deceuninck group

Half Year Financial Report 2018

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1. Management Report

1.1. Key figures

CONSOLIDATED INCOME STATEMENT (in € million)	30 June 2017 Unaudited	30 June 2018 Unaudited
Sales	338,7	341,5
Gross profit	98,7	102,3
Gross-margin (%)	29,1%	29,9%
EBITDA	33,3	36,1
Adjusted EBITDA	32,7	36,1
EBIT	18,5	21,0
Net profit	8,2	7,5

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (in € million)	31 December 2017 Audited	30 June 2018 Unaudited
Equity	257,6	253,9
Net debt	118,3	126,3
Total Assets	558,6	591,0
Capital expenditure	54,2	28,7
Working capital	135,9	140,2
Capital employed	418,2	424,3

RATIOS	30 June 2017	30 June 2018
Net profit/sales	2,4%	2,2%
Adjusted EBITDA/sales	9,7%	10,6%
Net debt/LTM Adjusted EBITDA	1,66	1,80
EBIT/Capital employed	4,4%	5,0%

HEADCOUNT	31 December 2017 Audited	30 June 2018 Unaudited
Total Full Time Equivalents (FTE)	3.927	3.976

1.2. Analysis of the results

H1 2018 highlights

- **H1 2018 sales** increased 0.8% to € 341.5 million with strong sales in Emerging Markets and in the US. Price increases to mitigate higher raw material prices, inflation and unfavourable FX effects have been implemented.
- **Adjusted EBITDA** increased to € 36.1 million (H1 2017: € 32.7 million), mainly thanks to a strong performance in North America as well as in Turkey and Emerging Markets, driven by higher volumes (thanks to both new customer acquisitions and market growth), the payback from investments done in recent years, and price increases offsetting higher raw material prices and inflation. As a result, Adj. EBITDA-margin increased to 10.6% versus 9.7% in H1 2017.
- **Net profit** decreased to € 7.5 million (H1 2017: € 8.2 million) as the € 3.4 million higher Adj. EBITDA has been offset by € 2.9 million higher financial charges, which are mainly explained by the devaluation of the Turkish Lira, and one-off effects.
- **Net financial debt** on 30 June 2018 amounted to € 126.3 million compared to € 108.3 million on 30 June 2017, resulting in a net financial debt / LTM Adj. EBITDA ratio of 1.8x.
- Strategic **investments** are on track. Efficiency gains in Turkey and the improvement of the underlying business performance in the US are showing that the investments from recent years are starting to pay off.

Francis Van Eeckhout, CEO, comments:

"We are in general pleased with the progress we made in the first half of 2018 despite the significant headwind we continue to get from raw materials, currencies and the volatility in the Turkish market. Recent investments are paying off and our innovations are well received by the market. We continue to work on further reducing the ecological footprint of our products."

Markets and sales

% OF SALES		TOTAL H1	WESTERN EUROPE	CENTRAL & EASTERN EUROPE	TURKEY & EMERGING MARKETS	NORTH AMERICA
SALES (in € million)	**2017**	**338,7**	**91,7**	**81,1**	**101,5**	**64,4**
Volume		4,1%	(3,2%)	(5,0%)	5,9%	5,4%
Exchange rate		(10,1%)	(0,3%)	(1,2%)	(25,3%)	(11,3%)
Other (price & mix)		6,8%	3,8%	3,2%	25,7%	3,7%
Total		**0,8%**	**0,2%**	**(2,9%)**	**6,3%**	**(2,2%)**
SALES (in € million)	**2018**	**341,5**	**91,9**	**78,8**	**107,9**	**63,0**

In H1 2018 Deceuninck realized € 341.5 million sales, compared to € 338.7 million in H1 2017.

Sales in **Western Europe** stabilized at € 91.9 million (H1 2017: € 91.7 million). Volume growth in nearly all countries has been offset by a significant decline in Belgium, partially as people have delayed the purchase of a new home till new fiscal regulations entered into force on June 1st 2018. Price increases have been implemented to cover for higher raw material prices and inflation.

In **Central and Eastern Europe** sales decreased 2.9% to € 78.8 million (H1 2017: € 81.1 million), as lower volumes (mainly in Germany and the Czech Republic) and the weakening of the RUB (-14.7% vs

H1 2017) have only partially been compensated by price increases which are necessary to cover for higher raw material prices and inflation.

