizations in Belgium and the United States. Relevant provisions will be applied during 2007. Furthermore a provision was laid aside of 0.5 million euros as a result of a claim for damages received in relation to quality problems. It is currently not clear when and with which result the legal procedure will be completed.*

## 18. INTEREST BEARING DEBTS

*This note provides information on the contractual terms of the Group's interest-bearing financial debts. For more information concerning the Group's exposure to interest and exchange rate risks, please refer to note 23.*

| LONG-TERM LIABILITIES (IN THOUSANDS OF EUROS) | 2005 | 2006 |
|---|---|---|
| UNSECURED BANK LOANS/INVESTORS | 145,919 | 161,223 |
| FINANCIAL LEASE | 744 | 432 |
| OTHER | 49 | 78 |
| **TOTAL** | **146,712** | **161,733** |

| CURRENT LIABILITIES (IN THOUSANDS OF EUROS ) | | |
|---|---|---|
| IN THOUSANDS OF EUROS | 2005 | 2006 |
| SUBORDINATED LOANS | | |
| UNSECURED BANK LOANS | 43,241 | 23,833 |
| SHORT-TERM FINANCING | 13,781 | 27,726 |
| FINANCIAL LEASE | 321 | 578 |
| **TOTAL** | **57,343** | **52,137** |

| FINANCIAL LEASE LIABILITIES | | | | | | |
|---|---|---|---|---|---|---|
| IN THOUSANDS OF EUROS | 2005 | | | 2006 | | |
| | REIMBURSE-MENTS | INTEREST | CAPITAL | REIMBURSE-MENTS | INTEREST | CAPITAL |
| LESS THAN 1 YEAR | 377 | 56 | 321 | 614 | 36 | 578 |
| BETWEEN 1 AND 5 YEARS | 790 | 46 | 744 | 456 | 24 | 432 |
| MORE THAN 5 YEARS | 0 | | | 0 | | |
| **TOTAL** | **1,167** | **102** | **1,065** | **1,070** | **60** | **1,010** |

| MATURITIES AND REPAYMENT SCHEDULE | | | | | |
|---|---|---|---|---|---|
| IN THOUSANDS OF EUROS | < 1 YEAR | 1-2 YEARS | 2-5 YEARS | > 5 YEARS | TOTAL |
| UNSECURED BANK LOANS | 23,833 | 22,555 | 96,547 | 42,121 | 185,056 |
| FINANCIAL LEASE | 578 | 432 | | | 1,010 |
| SHORT-TERM FINANCING | 27,726 | | | | 27,726 |
| OTHER | | 78 | | | 78 |
| **TOTAL** | **52,137** | **23,065** | **96,547** | **42,121** | **213,870** |

*The following table provides an overview of the effective interest rate at year-end, the duration of unsecured bank loans and the short-term financing:*

