
Press release

Regulated information – 2014 results

Under embargo until Wednesday 25 February 2015 at 7:00 a.m. CET

Deceuninck 2014: Slight organic volume growth. EBITDA under pressure. Dividend confirmed.

Turkish Pimapen acquisition strengthens footprint in growth regions.

- Sales increase 3.0% to € 552.8 million.
 - Comparable scope: +0.8% (2014: € 540.6m versus 2013: € 536.5m)
 - volume: +3.1%; exchange rates: -5.0%; mix: +2.7%
 - Pimaş acquisition: +2.3% or € 12.2 million
- Gross margin: 27.3% (2013: 29.0%).
- EBITDA at € 35.3 million or 6.4% of sales (2013: € 47.4 million or 8.8%)
- Net profit increases to € 10.5 million (2013: € 8.4 million) as a result of a partial recognition of deferred tax asset in US and lower tax expenses
- Strengthening of balance sheet through € 50 million capital increase in August 2014.
- Gearing (Net debt/Equity): 26.8% (31 December 2013: 39.4%)
- Board proposes € 0.02 gross dividend per share.

Tom Debusschere, CEO:

“In 2014, our sales increased by 0.8% at a comparable scope. In each of our regions, the underlying dynamics were quite different. As of August, we saw an acceleration of some market trends. New build and renovation activity in continental Europe declined due to a deterioration of builder and consumer confidence. In our core markets France, Belgium and Germany, combining for 30% of our sales, our window fabricators were confronted with reduced demand. Especially in France, the delayed incentives for energy efficient renovation left homeowners to delay the replacement of their windows until 2015. In the region, the increasing competitive pressure of low cost window imports from Eastern EU countries further weighed on margins throughout the entire value chain.

For Deceuninck, the appropriate action within this changed environment is to adapt our activities. We invest for capacity in growth regions, mainly Turkey, US and Emerging Markets. Meanwhile, we adapt our cost structure and invest for operational efficiency in Europe.



Building a sustainable home



ecology



design

In Central and Eastern Europe, we shift our operational footprint towards lower cost factories. We acquired a low cost factory in Southern Russia as part of the Pimapen acquisition. Here we produce the 'Enwin' branded window profiles for the project market in Russia. This will further strengthen our position in this highly competitive market. The Ukraine crisis is taking its toll on our market in Russia with a double digit decline, but the large potential in new construction and renovation remains.

Also, in Western Europe, we are improving material costs through reuse of recycled PVC, while restructuring operations and overhead for better efficiency and lower cost.

Expansion in our growth regions

After the deep housing crisis that started in 2006, our USA activities now posted their 3rd consecutive year of double digit growth. Based on a proven track record of perfect service and innovative power, numerous new Customers were signed in 2014. This guarantees further substantial growth in the near future.

In 2014, we acquired Turkey's most recognized brand for windows, Pimapen. Deceuninck is now the leader in the world's 3rd largest PVC window market with 3 solid brands in the top segment. Despite devaluation of the Turkish lira early in 2014, and continued political tensions in neighbouring countries, sales remained solid. Margins in Turkey were slightly lower mainly due to a delayed pass through of raw material cost in the first half of the year.

In Brazil, we acquired a distributor and in Chile we started production of foiled profiles to meet the growing demand for coloured windows.

Continued investment in product and process innovation

We believe that our strategy of "innovation, ecology, design" is the right focus to help our window fabricators face the increased competition in our mature markets.

Our capital expenditures in 2014 were € 31.3 million (2013: € 26.7 million).

Zendow#neo now includes glass fibre reinforced door profiles. The range will be further completed with a new slimline door, matching aesthetics of an aluminium slider.

We continued to develop our Omniral 360° coating technology. The launch has been delayed as the fine-tuning of a high quality water based coating is taking time and resources.

The recycling activity which we started at the end of 2012 is going through its learning curve. In 2014 we initiated programmes and adapted our recycling organisation to bring the technology to the desired performance level.

Continued strengthening of our financial position

The strengthening of our balance sheet continued. Since 2009 Deceuninck gradually reduced its net debt. The € 50 million capital increase of August 2014 resulted in a gearing of 26.8% at year end.

