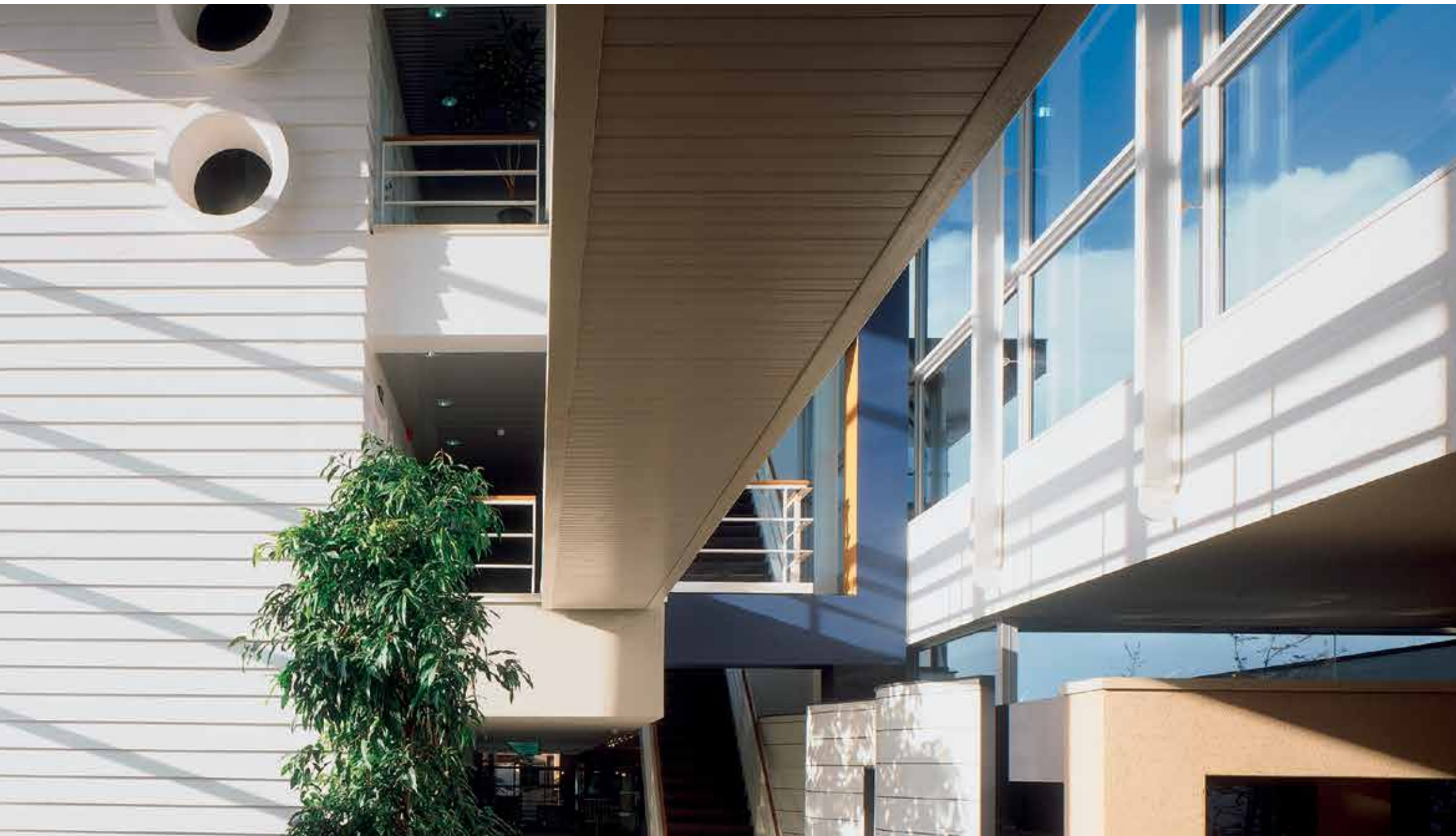


# *Annual Report 2012*



**deceuninck**



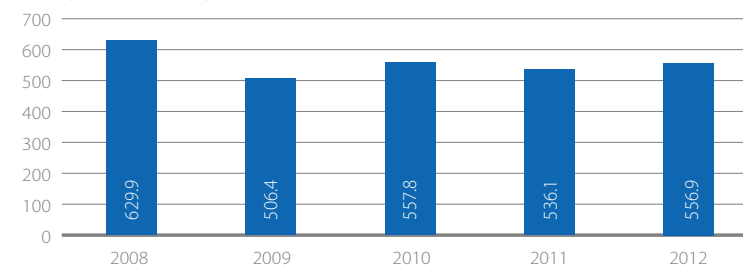
## KEY FIGURES

Key Figures (in millions of euro)	2011	2012	Variance %
<b>Consolidated income statement</b>			
Sales	536.1	556.9	3.9%
Gross Profit	155.0	159.9	3.1%
EBITDA	48.3	50.0	3.6%
EBIT	22.3	20.7	-7.3%
Net Profit	6.3	4.2	-33.2%
<b>Consolidated statement of financial position</b>			
Equity	205.9	214.2	4.0%
Net Debt	101.8	92.6	-9.0%
Total Assets	443.7	436.9	-1.5%
Capital expenditure	21.9	23.5	7.3%
Working Capital	119.2	116.4	-2.4%
<b>Ratios</b>			
EBIT on sales	4.2%	3.7%	
Gearing (net debt on equity)	49.4%	43.2%	
ROCE	6.7%	6.2%	
<b>Headcount (FTE)</b>			
	2,735	2,665	

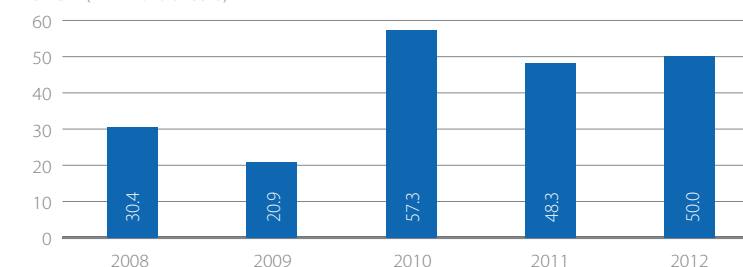
## KEY FIGURES PER SHARE

Key Figures per share	2011	2012
Number of shares as at 31 December	107,750,000	107,750,000
Market capitalisation as at 31 December (in millions of euro)	78.7	125.0
Earnings per share as at 31 December (in euro)	0.06	0.04
Book value per share (in euro)	1.91	1.99
Dividend per share (in euro)	N/A	N/A
Share price at year end (in euro)	0.73	1.16

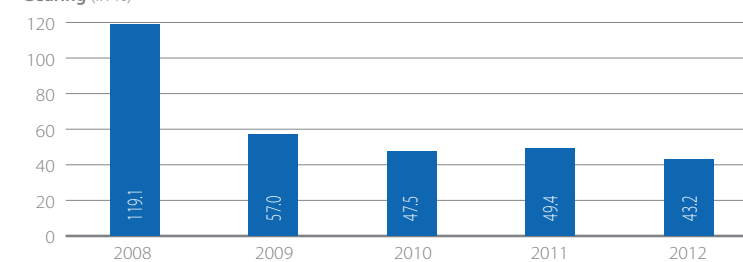
Sales (in millions of euro)



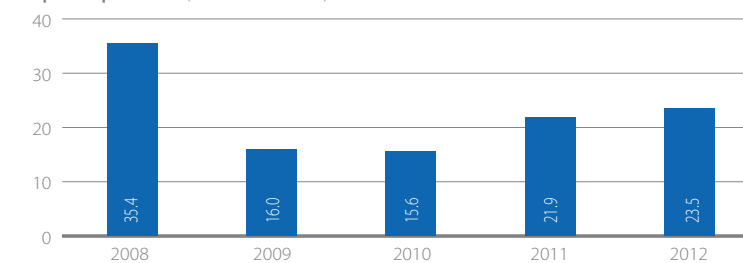
EBITDA (in millions of euro)



Gearing (in %)



Capital expenditure (in millions of euro)



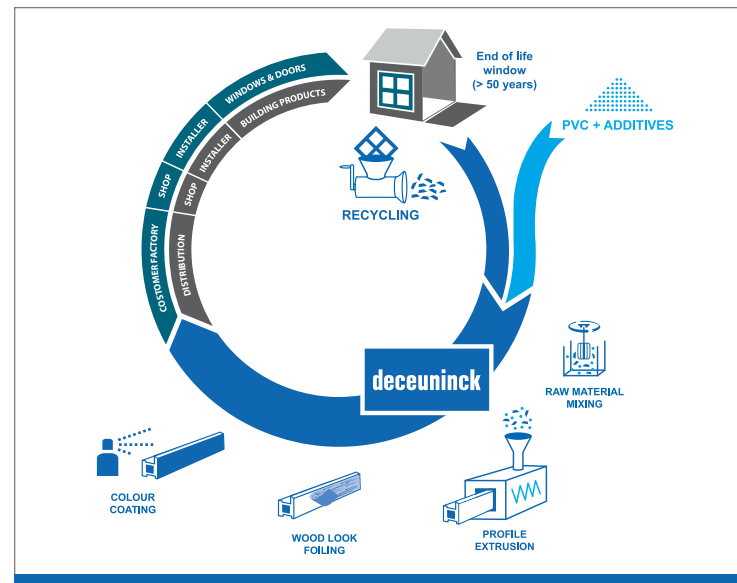
## COMPANY PROFILE

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 with state-of-the-art materials worldwide, 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 working environment in which people are proud to contribute, and strengthen our position within the top three market players. Alongside ecological sustainability, Deceuninck also pursues financial sustainability.

The Group is active in over 75 countries, has 32 subsidiaries (production and/or sales) across Europe, North America and Asia and employs 2,665 FTEs of which 600 are in Belgium.

The head office of the Group is located in Belgium.

The Deceuninck Group achieved sales of 556.9 million euros in 2012.



*Deceuninck value chain: Building a sustainable home. Deceuninck closes the loop.*

## DECEUNINCK 2012

Top 3 designer and manufacturer of PVC window systems and building products in Europe

9 PVC extrusion facilities

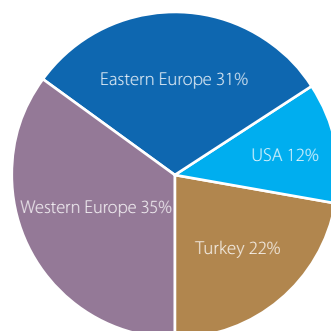
Sales activities in more than 75 countries

2,665 FTEs

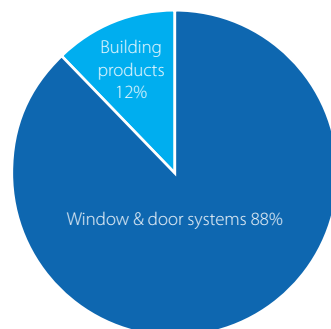
Sales 2012: 556.9 million euros

Strong focus on Building a sustainable home. Innovation – Ecology - Design

Geographical spread 2012  
consolidated sales



Product segmentation 2012



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## OUR CORE PURPOSE

At Deceuninck, we believe in “building a sustainable home”:

### *Innovation*

We are here to develop engineered materials in PVC and wood composites through our [science](#) and decades of know-how. With these materials, we create [innovative solutions](#) for windows and doors, outdoor living, roofline and cladding, interior. Our systems are easy to manufacture, easy to install and easy to maintain.

### *Ecology*

We are here to help you build a home that is [more energy-efficient](#) to live in. We create long lasting, low maintenance [building products](#) with top insulating properties. Our products are created with the lowest ecological footprint and can be [fully recycled](#) at end of life.

### *Design*

We are here to help you to express your own style, in the [architecture](#) and the beauty of your home. We are here to help you protect your home and your family from the elements. We offer a unique [range of colours](#) and surface finishes. Next to its long lasting properties, our products have a [timeless design](#), resulting in a life cycle of more than 50 years.

### *A home for our people & Customers*

We are here to build a sustainable ‘home’ for [our people](#) and [our Customers](#). We build long lasting relationships and intimacy based on our core values.



## OUR CORE VALUES

### *Candor*

- We tell the **whole truth**, we are open and frank.
- We tell it like it is.
- We give **straight-between-the-eyes feedback**, while respecting our counterpart.
- We act as one team.
- We honestly admit mistakes or bring bad news, whilst taking corrective and preventive measures.
- **We say what we mean and we mean what we say**: that is our authenticity.

### *Top Performance*

- Performance is measured by our community, our people, our Customers and our shareholders.
- We preserve our core purpose and values whilst striving for continuous improvement.
- **We say what we do and we do what we say**: that is our accountability and discipline.

- Top Performance means:
  - When confronted with a choice, we choose in the following order: **People** (Health and Safety), **Planet** (Environment and Ecological footprint), **Quality, Service, Profit** (Cost) – **PPQSP**
  - Profit is essential to build a sustainable business.
  - Performance 'happens in every work place' every day: in design, manufacturing, delivery, in front of the Customer; also after installation of the product in the home.

### *Entrepreneurship*

- We are **open to the world**, open to other ideas. We strive for innovation.
- Trust is given, we embrace taking calculated risks and initiatives.
- We **think like an owner**. We respect and reward our people for making decisions and taking ownership.

## OUR AMBITION

### *Our Culture*

Our reputation is the result of our [culture: people are proud to work at Deceuninck](#) and live the values of Candor, Top Performance and Entrepreneurship.

### *Sustainable building products*

Deceuninck creates [sustainable building products](#). PVC and Twinson are low maintenance materials, which save energy throughout a lifecycle of more than 50 years and will be recycled at end of life.

### *Top 3 market position*

Deceuninck has a voice in the market resulting in substantial market share (above 10 % of uPVC windows) and [a top 3 market position](#). Deceuninck offers Top Performance in Quality and Service through trusted Customer partnerships.

### *Financial sustainability*

The Company is [financially sustainable](#). We translate our actions into financial goals (we say what we do), and we reach them (we do what we say).

## MESSAGE FROM THE CHAIRMAN AND THE CEO



*Tom Debusschere (CEO) and  
Pierre Alain De Smedt (Chairman)*

Dear shareholder,

"In 2012 Deceuninck showed growth in sales and operating cashflow, in spite of a challenging economic environment and continued high raw material costs.

We are happy to see that sales were up 3.9% to € 556.9 million driven by volume growth in Turkey, Russia and the US. Demand for energy efficient building products in these regions remained solid all year. Moreover, the low cost basis and the availability of highly skilled people allows our Turkey division to become the export hub of Deceuninck. Markets in Asia, Africa and South-America are now being served with high quality, competitive products from Turkey. In 2012, we started a new warehouse in India through our Turkish subsidiary.

Sales developed well in the United States supported by both increased volume and a favourable exchange rate. Deceuninck strengthened its market position through competitive wins and successful product launches.

In Europe, economic conditions were more depressed. Nearly all markets suffered from the sovereign debt crisis and its impact on national economies and consumer confidence. Consumers delayed spending on highly needed energy efficiency improvements in their homes. Volumes in Belgium and Central Europe, however, remained stable.

Gross margin remained stable at 29%. We continued to offset cost of living and rising energy costs with further productivity improvements and higher raw materials cost with price control.

EBITDA increased by 3.5% to € 50.0 million. EBITDA margin was stable at 9% through continued control of fixed costs.

EBIT decreased due to € 3.4 million higher bad debt and provisions.

Net profit decreased to € 4.2 million, mainly due to the impact of a strengthening US dollar during the first half of the year on the repaid USD denominated loans, higher taxes and bad debt provisions.

Our ability to sustain profits in challenging conditions, while continuing to make targeted investments, effectively strengthened confidence of our stakeholders. In July 2012 we concluded a € 140 million syndicated long term refinancing at normal market conditions. The new financing was used in August 2012 to repay the existing financing well ahead of maturity date.

In 2012 we stepped up our capital expenditures to € 23.5 million (2011: € 21.9 million) to invest in the 3 axes of our long term strategy "[Building a sustainable home. Innovation – Ecology – Design](#)". "

[Innovation](#) – PVC remains the most economical solution when it comes to insulation. Deceuninck introduced the Zendow#neo window system. Deceuninck now offers a window system that substitutes traditional steel reinforcements with glass fibre and steel wire reinforcement, already built into the profile. This high technology Linktrusion® concept offers the best insulation at the lowest material consumption. "The greenest raw material is the one you do not consume." Deceuninck North America increased the capacity for the production of its exclusive glass fibre Innergy® reinforcements, which substitute aluminium for better insulation values.



**Ecology** – PVC continues to reduce its ecological footprint. In October Deceuninck opened a new post-consumer rigid PVC recycling factory, adjacent to the existing compounding site in Diksmuide (Belgium). By integrating it within existing buildings, land, infrastructure and lab equipment, Deceuninck was able to limit the cash out for this investment to € 3 million. Building a similar 20,000 tonnes per annum factory as a greenfield would be valued at € 12 million. Deceuninck expects to fill the capacity by 2016.

In Turkey, Egepen/Deceuninck launched Flora, a coextruded system which allows better reuse of recycled material.

**Design** – PVC windows now also offer a true architectural solution for beautiful aesthetics in the home, school or office building. Ever more intricate wood surface decors and coated colours become available to the market. In 2012 Deceuninck invested in a new automated coating factory in Gits, Belgium. The new proprietary coating process produces profiles with a powder coated look on all four sides, which results in a window without any plastic visible. The new Omniral® coating offers the end consumer the look and feel of an aluminium window, but with the insulation values of a high quality PVC product. Omniral® was launched at the construction exhibition Batibouw in Belgium, Brussels in February 2013.

## *Outlook full year 2013*

The public debt crisis and lack of government stimuli continue to weigh on consumer confidence in Europe. It's still too early in the year to confirm whether or not the trend of 2012 will continue during 2013.

This uncertain picture, combined with a short order book, typical to the industry, does not allow Deceuninck to give a quantified guidance for 2013.

Within this environment however, Deceuninck keeps "Building a sustainable home", while protecting margins and maintaining profitability through innovation, continuous productivity improvements and rigorous cost control."

Tom Debusschere  
CEO

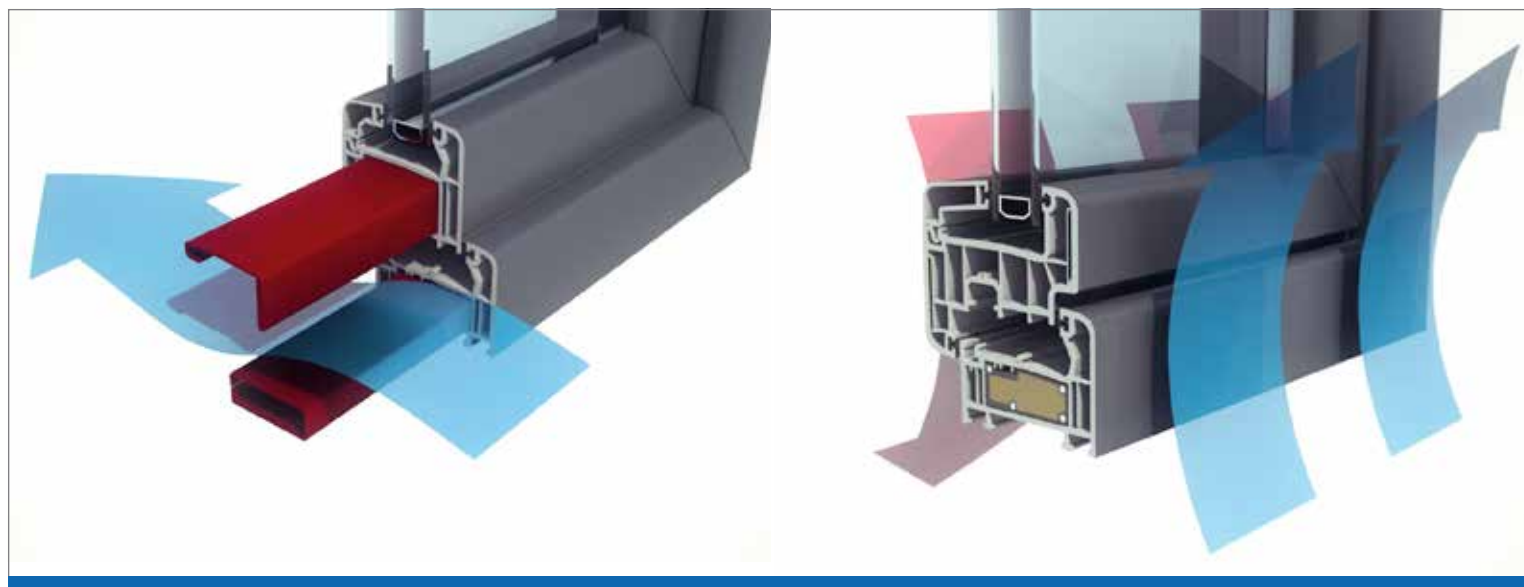
Pierre Alain De Smedt  
Chairman

## PRODUCT OVERVIEW

### *Deceuninck's product offering driven by Building a sustainable home. Innovation – Ecology – Design.*

At Deceuninck, our commitment towards innovation, ecology and design provides us with a clear focus: [building a sustainable home](#).

**Innovation** – In 2011 Deceuninck launched Linktrusion® as a new technology platform. Linktrusion® refers to Deceuninck's unique approach in the development of new technologies & materials. It is the platform where different materials & technologies can be combined into 1 single multi-component extrusion. Linktrusion® allows the development of more efficient products by integrating more functionalities as well as the development of dedicated solutions for each specific application. Zendow#neo is the first application of the platform. In Zendow#neo, Linktrusion® is the combination of glass fibre reinforced PVC profiles and a reinforcement profile with steel wire, embedded in PVC foam extrusion with 30% improved insulation performance.



*Right: Zendow#neo window system with Linktrusion®-technology offering superior insulation values*

**Ecology** – PVC continues to reduce its ecological footprint. In October Deceuninck opened a new post-consumer rigid PVC recycling factory, adjacent to the existing compounding site in Diksmuide (Belgium). Deceuninck has developed its own recycling activities to guarantee a closed loop for all the materials and products the company puts on the market: PVC, Twinson wood composite, as well as the newly launched glass fibre reinforced PVC. The reground material, which is sorted out by various sorting techniques re-enters the product loop as a new raw material, replacing virgin material, to produce new window and door profiles, outdoor living, roofline and cladding or interior products.



*Postconsumer recycling at Diksmuide*

**Design** – In 2012 Deceuninck developed Omniral® a new water based coating technology. The new proprietary coating process produces profiles with a powder coated look on all four sides, which results in a window without any plastic visible. The new Omniral® coating offers the end consumer the look and feel of an aluminium window, but with the insulation values of a high quality PVC product.



*Deceuninck Zendow#neo Premium traditional design*



*Deceuninck Zendow#neo Premium Omniral uni-color design*



Roofline

Windows

Cladding

Louvre shutters

Doors

Roller shutters

Window boards

Sliding doors

Wall & Ceiling covering

Terrace

Windows & Doors

Outdoor Living

Roofline & Cladding

Interior



# Vast, global product range

## Window and door systems

### Windows for all styles

#### *Zendow: platform for Northwest and Southwest Europe*

Reconciling architecture with design elements, Deceuninck Zendow window and door systems offer the perfect solution for all building styles across Europe. In its standard configuration, Zendow features a 5-chamber system but the product range also includes:

- Zendow#neo with Linktrusion technology, launched at the Paris Batimat trade show in 2011 and the Brussels Batibouw building show in early 2012;
- Zendow+: 6-chamber profiles for enhanced insulation;
- Zendow Autentica: combining style and quality;
- Zendow Flex/Royal: 5-chamber profile system characterised by a rounded and contemporary look.



*Zendow Omnirail*

Moreover, a unique selling point of Deceuninck Zendow is the ability to combine various versions with Deuctone colours and patented Decoroc coating, making it an extremely versatile profile system.

#### *Inoutic: brand and product portfolio for Central Europe*

Inoutic markets a broad range of innovative window systems that effortlessly link interior and exterior architectural structures:

- Arcade: 5-chamber, 71mm PVC profile suited for residential or commercial applications. Aimed at a limited budget - Arcade is a well-designed and well-engineered profile that boasts quality features and an excellent cost/benefit ratio;
- Prestige: 6-chamber, 76mm round profile. Prestige is a high-quality window profile that offers an excellent balance between ecology, design and functionality and meets the high standards of today's modern building requirements;
- Eforte: 6-chamber, 84mm profile. Currently the leading 80mm+ system on the market in terms of insulation values. For well-informed, demanding & future-oriented consumers. Eforte is a top of the range profile that makes no compromise when it comes to ultra energy-efficient living.

#### *Turkey: Egepen Deceuninck and Winsa*

Via its Turkish organisation, Deceuninck markets a wide range of high-end window and door systems. The range includes:

- Zendow: 5 chamber, 70mm standard window and door system;
- Dorado: 5-chamber, 70mm window and door system, providing excellent insulation under all climatic conditions;
- Dorado Gold: 6-chamber, 76mm window and door system and Dorado Gold Shield (with clip on aluminium cladding) for superb energy efficient values that allow blending in with aluminum façade systems;
- Safir: 5-chamber, 70mm oval-shaped system for indoor and outdoor applications;
- Everest Max, 4-chamber, 60mm window and door system;
- Carina: 4-chamber, 60mm system for wider windows and doors;
- Flora: coextruded 60mm and 70mm window systems that allow better reuse of recycled material.

### **Deceuninck North America (DNA)**

Deceuninck North America offers a wide range of window and door solutions that are designed to meet various design and performance requirements. In addition to its residential window systems, Deceuninck has launched the following innovations which have contributed to its recognition as a market innovator:

**INNERGY®** is an award-winning reinforcement that is designed to offer a thermally-efficient alternative to more commonly used aluminum reinforcements. INNERGY was developed together with Bayer MaterialScience LLC as part of an exclusive agreement between the two companies.

**Revolution Tilt and Turn™** is a new window system with classic European influences but designed especially for the American market place. It features a seven-chamber thermal structure to efficiently achieve an R-5 rating. In addition it has received an AAMA C-100 rating.

**Genius™** Window System is the world's first interlinked dual sash window that enables thermal performance values exceeding R-14 without the use of exotic films or gasses. It provides extreme structural wind load resistance. Introduced in 2012, Genius is expected to be commercially available in 2013.

### **Complementary systems**

In addition to the main window systems, Deceuninck offers a vast range of sliding systems. From the slimline Tecnocor system, the more robust but elegant Monorail, to the heavy duty Lift&Slide system, Deceuninck permits you to stay in touch with nature.

With a complete range of roller shutter and louvre shutter systems, Deceuninck also offers you privacy and protection from excessive light, heat, cold, wind and noise. The Protex roller shutter is probably the most comprehensive system in the industry, while the Storbox specifically focuses on the French market. As for louvre shutters, the Kiuzo range comprises both panel and welded frame shutters, matching any type of application with either closed, open or movable infills.

Of course, these complementary systems are available in Deceuninck's usual extensive range of colours and finishes.

## **Outdoor living**

### **Terrace solutions**

**Twinson**, Deceuninck's innovative and 100% recyclable wood composite material, combines the best of both worlds: it looks and feels like wood, combined with the low maintenance and longevity of PVC. This makes it the perfect material for outdoor decking solutions: Terrace is ideal for residential applications such as patios and garden paths, whilst Terrace+ is more appropriate for applications demanding a more architectural touch. Terrace Massiv has been recently developed to further increase the performance of Twinson decking. It is an ideal product for commercial or public applications.

Twinson is a revolutionary new material that offers unlimited possibilities. On-going development of Twinson has created numerous full-proof installation options. Calculation software, downloadable from [www.twinson.com](http://www.twinson.com), allows for mistake free installation.

In the meantime, Twinson has been awarded a number of certifications, including PEFC (Programme for the Endorsement of Forest Certification) and the quality labels VHI (Verband der Deutschen Holzwerkstoffindustrie e. V.) (Germany) and LNE (Laboratoire National de métrologie et d'essais) (France). These awards underline Deceuninck's environmental approach to sustainable product design.

**Clubhouse®** Decking is made from 100% PVC and has exceptional natural wood appearance featuring deep grain embossing, variegated or solid tone colors, and superior weather performance. Clubhouse Decking is completed by railing products including Elite Railing with a low-gloss, high performing finish.

### Fencing solutions

Deceuninck also offers excellent, low maintenance and long lasting PVC fencing solutions. In France, its **Grandparc** range offers Customers a multitude of colours and finishes.

A new fencing kit has been developed. The fencing kit combines a standard decking solution in a robust and designful fence in harmony with a Twinson decking.



*Deceuninck North America: Clubhouse® terrace*

### Roofline & cladding

Manufactured in foam PVC, Deceuninck's range of roofline and cladding products offer low maintenance, long lasting solutions. Moreover, the same Deuctone colour range used in Deceuninck's window and door systems is available, contributing to a harmonious and homogeneous look. Deceuninck's Twinson based **Premium Flat** cladding product is the perfect low maintenance woodlook alternative. Its tubular geometry is exceptionally robust and in combination with a complete range of ventilated finishing profiles, Deceuninck offers a complete system for ventilated façade walls, gable end or back walls.

Deceuninck's roofline and cladding solutions confer superior strength, resistance and sustainability to any building on which it is applied.



*Belface cladding*

## Interior

For indoor applications, Deceuninck has a multitude of products on offer. A wide range of [PVC window boards, wall and ceiling covering products](#) are available in both contemporary and more traditional style, as well as in a variety of colours and finishes.



