

## Press release

Regulated information – 2013 results

Under embargo until Tuesday 18 February 2014 at 7:00 a.m. CET

## Deceuninck doubles 2013 net profit to € 8.4m

Sales volumes stable, but offset by currencies and mix

- Sales decrease 3.7% to € 536.5 million. Volume: +0.4%; exchange rates: -3.0%; mix: -1.0%
- Gross margin: 29.0% (2012: 28.7%).
- EBITDA at € 47.4 million or 8.8% of sales (2012: €50.0 million or 9.0%)
- Net profit doubles to € 8.4 million (2012: € 4.2 million)
- Net debt decreases to € 80.6 million (31 December 2012: € 92.6 million)
- Board proposes € 0.02 gross dividend per share

### Tom Debusschere, CEO:

*"In 2013, Deceuninck improved net profit and reduced net debt in spite of a challenging economic environment and continued high raw material costs. We strengthened our market position in all four regions with innovative products and competitive wins.*

*We are happy to show a doubling of our net profit to € 8.4 million as a result of stable volumes, strict working capital management and cost control. We continued to reduce net debt while increasing capital expenditures for future growth. Given the solid performance, the Board of Directors advises a dividend of 2c per share.*

*Our group volume remained stable, driven by growth in the USA, UK, Turkey & Emerging Markets, Germany and Italy. Demand in these regions remained solid all year. Moreover, the low cost basis and the availability of highly skilled people allows our Turkish division to become the export hub of Deceuninck. Markets in Asia, Africa and Latin America are now being served with high quality, competitive products from Turkey. Following the start of a new warehouse in India in 2012, Deceuninck started a warehouse in Santiago de Chile to serve the Latin American market.*

*Sales performance in the United States was strong in a growing market supported by new product launches. In Europe, building markets were more depressed after a harsh winter. There was a slight improvement towards the end of the year. All markets, except for the UK, Germany and Italy, suffered from the sovereign debt crisis and its impact on local economies and consumer confidence.*

*Gross margin was 29.0%. Deceuninck continued to offset increased labour and energy cost with further productivity improvements.*





*EBITDA amounted to € 47.4 million or 8.8% of sales through continued control of operating expenses.*

*Net profit doubled to € 8.4 million.*

*In 2013, we increased investments to € 26.7 million in the 3 axis of our long term strategy.*

***“Building a sustainable home. 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. Deceuninck North America increased production capacity for the glass fibre Innergy® reinforcements, which substitute aluminium for better insulation values.

**Ecology** – PVC continues to improve its ecological footprint. In 2012 Deceuninck opened a new post-consumer rigid PVC recycling factory, adjacent to the existing compounding site in Diksmuide (Belgium).

**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 brings 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 in 2013.

*Outlook 2014:*

*The macro-economic picture for 2014 remains uncertain. As a result of the mild winter, order intake at the beginning of the year is strong for Europe. In the US we expect continued solid performance. The year started good for Turkey, but the weak Turkish lira is expected to impact consolidated sales and EBITDA for the region. The macro-economic environment in Europe is mixed.*

*In the meanwhile, the concern of rising PVC costs within the trend of consolidation of European PVC producers remains. In 2014, Deceuninck will step up its investments in growth, among others in a new 65,000 ton/year factory in Turkey.*

*This mixed picture does not allow Deceuninck to give a quantified guidance for 2014.”*

## 1. Key figures

| In € million          | 2012  | 2013  | Var (%) | 1H 2013 | 2H 2013 |
|-----------------------|-------|-------|---------|---------|---------|
| Sales                 | 556.9 | 536.5 | -3.7%   | 263.1   | 273.5   |
| Gross profit          | 159.9 | 155.7 | -2.6%   | 78.1    | 77.6    |
| Gross-margin (%)      | 28.7% | 29.0% |         | 29.7%   | 28.4%   |
| EBITDA                | 50.0  | 47.4  | -5.2%   | 19.0    | 28.4    |
| EBITDA-margin (%)     | 9.0%  | 8.8%  |         | 7.2%    | 10.4%   |
| EBIT                  | 20.7  | 23.6  | 14.2%   | 6.7     | 17.0    |
| EBIT-margin (%)       | 3.7%  | 4.4%  |         | 2.5%    | 6.2%    |
| Financial result      | -12.7 | -8.4  |         | -4.0    | -4.4    |
| EBT                   | 8.0   | 15.2  |         | 2.7     | 12.6    |
| Income taxes          | -3.7  | -6.8  |         | -2.4    | -4.5    |
| Net profit            | 4.2   | 8.4   |         | 0.3     | 8.1     |
| Net profit-margin (%) | 0.8%  | 1.6%  |         | 0.1%    | 3.0%    |

