deceuninck

HALF YEAR REPORT 2022

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Summary of consolidated Income Statement

	Before IAS 29			Impact IAS 29	After IAS 29
(in € milion)	H1 2021	H1 2022	%y-o-y		H1 2022
Sales	**404,0**	**488,7**	***21,0%***	**+18,1**	**506,8**
Gross profit	118,7	138,7	*16,9%*	+1,2	139,9
Gross-margin (%)	*29,4%*	*28,4%*	*-1,0 pps*	*-0,8 pps*	*27,6%*
EBITDA	48,3	53,8	*11,3%*	+1,0	54,8
Adj. EBITDA	**51,0**	**56,8**	***11,2%***	**+1,0**	**57,8**
Adj. EBITDA-margin (%)	*12,6%*	*11,6%*	*-1,0 pps*	*-0,2 pps*	*11,4%*
EBIT	**29,3**	**27,3**	***(6,6%)***	**(1,2)**	**26,1**
Financial result	(5,2)	(4,2)	*(19,8%)*	(7,9)	(12,1)
Profit / (loss) before taxes (EBT)	24,0	23,1	*(3,7%)*	(9,1)	14,0
Income taxes	(3,5)	(4,9)	*41,7%*	(1,6)	(6,5)
Net profit / (loss)	**20,6**	**18,2**	***(11,4%)***	**(10,7)**	**7,5**

Summary of consolidated Balance Sheet

	Before IAS 29			Impact IAS 29	After IAS 29
(in € milion)	H1 2021	H1 2022	%y-o-y		H1 2022
Total Assets	633,9	689,3	*8,7%*	+55,0	744,3
Equity	259,8	275,6	*6,1%*	+44,8	320,4
Net Debt	97,0	121,2	*24,9%*	+0,0	121,2
Capital expenditure	24,8	16,9	*(31,9%)*	+0,0	16,9
Working capital	120,8	160,9	*33,2%*	+0,0	160,9

Sales evolution by region

(in € milion)	H1 2021	Volume	FX	Other	H1 2022	%y-o-y
Europe	201,0	-6,5%	0,7%	26,2%	241,9	*20,4%*
North America	90,7	-3,8%	12,4%	23,4%	119,7	*31,9%*
Turkey & EM	112,3	-6,9%	-68,5%	88,6%	127,0	*13,1%*
Total	**404,0**	**-6,1%**	**-15,9%**	**42,9%**	**488,7**	***21,0%***

ANALYSIS OF THE RESULTS

FIRST HALF OF 2022 HIGHLIGHTS

- In order to improve the comparability of our results, the comments in this management report will refer to our pro forma results H1 2022 before application of hyperinflation accounting to the consolidation of the Turkish subsidiaries, unless explicitly stated otherwise.
- Sales in H1 2022 rose by 21.0% to reach a new record of € 488.7m, mainly driven by price increases to mitigate the effect of higher raw material prices and other cost inflation.
- Volumes decreased by 6.1% compared to last year as a result of the collapse of the Russian market, the difficult economic environment in Turkey and a slowdown of the residential construction activity in all regions towards the end of the semester.
- Adj. EBITDA in H1 2022 increased to € 56.8m (+11.2% vs H1 2021) driven by price increases to offset higher raw material prices and inflation. The Adj. EBITDA-margin amounted to 11.6%, compared to 12.6% in H1 2021 and to 10.8% in H2 2021.
- Net income decreased from € 20.6m in H1 2021 to € 18.2m in H1 2022. The main reason for this decrease is the full impairment of Deceuninck's property, plant and equipment in Russia (€ 7.5m) reflecting the uncertainty of the future business in Russia.
- Deceuninck has committed itself to reducing its own CO2-emissions by 60% by 2030.
- Half year report available at www.deceuninck.com/investors

QUOTE OF THE CEO, BRUNO HUMBLET

"Despite the further increase of raw material prices, occasional disruptions in the supply chain and a difficult economic environment in most of our end markets, we have been able to increase our sales and Adj. EBITDA to new records. At the same time, we have made important progress in restoring our operational efficiency, especially in the US where this resulted in better profitability compared to H2 last year. Further efforts are required to improve service levels towards our customers while additional price increases might be needed to offset inflation on energy and labour costs.

Deceuninck has committed itself to reducing its own CO2 emissions by 60% by 2030[1]. With this ambitious Science Based Target, Deceuninck goes beyond the call of duty and claims a leadership role. We have an important role to play as our products significantly improve insulation of houses and buildings. Moreover, they can be recycled in an environmentally friendly manner. We therefore are part of the solution to reduce CO2 emissions globally and we will continue to invest to further increase the impact we can make."