| LOANS | INTEREST RATE | MATURITY | > 2007 | MATURING IN 2007 | SHORT-TERM FINANCING |
|---|---|---|---|---|---|
| | | | IN THOUSANDS OF EUROS | IN THOUSANDS OF EUROS | IN THOUSANDS OF EUROS |
| EUR LOAN FIXED INTEREST RATE | 4.46% | 2007 | 0 | 3,000 | |
| EUR LOAN FIXED INTEREST RATE | 4.50% | 2007 | 0 | 2,000 | |
| EUR LOAN FIXED INTEREST RATE | 4.40% | 2007 | 0 | 2,000 | |
| USD LOAN VARIABLE INTEREST RATE* | LIBOR + 0.95% | 2007 | 0 | 1,898 | |
| USD LOAN FIXED INTEREST RATE | 3.40% | 2007 | 0 | 1,519 | |
| EUR LOAN VARIABLE INTEREST RATE* | EURIBOR + 1% | 2008 | 2,993 | 3,000 | |
| EUR LOAN VARIABLE INTEREST RATE* | EURIBOR + 0.65% | 2008 | 3,000 | 3,000 | |
| EUR LOAN FIXED INTEREST RATE | 3.61% | 2008 | 4,250 | 0 | |
| USD LOAN VARIABLE INTEREST RATE* | LIBOR + 0.95% | 2009 | 1,519 | 759 | |
| EUR LOAN FIXED INTEREST RATE | 4% | 2009 | 4,000 | 0 | |
| EUR LOAN FIXED INTEREST RATE | 3.43% | 2009 | 4,000 | 2,000 | |
| EUR LOAN FIXED INTEREST RATE | 3.41% | 2009 | 4,000 | 2,000 | |
| USD LOAN FIXED INTEREST RATE | 4.25% | 2009 | 3,037 | 1,519 | |
| USD LOAN FIXED INTEREST RATE | 4.32% | 2009 | 304 | 152 | |
| CZK LOAN FIXED INTEREST RATE*** | 4.40% | 2010 | 2,184 | 874 | |
| EUR LOAN FIXED INTEREST RATE | 4.67% | 2011 | 10,000 | 0 | |
| EUR LOAN FIXED INTEREST RATE | 4.68% | 2011 | 10,000 | 0 | |
| USD LOAN VARIABLE INTEREST RATE | LIBOR + 0.40% | 2011 | 19,742 | 0 | |
| EUR PRIVATE LOAN I | 5.15% | 2011 | 20,000 | 0 | |
| USD** PRIVATE LOAN I | 5.43% | 2011 | 30,022 | 0 | |
| EUR PRIVATE LOAN II | 4.36% | 2013 | 8,000 | 0 | |
| USD** PRIVATE LOAN II | 5.88% | 2013 | 34,009 | 0 | |
| VBP BOND | 6.00% | 2014 | 163 | 112 | |
| EUR SL | EURIBOR + 0.50% | 2007 | | | 18,100 |
| USD SL | 6.12% | 2007 | | | 5,066 |
| YTL REVOLVING | LIBOR + 2% | 2007 | | | 4,560 |
| **TOTAL** | | | **161,223** | **23,833** | **27,726** |

* FIXED VIA INTEREST SWAP: SEE NOTE 23: FINANCIAL RISK MANAGEMENT
** VIA CROSS CURRENCY SWAP: SEE NOTE 23: FINANCIAL RISK MANAGEMENT
*** SECURED BY A MORTGAGE ON THE DECEUNINCK SPOL, BRNO BUILDING

*For further information concerning derivative financial instruments, which ensure a fixed interest rate, please refer to note 23. Short-term financing refers to short-term loans at Deceuninck NV, Ege Profil AS and Deceuninck North America.*
*Unused credit limits amounted to 107 million euros as at 31 December 2006.*

**Operational leasing**
*The Group principally rents vehicles, office equipment, machines and buildings in Russia, Turkey, Belgium, Poland and the United States. The total amount paid in 2006 for operational leasing amounts to 6,842 thousand euros.*
*The table below provides an overview of the payments to be made over the coming years.*

| IN THOUSANDS OF EUROS | 2005 | 2006 |
|---|---|---|
| LESS THAN ONE YEAR | 4,229 | 5,434 |
| BETWEEN ONE AND FIVE YEARS | 4,170 | 6,528 |
| MORE THAN FIVE YEARS | | 1,574 |
| **TOTAL** | **8,399** | **13,536** |

## 19. OTHER LIABILITIES

| IN THOUSANDS OF EUROS | 2005 | 2006 |
|---|---|---|
| PROVISIONS – SHORT-TERM PART | 1,316 | 2,024 |
| INTEREST RATE AND CROSS CURRENCY SWAP – FAIR VALUE | 752 | 3,250 |
| WARRANTIES RECEIVED FROM CUSTOMERS | 817 | 947 |
| OTHER | 379 | 845 |
| **TOTAL** | **3,264** | **7,066** |

*Interest rate swaps are used to fix or limit the interest rate on existing floating rate debts (see also note 23). Cross currency swaps are used in order to fix or limit the exchange rate risk on debts denominated in foreign currencies (see also note 23). For the analysis of the short-term part of provisions, please refer to notes 16 and 17.*