Sales in **Turkey & Emerging Markets** increased 6.3% to € 107.9 million (H1 2017: € 101.5 million) thanks to higher volumes on the Turkish domestic market and strong business development in Emerging Markets.

North America realised strong volume growth (+5.4%) thanks to strong business development and new customers joining Deceuninck. This was however offset by the weakening of the USD (-11% vs H1 2017).

Operating and financial results

Adjusted EBITDA increased to € 36.1 million (H1 2017: € 32.7 million), mainly thanks to a strong performance in Turkey and Emerging Markets as well as in North America, driven by higher volumes (thanks to both new customer acquisitions and market growth), the payback from investments done in recent years, and price increases offsetting higher raw material prices and inflation. As a result, Adj. EBITDA-margin increased to 10.6% versus 9.7% in H1 2017.

The **Operating Result (EBIT)** amounted to € 21.0 million (H1 2017: € 18.5 million), as the increase in Adjusted EBITDA is partially offset by an increase in depreciation expenses from € 14.7 million in H1 2017 to € 15.0 million in H1 2018.

The **Financial result** amounted to € (9.9) million (H1 2017: € (7.0) million). This increase is explained by the higher financial debt, higher FX-losses on EUR-denominated loans in Turkey and higher interest rates on TRY-denominated loans.

Income tax expenses remained stable at € (3.6) million (H1 2017: € (3.3) million).

As a consequence of the above, **net profit** in H1 2018 decreased slightly to € 7.5 million (€8.2m in H1 2017).

Balance Sheet

Working capital on 30 June 2018 slightly increased to 20.3% of LTM sales compared to 19.9% on 30 June 2017, which is mainly explained by higher inventory levels in Western Europe (to ensure service levels during SAP transition) and in the US (to ensure service levels while being confronted with a very tight labour market), and by the negative impact of price increases (necessary to compensate for the devaluation of the Turkish Lira) on working capital. This is partially offset by the related trade payables, the decision to evolve to longer payment terms granted by raw materials suppliers, and an optimisation of customer payment terms. Factoring at the end of June 2018 amounted to € 30.2 million (vs € 35.8 million end of June 2017).

Capital expenditures in H1 2018 amounted to € 28.7 million compared to € 24.4 million in H1 2017.

Net financial debt on 30 June 2018 amounted to € 126.3 million compared to € 108.3 million on 30 June 2017, resulting in a net financial debt / LTM Adj. EBITDA ratio of 1.8x.

1.3. Outlook

Supported by available market research[1], we expect global demand for vinyl and hybrid window systems to continue to grow at superior rates, on the back of superior insulation, cost-effectiveness, low maintenance and improved aesthetics.

Although we believe the long term fundamentals for Turkey remain solid, we take into account that there might be a slowdown in the 2nd half of 2018.

In addition we anticipate continued headwind from raw material prices and adverse currency movements. We continue to take the necessary actions which are expected to restore margins over time.

1.4. Risks and uncertainties

With reference to the risks and uncertainties, management refers to the following sections of the Annual Report 2017:

- Internal control and risk management systems (pp. 84 - 88)
- Consolidated financial statements and notes: Note 23. Risk Management (pp. 153 - 156)

These risks remain valid for the first half of the financial year 2018.

[1] Global Market Insights, Window and Door System Market Report, 2024; The Freedonia Group: Windows Market in the US, 2017

2. Interim condensed consolidated financial statements

2.1 Consolidated income statement

FOR THE 6 MONTH PERIOD ENDED 30 JUNE (in € thousand)	Notes	2017 Unaudited	2018 Unaudited
SALES	**2**	**338.712**	**341.516**
Cost of goods sold		(240.055)	(239.248)
GROSS PROFIT		**98.656**	**102.269**
Marketing, sales and distribution expenses		(53.968)	(54.750)
Research and development expenses		(4.288)	(4.317)
Administrative and general expenses		(22.199)	(22.336)
Other net operating result		328	167
OPERATING PROFIT (EBIT) (*)		**18.528**	**21.032**
Financial charges		(12.110)	(12.053)
Financial income		5.123	2.119
PROFIT BEFORE TAXES (EBT)		**11.541**	**11.098**
Income taxes	4	(3.303)	(3.602)
NET PROFIT		**8.238**	**7.496**

(*) EBIT includes depreciation and amortization for a total amount of € 15,0 million (H1 2017: € 14,7 million). EBITDA (€ 36,1 million, € 33,3 million for H1 2017) is calculated as EBIT (€ 21,0 million, € 18,5 million for H1 2017) excluding the depreciation and amortization expenses.

