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MARGINS WEATHERING THE CONTEXT WELL, PERFORMANCE MAINTAINED OVER THE LONG TERM AND ACTIVE MANAGEMENT OF FINANCIAL RESOURCES

HIGHLIGHTS OF H1

- **ACTIVITY SUBJECT TO SLUGGISH MARKETS**
  The downturn in sales is in line with forecasts. Demand on industrial markets (notably welded tubes and double-glazing spacers) has been temporarily hit by a sluggish economic environment. On the company's traditional markets, distributors tend to adopt a conservative approach in terms of planning ahead for changes in the market. In this context, sales are down 8.5% to €9,242,000.

- **OPERATIONS WEATHERING THE CONTEXT WELL**
  Despite the low level of sales, Coil has achieved a particularly high level of profitability. At €1,241,000, representing 13.4% of sales compared with 16.6% a year earlier, the operating margin reflects the benefits of a lower level of costs than forecast. It also factors in the first costs linked to the investment to develop capacity in Germany (€60,000). As such, EBITDA (operating profit + depreciation allowances) came to €2,375,000. Nevertheless, the second half of the year will see higher costs linked primarily to the investment in Germany.

- **NET MARGIN: 10.8%**
  Coil has proven its ability to be profitable under any circumstances and cope with the cyclical nature of its activity. Over the last three years, against a weak economic backdrop, the company has maintained strong levels of margins. This trend was confirmed over the first half of 2004, with €1,001,000 in net income compared with €1,422,000 the previous year. Furthermore, the company is entitled to benefit from some €15.7 M in deferred tax losses carried forward in Belgium, equivalent to over seven years without tax.

- **STRATEGIC DEPLOYMENT IN GERMANY**
  In accordance with the plan, the strategic investment program being rolled out in Germany is on track and on budget. After a series of mechanical tests, which are scheduled to start up this week, and process tests to be carried out over the last few months of 2004, the new production line, worth €19.5 M, will be operational as planned as of January 2005.
  This represents a key stage in Coil's development strategy, aiming to capitalize on the forecasts for future growth in demand for anodized aluminum. Indeed, this facility will enable it to free up the capacity required to accompany the development of existing markets and take full advantage of the economic recovery, unlike in 1999-2001 when Coil was unable to make the most of rising levels of demand due to a chronic shortage of capacity.
  Lastly, the new line will allow the company to ramp up its efforts to build strong positions in high-potential regions such as Eastern Europe, the Middle East, Asia or North America.

FINANCIAL STRUCTURE: STRENGTHENING COIL'S DEVELOPMENT

The first six months of the year were marked by a high level of cash-flow from operating activities, up from €1.8 M in H1 2003 to €4.1 M, primarily reflecting the increase in creditors linked to the investment in Germany.

As forecast, the company has recorded a significant increase in debt, rising to €17.54 M as a result of the impact of the amounts invested. Shareholders' equity is up from €10.9 M to €12.8 M. As such, gearing comes out at 137% compared with 73.7% for the corresponding prior period.

However, this increase in debt is temporary (difference in timing between the investment, the receipt of the subsidies and the reimbursement of VAT), illustrating the current changes in the company's balance sheet. Indeed, Coil is going to rapidly launch a series of actions aiming to consolidate its financial position and enable it to come through the current investment cycle as effectively as possible.

As announced, the company intends to carry out a new equity issue in order to strengthen its shareholders' equity and meet its needs for financing over the medium to long term, paying back the bridging loan taken out to finance the operation in Germany ahead of schedule.

Furthermore, the company aims to minimize the potential dilution resulting from this operation. The definitive terms and conditions for the capital increase, which will cover a minimum of €1.5 M, are currently being finalized with a view to this and will be announced over the next four weeks.

As Tim Hutton, the Managing Director of Coil, explains: "we are satisfied with the recent development of our growth plans. The operation that we are going to be launching very shortly represents an essential step, which will enable us to strengthen our shareholders' equity. In light of past performance and the major program of work carried out to ensure the stringent and effective management of our production tool, and more specifically the installation of the new production line in Germany, it is natural to give Coil the means to achieve its ambitions".

OUTLOOK: RETURN ON INVESTMENT WITHIN 2 YEARS

Tim Hutton adds: "our vision for Coil is founded on several key elements. First of all, it is important to note that the company's management is strongly committed to meeting the objective to create value for shareholders: sustainable growth and high profitability of the activity. In light of the stability of operating ratios over the last three years and the expected growth on our markets, we are confident about the projects that are currently underway. We have already shown that we have genuine competitive strengths and now we want to make full use of them. Today, we are building a better Coil, which, after a year of transition in 2005, is going to strengthen its profitability and growth as of 2006".

"Coil has launched a dedicated strategy to develop its market. Thanks to the operations announced, the company will be able to enjoy even greater flexibility to continue with this program. These opportunities will not change in any way our objectives for profitability (€2.4 M in net income in 2006) or reducing debt (net debt of around 50% by year-end 2006). Indeed, we are still very attentive to the cost of our debt, which we want to adapt in line with our company's new operating capabilities".

To find out more, visit www.coil.be

About COIL

COIL, a Belgian company listed on the Paris Nouveau Marché since June 26th, 1996, has built up specialized know-how and engineering capabilities for the continuous treatment of aluminum flat-rolled coil products. This treatment, which uses an electrochemical process (electrolysis), protects the metal from corrosion and preserves its natural appearance. The aluminum is treated in line with the specific requests of rolling mill clients. As a service provider, COIL does not buy or sell aluminum or manage any stock.

Leader in the pre-anodized aluminum market, COIL is present on a wide range of sectors with strong levels of demand, such as construction and industry, giving it good visibility on its future growth prospects.

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APPENDIX: INCOME STATEMENT

Audited data at June 30th (€'000)		
	2003	**2004**
Sales	**10,098**	**9,242**
Production costs	(6,644)	(6,085)
Gross profit	**3,454**	**3,157**
Selling and administrative expenses	(1,718)	(1,842)
Research and development expenses	(55)	(74)
Operating profit	**1,682**	**1,241**
Interest expenses	(259)	(240)
Pre-tax net income	**1,422**	**1,001**
Corporate income tax	-	-
Net income after tax	**1,422**	**1,001**
Earnings per share		
Net earnings per share	€1.08	€0.76
Weighted average number of shares in issue	1,315,664	1,315,664
Balance sheet		
Operational working capital (working capital – cash and cash equivalents – short-term bank borrowings)	872	(1,561)
Fixed assets	17,638	30,938
Long-term debt (over one year)	6,313	17,266
Shareholders' equity	10,978	12,567
Cash-flow and use of funds		
Cash-flow from operating activities	1,840	4,064
Cash-flow from investment activities	(433)	(15,095)
Net cash-flow before financing	1,407	(11,048)
Increase (decrease) in cash and cash equivalents	282	1,700