*Decor Primavera wall covering*

## Sound walls

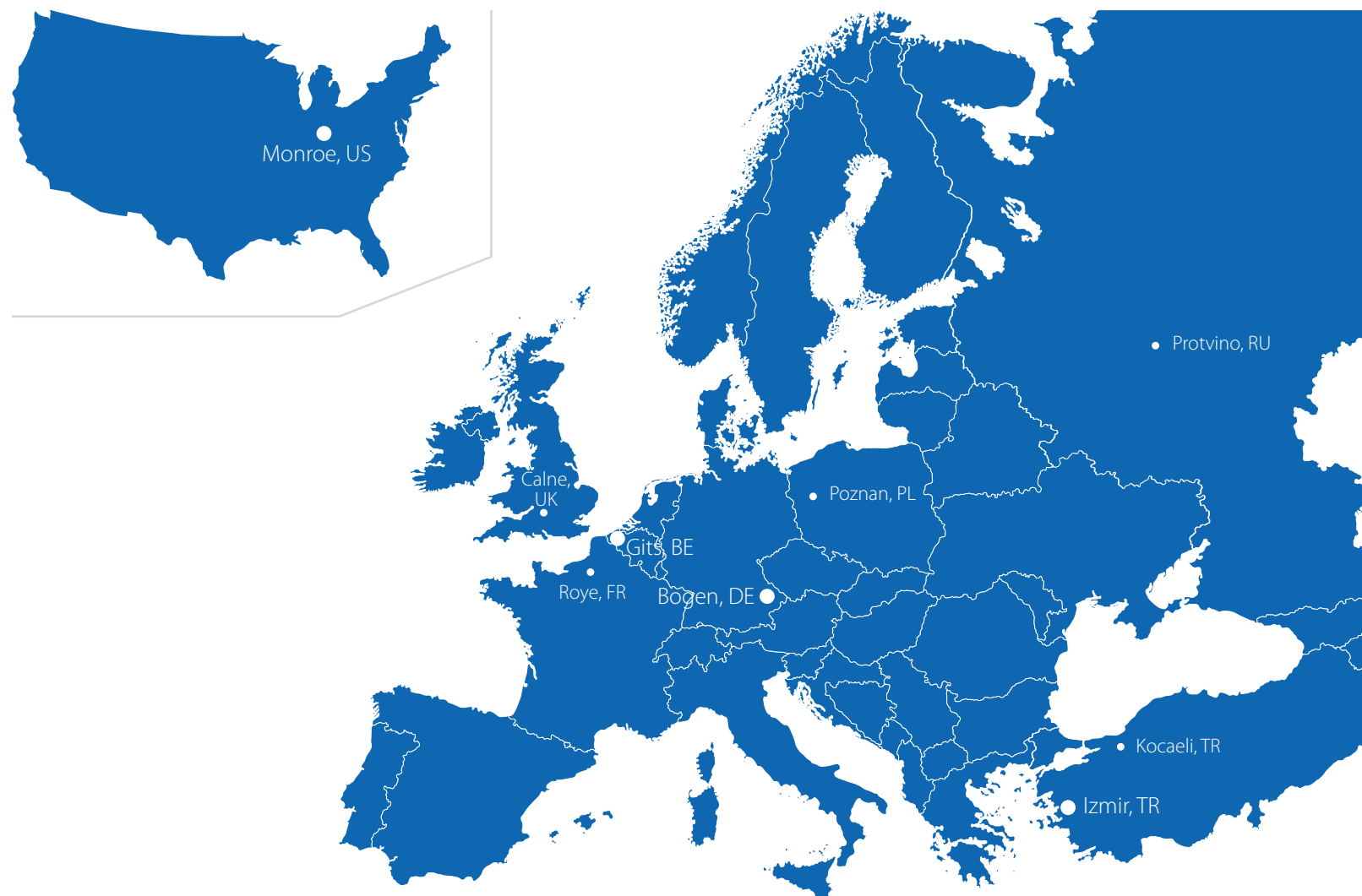
Deceuninck's closed loop philosophy, combined with its commitment to innovation, have resulted in [Cyclefoam](#). Cyclefoam is a foam process in which processed post-consumer rigid recycled PVC is extruded using innovative technology to produce high-quality profiles. With its Cyclefoam® sound walls, Deceuninck addresses two environmental issues simultaneously. It offers a solution for recycling and processing into new high-quality applications of post-consumer rigid PVC and tackles the problem of noise nuisance. Cyclefoam® sound walls are used both for infrastructure works and private applications. For infrastructure works they are installed along motorways, airports and railways throughout Europe. As a private application Cyclefoam® sound walls are ideal to reduce noise at sporting events, play areas, schools. In industrial applications Cyclefoam® sound walls are used to reduce noise from airconditioning, industrial sites, high tension transformer houses, etc.



*Cyclefoam sound wall in Le Havre, Rocade Nord*

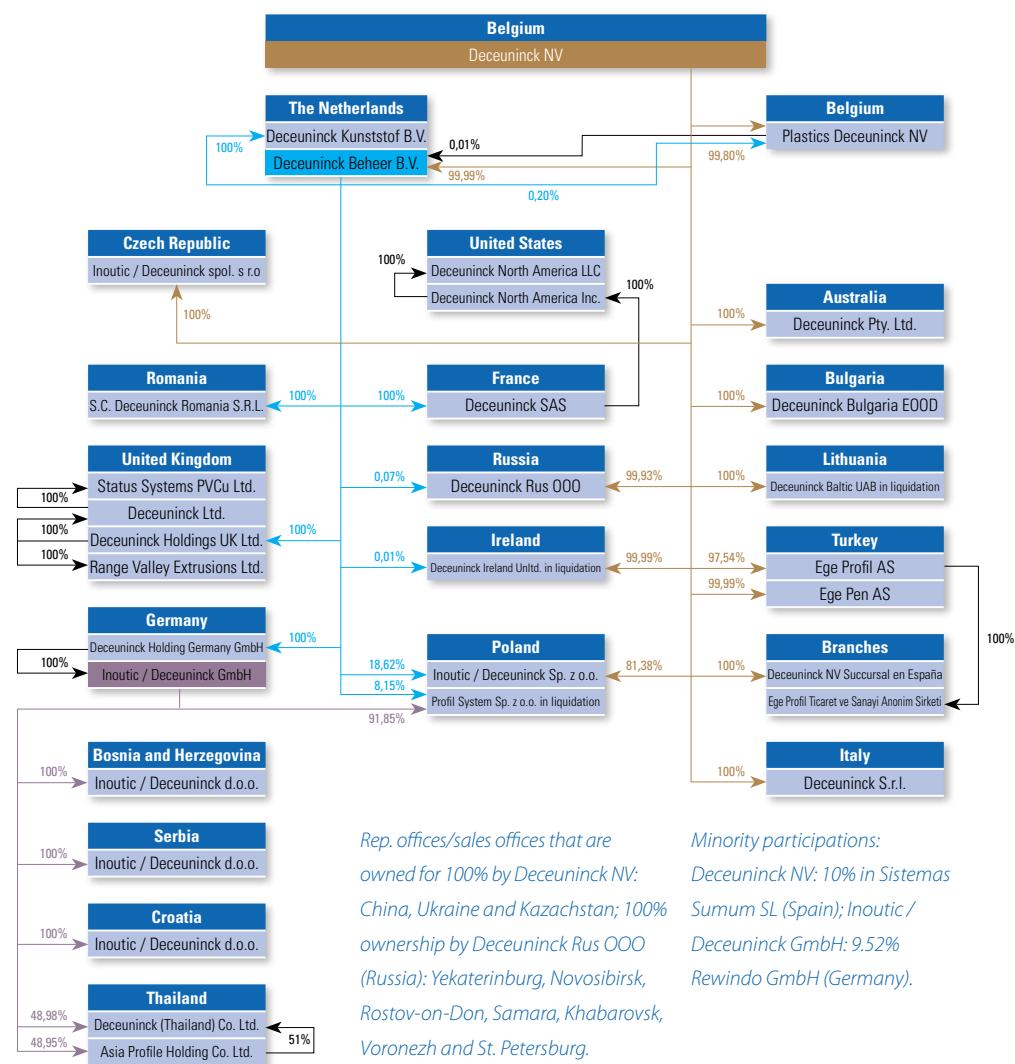


## DECEUNINCK WORLDWIDE EXTRUSION SITES



# DECEUNINCK GROUP STRUCTURE

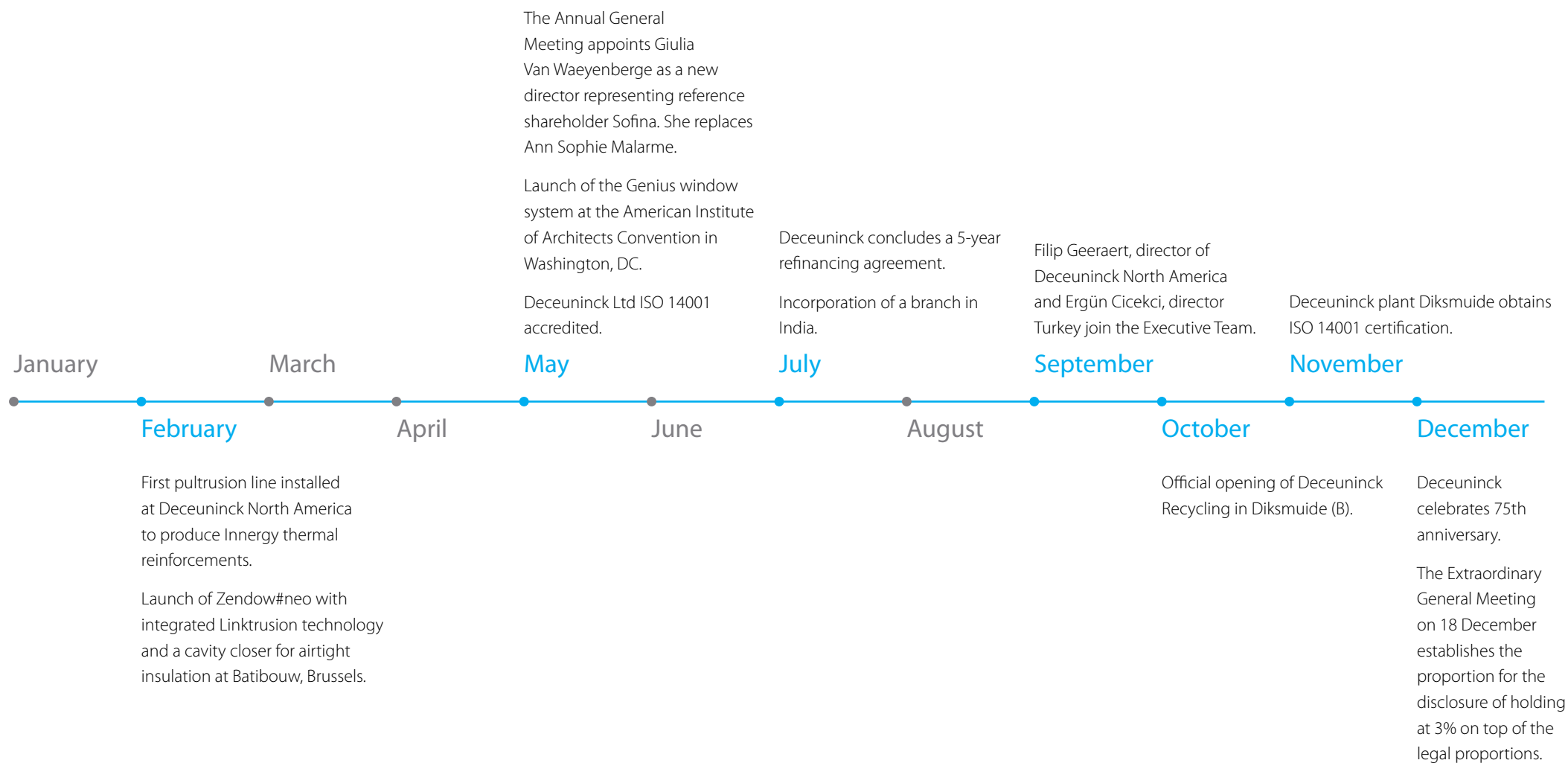
(AS PER 29 MARCH 2013)



Rep. offices/sales offices that are owned for 100% by Deceuninck NV: China, Ukraine and Kazachstan; 100% ownership by Deceuninck Rus OOO (Russia): Yekaterinburg, Novosibirsk, Rostov-on-Don, Samara, Khabarovsk, Voronezh and St. Petersburg.

Minority participations: Deceuninck NV: 10% in Sistemas Sumum SL (Spain); Inoutic / Deceuninck GmbH: 9.52% Rewindo GmbH (Germany).

## HIGHLIGHTS OF 2012



## MANAGEMENT

(AS PER 29 MAART 2013)

### Executive team

**Tom Debusschere**

*CEO*

**Ann Bataillie**

*Director HR & Legal*

**Ergün Cicekci**

*Director Turkey & Emerging Markets*

**Bruno Deboutte**

*Director Central & Eastern Europe*

*General Manager Poland*

**Yves Dubois**

*Director Southwest Europe*

*General Manager France*

**Filip Geeraert**

*Director United States*

**Bart Louwagie**

*Director Operations & Technology*

**Philippe Maeckelberghe**

*Chief Financial Officer*

**Bernard Vanderper**

*Director Northwest Europe*

*General Manager Benelux*

### Internal auditor

**Steven Powell**

*Internal Audit Manager*

### Statutory auditor

**Ernst & Young, Bedrijfsrevisoren BCBVA,**

*Represented by Jan De Luyck*

## Management team group

**Mirko Anesi**

*General Manager Spain & Italy*

**Jo Casier**

*General Manager Operations Belgium*

**Bert Castel**

*Group Treasury Manager*

**Lieven De Baets**

*Group Controller*

**Ludo Debever**

*Communications Manager Group*

**Peter Degrande**

*Product Development Manager*

**Edgar Freund**

*General Manager Germany*

**Roy Frost**

*General Manager United Kingdom*

**Volker Guth**

*General Manager Russia*

**Filip Levrau**

*IT Manager Group*

**Katrien Lootvoet**

*HR Manager Corporate Services*

**Radek Slabak**

*General Manager Czech Republic*

**Philippe Somers**

*Purchasing Manager Group*

**Michael Stöger**

*Director Research & Industry Relations*

**Michel Strypstein**

*Risk & Credit Manager Group*

**Jan Vergauwe**

*Financial Analysis & Planning Manager*

## CORPORATE GOVERNANCE STATEMENT

### *Introduction*

Reference is made to the Belgian Corporate Governance Code 2009 (the 'Code') in accordance to the law on the reinforcement of corporate governance of 6 April 2010 in modification of the Belgian Code on Companies.

The Company uses the Code as a reference. A copy of this Charter (the 'Charter') can be viewed on the Company's website ([www.deceuninck.com](http://www.deceuninck.com)) and is available, free of charge, at the registered office of the Company.

The Company's Board of Directors complies with the Code but believes that the following departure from its provisions is considered to be the best practice in its specific situation and based on the reasons explained for doing so.

### *Deviation from the Code and the explanation thereof*

#### **General Meetings and the publication of the General Meeting's Articles of Association (article 8.10 of the Code)**

The Company publishes the results of the votes of the General Meeting of Shareholders as soon as possible on its website after the meeting has taken place, in conformity with article 546 of the Belgian Code on Companies. As the shareholder is informed properly of the content of the decisions and results of the vote, the Company chooses not to publish the Articles of Association in full.

# *The Board of Directors*

## Composition of the Board of Directors

The Board is composed of 8 Directors. One member is Executive Director ("CEO") and 3 members are "Independent Directors" within the meaning of, inter alia, article 526ter of the Belgian Code on Companies. Four Directors represent reference shareholders.

The members are appointed by the General Meeting of Shareholders. Their initial term of office lasts maximum 4 years (based on the Company's Corporate Governance Charter) but can be renewed. The Remuneration and Nomination Committee presents one or more candidates, considering the needs of Deceuninck and in compliance with the nomination and selection criteria established by the Board of Directors. In the composition of the Board of Directors an appropriate balance is taken into account on gender, skills, experience and knowledge. For each (re)appointment the Board of Directors respects the law on gender diversity.

The age limit for Directors is set at 70 years at the time of the (re) appointment. In principle, a Director's term ends at the closure of the Annual General Meeting, at which moment his or her mandate can be considered ended.

The Independent Directors meet the independence criteria specified in article 526ter of the Belgian Code on Companies and the Charter.

An Independent Director who ceases to comply with the independence requirements must inform the Board of Directors thereof immediately.

The General Meeting of 14 May 2013 will be asked to renew the mandates of Pierre Alain De Smedt and Tom Debusschere Comm.V for a term of 4 years.

The Board of Directors meets at least 6 times a year or as often as considered necessary or desirable in the company's interest. Each Director receives the documents before the meeting so that the Directors can sufficiently prepare for the meeting. All meetings of the Board are attended by the Chief Financial Officer and the Secretary.

The Board of Directors met 8 times in 2012. At the meeting of 21 February 2012, Arnold Deceuninck and François Gillet were excused. At the meetings of 24 & 25 January 2012 and 27 March 2012, Sophie Malarme-Lecloux was excused.

Functions and membership of the Directors within the Board of Directors and its Committees per 29 March 2013:

Name/function	Membership Committees	Gender	Latest renewal mandate	Mandate expiry
Pierre Alain De Smedt* Chairman	Chairman of the Remuneration and Nomination Committee	M	14/05/2009	14/05/2013
Tom Debusschere Comm. V with permanent representative Tom Debusschere	/	M	/	14/05/2013
R.A.M. Comm. VA with permanent representative Arnold Deceuninck** Vice-Chairman	Member of the Remuneration and Nomination Committee	M	10/05/2011	12/05/2015
François Gillet** Vice-Chairman	Member of the Audit Committee and member of the Remuneration and Nomination Committee	M	11/05/2010	13/05/2014
T.R.D. Comm. VA with permanent representative Willy Deceuninck** Director	/	M	10/05/2011	12/05/2015
Giulia Van Waeyenberge** Director	/	F	/	10/05/2016
Marcel Klepfisch SARL with permanent representative Marcel Klepfisch* Director	Chairman of the Audit Committee and member of the Remuneration and Nomination Committee	M	/	13/05/2014
Pentacon BVBA with permanent representative Paul Thiers* Director	Member of the Audit Committee and member of the Remuneration and Nomination Committee	M	/	12/05/2015
* Independent Director ** Representative of reference shareholder				
Secretary: Ann Bataillie, Director HR & Legal				



## The curricula vitae of the members of the Board of Directors:

### **Pierre Alain De Smedt (1944), Chairman of the Board of Directors**



Pierre Alain De Smedt obtained a Master in Business and Administration at the Solvay Business School (ULB), a Commercial Engineer Diploma and a Master in Economic and Financial Sciences at the ULB. Pierre Alain De Smedt is currently the Chairman of VBO/FEB, Director of Belgacom NV, Recticel NV and Alcoba NV. As Non-Executive Director, he is member of various Strategic, Audit, Remuneration and Nomination Committees.

### **Tom Debusschere (1967), permanent representative of Tom Debusschere Comm. V, CEO**



Tom Debusschere is Civil Engineer in Electro-Mechanics with an additional postgraduate degree in 'Industrial Engineering'. He started his career in 1992 as Logistics Manager at Deceuninck. Starting in 1995, he worked for 9 years at the American division, Dayton Technologies, where he became Vice President Operations. In 2004, he moved to the Belgian Unilin Group as head of the division Unilin Decor, a supplier of furniture components part of the Mohawk Group. He was appointed VP Marketing & Sales of Deceuninck on 1 December 2008. He was appointed CEO of Deceuninck by the Board of Directors on 6 February 2009. He is currently a member of the Belgian commission for Corporate Governance, and holds board positions at EPPA (European PVC Window Profile and Related Building Products Association), EuPC (European Plastics Converters) and Essenscia (Belgian association of chemistry and life sciences).

### **Arnold Deceuninck (1950), permanent representative of R.A.M. Comm. VA, Vice-Chairman**



Arnold Deceuninck obtained a Bachelor in Accounting and Business Management. Arnold Deceuninck, the permanent representative of R.A.M. Comm. VA, is currently Director of R.A.M. Comm. VA, Binder NV, Deceuninck Auto's NV, Edero BVBA, Hunter & Colman NV and a Non-Executive Director of Didak Injection NV.

### **François Gillet (1960), Vice-Chairman**



François Gillet obtained a Master in Business and Administration at the Leuven Management School (LSM). François Gillet is currently member of the Executive Committee and is Chief Investment Officer of Sofina NV, a financial holding company. As representative of Sofina NV, François Gillet also holds functions as Non-Executive Director in various participations of Sofina NV and in Emakina Group NV.

### **Willy Deceuninck (1944), permanent representative of T.R.D. Comm. VA**



Willy Deceuninck graduated in Economics from the Franciscus Exaverius Instituut in Bruges. Willy Deceuninck, the permanent representative of T.R.D. Comm. VA, is currently Director of T.R.D. Comm. VA, Binder NV, De Palingbeek CV, Deceuninck Auto's NV, Edero BVBA and Holim NV. T.R.D. is Director in Bourez-Kesteloot NV.

**Marcel Klepfisch (1951), permanent representative of Marcel Klepfisch SARL**



Marcel Klepfisch obtained a Diploma Commercial Engineer from the University of Antwerp. He has extensive experience in crisis management and was Chief Restructuring Officer at Deceuninck NV in 2009. He was Chief Executive Officer at Ilford Imaging, member of the Executive Committee at Vickers Plc, Chief Financial Officer of BTR Power Drives and Chairman of the Board of Directors of Pack2Pack. He is currently a member of the Management Advisory Board of Tower Brook in London and Chairman of the Board of Directors of Volution in the UK and Chairman of GSE Group in France.

**Giulia Van Waeyenberge (1982)**



Giulia Van Waeyenberge obtained a Master in Electrical Engineering at the Catholic University of Leuven in 2005 and a Master in Applied Economics at the Singapore Management University in 2006. After having worked several years for the investment bank Merrill Lynch in Singapore and in London, Giulia Van Waeyenberge currently holds the function of Investment Manager of Sofina NV. Giulia Van Waeyenberge, as a representative of Sofina NV, performs the function of Non-Executive Director.

**Paul Thiers (1957)**



Paul Thiers is an alumnus of the Catholic University of Leuven, where he holds degrees in Master of Law (1980) and in Master in Notaryship (1981), as well as of the Vlerick Management school, where he participated to PUB in 1982-1983. From 1982 till 2005 he was co-CEO and member of the Board of Directors of the Unilin Group. He is member of the Board of Directors of Pentahold NV, Altior CVBA, Accent NV, Hecta, Vergokan and Origis NV.

## Role of the Board of Directors

The Board of Directors determines the Group's strategic objectives and may perform all activities necessary or useful to achieve the Company's corporate objective, with the exception of those activities that are expressly reserved by law or by the Company's articles of association for decision by the General Meeting of Shareholders. In carrying out its tasks, the Board of Directors acts in accordance with the interests of the Group. In conformity with article 524bis of the Belgian Code on Companies, the Board of Directors has devolved powers with regard to daily and operational management to the Executive Team by decision of 27 March 2013. The Board of Directors recorded the devolved powers of the Executive Team in the Corporate Governance Charter. The Board of Directors is to monitor this Executive Team.

The meetings of the Board of Directors are convened by the Chairman of the Board or by at least 2 Directors whenever the interests of the Company so require.

## Activity Report of the Board of Directors

During the past financial year the Board of Directors has dealt mainly with following topics: long-term strategy, monitoring innovation projects, approval of investment files, monitoring of the business plans of the various regions, financial reporting, adoption of the statutory and consolidated financial statements, preparation and approval of the statutory and consolidated annual report, refinancing, foundation of an Executive Team in accordance to the law, monitoring of KPIs, preparation of the General Meeting and Extraordinary General Meetings. Furthermore, the Board also took note of the reports and proposed resolutions of the Audit Committee and the Remuneration and Nomination Committee and where necessary took decisions based on the recommendations of these committees.

## Evaluation of the functioning of the Board of Directors and Committees

The Board evaluates itself on a regular basis.

In 2012, a thorough performance evaluation of the Board of Directors and the Committees was conducted again. Based on the results of this evaluation, concrete measures were taken, which will be applied to the organisation and to the functioning of the Board meetings.

This evaluation concerned the size of the Board and the Committees, their composition, the selection procedure, the introduction, the provision of information and decision making. Furthermore, interaction with the members of the Executive Team is evaluated each year.

## Committees of the Board

The Board of Directors currently has an Audit Committee and a Remuneration and Nomination Committee. The role of these Committees is purely advisory. The responsibility for ultimate decision making is with the Board of Directors. The role, duties and composition of these Committees are set out in the Company's articles of association and in the Charter.

### Audit Committee

All members of the Audit Committee are Non-Executive Directors. Two members of the Audit Committee are Independent Director as defined in article 526ter of the Belgian Code on Companies.

The Audit Committee assists the Board of Directors in the execution of its supervisory assignment and is the most important link between the Board of Directors and the internal and statutory auditor.

Since the Annual General Meeting of 2012 the Audit Committee is composed as follows:

- Marcel Klepfisch SARL, with permanent representative, Marcel Klepfisch, Chairman;
- François Gillet
- Pentacon BVBA, with permanent representative, Paul Thiers.

The Committee met 6 times during 2012. At the meeting of 6 December 2012, Pentacon BVBA, with permanent representative, Paul Thiers was excused.

In 2012, the Audit Committee has assisted the Board of Directors in the execution of its responsibilities in the broadest sense and has among others executed the following tasks:

- monitoring of audit activities, along with the systematic verification of signed missions by the auditor;
- assessing the reliability of financial information;
- supervising the internal audit system; and
- controlling of the accounts and monitoring the budget.

The Committee has assessed the internal control systems and the risk management, established by the Executive Team as proposed by the Risk Manager. The Committee ensures that the most important risks (including the risks relating to compliance with existing legislation and regulations) are correctly identified and that risk control systems are being implemented in the Group. The Committee further ensures that the Company's Board of Directors is kept informed on these matters.

Furthermore, the Audit Committee makes recommendations to the Board of Directors relating to the selection, appointment and reappointment of the statutory auditor and the terms of his or her appointment.

## **Remuneration- and Nomination Committee**

Since the Annual General Meeting of 2012 the Remuneration and Nomination Committee is composed as follows:

- Pierre Alain De Smedt, Chairman
- François Gillet
- R.A.M. Comm. VA, with permanent representative, Arnold Deceuninck
- Marcel Klepfisch SARL, with permanent representative, Marcel Klepfisch
- Pentacon BVBA, with permanent representative, Paul Thiers

All members are Non-Executive Directors and the majority is independant. This Committee presents proposals to the Board of Directors with regard to (1) the remuneration policy and the remuneration of the Directors and the Management and (2) the policy with regard to the appointment of Directors and members of the Executive Team.

Taking into account their education and professional experience, the members have the necessary expertise in the field of remuneration policy.

The CEO participates in the meetings of the Remuneration and Nomination Committee when the meeting deals with the remuneration of the other members of the Executive Team.

The Committee met 3 times during 2012. At the meeting of 21 February, R.A.M. Comm. VA, with permanent representative, Arnold Deceuninck and François Gillet were excused. The Committee has further assessed the remuneration policy of the members of the Executive Team last year. It has also made recommendations regarding the foundation of a Management Committee in conformity with article 524bis of the Belgian Code on Companies.

### The Executive Team

The Executive Team is an Executive Team in the sense of article 524bis of the Belgian Code on Companies.

The Board of Directors has founded the Executive Team according to article 18bis of the Articles of Association. The modification of the Articles of Association was approved by the Extraordinary General Meeting of 15 March 2013. By decision of 27 March 2013, the Board of Directors has devolved powers with regard to daily and operational management to the Executive Team in conformity with article 524bis of the Belgian Code on Companies. As of 2013, the Belgian members of the Executive Team are remunerated as self-employed managers. The powers of the Executive Team are listed in the Charter. The Management Committee maintains the name Executive Team.



*f.l.t.r. A. Bataillie, B. Louwagie, E. Cicecki, B. Deboutte, T. Debusschere, Y. Dubois, B. Vanderper, P. Maeckelberghe, F. Geeraert*

The task of the Executive Team is to assist the CEO in the daily and operational management of the Group and to carry out responsibilities in accordance with the values, strategies, policies, plans and budgets established by the Board of Directors.

The Executive Team meets as often as necessary for the proper execution of its function, but in any case at least once every two weeks. Meetings are generally convened by the CEO, although any member may convene this Team. The Chairman of the Board of Directors may attend any meeting of the Executive Team.

A report is sent to the Chairman of the Board of Directors after each meeting.

The Executive Team currently consists of the following persons:

- Tom Debusschere Comm. V, CEO, Chairman of the Executive Team
- Ann Bataillie, Director HR & Legal, Secretary of the Board of Directors
- Ergün Cicecki, Director Turkey & Emerging Markets
- Bruno Deboutte, Director Central & Eastern Europe, General Manager Poland
- Yves Dubois, Director Southwest Europe, General Manager France
- Filip Geeraert, Director United States of America
- Bart Louwagie, Director Operations & Technology
- Philippe Maeckelberghe, Chief Financial Officer
- Bernard Vanderper, Director Northwest Europe, General Manager Benelux

***Tom Debusschere (1967), permanent representative of Tom Debusschere Comm. V – CEO, Chairman Executive Team***

Tom Debusschere is Civil Engineer in Electro-Mechanics with an additional postgraduate degree in 'Industrial Engineering'. He started his career in 1992 as Logistics Manager at Deceuninck. Starting in 1995, he worked for 9 years at the American division, Dayton Technologies, where he became Vice President Operations. In 2004, he moved to the Belgian Unilin Group as head of the division Unilin Decor, a supplier of furniture components part of the Mohawk Group. He was appointed VP Marketing & Sales of Deceuninck on 1 December 2008. He was appointed CEO of Deceuninck by the Board of Directors on 6 February 2009. He is currently a member of the Belgian commission for Corporate Governance, and holds board positions at EPPA (European PVC Window Profile and Related Building Products Association), EuPC (European Plastics Converters) and Essenscia (Belgian association of chemistry and life sciences).

