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Press release

Regulated information – Half year 2011 Results

Under embargo until Friday 26 August at 7:30 a.m. CET

Deceuninck maintains profitability in 1H 2011

€ 12.3 million raw materials cost increases mostly offset by sales prices, productivity improvements and disciplined control of fixed costs resulting in a net profit of € 3.1 million.

Highlights 1H 2011

- Consolidated sales increase 1.3% to € 268.9 million (1H 2010: € 265.3 million)
  - Sales volume: -2.6%; exchange rates: -2.5%; price and mix effects: +6.4%
- Gross margin: 29.1% (1H 2010: 31.4%)
  - € 12.3 million raw material cost increase mostly offset by sales price increases and productivity improvements
- EBITDA: € 24.6 million or 9.2% (1H 2010: € 28.6 million or 10.8%)
  - Opex is under control at € 67.6 million (-3.8%)
- EBIT: € 11.3 million or 4.2% (1H 2010: € 12.7 million or 4.8%)
- Net result: € 3.1 million (1H 2010: € 3.8 million)
- Net debt: € 122.7 million (31 December 2010: € 100.7million; 30 June 2010: € 142.5 million)

In € million	1H 2010	1H 2011	% variance
Net sales	**265.3**	**268.9**	**+1.3%**
Gross Profit	**83.3**	**78.2**	**-6.1%**
Gross Profit margin (%)	*31.4%*	*29.1%*	
REBITDA	**29.0**	**25.1**	**-13.4%**
EBITDA	**28.6**	**24.6**	**-13.9%**
EBITDA-margin (%)	*10.8%*	*9.2%*	
EBIT	**12.7**	**11.3**	**-11.0%**
EBIT-margin (%)	*4.8%*	*4.2%*	
Net result	**3.8**	**3.1**	**-18.4%**
Net result margin (%)	*1.4%*	*1.1%*	

Tom Debusschere, Deceuninck CEO

"H1 2011 sales confirmed the brittle recovery of the worldwide economy and regional changes in demand. Whereas the year started rather promising, sales volume weakened in the United States, Central Europe and Russia as of May. Demand continued to be favourable in the Benelux, France, Germany and Turkey.

Raw material cost continued its upward trend until May, resulting in a year-on-year average price index increase of 18%. From June onwards upward pressure of raw material prices eased off. At the end of June 2011, PVC resin price index was 9% higher as compared to the end of 2010.
Gross profit was protected by continued productivity improvement and sales price increases. Cost savings programmes resulted in a decrease of operational expenses of 3.8%, despite wage inflation.
These actions resulted in an EBITDA of € 24.6 million (9.2%) and a net profit of € 3.1 million."

Outlook 2011

"At the start of the third quarter, sales volumes confirm the Q2 trend, on the back of weakening macro economic indicators. The increase of raw material prices to record levels has now stabilized and the related sales price increases now gradually offset this increased cost. To protect profitability, Deceuninck continues its productivity improvement and cost saving programmes.
Within the current macro-economic environment, we reiterate our July guidance that Deceuninck's top and bottom line for the full year 2011 will be similar to the levels of 2010."

Outlook long term

"At Deceuninck, we believe in ***'building a sustainable home'.*** *40% of non-renewable fossil fuels is used for heating and cooling buildings. Plastics only use 4% and PVC uses less than 1%. Plastic building products are light-weight, long lasting and provide superior insulation. PVC and Twinson wood composite are low maintenance materials, which save energy throughout a 50+ year life cycle, and will be recycled at end of life. Deceuninck continues to invest its R& D efforts into sustainable building products to reach its sustainability goals in manufacturing, PVC recycling and new product developments.*
Long term, energy-efficient construction and renovation will continue to grow as an engine of the construction industry. For energy savings, PVC windows remain the 'best value for money'. Deceuninck brings this message to the market through 'Building a sustainable home'. For more details on the Deceuninck story, see www.deceuninck.com"

Markets & sales

In € million	1H 2010	1H 2011	Var. 1H 2010/11	Var.1H loc.curr.
Western Europe	109.7	117.2	+6.8%	
Central & Eastern Europe	71.8	71.8	0.0%	
Turkey	51.7	52.6	+1.7%	+10.9%
United States	32.1	27.3	-15.1%	-9.4%
Total	**265.3**	**268.9**	**+1.3%**	

Deceuninck's consolidated sales for the first half-year 2011 were € 268.9 million, a year-on-year increase of 1.3% (1H 2010: € 265.3 million). Mix effects (country, price and product) had a favourable impact of 6.4%. Volume decreased by 2.6%; exchange rates negatively impacted sales by 2.5%.

Western Europe

Half-year sales in Western Europe were € 117.2 million, a year-on-year increase of 6.8%. The growth for the region was driven by strong sales in Benelux, France and Italy. Market conditions continued to be weak in Spain, whereas initial signs of stabilisation of demand in UK were not confirmed in the second quarter.