IMPLEMENTATION OF IAS 29: FINANCIAL REPORTING IN HYPERINFLATIONARY ECONOMIES

- As cumulative inflation in Turkey over the last three years has exceeded 100%, IAS 29 ('Financial Reporting in Hyperinflationary Economies') has been applied to the consolidation of the Turkish subsidiaries.
- The application of IAS 29 has resulted in a negative accounting impact on Deceuninck's net result of € (10.7)m, which has been more than offset by a positive adjustment for IAS 29 of € 44.8m in equity.
- The impact on other lines of the income statement has been calculated as follows: Sales € +18.1m, EBIT € (1.2)m and Adj. EBITDA € +1.0m.
- The implementation of IAS 29 has no cash impact.

[1] European commission targets a reduction by 55% by 2030.

MANAGEMENT COMMENTS

Business environment

In **Europe**, overall demand from the residential construction market has remained strong, although we have seen a slowdown towards the end of the second quarter due to the expensive building materials and uncertainty in the market. Lower volumes in Europe are mainly due to the collapse of the Russian market. For prudency reasons we fully impaired the Russian assets. Higher volumes in Western Europe have compensated for lower volumes in Central and Eastern Europe.

In **North America**, some softening in single-family house new construction took place during the first half year, with multi-family and renovation activity holding steady. Lower volumes in the US are mainly the result of deliberately stepping away from selected business in order to create operational headroom, allowing a better service towards key customers.

In **Turkey**, high inflation has been weighing on consumer confidence causing a downturn of the construction activity. Yet, thanks to our strong brands and market position, we have been able to limit volume losses and to further grow our market share. On a much smaller scale, volumes in Emerging Markets have shown a healthy growth, especially in Chile and Colombia.

The supply chain situation has gradually improved, although there have still been occasional shortages. Prices of raw materials have continued to rise, as have energy and transport prices. The labor market has remained tight, making it difficult for all players in the value chain to find enough people to meet demand. Nevertheless, labor retention in the US has improved significantly over the last six months.

Income Statement[2]

Consolidated **sales** in H1 2022 increased to a new record of € 488.7m, up 21.0% from € 404.0m in H1 2021, with price increases to compensate for higher raw material prices and for cost inflation as the main driver.

The **Adj. EBITDA** for the first half year increased to € 56.8m (+11.2% vs H1 2021).

The Adj. EBITDA-margin in H1 2022 was 11.6%, which is 1.0 percentage point lower than in H1 2021 (12.6%), but 0.8 percentage points higher than the Adj. EBITDA-margin of 10.8% in H2 2021. The drivers for this (partial) margin recovery (vs H2 2021) are a catch up of price increases to compensate for increased raw materials prices and inflation and improved productivity in the US. Supply chain issues, such as shortages of black foils, lack of metal containers to transport our PVC-profiles to our customers and the still tight labour market, have continued to weigh on our operational efficiency, curbing further margin recovery.

Adj. EBITDA-items (difference between EBITDA and Adj. EBITDA) amount to € 3.0m (vs € 2.7m in H1 2021) and include mainly costs related to the transition to Elegant.

The **financial result** improved from € (5.2)m in H1 2021 to € (4.2)m in H1 2022 mainly thanks to one-off FX-gains.

Depreciations and amortizations increased from € 19.1m in H1 2021 to € 26.4m in H1 2022, mainly as a result of the impairment of property, plant and equipment in Russia for an amount of € 7.5m.

Despite lower Earnings before taxes, Income taxes have risen from € (3.5)m in H1 2021 to € (4.9)m in H1 2022. The reason for this is that the lower Earnings before taxes are the result of the impairment of fixed assets in Russia, which is not tax deductible.

As a result of the above, **net profit** decreased from € 20.6m in H1 2021 to € 18.2m in H1 2022 and Earnings per Share decreased from € 0.15 to € 0.12.

Cash Flow and Balance sheet [3]

Capex amounted to € 16.9m in H1 2022 compared to € 24.8m in H1 2021. Alongside recurring capex for maintenance and replacement of extrusion tools, H1 2022 capex includes (amongst other) expenditures for recycling and for the further completion of the new Elegant series. Note that capex in H1 2021 included the purchase of a warehouse in Turkey for about € 10m.

The **Net Financial Debt** increased from € 97.0m on 30 June 2021 to € 121.2m on 30 June 2022, causing leverage to increase from 0.9x to 1.2x.

[2] Comments refer to the pro forma financial results before implementation of IAS 29 - Financial Reporting in Hyperinflationary Economies.
[3] Comments refer to the pro forma financial results before implementation of IAS 29 - Financial Reporting in Hyperinflationary Economies.

The main reason for the higher Net Financial Debt is inflationary pressure on **working capital**: higher raw material prices have increased inventory value while higher selling prices have increased outstanding receivables. In addition, inventory levels in Europe are higher than normal because of the transition to Elegant. As a result of the foregoing, working capital on sales has increased from 15.9% on 30 June 2021 to 17.4% on 30 June 2022.

