deceuninck

Half Year Financial Report 2011

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1. Management Report

1.1. Key figures

Consolidated income statement (in millions of euro)	**30 June 2010 Unaudited**	**30 June 2011 Unaudited**
Net sales	265.3	268.9
EBITDA	28.6	24.6
EBITDA-margin (%)	10.8%	9.2%
REBITDA	29.0	25.1
REBITDA-margin (%)	10.9%	9.3%
EBIT	12.7	11.3
EBIT-margin (%)	4.8%	4.2%
EBT	3.0	6.5
EBT-margin (%)	1.1%	2.4%
Net profit (+)/loss (-)	3.8	3.1
Net profit (+)/loss (-) -margin (%)	1.4%	1.1%
Earnings per share (in euro)	0.03	0.03

Consolidated statement of financial position (in millions of euro)	**31 December 2010 Audited**	**30 June 2011 Unaudited**
Non-current assets	237.6	225.7
Current assets	233.8	232.5
Equity	212.0	207.5
Long-term provisions	21.2	21.1
Deferred tax liabilities	5.1	4.2
Long-term interest-bearing loans	93.6	92.2
Current liabilities	139.5	133.2
Balance sheet total	471.4	458.2
Working capital	111.1	142.3
Capital expenditure	15.6	8.3
Net debt	100.7	122.7
Equity/Balance sheet total (%)	45.0%	45.3%
Net profit (loss)/Equity (%)	4.0%	1.5%
Gearing (%)	47.5%	59.1%

Headcount (Temporary workers and outsourced full time equivalents included)	**31 December 2010 Audited**	**30 June 2011 Unaudited**
Total Full-Time Equivalents (FTE)	2,821	2,868

1.2. Analysis of the results

Markets & sales

Deceuninck's consolidated sales for the first half-year 2011 were € 268.9 million, a year-on-year increase of 1.3% (1H 2010: € 265.3 million). Mix effects (country, price and product) had a favourable impact of 6.4%. Volume decreased by 2.6%; exchange rates negatively impacted sales by 2.5%.

Western Europe: Half-year sales in Western Europe were € 117.2 million, a year-on-year increase of 6.8%. The growth for the region was driven by strong sales in Benelux, France and Italy. Market conditions continued to be weak in Spain, whereas initial signs of stabilisation of demand in UK were not confirmed in the second quarter.

Central & Eastern Europe (incl. Germany): Half-year sales were stable at € 71.8 million. The increasing sales trend witnessed in the first four months of the year was not confirmed in the traditionally stronger sales months of May and June. Sluggish demand in Russia and Central Europe contrasted with continued double digit sales growth in Germany.

Turkey: Half-year sales increased by 1.7% to € 52.6 million (1H 2010: € 51.7 million). Sales were impacted by the depreciation of the Turkish lira. At constant exchange rate sales grew 10.9%. Exports from Turkey to Northern Africa were negatively impacted by the political instability in the region. Domestic demand improved further throughout the half-year.

United States: Half-year sales fell by 15.1% to € 27.3 million. At constant exchange rate sale fell by 9.4%. Comparison base with first half-year 2010 was difficult due to 2010 renovation activity supported by various housing tax credits which ran out in April 2010 and December 2010 respectively. Residential renovation activity was additionally affected by falling housing prices, relatively high unemployment and tight credit markets.

First half 2011 results

1. Gross margin

Gross margin was 29.1% (1H 2010: 31.4%). Higher raw material costs were mostly offset by sales price increases and productivity improvements.

2. EBITDA

The operating cash flow (EBITDA) amounted to € 24.6 million against € 28.6 million last year. The EBITDA was 9.2% against 10.8% in 1H 2010.

The higher raw material costs resulted in a lower gross profit generation of € 5.0 million. Operating expenses are under control at € 67.6 million (year-on-year -3.8%)

REBITDA (recurring operating cash flow) was € 25.1 million (1H 2010: € 29.0 million).

3. EBIT

The operating result (EBIT) was € 11.3 million (1H 2010: € 12.7 million) resulting in an EBIT margin of 4.2% compared to 4.8% in 1H 2010.

Depreciations and other non cash costs were € 13.4 million against € 15.9 million in first half of 2010. Depreciations decreased by € 1.5 million due to lower capex level of the past years. Bad debt provision was lower as a result of hands on and strict credit management.