***Ann Bataillie (1959) – Director HR & Legal, Secretary of the Board of Directors***

Ann Bataillie joined Deceuninck in February 2002. Before she joined Deceuninck, she worked 15 years as senior legal counsel at Barco. Ann Bataillie obtained a Master of Law at the Catholic University of Leuven (1981) and completed her education with a Master in European Law at the University of Nancy, France (1982). She completed her studies in European Law by following a training course at the European Commission (Directorate General Internal Market).

***Ergün Cicekci (1954) – Director Turkey & Emerging Markets***

Ergün Cicekci joined Deceuninck as General manager in 2000 with the acquisition of Ege Profil by Deceuninck. He started his career in the plastics industry in 1981 with ETAP, where he was responsible for operations. In 1987 he moved to the Mazhar Zorlu Group where he took up the function of Export Manager. He continued his career by adding responsibilities for all the CAPEX of the group and becoming General Manager of Ege Profil. Ergün Cicekci has a degree in Mechanical Engineering from Istanbul Technical University (1975) and obtained a Master of Science Degree in Systems Design from Aston University (Birmingham, 1979).

***Bruno Deboutte (1965) – Director Central & Eastern Europe, General Manager Poland***

Bruno Deboutte joined Deceuninck in September 1997. Until 2001 he was the export sales manager. From 2001 until 2006 he was Business Unit Manager Building Products. In 2006 he became Group Director of the business unit Building Products. In October 2009 he was appointed Director Central & Eastern Europe and in September 2011 he also took on the position of General Manager Poland. Bruno Deboutte obtained a Master Industrial Engineer Electricity, speciality automation, at KIRO in Gent (1990) and is currently board member of the AgPU (Arbeitsgemeinschaft PVC und Umwelt e.V. in Germany).

***Yves Dubois (1961) – Director Southwest Europe & General Manager France***

Yves Dubois joined Deceuninck in September 2011. He started his career with Atochem in 1987, where he held several positions of Business Manager in basic chemicals & polymers and Managing Director of subsidiaries in Asia (Hong Kong and South Korea). Until August 2011, he was Director of the Alphacan (Arkema Group) Profile Business Unit. Yves Dubois obtained a Master of Economics and International Affairs (1986) from Paris Dauphine University and is currently Chairman of the French plastics extrusion trade association S.N.E.P. (Syndicat National de l'Extrusion Plastique).

***Filip Geeraert (1959) – Director United States of America***

Filip Geeraert joined Deceuninck in December 1997 as Corporate Controller. He moved to the American division, Dayton Technologies, in 2000 as Vice President Finance. As of April 2011 he holds the position of Director of the Americas. Before Deceuninck, he worked in several finance positions in Belgium, Italy and the US for Bekaert. Filip Geeraert obtained a Master Applied Economic Sciences at the University of Antwerp (1981) and a Master in Information Technology at the University of Leuven (1982).

***Bart Louwagie (1969) – Director Operations & Technology***

Bart Louwagie started at Deceuninck in 2007 as Quality Assurance Manager. He became Operations Manager Finishing in 2009. Until 2011, he was General Manager of the plant Gits. Before Deceuninck he worked most of his career at Tupperware, both in Belgium and in the United States. Bart Louwagie obtained a Master Industrial Engineer Chemistry, speciality plastic materials, at Hogeschool Gent (1993) as well as a Master of Science in Engineering, Composite Materials at the Imperial College, University of London (1994).

***Philippe Maeckelberghe (1960) – Chief Financial Officer***

Philippe Maeckelberghe became Chief Financial Officer of Deceuninck in June 2008. Previously he held various financial positions at Cisco, Scientific-Atlanta, BarcoNet and Barco. Philippe Maeckelberghe obtained a Master in Applied Economic Sciences at the University of Antwerp (1982), a Master of Business Administration at the Catholic University of Leuven (1983) and a Master in Controllershship – Chartered Controller BIMAC at the Vlerick Leuven-Gent Management School (1999).

***Bernard Vanderper (1962) – Director Northwest Europe, General Manager Benelux***

Bernard Vanderper joined Deceuninck in 1989. Until 1997, he was the Sales Manager of Benelux. In 1998 he was appointed General Manager Benelux. In October 2009 he also became Director Northwest Europe. Bernard Vanderper obtained a Master Applied Economic Sciences at the University of Antwerp (1984).

## Remuneration Report

### Remuneration policy and specification of the level of remuneration for Non-Executive Directors

The General Meeting of the Company fixes the remuneration of Directors following the proposal of the Board of Directors which is based on the recommendations of the Remuneration and Nomination Committee. Non-Executive Directors receive a fixed amount as remuneration for the execution of their mandate and a fixed amount for each Board meeting attended, limited to a maximum amount. Performance-based remuneration such as bonuses, stock-related incentive programs and fringe benefits are excluded. The amount of remuneration is different for the Chairman, the Vice-Chairman and the other Non-Executive Directors. If the Non-Executive Directors are also members of a Committee, their remuneration will be increased by a fixed amount per meeting of the particular Committee. These amounts remained the same in 2012.

The Company and its subsidiaries shall not issue any personal loans, guarantees, etc. to the members of the Board of Directors or the Executive Team.

If Directors are assigned special tasks and projects, they may receive an appropriate remuneration for this. No termination compensation is provided for Non-Executive Directors. In line with the overall remuneration strategy of the Company, the Remuneration and Nomination Committee regularly establishes a benchmark for the remuneration of Non-Executive Directors with comparable Belgian listed companies. This is done in order to ensure that the remuneration is still appropriate, and in conformity with market practices, taking into account the size of the Company, its financial situation, its position within the Belgian economic environment, and the responsibilities that the Directors bear.

### Remuneration of the Board of Directors in 2012

The total remuneration paid to the non-executive members of the Board of Directors in the financial year 2012 amounted to 305,000 euro (365,500 euro in 2011). This amount includes additional remuneration granted to Directors for their membership of Committees. This remuneration is awarded by the General Shareholders' Meeting and is registered as a general cost. In 2012, the Company or any affiliated Company of the Group did not grant any loans to any of the Directors, nor are there any outstanding repayments owed by the Directors to the Company or any affiliated Company of the Group.

### Remuneration of the Board of Directors in 2012

The remuneration for 2012, as recommended by the Remuneration and Nomination Committee, is composed of:

In euro	Min/year (fix)	Allowance per Board of Directors	Allowance per Committee	Max/year
Chairman	40,000	3,000	1,000	80,000
Vice-Chairman	30,000	1,500	1,000	60,000
Director	20,000	1,500	1,000	40,000



## Remuneration Non-Executive Directors

Name	Attendances of the Board of Directors	Attendances of the Remuneration and Nomination Committee	Attendances of the Audit Committee	Total remunerations (in euro)
Pierre Alain De Smedt	8/8	3/3	-/-	67,000
François Gillet	7/8	2/3	6/6	48,500
R.A.M. Comm. VA permanently represented by Arnold Deceuninck	7/8	2/3	-/-	42,500
T.R.D. Comm. VA permanently represented by Willy Deceuninck	8/8	-/-	-/-	32,000
Giulia Van Waeyenberge*	8/8	-/-	-/-	23,000
Marcel Klepfisch SARL permanently represented by Marcel Klepfisch	8/8	3/3	6/6	40,000
Pentacon BVBA permanently represented by Paul Thiers*	8/8	3/3	5/6	40,000
Sophie Malarne**	2/4	-/-	-/-	12,000
* Director as of the General Meeting of 2012.				
** Director until the General Meeting of 2012.				

## Remuneration policy and specification of the remuneration level for the CEO and the members of the Executive Team

The remuneration of the members of the Executive Team, including the CEO, shall be determined by the Board of Directors based on the recommendations of the Remuneration and Nomination Committee. The aim of the general remuneration policy of the Group is to attract, retain and motivate competent and professional employees. For this reason, the amount of the remuneration shall be determined in proportion to the individual tasks and responsibilities. The Remuneration and Nomination Committee annually reviews and fixes the total compensation based on the strategic positioning of each of the functions versus the benchmark in the market and the expected market trends. Every two year a thorough

benchmark shall be conducted with comparable international companies of similar size and structure. The contribution made by members of the Executive Team to the development of the activities and the results of the Group constitutes an important part of the remuneration policy.

The total remuneration of the Executive Team members comprises the following elements: the fixed remuneration, the short term variable remuneration, options and/or warrants and the savings and precautionary plan.

The [fixed remuneration](#) of the members of the Executive Team shall be determined according to their individual responsibilities and skills. It shall be awarded independently of any result.

**Short-term variable remuneration:** In order to align the interests of the Company and its shareholders with the interests of Executive Team members, part of the remuneration package shall be linked to Company performance and another part to individual performance. By weighing both factors against each other in a responsible manner (85% corporate results/15% individual results) a balance can be achieved between a result-oriented approach (Top Performance) and the manner in which these results are obtained (taking into account the core values, i.e. Candor, Top Performance and Entrepreneurship). If the manner in which results were obtained is not totally in line with the core values, the Remuneration and Nomination Committee reserves the right to decide not to pay any bonus.

Since 2012, the variable remuneration philosophy applied for the CEO is the same as the one that was already being applied for other members of the Executive Team.

For the members of the Executive Team, the **performance of the Company (85%)** is based on the net result and the REBITDA of the financial year.

The Board of Directors reviews these criteria annually on the proposal of the Remuneration and Nomination Committee, and may revise them if necessary. For 2012, the evaluation criteria for the performance of the CEO and the other members of the Executive Team were: ROCE (15%) and REBITDA (70%). For members of the Executive Team who bear an ultimate responsibility at a regional level, the ROCE of the Group (15%) and the REBITDA of the region (70%) are taken into account to consider the Company performance.

The **individual performance (15%)** is based on a clearly defined evaluation system that is built around the achievement of specific measurable individual targets, the realisation of important key figures and conformity with core values that are important to the Company. All the targets must always be in line with the group strategy, the business plan, the core values and the guidelines. The individual targets are set annually during individual interviews at the start of the financial year.

The Remuneration and Nomination Committee evaluated the achievement of the targets for 2012 by the members of the Executive Team and recommended to the Board of Directors a short-term variable compensation of 330.039 euro based on performance criteria for 2012.

The **short-term variable remuneration** is in principle 30% of the fixed annual remuneration for the members of the Executive Team and 75% of the annual fixed remuneration of the CEO. This percentage may be exceeded as far as the Company results are concerned, but should never exceed 37.65% (for the members of the Executive Team) or 97.5% (for the CEO). The variable compensation related to the performance of the Company shall only be awarded if 80% or more of the projected financial targets are achieved.

The variable remuneration is not spread over time. The Extraordinary General Meeting of the Company of 16th December 2011 decided that the Company is not bound by the limitations of the rules of article 520(c)(2) of the Company Code concerning the spreading of the variable remuneration of the Directors, the CEO and members of the Executive Team, over time.

The possible pension and insurance contributions are related to the fixed remuneration and in conformity with the group contracts applicable to the members of the Executive Team.

The Company also offers options and/or warrants on shares of the Company. The purpose of this kind of remuneration is to motivate and retain employees who (can) have a significant impact on the Company results in the medium-term. When granting options and/or warrants, due account is taken of the strategic impact of the function that the employee performs and his/her future (growth) potential.

The underlying philosophy of this form of remuneration is to raise Deceuninck's value to the maximum extent in the long term, by linking the interests of the management to those of shareholders, and to strengthen the long-term vision of the management. In this context, the exercise period of an option and warrant is 10 years, starting from the date of the offer. The stock options and warrants can only be exercised the 3rd year following the year in which the options and warrants were awarded. If they are not exercised at the end of the exercise period, they are, ipso facto, reduced to zero, and lose all value.

The warrants/options are released for exercise as follows:

- 1/3rd is released for exercise after 3 full calendar years up to the end of the term;
- 1/3rd is released for exercise after 4 years up to the end of the term;
- 1/3rd is released for exercise after 5 years up to the end of the term;

In the event of voluntary or involuntary dismissal (except in case of termination of contract for cause) by a beneficiary, the accepted and acquired stock options/warrants can still be exercised during the first exercise period following the date of the termination of contract. The options/warrants that are not acquired shall be cancelled. In the event of involuntary dismissal by a beneficiary, the unexercised, accepted stock options and warrants are cancelled, whether or not they were acquired. These terms and conditions relating to the acquisition and exercise of options and warrants in the event of voluntary or involuntary dismissal can be applied without prejudice to the competence of the Board of Directors to make changes to these stipulations to the advantage of the beneficiary, based on objective and relevant criteria. If the employment agreement ends because of the legal retirement or the end of the career, the warrants/options shall remain exercisable at the time. The shares that may be acquired in connection with the exercise of the options/warrants are listed on Euronext Brussels;

they are of the same type and have the same rights as the existing ordinary Deceuninck shares on the date of the offer. The members of the Executive Team have no other remuneration linked to shares.

The [savings and precautionary plan](#) is intended on the one hand to limit the difference between income sources before and after retirement and on the other hand, to limit unexpected payments for healthcare. In this regard, the members of the Executive Team participated in a 'defined contribution' group insurance with the company AXA in 2012. The objects of the group insurance are as follows:

- the payment of a life endowment in favour of the insured person on the date of his retirement;
- the payment of a death benefit in case of death of the member prior to retirement, for the benefit of its beneficiaries (plus an additional benefit in case of accidental death);
- the payment of a disability annuity in case of accident or sickness (other than occupational), and;
- the exemption from insurance premiums in case of illness or accident.

The supplementary pensions are financed by contributions from Deceuninck and from members of the Executive Team itself, subject to a ratio of 80%/20%. The group insurance has been achieved by taking out various policies with AXA Belgium:

- The pension plan provides for a retirement accumulation with pay-out at 60 years on the one hand, and for life insurance on the other. In this regard, the members of the Executive Team have the choice of determining their death benefits as a percentage of the expected pension pay-out subject to a minimum of 40% and a maximum of 100% of this amount;
- Coverage, in case of occupational disability, for waiver of premium and disability annuity;
- Collective health insurance.

### **Remuneration for the next two financial years**

The remuneration policy shall continue in its current form except for the short-term variable remuneration of the members of the Executive Team. However, all Belgian members of the Executive Team, the CEO not included, will be remunerated as a self-employed manager as from the financial year 2013.

### **Remuneration of the CEO and the members of the Executive Team**

In the report on the remuneration of the CEO and the members of the Executive Team, the basis for the variable remuneration is the remuneration earned during the financial year. The payment takes place end of February of the following year. In 2012 the total reported remuneration of the members of the Executive Team (including the CEO) amounted to 2,685,650 euro, including the variable remuneration earned in 2012. The variable remuneration earned in 2012 (paid out in 2013) amounted for the Group to 669,037 euro.

#### **CEO**

In addition to the amounts paid, the CEO is also provided with the benefit of a company car (BMW, Class 5), a part of the costs of which are borne by the CEO.

The CEO received a fixed remuneration in the amount of 468,510 euro in 2012. The variable remuneration amounted to 338,998 euro. The pension allocation (fixed contribution) amounts to 37,480 euro.

### ***Members of the Executive Team***

Members of the Executive Team (2 members that left the Company and 2 members that joined the Executive Team included on a pro rata basis, excluding the CEO) received a remuneration of 1,878,142 euro last year, which includes a variable remuneration of 330,039 euro based on the performance criteria of 2012. This variable remuneration was paid in February 2013.

The retirement allowance amounted to 56,915 euro and consists of approved contributions to an external insurance company.

In the course of 2012 the composition of the Executive Team changed. The regional managers of the US and Turkey joined the Executive Team. Two members left the Company in 2012.

Options and/or warrants on shares of the Company are granted to the members of the Executive Team. The Extraordinary General Meeting of October 2006 approved an option plan on existing stock under which the Board of Directors is granted the authority to allocate 75,000 options on existing shares each year. The Board of Directors, in its meeting of 16th December 2011, approved an additional warrant plan for 2011 within the authorised capital for the issue of 3,000,000 warrants (Warrant Plan 2011 (II)), of which 835,000 warrants were offered in December 2012.

Of this warrant plan 2011(II), 597,500 warrants on shares were offered to the members of the Executive Team, which were distributed as follows:

To Ann Bataillie, Ergün Cicekci, Yves Dubois, Bruno Deboutte, Filip Geeraert, Michael Stöger, Bart Louwagie, Philippe Maeckelberghe and Bernard Vanderper 27,500 warrants each were offered. To the CEO 350,000 warrants were offered. These offered warrants were all accepted.

The warrants offered in 2012 have an exercise price of 1.17 euro (for the members of the Executive Team) and of 1.18 euro (for the CEO). No stock options or warrants were exercised in 2012.

Deceuninck provides a company car to the Executive Team. In this context, the Company tries to achieve a maximum balance between the representative attributes of the car and the personal needs of the members of the Executive Team. Under the Environments charter, the environmental impact, including consumption and CO2 emissions, plays a substantial role during the selection of these types of cars.

The members of the Executive Team also benefit from a health insurance for themselves, their spouses or cohabiting partner if any, and their children who are dependent to the family from the taxation point of view.

#### **Right of recovery**

The stipulations of the agreements between the Company and the CEO and the members of the Executive Team do not contain recovery clauses.

#### **Severance Pay**

For the members of the Executive Team and the CEO, special severance pay conditions of 12 months base salary have been agreed in the management agreements. No special agreements that could deviate from the applicable current employment laws and practice were made with the regional managers in France, the US and Turkey.

The Marketing Director was granted special severance conditions of 8 months base salary.

## **Audit**

The statutory auditor is appointed for a period of 3 years at the General Shareholders' Meeting held on 10 May 2011. His annual fee amounted to 599,150 euro in 2012 (590,050 euro in 2011) for the whole Group, including audit services for the consolidated and statutory accounts.

## TRANSACTIONS BETWEEN RELATED PARTIES

### General

Each Director and each member of the Executive Team is encouraged to arrange their personal and business interests so that there is no direct or indirect conflict of interest with the Company. Deceuninck has no knowledge of any potential conflict of interest affecting the members of the Board of Directors and the Executive Team between any of their duties to the Company and their private and/or other duties. The Charter provides that every transaction between the Company (or any of its subsidiaries) with any Director or executive manager must be approved in advance by the Board of Directors, whether or not such a transaction is subject to applicable legal rules. Such a transaction can only take place based on terms in accordance with market practices.

### Directors' conflicts of interest

In accordance with article 523 of the Belgian Code on Companies, the Board should respect a special procedure in the case that one or more Directors potentially have a conflict of interest with one or more decisions or transactions that are within the authority of the Board of Directors. One case of conflict of interest in the sense of article 523 of the Belgian Code on Companies was communicated to the Board of Directors during 2012.

This conflict of interest concerned the offer of warrants to senior management and the CEO. The CEO informed the Board of Directors about a potential conflict of interest. In accordance with the stipulations of article 523 of the Belgian Code on Companies and taking into account that the Company is a public Company listed on the stock exchange, the Director involved was asked to leave the meeting during the discussion of this point. As a consequence, the Director involved did not participate in the deliberations or in the vote on the issue.

### Transactions with affiliated companies

The conflict of interest settlement of article 524 of the Belgian Code on Companies was not applied in 2012.

## Authorization purchase treasury shares

At the Extraordinary Annual Meeting of 18 December 2012, it was decided to grant the Board of Directors the authority for a period of 5 years to acquire treasury shares by purchase or exchange up to the maximum permitted number of shares and for a price between 0.40 and 6.00 euro per share. This action can be taken without authorization of the General Meeting and in accordance to article 620 and following of the Code on Companies.

At the same Meeting, it was decided to authorise the Board of Directors, without limitation in time, to sell these treasury shares, either directly or by intervention of a person who acts in his own name but at the expense of the Company, either (i) at a minimum price of 0.40 euro, which is the minimum

price fixed in the authorization for purchase of treasury shares, or (ii) when the sale happens in the context of a Share option plan. In this last case, the Board of Directors is authorised to sell the shares, with the consent of the beneficiaries of the share option plans, outside of the stock exchange market.

During the financial year 2012, no treasury shares were purchased.

At the Extraordinary Annual Meeting of 18 December 2012, it was decided to grant the Board of Directors the authority for a period of 3 years to acquire or sell treasury shares, profit-sharing bonds or certificates which relate to these bonds, according to article 620 till 625 and 630 of the Code on Companies, when the acquisition or alienation is necessary to avoid threatening serious damages to the Company.

## *Authorised capital*

At the Extraordinary Annual Meeting of 18 December 2012, it was decided to grant the Board of Directors the authority, for a period of five years starting from 25 January 2013, to increase issued capital on one or several occasions to a maximum amount of 42,495,000 euro by a cash contribution, a contribution in kind according to legal limits or by incorporation of the reserves or share premiums, with or without the issuance of new shares. In case of a capital increase in cash, the Board of Directors is authorised, with unanimous votes, to limit or cancel the preferential rights. The extraordinary circumstances in which the authorised capital can be used and the anticipated goals are stated in the extraordinary report of 17 October 2012. This report can be viewed on [www.deceuninck.com](http://www.deceuninck.com).

## *Modification of the articles of association*

The modification of the articles of association has been executed in accordance with the stipulations of the Belgian Code on Companies. The Extraordinary General Meetings on 18 December 2012 and on 15 March 2013 approved the modification of the articles of association. This modification and the coordination of the articles of association can be viewed on the Company's website ([www.deceuninck.com](http://www.deceuninck.com)).

## *Shareholders structure*

Every shareholder holding a minimum of 3% of the voting rights needs to comply with the law of 2 May 2007 in respect of the notification of significant investments, the Royal Decree of 14 February 2008 and the Belgian Code on Companies.

The involved parties need to submit a notification to the Financials Services and Markets Authority (FSMA) and to the Company.

## Breakdown of shareholders

In application of the Law of 2 May 2007, the latest report of participations that has been received shows the following breakdown of shareholders:

Desco*	18,856,250 shares	17.50%
Sofina NV*	18,856,250 shares	17.50%
Fidéc NV	5,793,990 shares	5.38%
Lazard Frères Gestion S.A.S.	5,414,518 shares	5.03%
Francis Van Eeckhout	3,237,501 shares	3.00%
Other (Institutional investors, personnel, stock exchange,...)	55,591,491 shares	51.59%

\* According to the Company transparency disclosure dd. 29/10/08

In a letter dated 21 September 2007, Sofina and Desco notified the Company that they had terminated their shareholder agreement of 27 June 2006, and that a new agreement with regard to their participation in Deceuninck NV had been concluded on 27 August 2007. This agreement constituted "mutual consultation" in the sense of Art. 7 of the Royal Decree of 10 May 1989, concerning the disclosure of important participations in companies listed on the stock exchange, but does not constitute "mutual consultation" in the sense of Art. 3, §1, 5°, of the Law of 1 April 2007, concerning public takeover offers.

## Internal control and risk management systems

The most important features and elements of the internal control and risk management systems, including the financial reporting, implemented by management, can be summarised as follows:

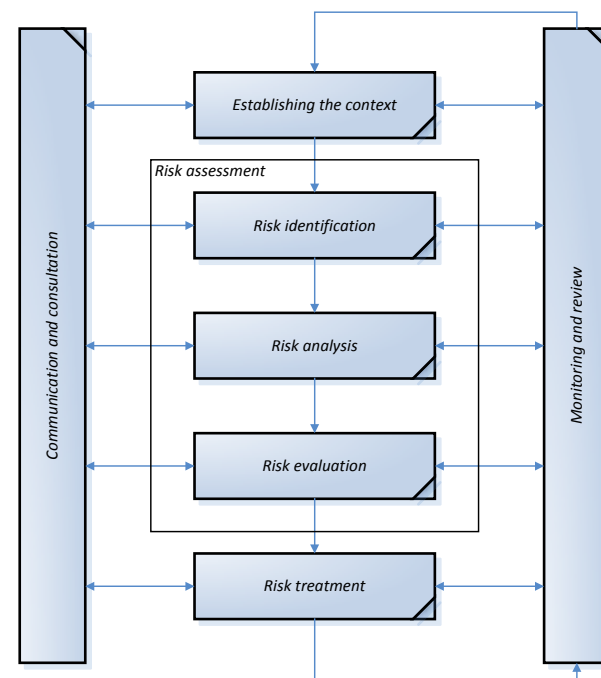
- Distributing and updating an accounting manual and developing further specific elements as required;
- Defining targets for permanent follow-up on the activities, the operational results, the use of working capital and the financial position of the Group and the individual companies;
- Constant evaluation of the past and forecasting the most important future targets;
- Following up on exchange rate risks with actions to manage the risks;
- Defining the company's policies and procedures for compliance with applicable laws and regulations;
- Clear procedures on authorisation, reviewed for compliance by the internal audit department;
- Managing information technology systems;
- Discussion of internal audit reports with the internal auditor and, if required, further consultation for additional information and clarification as well as taking measures in order to implement and be compliant with the recommendations;
- Constant monitoring of raw material prices and any changes in prices;
- Requesting statements and confirmation from the local general managers to ensure that they comply with the applicable laws and regulations and internal procedures of the company;
- Monitoring and regular discussion with the legal department of litigation that could be of material significance.

Deceuninck's 3 core values are Candor, Top Performance and Entrepreneurship. Taking calculated risks is an integral part of operational management. The purpose of risk management is to identify and manage the risks.



## Risk framework

The ISO 31000 standard has been selected as a framework for the risk management system. Deceuninck is very familiar with ISO standards (ISO 9001, ISO 14000, etc). This new standard, issued in November 2009, primarily describes the implementation process. The following steps can be distinguished within this process:



### Establishing the context

In order to detect the risks, it is important to have a clear understanding of the context in which Deceuninck operates. On the one hand, there is the external context in which the social, cultural, political, legal, legislative, financial, technological, economical, natural and competitive environment plays an important role. It is also necessary to look at the main drivers and trends that could affect the objectives to be achieved. Finally, the relationship with external stakeholders (Customers, suppliers, authorities, shareholders, etc.) also has an important role. On the other hand, there is the internal context in which the objectives of Deceuninck as a Group, as well as the objectives of each individual entity, need to be defined. This requires a good understanding of the resources, knowledge, company culture, organisation, internal standards, strategy, the values, objectives and of relationships with internal stakeholders.

### Risk identification

Risk identification is the first step within the risk assessment process. The risks that might have an impact on the achievement of targets are identified in separate brainstorming sessions. These risks can be summarised in a risk register.

### Risk analysis

Risk analysis is the process that seeks to identify the possibility that the risk will occur and what the possible impact will be on achieving the objectives. For this, we take into account the impact on the core objectives i.e. people, planet, quality, service and cost.

### **Risk evaluation**

Risks are evaluated and ranked on the basis of the scores given for the probability that they will occur and the impact they will have. From this analysis, risks are assessed as to whether they can be tolerated or whether action is required to reduce the impact to an acceptable level. These risks can be evaluated by means of a risk matrix.

### **Risk treatment**

The risk evaluation is used to select the risks that require further action. There are 4 possibilities for this:

- Completely avoid the risk by changing or stopping the activity;
- Transfer the risk by insurance or third party contract;
- Accept the risk without further action;
- Take action by reducing the probability (prevention) or by lowering the impact (protection).

The risk process is continuous and the different phases have to be continuously reviewed and monitored. Every manager of each department has the responsibility to maintain this process. The Risk & Credit Manager Group will fulfill a supporting, facilitating and consolidating role in this process. The Risk & Credit Manager Group reports to both the CFO and the Audit Committee. The internal audit department focuses on risk management (RBIA: risk based internal audit).

In 2012, new workshops were introduced for all Belgian entities again, in order to further evaluate the risks, to determine risk tolerance and to define the subsequent risk treatment. Records are kept of this by means of a risk management information system that allows this information to be listed, observed and reported systematically.

A risk management process was started in France, Russia and Turkey. In these countries the risk registers concerned were drawn up, enabling the risks to be evaluated. The risk treatment process has been started and will be continued in 2013. Here too, the central risk management information system is used, providing the Risk & Credit Manager Group with a perfect overview of all risks within the Group, which can also be reported to the Executive Team and the Audit Committee.

In each foreign branch a local risk manager is appointed, who has to insure that the risk management process is continued locally. He has a supportive and facilitating role. Furthermore, this person is responsible for entering data in the central risk management information system. He reports directly to the Risk & Credit Manager Group.

### **Risk structure**

The risks that Deceuninck faces can be classified in eight categories:

- Strategic risks: macro-economic and financial circumstances, company image, political developments, image of PVC, legislative developments;
- Financial risks: exchange rate risk, liquidity risk, credit risk, interest risk;
- Operational risks: going concern risks, supply and prices of raw materials, incidents, safety, quality risks, volume, seasonality, energy;
- Social risks: the retention of employees, the search for employees, safety of people, motivation, work-life balance;
- Technological risks: introduction of new technologies, monitoring new technologies, available resources and knowledge;
- ICT risks: infrastructure, hardware, software, loss of data, cyber risk
- Business risks: evolution of the building activity, government grants, insulation requirements, market demand, trends, competition, quality requirements, standards, distribution channels, customer expectations, branding, communication, media;

- Environmental risks: pollution, recycling, environmental standards, communication regarding PVC, sustainability;
- Legal and regulatory risks such as product liability, intellectual property, warranty, legislation, contract management.