SUSTAINABILITY

Consistent with its ambition to take a leadership role in reducing CO2-emissions globally, Deceuninck will go beyond the call of duty and has committed itself to reducing its direct CO2-emissions by 60% by 2030 by signing the SBTi[4]-commitment letter on 19 January 2022. Considering the expected growth of our business, this means a reduction of up to 75% of CO2 emissions for each ton produced.

As sustainability is at the heart of our mission, we adhere to a circular economy strategy. Therefore, we will further invest in our high-tech recycling facility in Diksmuide, in the increased use of recycled material in our products and in lowering the ecological footprint of our operations.

Our products directly contribute to energy-savings in houses and buildings around the world and they minimize the environmental impact throughout their lifetime thanks to the recyclability of the material which is done in an environmentally friendly manner. Therefore, we are part of the solution to address climate change.

OUTLOOK

Despite the long-term growth trends for our business (EU Green Deal, growing population demanding more and better housing) remaining intact, the economic environment for the second half year is very uncertain. It is unclear whether the slowdown seen towards the end of the second quarter and continuing in the third will be temporary or rather protracted.

In Europe, we expect the high energy prices and the EU Green Deal to support renovation activity, while larger new build projects might be delayed due to the high raw material prices. The transition to the Elegant line up will be further rolled out and is estimated to take another 24 to 36 months. Although the supply chain situation has clearly improved, occasional shortages cannot be ruled out.

Lower demand in the US related to an economic slowdown will impact volumes in H2. The margin impact of lower demand should be offset by further operational efficiency improvements.

We are cautious about the short-term development of our business in Turkey because of inflation and its impact on consumer confidence. Demand will remain volatile in the months ahead, but we trust we will be able to continue our profitable growth path.

ANNOUNCEMENT NEW BOARD MEMBER

We are pleased to announce that the Board will propose to the next General Meeting of the company to appoint Mrs Laure Baert as independent board member.

Mrs. Baert (30 years) holds a master Business Engineering (KUL, IESEG and Solvay Brussels School of Economics and Management, 2015). Since 2021 she works as Digital Transformation Lead at Roche BeLux. Before she held positions at Deloitte (2018-2021) as Senior Consultant Organization Transformation and at BTS (2015-2017) as Strategy Implementation Consultant.

In the meantime, Mrs. Baert will attend the board meetings as observer.

[4] Science Based Targets initiative (Ambitious corporate climate action - Science Based Targets)

RISKS AND UNCERTAINTIES

We refer to the following sections of the Annual Report 2021:

- Internal control and risk management systems (pp. 58 – 63)
- Consolidated financial statements and notes: Note 25. Risk Management (pp. 230 – 234)

Credit risk

The products of Deceuninck are used almost exclusively in the construction industry. Hence, the exposure to credit risk is highly dependent on the performance of the building industry and the general economic conditions.

In order to minimize the credit risk, we are closely monitoring the payment behaviour of each debtor. The Group uses credit insurance to mitigate the credit risk related to trade receivables. Credit insurance policies have been taken out with different insurers.

Commercial limits, set based on financial information and on business knowledge, can deviate from the insured limits. Commercial limits have also been lowered to further reduce the credit risk and to match as much as possible the amounts covered by credit insurance. Where needed we seek alternatives to mitigate our risk, such as bank guarantees or pledges on customer's assets (machinery, buildings, land plots, etc.).

Liquidity risk

Deceuninck has a wide range of financing sources at its disposal, such as the € 100M retail bond, credit facilities with banks in Belgium and Turkey and important factoring and commercial finance facilities. Cash flow and liquidity projections confirm that these financing sources are largely sufficient for the funding of its operating activities.

Liquidity problems could arise if an event of default would occur under one of the loan agreements which is not remedied within the foreseen remedy period. In that case, the outstanding amounts under that loan agreement might become immediately due and payable, which could jeopardize the liquidity situation of the Group. The current budget and updates thereof however do not point at any such event of default in the foreseeable future.

Interim condensed consolidated financial statements

CONSOLIDATED INCOME STATEMENT

FOR THE 6 MONTH PERIOD ENDED 30 JUNE (in € thousand)	NOTES	2021 Unaudited	2022 Unaudited
Sales	2	404,007	506,822
Cost of goods sold		(285,355)	(366,914)
Gross profit		**118,652**	**139,908**
Marketing, sales and distribution expenses		(63,194)	(76,941)
Research and development expenses		(3,333)	(3,263)
Administrative and general expenses		(21,850)	(26,269)
Other net operating result		(1,011)	(7,335)
Share of the result of a joint venture		-	-
Operating profit (EBIT)		**29,264**	**26,099**
Costs related to the derecognition of accounts receivable		(1,867)	(1,061)
Interest income (expense)		(2,129)	(2,333)
Foreign exchange gains (losses)		(1,180)	(39)
Other financial income (expense)		(58)	(959)
Monetary gains (losses)		-	(7,680)
Profit / (loss) before taxes (EBT)		**24,031**	**14,028**
Income taxes	4	(3,466)	(6,504)
Net profit / (loss)		**20,565**	**7,525**

EBIT includes depreciation, amortization & impairments for a total amount of € 28.7 million (H1 2021: € 19.1 million). EBITDA amounts to € 54.8 million (H1 2021: € 48.3 million) and is calculated as EBIT (€ 26.1 million, H1 2021: € 29.3 million) excluding the depreciation, amortization & impairment expenses.