4. Financial result & Taxes

Financial result was € -4.8 million (1H 2010: € -9.7 million), driven by the favourable exchange rate impact of USD denominated loans (€ +0.7 million versus € -3.0 million in 1H 2010) and lower net interest expenses (€ -4.8 million versus € -5.6 million in 1H 2010) as a result of debt reduction.

Income tax expense was € 3.4 million compared to an income tax benefit of € 0.8 million in first half of 2010. The tax expense relates to a year-on-year € 3.5 million higher profit before taxes, a tax rate change in Belgium as a result of the phasing out of the coordination centre and the impact of a changed legal entity mix.

5. Net result
The net result of 1H 2011 is a profit of € 3.1 million against a profit of € 3.8 million in the first half of 2010.

6. Working capital
Working capital increased from € 111.1 million on 31 December 2010 to € 142.3 million on 30 June 2011.

Accounts receivables increased due to the seasonality of business.

Inventories are € 10.9m higher as compared to inventory level on 30 June 2010. Inventory increase relates to higher valuation of raw materials cost and sales volume decline at the end of the second quarter.

The operating working capital on 30 June 2011 was 21.7% of the annualized sales compared to 16.6% on 31 December 2010.

7. Capex
Capital expenditures during the first half of 2011 were € 8.3 million (1H 2010: € 7.8 million)

€ 6.0 million spent relates to operational capex. The remainder (€ 2.3 million) relates to new extrusion tools.

8. Net financial debt
The net financial debt amounted to € 122.7 million compared to € 100.7 million in December 2010 and € 142.5 million in June 2010.
The seasonal character of the business results in a working capital peak in the middle of the year. In comparison with end of June 2010 net debt is 13.9% (almost € 20 million) lower as a result of the accelerated debt reduction.

9. Shareholders' equity
Shareholders' equity decreases € 4.5 million to € 207.5 million mainly due to currency translation adjustments (TRY)

10. Headcount
On 30 June 2011 Deceuninck employed worldwide 2,868 full time equivalents (including temporary workers and outsourced FTEs).
(30 June 2010: 2,967) At the end of the second quarter measures were taken to reduce headcount in the regions affected by the sudden drop in demand.

1.3. Outlook

Outlook 2011

At the start of the third quarter, sales volumes confirm the Q2 trend, on the back of weakening macro-economic indicators. The increase of raw material prices to record levels has now stabilized and the related sales price increases now gradually offset this increased cost. To protect profitability, Deceuninck continues its productivity improvement and cost saving programmes.

Within the current macro-economic environment, Deceuninck reiterates its July guidance that Deceuninck's top and bottom line for the full year 2011 will be similar to the levels of 2010.

Outlook long term

At Deceuninck, we believe in 'building a sustainable home'. 40% of non-renewable fossil fuels is used for heating and cooling buildings. Plastics only use 4% and PVC uses less than 1%. Plastic building products are light-weight, long lasting and provide superior insulation. PVC and Twinson wood composite are low maintenance materials, which save energy throughout a 50+ year life cycle, and will be recycled at end of life. Deceuninck continues to invest its R& D efforts into sustainable building products to reach its sustainability goals in manufacturing, PVC recycling and new product developments.

Long term, energy-efficient construction and renovation will continue to grow as an engine of the construction industry. For energy savings, PVC windows remain the 'best value for money'. Deceuninck brings this message to the market through 'Building a sustainable home'. For more details on the Deceuninck story, see www.deceuninck.com

1.4. Risks and uncertainties

With reference to the risks and uncertainties management refers to the following sections in the Annual Report 2010:

- Internal control and risk management systems (pp. 30-33)
- Consolidated financial statements and notes: Note 23 – Risk management (pp. 92-98)

These risks remain valid for both the first and the second half of the financial year 2011.

