
Press release

Regulated information – 1H 2013 results

Under embargo until Tuesday 23 July 2013 at 7:30 a.m. CET

Deceuninck 1H 2013: Sales (-4%) and results (EBITDA: €19m or 7.2%): weak environment in Europe. Strong performance in US and Turkey.

- Gross margin remains stable at 29.7%.
- Significant net debt reduction to € 84.7 million (30 June 2012: € 117.6 million).
- Net profit decreases to € 0.3 million.
- Operating cashflow (EBITDA: € 19.0 million or 7.2%) impacted by bad debt.
- Continued capital expenditure in strategic growth projects.
- Outlook full year 2013: maintaining profitability.

Highlights

Sales breakdown 1H 2013

- Consolidated 1H 2013 sales decreased 4.1% to € 263.1 million (1H 2012: € 274.3 million).
- Volume: - 1.6%. Volume declined in nearly all markets in Europe, including Russia, due to an exceptionally long and harsh winter, and a lacklustre underlying demand. In Germany volumes were stable. Notable exceptions were Italy and the UK, which showed a healthy growth in 1H. In the other regions - US, Turkey and Emerging Markets - volume developed favourably.
- Exchange rates: - 0.8%. Unfavourable impact from Turkish lira, Russian ruble and US dollar.
- Mix effects: -1.8%, as a result of a changed product and geographical mix.

Results 1H 2013

- Gross margin remained stable at 29.7%
- EBITDA decreased to € 19.0 million or 7.2% of sales (1H 2012: € 24.4 million or 8.9%).
 - *Stable gross margin offset by higher bad debt*
- EBIT: € 6.7 million or 2.5% of sales (1H 2012: € 11.2 million or 4.1% of sales)
- Financial result improved to € - 4.0 million in 2013 (1H 2012: € -7.5 million)
 - *€ 2.3 million lower interest expenses mainly as a result of the new 5-year refinancing agreement concluded in August 2012, as well as lower working capital requirements*
- Net profit: € 0.3 million (1H 2012: net profit € 1.2 million)
- Net debt improved to € 84.7 million (30 June 2012: € 117.6 million)



Building a sustainable home



ecology



design

(in millions of euro)	1H 2012	1H 2013	Var (%)
Sales	274.3	263.1	-4.1%
Gross profit	81.4	78.1	-4.1%
Gross-margin (%)	29.7%	29.7%	
EBITDA	24.4	19.0	-22.2%
EBITDA-margin (%)	8.9%	7.2%	
EBIT	11.2	6.7	-40.8%
EBIT-margin (%)	4.1%	2.5%	
Financial result	-7.5	-4.0	
EBT	3.7	2.7	
Income taxes	-2.5	-2.4	
Net profit	1.2	0.3	
Net profit-margin (%)	0.5%	0.1%	

Tom Debusschere, Deceuninck CEO:

"After the harsh winter in Q1 2013, Deceuninck's sales performance has been under pressure, due to challenging market conditions in Europe, and despite market share gains in most countries.

Sales growth in Turkey temporarily weakened in June as a result of political situation in the major cities.

US sales grew steady on the back of a sustainable housing recovery and continued improving consumer confidence.

We were able to keep our gross margin stable year-on-year, but EBITDA margin was negatively impacted by our lower sales volume and increased bad debt, which ultimately impacted our net profit.

In this challenging economic environment we continue our capital expenditures plan for strategic growth projects. During the first half 2013 we spent € 10.4 million in the 3 axis of our long term strategy "Building a sustainable home": Innovation – Ecology – Design. In Western Europe, the roll out of our new OmniRAL colour offering and the glassfibre reinforced window system is progressing. At Deceuninck Recycling volumes are gradually increasing as planned. Solid management of working capital helped us reduce net debt further from € 117.6 million at 30 June 2012 to € 84.7 million at 30 June 2013."