In the Risk Management Committee, it was decided to add ICT as a ninth separate risk group, given the importance of our information systems. For each risk in the Group 1 responsible person is assigned in the Risk Management Committee in order to coordinate all the risks.



The most relevant risks are highlighted below:

## Financial risks

The exchange rate risks, interest risks, credit risks and liquidity risks are further discussed in this report under Note 24.

## Market risks

The activities, operational results and financial position of Deceuninck are influenced by the level of activity in the residential construction sector. This activity highly depends on the general economic circumstances as well as on governmental stimuli of local authorities to encourage economic activity, particularly in residential construction. The withdrawal of such stimuli can have a significant impact on Deceuninck's sales. Deceuninck is active in new construction as well as the renovation market which results in a more spread risk. In a period of a weaker construction activity, we generally notice a shift from new construction to renovation.

A large part of Deceuninck's activities is seasonal, which can have a significant impact on working capital needs and cash flow. The demand for Deceuninck's products, and therefore the working capital needs, is the highest during the second and third quarter. Demand is at its lowest level during the first quarter and in the fourth quarter, as the winter period is less favorable for residential construction. Longer winter periods can negatively affect the demand, especially during the first quarter and particularly in Eastern Europe where the winter period is longer. Due to the wide geographical distribution of the markets where Deceuninck is active, this risk is also partially spread.

Deceuninck has actively expanded its sales and activities, including in emerging markets, which exposes the Company to additional risks. Deceuninck is active in over 75 countries. Although the geographical distribution is regarded as an asset, the financial results of the different entities can vary significantly, which can have an impact on the consolidated results of Deceuninck. Changes to an investment policy or shifts in the prevailing political climate in a country where Deceuninck is active or sells products could lead to the introduction of stricter government regulations. These might, for example, be with regard to price regulations, export and import, income taxes and other taxes, environmental laws, restrictions on foreign ownership, exchange rates and currency control, labour and social security policies.

## Operational risks

The profitability of Deceuninck is partially determined by changes in raw material purchasing prices, especially PVC-resins and additives, and by the sales prices Deceuninck can ask for its products and services. There is always a delay between changes in raw material prices and the changes in the sales prices of the products. This time difference is typical for the construction product market in general and is not specific to Deceuninck. Price increases cannot always be implemented due to competition in the market and competition with alternative materials such as aluminium and wood. The sales prices for large Customers are increasingly linked to the PVC index. There is a clear trend in increasing raw material prices, which also leads to continuous adjustment of sales prices. The margins are closely monitored using new reporting systems.

Deceuninck needs to assure continuous supply to its Customers. With the exception of coloured profiles, most profiles can be delivered immediately from stock. To be able to guarantee this continuity, it is necessary that Deceuninck does not have interruptions in its supply chain. External suppliers play an important role in this, but internal suppliers (compounds, tools, gaskets, etc.) also have to be considered as potential risk factors. These risks have been identified and are managed and monitored. Particular attention is given to business continuity in the event of supply chain problems.

The different business processes within Deceuninck are highly dependent on the availability of the IT systems. To protect this availability, a number of measures are in place regarding backups, physical access, power supply, fire detection, system redundancy and specialised assistance in case of disasters.

## Legal and compliance risks

Deceuninck is subject to various stringent and evolving laws, regulations and standards. Adapting to a changing regulatory environment or failure to comply with such laws, regulations and standards could have an adverse effect on its business, operational results or financial position.

Deceuninck may be faced with claims of infringement of others' intellectual property rights.

Deceuninck is subject to risks that result from product liability claims involving products it has manufactured.

In an international company, the individual actions of employees can lead to compliance breaches. This can adversely affect the image of the company, its activities and the value of its shares.

Through strict worldwide application of its Corporate Governance Charter and rigorous internal control, Deceuninck strives for maximum compliance worldwide with its Corporate Governance Charter and ethical code.

## MANAGEMENT REPORT

### *Building a sustainable home*

At Deceuninck we believe in Building a sustainable home, based on 3 pillars: Innovation – Ecology – Design

**Innovation** – PVC remains the most economical solution for best insulation. Deceuninck introduced the Zendow#neo window system. Deceuninck now offers a window system that substitutes traditional steel reinforcements with glass fibre and steel wire reinforcement, already built into the profile. This high technology Linktrusion® concept offers the best insulation at the lowest material consumption. “The greenest raw material is the one you do not consume”

Deceuninck North America increased the capacity for the production of its exclusive glass fibre Innergy® reinforcements, which substitutes aluminium for better insulation values.

**Ecology** – PVC continues to improve its ecological footprint. In October Deceuninck opened a new post-consumer rigid PVC recycling factory, adjacent to the existing compounding site in Diksmuide (Belgium). By integrating it within existing buildings, land, infrastructure and lab equipment, Deceuninck was able to limit the cash out for this investment to € 3 million. Building a similar 20,000 tonnes per annum factory as a greenfield would be valued at € 12 million. Deceuninck expects to fill the capacity by 2016. In Turkey, Egepen/Deceuninck launched Flora, a coextruded system which allows better reuse of recycled material.

**Design** – PVC windows now also become a true architectural solution for beautiful aesthetics in the home, school or office building. Ever more intricate wood surface decors and coated colours become available to the market. In 2012 Deceuninck invested in a new automated coating factory in Gits, Belgium. The new proprietary coating process produces profiles with a powder coated look on all four sides, which results in a window without any plastic visible. The new Omniral® coating offers the end consumer the look and feel of an aluminium window, but with the insulation values of a high quality PVC product. Omniral® was launched at Belgium's Batibouw, Brussels in February 2013.

Our core values, Candor, Top Performance and Entrepreneurship help us to achieve our mission.

Top Performance means:

- When confronted with a choice, we choose in the following order: **People** (Health and Safety), **Planet** (Environment and Ecological footprint), **Quality, Service, Profit** (& cost) **PPQSP**.
- Profit is essential to build a sustainable business.
- Performance ‘happens in every work place’ every day: in design, manufacturing, delivery, in front of the Customer; also after installation of the product in the home.



Deceuninck: finishing department



Twinson O'Terrace



Zendow Autentica

## People

*"We are here to build a sustainable 'home' for **our people** and **our Customers**. We build long lasting relationships and intimacy, based on our core values."*

Deceuninck Group believes in an organisation with a culture where people are proud to work for. Our people live the values of Candor, Top Performance and Entrepreneurship. Deceuninck aims to enable its people to do this to the best of their ability.

Various initiatives have been taken to increase creativity, cross-departmental communication, and an efficient time to market strategy for our newest products. The shift in organisation structure within teams has created new opportunities for internal mobility and talent development of our people. New talent was attracted to fill in any potential gaps in expertise.

Throughout the organisation, Deceuninck has continued to invest in its own level of candor towards its people. Internal communication tools were increasingly implemented towards both white collar workers and blue collar workers. Various steps were taken to simplify and give staff insight in HR procedures and decisions.

Furthermore, Deceuninck has a clear commitment to act with respect for people, society and environment as well as to create a safe, healthy and learning workplace for its employees. The Group showed a continued overall decrease of the accident frequency rate in 2012. The number of working days lost was reduced by 45% as compared to 2011, which resulted in a drastic drop of the level of seriousness of the reported accidents. The improved performance is the result of Deceuninck's persistent effort in this domain which is essential for the well being of Deceuninck's employees worldwide. On May 17, Deceuninck Ltd. received the Gold RoSPA (Royal Society for the Prevention of Accidents ) Award in recognition of its comprehensive health and safety policies and low number of accidents.

## Planet

*"We are here to help you build a home that is more **energy-efficient** to live in. We create long lasting, low maintenance **building products** with top insulating properties. Our products are created with the lowest ecological footprint and can be **fully recycled** at end of life."*

### Product and process innovation goes beyond energy efficiency

***The greenest raw material is the one that you do not consume.***

National building codes are gradually introducing stricter insulation and ventilation targets in order to meet European insulation legislation (EPBD - Energy Performance of Buildings) by 2020. New buildings are to be nearly zero energy buildings by 31 December 2020 with public buildings having to fulfil this standard two years earlier. Improving the energy performance of buildings is a cost-effective way of fighting against climate change and improving energy security, while also creating job opportunities, particularly in the building sector.

Plastics only use 4% of non-renewable oil and gas based fossil fuels. PVC uses less than 1%. 40% is used for heating buildings. Plastic building products are lightweight, require low maintenance and provide superior insulation. Plastic products save energy and reduce CO<sub>2</sub> emissions. In order to preserve natural resources Deceuninck is continuously developing PVC and composite products that drastically help reduce the energy that escapes from the building through windows and walls. PVC and PVC composite products are the most economical solution for insulation.

### At Deceuninck we believe that true sustainability goes beyond energy efficiency.

Deceuninck's latest window designs provide an improved energy performance at an ever lower weight. Deceuninck's latest product developments assure the best insulation at the lowest material consumption.

In 2010, Deceuninck launched Eforte on the Central European, Inoutic Platform. Eforte is the first 84mm PVC window system that meets passivhaus standards without additional insulating components and with standard steel reinforcement technology. With Eforte Deceuninck achieves passivhaus ratings at 10% lower PVC consumption. Taking into account lower material consumption and passivhaus insulation ratings, Inoutic Eforte is considered as one of the most sustainable window systems worldwide. At the Batimat Paris exhibition in 2011 and at Belgian Builders show, Batibouw in Brussels early January 2012, Deceuninck launched Zendow#neo: a new generation energy-efficient window system, meeting tomorrow's energy efficiency needs. Zendow#neo uses Linktrusion® technology. Linktrusion® has been developed to substitute badly insulating steel reinforcements in traditional PVC windows.

Linktrusion® links continuous glass fibre strips within the main profile extrusion. The Linktrusion® approach also led to the development of the Zendow thermal reinforcement, a reinforcement profile with steel wire, embedded in PVC foam extrusion.

[Zendow#neo offers 30% better insulation at up to 40% lower material consumption and is fully recyclable.](#)

In the US Deceuninck launched the rigid thermal reinforcement Innergy®. Innergy® is an exclusive glass fibre reinforcement, which substitutes the traditional aluminium reinforcements in PVC windows for better insulation values.

### **Deceuninck: No. 1 uPVC recycler in the Benelux**

On 17 October Deceuninck officially opened a new postconsumer rigid PVC recycling factory in Diksmuide (Belgium), adjacent to the existing 105,000 ton/year PVC compounding facility. By integrating it within existing buildings, land, infrastructure and lab equipment, Deceuninck was able to limit the cash out for this investment to € 3 million. Building a similar 20,000 tonnes per annum factory as a greenfield would be valued at € 12 million. PVC is a valuable material and should not end-up in a landfill or incinerator. Old dismantled windows can be returned to Deceuninck for recycling. For the collection and transport Deceuninck cooperates with public and private waste management companies, builders, window fabricators and installers within a radius of 500km including Northern France and Western Germany. Deceuninck expects to fill the capacity by 2016.

Deceuninck transforms 100% of recycled material into new window systems and building products. 50 years ago Deceuninck started designing 100% recyclable products. This investment guarantees a closed loop for all the products Deceuninck puts on the market: PVC, Twinson wood composite, as well as the newly launched glass fibre reinforced PVC. In 2012 the loop is closed.

In 2012, Deceuninck continued its support for Vinylplus ([www.vinylplus.eu](http://www.vinylplus.eu)). This is the successor to Vinyl 2010, the voluntary commitment of the PVC industry which ended in 2010. Among its most significant achievements was the establishment of an infrastructure for the annual collection and recycling of PVC, which prior to 2000 had been regarded by some NGOs as an unrecyclable material destined for landfill or incineration.

The VinylPlus commitment includes an ambitious set of sustainable development targets centred on five commitments:

- [Controlled Loop Management](#). Achieving a quantum leap in recycling rates of PVC (target 800,000 tonnes/year by 2020) and the development of innovative recycling technologies;
- Addressing concerns about organochlorine emissions;
- [Ensuring the sustainable use of additives](#);
- Enhancing energy efficiency and the use of renewable energy and raw materials in PVC production;
- Promoting sustainability throughout the whole PVC value chain.

The European Commission prefers voluntary commitments to regulation and encourages other industries to launch similar initiatives. On 22 June 2012 UN Secretary General Ban-Ki Moon acknowledged VinylPlus at the "Rio+20" UN conference on sustainable development. The PVC industry leads by example.

As a founding member of EPPA ([www.eppa-profiles.org](http://www.eppa-profiles.org)), through its contribution to the Vinyl Foundation, and by the active involvement of CEO Tom Debusschere, Deceuninck endorses the VinylPlus commitment.

Since October 2012 Deceuninck Recycling is EuCertplast certified. EuCertplast is a European wide certification programme for recyclers of postconsumer plastic waste. Deceuninck was one of the first PVC recyclers with an EuCertplast certification.





*Postconsumer PVC window collection with Deceuninck waste skips*



*Storage and sorting of postconsumer and postindustrial rigid PVC waste on site in Diksmuide (B)*



*Recycled PVC after grinding*

*In the executive summary the auditors state: "...We have been impressed by some remarkably well developed systems systems like the traceability system from the input waste to the recycled output, the training programs for the staff and management, the internal information system (DEPLIS), the technical equipment and the cleanliness of the site. This is quite outstanding in the world of the PVC waste recyclers..."*

#### **Reducing the ecological footprint of operational activities**

In November 2012 Deceuninck was awarded the ISO 14001 certificate for the compounding and recycling plant in Diksmuide by the Belgian body BCCA. The certificate is valid for three years. As a result both production sites in

Belgium (Gits and Diksmuide) are now ISO 14001 certified. Furthermore, the Belgian production site in Gits succeeded in renewing its "Charter Duurzaam Ondernemen" (Charter Sustainable Entrepreneurship).

ISO 14001 certification takes into account a number of prevention principles to limit or prevent the impact for people, the environment and the neighbourhood. The Plan-Do-Check-Act approach of ISO 14001 results in continuous improvements of the environment performance based on procedures and instructions. The Charter Sustainable Entrepreneurship is based on the "to measure is to know" principle and the implementation of concrete actions. In Turkey, both production sites concluded their ISO 14000 environmental audit successfully. All worldwide production sites further focussed on scrap reduction as well as reduced energy consumption.

## Quality

High quality products and services are Deceuninck's commitment to its Customer and to the final consumer. In order to guarantee this quality, most of Deceuninck's operational and corporate activities are ISO 9001 certified. Window and door systems and other building products have been certified and audited by most of the renowned quality certification bodies such as ATG, BBA, CSTB, IIP, ITB, KOMO, PEFC, RAL, STROITELSV, TSE and VHI.

## Service

The Group strives to either grow or build strong market positions in all markets where the Group is active.

### Sales support and branding

Deceuninck has a clear branding and platform strategy: Deceuninck as a brand and Zendow as a platform for North West and South West Europe; Inoutic as a brand and platform for Central Europe. With this strategic step, Deceuninck makes use of a "German brand" to serve the Central European markets. Consolidating to one product platform provides synergies, cost benefits and the basis to grow the market share in this region.

Further investments were made in corporate branding across the sales channels. By supporting its partners *Menuisiers Pêvécistes Deceuninck* (France), and *Winsa and Egepen Deceuninck* (Turkey) with sales materials, showroom displays, brochures, website templates (including dealer locator), media campaigns, etc., Deceuninck offers its partners high impact and high visibility for its outstanding products, while extending end consumers the Deceuninck guarantee.

In addition, the "Deceuninck Online" service offers significant added value to the fabricators and distributors. This application allows Deceuninck Customers to enter their orders and view product availability. Moreover, extra services are being added to increase the value to the Customer, such as technical data consultation, after sales service and the ordering of samples.

The Company aims at working in a real partnership with an outstanding service level.

### Co creation as a basis for product development

The Deceuninck Group considers innovation as one of the essential drivers for sustainable success.

During the product development process, Deceuninck focuses on continuous collaboration with its Customer base. This 'co-creation' contributes to an optimal result. Customers are an enormous source of product knowledge and expertise; therefore, their input and ideas have a significant added value.

## Profit

Profit is essential to build a sustainable business. In 2012 Deceuninck showed growth in sales and operating cashflow. Net profit in 2012 was € 4.2 million. Deceuninck succeeded in showing a net profit for the third year in a row in spite of a challenging economic environment and continued high raw material costs. The net financial debt at 31 December 2012 amounted to € 92.6 million compared to € 101.8 million on 31 December 2011. Shareholders' equity increased with € 8.3 million to € 214.2 million resulting in a 43.2% gearing.

The ability to sustain profits in challenging conditions, while continuing to make targeted investments, effectively strengthened confidence of Deceuninck's stakeholders.

In July 2012 Deceuninck entered into a € 140 million senior multicurrency term and revolving facilities agreement, which matures in July 2017. The refinancing well ahead of maturity date reflects the confidence of the banks in Deceuninck's sound financial position and its long term competitive power.

The new 5 year financing agreement replaces the existing long term credit facilities concluded in September 2009. These consisted of a syndicated bank facility, maturing in September 2013 and senior secured notes maturing in



*Zendow: Sillon de Bretagne*



*Zendow: Turkey*



*Zendow Authentica: Belgium*

September 2014. This facility was used for the early full repayment of the senior secured notes.

The € 140 million secured syndicated facility consists of a € 100 million multicurrency revolving credit facility and a € 40 million amortizing 3.5 year term loan. Deceuninck's operations in Turkey continue to be financed locally.

The 5 year agreement has been concluded with a group of 5 leading European financial partners: ING (Coordinator), BNP Paribas Fortis (Security Agent), KBC (Facility agent), Commerzbank and Banque LB Lux. Financial covenants are set to market standards.

Conditions have softened taking into account the stronger financial position of Deceuninck since the 2009 financial restructuring. The new agreement includes the possibility for Deceuninck to pay out dividends.

## *Deceuninck Group regional sales divisions*

Deceuninck sales activities are subdivided into 4 regions, namely Western Europe, Central and Eastern Europe, Turkey & Emerging Markets and the United States.

In all markets, energy-efficient construction and renovation continued to grow as an engine of the industry. PVC windows continued to offer "best value" for money.

Energy-efficient renovations were supported by stricter building regulations whereas government financial support packages were strongly reduced and in many countries, especially in Europe stopped as a result of increased government austerity measures.



Deceuninck estimates that 70% of consolidated sales originate from the residential renovation market segment. As the replacement of windows is not subject to building permits, activity in the sector is not always in line with official residential renovation statistics. Energy-efficiency and consumer confidence are the main drivers of the residential renovation market.

## Western Europe

Western Europe consists mainly of the markets in the Benelux, France, Italy, Spain and the United Kingdom.

Full year 2012 sales in Western Europe were € 193.7 million, a year-on-year decrease of 8.5% in line with the first half year 2012. Western Europe represents 35% of consolidated 2012 sales (2011: 39%). Sales were particularly weak in all countries of Southern Europe, France and in Holland. Sales in Belgium were stable.

Consumer confidence, which is an important indicator for renovation activity, was weak all through the year and deteriorated until October at its lowest level since the 2009 economic crisis. The withdrawal of some tax incentives supporting energy efficiency improvement and sovereign debt crisis preventing governments from launching stimuli to revive the economy impacted demand in all countries of the region. In all countries Deceuninck outperformed the market trend using innovation (Linktrusion®), ecology (recycling and energy efficiency) and design (colours) as a market differentiator.

Sales in Belgium were stable. Residential newbuild and renovation building permits dropped year on year. Against the market trend volume sold of PVC window systems increased slightly as a result of the start-up of new window fabricators and the success of innovative products such as Zendow#neo using Linktrusion® technology. Also the new preframe which meets latest airtight installation requirements contributed to the success.

In October Deceuninck Belux organized its Customer Days. 130 Customers signed up for the Preferred Partnership. A Preferred Partnership is a commitment to produce and install according to the quality specifications developed by Deceuninck. For the audits of the preferred partners Deceuninck cooperates with KIWA, as an independent auditor. The partners particularly appreciated the new E-bizz strategy which digitally links Deceuninck's Preferred Partners with prospects that are generated via Deceuninck's marketing activity.

In Holland sales were weak on the back of very weak building market indicators. Both residential newbuild and renovation activity dropped substantially as a result of the economic downturn and lack of government incentives.

The UK window market further deteriorated in 2012 which resulted in a continued consolidation of both window manufacturers and window system suppliers. Against this market trend Deceuninck's UK organisation succeeded in growing its window business using colour and aesthetics as a differentiator.

Deceuninck's activities in France have been affected by the slowdown of the residential newbuild and renovation markets as consumers have limited their spending to increase their energy savings. According to the Federation Française de Bâtiment (FFB) newbuild activity decreased by 25% in comparison with 2011. The number of windows sold in France has gone below 10 million units.

Deceuninck's strong market position in France supported by the unique and vast color offering resulted in competitive wins and an improved market share. New successful product launches in the window segment (Zendow#neo with thermal reinforcements) and building products (such as new wood composite profiles for fencing and decking) enabled Deceuninck to partly offset the market decline.

Deceuninck France further implemented the mission “Building a sustainable home”. Zendo#neo offers 40% improved insulation performance at 30% lower material consumption. With the start of Deceuninck Recycling in Diksmuide, situated near the French border, Deceuninck France now offers a recycling solution for postindustrial and postconsumer waste of rigid PVC products and as a result closes the loop of the products it is bringing to the market.

Market conditions continued to deteriorate in Spain. The cost structure of the local Spanish organisation has been adapted to the changed economic environment. Due to the lack of liquidity in the consumer market customer credit is monitored strictly.

In Italy Deceuninck's sales have been affected by the economic crisis. As in Spain marketing in Italy focuses on the unique product and colour offering to strengthen the market position and achieve competitive wins.

## Central and Eastern Europe

In 2012 Deceuninck's geographical footprint in Central & Eastern Europe remained unchanged. Deceuninck is active in nearly all countries with a local sales organization supported by local logistics and operational activities in Germany, Poland, Russia and Czech Republic.

Full year sales 2012 in the region increased 6.0% to € 171.7 million (2011: € 161.9 million) to represent 31% of consolidated 2012 sales (2011: 30%). Sales growth continued all through the year, with solid growth in Russia and in nearly all countries of the Baltic and Balkan region. Volume remained more or less stable in all other countries in spite of a weakening macro-environment and increased government austerity measures. Sales in Russia - the most important market of the region - exceeded the plan. The Russian market clearly recovered from a dip in 2011. Market share gain as a result of competitive wins and new Customers supported the sales growth. A favourable impact of the Russian ruble was partly offset by a negative impact of most other currencies.

In 2011 Deceuninck launched the “one brand, one product” strategy for Central Europe. The implementation was continued throughout the year 2012 and finalized by the end of 2012. As such all Customers in Germany, Poland, Czech Republic, Slovak Republic and Hungary have consolidated to one platform, the Inoutic window system platform, without the loss of one single Customer.

All legal entity names in Central Europe were renamed into Inoutic/Deceuninck. In March 2012 Inoutic/Deceuninck presented itself for the first time as the one brand and one product platform for Central Europe at the renown bi-annual international trade fair Fensterbau/Frontale in Nürnberg. The Eforte window system is the premium brand of the region and is highly appreciated by the market. Eforte was the first PVC window to obtain passive house insulation values with a 84mm built-in depth using traditional steel reinforcement.

## Turkey & Emerging Markets

Full year 2012 sales increased 16.0% to € 123.0 million (at constant exchange rates: + 15.6%). Turkey represents 22% of consolidated Group sales compared to 20% in 2011. Sales growth on the domestic Turkish market continued to be solid. The competitive wins of 2011 and 2012 in a flat domestic market resulted in an increased market share.

Turkey's product portfolio was completed with the Flora window system, an economic window system aimed at the growing segment of sales through distributors. Simultaneously the Turkish organisation introduced the Dorado Gold and Gold Shield (external click on aluminium covers) window system at the high end of the market segment. Both systems offer superb energy efficient values and allow the windows to blend in with the aluminium façade systems that are commonly used in big new construction projects.

Sales into export markets represented nearly 10% of the total 2012 sales for the region Turkey. Sales growth was driven by both volume growth and increasing share of coloured windows. Sales developed favourably in India, South America, North Africa and the Middle East. In India Deceuninck established a new warehouse in July 2012. Export sales were supported by the launch of a new sliding window system. A sliding window is a very popular window type in the markets of the southern hemisphere. The low cost basis, the availability of highly skilled people and a suitable product offering allows the Turkey division to become the export hub of Deceuninck.

## United States

Full year 2012 sales increased 21.2% to € 68.6 million (at constant exchange rates: + 10.2%). Sales at Deceuninck North America (DNA) represent 12% of 2012 consolidated sales.

The US economy remained somewhat fragile which continued to impact the housing market. New construction experienced some growth, while repair and remodelling (R & R) activity remained relatively flat. In spite of improved builder confidence, the US housing market was impacted by uncertainty in the US and global markets.

Deceuninck North America's sales growth is the result of new window Customer acquisition as a result of DNA's value proposition and new product launches, such as Innergy® meeting the latest stricter energy requirements. This demand is driven in part by government energy improvement programs including Energy Star, and code requirements for higher structurally performing windows in various parts of the country.

Product launches featured in 2012 were aligned along the Deceuninck pillars of "Innovation, Ecology and Design." Innovation included the launch of the Genius™ window system, an interlinked dual sash window that enables thermal performance values exceeding U values of 0.071 Btu/hr.ft².°F (R-14) with standard glazing technology. There was further market expansion of Innergy®, the rigid thermal reinforcement. Innergy® reinforcements are advanced fibre glass reinforced resin inserts, designed to slide easily into window and door frame chambers for improved support and insulation. Innergy® is the result of collaboration with Bayer MaterialScience LLC as part of an exclusive agreement between Bayer and Deceuninck. As far as ecology is concerned, Deceuninck North America became GreenCircle Certified for closed loop products, illustrating a commitment to sustainability and use of recycled materials.

Deceuninck North America expanded its impact window offering with a new impact window to address the market need for additional styles in the high wind pressure and storm resistant window market segment.

Finally DNA rebranded its cellular PVC decking product to Clubhouse™.

## CHARACTERISTICS OF DECEUNINCK SHARES

### Number of shares

The Company capital (42,495,000 euro) is represented by 107,750,000 shares. Deceuninck holds 217,121 of its treasury shares, as at 29 March 2013.

### Types of shares

In total 88,871,038 dematerialised shares, 18,856,292 registered shares and 22,670 bearer shares have been issued.

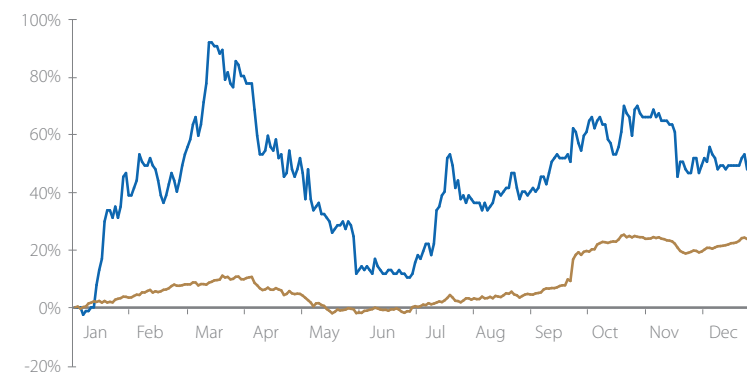
The bearer shares that are registered in a security account have been converted by right on 1 January 2008, and exist since that date exclusively in a dematerialised form. The other bearer shares, to the extent that they are registered in a security account as of 1 January 2008, will also be dematerialized automatically. Bearer shares that are not registered in a security account will be converted by right into dematerialized shares on 1 January 2014.

For any conversion of shares into dematerialised shares and vice versa, please contact the Legal Department of Deceuninck NV, Bruggesteeweg 164, B-8830 Hooglede-Gits.

## SHAREHOLDERS POLICY AND DIVIDENDS

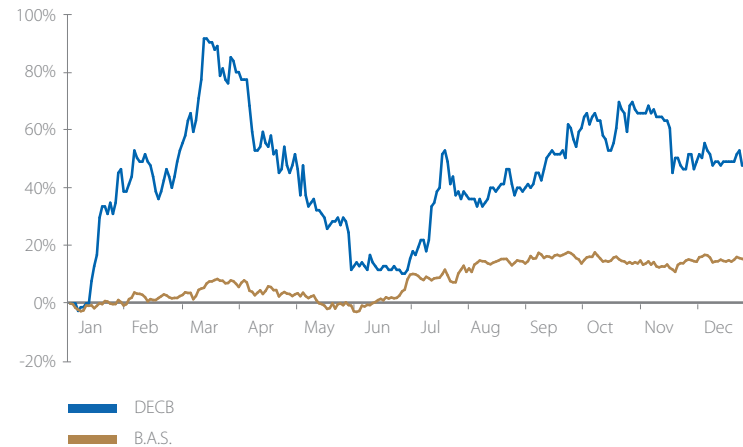


DECB



DECB

BELSMALL



## Quotation on the stock exchange – stock exchange index

Deceuninck shares are listed under the code DECB and are traded on the Continuous segment of Euronext Brussels. On 16 March 2012 DECB moved from the BELMID to the BELSMALL index.

On 30 November 2012 DECB moved from the MSCI Europe Small Cap Index to the MSCI Belgium Micro Cap Index. The MSCI (Morgan Stanley Capital International) is a commercial New York based equity index with operations worldwide.

