deceuninck

Half Year Financial Report 2012

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1. Management Report

1.1. Key figures

Consolidated income statement (in millions of euro)	**30 June 2011 Unaudited**	**30 June 2012 Unaudited**
Sales	268.9	274.3
EBITDA	24.6	24.4
EBITDA-margin (%)	9.2%	8.9%
EBIT	11.3	11.2
EBIT-margin (%)	4.2%	4.1%
EBT	6.5	3.7
EBT-margin (%)	2.4%	1.4%
Net profit	3.1	1.2
Net profit -margin (%)	1.1%	0.5%
Earnings per share (in euro)	0.03	0.01

Consolidated statement of financial position (in millions of euro)	**31 December 2011 Audited**	**30 June 2012 Unaudited**
Non-current assets	226.5	231.7
Current assets	217.3	236.9
Equity	205.9	212.2
Long-term provisions	20.8	20.7
Deferred tax liabilities	3.9	3.8
Long-term interest-bearing loans	93.4	88.5
Current liabilities	119.8	143.4
Balance sheet total	443.7	468.6
Working capital	119.2	139.0
Capital expenditure	21.9	13.7
Net debt	101.8	117.6
Equity/Balance sheet total (%)	46.4%	45.3%
Net profit/Equity (%)	3.1%	0.6%
Gearing (%)	49.4%	55.5%

Headcount (Temporary workers and outsourced full time equivalents included)	**31 December 2011 Audited**	**30 June 2012 Unaudited**
Total Full-Time Equivalents (FTE)	2,735	2,805

1.2. Analysis of the results

Tom Debusschere, Deceuninck CEO:

In the first half of 2012, Deceuninck's operating results remained stable; while maintaining profitability, despite record-breaking raw materials costs and despite challenging market conditions in Europe.

After the 2009 turnaround, Deceuninck started on a path of disciplined pricing, continuous operational improvements in its 10 manufacturing sites and strict control of fixed costs at all locations world wide. The sustained operating results and the cash flow since early 2010 have shown our Company's ability in keeping its commitment.

All this time, we have also continued to build for our future. Throughout this period, Deceuninck invested € 67 million into the 3 axis of our long term strategy "Building a Sustainable home".

Innovation – PVC remains the most economical solution for insulation values. For the region Western Europe, we launched Zendow#neo with linktrusion technology : Deceuninck now offers a window system that substitutes traditional badly insulating metal reinforcement profiles with glass fiber and steel wire reinforcement already built in. In the USA, our Customers can now improve insulation values by substituting aluminium reinforcements with Innergy, a polyurethane pultruded profile system.

Ecology – PVC continues to improve its ecological footprint. On October 17, Deceuninck opens a new post-consumer PVC recycling factory, which is fully integrated in our raw materials factory in Diksmuide, Belgium. For the region Central and Eastern Europe, Deceuninck launched Eforte, a top insulating window system (passive house rated) with the lowest material content in the industry. In Turkey, we launched Flora, a coextruded system which allows better reuse of recycled material.

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 colors become available to the market. Deceuninck now invests in a new coating factory in Gits, Belgium, which will be operational by year end.

The renewed ability to sustain profits in challenging conditions, while continuing to make targeted investments, effectively strengthened confidence of our stakeholders.

Five leading European financial institutions entered into a € 140 million syndicated long term refinancing, effective as of 16 August 2012. The new facility now provides more headroom and flexibility to execute our long term strategy.

Markets and Sales

(in € million)	1H 2011	1H 2012	Var. 1H 2011/12	Var.1H loc.curr.
Western Europe	117.2	106.9	-8.8%	
Central & Eastern Europe	71.8	76.4	+6.4%	
Turkey	52.6	57.6	+9.6%	+17.1%
United States	27.3	33.4	+22.6%	+ 13.2%
Total	**268.9**	**274.3**	**+2.0%**	

Deceuninck's half year 2012 consolidated sales were € 274.3 million, a year-on-year increase by 2.0% (1H 2011: € 268.9 million).

Sales volume: -0.5%; exchange rates: -0.5%; mix effects: +3.0%.

Western Europe

Half year 2012 sales in Western Europe decreased by 8.8% to € 106.9 million (1H 2011: € 117.2 million). Sales were stable in Belgium but declined in nearly all other countries.

Central & Eastern Europe (incl. Germany)

Half year 2012 sales increased 6.4% to € 76.4 million (1H 2011: € 71.8 million). Sales increased in Russia, were stable in Germany and declined in nearly all other countries. Sales were unfavourably impacted by currencies such as Polish złoty (PLN).

Turkey

Half year 2012 sales increased 9.6% to € 57.6 million (at constant exchange rates: + 17.1%).