2. Interim condensed consolidated financial statements

2.1. Consolidated income statement

For the six month period ended 30 June (in thousands of euro)	**Notes**	**2010 Unaudited**	**2011 Unaudited**
Net sales	2	**265,295**	**268,866**
Cost of goods sold		-182,008	-190,623
Gross profit		**83,287**	**78,243**
Marketing, sales and distribution expenses		-47,007	-45,504
Research and development expenses		-2,786	-2,792
Administrative and general expenses		-20,526	-19,349
Other net operating result		-252	677
Operating result		**12,716**	**11,275**
Financial charges		-26,740	-14,103
Financial income		17,001	9,330
Profit (+) / loss (-) before taxes		**2,977**	**6,502**
Income taxes	4	827	-3,414
Profit (+) / loss (-) for the period		**3,804**	**3,088**

The result for the period is attributable to:		
Shareholders of the parent company	3,688	3,039
Non-controlling interests	116	49

Earnings (+) /loss (-) per share distributable to the shareholders of the parent company (in euro)**:**		
Normal earnings (+) / loss (-) per share	0.03	0.03
Diluted earnings (+) / loss (-) per share	0.03	0.03

2.2. Consolidated statement of comprehensive income

For the six month period ended 30 June (in thousands of euro)	2010 Unaudited	2011 Unaudited
Profit (+) / loss (-) for the period	**3,804**	**3,088**
Other comprehensive income (+) /loss (-):		
Currency translation adjustments	8,379	-7,799
Other comprehensive income (+) /loss (-) after tax impact	**8,379**	**-7,799**
Total comprehensive income (+) /loss (-)	**12,183**	**-4,711**
The total comprehensive income (+) /loss (-) is attributable as follows:		
Shareholders of the parent company	11,900	-4,576
Non-controlling interests	283	-135

2.3. Consolidated statement of financial position

(in thousands of euro)	Notes	31 December 2010 Audited	30 June 2011 Unaudited
Assets			
Intangible fixed assets		4,733	3,932
Goodwill		10,860	10,817
Tangible fixed assets		204,574	194,242
Financial fixed assets		1,310	1,395
Deferred tax assets		14,475	13,179
Long-term receivables		1,670	2,106
Non-current assets		**237,622**	**225,671**
Inventories		65,171	90,066
Trade receivables		107,619	109,390
Other receivables		8,433	10,402
Cash and cash equivalents	5	43,856	14,758
Fixed assets held for sale		8,693	7,943
Current assets		**233,772**	**232,559**
Total assets		**471,394**	**458,230**
Equity and liabilities			
Issued capital		42,495	42,495
Share premiums		46,355	46,355
Consolidated reserves		141,495	144,684
Treasury shares		-651	-651
Currency translation adjustments		-19,134	-26,749
Equity excluding non-controlling interest		**210,560**	**206,134**
Non-controlling interest		1,466	1,331
Equity including non-controlling interest		**212,026**	**207,465**
Interest-bearing loans		93,551	92,224
Long-term provisions		21,247	21,144
Deferred tax liabilities		5,063	4,159
Non-current liabilities		**119,861**	**117,527**
Interest-bearing loans		51,054	45,232
Trade debts		61,656	57,193
Tax liabilities		5,149	7,671
Employee related liabilities		12,130	13,311
Other liabilities		9,518	9,831
Current liabilities		**139,507**	**133,238**
Total equity and liabilities		**471,394**	**458,230**

2.4. Consolidated statement of changes in equity

(in thousands of euro)	Issued capital	Share premiums	Con-solidated reserves	Treasury shares	Currency trans-lation adjust-ments	Total equity attributable to shareholders of the parent company	Non-control-ling interest	Total
As per 31 December 2009 (Audited)	**42,495**	**46,355**	**131,512**	**-651**	**-23,497**	**196,214**	**1,221**	**197,435**
Profit (+) / loss (-) for the period			3,688			3,688	116	**3,804**
Other comprehensive income (+) / loss (-)					8,212	8,212	167	**8,379**
Total comprehensive income (+) / loss (-)	**0**	**0**	**3,688**	**0**	**8,212**	**11,900**	**283**	**12,183**
Other – deferred taxes			1,402			1,402		**1,402**
Share based payments			110			110		**110**
As per 30 June 2010 (Unaudited)	**42,495**	**46,355**	**136,712**	**-651**	**-15,285**	**209,626**	**1,504**	**211,130**

(in thousands of euro)	Issued capital	Share premiums	Con-solidated reserves	Treasury shares	Currency trans-lation adjust-ments	Total equity attributable to shareholders of the parent company	Non-control-ling interest	Total
As per 31 December 2010 (Audited)	**42,495**	**46,355**	**141,495**	**-651**	**-19,134**	**210,560**	**1,466**	**212,026**
Profit (+) / loss (-) for the period			3,039			3,039	49	**3,088**
Other comprehensive income (+) / loss (-)					-7,615	-7,615	-184	**-7,799**
Total comprehensive income (+) / loss (-)	**0**	**0**	**3,039**	**0**	**-7,615**	**-4,576**	**-135**	**-4,711**
Share based payments			150			150		**150**
As per 30 June 2011 (Unaudited)	**42,495**	**46,355**	**144,684**	**-651**	**-26,749**	**206,134**	**1,331**	**207,465**