## Stock market information

The closing price of Deceuninck shares on 31 December 2012 was 1.16 euro. Deceuninck adheres strictly to the Belgian regulation relating to financial information, which must be provided to Euronext and the Financials Services and Markets Authority (FSMA).

## Evolution of the Deceuninck share price

The price of the Deceuninck share increased from 0.73 euro on 30 December 2011 to 1.16 euro on 31 December 2012. The average price in 2012 was 1.12 euros. The lowest price was 0.75 euro on 5 January 2012 and the highest price was 1.48 euro on 12 March 2012.



## Dividends

At the General Shareholders Meeting scheduled on 14 May 2013, the Board of Directors will recommend not to pay a dividend for the financial year 2012.

### Financial calendar 2013

29	March	2013	2012 annual report online <a href="http://www.deceuninck.com">www.deceuninck.com</a>
14	May	2013	Q1 2013 trading update
14	May	2013	Annual Shareholders meeting at 11 am
23	July	2013	2013 half-year results
24	October	2013	Q3 2013 trading update

## Institutional investors and financial analysts

Deceuninck has continuously and consistently informed the financial community about the evolution of the Company. Press releases with the annual results, half year results and interim statements were issued at scheduled intervals before stock exchange opening and published on the Investor Relations page of the website ([www.deceuninck.com](http://www.deceuninck.com)).

Institutional investors at home and abroad were informed by Deceuninck during one-to-one meetings, as well as in group meetings. Deceuninck participated in road shows and mid and small cap conferences in Brussels, and Paris. Opportunities were offered to institutional investors to meet or set up conference calls with the CEO and CFO at the head offices in Hooglede-Gits. Retail investors had the opportunity to inform themselves at the Deceuninck stand, during the retail investor events of the VFB (Flemish Federation of Investment Clubs and Investors), which took place in April and October.

## Investor relations

Investors, shareholders or others who wish to receive financial information, can contact:

Investor Relations Department  
Bruggesteeweg 164  
B-8830 Hooglede-Gits (Belgium)  
[ludo.debever@deceuninck.com](mailto:ludo.debever@deceuninck.com)

In addition, it is also possible to register via the Investor Relations page of the website at [www.deceuninck.com](http://www.deceuninck.com)

### Introduction

This annual report needs to be read in conjunction with the audited consolidated financial statements of Deceuninck Group, referred to as the Group, and the notes to the financial statements. These audited consolidated financial statements were determined by the Board of Directors on 12 February 2013.

### 2012 Results

#### Sales

*Sales evolved from 536.1 million euro in 2011 to 556.9 million euro in 2012, an increase of 20.8 million euro or 3.9%. In volume, sales increased by 9.7 million euro or 1.8%. Sales volume developed favourably in the US, Russia and Turkey. The strengthening of mainly the US dollar, Turkish lira, British Pound sterling and Russian ruble increased sales by 7.3 million euro or 1.4%. Mixeffect resulted in an increase of 0.7%.*

#### EBITDA

*EBITDA increased 3.5% to 50.0 million euro (48.3 million euro in 2011). EBITDA-margin remained stable at 9.0% of sales, through continued control of fixed costs.*

#### Net profit

*In 2012, net profit amounted to 4.2 million euro or 0.8% of sales, compared to 6.3 million euro or 1.2% of sales in 2011. Net profit decreased to 4.2 million euro, mainly due to the impact of a strengthening US dollar during the first half year on the repaid US dollar denominated loans, higher taxes and bad debt provisions.*

#### Working capital

*Working capital decreased from 119.2 million euro on 31 December 2011 to 116.4 million euro on 31 December 2012. Inventories were 6.2 million euro lower as compared to 31 December 2011 thanks to strict working capital management. Trade receivables increased 1.5 million euro as a result of changed geographical footprint and regional differences in payment terms. Days outstanding (DSO) improved year-on-year thanks to continued strict credit monitoring policy. The operational working capital on 31 December 2012 was 17.6% of sales as compared to 18.2% on 31 December 2011.*

## Capital expenditure

*Capital expenditures (capex) in 2012 increased year-on-year by 1.6 million euro to 23.5 million euro (21.9 million euro in 2011) mainly driven by innovations and investments towards the long term strategy "Building a sustainable home".*

*Operational capex amounted to 11.7 million euro; 6.5 million euro was spent on new tools.*

*Exceptional capex amounted to 5.3 million euro, which include further spending on the start-up of the postconsumer rigid PVC recycling factory in Diksmuide (B) and the new automated line for Omniral® full coat in Gits (B).*

## Net debt

*The net debt at 31 December 2012 amounted to 92.6 million euro compared to 101.8 million euro on 31 December 2011. A positive cash generation and a favourable decrease of working capital was partly offset by higher capex spending.*

## Equity

*Shareholders' equity increased with 8.3 million euro to 214.2 million euro mainly due to a positive net result and a positive impact of CTAs (Currency Translation Adjustments), mainly on Turkish lira and Polish zloty.*

*Gearing was 43.2% at 31 December 2012 against 49.4% at 31 December 2011.*

## Market risk management

*For an analysis of the Group risk management, see Note 24 of the consolidated financial statements.*

## Research & Development

Group wide R&D activities are managed by Technology. Technology is one of the essential drivers for Deceuninck's successful translation of the vision "Building a sustainable home. Innovation – Ecology – Design".

Technology links product innovation and product requirements in the organization. It develops appropriate and cost efficient manufacturing processes, materials and tools and promotes their standardisation in the production plants.

Technology activity in 2012 firstly focussed on a further optimization and widening of product applications using the linktrusion® technology. Linktrusion® was launched as a new technology platform in 2011 and refers to Deceuninck's unique approach in the development of new technologies and materials. It is the platform where different materials and technologies can be combined into 1 single multi-component extrusion. Linktrusion® allows to develop more efficient products by integrating more functionalities and to develop dedicated solutions for each specific application. Zendow#neo is the first application of the platform. In Zendow#neo Linktrusion® is the combination of glass fibre reinforced PVC profiles and a reinforcement profile with steel wire, embedded in PVC foam extrusion with 30% improved insulation performance.

Secondly Technology finetuned its recycling capabilities through the installation of a new postconsumer rigid PVC recycling line in Diksmuide. Deceuninck has developed its own recycling activities to guarantee a closed loop for all the materials and products the company puts on the market: PVC, Twinson wood composite, as well as the newly launched glass fibre reinforced PVC. The reground material, which is sorted out by various sorting techniques, re-enters the product loop as a new raw material, replacing virgin material, to produce new window and door profiles, outdoor living, roofline and cladding and interior products.

Thirdly Technology concentrated on the development of a new water based coating technology, which Deceuninck plans to bring to the market in early 2013 under the brand name Omniral®. Omniral® windows are coated in a unique patented process that is fully automated and applies a water based coating on all 4 sides of a PVC window profile.

## *Events after the balance sheet date*

Please refer to Note 25 of the consolidated financial statements.

## *Other circumstances*

Besides the circumstances included in the paragraph on the market risk management, no other circumstances should be disclosed that had a significant influence on the Group's situation.

## Deceuninck Group: key figures<sup>1</sup>

Consolidated income statement (in millions of euro)	2008	2009	2010	2011	2012
Sales	629.9	506.4	557.8	536.1	556.9
EBITDA	30.4	20.9	57.3	48.3	50.0
EBITDA-margin (%)	4.8%	4.1%	10.3%	9.0%	9.0%
REBITDA	32.8	45.0	57.7	49.4	51.1
REBITDA-margin (%)	5.2%	8.9%	10.4%	9.2%	9.2%
EBITA	-15.0	-11.3	24.4	22.3	20.7
EBITA-margin (%)	-2.4%	-2.2%	4.4%	4.2%	3.7%
EBIT	-23.2	-11.3	24.4	22.3	20.7
EBIT-margin (%)	-3.7%	-2.2%	4.4%	4.2%	3.7%
EBT	-39.9	-25.5	9.4	8.3	8.0
EBT-margin (%)	-6.3%	-5.0%	1.7%	1.5%	1.4%
Net profit (+) / loss (-)	-37.4	-16.9	8.5	6.3	4.2
Net profit (+) / loss (-)-margin (%)	-5.9%	-3.3%	1.5%	1.2%	0.8%
Earnings per share (in euro)	-1.75	-0.16	0.08	0.06	0.04

Consolidated statement of financial position (in millions of euro)	2008	2009	2010	2011	2012
Non-current assets	269.7	248.6	237.6	226.5	226.4
Current assets	249.9	221.2	233.8	217.3	210.5
Equity	137.1	197.4	212.0	205.9	214.2
Long-term provisions	15.9	18.7	21.2	20.8	22.0
Deferred tax liabilities	11.1	5.0	5.1	3.9	3.9
Long-term interest-bearing loans	0.1	129.9	93.6	93.4	37.3
Current liabilities	355.4	118.8	139.5	119.8	159.6
Balance sheet total	519.6	469.8	471.4	443.7	436.9
Working capital	78.1	99.5	111.1	119.2	116.4
Capital expenditure (capex)	35.4	16.0	15.6	21.9	23.5
Net debt	163.3	112.5	100.7	101.8	92.6
Equity / Balance sheet total (%)	26.4%	42.0%	45.0%	46.4%	49.0%
Net profit (loss)/Equity (%)	-27.3%	-8.6%	4.0%	3.1%	2.0%
Gearing (%)	119.1%	57.0%	47.5%	49.4%	43.2%

Headcount (FTE)	2008	2009	2010	2011	2012
Total Full Time Equivalents (FTE)	3,127	2,816	2,821	2,735	2,665

(1) Definitions: see Glossary p.120

## CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

### Deceuninck consolidated income statement

For the 12 month period ended on 31 December (in thousands of euro)	Notes	2011	2012
<b>Sales</b>		<b>536,129</b>	<b>556,914</b>
Cost of goods sold	3	-381,102	-397,026
<b>Gross profit</b>		<b>155,027</b>	<b>159,888</b>
Marketing, sales and distribution expenses		-88,139	-92,132
Research and development expenses		-5,782	-6,044
Administrative and general expenses		-38,808	-38,618
Other net operating result	3	17	-2,407
<b>Operating profit (EBIT)</b>		<b>22,315</b>	<b>20,687</b>
Financial charges	3	-27,795	-21,769
Financial income	3	13,788	9,059
<b>Profit before taxes</b>		<b>8,308</b>	<b>7,977</b>
Income taxes	4	-1,960	-3,735
<b>Net profit</b>		<b>6,348</b>	<b>4,242</b>
<b>The net profit is attributable to:</b>			
Shareholders of the parent company		6,210	4,038
Non-controlling interest		138	204
<b>Earnings per share distributable to the shareholders of the parent company (in euro)</b>			
Normal earnings per share		0.06	0.04
Diluted earnings per share		0.06	0.04

## Deceuninck consolidated statement of comprehensive income

For the 12 month period ended on 31 December (in thousands of euro)	2011	2012
<b>Net profit</b>	<b>6,348</b>	<b>4,242</b>
<b>Other comprehensive income (+) / loss (-)</b>		
<b>Currency translation adjustments</b>	<b>-12,615</b>	<b>3,829</b>
Loss on financial instruments	0	-150
Income tax effect	0	51
<b>Loss on financial instruments after tax impact</b>	<b>0</b>	<b>-99</b>
<b>Other comprehensive income (+) / loss (-) after tax impact</b>	<b>-12,615</b>	<b>3,730</b>
<b>Total comprehensive income (+) / loss (-)</b>	<b>-6,267</b>	<b>7,972</b>
<b>Is attributable as follows:</b>	<b>2011</b>	<b>2012</b>
Shareholders of the parent company	-6,177	7,712
Non-controlling interest	-90	260

## Deceuninck consolidated statement of financial position

Position at 31 December (in thousands of euro)	Notes	2011	2012
<b>Assets</b>			
Intangible fixed assets	6	3,428	3,030
Goodwill	7	10,806	10,817
Tangible fixed assets	8	193,180	194,421
Financial fixed assets	9	1,433	1,582
Deferred tax assets	4	16,209	15,522
Long-term receivables	10	1,412	1,048
<b>Non-current assets</b>		<b>226,468</b>	<b>226,420</b>
Inventories	11	77,809	71,572
Trade receivables	12	99,227	100,694
Other receivables	12	7,548	6,622
Cash and cash equivalents	13	24,443	23,211
Fixed assets held for sale	14	8,239	8,395
<b>Current assets</b>		<b>217,266</b>	<b>210,494</b>
<b>Total assets</b>		<b>443,734</b>	<b>436,914</b>
<b>Equity and liabilities</b>			
Issued capital	15	42,495	42,495
Share premiums	15	46,355	46,355
Consolidated reserves		147,480	151,806
Other reserves		0	-99
Treasury shares	15	-261	-261
Currency translation adjustments	15	-31,520	-27,747
<b>Equity excluding non-controlling interest</b>		<b>204,549</b>	<b>212,549</b>
Non-controlling interest		1,376	1,636
<b>Equity including non-controlling interest</b>		<b>205,925</b>	<b>214,185</b>
Interest-bearing loans	18	93,361	37,326
Long-term provisions	16,17	20,805	21,980
Deferred tax liabilities	4	3,890	3,853
<b>Non-current liabilities</b>		<b>118,056</b>	<b>63,159</b>
Interest-bearing loans	18	32,907	78,486
Trade debts	19	57,817	55,900
Tax liabilities		5,963	4,630
Employee related liabilities		13,357	11,582
Short-term provisions	16,17	3,784	3,266
Other liabilities	19	5,925	5,706
<b>Current liabilities</b>		<b>119,753</b>	<b>159,570</b>
<b>Total equity and liabilities</b>		<b>443,734</b>	<b>436,914</b>



## Deceuninck consolidated statement of changes in equity

In thousands of euro	Issued Capital	Share premiums	Con-solidated reserves	Treasury shares	Currency translation adjust-ments	Total equity attributable to shareholders of the parent company	Non-con-trolling interest	Total
<b>Balance per 31 December 2010</b>	<b>42,495</b>	<b>46,355</b>	<b>141,495</b>	<b>-651</b>	<b>-19,134</b>	<b>210,560</b>	<b>1,466</b>	<b>212,026</b>
Net profit			6,210			6,210	138	<b>6,348</b>
Other comprehensive income (+) / loss (-)					-12,387	-12,387	-228	<b>-12,615</b>
<b>Total comprehensive income (+) / loss (-)</b>	<b>0</b>	<b>0</b>	<b>6,210</b>	<b>0</b>	<b>-12,387</b>	<b>-6,177</b>	<b>-90</b>	<b>-6,267</b>
Revaluation treasury shares			-391	391		0		<b>0</b>
Share-based payments			166			166		<b>166</b>
<b>Balance per 31 December 2011</b>	<b>42,495</b>	<b>46,355</b>	<b>147,480</b>	<b>-261</b>	<b>-31,520</b>	<b>204,549</b>	<b>1,376</b>	<b>205,925</b>

In thousands of euro	Issued Capital	Share premiums	Con-solidated reserves	Other reserves	Treasury shares	Currency translation adjust-ments	Total equity attributable to shareholders of the parent company	Non-con-trolling interest	Total
<b>Balance per 31 December 2011</b>	<b>42,495</b>	<b>46,355</b>	<b>147,480</b>	<b>0</b>	<b>-261</b>	<b>-31,520</b>	<b>204,549</b>	<b>1,376</b>	<b>205,925</b>
Net profit			4,038				4,038	204	<b>4,242</b>
Other comprehensive income (+) / loss (-)				-99		3,773	3,674	56	<b>3,730</b>
<b>Total comprehensive income (+) / loss (-)</b>	<b>0</b>	<b>0</b>	<b>4,038</b>	<b>-99</b>	<b>0</b>	<b>3,773</b>	<b>7,712</b>	<b>260</b>	<b>7,972</b>
Share-based payments			288				288		<b>288</b>
<b>Balance per 31 December 2012</b>	<b>42,495</b>	<b>46,355</b>	<b>151,806</b>	<b>-99</b>	<b>-261</b>	<b>-27,747</b>	<b>212,549</b>	<b>1,636</b>	<b>214,185</b>

## Consolidated statement of cash flows Deceuninck

Ending on 31 December (in thousands of euro)	Notes	2011	2012
<b>Operating activities</b>			
Net profit		6,348	4,242
Depreciations on (in)tangible fixed assets	6,8,14	24,872	23,635
Impairments on (in)tangible fixed assets	6,8,14	714	1,344
Provisions for pensions, restructuring and other risks & charges		-688	1,740
Impairments on current assets		1,042	2,595
Net financial charges	3	14,006	12,710
Profit on sale of tangible fixed assets	3	-174	-121
Loss on sale of tangible fixed assets	3	267	93
Income taxes	4	1,960	3,735
Share-based payment transactions settled in equity		166	288
<b>Cash flow from operating activities before movements in working capital and provisions</b>		<b>48,513</b>	<b>50,261</b>
Decrease/(increase) in trade and other receivables		622	-2,314
Decrease/(increase) in inventories		-13,512	7,998
Increase/(decrease) in trade debts		-1,623	-2,383
Decrease/(increase) in other non-current assets		259	-24
Decrease/(increase) in other current assets		-696	-917
Increase/(decrease) in other non-current liabilities		-1,443	-1,002
Increase/(decrease) in other current liabilities		570	-3,109
<b>Cash flow generated from operating activities</b>		<b>32,690</b>	<b>48,510</b>
Interest received		1,209	1,271
Income taxes paid		-4,357	-4,385
<b>Cash flow from operating activities</b>		<b>29,542</b>	<b>45,396</b>
<b>Investing activities</b>			
Cash receipts on sale of tangible fixed assets		705	447
Purchases of tangible fixed assets	8,14	-21,783	-23,426
Purchases of intangible fixed assets	6	-99	-99
Other transactions		-123	-147
<b>Cash flow from investing activities</b>		<b>-21,300</b>	<b>-23,225</b>

<b>Financing activities</b>			
New long-term debts	18	0	51,812
Repayments of long-term debts	18	-23,955	-94,943
Net short-term debts	18	753	58,798
Repayments of short-term debts	18	0	-30,770
Interest paid		-7,891	-8,477
Other financial items		6,156	-75
<b>Cash flow from financing activities</b>		<b>-24,937</b>	<b>-23,655</b>
<b>Net increase (+) / decrease (-) in cash and cash equivalents</b>		<b>-16,695</b>	<b>-1,484</b>
<b>Cash and cash equivalents as per 1 January</b>	13	<b>43,856</b>	<b>24,443</b>
Impact of exchange rate fluctuations		-2,718	252
<b>Cash and cash equivalents as per 31 December</b>	13	<b>24,443</b>	<b>23,211</b>

## Notes

### 1. Significant accounting principles

The consolidated financial statements have been prepared in accordance with the "International Financial Reporting Standards" (IFRS), as endorsed by the European Union. The consolidated financial statements were determined by the Board of Directors on 21 February 2013. They can still be modified until the General Meeting of Deceuninck NV takes place, which is scheduled to be held on 14 May 2013.

#### Basis of presentation

The consolidated financial statements are presented in thousands of euro, unless noted otherwise. These statements have been prepared on the basis of the historic cost price method, except for the valuation of the fair value of derivatives and of

financial fixed assets held for sale. The consolidated financial statements present the financial position on 31 December 2012. They have been prepared prior to the distribution of profits proposed by the parent company at the General Meeting of Shareholders.

#### Consolidation principles

The consolidated financial statements include the individual financial statements of Deceuninck NV and its subsidiaries ("the Group"). A subsidiary is understood to be an entity in which Deceuninck NV holds, either directly or indirectly, more than half of the shares with voting rights, or whose activities are, either directly or indirectly, controlled by Deceuninck NV. The acquisition of subsidiaries is accounted for under the acquisition method. The annual reporting date of subsidiaries is identical to that of the parent company. The same valuation principles apply to their financial statements.

Associated companies are companies in which Deceuninck NV exercises, either directly or indirectly 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 the significant influence begins until the date it ends. If the Group's share in the losses exceeds the carrying value of the associated company, then this value is reduced to zero and the losses exceeding this amount are not recognized, except when the Group has contractual obligations relating to this company. On 31 December 2011 and 31 December 2012, the Group does not own any associated companies. A list of the subsidiaries of Deceuninck NV is disclosed in Note 27 of these financial statements.

### **Use of estimates and assumptions**

In order to produce the annual financial statements in accordance with the IFRS standards, management has to use a number of estimates and assumptions, that have an impact on the amounts disclosed in the financial statements. The estimates made on the reporting date reflect the existing conditions on this date, such as market prices, interest rates and foreign exchange rates.

Even though management makes these estimates based on its best possible knowledge of current business transactions, and of the transactions the Group may undertake, the actual results can vary in relation to these estimates.

#### **Use of assumptions**

In accordance with the Group's accounting principles, the following assumption has been made:

#### *Provision for early retirement*

The Company considers it has a constructive obligation, and that the existing collective labour agreement will be renewed on an ongoing basis.

#### **Use of estimates**

The most important estimates that are likely to have a significant influence on the net carrying value of assets and liabilities for the coming year relate to:

#### *Impairment of goodwill*

Goodwill relating to business combinations is assessed on an annual basis by means of 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 7.

#### *Employee benefits – Pension schemes*

The costs of the granted pension schemes and the current value of the pension obligations are determined on the basis of an actuarial calculation. The actuarial calculation uses assumptions with regard to the discount rate, expected yield of the pension funds, future increases in compensation, mortality tables and future increases in pensions. All the assumptions are reassessed on the reporting date. Further details with regard to these assumptions are documented in Note 16.

#### *Employee benefits - Share-based payments*

The Group values the cost of the stock option plans granted to employees on the basis of the actual value of the instruments, on the date they are granted. The estimation of the fair value of compensations in shares requires an adapted valuation model, which depends on the condition under which the grant is made. The valuation model also requires adapted input data, such as the expected life of the option, the volatility of the share price and the dividend yield. The assumptions and the valuation model used for the estimation of the actual value of compensations in shares are explained in Note 20.

#### *Deferred tax assets*

Deferred tax assets related to tax losses carry forward are only recognized if it is probable that sufficient taxable profits will be generated in the future. Significant estimates are required from management in order to determine the amount of the deferred tax assets, based on the time period and the level of future taxable profits. More details on this subject are provided in Note 4.

## Foreign currencies

### Transactions in foreign currencies

The Group's reporting currency is the euro. Transactions in foreign currencies are accounted for using the end of month exchange rate (exchange rate determined by the European Central Bank (ECB) on the last day of the preceding month).

Monetary assets and liabilities in foreign currencies are converted using the ECB exchange rate on the balance sheet date. Profits and losses resulting from foreign currency to euro and the conversion of monetary assets and liabilities into foreign currencies, are recognized in the consolidated income statement as operating result or financial result, depending on the nature of the transaction. Non-monetary assets and liabilities are converted to euro using the historic exchange

rate (exchange rate applicable for that month in which the transaction occurs). Assets and liabilities from foreign subsidiaries are converted to euro on balance sheet date, using the ECB exchange rates applicable on that date. The income statements of foreign subsidiaries are converted into euro at annual exchange rates, which approximate the exchange rates applicable on the transaction date. The components of equity are converted at their historic exchange rate. Exchange rate differences, caused by the conversion of equity into euro at the closing rate applicable on the balance sheet date, are disclosed as "Currency translation adjustments" under the heading "Equity".

### Exchange rates

The following exchange rates were used when preparing the financial statements:

1 euro is equal to	Closing rate 31/12/2011	Closing rate 31/12/2012	Average rate 31/12/2011	Average rate 31/12/2012
USD	1.2939	1.3194	1.3917	1.2856
GBP	0.8353	0.8161	0.8678	0.8111
PLN	4.4580	4.0740	4.1187	4.1843
CZK	25.7870	25.1510	24.5890	25.1457
RUB	41.6714	40.2286	40.8797	39.9238
HRK	7.5370	7.5575	7.4384	7.5213
BGN	1.9558	1.9558	1.9558	1.9558
THB	40.9910	40.3470	42.4247	39.9436
RON	4.3233	4.4445	4.2386	4.4581
LTL	3.4528	3.4528	3.4528	3.4528
TRY	2.4438	2.3517	2.3351	2.3145
AUD	1.2723	1.2712	1.3482	1.2413
INR	NA	72.5600	NA	68.6295
RSD	106.8000	113.7183	102.2642	113.3666
BAM	1.9558	1.9558	1.9558	1.9558

## Intangible fixed assets other than goodwill

### Patents and licenses

Expenditure for acquired patents and licenses are capitalized at their cost price, reduced by the cumulative amortization and impairment, and are subsequently amortized over their estimated useful life using the straight-line method, or over the term of the contract, if this should be shorter. The useful life is usually estimated at 3 years. The useful life of patents recognized in North America is estimated at 15 years.

### Research and development

Research expenditure, incurred with the purpose of acquiring new scientific or technological knowledge, is included in the income statement. The cost of development activities, for which the results are applied in a plan or a design for the production of new or substantially improved products and processes, are capitalized if and only if all the criteria defined in IAS 38 are met. Such capitalized costs include directly attributable costs of creating, producing or making ready for use assets (such as raw materials, direct labour costs and a part of the overhead costs that are directly attributable), less the accumulated amortization and impairment. These costs are currently amortized on a straight-line basis over their estimated useful life of 5 years.

### Subsequent expenditures

Expenditures relating to intangible fixed assets, subsequent to their purchase or completion, are only capitalized if they increase the future economic benefits specific to the asset they relate to. All other expenditures are considered as costs.

## Goodwill

Goodwill is the positive difference between the cost of the business combination and the share of the Group in the fair value of the acquired identifiable net assets of a subsidiary or associated company at the moment of acquisition. Goodwill is not amortized, but is subject to an annual impairment test. Goodwill is expressed in the currency of the related company and is converted into euro at the closing exchange rate on the balance sheet date.

## Tangible fixed assets

Tangible fixed assets are recognized at historic cost price, less accumulated depreciation and impairment. Historic cost is the initial purchase price plus any other directly attributable acquisition costs (such as non-recoverable taxes and transportation costs). The cost price of fixed assets produced by the company itself (such as tool sets) includes the cost price of materials, direct labour costs and a proportion of production related overhead costs. Subsequent expenditure is only capitalized, if it increases the future economic benefits of the fixed assets it relates to. Repair and maintenance costs, which do not increase future economic benefits, are expensed as incurred.

Depreciation is calculated using the straight-line method, starting from the first date of use over the entire duration of their expected useful life.

The expected economic useful life is determined as follows:

Assets	
Buildings	40 years
Building fixtures and furniture	10-20 years
External infrastructure	20-40 years
Machinery and equipment	8-20 years
Small equipment	5 years
Screws and cylinders	6 years
Dies and calibrators (tool sets)	5 years
Installations	10-25 years
Office equipment	4-10 years
Logistics equipment	8 years
Furniture	10 years
Vehicles	4-5 years

Land, which is deemed to have an infinite useful life, is not depreciated.

### Fixed assets held for sale

Assets held for sale relate to assets or groups of assets that will be disposed of. These assets are valued at the lower of carrying value or fair value less costs to sell. The same valuation principle applies for business units held for sale.

## Leasing

Financial lease contracts, for which the Group bears the majority of the risks and benefits inherent to the ownership of the leased property, are recognized as tangible fixed assets at the present value of their minimum lease payments, at the moment when the lease contract was entered into, or at market value if lower. Lease payments are partly considered as financial costs and partly as reimbursement of the lease debt. This results in a flat interest charge over the entire lifetime of the contract, compared to the capital to be repaid. Financial charges are offset directly against revenue. Lease contracts, for which the lessor retains the majority of the risks and benefits of the assets, are considered as operational leases. Payments made under an operational lease are expensed, on a straight-line basis over the entire term of the contract.

## Financial instruments

### Fair value of financial instruments

The following methods and principles are applied in estimating the fair value of financial instruments:

- For investments in non-listed companies, for which reliable fair value cannot be defined, the fair value calculation is based on historic cost, adjusted for 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 historic cost is deemed 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 short life span;
- For cash and cash equivalents, the book values recorded are an approximation of their fair value, given their short life span;
- For long-term interest-bearing financial debts subject to floating interest rates, the historic 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 on the basis of the present value of future cash flows;
- For derivative financial instruments, fair values are determined based on market valuation reports provided by the issuing financial institutions.

### Criteria relating to the initial recognition or derecognition of financial assets and liabilities

Financial instruments are recognized initially when the Group subscribes to the related contractual provisions. Purchases and sales of financial assets are recognized on the transaction date. Financial assets (or parts thereof) are derecognized, when the Group exercises their contractual rights, when these rights mature, when the Group renounces them, or when the Group loses control of the contractual rights associated with the financial assets. Financial liabilities (or parts thereof) are derecognized, if the obligation stipulated in the contract is withdrawn, cancelled or expired.

### 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 offset the recognized amounts, and if there is an intention to settle the liability and simultaneously realize the asset or to settle the liability on a net basis.

### Financial fixed assets

All financial assets are initially recognized at their cost price plus the cost of acquisition of such an investment. Unrealized profits or losses, resulting from changes in the fair value of financial assets available for sale, are directly recognized in other comprehensive income within the equity until the asset is sold, cashed in or disposed of, or when the financial asset is subject to an impairment. At that time, the accumulated profits and losses previously booked in equity are recognized in the income statement of the related period. Reversals of impairments booked in relation to shares will not be recorded in the income statement.