THE NET PROFIT / (LOSS) IS ATTRIBUTABLE TO (in € thousand):	2021 Unaudited	2022 Unaudited
Shareholders of the parent company	19,124	6,484
Non-controlling interests	1,441	1,041

EARNINGS PER SHARE DISTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY (in €):	2021 Unaudited	2022 Unaudited
Basic earnings per share	0.15	0.05
Diluted earnings per share	0.14	0.04

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE 6 MONTH PERIOD ENDED 30 JUNE (in € thousand)	NOTES	2021 Unaudited	2022 Unaudited
Net profit / (loss)		20,565	7,525
Currency translation adjustments		(4,048)	58,050
Net other comprehensive income / (loss) potentially to be reclassified to profit or loss in subsequent periods		**(4,048)**	**58,050**
Changes due to remeasurements of post employment benefit obligations		1,750	5,576
Income tax impact	4	(477)	(1,532)
Net other comprehensive income / (loss) not to be reclassified to profit or loss in subsequent periods		**1,272**	**4,044**
Other comprehensive income (+) / loss (-) for the period after tax impact		(2,775)	62,095
TOTAL COMPREHENSIVE INCOME (+) / LOSS (-) FOR THE PERIOD		**17,790**	**69,620**

The total comprehensive income (+) / loss (-) of the period is attributable to (in € thousand):	2021 Unaudited	2022 Unaudited
Shareholders of the parent company	17,360	63,070
Non-controlling interests	428	6,550

CONSOLIDATED BALANCE SHEET

(in € thousand)	NOTES	2021 31 December Audited	2022 30 june Unaudited
Assets			
Intangible fixed assets		1,849	5,519
Goodwill	5	10,571	10,565
Tangible fixed assets	6	246,826	300,485
Financial fixed assets		9	10
Investment in a joint venture		-	-
Deferred tax assets		9,792	9,436
Long-term receivables		1,508	1,109
Non-current assets		**270,555**	**327,124**
Inventories		169,589	221,279
Trade receivables	7	90,756	94,165
Other receivables	7	69,959	56,256
Cash and cash equivalents	8	72,885	44,284
Non-current assets held for sale		1,346	1,193
Current assets		**404,535**	**417,176**
Total Assets		**675,089**	**744,300**
Equity and liabilities			
Issued capital		54,441	54,505
Share premiums		90,213	90,468
Retained earnings		256,263	171,881
Remeasurements of post employment benefit obligations		(5,690)	(1,577)
Treasury shares		(75)	(75)
Currency translation adjustments		(142,418)	(7,126)
Equity excluding non-controlling interests		**252,735**	**308,076**
Non-controlling interests		6,184	12,332
Equity including non-controlling interests		**258,919**	**320,407**
Interest-bearing loans including lease liabilities		13,002	17,447
Other long-term liabilities		580	580
Employee benefit obligations		18,779	13,788
Long-term provisions		3,287	3,943
Deferred tax liabilities		1,544	10,688
Non-current liabilities		**37,192**	**46,445**
Interest-bearing loans including lease liabilities		121,765	148,081
Trade payables		176,009	154,501
Tax liabilities		6,421	10,152
Employee related liabilities		15,439	17,813
Employee benefit obligations		1,212	644
Short-term provisions		249	107
Other liabilities		57,882	46,149
Current liabilities		**378,977**	**377,447**
Total equity and liabilities		**675,089**	**744,300**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in € thousand)	Issued capital	Share premiums	Retained earnings	Changes in remeasurements of post employment benefit obligations	Treasury shares	Treasury shares held in subsidiaries	Currency translation adjustments	Total equity attributable to shareholders of the parent	Non-controlling interests	Total
As per 31 December 2020	**53,950**	**88,310**	**228,334**	**(7,409)**	**(75)**	**-**	**(123,764)**	**239,348**	**6,937**	**246,284**
Net income / (loss) for the current period	-	-	33,990	-	-	-	-	33,990	3,189	37,179
Other comprehensive income (+) / loss (-)	-	-	-	1,718	-	-	(18,793)	(17,074)	(3,651)	(20,725)
Total comprehensive income (+) / loss (-)	**-**	**-**	**33,990**	**1,718**	**-**	**-**	**(18,793)**	**16,916**	**(462)**	**16,454**
Capital increase	491	1,903	-	-	-	-	-	2,395	0	2,395
Transactions with non-controlling interests*	-	-	216	-	-	-	138	355	115	470
Share based payments	-	-	559	-	-	-	-	559	-	559
Dividends paid	-	-	(6,836)	-	-	-	-	(6,836)	(407)	(7,243)
Transfers	-	-	(0)	-	-	-	-	(0)	-	(0)
As per 31 December 2021	**54,441**	**90,213**	**256,263**	**(5,690)**	**(75)**	**-**	**(142,418)**	**252,735**	**6,184**	**258,919**

