Half year report 2023

deceuninck

FINANCIAL RESULTS & REPORTS

Table of contents

Management report

KEY FIGURES

Summary of consolidated figures

(in € million)	H1 2022	H1 2023	% y-o-y
Volumes (PVC, in kTon)	**115.9**	**107.9**	**(6.9%)**
Sales	**506.8**	**427.2**	**(15.7%)**
Gross profit	139.9	139.0	(0.7%)
Gross-margin (%)	*27.6%*	*32.5%*	*+4.9 pps*
EBITDA	54.8	57.1	4.3%
Adj. EBITDA	**57.8**	**59.6**	**3.1%**
Adj. EBITDA-margin (%)	*11.4%*	*13.9%*	*+2.5 pps*
EBIT	**26.1**	**35.4**	**35.7%**
Financial result	(12.1)	(9.0)	(25.5%)
Profit / (loss) before taxes (EBT)	**14.0**	**26.4**	**88.3%**
Income taxes	(6.5)	(8.7)	33.1%
Net profit / (loss)	**7.5**	**17.8**	**136.1%**
Net Debt	**121.2**	**100.8**	**(16.9)**

Sales evolution by region

(in € million)	H1 2022	Volume	FX	Price / Mix / Other	H1 2023	% y-o-y
Europe	241.9	-12.1%	-0.3%	1.6%	216.0	-10.7%
North America	119.7	-23.3%	0.7%	-7.4%	83.8	-30.0%
Turkey & EM	145.1	12.6%	-32.2%	7.4%	127.4	-12.2%
Total	**506.8**	**-6.9%**	**-8.3%**	**-0.5%**	**427.2**	**-15.7%**

ANALYSIS OF THE RESULTS

First half of 2023 highlights

- Adj. EBITDA increased to € 59.6m (+3.1% vs H1 2022) driven by strong business performance in Turkey and improved profitability in North America.
- Adj. EBITDA-margin amounted to 13.9%, compared to 11.4% in H1 2022 and to 9.5% in H2 2022.
- The record Adj. EBITDA has been realized in a challenging market environment, causing 6.9% volume decrease due to a slowdown of the construction activity in Europe and North America, while Turkey & Emerging markets performed strongly with 12.6 % higher volumes.
- Sales in H1 2023 decreased by 15.7% of which 8.3% related to exchange rate movements and 6.9% due to lower volumes.
- Net income increased from € 7.5m in H1 2022 to € 17.8m in H1 2023.
- Net debt decreased with €20.4m versus same period last year reflecting solid cash generation while continuing the planned investment program.
- Deceuninck continues to invest in sustainability initiatives with a focus on recycling capacity, use of recycled materials and solar energy.

Quote of the CEO, Bruno Humblet

"During challenging market environments with high inflation and increasing interest rates, we were able to achieve a record half year Adj. EBITDA and increasing profit margins, while further improving our cash generation. The business performance in Turkey was very strong. In North America we were able to improve our profitability reflecting improved plant efficiencies and a stronger product mix. Business results in Europe were weaker reflecting difficult market conditions.

We continued to invest in our recycling capacity and sustainability initiatives. The investment in our aluminium coating facility in Turkey will help us to further grow our aluminium business. Our Elegant transition remains well on track which will help to increase the usage of recycled PVC. After a solid start in the first half of the year, we reconfirm our outlook of increasing our full year Adj. EBITDA."

Management comments

Business environment

In **Europe**, the overall market demand and consumer confidence remained low due to higher interest rates and increased costs for building materials. Slowdown of the market was mainly present in Central and Eastern Europe, while Southern Europe demonstrated more resilience.

In **North America**, higher mortgage rates continued to impact sales volumes. Improvements in operational efficiency and lower staff rotation resulted into higher profitability compensating lower volumes.

In **Turkey**, there was high market activity with solid volumes while sales are impacted by weakening of the Turkish Lira. Our strong brand position resulted into market share growth during times of high inflation & devaluation.

Within **Emerging Markets**, overall market and customer confidence is low while the trend towards higher quality products continues.

