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Press Release

Regulated Information – H1 2017 results

Under embargo until Thursday 24 august 2017 at 7:00 a.m. CET

REBITDA stable despite significant headwind from raw material prices and currencies. Ambitious investment program continues.

Sales	REBITDA	EU S-PVC	TRY
€ 338.7 m	€ 32.7 m	1,109 €/T	3.94
+2.6%	+0.6%	+13.4%	-20.8%

Note: % = change versus H1 2016

- H1 2017 sales increased 2.6% to € 338.7 million mainly driven by strong business development in the US and market growth in Central Europe which have been offset by challenging market conditions in Turkey and Russia and the absence of 2016 one-off project sales in Western Europe. Price increases necessary to cover the higher raw material costs have been partially offset by FX.
- REBITDA stable at € 32.7 million (H1 2016: € 32.5 million) or 9.7% on sales (H1 2016: 9.9%), as the negative impact of higher raw material prices and weaker currencies has been compensated by price increases, operational efficiencies and lower cost of bad debt.
- Net financial debt on 30 June 2017 amounted to € 108.3 million compared to € 109.1 million on 30 June 2016, resulting in a net financial debt / LTM REBITDA ratio of 1.7x. The Group invested significantly (€ 71 million over the last 12 months, double of historical average) in innovation, capacity and further operational efficiency which has been financed from operating cash flow and by optimizing working capital.
- Strategic projects are on track. The move to the new Menemen plant in Turkey has been finalized and a new extrusion facility in Colombia is being built which is expected to be operational as of Q4 2017. SAP has been implemented in part of Western Europe.

Francis Van Eeckhout, CEO, comments:

"We made good progress during the first half of 2017. We realized strong growth in North America and Central Europe, while we navigated well through challenging market conditions in Turkey. Despite rising input prices and one-off costs related to the implementation of various strategic projects we managed to deliver solid results."

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Summary of consolidated Income Statement

(in € million)	H1 2016	H1 2017	Var (%)
Sales	330.2	338.7	2.6%
Gross profit	103.6	98.7	(4.8%)
Gross-margin (%)	*31.4%*	*29.1%*	
EBITDA	34.6	33.3	(4.0%)
REBITDA	32.5	32.7	0.6%
REBITDA-margin (%)	*9.9%*	*9.7%*	
EBIT	21.2	18.5	(12.5%)
Financial result	(5.8)	(7.0)	
EBT	15.4	11.5	
Income taxes	(2.3)	(3.3)	
Net profit	13.1	8.2	

Sales breakdown

% of sales	Total H1	Western Europe	Central & Eastern Europe	Turkey & Emerging Markets	North America
Sales (in € million) **2016**	**330.2**	**94.7**	**76.4**	**103.2**	**55.9**
Volume	(0.8%)	(6.7%)	2.8%	(2.2%)	7.5%
Exchange rate	(4.7%)	(1.4%)	3.8%	(18.3%)	3.4%
Other (price & mix)	8.1%	4.9%	(0.4%)	18.9%	4.4%
Total	**2.6%**	**(3.2%)**	**6.2%**	**(1.6%)**	**15.2%**
Sales (in € million) **2017**	**338.7**	**91.7**	**81.1**	**101.5**	**64.4**

In the first half of 2017 Deceuninck realized € 338.7 million sales, compared to € 330.2 million over the same period in 2016. This 2.6% increase is mainly driven by strong business development in the US and market growth in Central Europe which has been offset by challenging market conditions in Turkey and Russia and the absence of 2016 one-off project sales in Western Europe. Price increases necessary to cover the higher raw material costs have been partially offset by FX.

Sales in **Western Europe** decreased by 3.2% to € 91.7 million (H1 2016: € 94.7 million), which is primarily explained by lower volumes due to the absence of 2016 one-off project sales. Higher sales in Spain and Italy and from the new aluminium and ventilation business have been offset by lower sales in France and the further weakening of the GBP (-10% vs H1 2016).

In **Central and Eastern Europe** sales increased by 6.2% to € 81.1 million (H1 2016: € 76.4 million). Higher volumes in Czech Republic, Poland and the Balkan, supported by overall market growth in these countries, have been partially offset by lower volumes in Russia following a further decline of this market. The positive FX impact is explained by the stronger RUB (+20% vs H1 2016).

Sales in **Turkey & Emerging Markets** decreased 1.6% to € 101.5 million (H1 2016: € 103.2 million), which is mainly explained by challenging market conditions in Turkey. The weakening of the TRY (-21% vs H1 2016) and higher raw material prices have been partially compensated by price increases.