## 2. Comments on the consolidated results

### 2.1. Sales

#### Sales breakdown 2013

- Consolidated 2013 sales decreased 3.7% to € 536.5 million (2012: € 556.9 million).
- Volume: +0.4%. Volume developed favourably mainly in US, UK, Germany, Turkey & Emerging Markets and Italy.
- Exchange rates: -3.0%. Unfavourable impact mainly from Turkish lira, US dollar and Russian ruble.
- Mix effect: -1.0%, as a result of a changed product and geographical mix.

#### Sales breakdown 2013 per quarter

| In € million   | 1Q           | 2Q           | 3Q           | 4Q           | FY           |
|----------------|--------------|--------------|--------------|--------------|--------------|
|                | 2013         | 2013         | 2013         | 2013         | 2013         |
| <b>Sales</b>   | <b>111.2</b> | <b>151.9</b> | <b>146.4</b> | <b>127.1</b> | <b>536.5</b> |
| Exchange rates | -0.3%        | -1.2%        | -4.6%        | -5.8%        | -3.0%        |
| Volume         | -2.0%        | -1.2%        | +5.1%        | -0.9%        | +0.4%        |
| Mix effect     | -3.5%        | -0.4%        | -1.1%        | +0.6%        | -1.0%        |
| <b>Total</b>   | <b>-5.8%</b> | <b>-2.8%</b> | <b>-0.5%</b> | <b>-6.2%</b> | <b>-3.7%</b> |

## Sales breakdown 2013 per region

| In € million              | 1Q<br>2013   | 2Q<br>2013   | 3Q<br>2013   | 4Q<br>2013   | FY<br>2013   | FY<br>2013   | Var.2013<br>loc.curr. |
|---------------------------|--------------|--------------|--------------|--------------|--------------|--------------|-----------------------|
| Western Europe            | -15.0%       | -8.9%        | -0.4%        | -4.1%        | 179.1        | -7.5%        |                       |
| Central & Eastern Europe  | -9.2%        | -5.3%        | -2.8%        | -10.1%       | 160.7        | -6.4%        |                       |
| Turkey & Emerging Markets | +14.2%       | +4.8%        | -6.4%        | -13.3%       | 121.4        | -1.2%        | +4.7%                 |
| North America             | +1.9%        | +6.9%        | +15.3%       | +13.2%       | 75.3         | +9.7%        | + 13.0%               |
| <b>Total</b>              | <b>-5.8%</b> | <b>-2.8%</b> | <b>-0.5%</b> | <b>-6.2%</b> | <b>536.5</b> | <b>-3.7%</b> |                       |

### Western Europe

Full year 2013 sales in Western Europe were € 179.1 million, a year-on-year decrease of 7.5%. Sales declined in Benelux and France, due to a weak building activity in a climate of reducing public spending, increasing taxes, low consumer confidence and continuing high unemployment rate. Sales in Spain bottomed out in the second half of 2013.

A management change in the UK at the start of 2013 created a new impetus supported by a fresh and innovative marketing approach. Meanwhile both renovation and newbuild market saw a clear improvement of demand. Italy sales grew on the back of a number of competitive wins. In all countries Deceuninck outperformed the market, using innovation (linktrusion®), ecology (recycling and energy efficiency) and design (colours) as a market differentiator.

### Central & Eastern Europe (incl. Germany)

Full year 2013 sales in the region decreased 6.4% to € 160.7 million.

Sales were impacted by a weak economic environment, government austerity programmes, high unemployment rates and low consumer confidence in the entire region, with the exception of Germany. Deceuninck's growth in the German market was mainly driven by building products and a growing market share in an otherwise stable window market.

Sales in Poland, Czech and Slovak republic decreased as a result of weak residential construction activity both in newbuild and in renovation. Volume developed favourably in most other markets.

In Russia, lower than expected consumer confidence, is at the basis of a sales decline. The large residential renovation potential remains.

### Turkey & Emerging Markets

Full year 2013 sales decreased 1.2% to € 121.4 million (at constant exchange rate: + 4.7%).