Income Statement

Consolidated sales in H1 2023 decreased to € 427.2m, down 15.7% from € 506.8m in H1 2022, driven by significant devaluation of the Turkish Lire in June and lower volumes in Europe and North America, partially compensated by strong volumes & favorable product mix in Turkey & EM.

The **Adj. EBITDA** increased to € 59.6m (+3.1% vs H1 2022). The **Adj. EBITDA-margin** in H1 2023 was 13.9%, which is 2.5 percentage point higher than in H1 2022 (11.4%). Improvement in Adj. EBITDA is driven by higher volumes combined with margin improvement in Turkey and higher operational efficiency in the North America. In Europe, decreased volumes led to lower efficiency levels while indexation of salaries resulted into higher personnel costs.

Adj. EBITDA-items (difference between EBITDA and Adj. EBITDA) amount to € 2.5m (vs € 3.0m in H1 2022) and include costs related to the transition to Elegant in Europe.

The high negative **financial result** mainly reflects the inflation impact on monetary assets in Turkey. In H1 2023 this amounted to € (9.0)m compared to € (12.1)m in H1 2022. This improvement is partly due to increased dividend repatriation.

Depreciations and amortizations decreased from € 28.7m in H1 2022 to € 21.7m in H1 2023, as 2022 was negatively impacted by the impairment of property, plant and equipment in Russia for an amount of € 7.5m.

Income taxes have risen from € (6.5)m in H1 2022 to € (8.7)m in H1 2023 driven by increased Earnings before taxes.

As a result of the above, **net profit** increased € 7.5m in H1 2022 to € 17.8m in H1 2023.

Cash Flow and Balance sheet

Capex amounted to € 23.3m in H1 2023 compared to € 16.9m in H1 2022. Capex included investments with a focus on recycling, solar panels, Elegant transition and aluminium coating activities in Turkey.

The **Net Debt** decreased from € 121.2m per June 2022 to € 100.8m, causing leverage to decrease from 1.2x to 1x. Decrease in Net Debt is driven by increased Gross operating cashflow with solid Working capital improvements in the last twelve months.

Working capital has decreased from € 160.9m as per June 2022 to € 119.0m per June 2023, mainly driven by significantly lower inventories in Europe and North America and the impact of FX movements.

SUSTAINABILITY

Deceuninck is committed to reducing direct and indirect carbon emissions in alignment with the Science Based Targets.

In line with this commitment, we have invested in a range of **energy efficiency measures** during the first six months of this year. Our global action plan to increase own production of renewable electricity kicked off with the installation of 5.400 KWp of Solar PV at our plants in Belgium and Turkey.

We have also further invested in our **high-tech recycling** facility in Diksmuide and in the **increased use of recycled material** in our products through the expansion of co-extrusion lines.

Through **best-in-class insulation values**, our products directly contribute to energy savings in houses and buildings. Therefore, we are part of the solution to address climate change via renovations of the building portfolio.

OUTLOOK

We reconfirm our ambition to deliver another growth year in Adj. EBITDA while improving Free Cash Flow generation.

In **Europe**, market activity is expected to stay at low levels keeping margins under pressure. The Elegant transition remains on track and we continue our investments to increase our recycling capacity and use of recycled materials.

In **North America**, both renovation and new build market remain low as a result of macroeconomic headwind. On the mid-term, structural shortage of qualitative housing keeps providing strong growth perspectives.

In **Turkey**, a strong market momentum remains after a solid first half year. We continue to focus on leveraging our strong market position with the investment in aluminium activities.

Emerging Markets will continue to move towards higher quality windows and doors, while we keep assessing our global positioning and structure cost.

RISKS AND UNCERTAINTIES

We refer to the following sections of the Annual Report 2022:

- Internal control and risk management systems (pp. 50 – 55)
- Consolidated financial statements and notes: Note 25. Risk Management (pp. 220 – 224)

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 behavior 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

The Group holds sufficient cash and has a wide range of financing sources at its disposal for the funding of its operating activities, such as credit facilities with banks in Belgium and Turkey, mainly consisting of straight loans under a € 60 million sustainability linked revolving facility agreement and a € 120 million sustainability linked loan facility agreement, 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.