Outlook 2015

Consumer and builder confidence in Europe remains low and we expect Continental Europe to remain stable. Growth in UK, USA, Turkey and Emerging Markets are expected to continue. We are confident that our continued actions to launch innovations, to improve productivity and to reduce structure costs will sustain our margins and will allow further growth of net profits"

1. Key figures

(in € million)	2013	2014	Var (%)	1H 2014	2H 2014
Sales	536.5	552.8	3.0%	264.2	288.6
Gross profit	155.7	150.8	-3.1%	72.3	78.5
Gross-margin (%)	29.0%	27.3%		27.4%	27.2%
EBITDA	47.4	35.3	-25.5%	15.2	20.1
EBITDA-margin (%)	8.8%	6.4%		5.7%	7.0%
EBIT	23.6	14.3	-39.4%	4.0	10.3
EBIT-margin (%)	4.4%	2.6%		1.5%	3.6%
Financial result	-8.4	-7.5		-3.5	-3.9
EBT	15.2	6.9	-55.0%	0.5	6.3
Income taxes	-6.8	3.6		-0.1	3.8
Net profit	8.4	10.5	24.8%	0.4	10.1
Net profit-margin (%)	1.6%	1.9%		0.1%	3.5%

2. Comments on the consolidated results

2.1. Sales

Sales breakdown 2014

Consolidated 2014 sales increased 3.0% to € 552.8million (2013: € 536.5 million) including consolidation of Pimaş as of closing date on 15 October.

At comparable scope sales increased 0.8% to € 540.6 million.

- Volume: +3.1%. volume developed favourably mainly in US, UK, Turkey & Emerging Markets, Italy & Spain.
Volume declined in France, Germany, Russia and The Netherlands
Volumes stable in Belgium, Poland and Czech Republic
- Exchange rates: -5.0% Unfavourable impact mainly from Turkish lira and Russian ruble.
- Mix effect: +2.7%, mainly as a result of a pass through of increased raw material cost primarily in Turkey.

Consolidation of Pimaş as of closing date on 15 October 2014 had a favourable impact of € 12.2 million (+2.3%)

Sales breakdown 2014 per quarter

% of sales	1Q 2014	2Q 2014	3Q 2014	4Q 2014	FY 2014
Sales (in € million)	115.4	148.8	141.3	147.2	552.8
Exchange rate	-8.4%	-7.0%	-3.1%	-1.7%	-5.0%
Volume	11.4%	1.2%	-2.3%	4.1%	3.1%
Mix (country, price, product)	0.9%	3.7%	2.0%	3.8%	2.7%
Change of scope				9.6%	2.3%
Total	3.8%	-2.0%	-3.4%	15.8%	3.0%

Sales breakdown 2014 per region

(in € million)	Var. 1Q	Var. 2Q	Var. 3Q	Var. 4Q	FY	Var. FY	Var. FY
	2013/2014	2013/2014	2013/2014	2013/2014	2014	2013/2014	Loc. Curr.
Western Europe	6.7%	-1.6%	-4.8%	-0.1%	179.1	0.0%	
Central & Eastern Europe	8.5%	-6.8%	-12.3%	-6.5%	151.2	-5.9%	-0.7%
Turkey & Emerging Markets	-3.8%	-3.3%	3.2%	59.0%	137.1	12.9%	24.8%
North America	0.5%	9.3%	10.9%	31.4%	85.4	13.5%	13.3%
Total	3.8%	-2.0%	-3.4%	15.9%	552.8	3.0%	

Western Europe

Full year 2014 sales in Western Europe remained unchanged at € 179.1 million. The dynamics per country however were mixed. With the exception of the UK the entire region was characterised by a weak economic environment, which deteriorated in the second half of the year. A further trend was the increasing imports of finished windows from outside the region, mainly Eastern Europe, which impacted the lower segment of the market.

In France, Deceuninck's major market for the region, sales were negatively impacted by the weak economy and historic low residential building activity.

Sales in Belgium remained stable in spite of economic and social uncertainties after the Federal elections in May and announced restructuring plans of the tax deduction for "own dwelling mortgage loans" and renovation of existing homes.

Markets in France and the Benelux contrasted with the strong growth in UK, Spain and Italy. Sales in Spain and Italy grew double digit in a challenging economic environment. In Spain Deceuninck is benefitting from the economic recovery and a general trend whereby PVC window frames are gaining market share. Building codes have become stricter in terms of energy efficiency which favours PVC as a framing material. In Italy Deceuninck was able to drastically enhance the Deceuninck brand awareness. Window manufacturers highly appreciate Deceuninck as an innovator in terms of colours and materials.