Central & Eastern Europe (incl. Germany)

Half-year sales were stable at € 71.8 million. The increasing sales trend witnessed in the first four months of the year was not confirmed in the traditionally stronger sales months of May and June. Sluggish demand in Russia and Central Europe contrasted with continued double digit sales growth in Germany.

Turkey

Half-year sales increased by 1.7% to € 52.6 million (1H 2010: € 51.7 million). Sales were impacted by the depreciation of the Turkish lira. At constant exchange rate sales grew 10.9%. Exports from Turkey to Northern Africa were negatively impacted by the political instability in the region. Domestic demand improved further throughout the half-year.

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United States

Half-year sales fell by 15.1% to € 27.3 million. At constant exchange rate sales fell by 9.4%. Comparison base with first half-year 2010 was difficult due to 2010 renovation activity supported by various housing tax credits which ran out in April 2010 and December 2010 respectively. Residential renovation activity was additionally affected by falling housing prices, relatively high unemployment and tight credit markets.

First half 2011 Results

Gross margin

Gross margin was 29.1% (1H 2010: 31.4%). Higher raw material costs were mostly offset by sales price increases and productivity improvements

EBITDA

The **operating cash flow (EBITDA)** amounted to € 24.6 million against € 28.6 million last year.
The EBITDA margin was 9.2% against 10.8% in 1H 2010.
The higher raw material costs resulted in a lower gross profit generation of € 5.0 million.
Operating expenses are under control at € 67.6 million (year-on-year -3.8%).
REBITDA (recurring operating cash flow) was € 25.1 million (1H 2010: € 29.0 million).

EBIT

The operating result (EBIT) was € 11.3 million (1H 2010: € 12.7 million) resulting in an EBIT margin of 4.2% compared to 4.8% in 1H 2010.

Depreciations and other non cash costs were € 13.4 million against € 15.9 million in first half of 2010. Depreciations decreased by € 1.5 million due to lower capex level of the past years. Bad debt provision was lower as a result of hands on and strict credit management.

Financial result & Taxes

Financial result was € -4.8 million (1H 2010: € -9.7 million), driven by the favourable exchange rate impact of USD denominated loans (€ +0.7 million versus € -3.0 million in 1H 2010) and lower net interest expenses (€ -4.8 million versus € -5.6 million in 1H 2010) as a result of debt reduction.
Income tax expense was € 3.4 million compared to an income tax benefit of € 0.8 million in first half of 2010. The tax expense relates to a year-on-year € 3.5 million higher profit before taxes, a tax rate change in Belgium as a result of the phasing out of the coordination centre and the impact of a changed legal entity mix.

Net result

The net result of 1H 2011 is a profit of € 3.1 million against a profit of € 3.8 million in the first half of 2010.

Working capital

Working capital increased from € 111.1 million on 31 December 2010 to € 142.3 million on 30 June 2011.

Accounts receivables increased due to the seasonality of business.
Inventories are € 10.9m higher as compared to inventory level on 30 June 2010. Inventory increase relates to higher valuation of raw materials cost and sales volume decline at the end of the second quarter.
The operational working capital on 30 June 2011 was 21.7% of the annualized sales compared to 16.6% on 31 December 2010.

Capex

Capital expenditures during the first half of 2011 were € 8.3 million (1H 2010: € 7.8 million)

€ 6.0 million spent relates to operational capex. The remainder (€ 2.3 million) relates to new extrusion tools.

Net financial debt

The net financial debt amounted to € 122.7 million compared to € 100.7 million in December 2010 and € 142.5 million in June 2010. The seasonal character of the business results in a working capital peak in the middle of the year. In comparison with end of June 2010 net debt is 13.9% (almost € 20 million) lower as a result of the accelerated debt reduction.

Shareholders' equity

Shareholders' equity decreases € 4.5 million to € 207.5 million mainly due to currency translation adjustments (TRY)

Headcount

On 30 June 2011 Deceuninck employed worldwide 2,868 full time equivalents (including temporary workers and outsourced FTEs) (30 June 2010: 2,967). At the end of the second quarter measures were taken to reduce headcount in the regions affected by the sudden drop in demand.

Financial calendar

20	**October**	**2011**	**Q3 trading update**

End of press release

Building a sustainable home

At Deceuninck, our commitment towards innovation, ecology and design provides us with a clear focus: building a sustainable home. A home that is more energy-efficient to live in and more attractive to look at. Deceuninck works worldwide with state-of-the-art materials, resulting in low maintenance, top insulating and long lasting products that can be fully recycled at end of life. Moreover, our values of Candor, Top performance and Entrepreneurship help us build a better world for our Partners and end users. Deceuninck has strong ambitions. We want to build a work environment in which people are proud to contribute, and strengthen our position within the top three market players. Alongside our ecological sustainability, Deceuninck also pursues financial sustainability.
Deceuninck employs 3000 people in 25 countries, of which 700 in Belgium. In 2010 Deceuninck attained a net result of € 8.5 million from a turnover of € 558 million.