Unaudited interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the 6 months period ended 30 June (in € thousand)	Notes	2022	2023
Sales	2	**506,822**	**427,223**
Cost of goods sold		(366,914)	(288,271)
Gross profit		**139,908**	**138,952**
Marketing, sales and distribution expenses		(76,941)	(72,163)
Research and development expenses		(3,263)	(3,640)
Administrative and general expenses		(26,269)	(28,160)
Other net operating result		(7,335)	430
Operating profit (EBIT)		**26,099**	**35,419**
Costs related to the derecognition of accounts receivable		(1,061)	(261)
Interest income / (expense)		(2,333)	(2,152)
Foreign exchange gains / (losses)		(39)	284
Other financial income / (expense)		(959)	(1,511)
Monetary gains / (losses)		(7,680)	(5,357)
Profit / (loss) before taxes (EBT)		**14,028**	**26,422**
Income taxes	4	(6,504)	(8,657)
Net profit / (loss)		**7,525**	**17,765**

For the 6 months period ended 30 June (in € thousand)	2022	2023
Shareholders of the parent company	6,484	15,322
Non-controlling interests	1,041	2,444

Earnings per share distributable to the shareholders of the parent company (in €):	2022	2023
Basic earnings per share	0.05	0.11
Diluted earnings per share	0.04	0.11

EBIT includes depreciation, amortization & impairments for a total amount of € 21.7 million (for the six months ended 30 June 2022: € 28.7 million). EBITDA amounts to € 57.1 million (for the six months ended 30 June 2022: € 54.8 million) and is calculated as EBIT (for the six months ended 30 June 2023 and 2022 € 35.4 million and € 26.1 million respectively) excluding the depreciation, amortization & impairment expenses.

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE 6 MONTHS PERIOD ENDED 30 JUNE (in € thousand)	NOTES	2022	2023
Net profit / (loss)		**7,525**	**17,765**
Currency translation adjustments		58,050	(17,149)
Gain / (loss) on cash flow hedges		-	522
Income tax impact	4	-	(131)
Net other comprehensive income / (loss) potentially to be reclassified to profit or loss in subsequent periods		***58,050***	***(16,758)***
Changes due to remeasurements of post employment benefit obligations		5,576	(852)
Income tax impact	4	(1,532)	180
Net other comprehensive income / (loss) not to be reclassified to profit or loss in subsequent periods		***4,044***	***(671)***
Other comprehensive income (+) / loss (-) for the period after tax impact		**62,095**	**(17,429)**
TOTAL COMPREHENSIVE INCOME (+) / LOSS (-) FOR THE PERIOD		**69,620**	**336**

The total comprehensive income (+) / loss (-) of the period is attributable to (in € thousand):	2022	2023
Shareholders of the parent company	63,070	(196)
Non-controlling interests	6,550	533

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

(in € thousand)	Notes	2022 31 December	2023 30 June
Assets			
Intangible fixed assets	6	4,529	3,537
Goodwill	5	10,560	10,550
Tangible fixed assets	6	297,785	298,992
Financial fixed assets		10	8
Investment in a joint venture		-	-
Deferred tax assets		11,410	10,123
Long-term receivables		413	10,432
Non-current assets		**324,706**	**333,642**
Inventories		171,722	162,003
Trade receivables	7	87,947	103,135
Other receivables	7	54,994	57,566
Cash and cash equivalents	8	58,949	54,575
Non-current assets held for sale		11,280	10,252
Current assets		**384,893**	**387,532**
Total Assets		**709,598**	**721,174**

