Press release

Regulated information – 1H 2014 results

Under embargo until Wednesday 23 July 2014 at 7:00 a.m. CET

Deceuninck 1H 2014: Exchange rates offset sales volume growth and impact EBITDA.

Stable net profit.

Sales breakdown 1H 2014

- Consolidated 1H 2014 sales increased 0.4% to € 264.2 million (1H 2013: € 263.1 million).
- Volume: +5.5%. Stable volumes in Belgium, Germany and Poland. Double digit growth in UK, Spain, Italy and Czech Republic. Decline in France.
  Russia: stable sales in a declining market
  Continued growth in US and Turkey & Emerging Markets
- Exchange rates: -7.6%. Unfavourable impact of TRY, RUB, USD and CZK
- Mix effects: +2.5%, delayed pass through of increased raw material cost in Turkey

Results 1H 2014

- Gross margin decreased to 27.4% in 1H 2014 from 29.7% in 1H 2013.
  - *Impact of exchange rates (mainly TRY, RUB, USD and CZK) and the delay in passing through increased raw material cost in Turkey.*
- EBITDA decreased to € 15.2 million or 5.7% of sales (1H 2013: € 19.0 million or 7.2%).
- EBIT: € 4.0 million or 1.5% of sales (1H 2013: € 6.7 million or 2.5% of sales)
- Net profit: stable at € 0.4 million (1H 2013: € 0.3 million)
- Net debt increased to € 91.4 million against € 80.6 million at 31 December 2013.

Tom Debusschere, Deceuninck CEO:

"Our sales developed in line with our expectations. In Europe, the flat 2Q volumes confirmed that the growth during 1Q was driven by the mild winter, rather than by an underlying improvement of the construction activity. Volumes were stable in Belgium, Germany and Poland. In Russia sales were stable in a declining market. UK, Spain, Italy and Czech Republic performed well with double digit growth. The main concern remains France, where we observe a contraction of both new build and renovation market.
Our US sales improved, supported by a sustainable housing recovery and continued consumer confidence.
Growth also continues in Turkey & Emerging Markets driven by competitive wins and the success in Latin America and India.

Gross profit and EBITDA were substantially impacted by the strong EUR on exchange rates and the usual delay in passing through increased raw material cost to the market in Turkey. Raw materials pricing is driven by the USD, against which the TRY depreciated 19%. The price increases that have been implemented in Turkey have restored the gross margin in this region at the start of 2H.

Outlook full year 2014

We expect the sales trends to continue into 2H. Volumes in continental Europe will be flat to slight growth. The construction market in France remains a concern. The UK is showing an economic upturn with increased activity in residential construction. The performance in the US, Turkey & Emerging Markets, will continue to be solid.

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

1. Comments on the consolidated results

1.1. Sales

Sales breakdown per quarter and 1st halfyear

% of sales	1Q 2014	2Q 2014	1H 2014
Exchange rate	*-8.4%*	*-7.0%*	*-7.6%*
Volume	*11.4%*	*1.2%*	*5.5%*
Mix (country, price, product)	*0.9%*	*3.7%*	*2.5%*
TOTAL	***3.8%***	***-2.0%***	***0.4%***

Sales breakdown 1H 2014 per region

(in € million)	Var. 1Q 2013/2014	Var. 2Q 2013/2014	1H 2014	Var. 1H 2013/2014	Var. 1H Loc. Curr.
Western Europe	6.7%	-1.6%	96.3	2.2%	
Central & Eastern Europe	8.5%	-6.8%	70.5	-1.0%	5.0%
Turkey & Emerging Markets	-3.8%	-3.3%	60.4	-3.5%	18.4%
North America	0.5%	9.3%	37.0	5.7%	10.1%
Total	**3.8%**	**-2.0%**	**264.2**	**0.4%**	

Western Europe
1H 2014 sales in Western Europe increased 2.2% to € 96.3 million (1H 2013: € 94.2 million). Sales in Belgium were stable in a weak environment. Growth was solid in the UK, Italy and Spain.
In France the contraction of activity in both newbuild and renovation market continues. To curb the weak volumes in France, Deceuninck has started the gradual build-up of
a flagship store concept, in addition to the franchise shops “Les Menuisiers Pévécistes Deceuninck”. This will allow a deeper understanding of consumer dynamics and a faster roll out of innovations. The additional building of the Deceuninck brand will further support our window fabricators, who will manufacture all products sold in the shops.

Central & Eastern Europe (incl. Germany)
1H 2014 sales in Central & Eastern Europe decreased 1.0% to € 70.5 million from € 71.2 million in 1H 2013 (at constant exchange rates: +5.0%).
All markets recorded volume growth with the exception of some of the countries in the Balkan region, supported by mild winter conditions during the first quarter.
Performance in Russia was solid with stable sales in a declining market. A major part of the sales was negatively impacted by the weakness of RUB, CZK and to a lesser extent PLN.
At this year’s Fensterbau/Frontale in Nürnberg, Inoutic/Deceuninck won the architectural innovation award for a door frame with Deceuninck’s USA patented Rovex™ material. Rovex™ is an advanced fiberglass reinforced resin technology. Rovex™ profiles are an alternative to badly insulating metal reinforcements.