THE NET PROFIT IS ATTRIBUTABLE TO (in € thousand)		2017	2018
Shareholders of the parent company		7.829	7.132
Non-controlling interests		408	364

EARNINGS PER SHARE DISTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY (in €)		2017	2018
Basic earnings per share		0,06	0,05
Diluted earnings per share		0,06	0,05

2.2 Consolidated statement of comprehensive income

FOR THE SIX MONTH PERIOD ENDED 30 JUNE (in € thousand)	**2017 Unaudited**	**2018 Unaudited**
NET PROFIT	**8.238**	**7.496**
Currency translation adjustments	(13.094)	(9.410)
Income tax impact	1.526	(362)
Net other comprehensive income potentially to be reclassified to profit or loss in subsequent periods	**(11.568)**	**(9.772)**
Actuarial gains/ (losses) on defined benefit plans	(953)	2.029
Income tax impact	191	(77)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**(763)**	**1.952**
OTHER COMPREHENSIVE INCOME (+) / LOSS (-)	**(12.331)**	**(7.819)**
TOTAL COMPREHENSIVE INCOME (+) / LOSS (-)	**(4.093)**	**(323)**

THE TOTAL COMPREHENSIVE INCOME (+) / LOSS (-) IS ATTRIBUTABLE TO (in € thousand)	**2017 Unaudited**	**2018 Unaudited**
Shareholders of the parent company	(3.591)	(308)
Non-controlling interests	(502)	(15)

2.3 Consolidated statement of financial position

(in € thousand)	Notes	31 December 2017 Audited	30 June 2018 Unaudited
Assets			
Intangible fixed assets		6.119	6.462
Goodwill		10.677	10.654
Tangible fixed assets		252.945	257.081
Financial fixed assets		65	99
Deferred tax assets		10.707	8.874
Long-term receivables		1.765	929
Non-current assets		**282.278**	**284.100**
Inventories		114.342	136.194
Trade receivables		109.036	117.538
Other receivables		9.422	9.851
Cash and cash equivalents	5	41.993	41.951
Fixed assets held for sale		1.529	1.370
Current assets		**276.322**	**306.904**
Total assets		**558.600**	**591.004**
Equity and liabilities			
Issued capital		53.788	53.868
Share premiums		87.887	88.120
Consolidated reserves		207.923	210.698
Cash flow hedge reserve		-	-
Actuarial gains / losses		(6.291)	(4.339)
Treasury shares		(115)	(560)
Currency translation adjustments		(87.957)	(96.545)
Equity excluding non-controlling interest		**255.235**	**251.242**
Non-controlling interest		2.601	2.647
Equity including non-controlling interest		**257.626**	**253.888**
Interest-bearing loans		129.599	131.513
Long-term provisions		27.811	25.041
Deferred tax liabilities		1.684	1.867
Non-current liabilities		**159.094**	**158.421**
Interest-bearing loans		30.720	36.726
Trade payables		87.488	113.581
Tax liabilities		5.048	5.654
Employee related liabilities		13.114	13.954
Short-term provisions		1.616	1.453
Other liabilities		3.895	7.325
Current liabilities		**141.881**	**178.694**
Total equity and liabilities		**558.600**	**591.004**