#### *Financial assets valued at fair value through the income statement*

Financial assets valued at fair value through the income statement consist of financial assets that are held for trading purposes or financial assets that are initially recognized at fair value through the income statement. Financial assets held for trading purposes are those acquired with the objective of selling them in a short-term notice. This category also contains derivative financial instruments, which do not fulfil the criteria of IAS 39 for "hedge accounting". Unrealized profits or losses, resulting from the changes in the fair value of financial assets held for trading, are directly booked in the income statement.

#### *Held to maturity investments*

Held to maturity investments, such as bonds, are valued at their amortized cost, which is determined by the effective interest method. This method uses an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Profits and losses are recognized in the income statement when the investments are derecognized or impaired as well as through the amortization process.

#### *Trade receivables*

Trade receivables are booked at their nominal value less possible provisions for bad debt. When recovery of the full amount becomes improbable an estimate is made of the provisions for bad debt. Provisions for bad debts are recognized in the income statement of the period during which they are identified.

#### *Cash and cash equivalents*

Cash and cash equivalents consist mainly of cash in hand, short-term deposits and short-term investments (maturing within three months after their acquisition date) which are readily convertible into cash and which are subject to a limited risk of changes in value. Within the cash flow statement, cash and cash equivalents include bank balances (current and deposit accounts). Any negative cash position is presented net of short-term debts with financial institutions ("bank overdrafts").

#### *Interest bearing loans*

Interest bearing financial debts are initially valued at the fair value of the remuneration received minus any costs related to the transaction. After the initial recognition interest-bearing financial debts are valued at their amortized cost. The difference between the amortized cost and the repayment value is expensed 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 financial derivatives (mainly interest rate swaps and FX forward contracts) in order to limit the risks associated with interest and exchange rate fluctuations. The Group's policy prohibits the use of these instruments for speculative purposes.

Financial derivatives are classified as either "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 profits or losses resulting from the revaluation of the fair value hedging instrument are directly recorded through profit or loss.

Gains or losses on the hedged position lead to an adjustment of the book value of the hedged position and should be recorded through profit or loss. If the adjustment is associated with the book value of an interest bearing financial debt, it is amortized through profit or loss until it is entirely amortized upon maturity.

For cash flow hedges on the Group's firm commitments, which satisfy the special requirements for recognition as hedging transaction, the proportion of the profit or loss on the hedge instrument considered as an effective hedge is recorded through other comprehensive income and the non-effective proportion is recorded through profit or loss. The Group applies this on the interest rate swaps. Financial instruments, not meeting the special requirements for recognition as a hedging transaction are valued at their fair value, and any profit or loss resulting from a change in the fair value of the instrument is directly expensed.



## **Inventories**

*Inventories are valued at the lower of cost price or realizable value. The realizable value is defined as the estimated selling price under normal operating conditions net of any estimated costs for handling and selling the product. Costs incurred in bringing each product to its current location and conditions are recorded as follows:*

- *Raw materials – purchase price, based on the FIFO principle;*
- *Finished goods and work in process – direct material and labour costs, plus a part of the general production costs, based on normal production capacity;*
- *Trade goods – purchase price, based on the FIFO principle.*

## **Treasury shares**

*The amount paid, including any directly attributable expenses, for treasury shares acquired by the Company is deducted from equity.*

## **Impairments**

*The Group's assets, excluding inventories and deferred tax assets, are assessed for impairment indicators at each balance sheet date. If impairment indicators are present, the recoverable amount of the asset is estimated. An impairment is recognized, if the carrying value of an asset, or that of the cash-generating unit to which it belongs, is higher than its recoverable amount. Impairments are recorded in the income statement.*

### *Financial assets*

*The realizable value of held-to-maturity financial assets and of receivables is calculated as the net present value of expected, future cash flows, discounted at the initial effective interest rate inherent to these assets.*

*Impairments on held-to-maturity investments or receivables are reversed if a subsequent increase in their realizable value can be objectively associated with an event arising after the recognition of an impairment loss.*

### *Non-financial fixed assets*

*The recoverable amount of other assets is the higher of their fair value less cost to sell or its value in use of the corresponding assets. In order to determine the value in use, the net present value of expected future cash flows is calculated using a pre-tax discount rate, which reflects both current market rates and the asset's specific inherent risks. When an asset does not generate cash flows, that are largely independent of the other assets, the recoverable amount of the cash-generating unit to which this asset belongs, is determined.*

*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 recoverable amount. An increase in the carrying value of an asset, resulting from the reversal of an impairment, cannot be higher than the carrying value (after depreciation) that would have been obtained, if no impairments had been recorded for this asset in previous years.*

## **Provisions**

*Provisions are accounted for whenever the Group has to settle a legal or constructive obligation resulting from a past event, when it is probable that a cash outflow will be required to settle these obligations, and to the extent that these can be reliably estimated.*

*When the Group expects that all or part of the expenditure, which is required to settle legal obligations, will be reimbursed by another party, the amount to be reimbursed will only be recognized as an asset if it is practically certain that they will be effectively collected. A warranty provision is established for all products under warranty, based on historical data relating to repairs and returns of goods.*

## **Employee benefits**

### **Pensions**

The Group participates primarily in defined contribution plans, and has one defined benefit plan in its German subsidiary. The funds of these plans consist of employer and employee contributions. The Group treats the employer and employee contributions for the defined contribution plans as expenses for the year in which they were made. For defined benefit plans, the pension obligation is estimated by 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, distributing these costs evenly over the remaining service time 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 profits or losses and costs recognized over the period of the working career.

Pension obligations are recognized in the balance sheet by calculating the present value of estimated future, cash outflows, using the interest rates of high quality corporate bonds with a similar duration as the pension obligation, after the incorporation of actuarial profits and losses that had not yet been recognized, after deduction of costs which have not yet been recognized for the remaining service period and the fair value of the fund's assets. Actuarial profits and losses comprise the effects of differences between previous actuarial assumptions and current actuarial assumptions, and the modifications made to them. All actuarial profits 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 expensed over the average remaining service period of the employees contributing to the fund. Other actuarial profits 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 of past service periods and the present value of all pension plan reimbursements, or

reductions in future contributions to the plan. The Group also has a present obligation for early retirement, that is accessible to all members of personnel. These obligations are recognized by calculating the present value of future amounts payable to the employees within the scope of this plan.

### **Share-based payments**

Various stock option and warrant programs enable the Group's executives, senior management and the CEO to acquire company shares. The exercise price for options or warrants is equal to the market price of the underlying shares on the grant date. Equity is increased respectively by the amounts received or the exercise price, when such options or warrants are exercised. The cost of share-based payment transactions is valued at fair value on the grant date. The fair value is determined by an expert, using a binominal tree structure. The cost of share-based payment transactions and at the same time as the corresponding increase in equity, is recognized over the vesting period.

If the conditions of equity settled share-based payment transactions are modified, the minimal cost equals the cost as if the conditions had not been changed. An additional cost is recognized for any modification which increases the fair value of share-based payment transaction or includes a benefit for the employee as of the date of modification (IFRS 2.28).

When a share-based payment is cancelled, then this is considered as a compensation that was granted on the date of cancellation and the relating unamortized cost is immediately recognized. However, if a new share-based payment is granted as a replacement for the cancelled compensation and if this is recorded as a replacement compensation on the grant date, then the cancelled and the new compensations are treated as a modification of the original share-based payment transaction, as described in the preceding paragraph.

### **Bonuses**

Contractual bonuses are granted based on planned key financial objectives and personal performances. The estimated amount of the bonus is recognized as a cost, based on an estimate as of the balance sheet date.

### **Sales**

*Sales (which consists primarily of the sales of goods) are considered to be earned when it is probable that the economic benefits associated with the transaction will be received by the Group, if the amount of revenue can be reliably determined, when the risks and rewards of the sale are entirely transferred to the purchaser, and when there is no longer uncertainty in terms of the collection of the consideration, the transaction costs and any possible return of the goods.*

### **Government grants**

*Government grants are recognized at their fair value, when there is reasonable assurance that they will be received and that the Group will fulfil all of the conditions attached to them. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that is intended to compensate. Where the grant relates to an asset, it is recognized as deferred income.*

### **Borrowing costs**

*Borrowing costs are capitalized when they are directly attributable to the acquisition, construction or production of a qualifying asset.*

### **Income taxes**

*Income taxes include current and deferred taxes. Taxes are recognized in the income statement, unless they are associated with items that are booked immediately to equity. In that case, the corresponding tax is recognized directly against equity. Current taxes include the expected amount payable on taxable earnings for the period, along with adjustments of fiscal liabilities for previous years. A 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 differences between the tax base of assets and liabilities and their carrying amount for financial reporting purposes.*

*The calculation is based on rates of taxation for which the legislative process has been (largely) completed on the reporting date. Under this method, the Group also 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 in order to use the tax benefit. The carrying amount of a deferred tax asset is reduced, when it becomes unlikely that the relating tax benefit will be realized.*

### **Financial income/charges**

*Interest income includes interest earned on loans granted to third parties or bank deposits, and interest charges include interest due on loans contracted by the Group. Recorded interest is based on the "effective interest" method. Financial income or charges, next to realized and unrealized exchange rate gains or losses related to interest-bearing loans and deposits, also include recorded gains or losses due to a revaluation of the fair value of financial derivatives, which are considered as "fair value" hedging instruments if the hedged risks are of a financial nature, or if financial instruments do not meet the special "hedge accounting" requirements.*

### **Changes to accounting standards**

*As per 1 January 2012 the Group has applied the following new and adjusted IFRS-standards and IFRIC-interpretations:*

#### *[IFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets](#)*

*The amendment requires additional disclosure about financial assets that have been transferred but not derecognised. In addition, the amendment requires disclosures about continuing involvement in derecognised assets. The amendment had no impact on the Group's financial position or performance.*

The following standards and interpretations were issued at the date of the establishment of the financial statements, but were not yet effective on the balance sheet date:

- IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities, effective 1 January 2013
- IFRS 9 Financial Instruments<sup>2</sup>, effective 1 January 2015
- IFRS 10 Consolidated Financial Statements, effective 1 January 2014
- IFRS 11 Joint Arrangements, effective 1 January 2014
- IFRS 12 Disclosure of Interests in Other Entities, effective 1 January 2014
- IFRS 10-12 Transition Guidance<sup>2</sup>, effective 1 January 2013
- IFRS 10, IFRS 12 and IAS 27 Investment Entities<sup>2</sup>, effective 1 January 2014
- IFRS 13 Fair Value Measurement, effective 1 January 2013
- IAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income, effective 1 July 2012
- IAS 12 Income Taxes – Recovery of Tax Assets, effective 1 January 2013
- IAS 19 Employee Benefits (amended), effective 1 January 2013
- IAS 27 Separate Financial Statements, effective 1 January 2014
- IAS 28 Investments in Associates and Joint Ventures, effective 1 January 2014
- IAS 32 Financial Instruments: Presentation: Offsetting Financial Assets and Financial Liabilities, effective 1 January 2014
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine, effective 1 January 2013
- Annual Improvements to IFRS (Issued May 2012)<sup>2</sup>, effective 1 January 2013

The Group has examined these changes and is currently assessing the results. The Group anticipates that these changes will have no material effect on the financial statements, except for the change of IAS 19R.

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The most significant change for the Group will be the removal of the 'corridor approach'. The Group is currently assessing the impact that this change will have on the financial position and performance of the Group.

(2) Not yet endorsed by the EU as per 31 December 2012.

## 2. Segment information

An operating segment is a separate business unit in the Group, which produces goods or provides specific services within a defined economic environment, whose risks and profitability differ from those of the other operating segments. Four segments have been defined based on the location of legal entities. They include the following entities:

1. Western Europe: Benelux, France, Italy, Spain and the United Kingdom;
2. Central and Eastern Europe: Bosnia, Bulgaria, Croatia, Czech Republic, Germany, Lithuania, Poland, Romania, Russia, Serbia and Thailand;
3. United States;
4. Turkey and Emerging Markets: Australia, India and Turkey.

There are no segments aggregated in order to establish the above segments.

Transfer prices between the operational segments are based on an "at arm's length basis" equal to transactions with third parties.

The accounting policies for the operational segments are equal to these of the consolidated financial statements.

The Group identified the Executive Team as its Chief Operating Decision Maker. The segments have been defined based on the information provided to the Executive Team.

The Executive Team monitors the performance of its operational segments based on sales and EBITDA per segment. Segment information includes results, assets and liabilities that can be attributed directly to a segment.

	Western Europe		Central and Eastern Europe		United States		Turkey and Emerging Markets		Consolidated	
In thousands of euro	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012
External sales	184,528	169,663	187,719	196,687	56,350	67,214	107,532	123,350	<b>536,129</b>	<b>556,914</b>
Intersegment sales	35,002	26,062	3,692	3,199	24	0	3,970	4,675	<b>0</b>	<b>0</b>
Total sales	219,530	195,725	191,411	199,885	56,374	67,214	111,499	128,025	<b>536,129</b>	<b>556,914</b>
EBITDA	28,623	23,936	420	4,361	4,230	3,472	14,981	18,232	<b>48,254</b>	<b>50,001</b>
Financial result									<b>-14,007</b>	<b>-12,710</b>
Income taxes									<b>-1,960</b>	<b>-3,735</b>
Depreciations of (in)tangible fixed assets	-10,040	-9,300	-7,750	-7,801	-3,825	-3,298	-3,257	-3,236	<b>-24,872</b>	<b>-23,635</b>
Impairments on (in)tangible fixed assets	-790	-1,007	76	-240	0	-2	0	-95	<b>-714</b>	<b>-1,344</b>
Other non-cash costs	116	-1,924	610	-232	280	-228	-1,359	-1,951	<b>-353</b>	<b>-4,335</b>
Assets	194,617	201,131	134,058	127,594	40,238	40,735	102,214	105,276	<b>443,734</b>	<b>436,914</b>
Liabilities	57,026	51,801	38,468	35,944	11,235	10,854	18,676	23,061	<b>443,734</b>	<b>436,914</b>
Capital expenditures	7,813	8,368	5,787	8,085	4,159	2,089	4,123	4,983	<b>21,882</b>	<b>23,525</b>

Reconciliation of total segment assets and total Group assets:

	2011	2012
<b>Total segment assets</b>	<b>471,127</b>	<b>474,736</b>
Cash and cash equivalents	24,443	23,211
Intersegment eliminations	-51,836	-61,033
<b>Total Group assets</b>	<b>443,734</b>	<b>436,914</b>

Reconciliation of total segment liabilities and total Group liabilities:

	2011	2012
<b>Total segment liabilities</b>	<b>125,405</b>	<b>121,660</b>
Equity including non-controlling interest	205,925	214,185
Long-term interest-bearing loans	93,361	37,326
Long-term provisions	20,805	21,980
Deferred tax liabilities	3,890	3,853
Short-term interest-bearing loans	32,907	78,486
Intersegment eliminations	-38,559	-40,576
<b>Total Group liabilities</b>	<b>443,734</b>	<b>436,914</b>

Sales by product group is presented in the table below (in %):

	Western Europe		Central and Eastern Europe		United States		Turkey and Emerging Markets		Consolidated	
	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012
Window and door systems	70.8%	72.2%	94.8%	94.0%	90.2%	89.8%	96.7%	97.7%	<b>87.0%</b>	<b>87.7%</b>
Building products	29.2%	27.8%	5.2%	6.0%	9.8%	10.2%	3.3%	2.3%	<b>13.0%</b>	<b>12.3%</b>

There is no significant concentration of sales (>10%) with one or a limited number of Customers.

### 3. Revenues and costs

Other operating income (in thousands of euro)	2011	2012
Grants received	295	252
Exchange rate gains	10,289	6,790
Decrease of provisions	688	0
Gains on disposal of tangible and financial fixed assets	174	121
Indemnity compensations received	368	164
Other	3,078	4,202
<b>Total</b>	<b>14,892</b>	<b>11,529</b>

The decrease in other operating income in comparison to 2011 is primarily due to a decrease in the exchange rate gains, provisions and indemnity compensations received, partly compensated by an increase in other operating income.

The grants received consist primarily of ESF grants received.

The remainder of other operating income includes mainly compensation received from insurance companies and sale of tools and scrap.

Other operating costs (in thousands of euro)	2011	2012
Restructuring costs	1,160	1,059
Exchange rate losses	10,670	8,057
Increase of provisions	0	1,740
Impairments	714	1,344
Loss on disposal of tangible and financial fixed assets	266	93
Other	2,065	1,643
<b>Total</b>	<b>14,875</b>	<b>13,936</b>

The decrease in other operating costs in comparison to 2011 is primarily due to the decrease of exchange rate losses, partly compensated by the increase of provisions and impairments.

The impairments mainly relate to land and buildings, tools and other machinery. The remainder of other operating costs comprise for example contributions for non-active employees.

Financial income (in thousands of euro)	2011	2012
Interest income	911	1,253
Financial discounts - Suppliers	1,173	836
Exchange rate gains	11,185	6,705
Derivative financial instruments	389	0
Other	130	265
<b>Total</b>	<b>13,788</b>	<b>9,059</b>

Financial charges (in thousands of euro)	2011	2012
Interest costs	10,730	9,796
Financial discounts - Customers	1,823	1,297
Exchange rate losses	13,235	8,574
Derivative financial instruments	706	565
Bank costs	753	428
Other	548	1,109
<b>Total</b>	<b>27,795</b>	<b>21,769</b>

The financial result is 1.3 million euro better compared to 2011, mainly as a result of lower net interest charges and bank charges, partly compensated by a lower market value of financial instruments.

Payroll costs and other social benefits (in thousands of euro)	2011	2012
Wages and salaries	84,941	88,677
Social security contributions	27,217	27,719
Contributions to defined contribution plans	1,547	1,599
Other payroll costs	2,808	2,229
<b>Total</b>	<b>116,513</b>	<b>120,224</b>

Headcount - Total Full Time Equivalents (FTE) by category	2011	2012
Blue collars	1,904	1,858
White collars	831	807
<b>Total</b>	<b>2,735</b>	<b>2,665</b>

The increase of the payroll costs is mainly the result of an increased 'cost of living' in certain regions and the strengthening of mainly the US dollar, Turkish lira and Russian ruble.

Cost of goods sold (in thousands of euro)	2011	2012
Material costs	272,101	286,172
Payroll costs	61,916	63,716
Depreciations of (in)tangible fixed assets	17,976	17,720
Other manufacturing costs	29,109	29,418
<b>Total</b>	<b>381,102</b>	<b>397,026</b>

Costs by category (in thousands of euro)	2011	2012
Material costs	272,101	286,172
Payroll costs	116,513	120,224
Depreciations of (in)tangible fixed assets	24,872	23,635
Other costs	100,345	103,789
<b>Total</b>	<b>513,831</b>	<b>533,820</b>

The increase in total costs is explained by an increase in the volume sold.

## 4. Income taxes

The breakdown of the income tax charge for the financial year 2012 is presented as follows:

In thousands of euro	2011	2012
<b>Income taxes</b>		
Income tax of the current financial year	3,686	3,346
Adjustments in respect of current income tax of previous years	671	-51
Deferred taxes		
Origination and reversal of temporary differences	-17	409
Utilization / recognition of deferred taxes on losses in the current financial year	-2,272	0
Other deferred taxes	-108	31
<b>Income tax charge (+) / income (-) recognized in the income statement</b>	<b>1,960</b>	<b>3,735</b>
<b>Profit (+) / loss (-) before taxes</b>	<b>8,308</b>	<b>7,977</b>
Taxes at the statutory tax rate applicable to Deceuninck NV (33.99%)	2,824	2,711
Effects of various tax rates in other countries	22	-661
Disallowed expenses	869	339
Utilization / recognition of deferred tax on losses from previous financial years, for which no deferred tax was recognized in previous years	-678	-11
Non-recognition of deferred taxes on losses in current financial year	2,359	2,206
Deferred taxes on temporary differences, for which no deferred tax was recognized in previous years	-80	116
Non-recognition of deferred taxes on temporary differences in current financial year	-244	-795
Other <sup>3</sup>	-3,112	-170
<b>Total income tax charge (+) / income (-) recognized in the income statement</b>	<b>1,960</b>	<b>3,735</b>
Effective tax rate	23.6%	46.8%

(3) In 2011, 'Other' mainly related to notional interest deduction at Deceuninck Coordination Center. This company was liquidated in 2012.

The following table gives an overview of the deferred taxes, after netting by legal entity as per 31 December 2011 and 2012:

In thousands of euro	2011	Change in income statement	Changes directly recognized in equity	Effect of foreign currency	Transfers	2012
<b>Deferred tax assets</b>						
Tax effect of tax losses carry forward	24,152				-2,240	21,912
Deferred taxes on tangible fixed assets	-10,804	385			14	-10,405
Deferred taxes on gains on disposal	-364	364				0
Deferred taxes on provisions	1,442	-196			958	2,204
Deferred taxes on inventories	772	-148			3	627
Deferred taxes on other assets	1,011	-992	-102	2	1,265	1,184
<b>Deferred tax assets</b>	<b>16,209</b>	<b>-587</b>	<b>-102</b>	<b>2</b>	<b>0</b>	<b>15,522</b>
<b>Deferred tax liabilities</b>						
Tax effect of tax losses carry forward	-3,675					-3,675
Deferred taxes on tangible fixed assets	9,525	-169		162		9,518
Deferred taxes on provisions	-1,509	144		-38		-1,403
Deferred taxes on inventories	-328	-123		-11		-462
Deferred taxes on other liabilities	-123	1		-3		-125
<b>Deferred tax liabilities</b>	<b>3,890</b>	<b>-147</b>		<b>110</b>		<b>3,853</b>
<b>Net deferred tax liabilities (assets)</b>	<b>-12,319</b>	<b>440</b>	<b>102</b>	<b>108</b>		<b>-11,669</b>

Reconciliation with the deferred taxes shown in the consolidated statement of financial position:

In thousands of euro	2011	2012
Deferred tax assets	16,209	15,522
Deferred tax liabilities	3,890	3,853
<b>Net deferred tax liabilities (assets)</b>	<b>-12,319</b>	<b>-11,669</b>

In 2012, the Group recognized deferred tax assets for tax losses carry forward, for which utilization depends on future taxable profits. The total amount of this deferred asset amounted to 25,587 thousand euro at the end of 2012 (end 2011: 27,827 thousand euro).

The budgets provide adequate assurance that the company will generate sufficient taxable profits in the near future in order to utilize the deferred tax assets recognized.

As per 31 December 2012, the Group has no deferred taxes recognized on a total amount of tax losses carry forward of 83,330 thousand euro, in the United Kingdom, the United States, the Czech Republic, Poland and Russia in current and previous financial years.



## 5. Earnings per share

Basic earnings per share are calculated by dividing the net profit for the year, attributable to ordinary shareholders by the weighted average number of ordinary shares, excluded ordinary shares purchased by the Group and held as treasury shares. This results in a net profit per share of 0.04 euro.

In thousands of euro	2011	2012
Earnings attributable to ordinary shareholders	6,210	4,038
Weighted average number of ordinary shares (in thousands)	107,533	107,533
<b>Earnings per share (in euro)</b>	<b>0.06</b>	<b>0.04</b>

Diluted earnings per share are calculated by dividing the net profit attributable to ordinary shareholders, adjusted for the effect on the outcome of the potential ordinary shares, by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares which would be issued upon conversion into ordinary shares of all potential shares leading to dilution. The potential dilution arises from warrants granted to executives, senior management and the CEO. For 2012, 1,099,999 number of shares attributable to the exercise of outstanding warrants were excluded from the calculation of diluted earnings per share as their effect was antidilutive (for 2011: 1,197,499 number of shares). It concerns here exercisable warrants that are 'out of the money'. This means that the exercise price of the warrants is higher than the share price Deceuninck at balance sheet date.

The calculation for 2012 still leads to a net profit per share of 0.04 euro since the potential shares to issue as a result of the allocation of warrants is not material compared to the existing shares.

In thousands of euro	2011	2012
Earnings attributable to ordinary shareholders	6,210	4,038
Weighted average number of ordinary shares (in thousands)	107,533	107,533
Dilution effect of non-exercised warrants (in thousands)	0	735
Weighted average number of shares after dilution (in thousands)	107,533	108,268
<b>Diluted earnings per share (in euro)</b>	<b>0.06</b>	<b>0.04</b>

## 6. Intangible fixed assets, other than goodwill

Amortization of intangible assets other than goodwill is included in cost of goods sold. As per 31 December 2012, the intangible assets with indefinite useful lives were tested for impairment, based on the same methodology and assumptions as described in Note 7 – Goodwill. The intangible assets with indefinite useful lives mainly relate to the trade name Winsa. For these kind of assets there is no foreseeable end of the cash generating period. The net carrying value of this asset is 2,155 thousand euro. The impairment test of this asset is included in the goodwill impairment test for Turkey (see Note 7 – Goodwill) and did not result in the recognition of an impairment on 31 December 2012.

During 2012, approximately 173 thousand euro was expensed in research and development costs.

In thousands of euro	Patents, licenses and similar rights	Development costs	Total
<b>ACQUISITION VALUE</b>			
Balance at the end of 2010	18,720	1,163	19,883
Acquisitions	99		99
Disposals	-59		-59
Various transfers	174		174
Effects of changes in foreign currencies	-395	7	-388
Balance at the end of 2011	18,539	1,170	19,709
<b>AMORTIZATIONS AND IMPAIRMENTS</b>			
Balance at the end of 2010	-13,987	-1,163	-15,150
Additions	-1,023		-1,023
Disposals	56		56
Effects of changes in foreign currencies	-157	-7	-164
Balance at the end of 2011	-15,111	-1,170	-16,281
<b>INTANGIBLE FIXED ASSETS</b>			
At original cost	18,539	1,170	19,709
Accumulated amortizations and impairments	-15,111	-1,170	-16,281
<b>Net carrying value</b>	<b>3,428</b>	<b>0</b>	<b>3,428</b>

In thousands of euro	Patents, licenses and similar rights	Development costs	Total
<b>ACQUISITION VALUE</b>			
Balance at the end of 2011	18,539	1,170	19,709
Acquisitions	99		99
Disposals			
Various transfers	1		1
Effects of changes in foreign currencies	79	-5	74
Balance at the end of 2012	18,718	1,165	19,883
<b>AMORTIZATIONS AND IMPAIRMENTS</b>			
Balance at the end of 2011	-15,111	-1,170	-16,281
Additions	-608		-608
Disposals			
Effects of changes in foreign currencies	31	5	36
Balance at the end of 2012	-15,688	-1,165	-16,853
<b>INTANGIBLE FIXED ASSETS</b>			
At original cost	18,718	1,165	19,883
Accumulated amortizations and impairments	-15,688	-1,165	-16,853
<b>Net carrying value</b>	<b>3,030</b>	<b>0</b>	<b>3,030</b>

## 7. Goodwill

In thousands of euro	2011	2012
<b>ACQUISITION VALUE</b>		
Balance at the end of previous period	59,536	60,741
Effects of changes in foreign currencies	1,205	-515
Balance at the end of current period	60,741	60,226
<b>IMPAIRMENTS</b>		
Balance at the end of previous period	-48,676	-49,935
Effects of changes in foreign currencies	-1,259	526
Balance at the end of current period	-49,935	-49,409
<b>GOODWILL</b>		
Acquisition value	60,741	60,226
Impairments	-49,935	-49,409
<b>Net carrying value</b>	<b>10,806</b>	<b>10,817</b>

The application of IFRS 3 "Business combinations" stipulates that all identifiable assets and liabilities should be recognized at their fair value at the moment of acquisition. All differences between the cost of the business combination and the fair value defined at the time of the acquisition should be attributed to goodwill and any potential remaining differences in equity.

The cash-generating units are defined at the level of the individual entities, for which goodwill has been recognized. In practice, this generally refers to the geographic region, meaning that, except for Belgium, there is only one operational unit per country. The recoverable amount retained in these cases is the value in use.

The net carrying value of goodwill is allocated as follows:

Cash-generating unit In thousands of euro	2011	2012
Turkey	9,559	9,570
Belgium	1,247	1,247
<b>Net carrying value</b>	<b>10,806</b>	<b>10,817</b>

At 31 December 2012, the net carrying value of goodwill amounts to 9.6 million euro for Turkey and 1.2 million euro for Belgium. This carrying value remained virtually unchanged in comparison to 2011.

In accordance with IAS 36, goodwill is not amortized but is subject to an annual impairment test. This test is always performed at year end and whenever there is an indication of a possible impairment.

The test consists in comparing the recoverable amount of each cash-generating unit with its carrying amount. An impairment loss is recognized whenever the recoverable amount is lower than the net book value. The Group carried out the impairment test at 31 December 2012, consistent with previous years.

The goodwill impairment test for Belgium, did not result in an impairment. The goodwill resulting from the acquisition of Detajoint is included in the largest cash-generating unit of the Group, Belgium and is considered insignificant in this cash-generating unit as a whole.

Per 31 December 2012, the goodwill impairment test has been performed for Turkey. The recoverable amount of this cash-generating unit has been determined based on a value-in-use calculation using cash flow forecasts for the next 5 years. After this period, cash flows are extrapolated using a growth rate of 2%.

Key parameters for determining the future cash flows are:

- Sales growth rate: a growth rate between 3 and 5% was assumed for the next 5 years;
- EBIT: a conservative percentage between 7% and 9% was used for the next 5 years;
- Evolution working capital: is based on 2012 and is kept at the same level in relation to sales;
- Capex: capital expenditures in relation to sales has been assumed at 5.2% for 2013 and 3.9% for the next years;
- Discount rate: this rate reflects the current assessment of market risks specific to the cash-generating unit. The discount rate was estimated based on the weighted average cost of capital (WACC) and is 7.2% (8.4% for 2011).

Both growth and expected profitability reflect the best estimate of management of the evolution of future volumes and sales margins considering all available information.