Outlook full year 2013:

The government austerity programmes and near zero growth throughout Europe continue to weigh on consumer confidence. The European consumer tends to save, rather than invest in energy efficient home improvements. Whereas the recovery in the US now seems sustainable, the domestic growth in Turkey and the Turkish lira, may suffer if the political situation were to continue for multiple months.

Historically, a soft economy drives lower ethylene feedstock costs, which results in relief from PVC prices. A concern today is the pressure to increase PVC margins upstream within a trend of consolidation of European PVC producers.

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

Within this environment, Deceuninck commits to protect margins and maintain profitability through innovation, productivity improvement and rigorous cost control."

Markets and Sales

Sales breakdown Q2 2013

- Consolidated Q2 2013 sales decreased 2.8% to € 151.9 million (Q2 2012: € 156.3 million).
- Volume: - 1.2%. Volume declined in nearly all markets in Europe except for Germany, Italy and UK. Volume developed favourably in Turkey and Emerging markets and in the US
- Exchange rates: - 1.2%. Unfavourable impact from Turkish lira, Russian ruble and US dollar.
- Mix effects: -0.4%

Sales breakdown 1H 2013 per region

(in millions of euro)	Var. 1Q 2012/2013	Var. 2Q 2012/2013	1H 2012	1H 2013	Var. 1H 2012/2013	Var. 1H Loc. Curr.
Western Europe	-15.0%	-8.9%	106.9	94.2	-11.8%	
Central and Eastern Europe	-9.2%	-5.3%	76.4	71.2	-6.8%	
Turkey and Emerging Markets	14.2%	4.8%	57.6	62.6	8.6%	7.2%
United States	1.9%	6.9%	33.4	35.0	4.8%	6.0%
Total	-5.8%	-2.8%	274.3	263.1	-4.1%	

Deceuninck's 1H 2013 consolidated sales were € 263.1 million, a year-on-year decrease by 4.1% (1H 2012: € 274.3 million).

Sales volume: -1.6%; exchange rates: -0.8%; mix effects: -1.8%.

Western Europe

Half year 2013 sales in Western Europe decreased to € 94.2 million, a year-on-year decrease by 11.8%. The year-on-year decrease was lower during the second quarter (-8.9%) as compared to the first quarter (-15%). In the first quarter harsh and exceptionally long winter conditions impacted sales on top of underlying weak demand.

Sales were weak in all countries of the region with the exception of Italy and the UK. A clear improvement in demand for energy efficient windows was noted the UK as a result of new Customers and further competitive wins.

In general residential renovation and newbuild activity in the region continues to be impacted by weak consumer confidence as a result of the ongoing economic crisis and government austerity programmes.



Central and Eastern Europe (incl. Germany)

Half year 2013 sales in Central and Eastern Europe decreased year-on-year 6.8% to € 71.2 million. Sales were weak in most countries of the region, including Russia, with the exception of Germany, Romania and the Baltic. The year-on-year decrease was lower during the second quarter (-5.3%) as compared to the first quarter (-9.2%). Exceptionally long winter conditions in the first quarter and adverse weather conditions in the second quarter impacted sales on top of underlying sluggish demand in the entire region.

On top of weak demand sales were negatively impacted by currencies such as Russian ruble (RUB).

Turkey and Emerging Markets

Half year 2013 sales increased 8.6% to € 62.6 million (at constant exchange rates: +7.2%)

Sales growth on the domestic Turkish market temporarily weakened as a result of the political situation in the major cities as of June.

Sales growth in the Emerging Markets continued as a result of the gradual build-up of business in India and South America from local branches.

United States

Half year 2013 sales increased 4.8% to € 35.0 million. At constant exchange rates sales increased 6.0%.

Sales grew steadily on the back of a sustainable housing recovery and continued improving consumer confidence. At the same time, remodeling activity has remained consistent. Sales growth at Deceuninck North America was supported by product innovations, new Customers and external raw material sales.

1H 2013 results

Gross margin

Gross margin was stable at 29.7% in spite of a more challenging economic environment. Cost of living and rising energy cost were offset by continued focus on productivity. Raw material costs remained stable at a high level, in spite of decreased feedstock costs.