Sales were impacted by a continued weak Turkish lira. Demand in both domestic and export markets was strong.

United States

Half year 2012 sales increased 22.6% to € 33.4 million (at constant exchange rates: + 13.2%).

Activity in residential new construction continued to hover at historic lows. Demand from the renovation market segment was solid throughout the half year. Sales growth was supported by product innovations, new Customers and external raw material sales.

1H 2012 results

Gross margin

Gross margin was 29.7% (1H 2011: 29.1%). 0.6% gross margin increase was supported by a successful sales price management and continued productivity improvement.

EBITDA

The operating cash flow (EBITDA) amounted to € 24.4 million against € 24.6 million in 1H 2011, resulting in a 8.9% EBITDA margin (1H 2011: 9.2%).

Improved gross margin offset by higher marketing and sales expenses and a € 1.2 million unfavourable impact of foreign currencies.

EBIT

The operating result (EBIT) was stable at € 11.2 million (1H 2011: € 11.3 million) resulting in an EBIT margin of 4.1% compared to 4.2% in first half year 2011.

Non cash costs amount to € 13.1 million against € 13.4 million in 1H 2011. Depreciations and amortizations decreased by € 0.6 million as a result of lower capex level in preceding years.

Bad debt is € 1.2 million higher as a result of Customers operating in a more challenging economic environment.

Financial result & Taxes

Financial result was € -7.5 million (1H 2011: € -4.8 million).

Financial result is impacted by a € 1.9 million unfavourable year-on-year impact of foreign currency denominated loans.

Income tax expense was € 2.5 million against € 3.4 million income tax expense in first half year 2011.

Net profit

The net profit of 1H 2012 amounts to € 1.2 million or 0.5% on sales versus 1.1% net margin in 1H 2011.

Working capital

Working capital decreased from € 142.3 million on 30 June 2011 to € 138.9 million on 30 June 2012. (31 December 2011: € 119.2 million)

Inventories were € 6.8 million lower at normalised levels as compared to 30 June 2011 as a result of inventory management anticipating subdued demand particularly in Europe.

Accounts receivables increased € 4.8 million as compared to 30 June 2011 reflecting a year-on-year higher sales at 30 June 2012.

The operational working capital on 30 June 2012 was 21.0% of annualised sales as compared to 21.7% on 30 June 2011 and to 18.2% on 31 December 2011. The operational working capital is higher mid-year as compared to year-end due to the seasonal character of the business.

Capex
Capital expenditures in first half 2012 increased by € 5.4 million to € 13.7 million as compared to first half 2011, mainly driven by innovations and investments towards the long term strategy "Building a Sustainable Home".

€ 9.3 million relates to operational capex, € 4 million was spent on new tools and there was € 0.4 million exceptional capex.

A larger part of the total amount of capital spending relates to the start-up of a postconsumer rigid PVC recycling line, which will come into operation in the second half of 2012.

Net financial debt
The net financial debt at 30 June 2012 amounted to € 117.6 million compared to € 101.8 million on 31 December 2011. Despite a seasonal working capital peak at the end of June 2012, net financial debt was lower as compared to 30 June 2011 (€ 122.7 million) as a result of debt reimbursement and lower working capital requirement.

Shareholders' equity
Shareholders' equity increases with € 6.3 million to € 212.2 million from € 205.9 million on 31 December 2011 mainly due to a positive net result and a positive impact of CTAs (Currency Translation Adjustments), mainly on TRY (Turkish lira) and Polish złoty (PLN).

The gearing was 55.5% against 49.4% at 31 December 2011 due to business seasonality (30 June 2011: 59.1%).

Headcount
On 30 June 2012 Deceuninck employed worldwide 2,805 full time equivalents (FTEs) (including temporary workers and outsourced FTEs) (30 June 2011: 2,868).

1.3. Outlook for 2012

The public debt crisis continues to weigh on consumer confidence in Europe, while reports on an emerging recession provide for uncertain conditions in important markets. On the other hand, we are pleased with the evolution in Turkey, USA and Russia.

This mixed picture, combined with a short order book, typical to the industry, does not allow Deceuninck to give a quantified guidance for full year 2012.

Within this environment however, we remain committed to innovative products, protecting margins and continued profitability.

1.4. Risks and uncertainties

With reference to the risks and uncertainties management refers to the following sections in the Annual Report 2011:

- Internal control and risk management systems (pp. 38-42)
- Consolidated financial statements and notes: Note 23 – Risk management (pp. 95-101)

These risks remain valid for the first half of the financial year 2012.