The goodwill impairment test for Turkey did not lead to the recognition of an impairment on 31 December 2012.

In relation to the assessment of the value in use of the cash-generating unit, management believes that a realistic change in any of the above parameters (e.g. sales growth of 0% and an increase of the WACC with 2%) should not result in a situation where the carrying value of the unit significantly exceeds its recoverable amount.

## 8. Tangible fixed assets

In thousands of euro	Land and buildings	Machines and equipment	Furniture and vehicles	Leased fixed assets	Other tangible fixed assets	Assets under construction	Total
<b>ACQUISITION VALUE</b>							
Balance at the end of 2010	152,594	398,499	21,084	574	23	6,625	<b>579,399</b>
Acquisitions	808	13,581	182			5,645	<b>20,216</b>
Disposals	-989	-9,509	-605	-90		-121	<b>-11,314</b>
Other transfers	1,103	2,442	1			-2,888	<b>658</b>
Others							
Effects of changes in foreign currencies	-3,526	-5,217	-578	-21		-285	<b>-9,627</b>
Balance at the end of 2011	149,990	399,796	20,084	463	23	8,976	<b>579,332</b>
<b>DEPRECIATIONS AND IMPAIRMENTS</b>							
Balance at the end of 2010	-44,264	-312,626	-17,554	-374	-7	0	<b>-374,825</b>
Additions	-4,418	-18,124	-1,096	-60	-1		<b>-23,699</b>
Disposals	511	9,217	569	57			<b>10,354</b>
Impairments	131	-609	-232				<b>-710</b>
Other transfers	-458						<b>-458</b>
Effects of changes in foreign currencies	394	2,282	490	20			<b>3,186</b>
Balance at the end of 2011	-48,104	-319,860	-17,823	-357	-8	0	<b>-386,152</b>
<b>TANGIBLE FIXED ASSETS</b>							
At original cost	149,990	399,796	20,084	463	23	8,976	<b>579,332</b>
Accumulated depreciations and impairments	-48,104	-319,860	-17,823	-357	-8	0	<b>-386,152</b>
<b>Net carrying value</b>	<b>101,886</b>	<b>79,936</b>	<b>2,261</b>	<b>106</b>	<b>15</b>	<b>8,976</b>	<b>193,180</b>

In thousands of euro	Land and buildings	Machines and equipment	Furniture and vehicles	Leased fixed assets	Other tangible fixed assets	Assets under construction	Total
<b>ACQUISITION VALUE</b>							
Balance at the end of 2011	149,990	399,796	20,084	463	23	8,976	<b>579,332</b>
Acquisitions	1,837	14,150	163			6,606	<b>22,756</b>
Disposals	-11	-2,224	-419	-16			<b>-2,670</b>
Other transfers	318	5,175				-5,699	<b>-206</b>
Others							
Effects of changes in foreign currencies	1,864	2,033	184	13		131	<b>4,225</b>
Balance at the end of 2012	153,998	418,930	20,012	460	23	10,014	<b>603,437</b>
<b>DEPRECIATIONS AND IMPAIRMENTS</b>							
Balance at the end of 2011	-48,104	-319,860	-17,823	-357	-8	0	<b>-386,152</b>
Additions	-4,426	-17,786	-778	-35	-2		<b>-23,027</b>
Disposals	9	2,039	377	16			<b>2,441</b>
Impairments	101	-921	-6				<b>-826</b>
Other transfers	28						<b>28</b>
Effects of changes in foreign currencies	-353	-962	-153	-12			<b>-1,480</b>
Balance at the end of 2012	-52,745	-337,490	-18,383	-388	-10	0	<b>-409,016</b>
<b>TANGIBLE FIXED ASSETS</b>							
At original cost	153,998	418,930	20,012	460	23	10,014	<b>603,437</b>
Accumulated depreciations and impairments	-52,745	-337,490	-18,383	-388	-10	0	<b>-409,016</b>
<b>Net carrying value</b>	<b>101,253</b>	<b>81,440</b>	<b>1,629</b>	<b>72</b>	<b>13</b>	<b>10,014</b>	<b>194,421</b>

The Group has no significant commitments regarding the purchase of tangible fixed assets.

Tangible fixed assets under construction can be explained as follows:

In thousands of euro	2011	2012
Land and buildings	1,451	1,790
Material, machines and equipment	7,130	7,797
Others	395	427
<b>Total</b>	<b>8,976</b>	<b>10,014</b>

Leased fixed assets consist of vehicles in Russia and machinery in Spain.

The Group has recognized impairments on tangible fixed assets of 0.8 million euro. These impairments mainly relate to land and buildings and tool sets. These impairments have been included within other operating costs.

## 9. Financial fixed assets

In thousands of euro	2011	2012
Shares – not listed	66	66
<b>Total available for sale financial assets</b>	<b>66</b>	<b>66</b>
Financial assets held to maturity	1,367	1,516
<b>Total</b>	<b>1,433</b>	<b>1,582</b>

The financial fixed assets held to maturity relate to instruments held in Germany because of an obligation imposed by the German government for the protection of future employee remuneration against potential insolvency of the employer. At the end of 2012, the total amount paid into a deposit account amounted to 1.5 million euro.

## 10. Long-term receivables

In thousands of euro	2011	2012
Trade receivables	1,081	617
Other receivables	331	431
<b>Total</b>	<b>1,412</b>	<b>1,048</b>

The maturity of such trade receivables ranges from 1 to 3 years.

## 11. Inventories

In thousands of euro	2011	2012
Raw materials (at cost price)	29,448	24,320
Work in process (at cost price)	2,938	2,127
<b>Finished goods</b>		
- at cost price	29,693	30,700
- at net realizable value	28,685	29,306
<b>Trade goods</b>		
- at cost price	17,218	18,505
- at net realizable value	16,738	15,819
<b>Total inventory at cost price or at net realizable value if lower</b>	<b>77,809</b>	<b>71,572</b>

During 2012, a net amount of 437 thousand euro write-down on inventory was reversed, while in 2011 a net amount of 196 thousand euro was posted as write-down.

These write-downs are shown as Marketing, sales and distribution costs.

The cost of inventories recognized as an expense during 2012 amounted to 397.026 thousand euro (2011: 381.102 thousand euro).

No inventories were pledged as security for liabilities (2011: idem).

## 12. Trade receivables and other receivables

In thousands of euro	2011	2012
Gross trade receivables	112,566	117,288
Impairments	13,339	16,594
<b>Trade receivables</b>	<b>99,227</b>	<b>100,694</b>
VAT and other taxes	3,058	3,703
Derivative financial instruments	2,537	261
Prepaid charges	1,471	1,316
Accrued revenues	389	539
Short-term warranties	147	153
Other	-54	650
<b>Other receivables</b>	<b>7,548</b>	<b>6,622</b>

Trade receivables increased 1.5 million euro as a result of changed geographical footprint and regional differences in payment terms.

The factoring cost for 2012 amounts to 376 thousand euro (2011: 648 thousand euro). The effect of the factoring agreement is shown as a decrease in trade receivables, as substantially all risks and rewards relating to the trade receivables, are transferred to the factor company (factoring with non recourse).

The gross trade receivables consist of invoiced sales, an accrual for invoices to be issued, an accrual for credit notes to be received, exchange rate differences and advance payments made.

An analysis is provided below, which shows the aging of gross outstanding trade receivables granted to Customers, after deduction of impairments on those amounts:

In thousands of euro	Net carrying value	For which no impairment is recorded and which is not overdue	Of which is overdue, but for which no impairment has been recorded				
			Less than 30 days overdue	Between 31 and 60 days overdue	Between 61 and 90 days overdue	Between 91 and 120 days overdue	More than 120 days overdue
Balance as per 31 December 2011	99,227	79,702	8,792	3,462	1,106	632	5,533
Balance as per 31 December 2012	100,694	83,571	10,335	2,163	575	515	3,534

As per 31 December 2012 an amount of 16,594 thousand euro was recognized as an impairment on trade receivables to Customers. The movements during the last 2 financial years are presented in the following table:

In thousands of euro	2011	2012
Impairment as per 1 January	13,358	13,339
Increase	3,785	5,625
Reversal	-1,499	-2,411
Utilization	-1,343	-187
Effect of change in foreign currency	-962	228
<b>Impairment as per 31 December</b>	<b>13,339</b>	<b>16,594</b>

## 13. Cash and cash equivalents

In thousands of euro	2011	2012
Cash and current bank accounts	19,344	12,081
Short term deposits	5,099	11,130
<b>Total</b>	<b>24,443</b>	<b>23,211</b>



## 14. Fixed assets held for sale

In thousands of euro	2011	2012
<b>ACQUISITION VALUE</b>		
Balance at the end of previous period	10,224	9,474
Acquisitions	84	670
Disposals	-146	-191
Other transfers	-832	205
Effects of changes in foreign currencies	144	13
Balance at the end of current period	9,474	10,171
<b>DEPRECIATIONS AND IMPAIRMENTS</b>		
Balance at the end of previous period	-1,531	-1,235
Additions	-150	0
Disposals	17	0
Impairments	-4	-518
Other transfers	458	-28
Effects of changes in foreign currencies	-25	5
Balance at the end of current period	-1,235	-1,776
<b>FIXED ASSETS HELD FOR SALE</b>		
At original cost	9,474	10,171
Accumulated depreciations and impairments	-1,235	-1,776
<b>Net carrying value</b>	<b>8,239</b>	<b>8,395</b>

The fixed assets held for sale mainly relate to a warehouse in the UK, land and building in Germany, land in Poland, flats in Turkey and machinery in Spain. All assets are available for immediate sale. Necessary actions have been taken in order to place these assets on the market and sales are expected during 2013. Following the reclassification to "held-for-sale", these assets are no longer depreciated. The measurement in accordance with IFRS 5 resulted in the recognition of a total impairment loss of 518 thousand euro on machinery in Spain and the building in Germany.

## 15. Issued capital and reserves

### Issued capital

In thousands of euro	2011		2012	
	Number of shares	Issued capital	Number of shares	Issued capital
Balance per 1 January	107,750,000	42,495	107,750,000	42,495
Rights issue	0	0	0	0
<b>Balance per 31 December</b>	<b>107,750,000</b>	<b>42,495</b>	<b>107,750,000</b>	<b>42,495</b>

Capital is set at 42,495 thousand euro and is composed of 107,750 thousand shares without a nominal value.

## Share premiums

In thousands of euro	2011	2012
Balance per 1 January	46,355	46,355
Rights issue	0	0
Expenses related to the rights issue	0	0
<b>Balance per 31 December</b>	<b>46,355</b>	<b>46,355</b>

## Treasury shares

In thousands of euro	2011		2012	
	Number of shares	Treasury shares	Number of shares	Treasury shares
Balance per 1 January	217,121	-651	217,121	-261
Sale of preferential rights for treasury shares	0	0	0	0
Revaluation treasury shares	0	390	0	0
<b>Balance per 31 December</b>	<b>217,121</b>	<b>-261</b>	<b>217,121</b>	<b>-261</b>

On 31 December 2012, the Group held 217,121 treasury shares to fulfil its commitments with respect to stock option plans.

## Currency translation adjustments

Currency translation adjustments include all exchange rate differences resulting from the conversion of the financial statements of subsidiaries into euro. In 2012 there was a positive impact of 3,773 thousand euro. The total currency translation adjustments amount to -27,747 thousand euro at 31 December 2012.

An overview of the currency translation adjustments by currency is given below:

In thousands of euro	2011	2012
USD	-13,540	-13,814
TRY	-11,829	-9,977
RUB	-2,191	-1,835
PLN	-3,665	-1,766
GBP	-460	-820
CZK	513	616
Other	-348	-151
<b>Total</b>	<b>-31,520</b>	<b>-27,747</b>

## 16. Provisions for post-employment employee benefits

In thousands of euro	Inoutic/Deceuninck GmbH (Germany)	Belgian subsidiaries	Other	Total
Balance at the end of the previous financial year	7,534	3,930	1,088	12,552
Increase of provision	665	156	452	1,273
Reversal/utilization of provision	-438	-172	-187	-797
Effects of changes in foreign currencies			36	36
<b>Balance at the end of the financial year</b>	<b>7,761</b>	<b>3,914</b>	<b>1,389</b>	<b>13,064</b>
Non-current	7,311	3,739	1,389	12,439
Current	450	175	0	625

### Defined contributions plans

The Group pays contributions to certain insurance companies for defined contribution plans. Besides those contributions, the Group has no other payment obligations to these insurance companies. The pension contributions are included in the income statement during the year in which they are due and amount to 1,599 thousand euro for 2012 (2011: 1,547 thousand euro).

### Defined benefit plans and other post employment benefits

#### Belgian subsidiaries

For Belgian companies, the provisions for post-employment benefits relate to the early retirement obligation.

This plan is available for all early-retired employees when in conformity with the current collective labour agreement (CLA).

In accordance with IFRS, the actuarial present value of the defined pension benefits must be calculated, as that value represents the total of the amounts that can currently be allocated to each participant in the plan. As a result the pension liabilities increased by 156 thousand euro during 2012.

The legal minimal return in Belgium for defined contribution plans is 3.25%.

The Group has its contribution pension plan with fixed return transferred to an external insurance company. The minimal return requirement is not transferred to the insurance company. At 31 December 2012 there was no deficit.

The early retirement obligation is not financed and is considered to be a constructive obligation. The actuarial present value was calculated based on the following assumptions:

Pension plan for Belgian subsidiaries	2011	2012
Discount rate	4.50%	3.00%
Increases in compensations – White collar	3.50%	3.00%
Increases in compensations – Blue collar	3.00%	2.75%
Increases in social security	2.00%	2.00%
Increases in pensions	2.25%	2.00%
Inflation	2.00%	2.00%

#### Inoutic/Deceuninck GmbH (Germany)

For Inoutic/Deceuninck GmbH, the provisions for employee benefits refer to the provision for pensions. This plan is available for all employees and is unfunded. There is no legal obligation to offer such a plan to the employees. The actuarial present value was calculated based on the following assumptions:

Pension plan for Inoutic/Deceuninck GmbH (Germany)	2011	2012
Discount rate	4.80%	3.00%
Increases in compensations – White collar	3.00%	3.00%
Increases in compensations – Blue collar	3.00%	3.00%
Increases in social security	3.00%	3.00%
Increases in pensions	2.00%	2.00%
Inflation	2.00%	2.00%

### Other

These provisions for employee benefits refer to local pension regulations.

The table below provides an overview of the net current service costs included in the consolidated income statement, and the amounts recognized in the consolidated balance sheet for the defined pension plan of Inoutic/Deceuninck GmbH and the Belgian subsidiaries of the last 4 years:

Components of current service cost	Inoutic/ Deceuninck GmbH (Germany)	2009	Total	Inoutic/ Deceuninck GmbH (Germany)	2010	Total
		Belgian subsidiaries			Belgian subsidiaries	
In thousands of euro						
Amortization of net actuarial gains or losses	0	-7	-7	48	-2	46
Amortization past service cost	0	0	0	0	0	0
Pension costs by service year	133	179	312	158	185	343
Interest costs	431	173	604	417	172	589
Net charges for the period	564	345	909	623	355	978

Movements in net debt booked in the balance sheet	2009			2010		
	Inoutic/ Deceuninck GmbH (Germany)	Belgian subsidiaries	Total	Inoutic/ Deceuninck GmbH (Germany)	Belgian subsidiaries	Total
In thousands of euro						
Net debt per 1 January	6,958	3,315	10,273	7,121	3,547	10,668
Amortization of net actuarial gains or losses	0	-7	-7	48	-2	46
Amortization past service cost	0	0	0	0	0	0
Pension costs by service year	132	180	312	158	185	343
Interest costs	431	173	604	417	172	589
Paid (received)	-400	-114	-514	-411	-146	-557
Net debt per 31 December	7,121	3,547	10,668	7,333	3,756	11,089

Financing	2009			2010		
	Inoutic/ Deceuninck GmbH (Germany)	Belgian subsidiaries	Total	Inoutic/ Deceuninck GmbH (Germany)	Belgian subsidiaries	Total
In thousands of euro						
Defined benefit obligations	8,550	3,245	11,795	8,698	3,117	11,815
Fair value of plan assets	0	0	0	0	0	0
Net actuarial gains of losses	-1,429	302	-1,127	-1,365	639	-726
<b>Net debt per 31 December</b>	<b>7,121</b>	<b>3,547</b>	<b>10,668</b>	<b>7,333</b>	<b>3,756</b>	<b>11,089</b>

Components of current service cost	Inoutic/ Deceuninck GmbH (Germany)	2011	Total	Inoutic/ Deceuninck GmbH (Germany)	2012	Total
		Belgian subsidiaries			Belgian subsidiaries	
In thousands of euro						
Amortization of net actuarial gains or losses	41	-26	15	48	-21	27
Amortization past service cost	0	0	0	0	-68	-68
Pension costs by service year	163	201	364	422	130	552
Interest costs	424	162	586	195	115	310
Net charges for the period	628	337	965	665	156	821

Movements in net debt booked in the balance sheet	2011			2012		
	Inoutic/ Deceuninck GmbH (Germany)	Belgian subsidiaries	Total	Inoutic/ Deceuninck GmbH (Germany)	Belgian subsidiaries	Total
In thousands of euro						
Net debt per 1 January	7,333	3,756	11,089	7,534	3,930	11,464
Amortization of net actuarial gains or losses	41	-26	15	48	-21	27
Amortization past service cost	0	0	0	0	-68	-68
Pension costs by service year	163	201	364	422	130	552
Interest costs	424	162	586	195	115	310
Paid (received)	-427	-163	-590	-438	-172	-610
Net debt per 31 December	7,534	3,930	11,464	7,761	3,914	11,675

Financing	2011			2012		
	Inoutic/ Deceuninck GmbH (Germany)	Belgian subsidiaries	Total	Inoutic/ Deceuninck GmbH (Germany)	Belgian subsidiaries	Total
In thousands of euro						
Defined benefit obligations	9,015	2,518	11,533	12,095	3,132	15,227
Fair value of plan assets	0	0	0	0	0	0
Net actuarial gains of losses	-1,481	1,412	-69	-4,334	782	-3,552
<b>Net debt per 31 December</b>	<b>7,534</b>	<b>3,930</b>	<b>11,464</b>	<b>7,761</b>	<b>3,914</b>	<b>11,675</b>

## 17. Provisions

In thousands of euro	Warranty obligation	Claims	Other	Total
<b>Provisions per 31 December 2011</b>	<b>2,230</b>	<b>1,896</b>	<b>7,910</b>	<b>12,036</b>
Increase of provisions	1,475	166	781	2,423
Reversal of unused provisions	-251	-379	-228	-858
Provisions utilized during the year	-229	-214	-1,356	-1,799
Effects of changes in foreign currencies	-43	5	122	84
<b>Provisions per 31 December 2012</b>	<b>3,182</b>	<b>1,474</b>	<b>7,229</b>	<b>11,886</b>
Non-current	3,182	969	5,094	9,245
Current	0	505	2,135	2,641

Provisions are recognized for indemnities related to warranties on products sold during the past 10 years, on the basis of experience with repairs and returns. The Group expects that most of the provisions intended to cover warranty obligations will be utilized within a period of 2 to 3 years.

The provisions for claims mainly relate to claims for quality issues of products sold. It is currently not clear when the legal procedures will be concluded and what the outcome will be.

The remaining provisions mainly relate to employee benefits in Inoutic/Deceuninck GmbH. These are provisions for jubilee bonuses, and for a specific German measure enabling German employees to gradually phase out their careers. In view of the nature of these provisions, it is impossible to determine the timing of costs to be incurred. Furthermore, other provisions relate, for example, to the provision for an onerous lease contract on a warehouse in Wrocław (Poland).

## 18. Interest bearing debts

In July 2012 Deceuninck has concluded a 140 million euro secured syndicated credit facility consisting of a 5 year multicurrency revolving credit facility of maximum 100 million euro ("Facility A") and a 40 million euro term loan amortizing over 3.5 years ("Facility B"). This new credit facility was used in August 2012 for the early repayment of private placements with maturity date in 2014 and the bank debt under the credit agreement of 2009 maturing in 2013. In addition, the new financing is used for general operating activities. Thanks to this new financing agreement, the Group has fulfilled its financing needs for the Restricted Group<sup>4</sup> for the next 5 years. The new agreement also includes more favourable interest rate conditions and the possibility for Deceuninck to pay out dividends.

Financial covenants are set to market standards and have been defined as follows:

- (a) Minimum shareholder's equity at Group level of 180 million euro;
- (b) Interest-coverage at Restricted Group level of minimum 4.00;
- (c) Net debt-coverage at Restricted Group level of maximum 3.00;
- (d) Maximum capital expenditures per calendar year at Restricted Group level of 25 million euro.

(4) Restricted Group = Group excluding Turkish subsidiaries.

As per 31 December 2012, the Group met all its covenants. Based on the budget for 2013, management also expects to meet in the coming year all obligations and covenants stipulated in the new credit agreement.

The above credit facility is secured by a security package consisting of mortgages and mortgage mandates on the real estate and business of the Group in Belgium, and of a pledge on the shares of the subsidiaries of Deceuninck NV, except for the shares of Inoutic / Deceuninck GmbH and of Deceuninck Holding Germany GmbH. The financing of the Turkish subsidiaries is completely independent from the above funding. The credit needs of these subsidiaries is completed by bilateral, uncommitted credit lines with local Turkish banks.

The following tables provide an overview of the interest-bearing debts of the Group at the balance sheet date:

Long-term interest-bearing loans (in thousands of euro)	2011	2012
Loans from financial institutions and institutional investors	93,331	37,323
Financial leasing	30	3
<b>Total</b>	<b>93,361</b>	<b>37,326</b>

Short-term interest-bearing loans (in thousands of euro)	2011	2012
Loans from financial institutions and institutional investors	32,363	72,099
Short-term financing	514	6,358
Financial leasing	30	29
<b>Total</b>	<b>32,907</b>	<b>78,486</b>

Financial leasing debts	2011			2012		
In thousands of euro	Repayments	Interest	Capital	Repayments	Interest	Capital
Less than 1 year	32	2	30	28	1	29
Between 1 and 5 years	31	1	30	3	0	3
More than 5 years	0	0	0	0	0	0
<b>Total</b>	<b>63</b>	<b>3</b>	<b>60</b>	<b>31</b>	<b>1</b>	<b>32</b>

Terms and maturity profile (original maturity)	< 1 year		1-2 years		2-5 years		> 5 years		Total	
In thousands of euro	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012
Loans from financial institutions and institutional investors	32,363	72,099	23,907	14,700	69,424	22,623	0	0	125,694	109,422
Financial leasing	30	29	30	3	0	0	0	0	60	32
Short-term financing	514	6,358	0	0	0	0	0	0	514	6,358
<b>Total</b>	<b>32,907</b>	<b>78,486</b>	<b>23,937</b>	<b>14,703</b>	<b>69,424</b>	<b>22,623</b>	<b>0</b>	<b>0</b>	<b>126,268</b>	<b>115,812</b>

The following table provides an overview of the interest rates and maturity dates of the outstanding financial debt as per 31 December 2012:

Loans	Interest rate	Maturity date	Long-term	Short-term
			interest-bearing loans In thousands of euro	interest-bearing loans In thousands of euro
Syndicated credit facility 2012 – Facility A	Euribor + Margin	2017		45,156
Syndicated credit facility 2012 – Facility B	Euribor + Margin	2016	27,684	11,852
Long-term loan in TRY	10.50%	2015	6,803	1,701
Long-term loan in TRY	13.00%	2014	2,835	1,417
Long-term loan in EUR	4.10%	2013		7,600
Short-term loan in TRY	13.75%	2013		2,126
Short-term loan in TRY	7.60%	2013		4,252
Short-term loan in TRY	14.00%	2013		4,252
Short-term loan in TRY*	0.00%	2013		101
<b>Total</b>			<b>37,323</b>	<b>78,457</b>

\* Free loan for payments to the Turkish government.

Unused credit lines amounted to 54.8 million euro as per 31 December 2012.

### Operational leasing

The Group leases mainly vehicles, office equipment and buildings. The total amount paid in 2012 for operational leasing amounts to 4,724 thousand euro.

The table below provides an overview of the payments to be made over the coming financial years:

In thousands of euro	2011	2012
Less than 1 year	3,652	4,347
Between 1 and 5 years	6,433	5,365
More than 5 years	19	12
<b>Total</b>	<b>10,104</b>	<b>9,724</b>



## 19. Trade debts and other debts

In thousands of euro	2011	2012
<b>TRADE DEBTS - Total</b>	<b>57,817</b>	<b>55,900</b>
Derivative financial instruments	412	361
Guarantees from Customers	1,776	1,779
Accrued interest	1,556	1,588
Accrued charges	1,293	1,120
Deferred income	366	342
Other	521	516
<b>OTHER DEBTS - Total</b>	<b>5,924</b>	<b>5,706</b>

The conditions for the above mentioned trade debts and other debts are as follows:

- Trade debts do not bear interest and are usually paid on the basis of payment terms that can vary depending on the market. On average, these payment terms fluctuate between 45 and 65 days from the end of the month in which the debt is incurred. In Turkey this can be up to one year after the invoice date.
- For the conditions with regard to the financial instruments, we refer you to Note 24.
- The guarantees from Customers do not bear any interest and are immediately payable, as soon as the contractual obligations of the Customer have been fulfilled.

Trade debts include, besides the invoiced purchases also a provision for invoices to be received, a provision for credit notes to be issued, foreign currency translation differences and advance payments received.

Below is an analysis of the due date of the trade debts:

In thousands of euro	Net carrying value	Payable within 90 days	Payable within 91 to 180 days	Payable within 181 to 365 days	Payable later than 1 year
As per 31 December 2011	57,817	56,075	1,332	410	0
As per 31 December 2012	55,900	46,617	6,597	2,685	1

## 20. Share-based payments

The Group offers the possibility to executives, senior management and the CEO to register for stock option- and warrant agreements. The purpose for such a decision is to motivate the executives, senior management and the CEO, by enabling them to acquire shares in the company under relatively advantageous terms, thereby increasing and improving their commitment to the company.

The stock option plans can be detailed as follows:

479,025 options were accepted at the end of December 2012, entitling the holder to one Deceuninck share at a fixed exercise price corresponding to the market price at the moment of the granting of the option. All options relating to the stock option plans granted in 1999, 2000 and 2001 have been exercised, forfeited or expired. From the option plans which can still be exercised, 46,250 have already been exercised. 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. The exercise period, relating to the plans of 2003, 2004, 2005 and 2007, has been extended with 5 years in 2009.

Stock option plans Deceuninck NV									
	2002	2003	2004	2005	2007	2008	2009	2010	Total
Exercise price (in euro)	18.65	25.22	22.7	22.81	15.54	2.95	1.36	1.7	
Granted	64,000	64,000	49,000	66,250	70,750	70,750	75,000	75,000	534,750
Accepted	53,250	47,500	35,375	64,250	64,500	64,150	75,000	75,000	479,025
Exercised	-46,250	0	0	0	0	0	0	0	-46,250
Forfeited	-3,500	-8,750	-9,750	-19,500	-23,250	-20,650	0	0	-85,400
Expired	-3,500	0	0	0	0	0	0	0	-3,500
Outstanding	0	38,750	25,625	44,750	41,250	43,500	75,000	75,000	343,875
Exercise periods	2006-2012	2007-2013	2008-2014	2009-2015	2011-2017	2012-2018	2013-2019	2014-2020	
Extensions of exercise periods	N/A	2014-2018	2015-2019	2016-2020	2018-2022	N/A	N/A	N/A	

Stock option plans Deceuninck NV										
	2002	2003	2004	2005	2007	2008	2009	2010	Total	Weighted average exercise price
Outstanding 2011	3,500	38,750	25,625	46,750	44,750	46,500	75,000	75,000	355,875	10.54
Accepted 2012	0	0	0	0	0	0	0	0	0	N/A
Exercised 2012	0	0	0	0	0	0	0	0	0	N/A
Forfeited 2012	0	0	0	-2,000	-3,500	-3,000	0	0	-8,500	12.81
Expired 2012	-3,500	0	0	0	0	0	0	0	-3,500	18.65
Outstanding 2012	0	38,750	25,625	44,750	41,250	43,500	75,000	75,000	343,875	10.41

*The warrant plans can be detailed as follows:*

*2,176,999 warrants have been accepted at the end of December 2012, entitling the holder to one Deceuninck share at a fixed exercise price corresponding with the market price at the moment of the grant date of the warrant. No warrants*

*granted in the warrants plans have been exercised so far. The warrants expire if they have not been exercised at the last day of the last exercise period. The warrants can be exercised for the first time at the end of the third calendar year of the grant.*

Warrant plans Deceuninck NV							
	Plan 2009	Plan 2010 I	Plan 2010 II	Plan 2010 III	Plan 2011 II	Plan 2011 II	Total
Exercise price (in euro)	1.44	1.46	1.48	1.7	0.73	0.85	
Granted	549,564	285,000	67,435	607,500	490,000	300,000	2,299,499
Accepted	519,564	240,000	67,435	562,500	487,500	300,000	2,176,999
Exercised	0	0	0	0	0	0	0
Forfeited	-117,000	-75,000	0	-97,500	-52,500	0	-342,000
Expired	0	0	0	0	0	0	0
Outstanding	402,564	165,000	67,435	465,000	435,000	300,000	1,834,999
Exercise periods	2013-2019	2013-2019	2013-2019	2014-2020	2015-2021	2015-2021	

Warrant plans Deceuninck NV								Weighted average exercise price
	Plan 2009	Plan 2010 I	Plan 2010 II	Plan 2010 III	Plan 2011 II	Plan 2011 II	Total	
Outstanding 2011	442,564	180,000	67,435	507,500	0	0	1,197,499	1.56
Accepted 2012	0	0	0	0	487,500	300,000	787,500	0.78
Exercised 2012	0	0	0	0	0	0	0	N/A
Forfeited 2012	-40,000	-15,000	0	-42,500	-52,500	0	-150,000	1.27
Expired 2012	0	0	0	0	0	0	0	N/A
Outstanding 2012	402,564	165,000	67,435	465,000	435,000	300,000	1,834,999	1.24

The fair value was calculated on the basis of the following assumptions:

Warrant plans Deceuninck NV	2009	2010 I	2010 II	2010 III	2011 II	2011 II
Date of granting	01/02/10	01/03/10	01/03/10	01/03/11	01/03/12	01/03/12
Exercise price (in euro)	1.44	1.46	1.48	1.7	0.73	0.85
Share price on grant date (in euro)	1.48	1.40	1.40	1.88	1.22	1.22
Volatility	40%	40%	40%	40%	40%	40%
Risk-free interest	2.55%	2.41%	2.41%	3.51%	2.49%	2.49%
Dividend as from 2014 (in euro)	0.03	0.03	0.03	0.03	0.03	0.03
Early exercised – Minimum gain	25%	25%	25%	25%	25%	25%
Early exercised – Probability to exercise	50%	50%	50%	50%	50%	50%

IFRS 2 has a negative impact of 288 thousand euro on the results of 2012.