*Transactions with non-controlling interests relate to the sale of 0.15 % of the outstanding shares of Ege Profil Ticaret ve Sanayi AS while retaining control. The ownership percentage of the Group in Ege Profil Ticaret ve Sanayi AS has subsequently changed from 88.47 % to 88.32 %.

(in € thousand)	Issued capital	Share premiums	Retained earnings	Changes in remeasurements of post employment benefit obligations	Treasury shares	Treasury shares held in subsidiaries	Currency translation adjustments	Total equity attributable to shareholders of the parent	Non-controlling interests	Total
As per 31 December 2021	**54,441**	**90,213**	**256,263**	**(5,690)**	**(75)**	**-**	**(142,418)**	**252,735**	**6,184**	**258,919**
Net income / (loss) for the current period	-	-	6,484	-	-	-	-	6,484	1,041	7,525
Other comprehensive income (+) / loss (-)	-	-	(82,819)	4,114	-	-	135,292	56,586	5,508	62,095
Total comprehensive income (+) / loss (-)	**-**	**-**	**(76,336)**	**4,114**	**-**	**-**	**135,292**	**63,070**	**6,550**	**69,620**
Capital increase	64	255	-	-	-	-	-	318	-	318
Own shares purchased	-	-	-	-	-	-	-	-	-	-
Transactions with non-controlling interests	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	238	-	-	-	-	238	-	238
Dividends paid	-	-	(8,285)	-	-	-	-	(8,285)	(402)	(8,688)
As per 30 June 2022	**54,505**	**90,468**	**171,881**	**(1,577)**	**(75)**	**-**	**(7,126)**	**308,076**	**12,332**	**320,407**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE 6 MONTH PERIOD ENDED 30 JUNE (in € thousand)	2021 Unaudited	2022 Unaudited
Profit (+) / loss (-)	20,565	7,525
Depreciations and impairments	19,090	28,659
Net financial charges	5,169	12,071
Income taxes	3,466	6,504
Inventory write-off (+ = cost / - = inc)	(391)	1,131
Trade AR write-off (+ = cost / - = inc)	2,812	925
Movements in provisions (+ = cost / - = inc)	(740)	2,007
Gain / loss on disposal of (in)tang. FA (+ = cost / - = inc)	(70)	(75)
Fair value adjustments in equity	292	238
Share of the result of a joint venture	-	-
GROSS OPERATING CASH FLOW	**50,193**	**58,985**
Decr / (incr) in inventories	(50,079)	(47,066)
Decr / (incr) in trade AR	(35,140)	(7,798)
Incr / (decr) in trade AP	32,196	(9,626)
Decr / (incr) in other operating assets/liabilities	(5,086)	3,415
Income taxes paid (-) / received (+)	(2,650)	(5,634)
CASH FLOW FROM OPERATING ACTIVITIES	**(10,566)**	**(7,723)**
Purchases of (in)tangible FA (-)	(24,831)	(16,915)
Investment in financial FA (+)	-	-
Proceeds from sale of (in)tangible FA (+)	314	528
Proceeds from sale of shares of Group companies (+)	506	-
CASH FLOW FROM INVESTMENT ACTIVITIES	**(24,011)**	**(16,387)**
Capital increase (+) / decrease (-)	2,119	318
Dividends paid (-) / received (+)	(6,905)	(8,688)
Interest received (+)	1,491	1,041
Interest paid (-)	(1,552)	5
Net financial result, excl interest	(3,366)	(15,900)
New long-term debts	10,801	-
Repayment of long-term debts	(15,774)	(8,392)
New short-term debts	7,217	32,055
Repayment of short-term debts	(11,863)	(129)
CASH FLOW FROM FINANCING ACTIVITIES	**(17,833)**	**311**
Net increase / (decrease) in cash and cash equivalents	(52,410)	(23,799)
Cash and cash equivalents as per beginning of period	**105,623**	**72,885**
Impact of exchange rate fluctuations	(1,052)	(3,232)
Monetary losses on cash and cash equivalents		(1,569)
Transfers	-	-
Cash and cash equivalents as per end of period	**52,161**	**44,284**

NOTES

1. Significant changes in the current reporting period

Significant IFRS accounting principles

These interim condensed consolidated financial statements for the six months ended 30 June 2022 have been prepared in accordance with IAS 34, Interim Financial Reporting.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, apart from IAS 29 (Hyperinflation accounting), which took effect as of 2022 for the Group's Turkish subsidiaries, as the cumulative inflation rates over a three-year period exceeded 100% as of April 2022 in Turkey.