Growth of the window market in the UK continued. Latent demand from rising population and recovering confidence is driving purchases of new and existing housing and housing renovation. Deceuninck UK outperformed the market trend with double digit growth resulting from a combination of organic growth of existing Customers and new Customers. Growth was supported by a new marketing approach with new marketing tools, which help Customers differentiate themselves and support their business growth at a sustainable pace.

Central & Eastern Europe (incl. Germany)

Full year sales 2014 in the region decreased by 5.9 % to € 151.2 million (2013: € 160.7 million) At constant exchange rates sales remained more or less stable at –0.7 %. Sales include Enwin sales, part of the Pimaş acquisition, in Russia as of closing date on 15 October. A major part of the sales was negatively impacted by the substantial devaluation of the RUB and a weaker CZK.

2014 volumes in the region give a mixed picture: volumes increased in Poland and Czech Republic, whereas volumes decreased in Russia & Germany. At the start of the year weather conditions were mild which resulted in volume growth in nearly all countries. However, the good start lost momentum during the second quarter and from the third quarter onwards the market cooled down significantly in the entire region of Central & Eastern Europe.

In Russia geopolitical tension between Russia and Ukraine and as a result the worldwide economic sanctions against Russia are taking their toll on business. Deceuninck's sales volumes developed favourably during the first half year but started deteriorating at the start of the third quarter.

Germany faced unexpected deteriorating consumer and builder confidence from the third quarter onwards fed by the geopolitical tensions in Russia and Ukraine and by economic uncertainty. Deceuninck sales in Poland remained stable. Sales grew in the cluster Czech Republic, Slovak Republic and Hungary mainly due to improved economic environment in Hungary.

The market in Central Europe is increasingly impacted by cheap imports of finished windows from low cost EU countries..

Turkey & Emerging Markets

Full year 2014 sales increased by 12.9 % to € 137.1 million (at constant exchange rates: +24.8%). The year on year 15% weaker TRY partly offset the volume growth. Sales include Pimaş sales in Turkey as of acquisition closing date on 15 October 2014.

The share of the region Turkey & Emerging Markets in the consolidated Group sales has substantially changed in 2014. In October 2014 Deceuninck acquired the leading producer Pimaş Plastik Insaat Malzemeleri A.S. Pimaş is the pioneer of PVC windows in Turkey since 1982, selling under the brand name Pimapen, the most recognised PVC window brand in Turkey.

Deceuninck now owns 3 production sites in Turkey: Egepen Deceuninck in Izmir, Winsa in Kocaeli (East of Istanbul) and Pimapen in Gebze (near Istanbul). They are serving > 3000 points of sale in Turkey.



The challenging political environment as a result of the Islamic State activities in the neighbouring countries Syria and Iraq impacted both residential newbuild and renovation activity in Turkey and exports to the neighbouring countries.

The marketing strategy with the nationwide franchised network of branded window shops for the three strong market brands Egepen Deceuninck, Winsa and Pimapen combined with high quality products pays off and resulted in stronger than average market growth.

Turkey has further become Deceuninck's export hub for developing Emerging Markets thanks to its competitive cost basis, the availability of skilled labour and a product offering, fitting the needs of the local market. The current target regions are Latin America and India.

In 2014 Deceuninck founded the subsidiary Deceuninck do Brazil following the acquisition of the local window profile distributor, Althera.

North America

Full year 2014 sales increased by 13.5% to € 85.5 million. At constant exchange rates, sales increased by 13.3%.

Activity in both R&R (Remodelling & Repair) and new housing market segment were strong after a difficult start of the year due to severe winter conditions. The National Association of Home Builders' (NAHB) Remodelling Market Index (RMI) posted a record-high result of 60 in the final quarter of 2014, which confirms a strong remodelers' confidence. Housing starts - single family and multifamily combined - are back at a level of more than 1 million from 554 thousand in 2009 which proves that builder confidence is strong.

For the third year in a row, DNA reported double digit growth. Growth was strong in all business segments: Window & doors (W&D), Clubhouse™ decking and railing and materials/compound sales. In all segments consistent delivery on "Zero Backorders" opened many doors to new prospects.

Deceuninck North America's strategy of introducing innovative products and materials, creating brand awareness, gaining new Customers and reinforcing current Customer relations paid off. This resulted in higher than market sales growth.