## 20. SHARE OPTION SCHEMES

*The Group offers the possibility for senior executives, Directors and certain board members to take part in a scheme to purchase existing Deceuninck shares. The purpose of this is to motivate the management and Directors by enabling them to acquire shares in the company under relatively advantageous terms, thereby encouraging their commitment to the company. The options are settled in shares. At the end of December 2006, 357,525 options had been accepted, each offering entitlement to purchase a Deceuninck share at a fixed exercise price equivalent to the stock market price applicable when the option was allocated. Of this total number, 164,163 options have since been exercised, under already exercisable stock option plans. The options expire if they are not exercised on the last day of the last exercise period. The options can be exercised for the first time after the end of the third calendar year following the year in which the offer has taken place. No options were offered during 2006. Statement of share option schemes:*

| DECEUNINCK NV STOCK OPTION PLANS | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | TOTAL |
|---|---|---|---|---|---|---|---|---|
| EXERCISE PRICE (EUR) | 23.42 | 17 | 13.9 | 18.65 | 25.22 | 22.7 | 22.81 | |
| ALLOCATION | 48,500 | 55,250 | 56,500 | 64,000 | 64,000 | 49,000 | 66,250 | 403,500 |
| ACCEPTED | 47,100 | 53,250 | 55,800 | 54,250 | 47,500 | 35,375 | 64,250 | 357,525 |
| ALREADY EXERCISED | -16,713 | -52,750 | -48,450 | -46,250 | 0 | 0 | 0 | -164,163 |
| FORFEITED | -6,043 | 0 | -7,250 | -3,500 | -1,500 | -1,500 | 0 | -19,793 |
| BALANCE | 24,344 | 500 | 100 | 4,500 | 46,000 | 33,875 | 64,250 | 173,569 |
| EXERCISE PERIODS | 2003-2009 | 2004-2010 | 2005-2011 | 2006-2012 | 2007-2013 | 2008-2014 | 2009-2015 | |

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | TOTAL | WEIGHTED AVERAGE EXERCISE PRICE |
|---|---|---|---|---|---|---|---|---|---|
| BALANCE 2005 | 25,223 | 3,500 | 4,300 | 50,750 | 46,000 | 35,375 | 0 | 165,148 | 21.92 |
| ACCEPTED 2006 | 0 | 0 | 0 | 0 | 0 | 0 | 64,250 | 64,250 | 22.81 |
| EXERCISED 2006 | 86 | 3,000 | 4,200 | 46,250 | 0 | 0 | 0 | 53,536 | 18.19 |
| FORFEITED 2006 | 793 | 0 | 0 | 0 | 0 | 1,500 | | 2,293 | 22.95 |
| EXPIRED 2006 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| BALANCE 2006 | 24,344 | 500 | 100 | 4,500 | 46,000 | 33,875 | 64,250 | 173,569 | 23.38 |

*IFRS 2 was published in February 2004. The Group has opted to apply this standard as from 1 January 2005 for share option schemes signed after 7 November 2002. The impact of IFRS 2 on the 2006 result amounts to 464 thousand euros. Share option schemes were valued on the basis of the binomial tree structure. Volatility was determined on the basis of historic data over a period of 5 to 10 years before the allocation date. The fair value calculation is based on the following assumptions:*

| | |
|---|---|
| VOLATILITY | 30% |
| RISK FREE INTEREST RATE | 3.35% |
| DIVIDEND INCREASE PER YEAR | 0.005 |
| MINIMUM EXERCISE PRICE | 25% |
| ADDITIONAL EXERCISE IF THE MINIMUM EXERCISE PRICE IS EXCEEDED | 50% |

*As at end 2006 no new share option plan was offered.*

## 21. RELATED PARTIES

*In 2006 the Group made purchases worth 0.63 million euros (0.7 million euros in 2005) under normal market conditions from companies in which certain directors were controlling shareholders. These transactions involved purchases related to dies and tools, maintenance of machinery, the provision of services and the provision of meeting rooms.*