The IFRS rules (IAS 29) require us to report the results of the company's operations in hyperinflationary economies, as if these were highly inflationary as of 1 January 2022, and to restate the year-to-date results for the change in the general purchasing power of the local currency, using official indices before converting the local amounts at the closing rate of the period (i.e. June 2022 closing rate for 2022 half year results).

We are presenting in this management report the impact of adopting hyperinflation accounting in 2022 as part of scopes. In line with IFRS, the 2021 Turkish operations in these consolidated financial statements were not restated for hyperinflation accounting.

In H1 2022 we are reporting € 18.1 million impact of hyperinflation accounting on revenue and € 1.0 million impact on Adjusted EBITDA. The hyperinflation accounting adjustment results from the combined effect of the indexation to reflect changes in purchasing power on the 2022 half year results and the translation of the 2022 half year results at the June 2022 closing rate, rather than the average month-to-date rate applied for non-hyperinflationary economies.

Furthermore, IAS 29 requires us to restate the non-monetary assets and liabilities stated at historical cost on the balance sheet of the company's operations in hyperinflation economies using inflation indices and to report the resulting hyperinflation through the income statement on a dedicated account for hyperinflation monetary adjustments in the finance line and report deferred taxes on such adjustments, when applicable.

During 2022, the transition to hyperinflation accounting in accordance with the IFRS rules, resulted in € (7.7) million monetary adjustment reported in the finance line, a negative impact on the Profit attributable to equity holders of the Group of € (9.5) million and a negative impact on Diluted EPS of € (0.07).

IFRS standards issued but not yet effective

There are no IFRS standards issued but not yet effective which are expected to have an impact on the Group's financials.

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.

Three segments have been defined based on the location of legal entities. They include the following entities:

1. Europe: Benelux, Bosnia, Bulgaria, Croatia, Czech Republic, France, Italy, Germany, Lithuania, Poland, Romania, Russia, Slovakia, Spain and the United Kingdom;

2. North America: United States;

3. Turkey & Emerging Markets: Australia, Brazil, Chile, Colombia, India, Mexico, Thailand and Turkey.

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 Management as its Chief Operating Decision Maker ("CODM"). The segments have been defined based on the information provided to the Executive Management.

The Executive Management monitors the performance of its operational segments based on sales and adjusted EBITDA per segment and makes decisions about resource allocation on this geographical segmentation basis. Segment information provided to the CODM includes results, assets and liabilities that can be attributed directly to those segments.

FOR THE 6 MONTH PERIOD ENDED 30 JUNE (in € thousand)	EUROPE		NORTH-AMERICA		TURKEY & EMERGING MARKETS		INTERSEGMENT ELIMINATIONS		CONSOLIDATED	
	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
External Sales	200,983	241,967	90,745	119,702	112,279	145,180	-	(26)	404,007	506,822
Intercompany Sales	1,479	2,982	513	658	7,247	11,159	(9,239)	(14,799)	-	-
Total sales*	**202,462**	**244,949**	**91,258**	**120,360**	**119,526**	**156,339**	**(9,239)**	**(14,826)**	**404,007**	**506,822**
EBITDA	20,733	18,859	9,447	9,024	19,431	27,689	(1,269)	(814)	48,342	54,758
Adjusted EBITDA	**23,438**	**21,874**	**9,447**	**9,024**	**19,431**	**27,689**	**(1,269)**	**(814)**	**51,047**	**57,773**
Adj EBITDA items	(2,706)	(3,015)	-	-	-	-	-	-	(2,706)	(3,015)
Financial Result	(1,377)	2,236	(994)	(1,185)	(2,861)	(10,085)	(0)	(3,036)	(5,233)	(12,071)
Taxes - Current & Deferred	841	(732)	(1,040)	(565)	(3,455)	(5,720)	188	512	(3,466)	(6,504)
Depreciations and Impairment	10,883	18,478	5,102	5,544	3,332	4,868	(266)	(231)	19,050	28,659
Capital expenditures (Capex)	(6,233)	(8,931)	(6,122)	(5,419)	(13,154)	(3,144)	677	578	(24,831)	(16,915)

The difference between the Adjusted EBITDA and EBITDA of € 3.0m relates to one-off product platform migration costs as recognized in minus of Sales (€ 1.8m) and as Marketing, sales and distribution expenses (€ 1.2m).