Turkey & Emerging Markets
1H 2014 sales in Turkey & Emerging Markets decreased by 3.5% to € 60.4 million (at constant exchange rates: + 18.4 %). Volumes continued to increase in the domestic market as well as in Latin America and India. The year on year 25% weaker TRY completely offset the volume growth.
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 Turkish subsidiary, Ege Profil 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 de Chile with a 3600m² warehouse.

North America
1H 2014 sales increased 5.7% to € 37.0 million. At constant exchange rates sales increased 10.1%. Sales quickly picked up after an extraordinary harsh winter in the Northeast. Deceuninck North America saw its sales increase by 14.6% in USD during the second quarter. The rise reflects increased consumer and builder confidence. Remodelling activity remains strong, but market growth is constrained by labour shortage and credit availability.

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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.

1.2. Results

(in € million)	1H 2013	1H 2014	Var (%)
Sales	263.1	264.2	0.4%
Gross profit	78.1	72.3	-7.4%
Gross-margin (%)	*29.7%*	*27.4%*	
EBITDA	19.0	15.2	-20.0%
EBITDA-margin (%)	*7.2%*	*5.7%*	
EBIT	6.7	4.0	-39.3%
EBIT-margin (%)	*2.5%*	*1.5%*	
Financial result	-4.0	-3.5	
EBT	2.7	0.5	
Income taxes	-2.4	-0.1	
Net profit	0.3	0.4	
Net profit-margin (%)	*0.1%*	*0.1%*	

Gross profit

Gross-margin decreased to 27.4% (1H 2013: 29.7%). Gross profit was substantially impacted by the strong EUR on exchange rates (mainly TRY, RUB, USD and CZK) and the delay in passing through increased raw material cost to the market in Turkey.
Increased labour and energy cost were offset by continued productivity improvements and mix effects.

EBITDA

EBITDA decreased to € 15.2 million or 5.7% of sales (1H 2013: € 19.0 million or 7.2% of sales) as a result of lower gross-margin. Operating expenses (OPEX) improved slightly.

EBIT

Operating result (EBIT) was € 4.0 million (1H 2013: € 6.7 million) resulting in an EBIT-margin of 1.5% compared to 2.5% in 1H 2013.
Non cash costs amount to € 11.2 million against € 12.3 million in 1H 2013.

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Financial result & Income taxes

Financial result was € -3.5 million (1H 2013: € -4.0 million), mainly as a result of a favourable evolution of interest rates.

Income tax expense was € -0.1 million against € -2.4 million in 1H 2013 as a result of lower EBT (Earnings Before Taxes) and a changed country mix.

Net profit

The net profit 1H 2014 was € 0.4 million versus € 0.3 million in 1H 2013.

Working capital

Working capital increased from € 102.5 million on 31 December 2013 to € 113.3 million on 30 June 2014 (30 June 2013: € 112.2 million).
Inventories were € 10.7 million higher as compared to 30 June 2013 to support growth in US, Turkey and development in Latin America and India.
Trade receivables decreased € 2.0 million as compared to 30 June 2013. Days outstanding (DSO) was more or less stable year-on-year. DSO is favourably impacted by expanding factoring to our US Customer base.
Trade payables increased year-on-year by € 7.6 million in line with increased inventories.
The operational working capital on 30 June 2014 was 17.5% of the Last Twelve Month (LTM) sales as compared to 16.5% on 30 June 2013.

Capital Expenditures

Capital expenditures in 1H 2014 were € 13.6 million against € 10.4 million at 30 June 2013.

Net financial debt

The net financial debt at 30 June 2014 amounted to € 91.4 million against € 80.6 million at 31 December 2013 as a result of higher working capital needs combined with € 3.2 million increased capital expenditures and € 2.2 million dividend payment.

Equity

Equity decreased by € 1.7 million to € 202.6 million from € 204.3 million at 31 December 2013. The decrease was the result of € 2.2 million dividend payment partly offset by a € 0.4 million net profit.
The gearing was 45.1% at 30 June 2014 against 39.4 % at 31 December 2013.

Headcount

On 30 June 2014 Deceuninck employed worldwide 2,959 full time equivalents (FTEs) (including temporary workers and external staff) (30 June 2013: 2,815).

Financial calendar 2014

23	October	2014	3Q 2014 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 2700 people in 25 countries. Deceuninck has production facilities in Belgium, Czech Republic, France, Germany, Poland, Russia, Thailand, Turkey, UK and US.