Deceuninck grew sales on the Turkish market in spite of political turmoil and weakening economic indicators. The gain in market share was largely due to a strong nationwide franchised network of branded window shops (brands "Egepen Deceuninck" and "Winsa").

Turkey has 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.

Sales in India are supported through the India branch of our Turkish subsidiary, Ege Profil, which operates from a warehouse in Chennai.

For Latin America, Ege Profil and Deceuninck North America have the products in place to meet all the needs of the region. In 2013 Ege Profil founded Deceuninck Importadora Ltda. in Santiago, Chile with a 3600m<sup>2</sup> warehouse.

## North America

Full year 2013 sales increased 9.7% to € 75.3 million (at constant exchange rate: +13.0%), representing 14% of 2013 consolidated sales.

Deceuninck North America (DNA) finished 2013 with solid sales increases on top of the modest growth in the housing industry and improved remodelling spending. While the US housing recovery remained mixed, DNA was able to realize sales increases by expanding into new markets, building distribution in existing markets, and leveraging its innovative technologies.

## 2.2. Results

### Gross profit

Gross margin was 29.0% (2012: 28.7%) as a result of stable volumes in spite of a challenging economic environment in Europe and Turkey. Increased labour and energy cost were offset by continued productivity improvements and mix effects. Raw material cost remained stable, but at a high level.

### EBITDA

EBITDA amounted to € 47.4 million or 8.8% of sales. (2012: € 50.0 million or 9.0% of sales). EBITDA margin in 2H 2013 increased to 10.4% from 7.2% in 1H 2013 as a result of continued control of operating expenses.

### EBIT

Operating result (EBIT) was € 23.6 million (2012: €20.7 million) resulting in an EBIT margin of 4.4% compared to 3.7% in 2012.

Lower provision resulted in a decrease of the non cash costs from € 29.3 million in 2012 to € 23.8 million in 2013.

### Financial result & Income taxes

Financial result was € -8.4 million (2012: € -12.7 million). Improved financing terms from the 5-year financing agreement concluded in July 2012, impacted the financial result substantially. On top, working capital needs were lower as a result of strict working capital management. Evolution of market interest rates, capital expenditure plans for future growth and continued strict working capital management will be the drivers for the financial result in the coming years. Income tax expense was € - 6.8 million against € -37 million in 2012, as a result of higher EBT.

### Net profit

The net profit 2013 doubles to € 8.4 million or 1.6% on sales versus 0.8% on sales in 2012.

### Working capital

Working capital decreased from € 116.4 million on 31 December 2012 to € 102.5 million on 31 December 2013. (30 June 2013: € 112.2 million)

Inventories were € 5.5 million higher as compared to 31 December 2012. Year-on-year mild winter resulted in an increased order book in December 2013.

Trade receivables decreased € 11.6 million in line with lower sales volume in 4Q. Days outstanding (DSO) improved year-on-year thanks to continued strict credit monitoring policy in spite of an unfavourable legal entity mix.

Trade payables increased by € 7.8 million as a result of higher production volume in 4Q.

The operational working capital on 31 December 2013 was 16.4% of annualised sales as compared to 17.6% on 31 December 2012.

### Investments

Capital expenditures in 2013 increased year-on-year by € 3.2 million to € 26.7 million.

Maintenance capex (€ 8.8 million) related to "Building a sustainable home" including capex for finishing the automated Omniral® coating line. € 7.6 million was spent on new tools and products.

Expansion capex (€ 10.3 million) related to the construction of a woodcomposite compound tower in Gits (B), pultrusion lines in Monroe, OH (US) and additional lines for extruding new products with linktrusion® technology in Gits.

### Net financial debt

The net financial debt at 31 December 2013 amounted to € 80.6 million compared to € 92.6 million on 31 December 2012. A stronger operational result (EBIT) in combination with a stringent working capital management has led to this lower net financial debt, despite € 26.7 million capex. Management focus on further debt reduction continues to pay off.

### Equity

Equity decreased by € 7.1 million to € 204.3 million. The decrease was the result of unfavourable impact of CTAs (Currency Translation Adjustments), mainly on Turkish lira and Russian ruble, partly compensated by a positive net result.

The gearing was 39.4% at 31 December 2013 against 43.8% at 31 December 2012.