2.5. Consolidated statement of cash flows

For the six month period ended 30 June (in thousands of euro)	**Notes**	**2010 Unaudited**	**2011 Unaudited**
Operating activities			
Profit (+) / loss (-) for the period		3,804	3,088
Depreciation (in)tangible fixed assets		14,247	12,727
Impairments of (in)tangible fixed assets		692	216
Provision for pensions, restructuring and other risks & charges		-554	218
Impairments on current assets		1,484	189
Net financial charges		9,739	4,773
Profit on sale of tangible fixed assets		-125	-50
Loss on sale of tangible fixed assets		52	170
Income taxes	4	-827	3,414
Share based payment transactions settled in equity		110	150
Cash flow from operating activities before movements in working capital and provisions		**28,622**	**24,895**
Decrease/(increase) in trade and other receivables		-29,362	-3,691
Decrease/(increase) in inventories		-19,141	-24,768
Increase/(decrease) in trade debts		7,867	-4,463
Decrease/(increase) in other non-current assets		84	-521
Decrease/(increase) in other current assets		-803	-397
Increase/(decrease) in other non-current liabilities		778	-3,668
Increase/(decrease) in other current liabilities		3,107	4,158
Cash flow generated from operating activities		**-8,848**	**-8.455**
Interest received		1,072	636
Income tax paid		-1,723	-2,717
Cash flow from operating activities		**-9,499**	**-10.536**
Investing activities			
Cash receipts on sale of tangible fixed assets		650	456
Purchases of tangible fixed assets		-7,803	-8,281
Cash flow from investing activities		**-7,153**	**-7,825**

Financing activities			
Repayments of long-term debts		0	-24,051
New short-term debts		0	19,467
Repayments of short-term debts		-10,319	0
Interest paid		-5,892	-4,004
Other (incl. net financial charges, other the interests)		13,485	-3,931
Cash flow from financing activities		**-2,726**	**-12,519**
Net increase (+) / decrease (-) in cash and cash equivalents		**-19,378**	**-30,880**
Cash and cash equivalents as per 1 January	5	**50,902**	**43,856**
Impact of exchange rate fluctuations		-3,385	1,782
Cash and cash equivalents as per 30 June	5	**28,139**	**14,758**

2.6. Notes to the interim condensed consolidated financial statements

1. Basis of presentation

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The condensed interim financial report is in compliance with IAS 34, Interim Financial Reporting.

The interim condensed consolidated financial statements have been prepared using the same accounting policies and methods of computation as in the 31 December 2010 annual financial statements, except for the new standards and interpretations which have been adopted as of January 2011 (see "New amended IFRS standards and IFRIC interpretations" below) and which had no significant impact on the interim condensed consolidated financial statements.

New amended IFRS standards and IFRIC interpretations

- IAS 24 – Related Party Disclosures, effective 1 January 2011
- IAS 32 – Financial Instruments: Presentation – Classification of Rights Issues, effective 1 February 2010
- IFRIC 14 – Prepayments of a Minimum Funding Requirement, effective 1 January 2011
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments, effective 1 July 2010
- Improvements to IFRSs (Issued May 2010) , effective 1 January 2011

2. Operating segment information

For management purposes, the group is organized in business units based on their geographical location and has the following three reporting segments:

- Western Europe: Benelux, France, Spain, Italy, Germany en the United Kingdom
- United States
- Central Europe, Eastern Europe, Asia and Australia: Bulgaria, the Balkan countries, Lithuania, Poland, Russia, the Czech Republic, Romania, Turkey and Thailand

No operating segments have been aggregated to form the above reporting segments.

Transfer prices between the operating segments are on an 'at arm's length' basis, similar to transactions with third parties. The accounting policies for the operating segments are equal to these of the consolidated financial statements.