In **North America** sales increased by 15.2% to € 64.4 million (H1 2016: € 55.9 million). Volumes increased by 7.5% (+13.0% if corrected for the sale of the decking business in H1 2016) thanks to strong business development and supported by positive market growth. Sales are positively impacted by price increases driven by the automatic indexing of higher PVC resin prices and by a more favourable product mix.

Operating and financial results

The **Gross Margin** decreased from 31.4% in H1 2016 to 29.1% in H1 2017, as higher raw materials prices and weaker currencies (mainly GBP and TRY) have not yet been entirely compensated by price increases.

REBITDA remained stable at € 32.7 million (H1 2016: € 32.5 million) or 9.7% on sales (H1 2016: 9.9%), as the negative impact of higher raw material prices and weaker currencies as well as the one time costs related to the implementation of SAP in part of Western Europe and the move to the new Menemen (TR) facility have been compensated by price increases, lower costs of bad debt and operational efficiencies. **EBITDA** decreased to € 33.3 million (H1 2016: € 34.6 million) which is primarily explained by the absence of the capital gain realized on the sale of the US decking business in H1 2016.

Operating result (EBIT) was € 18.5 million (H1 2016: € 21.2 million). Depreciation and amortization expenses increased from € 13.5 million in H1 2016 to € 14.7 million in H1 2017 due to a higher level of investments.

The **Financial result** amounted to € (7.0) million (H1 2016: € (5.8) million). The increase vs H1 2016 is mainly explained by FX losses resulting from the weakening of the TRY.

Income tax expenses increased to € 3.3 million (H1 2016: € 2.3 million), which is mainly explained by the one time recognition of tax assets in 2016.

Net profit in H1 2017 amounted € 8.2 million. This is despite stable REBITDA lower than the € 13.1 million reported in H1 2016, which is explained by the one time income incurred in 2016 (capital gain sale US decking business and recognition of tax assets) and higher depreciation charges as a result of a higher level of investments.

Deceuninck communicated its plans to merge the Turkish entities Ege Profil and Pimas, which is the final step in the integration of Pimas after its acquisition in 2014. This process is expected to be finalized by year end. As this concerns an intragroup transaction, this will not have a material impact on the consolidated financial statements of the Group.

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Summary of consolidated Balance Sheet

(in € million at June 30)	2016	2017	
Total assets	596.1	591.8	(0.7%)
Equity	279.0	268.2	(3.9%)
Net debt	109.1	108.3	(0.7%)
Capital expenditure	32.6	24.4	(25.0%)
Working capital	161.1	135.5	(15.9%)

Trade working capital on 30 June 2017 amounted to 20.0% of LTM sales compared to 24.3% on 30 June 2016. Factoring end of June 2017 amounted to € 35.8 million (vs € 34.8 million end of June 2016).

Capital expenditures in H1 2017 amounted to € 24.4 million compared to € 32.6 million in H1 2016.

Net financial debt on 30 June 2017 amounted to € 108.3 million compared to € 109.1 million on 30 June 2016, resulting in a net financial debt / LTM REBITDA ratio of 1.7x. The Group invested € 71 million over the last 12 months which has been financed from operating cash flow and by optimizing working capital.

Outlook

Growth is expected to continue throughout 2017 on the back of innovative product launches and superior quality and service. We however anticipate continued headwind from higher raw material prices and adverse currency movements. We continue to take the necessary actions which are expected to restore margins over time.

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Annexe 1: Consolidated Income Statement

For the six month period ended 30 June (in € million)	**2016** Unaudited	**2017** Unaudited
Sales	**330.2**	**338.7**
Cost of goods sold	(226.6)	(240.1)
Gross profit	**103.6**	**98.7**
Marketing, sales and distribution expenses	(55.4)	(54.0)
Research and development expenses	(4.4)	(4.3)
Administrative and general expenses	(22.8)	(22.2)
Other net operating result	0.2	0.3
Operating profit (EBIT)	**21.2**	**18.5**
Financial charges	(11.4)	(15.1)
Financial income	5.6	8.1
Profit before taxes (EBT)	**15.4**	**11.5**
Income taxes	(2.3)	(3.3)
Net profit	**13.1**	**8.2**

The net profit is attributable to: (in € thousand)		
Shareholders of the parent company	13,036	7,829
Non-controlling interests	90	408

Earnings per share distributable to the shareholders of the parent company (in €):		
Normal earnings per share	0.10	0.06
Diluted earnings per share	0.09	0.06

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Annexe 2: Consolidated statement of financial positions