Stock option and warrant plans were valued on the basis of the binominal tree structure. Volatility was determined on the basis of historical data.

## 21. Related parties

*During 2012, the Group made purchases valued at 0.12 million euro (0.16 million euro in 2011), under normal market conditions, from companies of which directors of the company held a majority of the shares. These transactions involved purchases relating to dies and equipment, maintenance of machinery, other services and the use of meeting rooms.*

*Total remuneration of members of the Board of Directors in 2012 amounted to 305,000 euro (365,500 euro in 2011). This amount includes additional remunerations granted to directors for their involvement at committees. These remunerations are granted by the General Meeting and are included in general expenses.*

*Directors charged with special missions and projects can receive appropriate remuneration.*

*The members of the Executive Team (situation as of 31 December 2012- CEO not included) received remunerations of 1,878,142 euro (2,092,771 euro in 2011), including a variable remuneration in the amount of 330,039 euro.*

*In order to align the interests of the Company and its shareholders with the interests of Executive Team members, part of the remuneration package shall be linked to Company performance and another part to individual performance. By weighing both factors against each other in a responsible manner (85% corporate results/15% individual results) a balance can be achieved between a result oriented approach (Top Performance) and the manner in which these results are obtained (taking into account the core values: Candor, Top Performance and Entrepreneurship).*

*Options and/or warrants on the shares of the company are granted to executives, senior management and the CEO of which 597,500 were granted to the members of the Executive Team. These option and warrant plans are not related to the performance of the Group.*

## 22. Services provided by the external auditor

*During 2012 the following charges of the external auditor were included in the Group's income statement:*

*Audit services: 599,150 euro*

*Other audit services: 6,500 euro*

*Tax consulting services: 43,080 euro*

## 23. Going concern

*There are no indicators of circumstances that might question the continuity of the activities.*

## 24. Risk management

*The financial risks for the Group are exchange rate risks, interest rate risks, credit risks and liquidity risks.*

### *Exchange rate risk*

*The important presence of the Group in regions outside the eurozone (Turkey, United States, United Kingdom, Eastern Europe) causes the Group to continuously manage operational exchange rate risks (purchases and sales in foreign currencies).*

### *Recognized assets and liabilities*

*The Group aims to minimize the impact on the profit and loss accounts of foreign exchange fluctuations on the monetary assets and liabilities on the balance sheet. These exchange rate risks are hedged in a natural way ("natural hedging") as much as possible, by offsetting monetary assets in one currency (for example trade receivables) against monetary liabilities (for example trade debts) in the same currency. The remaining exchange rate risk, after the optimization of natural hedging, will be hedged with financial instruments ("financial hedging") if the cost thereof is considered as reasonable.*

The most important financial instruments used by the Group for the hedging of foreign exchange rate risks are FX forward contracts and (either zero cost or non-zero cost) plain-vanilla options.

It is the policy of the Group to protect its subsidiaries as much as possible from exchange rate risks, meaning that such risks are primarily managed at Group level. Exchange rate risks at the Turkish subsidiary Ege Profil are monitored closely by Corporate Treasury, but are hedged by the Turkish subsidiary through local banks due to the special nature of the Turkish financial markets.

The most important operational foreign exchange rate risks at Group level, excluding Turkey, relate to the positions in Pound sterling and Russian rouble. These positions are the result of important sales in the United Kingdom and Russia. In Turkey, important operational foreign exchange rate risks exist in US dollar, due to purchases of raw materials in US dollar and in euro, as the result of sales in euro.

The table below provides an overview of the existing FX forward contracts, grouped by currency, at the end of December 2012:

Purchase or sale	Currency	Amount (in euro)	Maturity Date	MTM 2012 (in euro)
Forward Sales	GBP	21,500,000	Q1 2013	127,881.14
	RUB	549,738,000	Q1 2013	-171,225.69
	USD	23,928,000	Q1 2013	93,574.82
Forward purchases	CZK	55,000,000	Q1 2013	9,849.05
	PLN	28,000,000	Q1 2013	30,021.54
	USD	6,495,000	Q1 2013	-21,618.40

#### Future transactions

Future transactions imply future purchases and sales that are not yet recognized as monetary assets or liabilities on the balance sheet. In principle these transactions are not hedged. In Turkey this is sometimes waived if opportunities arise on the foreign exchange markets. At very favorable rates, part of future purchases will be hedged in US dollar.

#### Estimated sensitivity for exchange rate fluctuations

As required by IFRS 7, "Financial instruments: Disclosures," a sensitivity analysis was carried out on the evolution of the exchange rates. Based on the volatility of the currencies (compared to the euro in 2012) for which the Group is confronted with an exchange rate risk, we have estimated the possible change of the exchange rates for these currencies compared to the euro as follows:

Sensitivity analysis on the positions in foreign currencies as per 31 December 2012(*)						
Currency	Amount (in thousands of euro)	Closing rate 31/12/2012	Possible volatility of the exchange rate in %(**)	Rate used for the sensitivity analysis		Effect on revaluation (in thousands of euro)
USD	1,437	1.3194	4.18%	1.3746	1.2642	-44
GBP	1,288	0.8161	2.78%	0.8388	0.7934	-43
PLN	-209	4.0740	3.81%	4.2292	3.9188	2
CZK	29,363	25.151	3.14%	25.9407	24.3613	-36
TRY	8,309	2.3517	3.48%	2.4335	2.2699	-119
RUB	-35,506	40.2286	3.79%	41.7533	38.7039	32
<b>Total</b>						<b>-208</b>
						<b>221</b>

(\*) Position after financial hedging (net-exposures)

(\*\*) 3 month volatility

*If the euro would have weakened/strengthened during 2012, in line with the above mentioned possible rates, the profit of the financial year would have been about 221 thousand euro higher / 208 thousand euro lower.*

#### Interest rate risk

*The interest rate risk of the Deceuninck Group mainly results from the fact that a considerable part of the financial debt is borrowed at a variable interest rate. At the end of 2012, 73% of the outstanding financial debt was financed at a variable interest rate.*

*In order to hedge against increases of the interest rates in euro, the Group has entered into so called interest rate swaps. These instruments enable the Group to*

*swap the variable interest rate which is paid on borrowings, into a fixed interest rate. In September 2012, the interest rate risk on Facility B<sup>5</sup> borrowings has been hedged by interest rate swaps for the full amount and the full maturity. In December 2012, interest rate swaps with start date in Q1 2013 were concluded in order to partially hedge the interest rate risk on borrowings under Facility A<sup>6</sup>.*

*The Group applies hedge accounting for hedges of interest rate risk through interest rate swaps. The changes in fair value of these swaps are directly recognized in equity (and not in the profit and loss account).*

*The following table provides an overview of the existing interest rate swaps as per 31 December 2012:*

Amount (in euro)	Currency	Start date	End date	Interest rate received	Interest rate paid	MTM per 31 December 2012 (in euro)
40,000,000	EUR	17/09/2012	18/01/2016	Euribor 3M	0.4159%	-113,108.40
10,000,000	EUR	16/01/2013	18/01/2016	Euribor 3M	0.3755%	-12,209.59
10,000,000	EUR	18/02/2013	16/02/2017	Euribor 3M	0.5535%	-28,151.31
5,000,000	EUR	18/03/2013	16/03/2017	Euribor 3M	0.5740%	-14,673.25

(5) Facility B: 40 million euro term loan with fixed repayments, amortizing over 3.5 year.

(6) Facility A: a 5 year multicurrency revolving credit facility of maximum 100 million euro.

*As required by IFRS 7, "Financial instruments: disclosures" a sensitivity analysis was carried out on the evolution of the interest rates. If an increase/decrease by 50 base points were applied on the loans subject to a variable interest rate per 31 December 2012, the profit before taxes for 2012 would be 424 thousand euro lower/higher. However, if we also take into account the compensatory effect of the interest rate hedges at the balance sheet date, the impact on the profit before taxes for 2012 of a change in interest rates by 50 base points would be limited to 224 thousand euro.*

#### *Credit risk*

*While the credit risk remained stable in Eastern Europe and the US, an important increase in the credit risk was observed in Western Europe and especially Southern Europe. The situation in Spain and Greece remains extremely difficult and requires drastic measures to monitor the payments of the Customer. Also in Italy, France and the Benelux we see the payment behaviour of Customers evolve negatively.*

*A strict monitoring by the local credit controllers, combined with monitoring at Group level by the Risk & Credit Manager Group, should contribute that this risk is kept under control.*

*With the exception of Spain and Turkey, the portfolio of outstanding trade receivables is insured by credit insurance companies. For the Western European countries and the US, a new agreement in early 2012 with Euler Hermes was concluded for a period of 2 years. For the Eastern European countries, the agreement with the insurer Delcredere ended at the end of 2012. However, after a thorough market research, it was decided early 2013 to extend the contract with Delcredere for the next 3 years.*

*For Deceuninck NV, Deceuninck SAS and Inoutic/Deceuninck GmbH, we continued the factoring during 2012.*

#### *Liquidity risk and risks linked to the outstanding debt*

*At present the Deceuninck Group holds sufficient cash and cash equivalents and committed credit facilities for the funding of its operating activities.*

*In order to detect possible deteriorations in its liquidity position at an early stage the Group prepares a detailed cash flow forecast every two weeks for the next 13 weeks.*

*If a loan agreement would be terminated and become immediately payable as a result of non-compliance with the financial covenants stipulated in the loan agreements, Deceuninck would be confronted with liquidity problems.*

*In order to detect possible non-compliance with these financial covenants at an early stage and enabling corrective measures, a monthly financial forecast is prepared until the end of the current accounting year. The key figures of this financial forecast are used as input for a specifically designed "covenant module" which tests if the covenants will be respected within the current accounting year. In addition, the budget of 2013 was processed by the "covenant module" to verify if the covenants will be met at every test date in 2013. No issues have been identified.*

*For the Turkish subsidiaries, liquidity problems could arise if loans becoming due were not refinanced through local Turkish banks. However, given the good health of the Turkish banking sector, and given the excellent reputation and track record of the Turkish subsidiaries of the Group, this is very unlikely. Moreover, under the new financing terms it is possible for the Restricted Group to give intercompany loans to the Turkish subsidiaries. These intercompany loans are however limited in duration (up to 3 months) and amount (up to 7,500,000 euro).*

*In addition to the above mentioned risk of non-compliance with the financial covenants, the liquidity risk is also linked to the evolution of the working capital of the Group, which is highly subject to seasonal fluctuations and the capital expenditure level of the Group.*

*The Group monitors the changes in working capital by means of increased focus in certain areas. Examples of this are the increase in inventory rotation, or by increased monitoring of the credit terms granted to its Customers. Deceuninck also makes use of the payment conditions that are granted by its suppliers, in order to cover its needs in working capital.*

A comparison is provided below between the net carrying value and the fair value of financial instruments, which have been included in the financial statements.

The fair value of the loans was calculated by defining the expected future cash flows, and by discounting these on common, accepted interest rates.

In thousands of euro	Net carrying value 2011	Fair value 2011
<b>Financial assets</b>		
Cash and cash equivalents	24,443	24,443
Long-term trade receivables	1,081	1,081
Financial fixed assets	1,433	1,433
Derivative financial instruments	2,537	2,537
<b>Financial Liabilities</b>		
Loans with a variable interest rate	18,706	18,706
Loans with a fixed interest rate	107,503	110,913
Financial leasing and other loans	60	60
Derivative financial instruments	412	412
<b>Financial assets</b>		
Cash and cash equivalents	23,211	23,211
Long-term trade receivables	617	617
Financial fixed assets	1,582	1,582
Derivative financial instruments	261	261
<b>Financial Liabilities</b>		
Loans with a variable interest rate	84,692	84,692
Loans with a fixed interest rate	31,088	31,579
Financial leasing and other loans	32	32
Derivative financial instruments	361	361



#### *Hierarchical classification of fair value*

The Group uses the following hierarchical classification in determining and explaining the fair value of financial instruments by valuation technique:

Level 1: quoted (not adjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques that use input with a significant impact on the recorded fair value that is not based on observable market data.

During the reporting period ending 31 December 2012, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

As per 31 December 2011 the Group has the following financial instruments:

In thousands of euro	31/12/2011	Level 1	Level 2	Level 3
Assets at fair value				
- FX-options	2,140		2,140	
- Interest options (cap)	12		12	
- FX forward contracts	395		395	
Liabilities at fair value				
- FX forward contracts	412		412	

As per 31 December 2012 the Group has the following financial instruments:

In thousands of euro	31/12/2012	Level 1	Level 2	Level 3
Assets at fair value				
- FX forward contracts	261		261	
Liabilities at fair value				
- Interest rate swaps	168		168	
- FX forward contracts	193		193	

#### *Equity management*

The objective of the Group, with regard to the management of equity, is to maintain a healthy financial position and a healthy debt position, in order to maintain an easy access to the financial markets at any moment.

## 25. Events after the balance sheet

No significant events after the balance sheet date have occurred.

## 26. Government grants

In thousands of euro	2011	2012
Balance per 1 January	500	500
Granted during the year	0	0
Revision during the year	0	-500
Recognized in profit and loss during the year	0	0
<b>Balance per 31 December</b>	<b>500</b>	<b>0</b>

The government grants received for the funding of training programs for employees, have been repaid in 2012.

## 27. Significant subsidiaries

All the subsidiaries are 100% owned, except for Ege Profil AS (97.54%) and Deceuninck (Thailand) Co. Ltd. (74%). All financial periods close on 31 December 2012.

Name of the company	Registered office	Ownership percentage
<b>Australia</b>		
Deceuninck Pty. Ltd.	142 Freight Drive Somerton 3062 Victoria	100.00
<b>Belgium</b>		
Deceuninck NV	Brugsesteenweg 374 8800 Roeselare	100.00
Plastics Deceuninck NV	Brugsesteenweg 374 8800 Roeselare	100.00
<b>Bosnia and Herzegovina</b>		
Inoutic / Deceuninck d.o.o	Prvi mart bb 75270 Zivinice	100.00
<b>Bulgaria</b>		
Deceuninck Bulgaria EOOD	41 Sankt Peterburg Blvd 4000 Plovdiv	100.00
<b>China</b>		
Rep. Office Deceuninck NV China (Qingdao)	128 Xiang Gang Dong Lu Shuang Long Yuan 3-2 -402 266071 Laoshan, Qingdao, Shandong	100.00
<b>Croatia</b>		
Inoutic / Deceuninck d.o.o.	Industrijska ulica 3 10370 Dugo Selo (Zagreb)	100.00
<b>Czech republic</b>		
Inoutic / Deceuninck Spol. s r.o	Vintrovna 23 208/23 Popůvky	100.00

Name of the company	Registered office	Ownership percentage
<b>France</b>		
Deceuninck SAS	Zone Industrielle - Impasse des Bleuets 80700 Roye	100.00
<b>Germany</b>		
Inoutic/Deceuninck GmbH	Bayerwaldstrasse 18 94327 Bogen	100.00
Deceuninck Holding Germany GmbH	Bayerwaldstrasse 18 94327 Bogen	100.00
<b>Ireland</b>		
Deceuninck Ireland Unltd. (in liquidation)	4th floor 25-28 Adelaide Road Dublin 2	100.00
<b>Italy</b>		
Deceuninck Italia S.r.l.	Piazza della Concordia, 6 56025 Pontedera	100.00
<b>Kazakhstan</b>		
Rep. Office Deceuninck NV Kazakhstan (Almaty)	Mynbaeva street 46 480057 Almaty	100.00
<b>Lithuania</b>		
Deceuninck Baltic UAB (in liquidation)	Saltoniskiu str. 29/3 08105 Vilnius	100.00
<b>Poland</b>		
Inoutic / Deceuninck Sp. z o.o.	Jasin, Ul Poznanska 34 62-020 Swarzedz	100.00
Profil System Sp. Z o.o. (in liquidation)	Jasin, Ul Poznanska 34 62-020 Swarzedz	100.00
<b>Ukraine</b>		
Rep. Office Deceuninck NV Ukraine	Forum business city 13 Pimonenko street, office 6a/28 04050 Kiev	100.00
<b>Romania</b>		
S.C. Deceuninck Romania SRL	Traian Str. n°2, Bloc F1, Scara 4 etaj 8 ap 24 Sector 3 Bucharest	100.00

Name of the company	Registered office	Ownership percentage
<b>Russia</b>		
Deceuninck Rus OOO	Profsoyusnaya, 65, bld. 1 117342 Moscow	100.00
<b>Serbia</b>		
Inoutic / Deceuninck d.o.o.	Kruzni put bb 11309 Beograd – Lestane	100.00
<b>Spain</b>		
Deceuninck NV Sucursal en España	Avda. de la Industria 1007 Pol. Ind. Antonio del Rincon 45222 Borox Toledo	100.00
<b>Thailand</b>		
Deceuninck (Thailand) Co. Ltd.	2/3 Bangna Tower A 17fl RM #1704B Moo14, Bangna- trad, Km 6,5 Bangkaew, Bangplee Samutprakarn 10540	74.00
Asia Profile Holding Co. Ltd.	2/3 Bangna Tower A 17fl RM #1704B Moo14, Bangna- trad, Km 6,5 Bangkaew, Bangplee Samutprakarn 10540	100.00
<b>The Netherlands</b>		
Deceuninck Kunststof B.V.	Prins Bernhardplein 200 1097 JB Amsterdam	100.00
Deceuninck Beheer B.V.	Prins Bernhardplein 200 1097 JB Amsterdam	100.00
<b>Turkey</b>		
Ege Profil Ticaret ve Sanayi AS	A.O.S.B. 10003 Sokak No:5 35620 Cigli – Izmir	97.54
Ege Pen AS	A.O.S.B. 10003 Sokak No:5 35620 Cigli – Izmir	100.00
<b>United Kingdom</b>		
Deceuninck Ltd.	2 Temple Back East Temple Quay Bristol BS1 6EG	100.00
Status Systems PVCu Ltd.	2 Temple Back East Temple Quay Bristol BS1 6EG	100.00

Name of the company	Registered office	Ownership percentage
Range Valley Extrusions Ltd.	2 Temple Back East Temple Quay Bristol BS1 6EG	100.00
Deceuninck Holdings (UK) Ltd.	2 Temple Back East Temple Quay Bristol BS1 6EG	100.00
<b>United States</b>		
Deceuninck North America Inc.	351 North Garver Road Monroe, 45050 Ohio	100.00
Deceuninck North America LLC	351 North Garver Road Monroe, 45050 Ohio	100.00
<b>India</b>		
Ege Profil Ticaret ve Sanayi Anonim Sirketi	939, 10th floor, Westend Mall, near Hotel Hilton Janak Puri – 110058 Dehli	100,00

## 28. Guarantees and securities

*Within the framework of the financial restructuring in 2009, the obligations of the Group under the credit agreement ("Credit Facility 2009") are covered by guarantees and securities pledged on a large portion of the assets of the Group. The most important securities provided by the Belgian legal entities can be detailed as follows:*

- *Deceuninck NV:*
  - *A mortgage on real estate*
  - *A mortgage mandate relating to real estate*
  - *A floating charge on the business*
  - *A mandate floating charge on the business*
  - *A pledge on receivables and bank accounts*
  - *A pledge on shares that Deceuninck NV holds in other Group companies*

*The other companies in the Group mainly issued securities over their real estate, receivables and bank accounts, inventory, machinery and other equipment and the shares they hold in other entities within the Group. In addition, there is a security over the material intellectual property rights. The Group also pledged the shares in Ege Profil. The Turkish subsidiaries did not issue guarantees or securities in relation to the financial restructuring.*

*These securities have not been released with the repayment of the Credit Facility 2009.*

*The credit facility of 2012 is secured by a package of guarantees and securities consisting of:*

- *Deceuninck NV:*
  - *A mortgage on real estate for an amount of 61,760,000 euro;*
  - *A mortgage mandate relating to real estate for an amount of 65,000,000 euro;*
  - *A floating charge on the business for an amount of 40,000,000 euro;*
  - *A mandate floating charge on the business for an amount of 60,000,000 euro;*
  - *A pledge on shares of the subsidiaries of Deceuninck NV, except for the shares of Inoutic / Deceuninck GmbH and Deceuninck Holding Germany GmbH.*

## DECEUNINCK NV

The following pages are extracts from the annual report and financial statements of Deceuninck NV. The complete version of the financial statements and the annual report will be available on request and via the Deceuninck website, at the times stipulated by the Belgian Code on Companies. The annual financial statements and the annual report are prepared in accordance with Belgian legal requirements, which differ considerably from the IFRS accounting principles that are applied to the consolidated financial statements. The External Auditor has issued an unqualified opinion regarding the annual financial statements of Deceuninck NV.

## Results

The net result for the financial year 2012 is presented below:

In thousands of euro	2011	2012
Operating revenues	205,638	183,204
Operating costs	-195,148	-177,633
Operating profit	10,490	5,571
Financial income	10,964	18,702
Financial costs	-32,680	-26,064
Loss from ordinary operations before taxes	-11,226	-1,791
Extraordinary income	58,767	8,147
Extraordinary costs	-299	-563
Profit for the financial year	47,242	5,793
Transfer from deferred taxes	51	364
Income tax	-153	943
Profit for the financial year	47,140	7,101
Transfer from tax-free reserves	100	715
<b>Profit for the financial year available for appropriation</b>	<b>47,240</b>	<b>7,816</b>

The decrease of operating revenues by 22.4 million euro can be mainly explained by a decrease in sales by 9.7%. Sales decreased mainly in South-Europe and the Netherlands. In Belgium, sales remained stable. Operating costs decreased by 17.5 million euro.

The extraordinary income mainly relates to the liquidation bonus received from Deceuninck Coordination Center NV and from Detajoint NV. Both companies were liquidated in 2012.

The 2012 financial year closed with a net profit of 7.8 million euro, compared to a net profit of 47.2 million euro last year.

## Balance sheet

In thousands of euro	2011	2012
Formation expenses	2,338	1,512
Intangible fixed assets	1,269	804
Tangible fixed assets	27,089	29,532
Financial fixed assets	144,019	139,575
<b>Non-current assets</b>	<b>174,715</b>	<b>171,423</b>
Inventories	20,619	19,740
Trade receivables	66,671	66,956
Other receivables	32,927	42,123
Cash and cash equivalents	6,973	900
Other current assets	1,654	3,430
<b>Current assets</b>	<b>128,844</b>	<b>133,149</b>
<b>TOTAL ASSETS</b>	<b>303,559</b>	<b>304,572</b>
Issued capital	42,495	42,495
Share premiums	50,480	50,480
Reserves	12,695	12,370
Retained earnings	20,020	27,445
Investment grants	500	0
<b>Equity</b>	<b>126,190</b>	<b>132,790</b>
<b>Provisions and deferred taxes</b>	<b>1,882</b>	<b>1,930</b>
Long-term debts	81,176	28,003
Short-term debts	90,448	139,542
Other liabilities	3,863	2,307
<b>Liabilities</b>	<b>175,487</b>	<b>169,852</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>303,559</b>	<b>304,572</b>

The most important fluctuations are:

- Increase of equity due to the appropriation of the net profit of the year of 7.8 million euro;
- Decrease of long-term debts can be explained by the early repayment of private placements with maturity date in 2014. These repayments have been funded by short-term drawings under the new credit facility with maturity date in 2017, which explains the increase of short-term debts.

## Change in control

In accordance with Article 556 Code of Companies, the Extraordinary General Meeting of December 18th 2013 has approved all the provisions granting to third parties rights that influence the Company's equity, create a debt or charge on behalf of the Company, in the case that the execution of these rights is dependent on a public takeover bid for the Company's shares or on the Company's change of control (the "provisions in the case of a change of control", including Article 10.1 (Exit)) provided for in the Amendment Agreement of 16 July 2012 amending the credit agreement initially dated 11 September 2009, concluded by the Company, with among others, ING BELGIUM NV/SA, FORTIS BANK SA/NV, KBC BANK NV, COMMERZBANK AKTIENGESELLSCHAFT FILIALE LUXEMBURG, BANQUE LBLUX S.A. and/or the affiliated companies of these financial institutions, with the aim of restructuring the debt financing of the Company, in particular (i) the refinancing of the credit agreement of 11 September 2009 concluded with a consortium of Belgian Banks, and (ii) the repayment of the notes issued by the Company, and also approval of all the provisions provided for in other documents related to the financing agreement.



## EXTERNAL AUDITOR'S REPORT

### Statutory auditor's report to the general meeting of shareholders of Deceuninck NV on the consolidated financial statements for the year ended 31 December 2012

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 balance sheet (the financial situation of the consolidated entity) on 31 December 2012, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year ended 31 December 2012 and on the notes, and includes the required additional statement.

### Report on the consolidated financial statements - Unqualified opinion

We have audited the consolidated financial statements of Deceuninck (the 'Group') for the year ended 31 December 2012, prepared in accordance with International Financial Reporting Standards as adopted by the European Union with the consolidated balance sheet amounting to total assets of € 436,914 thousand and the consolidated income statement with a profit for the year, share of the Group, of € 4,038 thousand.

### Responsibility of the board of directors for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union as well as the implementation of internal control, which it considers necessary for the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

### Responsibility of the statutory auditor

It is our responsibility 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 International Standards on Auditing (ISA). Those standards require that we comply with the ethical requirements, plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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.

We have obtained from management 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.

### **Unqualified opinion**

In our opinion, the consolidated financial statements of Deceuninck NV for the year ended 31 December 2012 give a true and fair view of the Group's financial position as at 31 December 2012 and of the results of its operations and its cash flows in accordance with the International Financial Reporting Standards as adopted by the European Union.

## **Report on other legal and regulatory requirements**

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.

Within the context of our assignment, it is our responsibility to verify in all material respects, the compliance with certain statutory and regulatory obligations. On this basis, we make the following comment which does not modify the scope of our opinion on the financial statements:

- The directors' report on the consolidated financial statements includes the information required by law and is consistent with the consolidated financial statements and does not contain any inconsistencies with the information that we became aware of during the performance of our mandate.

Ghent, 28 March 2013

Ernst & Young Bedrijfsrevisoren bcvba  
Statutory auditor  
represented by

Jan De Luyck  
Partner

Ref: 13JDU0105

## *DECLARATION REGARDING THE INFORMATION GIVEN THIS ANNUAL REPORT*

The undersigned declare that:

- The annual financial statements have been prepared in conformity with the applicable standards for financial statements, and that they give a fair view of equity position, of the financial condition and of the results of the reporting Company, including those companies that have been included in the consolidated figures.
- That the annual report gives a true overview of the developments and results of the reporting Company and of companies that have been included in the consolidated figures, also providing a true description of the most important risks and insecurities with which it is confronted, as defined in the Royal Decree of 14 November 2007 on the obligations of issuers of financial instruments admitted to trading on a regulated market.

The Board of Directors

## ADDRESSES

### Australia

Deceuninck Pty. Ltd.  
142 Freight Drive  
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## GLOSSARY

1	REBITDA	Recurring earnings before interest, taxes, depreciation, amortization and provisions for liabilities and charges = recurring operating cash flow
2	EBITDA	Earnings before interest, taxes, depreciation, amortization and provisions for liabilities and charges = operating cash flow
3	EBITA	Earnings before interest, taxes and amortization
4	EBIT	Earnings before interest and taxes = operational result
5	EBT	Earnings before taxes
6	EPS (non-diluted)	(Non-diluted) earnings per share
7	EPS (diluted)	(Diluted) earnings per share
8	Net debt	Financial debts – cash and cash equivalents
9	Working capital	Trade receivables + inventories – trade debts
10	Liquidity	Current assets/current liabilities
11	ROCE = EBIT/Capital Employed (CE)	Return on capital employed
12	Capital employed (CE)	The sum of goodwill, intangible, tangible and financial fixed assets and working capital
13	Subsidiaries	Companies in which the group owns a participation in excess of 50%
14	Associated companies	Companies in which the group owns a participation between 20-50%, which are valued according to the equity method
15	Gearing	Net debt compared to the equity capital
16	MTM	Marked-to-Market
17	Headcount (FTE)	Total Full Time Equivalents including temporary and external staff

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