*Total remuneration of members of the Board of Directors in 2006 amounted to 1,135,000 euros. This amount includes additional remuneration granted to Directors for their attendance on committees to which they belong and special remuneration paid to Directors responsible for specific assignments. This remuneration is approved by the General Meeting and considered to be costs.*

*Executive Committee and Management Committee members received basic remuneration of 2,612,000 euros, of which 13.4% was variable remuneration. This variable remuneration was paid on the basis of individual performances and the results of the areas of activity for which they are responsible. The Management Committee was expanded with four new members at the start of January 2006. The retirement indemnification amounts to 343,000 euros and consists of a defined contributory pension plan via an external insurance company. During the past year no options were offered on existing Deceuninck NV shares.*

## 22. HYPERINFLATION

*The Group has two subsidiaries, which until the end of 2005 were operating in a hyperinflationary economy, namely, Ege Profil AS and Ege Pen AS (Turkey). Their relevant data, to the end of 2005, was processed according to the historical cost method. Since 2006 the economy in question is no longer considered as hyperinflationary. The annual financial statements and opening balance were revalued in the light of changes in the general purchasing power of the reporting currency. The wholesale trade price index is used for this:*

- *as at 31 December 2001: 4,951.7*
- *as at 31 December 2002: 6,478.8*
- *as at 31 December 2003: 7,382.1*
- *as at 31 December 2004: 8,403.8*
- *as at 31 December 2005: 8,785.7*

## 23. FINANCIAL RISK MANAGEMENT

*The principal market risks confronting the Group are fluctuations in raw material prices, exchange rates and interest rates. The Group limits the adverse consequences of fluctuations in raw material prices on the financial results by making use of sales contracts in which the sales prices to a considerable extent are coupled to the evolution of raw materials prices, a system that is more applicable in the United States than in the rest of the world. Hedging of the raw material prices (PVC) using specific products is being examined, but until now has not been sufficiently effective, given the niche market of the raw materials. This was clearly visible during recent months when oil prices moved downwards contrary to the prices of PVC.*
*Due to its international character, and in view of the various currency exposures, the Group has to increasingly take account of various exchange rate risks, particularly in relation to the YTL, the USD, the GBP, the PLN, the CZK, the HRK and the RUR.*
*The Group's treasury department is closely monitoring these values and limits the risks by compensating for transactions in a single currency or by fixing the exchange rate using futures contracts and other financial instruments. The question with all transactional hedges is to what extent and how quickly negative changes of a currency can be reacted to. Naturally the volatility of the currency, and therefore the chance of currency depreciation, plays a determining role in this decision process. The highest risk currency with the highest volatility of the group appears today to be the Turkish lira. After an impressive upturn in 2005 and at the start of 2006 the vulnerability of that currency was again clearly demonstrated by the devaluation in May 2006. Despite the favourable expectations of the market the Group as a precaution entered into five par-forward contracts (forward contracts) at the beginning of March 2006 which provided cover for the cash flows till the end of August 2006, for a total amount of EUR 16.5 million. This cover turned out to be a necessary action after the devaluation of the YTL in May 2006, and saved the Group from an additional loss of EUR 2.2 million.*
*In August 2006, after a period of great volatility of the YTL, it was again decided to cover the additional cash flows. The solution was found in a healthy mix of products with the objective of precluding a disaster scenario and for a part to even profit from a potential improvement of the YTL, and this without paying extra high premiums.*
*The cover gave the group the required comfort and insurance against too high currency losses. The currency risk of the PLN was also covered further in the middle of 2006. A great part of the transactional risk was converted to a translation risk by means of a capital increase in Poland. Cash flows remain covered by forward contracts.*
*In 2007 the attention of the Group will naturally be focused on the more volatile currencies such as the YTL and the RUR, especially due to the increasingly higher volumes in these currencies. The interest rate risk for the Group currently remains limited because the interest rate of most of the long-term loans is fixed. The temporarily contracted short-term loans, mainly in EUR, remain liable to short-term interest rates, along with a bullet loan of USD 26,000,000. The Group is striving to achieve an optimal balance between short and long term debt financing in order to minimize potential negative interest rate fluctuations.*
*For this reason, debts were consolidated at the end of 2005 in order to refinance existing short-term loans. After the positive experience in 2003 with the private loan market (to refinance the takeover of Thyssen Polymer), it was decided once again to opt for this financing method. This resulted in the profitable outcome of two bullet loans, in USD and EUR respectively.*
*The EUR 8,000,000 bullet loan over 8 years was established at an interest rate of 4.36%. The USD 45,000,000 bullet loan, also contracted over 8 years, had an interest rate of 5.88%, but was immediately entirely converted by means of a cross currency swap into a loan of EUR 38,297,872, supported by continued growth and the increasing value of the Euro, which resulted in an increasingly large proportion of the group's income being generated in EUR. The swap converted the fixed interest rate of 5.88% in USD into a fixed interest rate in EUR of 4.32%. As the end of December 2006 the market value of that currency swap amounted to EUR -3,259,578, of course this is negatively influenced by the increasingly weaker USD. This market value is comprised of an interest rate component of EUR 851,624 recognized directly in capital and reserves, a forex component of EUR -4,129,372 included in the result, and accrued interest of EUR 18,170.*
*The cross currency swaps as cover of the first private placing in 2003 in an amount of USD 40,000,000 were stopped in March 2006. The cancellation of these swaps produced two results for the Group: a cash of profit respectively USD 1,733,000*