2. Interim condensed consolidated financial statements

2.1. Consolidated income statement

For the six month period ended 30 June (in thousands of euro)	**Notes**	**2011 Unaudited**	**2012 Unaudited**
Sales	2	**268,866**	**274,347**
Cost of goods sold		-190,623	-192,982
Gross profit		**78,243**	**81,365**
Marketing, sales and distribution expenses		-45,504	-47,362
Research and development expenses		-2,792	-2,894
Administrative and general expenses		-19,349	-19,341
Other net operating result		677	-521
Operating profit		**11,275**	**11,247**
Financial charges		-14,103	-19,961
Financial income		9,330	12,426
Profit before taxes		**6,502**	**3,712**
Income taxes	4	-3,414	-2,473
Net profit		**3,088**	**1,239**
The net profit is attributable to:			
Shareholders of the parent company		3,039	1,159
Non-controlling interests		49	80
Earnings per share distributable to the shareholders of the parent company (in euro)**:**			
Normal earnings per share		0.03	0.01
Diluted earnings per share		0.03	0.01

2.2. Consolidated statement of comprehensive income

For the six month period ended 30 June (in thousands of euro)	2011 Unaudited	2012 Unaudited
Net profit	**3,088**	**1,239**
Other comprehensive income (+) /loss (-):		
Currency translation adjustments	-7,799	4,914
Other comprehensive income (+) /loss (-) after tax impact	**-7,799**	**4,914**
Total comprehensive income (+) /loss (-)	**-4,711**	**6,153**
The total comprehensive income (+) /loss (-) is attributable as follows:		
Shareholders of the parent company	-4,576	5,974
Non-controlling interests	-135	179

2.3. Consolidated statement of financial position

(in thousands of euro)	Notes	31 December 2011 Audited	30 June 2012 Unaudited
Assets			
Intangible fixed assets		3,428	3,279
Goodwill		10,806	10,827
Tangible fixed assets		193,180	199,290
Financial fixed assets		1,433	1,522
Deferred tax assets		16,209	15,350
Long-term receivables		1,412	1,466
Non-current assets		**226,468**	**231,734**
Inventories		77,809	83,316
Trade receivables		99,227	114,239
Other receivables		7,548	7,503
Cash and cash equivalents	5	24,443	23,035
Fixed assets held for sale		8,239	8,807
Current assets		**217,266**	**236,900**
Total assets		**443,734**	**468,634**
Equity and liabilities			
Issued capital		42,495	42,495
Share premiums		46,355	46,355
Consolidated reserves		147,480	148,725
Treasury shares		-261	-261
Currency translation adjustments		-31,520	-26,705
Equity excluding non-controlling interest		**204,549**	**210,609**
Non-controlling interest		1,376	1,555
Equity including non-controlling interest		**205,925**	**212,164**
Interest-bearing loans		93,361	88,479
Long-term provisions		20,805	20,731
Deferred tax liabilities		3,890	3,833
Non-current liabilities		**118,056**	**113,043**
Interest-bearing loans		32,907	52,205
Trade debts		57,817	58,604
Tax liabilities		5,963	9,437
Employee related liabilities		13,357	13,331
Other liabilities		9,709	9,850
Current liabilities		**119,753**	**143,427**
Total equity and liabilities		**443,734**	**468,634**

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 2010 (Audited)	**42,495**	**46,355**	**141,495**	**-651**	**-19,134**	**210,560**	**1,466**	**212,026**
Net profit			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**

(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 2011 (Audited)	**42,495**	**46,355**	**147,480**	**-261**	**-31,520**	**204,549**	**1,376**	**205,925**
Net profit			1,159			1,159	80	**1,239**
Other comprehensive income (+) / loss (-)					4,815	4,815	99	**4,914**
Total comprehensive income (+) / loss (-)	**0**	**0**	**1,159**	**0**	**4,815**	**5,974**	**179**	**6,153**
Share based payments			150			150		**150**
Other			-64			-64		**-64**
As per 30 June 2012 (Unaudited)	**42,495**	**46,355**	**148,725**	**-261**	**-26,705**	**210,609**	**1,555**	**212,164**

2.5. Consolidated statement of cash flows

For the six month period ended 30 June (in thousands of euro)	Notes	2011 Unaudited	2012 Unaudited
Operating activities			
Net profit		3,088	1,239
Depreciations on (in)tangible fixed assets		12,727	11,995
Impairments on (in)tangible fixed assets		216	310
Provisions for pensions, restructuring and other risks & charges		218	-152
Impairments on current assets		189	993
Net financial charges		4,773	7,535
Profit on sale of tangible fixed assets		-50	-41
Loss on sale of tangible fixed assets		170	61
Income taxes	4	3,414	2,473
Share based payment transactions settled in equity		150	150
Cash flow from operating activities before movements in working capital and provisions		**24,895**	**24,563**
Decrease/(increase) in trade and other receivables		-3,691	-12,064
Decrease/(increase) in inventories		-24,768	-3,195
Increase/(decrease) in trade debts		-4,463	-524
Decrease/(increase) in other non-current assets		-521	-125
Decrease/(increase) in other current assets		-397	-166
Increase/(decrease) in other non-current liabilities		-3,668	-3,185
Increase/(decrease) in other current liabilities		4,158	2,152
Cash flow generated from operating activities		**-8,455**	**7,456**
Interest received		636	533
Income tax paid		-2,717	-339
Cash flow from operating activities		**-10,536**	**7,650**
Investing activities			
Cash receipts on sale of tangible fixed assets		456	149
Purchases of (in)tangible fixed assets		-8,281	-13,729
Cash flow from investing activities		**-7,825**	**-13,580**