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

(in € thousand)	NOTES	2022 31 December	2023 30 June
Equity and liabilities			
Issued capital		54,505	54,505
Share premiums		90,468	90,468
Retained earnings		255,672	262,737
Cash flow hedge reserve		2,226	2,618
Remeasurements of post employment benefit obligations		(2,201)	(2,804)
Treasury shares		(16)	(263)
Treasury shares held in subsidiaries		-	(483)
Currency translation adjustments		(93,538)	(109,160)
Equity excluding non-controlling interests		**307,117**	**297,617**
Non-controlling interests		12,504	11,319
Equity including non-controlling interests		**319,620**	**308,936**
Interest-bearing loans including lease liabilities		130,748	136,360
Other long-term liabilities		580	80
Employee benefit obligations		14,240	12,724
Long-term provisions		4,301	5,628
Deferred tax liabilities		9,736	9,699
Non-current liabilities		**159,605**	**164,491**
Interest-bearing loans including lease liabilities		16,452	18,982
Trade payables		144,023	146,107
Tax liabilities		8,326	11,434
Employee related liabilities		16,365	17,210
Employee benefit obligations		580	580
Short-term provisions		95	77
Other liabilities		44,531	53,355
Current liabilities		**230,372**	**247,746**
Total equity and liabilities		**709,598**	**721,174**

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in € thousand)	Issued capital	Share premiums	Retained earnings	Changes in remeasurements of post employment benefit obligations	Cash flow hedge reserve	Treasury shares	Treasury shares held in subsidiaries	Currency translation adjustments	Total equity attributable to shareholders of the parent company	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	-	-	5,980	-	-	-	-	-	5,980	1,621	7,601
Other comprehensive income (+) / loss (-)	-	-	-	3,490	2,226	-	-	48,880	54,596	5,670	60,266
Total comprehensive income (+) / loss (-)	**-**	**-**	**5,980**	**3,490**	**2,226**	**-**	**-**	**48,880**	**60,576**	**7,291**	**67,867**
Capital increase	64	255	-	-	-	-	-	-	318	-	318
Transactions with non-controlling interests*	-	-	984	-	-	-	-	-	984	208	1,192
Share based payments	-	-	783	-	-	-	-	-	783	-	783
Dividends paid	-	-	(8,279)	-	-	-	-	-	(8,279)	(1,179)	(9,459)
Transfer	-	-	(59)	-	-	59	-	-	-	-	-
As per 31 December 2022	**54,505**	**90,468**	**255,672**	**(2,201)**	**2,226**	**(16)**	**-**	**(93,538)**	**307,117**	**12,504**	**319,620**

* Transactions with non-controlling interests relate to the sale of 0.41% 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 88.32% to 87.91%

(in € thousand)	Issued capital	Share premiums	Retained earnings	Changes in remeasurements of post employment benefit obligations	Cash flow hedge reserve	Treasury shares	Treasury shares held in subsidiaries	Currency translation adjustments	Total equity attributable to shareholders of the parent company	Non controlling interests	Total
As per 31 December 2022	**54,505**	**90,468**	**255,672**	**(2,201)**	**2,226**	**(16)**	**-**	**(93,538)**	**307,117**	**12,504**	**319,620**
Net income / (loss) for the current period	-	-	15,322	-	-	-	-	-	15,322	2,444	17,765
Other comprehensive income (+) / loss (-)	-	-	-	(604)	392	-	-	(15,306)	(15,518)	(1,911)	(17,429)
Total comprehensive income (+) / loss (-)	**-**	**-**	**15,322**	**(604)**	**392**	**-**	**-**	**(15,306)**	**(196)**	**533**	**336**
Capital increase	-	-	-	-	-	-	-	-	-	73	73
Own shares purchased	-	-	-	-	-	(248)	(483)	-	(730)	(64)	(795)
Transactions with non-controlling interests*	-	-	653	-	-	-	-	(316)	338	(338)	-
Share based payments	-	-	763	-	-	-	-	-	763	-	763
Dividends paid	-	-	(9,673)	-	-	-	-	-	(9,673)	(1,388)	(11,061)
As per 30 June 2023	**54,505**	**90,468**	**262,737**	**(2,804)**	**2,618**	**(263)**	**(483)**	**(109,160)**	**297,617**	**11,319**	**308,936**

* Ege Profil Ticaret ve Sanayi AS acquired 290,468 own shares during the 6 months period ended 30 June 2023. After the acquisition of these treasury shares, the ownership percentage of the Group in Ege Profil Ticaret ve Sanayi AS has subsequently changed from 87.91% to 88.27%.