2.4 Consolidated statement of changes in equity

(in € thousand)	ISSUED CAPITAL	SHARE PREMIUMS	CONSOLIDATED RESERVES	CASH FLOW HEDGE RESERVE	ACTUARIAL GAINS / LOSSES	TREASURY SHARES	TREASURY SHARES HELD IN SUBSIDIARIES	CURRENCY TRANSLATION ADJUSTMENTS	TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY	NON-CONTROLLING INTEREST	TOTAL
AS PER 31 DECEMBER 2016 (Audited)	**53.393**	**87.056**	**198.954**	**(91)**	**(6.173)**	**(320)**	**-**	**(61.176)**	**271.644**	**3.395**	**275.039**
Net income (loss) for the current period			7.829						7.829	408	**8.237**
Other comprehensive income / loss					(763)		-	(10.657)	(11.420)	(911)	**(12.331)**
TOTAL COMPREHENSIVE INCOME (+) / LOSS (-)	**-**	**-**	**7.829**	**-**	**(763)**	**-**	**-**	**(10.657)**	**(3.591)**	**(503)**	**(4.094)**
Capital increase	348	738							1.086		**1.086**
Exercise of options						(4)			(4)		**(4)**
Share based payments			256						256		**256**
Dividend paid			(4.127)						(4.127)		**(4.127)**
Transfer			(91)	91					-		**-**
AS PER 30 JUNE 2017 (Unaudited)	**53.741**	**87.794**	**202.821**	**-**	**(6.936)**	**(324)**	**-**	**(71.833)**	**265.264**	**2.892**	**268.156**

(in € thousand)	ISSUED CAPITAL	SHARE PREMIUMS	CONSOLIDATED RESERVES	CASH FLOW HEDGE RESERVE	ACTUARIAL GAINS / LOSSES	TREASURY SHARES	TREASURY SHARES HELD IN SUBSIDIARIES	CURRENCY TRANSLATION ADJUSTMENTS	TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY	NON-CONTROLLING INTEREST	TOTAL
AS PER 31 DECEMBER 2017 (Audited)	**53.788**	**87.887**	**207.923**		**(6.291)**	**(115)**	**(210)**	**(87.957)**	**255.025**	**2.601**	**257.626**
Net income (loss) for the current period			7.132						7.132	364	**7.496**
Other comprehensive income / loss			(804)		1.952			(8.588)	(7.440)	(380)	**(7.820)**
TOTAL COMPREHENSIVE INCOME (+) / LOSS (-)	**-**	**-**	**6.328**	**-**	**1.952**	**-**	**-**	**(8.588)**	**(308)**	**(16)**	**(324)**
Capital increase	80	232	15						328	36	**364**
Own shares purchased			163				(266)		(103)		**(103)**
Exercise of options						31			31		**31**
Non-controlling interest due to business combinations			(14)						(14)	14	**(0)**
Share based payments			371						371	11	**383**
Dividend paid	-		(4.089)						(4.089)		**(4.089)**
AS PER 30 JUNE 2018 (Unaudited)	**53.868**	**88.120**	**210.698**	**-**	**(4.339)**	**(84)**	**(476)**	**(96.545)**	**251.242**	**2.647**	**253.888**

2.5 Consolidated statement of cash flows

FOR THE 6 MONTH PERIOD ENDED 30 JUNE (in € thousand)	NOTES	2017 Unaudited	2018 Unaudited
Profit (+) / loss (-)		8.238	7.496
Depreciations & Impairment		14.744	15.036
Net financial charges		6.987	9.935
Income taxes		3.303	3.602
Inventory write-off (+ = cost / - = inc)		(161)	351
Trade AR write-off (+ = cost / - = inc)		(582)	(483)
Operational unreal. FX result (+ = cost / - = inc)		1.696	732
Long term provisions (+ = cost / - = inc)		198	(277)
Gain / Loss on disposal of (in)tang. FA (+ = cost / - = inc)		31	(135)
GROSS OPERATING CASH FLOW		**34.455**	**36.257**
Decr / (incr) in inventories		(28.993)	(26.403)
Decr / (incr) in trade AR		(7.734)	(18.725)
Incr / (decr) in trade AP		9.852	29.287
Decr / (incr) in other operating assets/liabilities		5.671	2.795
Income taxes paid (-) / received (+)	4	(846)	(781)
CASH FLOW FROM OPERATING ACTIVITIES		**12.404**	**22.429**
Purchases of (in)tangible FA (-)		(24.448)	(28.666)
Proceeds from sale of (in)tangible FA (+)		3.957	356
CASH FLOW FROM INVESTMENT ACTIVITIES		**(20.491)**	**(28.310)**
Capital incr (+) / decr (-)		1.085	57
Dividends paid (-) / received (+)		(4.126)	(4.063)
Financial cash cost (-) / inc (+)		(3.432)	(2.886)
New (+) / repayments (-) of long-term debts		1.506	6.559
New (+) / repayments (-) of short-term debts		(7.239)	7.392
CASH FLOW FROM FINANCING ACTIVITIES		**(12.206)**	**7.059**
Net increase / (decrease) in cash and cash equivalents		**(20.293)**	**1.178**
Cash and cash equivalents as per beginning of period		**72.425**	**41.993**
Impact of exchange rate fluctuations		(3.256)	(1.219)
Cash and cash equivalents as per end of period		**48.877**	**41.951**