*and EUR 1,448,000, and at the same time cover for the Group's USD translation risk, this against the background of the market expectation of a weaker USD. At the time of the sale, the interest rate component of the swap was worth EUR 452,017. This component was recognized in capital and reserves and included in the result over the remaining duration of the loan. The forex component of the swap, worth EUR 3,134,583, and the accrued interest component of EUR 199,562, were recognized as income at the time of the sale. Apart from the cross currency swaps mentioned, interest rate swaps from 2004 at Deceuninck NV and Deceuninck North America, whose variable rates were converted to fixed rates, were retained.*

*At Deceuninck NV it concerns two loans each with an open balance of EUR 6,000,000 that were swapped to a fixed interest rate. At the end of December 2006, the market value of this interest rate swap was EUR 138,890, compared with EUR -21,277 for the previous year. These interest rate swaps are recognized directly in capital and reserves.*

*In June 2006 the swap with regard to the revolving loan of EUR 20,000,000, for which the variable interest rate was changed to a fixed interest rate of 3.55%, was terminated. The market value at the moment of the sale amounted to EUR 38,000 and was booked fully in the result.*

*At Deceuninck North America, the variable interest rate of the loan with the remaining balance of USD 2,500,000 was converted to a fixed rate of 6.38% by means of a swap. This loan matures in 2007. The market value of this swap at the end of December was USD -4,348. The swap of the other loan, with an open balance of USD 3,000,000, expires in 2009 together with the term of associated loan.*

*At the end of December, the market value of this swap was USD 17,266. At the end of 2006 a consolidation exercise was made by the Group, by which EUR 20,000,000 of the structural short-term loans were converted into long-term loans with a fixed interest rate. The table below provides an overview of the swaps at the end of December 2006. For each swap an overview is given of: the loan swapped, the contractual interest rate, the maturity date, the repayment price, the fixed interest rate and the market value of the swap at the end of December 2006.*

| INTEREST RATE SWAPS (IN UNITS) | | | | | | |
|---|---|---|---|---|---|---|
| LOAN | FLOATING % | MATURITY | SWAP | FIXED % | MATURITY | MTM 2006 |
| USD 2,500,000 | LIBOR + 0.95% | 30/09/07 | USD 2,500,000 | 6.38% | 30/09/07 | USD -4,348 |
| USD 3,000,000 | LIBOR + 0.95% | 31/12/09 | USD 3,000,000 | 5.70% | 31/12/09 | USD 17,266 |
| EUR 6,000,000 | EURIBOR + 0.50% | 31/12/08 | EUR 6,000,000 | 3.54% | 31/12/08 | EUR 69,445 |
| EUR 6,000,000 | EURIBOR + 0.50% | 31/12/08 | EUR 6,000,000 | 3.54% | 31/12/08 | EUR 69,445 |