EBITDA

The **operating cash flow (EBITDA)** decreased to €19.0 million or 7.2% of sales (1H 2012: €24.4 million). Stable gross margin was offset by higher operating expenses (OPEX) mainly due to higher bad debt (€2.7 million).

EBIT

The **operating result (EBIT)** was €6.7 million (1H 2012: €11.2 million). Minor decrease of non cash costs compared to 1H 2012.

Financial result & Taxes

Financial result improved to €- 4.0 million from €-7.5 million. Interest expenses decreased with €2.3 million mainly as a result of the new 5-year refinancing agreement concluded in August 2012, as well as lower working capital requirements. Income tax expense was €2.4 million due to an unfavourable legal entity mix.

Net profit

The net profit 1H 2013 amounted to €0.3 million or 0.1% on sales versus 0.5% on sales in 1H 2012.

Working capital

Working capital decreased from €116.4 million on 31 December 2012 to €112.2 million on 30 June 2013. (30 June 2012: €139.0 million)

Inventories were stable as compared to 30 June 2012.

Trade receivable decreased by €6.5 million to €107.7 million compared to 30 June 2012. Days outstanding (DSO) improved year-on-year thanks to continued strict credit monitoring policy in spite of unfavourable legal entity mix.

Trade payables increased as a result of increased buying leverage.

The operating working capital on 30 June 2013 was 16.5% of the Last Twelve Month (LTM) sales as compared to 21.0% on 30 June 2012.

Capex

Capital expenditures in 1H 2013 were €10.4 million.

€6.6 million relates to operational capex, €3.8 million was spent on new tools.

Operational capex spending related to "Building a sustainable home" including capex for finishing the new fully automated Omnirad coating line as well as for finishing a compound tower, which moved from Diksmuide in Belgium to Protvino in Russia.



Net financial debt

The net financial debt at 30 June 2013 amounted to €84.7 million compared to €117.6 million on 30 June 2012. Net debt continued to decrease due to gross operating profit and strict monitoring of working capital.

Shareholders' equity

Shareholders' equity decreased with €5.2 million to €206.2 million compared to €211,4 million at 31 December 2012. The gearing was 41.0% at 30 June 2013 against 43.8% at 31 December 2012.

Headcount

On 30 June 2013 Deceuninck employed worldwide 2,815 full time equivalents (FTEs) (including temporary and external staff) (30 June 2012: 2,805).

Financial calendar 2013

24 October 2013 Q3 2013 trading update

End of press release

Building a sustainable home

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

Deceuninck employs about 2800 people in 25 countries, of which 600 in Belgium. Deceuninck sales in 2012 were €556.9 million with a net positive result of €4.2 million.

Contact Deceuninck: Ludo Debever • T +32 51 239 248 • M +32 473 552 335 • ludo.debever@deceuninck.com

Annexe 1: Deceuninck Consolidated Income Statement

For the six month period ended 30 June (in thousands of euro)	2012 Unaudited	2013 Unaudited
Sales	274,347	263,052
Cost of goods sold	-192,982	-184,990
Gross profit	81,365	78,062
Marketing, sales and distribution expenses	-47,362	-48,633
Research and development expenses	-2,894	-2,844
Administrative and general expenses	-19,341	-19,817
Other net operating result	-521	-107
Operating profit (EBIT)	11,247	6,661
Financial charges	-19,961	-8,932
Financial income	12,426	4,941
Profit before taxes (EBT)	3,712	2,670
Income taxes	-2,473	-2,392
Net profit	1,239	278

The net profit is attributable to:

Shareholders of the parent company	1,159	212
Non-controlling interests	80	66

Earnings per share distributable to the shareholders of the parent company (in euro):