Assets:

(in € thousand)	CONSOLIDATED 31 December 2021	30 june 2022
Europe*	316,950	347,467
North America	109,656	131,861
Turkey & Emerging Markets	191,330	233,348
Intersegment assets	**617,936**	**712,676**
Cash and cash equivalents	72,885	44,284
Intersegment eliminations	(15,733)	(12,660)
TOTAL GROUP ASSETS	**675,089**	**744,300**

* Out of which € 200.6 relating to Belgium

Liabilities:

(in € thousand)	CONSOLIDATED 31 December 2021	30 june 2022
Europe	109,130	142,739
North America	41,002	38,562
Turkey & Emerging Markets	149,149	127,986
Intersegment liabilities	**299,282**	**309,287**
Equity including non-controlling interests	258,919	320,408
Long-term interest-bearing loans	13,002	17,447
Other long-term liabilities	580	580
Current portion of interest bearing loans	119,149	111,545
Intersegment eliminations	(15,844)	(14,967)
TOTAL GROUP LIABILITIES	**675,089**	**744,300**

External sales by product group are presented in the table below (in € thousand and in %):

FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2021	EUROPE (in € thousand)	%	NORTH-AMERICA (in € thousand)	%	TURKEY & EMERGING MARKETS (in € thousand)	%	CONSOLIDATED (in € thousand)	%
Window & Doors	160,553	79.9%	90,745	100.0%	107,772	96.0%	359,069	88.9%
Outdoor Living	23,522	11.7%	-	0.0%	55	0.0%	23,577	5.8%
Home protection	16,908	8.4%	(0)	0.0%	4,453	4.0%	21,360	5.3%
Total	**200,983**	**100.0%**	**90,744**	**100.0%**	**112,279**	**100.0%**	**404,007**	**100.0%**

FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2022	EUROPE (in € thousand)	%	NORTH-AMERICA (in € thousand)	%	TURKEY & EMERGING MARKETS (in € thousand)	%	CONSOLIDATED (in € thousand)	%
Window & Doors	202,517	83.7%	119,702	100.0%	139,248	95.9%	460,359	90.8%
Outdoor Living	20,903	8.6%	-	0.0%	27	0.0%	21,795	4.3%
Home protection	18,547	7.7%	-	0.0%	5,905	4.1%	24,668	4.9%
Total	**241,967**	**100.0%**	**119,702**	**100.0%**	**145,180**	**100.0%**	**506,822**	**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 around 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)	2021 Unaudited	2022 Unaudited
Current income tax expense	(5,662)	(6,557)
Deferred income tax expense	2,196	54
INCOME TAX REPORTED IN THE INCOME STATEMENT	**(3,466)**	**(6,504)**
Income tax recognized in other comprehensive income	(477)	(1,532)
INCOME TAX REPORTED IN OTHER COMPREHENSIVE INCOME	**(477)**	**(1,532)**
TOTAL	**(3,944)**	**(8,036)**

5. Goodwill

IAS 36 requires that goodwill and indefinite lived intangible assets be tested for impairment at least every year and whenever there is an indicator that those assets might need to be impaired. There are no substantial changes or evolutions that are considered as an indicator for impairment.

6. Tangible fixed assets

Reflecting the uncertainty of the future business in Russia, we fully impaired the Russian property, plant and equipment (€7.5 million).

7. Trade and other receivables

The assumptions used in the expected credit loss model (ECL) has been re-assessed. Forward-looking assumptions reflect anticipated liquidity problems and insolvencies as estimated by external experts, and are in line with assumptions used in the expected credit loss model per 31 December 2021.

8. Cash and cash equivalents

(in € thousand)	2021 31 December Audited	2022 30 june Unaudited
Cash and current bank accounts	36,489	31,216
Short term deposits	36,396	13,068
Total	**72,885**	**44,284**

9. Other financial assets and 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 2022, 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 2021, the Group had the following financial instruments:

Derivative financial instruments - hierarchical classification of fair value (in € thousand)	2021 31 December Audited	Level 1	Level 2	Level 3
FX forward contracts	3,278	-	3,278	-
Assets at fair value	**3,278**	**-**	**3,278**	**-**
FX forward contracts	650	-	650	-
Liabilities at fair value	**650**	**-**	**650**	**-**

As of 30 June 2022, the Group had the following financial instruments:

Derivative financial instruments - hierarchical classification of fair value (in € thousand)	2022 30 june Unaudited	Level 1	Level 2	Level 3
FX forward contracts	696	-	696	-
Assets at fair value	**696**	**-**	**696**	**-**
FX forward contracts	232	-	232	-
Liabilities at fair value	**232**	**-**	**232**	**-**

10. Related parties

During 2022, the Group made no purchases (€ 16 thousand as per 30 June 2021) and no sales (in 2021 also no sales), under normal market conditions, from or to companies to which Directors of the Group, owning shares of the Group, are related to. The purchases in 2021 mainly relate to repair and maintenance of cars.