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 2017 annual financial statements, except for the new standards and interpretations which have been adopted as of January, 2018 (see "New amended IFRS standards and IFRIC interpretations" below) and which had an impact on the interim condensed consolidated financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

New amended IFRS standards and IFRIC interpretations

The Group applies, for the first time, IFRS 15 Revenue from Contracts with Customers. As required by IAS 34, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2018, but do not have a material impact on the interim condensed consolidated financial statements of the Group:

- Amendments to IFRS 2 Share-based Payment - Classification and Measurement of Share-based Payment Transactions, effective 1 January 2018
- IFRS 9 Financial Instruments, effective 1 January 2018
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations
- Amendments to IAS 40 Transfers of Investment Property
- Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- Amendments to IAS 28 Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice
- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Deletion of short-term exemptions for first-time adopters

Standards issued but not yet effective

New and amended standards and interpretations issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. The listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards and interpretations when they become effective. The Group is currently investigating the impact of the new IFRS 16 Leases standard.

- IFRS 16 Leases, effective 1 January 2019
- Amendments to IFRS 9 Prepayment Features with Negative Compensation, effective 1 January 2019

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15 using the modified retrospective method of adoption. The effect of adopting IFRS 15 is, as follows:

FOR THE 6 MONTH PERIOD ENDED 30 JUNE (in € thousand)	Notes	2018 Impact IFRS15
SALES	**2**	**(1.091)**
Cost of goods sold		108
GROSS PROFIT		**(983)**
Marketing, sales and distribution expenses		568
Research and development expenses		
Administrative and general expenses		
Other net operating result		
OPERATING PROFIT (EBIT)		**(415)**
Financial charges		523
Financial income		(108)
PROFIT BEFORE TAXES (EBT)		**-**
Income taxes	4	
NET PROFIT		**-**

There is no material impact on the statement of financial position or on the statement of cash flows.

The Group is in the business of delivering window and door systems, building products and other goods to customers.

Sale of goods
The Group's contracts with customers for the sale of goods generally include one performance obligation. The Group has concluded that revenue from sale of goods should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the product. Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition. However, the amount of revenue to be recognised was affected, as noted below.

(i) Consideration paid
The consideration paid or payable represents incentives given by the entity to entice the customer to purchase, or continue purchasing, its goods or services.
The consideration paid or payable should, under IFRS 15, be accounted for as a reduction of revenue for the amount in excess of the fair value of the distinct good or service received from the customer.

The recognition of the reduction of revenue is done when (or as) the later of either of the following events occurs:

- Recognition of revenue for the transfer for the related goods or services
- Payment or promise to pay the consideration (even if the payment is conditional on a future event)

This resulted in a reclassification of costs, previously recorded as sales and manufacturing support, to a deduction of revenue.

(ii) Cash discounts given and received
Prior to the adoption of IFRS 15, the Group recognized the cash discounts given to customers as a financial cost and the cash discounts received from suppliers as a financial income.
Under IFRS 15, the Group recognizes the cash discounts given to customers as a deduction on revenue. Similarly the cash discounts received from the suppliers have been deducted from the costs.

2. Segment information

An operating segment is a separate business unit in the Group, which produces goods or provides specific services within a defined economic environment, whose risks and profitability differ from those of the other operating segments.

Four segments have been defined based on the location of legal entities. They include the following entities:
1. Western Europe: Benelux, France, Italy, Spain and the United Kingdom;
2. Central & Eastern Europe: Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Germany, Lithuania, Poland, Russia and Serbia;
3. North America;
4. Turkey & Emerging Markets: Australia, Brazil, Chile, Colombia, India, Mexico, Romania, Thailand and Turkey.