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the 6 months period ended 30 June (in € thousand)	2022	2023
Profit (+) / loss (-)	7,525	17,765
Depreciations and impairments	28,659	21,689
Net financial charges	12,071	9,456
Income taxes	6,504	8,657
Inventory write-off (+ = cost / - = inc)	1,131	1,915
Trade AR write-off (+ = cost / - = inc)	925	1,555
Movements in provisions (+ = cost / - = inc)	2,007	780
Gain / loss on disposal of (in)tang. FA (+ = cost / - = inc)	(75)	(459)
Share based payment expenses	238	763
Gross operating cash flow	**58,985**	**62,121**
Decr / (incr) in inventories	(47,066)	569
Decr / (incr) in trade AR	(7,798)	(28,197)
Incr / (decr) in trade AP	(9,626)	8,225
Decr / (incr) in other operating assets/liabilities	3,415	13,396
Income taxes paid (-) / received (+)	(5,634)	(5,525)
Cash flow from operating activities	**(7,723)**	**50,589**
Purchases of (in)tangible FA (-)	(16,915)	(23,278)
Proceeds from sale of (in)tangible FA (+)	528	894
Cash flow related to loans to joint ventures	-	(6,091)
Cash flow from investment activities	**(16,387)**	**(28,475)**
Capital increase (+) / decrease (-)	318	73
Purchase of treasury shares	-	(795)
Dividends paid (-) / received (+)	(8,688)	(11,061)
Interest received (+)	1,041	1,786
Interest paid (-)	5	(4,499)
Net financial result, excl interest	(15,900)	(2,215)
New long-term debts	-	1,133
Repayment of long-term debts	(8,392)	(331)
New short-term debts	32,055	3,853
Repayment of short-term debts	(129)	(3,454)
Cash flow from financing activities	**311**	**(15,511)**
Net increase / (decrease) in cash and cash equivalents	**(23,799)**	**6,603**
Cash and cash equivalents as per beginning of period	**72,885**	**58,949**
Impact of exchange rate fluctuations	(4,801)	(10,976)
Cash and cash equivalents as per end of period	**44,284**	**54,575**

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Significant accounting policies

Basis of preparation of the interim condensed consolidated financial statements

These unaudited interim condensed consolidated financial statements for the six months ended 30 June 2023, have been prepared in accordance with IAS 34 - Interim Financial Reporting. These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the financial year ended on 31 December 2022, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as endorsed by the European Union.

The interim condensed consolidated financial statements have been prepared using the same accounting policies and methods of computation as in the 31 December 2022 annual consolidated financial statements, except for the new standards and interpretations which have been adopted as of 1 January 2023 (we refer to Note 1 in the 31 December 2022 annual consolidated financial statements). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2023, but do not have an impact on the interim condensed consolidated financial statements of the Group.

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 component of the Group (a) that engages in business activities from which it may earn revenues and incur expenses, (b) for which discrete financial information is available and (c) its results are regularly reviewed by the Chief Operating Decision Maker (CODM) in order to decide how to allocate resources and in assessing performance.

Three segments have been defined based on the location of legal entities:

1. Europe: Benelux, Bosnia, Bulgaria, Croatia, Czech Republic, France, Italy, Germany, Poland, Romania, Russia, Slovakia, Spain and the United Kingdom;
2. North America: Canada & the United States;
3. Turkey & Emerging Markets: Australia, Brazil, Chile, Colombia, India, Mexico, 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 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 make decisions about resource allocation on this geographical segmentation basis.

Segment information provided to the CODM includes the results, assets and liabilities that can be attributed directly to those segments, as stated in tables further below.