Furthermore, during 2022, the Group made no purchases (€ 0.2 thousand in 2021) and generated income of € 725 thousand (€ 342 thousand in 2021), under normal market conditions, from or to So Easy Belgium BV or related companies. The income mainly related to the cross-charge of incurred costs / provided services and interest income.

As per June 2022, there is an outstanding receivable position of € 4,791 thousand (December 2021: € 3,572 thousand) and an outstanding payable position of € 4 thousand (December 2021: € 4 thousand) with So Easy Belgium BV or related companies. The outstanding receivable position is mainly related to working capital financing.

11. Events after the reporting date

No subsequent events after the reporting date occurred which could have a significant impact on the consolidated financial statements of the Group, for which the period ended 30 June 2022.

Statement of the board of directors

Declaration regarding the information given in this interim financial report for the six-month period ending 30 June 2022

The undersigned declare that:

- the interim condensed consolidated financial statements have been prepared in conformity with the applicable standards for financial statements, and that they give a fair view of equity position, of the financial position and of the results of the company, including those companies that have been included in the consolidated figures.

- the half year financial report gives a true overview of the developments and results of the company and of the companies that have been included in the consolidated figures, also providing a true description of the most important risks and insecurities with which they are confronted, as defined in the Royal Decree of November 14th, 2007, on the obligations of issuers of financial instruments admitted to trading on a regulated market.

Board of Directors

Deceuninck NV

Glossary

EBITDA

EBITDA is defined as operating profit / (loss) adjusted for depreciation / amortizations and impairment of fixed assets.

FOR THE 6 MONTH PERIOD ENDED 30 JUNE (in € thousand)	2021	2022
Operating profit	29,264	26,099
Depreciations & impairments	(19,050)	(28,659)
EBITDA	**48,314**	**54,758**

Adjusted EBITDA

Adjusted EBITDA is defined as operating profit / (loss) adjusted for (i) depreciations, amortizations and impairment of fixed assets, (ii) integration & restructuring expenses, (iii) gains & losses on disposal of consolidated entities, (iv) gains & losses on asset disposals, (v) impairment of goodwill and impairment of assets resulting from goodwill allocation.

FOR THE 6 MONTH PERIOD ENDED 30 JUNE (in € thousand)	2021	2022
EBITDA	48,314	54,758
Integration & restructuring expenses	2,706	3,015
Adjusted EBITDA	**51,019**	**57,773**

EBIT

EBIT is defined as Earnings before interests and taxes (operational result).

FOR THE 6 MONTH PERIOD ENDED 30 JUNE (in € thousand)	2021	2022
EBITDA	48,314	54,758
Depreciations & impairments	(19,050)	(28,659)
EBIT	**29,264**	**26,099**

EBT

EBT is defined as Earnings before taxes.

EPS (non-diluted)

EPS (non-diluted) are the non-diluted earnings per share and is defined as Earnings attributable to ordinary shareholders over the weighted average number of ordinary shares.

EPS (diluted)

EPS (diluted) are the diluted earnings per share and is defined as Earnings attributable to ordinary shareholders over the sum of weighted average number of ordinary shares and the weighted average number of ordinary shares which would be issued upon conversion into ordinary shares of all exercisable warrants leading to dilution.

Net debt

Net debt is defined as the sum of current and non-current interest-bearing borrowings minus cash and cash equivalents.

FOR THE 6 MONTH PERIOD ENDED 30 JUNE (in € thousand)	2021	2022
Interest-bearing loans - non-current	25,820	17,447
Interest-bearing loans - current	123,383	148,081
Cash and cash equivalents	(52,161)	(44,284)
Net debt	**97,042**	**121,244**

Working capital

Working capital is calculated as the sum of trade receivables and inventories minus trade payables.

FOR THE 6 MONTH PERIOD ENDED 30 JUNE (in € thousand)	2021	2022
Trade receivables	96,771	94,165
Inventories	160,488	221,279
Trade payables	(136,458)	(154,501)
Working capital	**120,801**	**160,943**

Capital employed (CE)

The sum of non-current assets and working capital.

FOR THE 6 MONTH PERIOD ENDED 30 JUNE (in € thousand)	2021	2022
Working capital	120,801	160,943
Non-current assets	278,240	327,124
Capital employed (CE)	**399,041**	**488,067**

Subsidiaries	Companies in which the Group owns a participation in excess of 50 % or companies over which the Group has control.
MTM	Mark-to-Market.
Headcount (FTE)	Total Full Time Equivalents including temporary and external staff.
Restricted Group	The Restricted Group consists of all entities of the Group excluding Turkish subsidiaries and their subsidiaries.
Leverage	Leverage is defined as the ratio of Net debt to LTM (Last Twelve Months) Adjusted EBITDA.

FOR THE 6 MONTH PERIOD ENDED 30 JUNE (in € thousand)	2021	2022
Net debt	97,042	121,244
LTM Adjusted EBITDA	109,260	104,464
Leverage	**0.89**	**1.16**