2.2. Results

Gross profit

Gross margin was 27.3% (2013: 29.0%). The lower gross margin is a result of a delayed pass through of increased raw material costs primarily in Turkey, volume decline in Western Europe (strong margin region), increasing competitive rivalry throughout the value chain and the impact of exchange rates (mainly TRY and RUB)

EBITDA

EBITDA amounted to € 35.3 million or 6.4% of sales. (2013: € 47.4 million or 8.8% of sales). EBITDA was unfavourably impacted by the weaker gross profit combined with higher expenses for innovation and strategic projects and expenses related to the acquisition of Pimaş.

REBITDA amounted to € 36.6 million or 6.6% of sales. (2013: € 47.7 million or 8.9% of sales).

EBIT

Operating result (EBIT) was € 14.3 million (2013: € 23.6 million) resulting in an EBIT margin of 2.6% compared to 4.4% in 2013.

Financial result

Financial result was € -7.5 million (2013: € -8.4 million). Lower exchange results on €-denominated loans in Turkey resulted in a € 0.9 million favourable financial result.

Income taxes

Income tax was € +3.6 million favourable against € -6.8 million in 2013, mainly as a result of the partial recognition of deferred tax asset at Deceuninck North America and lower tax expenses in some other countries.

Net profit

The net profit 2014 increased to € 10.5 million or 1.9% on sales versus 1.6% on sales in 2013.

Working capital

Working capital increased from € 102.5 million on 31 December 2013 to € 124.6 million on 31 December 2014.

Inventories were € 16.4 million higher mainly to support growth in US, UK and Emerging Markets and as a result of the impact of the Pimaş acquisition.

Trade receivables increased € 26.7 million mainly by the impact of trade receivables of Pimaş partly offset by expanding factoring to US Customer base. Total factoring amounted to € 23.5 million at 31 December 2014.

Trade payables increased by € 21.0 million mainly due to the increase of inventories in growth countries and impact of Pimaş.

The operating working capital on 31 December 2014 was 19.8% of the Last Twelve Month (LTM) sales as compared to 16.4% on 31 December 2013.

Investments

Capital expenditures in 2014 increased year-on-year by € 4.6 million to € 31.3 million.

Expansion capex (€ 11.5 million) related to purchase of additional land for the Menemen site and capacity expansion in Turkey as well as additional extrusion lines for glass fibre reinforced profiles.

€ 9.1 million was spent on new tools and products. Maintenance capex was € 10.8 million.

Net financial debt

The net financial debt at 31 December 2014 amounted to € 71.0 million compared to € 80.6 million on 31 December 2013. The € 50 million capital increase supported the Pimaş acquisition, higher capital expenditures and higher working capital requirements.

Equity

Equity increased by € 60.2 million to € 264.5 million.

The increase was mainly the result of the € 50 million capital increase and the net profit of the year.

Gearing (net debt/equity) was 26.8% compared to 39.4% at 31 December 2013

Dividend

The Board of Directors will recommend at the Annual General Meeting on 12 May 2015 to pay a gross dividend of € 0.02 per share for the financial year 2014.

Headcount

On 31 December 2014 Deceuninck employed worldwide 3,434 full time equivalents (FTEs) (including temporary workers and external staff) (31 December 2013: 2,746).

3. Statement of the statutory auditor

Our statutory auditor, Ernst & Young Bedrijfsrevisoren BCVBA represented by Jan De Luyck and Marnix Van Dooren, has confirmed that the audit procedures on the consolidated financial statements, which have been substantially completed, have not revealed any material adjustments which would have to be made to the accounting data included in the present press release.

Financial calendar 2015

12	May	2015	1Q 2015 trading update
12	May	2015	Annual Shareholders Meeting at 11 am
22	July	2015	1H 2015 results
21	October	2015	3Q 2015 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 3400 people in 25 countries. Deceuninck has production facilities in Belgium, Chili, Czech Republic, France, Germany, Poland, Russia, Thailand, Turkey, UK and US.

Deceuninck sales in 2014 were € 552.8 million with a net positive result of € 10.5 million.