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 six month period ended 30 June (in € thousand)	2013 Unaudited	2014 Unaudited
Sales	**263,052**	**264,221**
Cost of goods sold	-184,990	-191,955
Gross profit	**78,062**	**72,266**
Marketing, sales and distribution expenses	-48,633	-46,664
Research and development expenses	-2,844	-3,292
Administrative and general expenses	-19,817	-18,750
Other net operating result	-107	482
Operating profit (EBIT)	**6,661**	**4,041**
Financial charges	-8,932	-7,353
Financial income	4,941	3,820
Profit before taxes (EBT)	**2,670**	**508**
Income taxes	-2,391	-150
Net profit	**278**	**358**

The net profit is attributable to:		
Shareholders of the parent company	212	295
Non-controlling interests	66	62

Earnings per share distributable to the shareholders of the parent company (in €):		
Normal earnings per share	0	0
Diluted earnings per share	0	0

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Annexe 2: consolidated statement of financial position

(in € thousand)	31 December 2013 Audited	30 June 2014 Unaudited
Assets		
Intangible fixed assets	2,970	3,068
Goodwill	10,759	10,762
Tangible fixed assets	187,836	190,314
Financial fixed assets	66	66
Deferred tax assets	12,932	13,219
Long-term receivables	1,079	1,164
Non-current assets	**215,642**	**218,594**
Inventories	77,045	94,481
Trade receivables	89,126	105,719
Other receivables	7,775	7,318
Cash and cash equivalents	21,715	21,503
Fixed assets held for sale	7,166	7,469
Current assets	**202,826**	**236,489**
Total assets	**418,468**	**455,084**
Equity and liabilities		
Issued capital	42,495	42,522
Share premiums	46,355	46,427
Consolidated reserves	160,407	158,762
Cash flow hedge reserve	63	-128
Actuarial gains / losses	-1,885	-1,863
Treasury shares	-261	-261
Currency translation adjustments	-44,264	-44,332
Equity excluding non-controlling interest	**202,911**	**201,128**
Non-controlling interest	1,413	1,500
Equity including non-controlling interest	**204,324**	**202,628**
Interest-bearing loans	35,390	16,477
Long-term provisions	21,087	21,695
Deferred tax liabilities	5,013	4,204
Non-current liabilities	**61,490**	**42,376**
Interest-bearing loans	66,892	96,466
Trade payables	63,651	86,931
Tax liabilities	4,899	6,675
Employee related liabilities	10,246	12,321
Short-term provisions	2,005	1,213
Other liabilities	4,962	6,474
Current liabilities	**152,654**	**210,080**
Total equity and liabilities	**418,468**	**455,084**

Annexe 3: consolidated statement of cash flows

For the six month period ended in 30 June (in € thousand)	2013 Unaudited	2014 Unaudited
Operating activities		
Net profit	278	358
Depreciations of (in)tangible fixed assets	11,385	10,749
Impairments on (in)tangible fixed assets	321	370
Provisions for pensions and other risks & charges	-566	-539
Impairments on current assets	1,181	570
Net financial charges	3,991	3,533
Profit on sale of tangible fixed assets	-37	-34
Loss on sale of tangible fixed assets	23	88
Income taxes	2,392	150
Share-based payment transactions settled in equity	150	210
Cash flow from operating activities before movements in working capital and provisions	**19,118**	**15,455**
Decrease / (increase) in trade and other receivables	-10,773	-15,228
Decrease / (increase) in inventories	-14,524	-17,497
Increase / (decrease) in trade payables	25,030	22,712
Decrease / (increase) in other non-current assets	-77	-79
Decrease / (increase) in other current assets	137	-771
Increase / (decrease) in other non-current liabilities	-322	0
Increase / (decrease) in other current liabilities	3,482	3,047
Cash flow generated from operating activities	**22,072**	**7,638**
Interest received	569	644
Income taxes paid (-) / received (+)	-1,252	-114
Cash flow from operating activities	**21,389**	**8,168**
Investing activities		
Cash receipts on sale of tangible fixed assets	275	208
Purchases of tangible fixed assets	-10,448	-13,636
Purchases of intangible fixed assets	-2	-13
Other transactions	-7	301
Cash flow from investing activities	**-10,182**	**-13,140**
Financing activities		
Capital increase	0	99
New (+) / repayments (-) of long-term debts	1,717	-5,030
New (+) / repayments (-) of short-term debts	-7,032	15,147
Interests paid	-3,549	-2,175
Dividends paid	-61	-2,150
Other financial items	-276	-1,104
Cash flow from financing activities	**-9,201**	**4,787**
Net increase (+) / decrease (-) in cash and cash equivalents	**2,006**	**-185**
Cash and cash equivalents as per beginning of period	**23,211**	**21,715**
Impact of exchange rate fluctuations	-896	-26
Cash and cash equivalents as per end of period	**24,321**	**21,503**