(in € million)	31 December 2016 Audited	30 June 2017 Unaudited
Assets		
Intangible fixed assets	4.4	6.8
Goodwill	10.7	10.7
Tangible fixed assets	254.0	249.8
Financial fixed assets	0.1	0.1
Deferred tax assets	19.4	17.4
Long-term receivables	2.9	1.5
Non-current assets	**291.5**	**286.3**
Inventories	99.0	124.7
Trade receivables	113.8	116.0
Other receivables	20.6	14.3
Cash and cash equivalents	72.4	48.9
Fixed assets held for sale	3.8	1.5
Current assets	**309.6**	**305.5**
Total assets	**601.1**	**591.8**
Equity and liabilities		
Issued capital	53.4	53.7
Share premiums	87.1	87.8
Consolidated reserves	199.0	202.8
Cash flow hedge reserve	(0.1)	0.0
Actuarial gains / losses	(6.2)	(6.9)
Treasury shares	(0.3)	(0.3)
Currency translation adjustments	(61.2)	(71.8)
Equity excluding non-controlling interest	**271.6**	**265.3**
Non-controlling interest	3.4	2.9
Equity including non-controlling interest	**275.0**	**268.2**
Interest-bearing loans	129.2	133.2
Long-term provisions	28.4	29.4
Deferred tax liabilities	2.3	2.1
Non-current liabilities	**159.9**	**164.8**
Interest-bearing loans	31.6	23.9
Trade payables	101.6	105.2
Tax liabilities	9.7	5.7
Employee related liabilities	15.5	14.7
Short-term provisions	1.3	1.3
Other liabilities	6.4	8.0
Current liabilities	**166.1**	**158.9**
Total equity and liabilities	**601.1**	**591.8**
Total net debt	**88.4**	**108.3**

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Annexe 3: Consolidated statement of Cash Flows

For the six month period ended in 30 June (in € million)	**2016 Unaudited**	**2017 Unaudited**
Operating activities		
Net profit	13.1	8.2
Depreciations of (in)tangible fixed assets	12.7	14.5
Impairments on (in)tangible fixed assets	0.8	0.2
Provisions for pensions and other risks & charges	(1.2)	0.2
Impairments on current assets	0.9	(0.7)
Net financial charges	5.8	7.0
Profit on sale of tangible fixed assets	(1.5)	(0.6)
Loss on sale of tangible fixed assets	1.0	0.6
Income taxes	2.3	3.3
Share-based payment transactions settled in equity	0.3	0.3
Cash flow from operating activities before movements in working capital and provisions	**34.1**	**33.0**
Decrease / (increase) in trade and other receivables	(20.3)	0.1
Decrease / (increase) in inventories	(15.7)	(29.0)
Increase / (decrease) in trade payables	13.3	9.4
Increase / (decrease) other	7.8	(0.2)
Cash flow generated from operating activities	**19.2**	**13.2**
Interest received	0.6	1.0
Income taxes paid (-) / received (+)	(0.2)	(0.8)
Cash flow from operating activities	**19.6**	**13.4**
Investing activities		
Cash receipts on sale of tangible fixed assets	3.6	4.0
Purchases of tangible fixed assets	(32.4)	(23.9)
Purchases of intangible fixed assets	(0.2)	(0.5)
Cash flow from investing activities	**(28.9)**	**(20.5)**
Financing activities		
Capital increase	0.2	1.1
New / (repayments of) long-term debts	1.4	6.0
New / (repayments of) short-term debts	1.2	(7.2)
Interests paid	(2.3)	(3.1)
Dividends paid	(3.4)	(4.1)
Other financial items	(1.7)	(5.8)
Cash flow from financing activities	**(4.7)**	**(13.2)**
Net increase / (decrease) in cash and cash equivalents	**(14.0)**	**(20.3)**
Cash and cash equivalents as per beginning of period	**70.7**	**72.4**
Impact of exchange rate fluctations	(0.5)	(3.3)
Cash and cash equivalents as per end of period	**56.2**	**48.9**

Financial calendar 2017 - 2018

22 February 2018	FY 2017 results

End of press release

About Deceuninck

Founded in 1937, Deceuninck is a top 3 independent manufacturer of PVC and composite profiles for windows and doors, outdoor living and home protection. Headquartered in Hooglede-Gits (BE), Deceuninck is organised in 4 geographical segments: Western Europe, Central & Eastern Europe, North America and Turkey & Emerging Markets.
Deceuninck operates 15 vertically integrated manufacturing facilities, which together with 21 warehousing and distribution facilities guarantee the necessary service and response time to Customers. Deceuninck strongly focuses on innovation, ecology and design.

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