### Dividend

The Board of Directors will recommend at the Annual General Meeting on 13 May 2014 to pay a gross dividend of € 0.02 per share for the financial year 2013.



## Headcount

On 31 December 2013 Deceuninck employed worldwide 2,746 full time equivalents (FTEs) (including temporary workers and external staff) (31 December 2012: 2,665).

## 3. Statement of the statutory auditor

Our statutory auditor, Ernst & Young Bedrijfsrevisoren BCVBA represented by Jan De Luyck, 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 2014

|    |         |      |                                      |
|----|---------|------|--------------------------------------|
| 13 | May     | 2014 | 1Q 2014 trading update               |
| 13 | May     | 2014 | Annual Shareholders meeting at 11 am |
| 23 | July    | 2014 | 2014 half-year results               |
| 23 | October | 2014 | 3Q 2014 trading update               |

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End of press release

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### 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 2700 people in 25 countries, of which 590 in Belgium. Deceuninck sales in 2013 were € 536.5 million with a net positive result of € 8.4 million.

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## Annexe 1: Consolidated income statement

| For the 12 month period ended 31 December<br>(in € thousand) | 2012           | 2013           |
|--|----------------|----------------|
| <b>Sales</b>   | <b>556,914</b> | <b>536,508</b> |
| Cost of goods sold   | -397,026       | -380,817       |
| <b>Gross profit</b>  | <b>159,888</b> | <b>155,691</b> |
| Marketing, sales and distribution expenses                   | -92,132        | -91,202        |
| Research and development expenses                            | -6,044         | -5,957         |
| Administrative and general expenses                          | -38,618        | -36,376        |
| Other net operating result                                   | -2,407         | 1,465          |
| <b>Operating profit (EBIT)</b>                               | <b>20,687</b>  | <b>23,621</b>  |
| Financial charges  | -21,775        | -17,172        |
| Financial income   | 9,065          | 8,779          |
| <b>Profit before taxes (EBT)</b>                             | <b>7,977</b>   | <b>15,227</b>  |
| Income taxes   | -3,735         | -6,847         |
| <b>Net profit</b>  | <b>4,242</b>   | <b>8,380</b>   |

### The net profit is attributable to:

|                                    |       |       |
|------------------------------------|-------|-------|
| Shareholders of the parent company | 4,038 | 8,213 |
| Non-controlling interests          | 204   | 167   |

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

|                            |      |      |
|----------------------------|------|------|
| Normal earnings per share  | 0.04 | 0.08 |
| Diluted earnings per share | 0.04 | 0.07 |



## Annexe 2: Consolidated statement of financial position

| (in € thousand)                                  | 31 December 2012 | 31 December 2013 |
|--|------------------|------------------|
|  | Restated (*)     |                  |
| <b>Assets</b>                                    |                  |                  |
| Intangible fixed assets                          | 3,030            | 2,970            |
| Goodwill   | 10,817           | 10,759           |
| Tangible fixed assets                            | 194,421          | 187,836          |
| Financial fixed assets                           | 66               | 66               |
| Deferred tax assets                              | 15,256           | 12,932           |
| Long-term receivables                            | 1,047            | 1,079            |
| <b>Non-current assets</b>                        | <b>224,638</b>   | <b>215,642</b>   |
| Inventories                                      | 71,572           | 77,045           |
| Trade receivables                                | 100,694          | 89,126           |
| Other receivables                                | 6,622            | 7,775            |
| Cash and cash equivalents                        | 23,211           | 21,715           |
| Fixed assets held for sale                       | 8,395            | 7,166            |
| <b>Current assets</b>                            | <b>210,494</b>   | <b>202,826</b>   |
| <b>Total assets</b>                              | <b>435,132</b>   | <b>418,468</b>   |
| <b>Equity and liabilities</b>                    |                  |                  |
| Issued capital                                   | 42,495           | 42,495           |
| Share premiums                                   | 46,355           | 46,355           |
| Consolidated reserves                            | 151,806          | 160,407          |
| Cash flow hedge reserves                         | -99              | 63               |
| Actuarial gains/losses                           | -2,754           | -1,885           |
| Treasury shares                                  | -261             | -261             |
| Currency translation adjustments                 | -27,746          | -44,264          |
| <b>Equity excluding non-controlling interest</b> | <b>209,796</b>   | <b>202,911</b>   |
| Non-controlling interest                         | 1,632            | 1,413            |
| <b>Equity including non-controlling interest</b> | <b>211,428</b>   | <b>204,324</b>   |
| Interest-bearing loans                           | 37,326           | 35,390           |
| Long-term provisions                             | 24,192           | 21,087           |
| Deferred tax liabilities                         | 2,616            | 5,013            |
| <b>Non-current liabilities</b>                   | <b>64,134</b>    | <b>61,490</b>    |
| Interest-bearing loans                           | 78,486           | 66,892           |
| Trade payables                                   | 55,900           | 63,651           |
| Tax liabilities                                  | 4,630            | 4,899            |
| Employee related liabilities                     | 11,582           | 10,246           |
| Short-term provisions                            | 3,266            | 2,005            |
| Other liabilities                                | 5,706            | 4,962            |
| <b>Current liabilities</b>                       | <b>159,570</b>   | <b>152,654</b>   |
| <b>Total equity and liabilities</b>              | <b>435,132</b>   | <b>418,468</b>   |