For the 6 months period ended 30 June (in € thousand)	Europe		North-America		Turkey & Emerging markets		Intersegment Eliminations		Consolidated	
	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023
External Sales	241,967	215,992	119,702	83,764	145,180	127,467	(26)	-	506,822	427,223
Intercompany Sales	2,982	153	658	34	11,159	5,422	(14,799)	(5,609)	-	-
Total sales*	**244,949**	**216,145**	**120,360**	**83,798**	**156,339**	**132,889**	**(14,826)**	**(5,609)**	**506,822**	**427,223**
EBITDA	18,859	10,996	9,024	10,979	27,689	34,547	(814)	587	54,758	57,108
Adjusted EBITDA	**21,874**	**13,457**	**9,024**	**10,979**	**27,689**	**34,547**	**(814)**	**587**	**57,773**	**59,569**
Adj EBITDA items	(3,015)	(2,461)	-	-	-	-	-	-	(3,015)	(2,461)
Financial Result	2,236	7,080	(1,185)	(1,222)	(10,085)	(4,825)	(3,036)	(10,030)	(12,071)	(8,997)
Taxes - Current & Deferred	(732)	(1,858)	(565)	(1,019)	(5,720)	(5,781)	512	1	(6,504)	(8,657)
Depreciations and Impairments	18,478	11,205	5,544	6,060	4,868	4,726	(231)	(301)	28,659	21,689
Capital expenditures (Capex)	(8,931)	(13,340)	(5,419)	(3,379)	(3,144)	(7,029)	578	470	(16,915)	(23,278)

* Out of which €60.1 million relating to Belgium

The difference between the Adjusted EBITDA and EBITDA of € 2.5 million includes the following non-recurring income and expenses as recognized in other operation result:

- Costs related to one-off product platform migration recognized as a minus of Sales (€ 1.0 million), Cost of goods sold (€ 0.6 million) and as Marketing, sales and distribution expenses (€ 318 thousand);
- One-off restructuring costs in Europe (€ 0.5 million).

Reconciliation of total segment assets and total Group assets:

(in € thousand)	31 December 2022	30 June 2023
Europe*	313,681	332,537
North America	116,483	115,234
Turkey & Emerging Markets	232,437	231,585
Intersegment assets	**662,602**	**679,356**
Cash and cash equivalents	58,949	54,575
Intersegment eliminations	(11,952)	(12,758)
Total group assets	**709,598**	**721,174**

* Out of which €183.1 million relating to Belgium

Reconciliation of total segment liabilities and total Group liabilities:

(in € thousand)	31 December 2022	30 June 2023
Europe	99,937	101,330
North America	31,946	26,476
Turkey & Emerging Markets	133,517	153,606
Intersegment liabilities	**265,399**	**281,412**
Equity including non-controlling interests	319,621	308,936
Long-term interest-bearing loans	130,748	136,360
Other long-term liabilities	580	80
Current portion of interest bearing loans	6,766	8,911
Intersegment eliminations	(13,516)	(14,525)
TOTAL GROUP LIABILITIES	**709,598**	**721,174**

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

FOR THE 6 MONTHS PERIOD ENDED 30 June 2022	Europe		North-America		Turkey & Emerging markets		Consolidated	
	(in € thousand)	%	(in € thousand)	%	(in € thousand)	%	(in € thousand)	%
Windows & 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%**

FOR THE 6 MONTHS PERIOD ENDED 30 June 2023	Europe		North-America		Turkey & Emerging markets		Consolidated	
	(in € thousand)	%	(in € thousand)	%	(in € thousand)	%	(in € thousand)	%
Windows & Doors	179,868	83.3%	83,764	100.0%	122,941	96.5%	386,574	90.5%
Outdoor Living	17,119	7.9%	-	0.0%	37	0.0%	17,156	4.0%
Home protection	19,005	8.8%	-	0.0%	4,489	3.5%	23,493	5.5%
Total	**215,992**	**100.0%**	**83,764**	**100.0%**	**127,467**	**100.0%**	**427,223**	**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 MONTHS PERIOD ENDED 30 June (in € thousand)	2022	2023
Current income tax expense	(6,557)	(6,421)
Deferred income tax expense	54	(2,236)
Income tax reported in the income statement	**(6,504)**	**(8,657)**
Income tax recognized in other comprehensive income	(1,532)	50
Income tax reported in other comprehensive income	**(1,532)**	**50**
Total	**(8,036)**	**(8,607)**

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 and intangible fixed assets

For the six months ended 30 June 2023, total consolidated investments (Capex) amounted to € 23.3 million (2022: € 16.9 million). These investments are mainly related to machinery & equipment.

The additions to right-of-use assets during the six months period ended 30 June 2023 amounted to € 10.2 million (2022: € 8.6 million) and are mainly related to the new production plant in Croatia.