For the six month period ended 30 June (in thousands of euro)	Western Europe		United States		Central & Eastern Europe, Asia and Australia		Consolidated	
	2010	2011	2010	2011	2010	2011	2010	2011
Sales	218,844	226,753	32,142	27,253	113,366	104,449	**364,352**	**358,455**
Intra-group sales	-86,949	-81,974	0	-24	-12,108	-7,591	**-99,057**	**-89,589**
Net sales	**131,895**	**144,779**	**32,142**	**27,229**	**101,258**	**96,858**	**265,295**	**268,866**
Share in consolidated net sales	49.7%	53.9%	12.1%	10.1%	38.2%	36.0%	**100%**	**100%**
Operating profit (+) /loss (-)	8,957	9,901	2,145	372	1,614	1,002	**12,716**	**11,275**
As a percentage of net sales	6.8%	6.8%	6.7%	1.4%	1.6%	1.0%	**4.8%**	**4.2%**

3. Seasonality of operations

Due to the seasonal nature of the construction industry, the demand is higher during the spring and summer period.

4. Income taxes

The major components of income tax expense in the interim consolidated income statement are:

For the six month period ended 30 June (in thousands of euro)	2010	2011
Income taxes		
Current income tax expense	-1,721	-2,717
Deferred income tax expense	2,548	-697
Income tax reported in the income statement	**827**	**-3,414**
Income tax recognised in other comprehensive income	0	0
Total income taxes	**827**	**-3,414**

5. Cash and cash equivalents

(in thousands of euro)	31 December 2010	30 June 2011
Cash and current bank accounts	26,689	12,633
Short term deposits	17,167	2,125
Total	**43,856**	**14,758**

6. Other financial assets and financial liabilities

The Group uses the following hierarchical classification in determining and explaining the fair value of financial instruments by valuation technique.

- Level 1: quoted (not adjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques that use input with a significant impact on the recorded fair value that is not based on observable market data.

During the reporting period ending 30 June 2011, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

As of 31 December 2010 the Group has the following financial instruments:

(in thousands of euro)	31 December 2010	Level 1	Level 2	Level 3
Assets at fair value				
- FX options	2,046		2,046	
- Interest options (cap)	310		310	
- FX forward contracts	707		707	
Liabilities at fair value				
- FX forward contracts	188		188	

As of 30 June 2011 the Group has the following financial instruments:

(in thousands of euro)	30 June 2011	Level 1	Level 2	Level 3
Assets at fair value				
- FX options	1,192		1,192	
- Interest options (cap)	278		278	
- FX forward contracts	875		875	
Liabilities at fair value				
- FX forward contracts	84		84	

7. Related parties

During 2011, the Group made purchases valued at € 85 thousand (€ 85 thousand as per 30 June 2010), under normal market conditions, from companies of which directors of the company held a majority of the shares. These transactions involved purchases relating to dies and equipment, maintenance of machinery, other services and the use of meeting rooms.

8. Events after the reporting period

There are no significant subsequent events after 30 June.

3. Statement of the Board of Directors

Declaration regarding the information given in this interim financial report for the 6 month period ending 30 June 2011.

The undersigned declare that:

- the interim condensed consolidated financial statements have been prepared in conformity with the standards applicable for annual accounts, and that they give a true picture of the net assets, the financial position and of the results of the issuer and the consolidated companies.
- the half year financial report gives a fair overview of the developments and results of the issuer and the consolidated companies, also providing a fair description of the most important risks and uncertainties with which they are confronted.

Board of Directors
Deceuninck NV

4. Report of the statutory auditor

Report of the statutory auditor to the shareholders of Deceuninck NV on the review of the interim condensed consolidated financial statements as of 30 June 2011 and for the six months then ended

Introduction

We have reviewed the accompanying consolidated statement of financial position of Deceuninck NV (the "Company") as at 30 June 2011 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six-month period then ended, and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard *IAS 34 Interim Financial Reporting* ("IAS 34") as adopted for use in the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review ("revue limitée/beperkt nazicht" as defined by the "Institut des Reviseurs d'Entreprises/Instituut der Bedrijfsrevisoren") in accordance with the recommendation of the "Institut des Reviseurs d'Entreprises/Instituut der Bedrijfsrevisoren" applicable to review engagements. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the auditing standards of the "Institut des Reviseurs d'Entreprises/Instituut der Bedrijfsrevisoren" and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the European Union.

Ghent, 25 August 2011

Ernst & Young Bedrijfsrevisoren bcvba
Statutory auditor
represented by

Jan De Luyck
Partner

Ref: 12JDU0006