(\*): 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 consolidated financial statements as per 31 December 2013.

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Regulated information – 2013 annual results

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### Annexe 3: Consolidated statement of cash flows

| For the 12 month period ended 31 December (in € thousand)                                     | 2012           | 2013           |
|---|----------------|----------------|
| <b>Operating activities</b>   |                |                |
| Net profit  | 4,242          | 8,380          |
| Depreciations of (in)tangible fixed assets  | 23,635         | 22,530         |
| Impairments on (in)tangible fixed assets  | 1,344          | 1,646          |
| Provisions for pensions and other risks & charges   | 1,740          | -1,838         |
| Impairments on current assets   | 2,595          | 1,434          |
| Net financial charges   | 12,710         | 8,394          |
| Profit on sale of tangible fixed assets   | -121           | -109           |
| Loss on sale of tangible fixed assets   | 93             | 37             |
| Income taxes  | 3,735          | 6,847          |
| Share-based payment transactions settled in equity  | 288            | 388            |
| <b>Cash flow from operating activities before movements in working capital and provisions</b> | <b>50,261</b>  | <b>47,710</b>  |
| Decrease / (increase) in trade and other receivables  | -2,314         | -721           |
| Decrease / (increase) in inventories  | 7,998          | -12,367        |
| Increase / (decrease) in trade debts  | -2,383         | 12,729         |
| Decrease / (increase) in other non-current assets   | -24            | -84            |
| Decrease / (increase) in other current assets   | -917           | 1,436          |
| Increase / (decrease) in other non-current liabilities  | -1,002         | -738           |
| Increase / (decrease) in other current liabilities  | -3,109         | -634           |
| <b>Cash flow generated from operating activities</b>  | <b>48,510</b>  | <b>47,331</b>  |
| Interest received   | 1,271          | 797            |
| Income taxes paid (-) / received (+)  | -4,385         | -3,736         |
| <b>Cash flow from operating activities</b>  | <b>45,396</b>  | <b>44,392</b>  |
| <b>Investing activities</b>   |                |                |
| Cash receipts on sale of tangible fixed assets  | 447            | 382            |
| Purchases of tangible fixed assets  | -23,426        | -26,122        |
| Purchases of intangible fixed assets  | -99            | -550           |
| Other transactions  | -148           | 0              |
| <b>Cash flow from investing activities</b>  | <b>-23,225</b> | <b>-26,290</b> |
| <b>Financing activities</b>   |                |                |
| New (+) / repayments (-) of long-term debts   | -43,131        | -4,172         |
| New (+) / repayments (-) of short-term debts  | 28,028         | -4,853         |
| Interests paid  | -8,477         | -5,956         |
| Dividends paid  | 0              | -48            |
| Net financial result, excl interests  | -75            | -932           |
| <b>Cash flow from financing activities</b>  | <b>-23,655</b> | <b>-15,961</b> |
| <b>Net increase (+) / decrease (-) in cash and cash equivalents</b>                           | <b>-1,484</b>  | <b>2,141</b>   |
| <b>Cash and cash equivalents as per beginning of period</b>                                   | <b>24,443</b>  | <b>23,211</b>  |
| Impact of exchange rate fluctuations  | 252            | -3,637         |
| <b>Cash and cash equivalents as per end of period</b>   | <b>23,211</b>  | <b>21,715</b>  |

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