| CROSS CURRENCY INTEREST RATE SWAPS (IN UNITS) | | | | | | |
|---|---|---|---|---|---|---|
| LOAN | INTEREST | MATURITY | SWAP | INTEREST | MATURITY | MTM 2006 |
| USD 45,000,000 | 5.88% | 12/12/13 | EUR 38,297,872 | 4.32% | 12/12/13 | EUR -3,259,578 |

*Through the extent and diversification of its customer portfolio, the Group was not confronted by any significant concentration of credit risks. It has also prepared various strategies and additional procedures enabling its customers' credit risk to be precisely monitored. The Group insures a large portion of its portfolio of outstanding customers through the intervention of credit insurance companies. The contract for credit insurance was extended for three years at the end of December. The liquidity risk is linked to the evolution of the Group's operating capital, which is highly susceptible to seasonal fluctuations. Deceuninck monitors the changes through targeted actions, such as the increase in the speed of stock rotation and by giving priority to monitoring its customers' credit and negotiating terms of payment with suppliers. The table below compares the net book value and the fair value of financial instruments included in the annual financial statements. The fair value of loans was calculated by defining the expected future cash flows and calculating their present value based on accepted interest rates.*

| | NET BOOK VALUE 2006 | FAIR VALUE 2006 |
|---|---|---|
| **FINANCIAL ASSETS** | | |
| CASH AND CASH EQUIVALENTS | 29,232 | 29,232 |
| LOANS | 1,193 | 1,193 |
| FINANCIAL ASSETS AVAILABLE FOR SALE | 2,059 | 2,059 |
| SWAPS | 140 | 140 |
| | | |
| **FINANCIAL LIABILITIES** | | |
| LOANS WITH FLOATING INTEREST RATE | 63,637 | 63,637 |
| LOANS WITH FIXED INTEREST RATE | 149,145 | 148,364 |
| FINANCIAL LEASE AND OTHER LOANS | 1,088 | 1,088 |
| SWAPS | 3,269 | 3,269 |

## 24. POST-BALANCE SHEET EVENTS

*No other significant event, which has not been discussed in the financial statements, has taken place since the reporting date.*

## 25. IMPORTANT SUBSIDIARIES

*All the subsidiaries are 100% owned by the Group (see list of addresses), except Ege Profil AS (97.54%) and Thyssen Polymer (Thai) co Ltd. (74%), all as at 31st December 2006.*

Statutory auditor's report to the general meeting of shareholders of Deceuninck nv on the consolidated financial statements for the year ended 31 december 2006

In accordance with the legal requirements, we report to you on the performance of our mandate of statutory auditor. This report contains our opinion on the consolidated financial statements as well as the required additional comments.

**Unqualified opinion on the consolidated financial statements**

We have audited the consolidated financial statements of Deceuninck NV and its subsidiaries (collectively referred to as "the Group") for the year ended 31 December 2006, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated financial statements comprise the consolidated balance sheet as at 31 December 2006, and the consolidated statements of income, changes in equity and cash flows for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated balance sheet shows total assets of € 558.164 thousand and the consolidated statement of income shows a loss, share of the Group, of € 34.969 thousand.

*Responsibility of the Board of Directors for the preparation and fair presentation of the consolidated financial statements*

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Responsibility of the statutory auditor*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the legal requirements and the auditing standards applicable in Belgium, as issued by the Institute of Registered Auditors (Institut des Réviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren). Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. We have evaluated the appropriateness of accounting policies used, the reasonableness of significant accounting estimates made by the Group and the presentation of the consolidated financial statements, taken as a whole. Finally, we have obtained from the Board of Directors and the Group's officials the explanations and information necessary for executing our audit procedures.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Opinion*
In our opinion, the consolidated financial statements for the year ended 31 December 2006 give a true and fair view of the Group's financial position as at 31 December 2006 and of the results of its operations and its cash flows in accordance with IFRS as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

**Additional comments**

The preparation and the assessment of the information that should be included in the directors' report on the consolidated financial statements are the responsibility of the Board of Directors.