Financing activities			
Repayments of long-term debts		-24,051	-5,570
New short-term debts		19,467	15,548
Interest paid		-4,004	-4,181
Other financial items		-3,931	-2,128
Cash flow from financing activities		**-12,519**	**3,669**
Net increase (+) / decrease (-) in cash and cash equivalents		**-30,880**	**-2,261**
Cash and cash equivalents as per 1 January	5	**43,856**	**24,443**
Impact of exchange rate fluctuations		1,782	853
Cash and cash equivalents as per 30 June	5	**14,758**	**23,035**

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 2011 annual financial statements, except for the new standards and interpretations which have been adopted as of January ,2012 (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

- IFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets

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 those 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**	
	2011	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**
Sales (external + intra-group)	226,753	210,732	27,253	33,341	104,449	114,192	**358,455**	**358,265**
Intra-group sales	-81,974	-76,471	-24	0	-7,591	-7,447	**-89,589**	**-83,918**
Sales	**144,779**	**134,261**	**27,229**	**33,341**	**96,858**	**106,745**	**268,866**	**274,347**
Share in consolidated sales	53.9%	48.9%	10.1%	12.2%	36.0%	38.9%	**100%**	**100%**
Operating profit	9,901	6,645	372	762	1,002	3,840	**11,275**	**11,247**
As a percentage of sales	6.8%	4.9%	1.4%	2.3%	1.0%	3.6%	**4.2%**	**4.1%**

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)	2011	2012
Income taxes		
Current income tax expense	-2,717	-1,944
Deferred income tax expense	-697	-529
Income tax reported in the income statement	**-3,414**	**-2,473**
Income tax recognised in other comprehensive income	0	0
Total income taxes	**-3,414**	**-2,473**

5. Cash and cash equivalents

(in thousands of euro)	31 December 2011	30 June 2012
Cash and current bank accounts	19,344	14,557
Short term deposits	5,099	8,478
Total	**24,443**	**23,035**

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 2012, 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 2011 the Group has the following financial instruments:

(in thousands of euro)	31 December 2011	Level 1	Level 2	Level 3
Assets at fair value				
- FX options	2,140		2,140	
- Interest options (cap)	12		12	
- FX forward contracts	395		395	
Liabilities at fair value				
- FX forward contracts	412		412	

As of 30 June 2012 the Group has the following financial instruments:

(in thousands of euro)	30 June 2012	Level 1	Level 2	Level 3
Assets at fair value				
- FX options	1,582		1,582	
- Interest options (cap)	1		1	
- FX forward contracts	285		285	
Liabilities at fair value				
- FX forward contracts	396		396	

7. Related parties

During 2012, the Group made purchases valued at € 58 thousand (€ 85 thousand as per 30 June 2011), 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

As per 16 July 2012, Deceuninck has entered into a € 140 million senior multicurrency term and revolving facilities agreement, which matures in July 2017. The new agreement has entered into effect on 16 August 2012.

The new 5 year financing agreement replaces the existing long term credit facilities concluded in September 2009. These consisted of a syndicated bank facility, maturing in September 2013 and senior secured notes maturing in September 2014. The new agreement allows for a full repayment of the senior secured notes.

The € 140 million secured syndicated facility consists of a € 100 million 5-year multicurrency revolving credit facility and a € 40 million amortizing 3.5 year term loan. Deceuninck's operations in Turkey continue to be financed locally.

The 5 year agreement has been concluded with a group of 5 leading European financial partners: ING (Coordinator), BNP Paribas Fortis (Security Agent), KBC (Facility agent), Commerzbank and Banque LB Lux. Financial covenants are set to market standards. Conditions have softened taking into account the stronger financial position of Deceuninck since the 2009 financial restructuring. The new agreement includes the possibility for Deceuninck to pay out dividends.

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 2012.

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.

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 2012 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 2012 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; 21 August 2012

Ernst & Young Bedrijfsrevisoren bcvba
Statutory auditor
represented by

Jan De Luyck
Partner