There are no segments aggregated in order to establish the above segments.

Transfer prices between the operational segments are based on an “at arm’s length basis” equal to transactions with third parties.

The accounting policies for the operational segments are equal to these of the consolidated financial statements.

The Group identified the Executive Team as its Chief Operating Decision Maker. The segments have been defined based on the information provided to the Executive Team.

The Executive Team monitors the performance of its operational segments based on sales and EBITDA per segment.

Segment information includes results, assets and liabilities that can be attributed directly to a segment.

FOR THE 6 MONTH PERIOD ENDED 30 JUNE (in € thousand)	WESTERN EUROPE		CENTRAL & EASTERN EUROPE		NORTH AMERICA		TURKEY & EMERGING MARKETS		INTERSEGMENT ELIMINATIONS		CONSOLIDATED	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
External sales	91.680	91.878	81.113	78.757	64.422	62.990	101.497	107.893	-	(1)	**338.712**	**341.516**
Intersegment sales	5.176	6.474	2.342	2.239	433	440	2.824	1.344	(10.775)	(10.496)	**0**	**0**
Total sales	96.856	98.352	83.455	80.995	64.854	63.430	104.321	109.237	(10.775)	(10.497)	**338.712**	**341.516**
Adjusted EBITDA	9.196	8.000	4.044	852	7.632	7.762	11.733	19.820	124	(307)	**32.730**	**36.126**
Financial result		-	-	-	-	-	-	-	(13)	(0)	**(6.987)**	**(9.935)**
Income taxes		-	-	-	-	-	-	-	-	-	**(3.303)**	**(3.602)**
Depreciations & Impairment	5.363	6.013	3.160	3.019	3.247	3.126	2.853	2.879	121	-	**14.744**	**15.036**
Capital expenditures (Capex)	(8.066)	(10.505)	(4.392)	(5.808)	(8.968)	(10.556)	(3.710)	(2.371)	688	574	**(24.448)**	**(28.666)**

Assets:

(in € thousand)	CONSOLIDATED	
	31 Dec 2017	30 Jun 2018
Western Europe	199.434	222.176
Central & Eastern Europe	114.344	114.193
North America	81.161	93.795
Turkey & Emerging Markets	178.467	171.498
INTERSEGMENT ASSETS	**573.406**	**601.662**
Cash and cash equivalents	41.993	41.951
Intersegment eliminations	(56.799)	(52.610)
TOTAL GROUP ASSETS	**558.600**	**591.004**

Liabilities:

(in € thousand)	CONSOLIDATED	
	31 Dec 2017	30 Jun 2018
Western Europe	59.898	73.579
Central & Eastern Europe	51.551	56.753
North America	14.801	27.994
Turkey & Emerging Markets	80.480	79.811
INTERSEGMENT LIABILITIES	**206.729**	**238.136**
Equity including non-controlling interest	257.625	253.889
Long-term interest-bearing loans	129.599	131.513
Current portion of interest bearing borrowing	13.773	19.558
Intersegment eliminations	(52.301)	(49.703)
TOTAL GROUP LIABILITIES	**558.600**	**591.004**

Sales by product group is presented in the table below (in %):

FOR THE 6 MONTH PERIOD ENDED 30 JUNE (in € thousand)	WESTERN EUROPE		CENTRAL & EASTERN EUROPE		NORTH AMERICA		TURKEY & EMERGING MARKETS		CONSOLIDATED	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Window and door systems	75,3%	78,8%	81,2%	81,2%	100,0%	100,0%	95,9%	95,7%	**88,4%**	**88,6%**
Outdoor living	18,4%	14,5%	6,2%	6,5%	0,0%	0,0%	0,1%	0,1%	**5,6%**	**5,4%**
Home protection	6,3%	6,8%	12,6%	12,3%	0,0%	0,0%	4,1%	4,2%	**5,9%**	**6,0%**
Total	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**

There is no significant concentration of sales (>10%) with one or a limited number of Customers.