Total depreciation expenses on tangible and intangible fixed assets amounted to € 20.6 million for the six months ended 30 June 2023 (2022: € 20.8 million).

For the six months period ended 30 June 2023, the Group recognized € 1.1 impairment losses on tangible and intangible fixed assets (2022: € 7.9 million), which mainly relate to the impairment of Russian property, plant and equipment (2022: € 7.5 million) to reflect the uncertainty of the future business in Russia and to business restructuring related impairments.

Impairments are included in the income statement under other net operating result.

7. Trade and other receivables

The impact of the expected credit loss (ECL) model on the impairment allowance remains stable compared to prior year and is mainly included in the Turkey & Emerging Markets segment, where loss rates between 5% and 15% are applied, in line with the assumptions used in the ECL model as per 31 December 2022.

8. Cash and cash equivalents

(in € thousand)	2022	2023
Cash and current bank accounts	37,730	32,638
Short term deposits	21,219	21,937
Total	**58,949**	**54,575**

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 2023, 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 at 31 December 2022, the Group had the following financial instruments:

Derivative financial instruments - hierarchical classification of fair value (in € thousand)	2022 31 December	Level 1	Level 2	Level 3
Interest rate swap	2,968	-	2,968	-
FX forward contracts	322	-	322	-
Assets at fair value	**3,290**	**-**	**3,290**	**-**
FX forward contracts	327	-	327	-
Liabilities at fair value	**327**	**-**	**327**	**-**

As at 30 June 2023, the Group had the following financial instruments:

Derivative financial instruments - hierarchical classification of fair value (in € thousand)	2023 30 June	Level 1	Level 2	Level 3
Interest rate swap	3,490	-	3,490	-
FX forward contracts	3,665	-	3,665	-
Assets at fair value	**7,156**	**-**	**7,156**	**-**
FX forward contracts	419	-	419	-
Liabilities at fair value	**419**	**-**	**419**	**-**

10. Dividends

The dividend related to 2022 was paid on 10 May 2023, in accordance with the decision taken at the Annual General Meeting on 25 April 2023. Shareholders approved the proposed gross dividend of € 0.07 per share, resulting in a total dividend of € 9.7 million.

11. Treasury shares

As at 30 June 2023, the Group owned 113,103 own shares. These treasury shares are held to fulfil the Groups' commitments arising from both share purchase plans and warrant plans. The treasury shares have been deducted from equity.

As at 31 December 2022, the Group owned 13,103 treasury shares.

As at 30 June 2023, the Group's subsidiary Ege Profil Ticaret ve Sanayi AS, held 290,468 own shares (as at 31 December 2022: 0). The subsidiary's own shares have been deducted form equity and are presented under "Treasury shares held in subsidiaries".

12. Hyperinflation

As of April 2022, the cumulative inflation rate in Turkey over a three-year period exceeded 100%, thereby triggering the requirement to transition to hyperinflation accounting as prescribed by IAS 29 Financial Reporting in Hyperinflationary Economies as of 1 January 2022.

The main principle in IAS 29 is that the financial statements of an entity that reports in the currency of a hyperinflationary economy must be stated in terms of the measuring unit current at the end of the reporting period. Therefore, the non-monetary assets and liabilities stated at historical cost, the equity and the income statement of subsidiaries operating in hyperinflationary economies are restated for changes in the general purchasing power of the local currency applying a general price index. Monetary items that are already stated at the measuring unit at the end of the reporting period are not restated.

These remeasured accounts are used for conversion into Euro at the period closing exchange rate.