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Annexe 1: Consolidated income statement

For the six month period ended 30 June In thousand €	2010 Unaudited	2011 Unaudited
Net sales	**265,295**	**268,866**
Cost of goods sold	-182,008	-190,623
Gross profit	**83,287**	**78,243**
Marketing, sales and distribution expenses	-47,007	-45,504
Research and development expenses	-2,786	-2,792
Administrative and general expenses	-20,526	-19,349
Other net operating result	-252	677
Operating result	**12,716**	**11,275**
Financial charges	-26,740	-14,103
Financial income	17,001	9,330
Profit (+) / loss (-) before taxes	**2,977**	**6,502**
Income taxes	827	-3,414
Profit (+) / loss (-) for the period	**3,804**	**3,088**
The result for the period is attributable to:		
Shareholders of the parent company	3,688	3,039
Non-controlling interests	116	49
Earnings (+) /loss (-) per share distributable to the shareholders of the parent company (in €):		
Normal earnings (+) / loss (-) per share	0.03	0.03
Diluted earnings (+) / loss (-) per share	0.03	0.03

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Annexe 2: Consolidated statement of financial position

In thousand €	31 December 2010 Audited	30 June 2011 Unaudited
ASSETS		
Intangible fixed assets	4,733	3,932
Goodwill	10,860	10,817
Tangible fixed assets	204,574	194,242
Financial fixed assets	1,310	1,395
Deferred tax assets	14,475	13,179
Long-term receivables	1,670	2,106
Non-current assets	**237,622**	**225,671**
Inventories	65,171	90,066
Trade receivables	107,619	109,390
Other receivables	8,433	10,402
Cash and cash equivalents	43,856	14,758
Fixed assets held for sale	8,693	7,943
Current assets	**233,772**	**232,559**
Total ASSETS	**471,394**	**458,230**
EQUITY and LIABILITIES		
Issued capital	42,495	42,495
Share premiums	46,355	46,355
Consolidated reserves	141,495	144,684
Treasury shares	-651	-651
Currency translation adjustments	-19,134	-26,749
Equity excluding non-controlling interest	**210,560**	**206,134**
Non-controlling interest	1,466	1,331
Equity including non-controlling interest	**212,026**	**207,465**
Interest-bearing loans	93,551	92,224
Long-term provisions	21,247	21,144
Deferred tax liabilities	5,063	4,159
Non-current liabilities	**119,861**	**117,527**
Interest-bearing loans	51,054	45,232
Trade debts	61,656	57,193
Tax liabilities	5,149	7,671
Employee related liabilities	12,130	13,311
Other liabilities	9,518	9,831
Current liabilities	**139,507**	**133,238**
Total EQUITY and LIABILITIES	**471,394**	**458,230**

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Annexe 3: Consolidated statement of cash Flows

For the six month period ended 30 June In thousand €	2010 Unaudited	2011 Unaudited
OPERATING ACTIVITIES		
Profit (+) / loss (-) for the period	3,804	3,088
Depreciation (in)tangible fixed assets	14,247	12,727
Impairments of (in)tangible fixed assets	692	216
Provision for pensions, restructuring and other risks & charges	-554	218
Impairments on current assets	1,484	189
Net financial charges	9,739	4,773
Profit on sale of tangible fixed assets	-125	-50
Loss on sale of tangible fixed assets	52	170
Income taxes	-827	3,414
Share based payment transactions settled in equity	110	150
Cash flow from operating activities before movements in working capital and provisions	**28,622**	**24,895**
Decrease/(increase) in trade debtors and other receivables	-29,362	-3,691
Decrease/(increase) in inventories	-19,141	-24,768
Increase/(decrease) in trade debts	7,867	-4,463
Decrease/(increase) in other non-current assets	84	-521
Decrease/(increase) in other current assets	-803	-397
Increase/(decrease) in other non-current liabilities	778	-3,668
Increase/(decrease) in other current liabilities	3,107	4,158
Cash flow generated from operating activities	**-8,848**	**-8,455**
Interest received	1,072	636
Income tax paid	-1,723	-2,717
CASH FLOW FROM OPERATING ACTIVITIES	**-9,499**	**-10,536**

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For the six month period ended 30 June In thousand €	2010 Unaudited	2011 Unaudited
INVESTING ACTIVITIES		
Cash receipts on sale of tangible fixed assets	650	456
Purchases of tangible fixed assets	-7,803	-8,281
CASH FLOW FROM INVESTING ACTIVITIES	**-7,153**	**-7,825**

FINANCING ACTIVITIES		
Repayments of long-term debts	0	-24,051
New short-term debts	0	19,467
Repayments short-term debts	-10,319	0
Interest paid	-5,892	-4,004
Other (incl. net financial charges, other than interests	13,485	-3,931
CASH FLOW FROM FINANCING ACTIVITIES	**-2,726**	**-12,519**

Net increase (+) / decrease (-) in cash and cash equivalents	**-19,378**	**-30,880**
Cash and cash equivalents as per 1 January	**50,902**	**43,856**
Impact of exchange rate fluctuations	-3,385	1,782
Cash and cash equivalents as per 30 June	**28,139**	**14,758**