3. Seasonality of operations

Due to the seasonal nature of the construction industry, 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 6 MONTH PERIOD ENDED 30 JUNE (in € thousand)	**2017 Unaudited**	**2018 Unaudited**
Current income tax expense	(390)	(1.949)
Deferred income tax expense	(2.914)	(1.652)
INCOME TAX REPORTED IN THE INCOME STATEMENT	**(3.303)**	**(3.602)**
Income tax recognized in other comprehensive income	1.717	(439)
INCOME TAX RECOGNIZED IN OTHER COMPREHENSIVE INCOME	**1.717**	**(439)**
TOTAL	**(1.587)**	**(4.040)**

5. Cash and cash equivalents

(in € thousand)	**31 December 2017 Audited**	**30 June 2018 Unaudited**
Cash and current bank accounts	34.247	25.366
Short term deposits	7.746	16.585
TOTAL	**41.993**	**41.951**

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 2018, 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 2017 the Group had the following financial instruments:

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(in € thousand)	31 December 2017 Audited	Level 1	Level 2	Level 3
FX forward contracts	255		255	
Assets at fair value	**255**	**-**	**255**	**-**
FX forward contracts	1.088		1.088	
Liabilities at fair value	**1.088**	**-**	**1.088**	**-**

As of 30 June 2018 the Group had the following financial instruments:

(in € thousand)	30 June 2018 Unaudited	Level 1	Level 2	Level 3
FX forward contracts	491		491	
Assets at fair value	**491**	**-**	**491**	**-**
FX forward contracts	1.068		1.068	
Liabilities at fair value	**1.068**	**-**	**1.068**	**-**

7. Pensions

Due to a decreasing number of employees applying for prepension and an increasing headcount turnover rate in Belgium, the assumptions for the prepension liability have been revised. This resulted in a decrease of the employee related liabilities by € 1.6 million in 2018. As it concerns a change in actuarial assumptions, this has been recorded through other comprehensive income.

8. Related parties

During 2018, the Group made purchases valued at € 47 thousand (€ 894 thousand as per 30 June 2017), 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 and machinery.

9. Events after the reporting period

In August the TRY has weakened significantly. Management is taking immediate action to mitigate the negative impact on future financial performance. Given the high level of uncertainty at this moment it is however impossible to quantify the potential impact this might have.

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 2018.

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 company 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 and also provides 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 2018 and for the 6 month period then ended

Introduction
We have reviewed the accompanying interim condensed consolidated statement of financial position of Deceuninck NV (the "Company"), and its subsidiaries (collectively referred to as "the Group") as at 30 June 2018 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the 6 month period then ended, and explanatory notes, collectively, the "Interim Condensed Consolidated Financial Statements". These statements show a consolidated statement of financial position total of € 591.004 thousand and a consolidated net profit for the 6 month period then ended of € 7.496 thousand. The board of directors 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 as adopted by 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 in accordance the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". 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 International Standards on Auditing 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 aspects, in accordance with IAS 34 Interim Financial Reporting, as adopted by the European Union.

Ghent, 17 August 2018

Ernst & Young Bedrijfsrevisoren BCVBA
Statutory auditor
represented by

Marnix Van Dooren
Partner*

* Acting on behalf of a BVBA/SPRL

GLOSSARY

1	**EBITDA**	Earnings before interest, taxes, depreciation/impairments of fixed assets as well as amortisation/impairment of goodwill and effect of negative goodwill = operating cash flow
2	**Adjusted EBITDA**	Recurring earnings before interest, taxes, depreciation/impairments of fixed assets as well as amortisation/impairment of goodwill and effect of negative goodwill = EBITDA excluding non-recurring costs/benefits, eg restructuring costs =recurring operating cash flow
3	**LTM Adjusted EBITDA**	Adjusted EBITDA for the prior twelve consecutive months
4	**EBITA**	Earnings before interest, taxes and amortization
5	**EBIT**	Earnings before interest and taxes = operational result
6	**EBT**	Earnings before taxes
7	**EPS (non-diluted)**	(Non-diluted) earnings per share
8	**EPS (diluted)**	(Diluted) earnings per share
9	**Net debt**	Financial debts – cash and cash equivalents
10	**Working capital**	Trade receivables + inventories – trade debts
11	**Capital employed (CE)**	The sum of goodwill, intangible, tangible and financial fixed assets and working capital
12	**Headcount (FTE)**	Total Full Time Equivalents including temporary and external staff