Normal earnings per share	0.01	0.00
Diluted earnings per share	0.01	0.00

Annexe 2: Deceuninck Consolidated Statement of Financial Position

(in thousands of euro)	31 December 2012	30 June 2013
	Restated (*)	Unaudited
Assets		
Intangible fixed assets	3,030	2,918
Goodwill	10,817	10,798
Tangible fixed assets	194,421	188,467
Financial fixed assets	1,582	1,590
Deferred tax assets	15,256	14,990
Long-term receivables	1,048	1,251
Non-current assets	226,154	220,014
Inventories	71,572	83,804
Trade receivables	100,694	107,748
Other receivables	6,622	6,729
Cash and cash equivalents	23,211	24,321
Fixed assets held for sale	8,395	8,277
Current assets	210,494	230,879
Total assets	436,648	450,893
Equity and liabilities		
Issued capital	42,495	42,495
Share premiums	46,355	46,355
Consolidated reserves	149,052	149,382
Cash flow hedge reserve	-99	123
Treasury shares	-261	-261
Currency translation adjustments	-27,746	-33,336
Equity excluding non-controlling interest	209,796	204,758
Non-controlling interest	1,632	1,537
Equity including non-controlling interest	211,428	206,295
Interest-bearing loans	37,326	42,829
Long-term provisions	25,708	25,308
Deferred tax liabilities	2,616	1,960
Non-current liabilities	65,650	70,097
Interest-bearing loans	78,486	66,171
Trade debts	55,900	79,347
Tax liabilities	4,630	6,275
Employee related liabilities	11,582	12,837
Short-term provisions	3,266	2,630
Other liabilities	5,706	7,241
Current liabilities	159,570	174,501
Total equity and liabilities	436,648	450,893

(*): Certain amounts shown do not correspond to the consolidated financial statements as per 31 December 2012 and reflect adjustments made for the adoption of IAS 19-Revised as detailed in Note 1 of the interim condensed consolidated financial statements as per 30 June 2013.

Annexe 3: Deceuninck Consolidated Statement of Cash Flows

For the six month period ended in 30 June (in thousands of euro)	2012	2013
	Unaudited	Unaudited
Operating activities		
Net profit	1,239	278
Depreciations on (in)tangible fixed assets	11,995	11,385
Impairments on (in)tangible fixed assets	310	321
Provisions for pensions and other risks & charges	-152	-566
Impairments on current assets	993	1,181
Net financial charges	7,535	3,991
Profit on sale of tangible fixed assets	-41	-37
Loss on sale of tangible fixed assets	61	23
Income taxes	2,473	2,392
Share-based payment transactions settled in equity	150	150
Cash flow from operating activities before movements in working capital and provisions	24,563	19,118
Decrease / (increase) in trade and other receivables	-12,064	-10,773
Decrease / (increase) in inventories	-3,195	-14,524
Increase / (decrease) in trade debts	-524	25,030
Decrease / (increase) in other non-current assets	-125	-77
Decrease / (increase) in other current assets	-166	137
Increase / (decrease) in other non-current liabilities	-3,185	-322
Increase / (decrease) in other current liabilities	2,152	3,483
Cash flow generated from operating activities	7,456	22,072
Interest received	533	569
Income taxes paid	-339	-1,252
Cash flow from operating activities	7,650	21,389
Investing activities		
Cash receipts on sale of tangible fixed assets	149	275
Purchases of tangible fixed assets	-13,708	-10,448
Purchases of intangible fixed assets	-21	-2
Other transactions	0	-7
Cash flow from investing activities	-13,580	-10,182
Financing activities		
New (+) / repayments (-) of long-term debts	-5,570	1,717
New (+) / repayments (-) of short-term debts	15,548	-7,032
Interests paid	-4,181	-3,549
Dividends paid	0	-61
Other financial items	-2,128	-276
Cash flow from financing activities	3,669	-9,201
Net increase (+) / decrease (-) in cash and cash equivalents	-2,261	2,006
Cash and cash equivalents as per beginning of period	24,443	23,211
Impact of exchange rate fluctuations	853	-896
Cash and cash equivalents as per end of period	23,035	24,321