Our responsibility is to include in our report the following additional comments, which do not modify the scope of our opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements deals with the information required by law and is consistent with the consolidated financial statements. We are, however, unable to comment on the description of the principal risks and uncertainties which the entities included in the consolidation are facing, and on their financial situation, their foreseeable evolution or the significant influence of certain facts on their future development.

- We can nevertheless confirm that the matters disclosed do not present any obvious inconsistencies with the information that we became aware of during the performance of our mandate.

Brussels, 29 March 2007

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# Glossary

| | | |
|---|---|---|
| 1 | EBITDA | EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION<br>RESULT BEFORE FINANCIAL RESULT, TAXES, DEPRECIATIONS,<br>AMORTIZATION AND PROVISIONS = OPERATIONAL CASH FLOW |
| 2 | EBITA | EARNINGS BEFORE INTEREST, TAXES AND AMORTIZATION<br>RESULT BEFORE FINANCIAL RESULT, TAXES AND AMORTIZATION ON GOODWILL |
| 3 | EBIT | EARNINGS BEFORE INTEREST AND TAXES<br>PRE-TAX RESULT + FINANCIAL RESULT = OPERATING RESULT |
| 4 | EBT | EARNINGS BEFORE TAXES |
| 5 | NET RESULT BEFORE GOODWILL | NET CURRENT PROFIT |
| 6 | EPS (NON-DILUTED) | EARNINGS PER SHARE = ORDINARY EARNINGS PER SHARE |
| 7 | EPS (DILUTED) | EARNINGS PER SHARE = DILUTED EARNINGS PER SHARE |
| 8 | NET FINANCIAL DEBT | CASH + CASH EQUIVALENTS – FINANCIAL DEBTS |
| 9 | WORKING CAPITAL | CUSTOMERS + STOCKS – SUPPLIERS |
| 10 | LIQUIDITY | CURRENT ASSETS/CURRENT LIABILITIES |
| 11 | SOLVABILITY | TOTAL EQUITY AND RESERVES/BALANCE SHEET TOTAL |
| 12 | ROCE = EBIT/CAPITAL EMPLOYED | OPERATING RESULT IN RELATION TO CAPITAL EMPLOYED |
| 13 | CAPITAL EMPLOYED (CE) | THE SUM OF GOODWILL, INTANGIBLE, TANGIBLE AND FINANCIAL FIXED ASSETS<br>AND OPERATING WORKING CAPITAL |
| 14 | NET CASH FLOW | NET GROUP RESULT + DEPRECIATIONS |
| 15 | DIVIDEND YIELD | GROSS DIVIDEND IN RELATION TO THE SHARE PRICE AT 31/12 |
| 16 | SUBSIDIARIES | COMPANIES CONTROLLED WITH A STAKE OF MORE THAN 50% |
| 17 | ASSOCIATED ENTERPRISES | ENTERPRISES IN WHICH THE GROUP OWNS A STAKE OF BETWEEN 20 AND 50%<br>WHICH ARE VALUED USING THE EQUITY METHOD |
| 18 | P/E RATIO | SHARE PRICE DIVIDED BY CONSOLIDATED ANNUAL PROFITS<br>PER SHARE FOR THE GROUP |
| 19 | GEARING | NET FINANCIAL DEBT IN RELATION TO EQUITY |
| 20 | MARKET TURNOVER | TRADING VOLUME (EURONEXT BRUSSELS) IN RELATION TO<br>STOCK MARKET CAPITALIZATION |
| 21 | PAY-OUT | GROSS DIVIDEND AS A PERCENTAGE OF THE CONSOLIDATED ANNUAL PROFIT<br>FOR THE GROUP |

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