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For the 12 month period ended 31 December (in € thousand)	2013	2014
Sales	536,508	552,814
Cost of goods sold	-380,817	-402,020
Gross profit	155,691	150,794
Marketing, sales and distribution expenses	-91,202	-95,233
Research and development expenses	-5,957	-6,707
Administrative and general expenses	-36,376	-37,592
Other net operating result	1,465	1,182
Operating profit before gain from bargain purchase	23,621	12,445
Gain from bargain purchase	0	1,862
Operating profit (EBIT)	23,621	14,307
Financial charges	-17,172	-17,207
Financial income	8,779	9,755
Profit before taxes (EBT)	15,227	6,856
Income taxes	-6,847	3,603
Net profit	8,380	10,458

The net profit is attributable to:

Shareholders of the parent company	8,213	10,586
Non-controlling interests	167	-128

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

Normal earnings per share	0.08	0.08
Diluted earnings per share	0.07	0.08

Annexe 2: consolidated statement of financial position

(in € thousand)	31 December 2013	31 December 2014
Assets		
Intangible fixed assets	2,970	5,922
Goodwill	10,759	10,871
Tangible fixed assets	187,836	215,649
Financial fixed assets	66	66
Deferred tax assets	12,932	21,080
Long-term receivables	1,079	1,068
Non-current assets	215,642	254,657
Inventories	77,045	93,417
Trade receivables	89,126	115,826
Other receivables	7,775	8,677
Cash and cash equivalents	21,715	29,046
Fixed assets held for sale	7,166	2,060
Current assets	202,826	249,026
Total assets	418,468	503,684
Equity and liabilities		
Issued capital	42,495	52,912
Share premiums	46,355	85,927
Consolidated reserves	160,407	169,423
Cash flow hedge reserve	63	-91
Actuarial gains / losses	-1,885	-3,864
Treasury shares	-261	-261
Currency translation adjustments	-44,264	-44,316
Equity excluding non-controlling interest	202,911	259,731
Non-controlling interest	1,413	4,757
Equity including non-controlling interest	204,324	264,489
Interest-bearing loans	35,390	14,635
Long-term provisions	21,087	24,962
Deferred tax liabilities	5,013	5,771
Non-current liabilities	61,490	45,368
Interest-bearing loans	66,892	85,396
Trade payables	63,651	84,670
Tax liabilities	4,899	6,224
Employee related liabilities	10,246	9,702
Short-term provisions	2,005	777
Other liabilities	4,962	7,058
Current liabilities	152,654	193,826
Total equity and liabilities	418,468	503,684

Annexe 3: consolidated statement of cash flows

For the 12 month period ended in 31 December (in € thousand)	2013	2014
Operating activities		
Net profit	8,380	10,458
Depreciations of (in)tangible fixed assets	22,530	22,147
Impairments on (in)tangible fixed assets	1,646	919
Gain from bargain purchase	0	-1,862
Provisions for pensions and other risks & charges	-1,838	-2,991
Impairments on current assets	1,434	2,810
Net financial charges	8,394	7,451
Profit on sale of tangible fixed assets	-109	-120
Loss on sale of tangible fixed assets	37	84
Income taxes	6,847	-3,603
Share-based payment transactions settled in equity	388	528
Cash flow from operating activities before movements in working capital and provisions	47,710	35,822
Decrease / (increase) in trade and other receivables	-721	-12,780
Decrease / (increase) in inventories	-12,367	-6,736
Increase / (decrease) in trade payables	12,729	12,308
Decrease / (increase) in other non-current assets	-84	238
Decrease / (increase) in other current assets	1,436	362
Increase / (decrease) in other non-current liabilities	-738	0
Increase / (decrease) in other current liabilities	-634	-108
Cash flow generated from operating activities	47,331	29,106
Interest received	797	1,058
Income taxes paid (-) / received (+)	-3,736	-1,239
Cash flow from operating activities	44,392	28,925
Investing activities		
Cash receipts on sale of tangible fixed assets	382	763
Purchases of tangible fixed assets	-26,122	-31,018
Purchases of intangible fixed assets	-550	-315
Acquisition of subsidiaries, net of cash	0	-15,256
Other transactions	0	301
Cash flow from investing activities	-26,290	-45,524
Financing activities		
Capital increase	0	49,939
New (+) / repayments (-) of long-term debts	-4,172	-7,019
New (+) / repayments (-) of short-term debts	-4,853	-9,709
Interests paid	-5,956	-5,120
Dividends paid	-48	-2,151
Other financial items	-932	-1,102
Cash flow from financing activities	-15,961	24,839
Net increase (+) / decrease (-) in cash and cash equivalents	2,141	8,240
Cash and cash equivalents as per beginning of period	23,211	21,715
Impact of exchange rate fluctuations	-3,637	-908
Cash and cash equivalents as per end of period	21,715	29,046

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