Consequently, the Group has applied hyperinflation accounting for its Turkish subsidiaries in these interim condensed consolidated financial statements applying the IAS 29 rules as follows:

- Hyperinflation accounting was applied as of 1 January 2022 and was continuously applied during 2023;
- Non-monetary assets and liabilities stated at historical cost (e.g. property plant and equipment, intangible assets, goodwill, etc.) and equity of the Turkish subsidiaries were restated using official Consumer Price Index ("CPI") published by the Turkish Statistical Institute (TURKSTAT). The hyperinflation impacts resulting from changes in the general purchasing power until 31 December 2021 were reported in other comprehensive income and the impacts of changes in the general purchasing power from 1 January 2022 are reported through the income statement as Monetary gains/(losses);
- The income statement is adjusted at the end of the reporting period using the change in the CPI and is converted at the closing exchange rate of each period (rather than at monthly average exchange rates as for subsidiaries in non-hyperinflationary economies);

During the first six months of 2023, the CPI index increased with 19.8% compared to 31 December 2022. The total devaluation of the Turkish Lira in the same period amounted to 41.9%.

The total impact of IAS 29 on operating profit (EBIT) amounted to € -6.6 million for the six months ended 30 June 2023 (€ -1.2 million for the six months ended 30 June 2022).

The total monetary loss amounts to € 5.4 million for the six months ended 30 June 2023 (for the six months ended 30 June 2022: € 6.5 million) and is the result of the loss on the net monetary position that is derived as the difference resulting from the restatement of non-monetary items of the financial positions and the offsetting of the inflation restatement of profit or loss items.

13. Related parties

For the six months period ended 30 June 2023, the Group made purchases for € 0.9 million (no purchases for the six months period ended 30 June 2022) and no sales (no sales for the six months period ended 30 June 2022), 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 2023 are related to an investment and installation in a solar energy plant.

Furthermore, for the six months period ended 30 June 2023, the Group made no purchases (2022: no purchases) and generated income of € 0.9 million (€ 0.7 million for the six months period ended 30 June 2022), 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 at 30 June 2023, there is an outstanding receivable position of € 10.7 million (as at 31 December 2022: € 5.5 million) and an outstanding payable position of € 269 thousand (as at 31 December 2022: € 234 thousand) with So Easy Belgium BV or related companies. The outstanding receivable position is mainly related to working capital financing.

14. Events after the reporting date

No subsequent events after the reporting date occurred which could have a significant impact on the interim condensed consolidated financial statements of the Group for the six months ended 30 June 2023.

Statement of the board of directors

Declaration regarding the information given in this interim financial report for the six months ended 30 June 2023.

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

23 August 2023

Glossary

EBITDA

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

For the 6 months period ended 30 June (in € thousand)	2022	2023
Operating profit	26,099	35,419
Depreciations & impairments	(28,659)	(21,689)
EBITDA	**54,758**	**57,108**

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 months period ended 30 June (in € thousand)	2022	2023
EBITDA	54,758	57,108
Integration & restructuring expenses	3,015	2,461
Adjusted EBITDA	**57,773**	**59,569**

EBIT

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

For the 6 months period ended 30 June (in € thousand)	2022	2023
EBITDA	54,758	57,108
Depreciations & impairments	(28,659)	(21,689)
EBIT	**26,099**	**35,419**

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.

As per 30 June (in € thousand)	2022	2023
Interest-bearing loans – non-current	17,447	136,360
Interest-bearing loans - current	148,081	18,982
Cash and cash equivalents	(44,284)	(54,575)
Net debt	**121,244**	**100,766**

Working capital

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

As per 30 June (in € thousand)	2022	2023
Trade receivables	94,165	103,135
Inventories	221,279	162,003
Trade payables	(154,501)	(146,107)
Working capital	**160,943**	**119,032**

Capital employed (CE)

The sum of non-current assets and working capital.

As per 30 June (in € thousand)	2022	2023
Working capital	160,943	119,032
Non-current assets	327,124	333,642
Capital employed (CE)	**488,067**	**452,674**

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.

As per 30 June (in € thousand)	2022	2023
Net debt	121,244	100,766
LTM Adjusted EBITDA	104,464	104,070
Leverage	**1.16**	**0.97**

BUILDING A SUSTAINABLE HOME

Through innovative designs and production processes
we deliver the most sustainable window, door and building solutions
for today's and tomorrow's customers.

deceuninck

deceuninck
Deceuninck nv ▪ Bruggesteenweg 360 ▪ B-8830 Hooglede-Gits
T +32 (0)51 239 211 ▪ info@deceuninck.com ▪ www.deceuninck.com