BELYSSE™

2023 Interim Financial Report

Belysse Group NV

Period ended June 30, 2023

Registered office:

Franklin Rooseveltlaan 172-174
8790 Waregem, België
Registratienummer: 0671.974.626

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1 Declaration regarding the information provided in this report

We, the undersigned declare that, to the best of our knowledge, the condensed financial statements for the six-months period ended June 30, 2023, which have been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole, and that the half-year report includes a fair review of the important events that have occurred during the first six months of the financial year and their impact on the condensed financial statements, together with a description of the principal risks and uncertainties for the remaining six months of the financial year.

Andy Rogiest	Chief Financial Officer
Cyrille Ragoucy	Chairman of the Board and Chief Executive Officer

2 Key Figures

(€ thousands)	H1 2023	H1 2022
Results		
Revenue	**155,605**	**164,181**
Adjusted EBITDA	**12,250**	**16,946**
Adjusted EBITDA Margin	**7.9%**	**10.3%**
Integration and restructuring expenses	(1,981)	(1,301)
EBITDA	**10,269**	**15,645**
Depreciation / amortisation	(9,740)	(8,471)
Operating profit / (loss) for the period	**529**	**7,174**
Net finance expenses	(8,351)	(11,603)
Income tax benefit / (expense)	(2,145)	(2,764)
Profit/(loss) for the period	**(9,967)**	**(7,193)**
Cash flow		
Cash, cash equivalents and bank overdrafts at the beginning of the period from continuing operations	38,488	51,394
Net cash generated / (used) by operating activities	4,716	872
Net cash used by investing activities	(5,670)	158,624
Net cash generated / (used) by financing activities	(10,592)	(175,054)
Financing and cash transactions between continued and discontinued operations	-	363
Cash, cash equivalents and bank overdrafts at the end of the period from continuing operations	**26,942**	**36,198** (1)

(1) The cash of €36.2m as per H1 2022 contained a €4.6 m payable related to the final settlement of the Transaction and related fees and was paid in Q3 2022. Pro forma for this settlement payment, the comparable cash balance in H1 22 is 31,6M€.

Financial position

In relation to Belysse' s financing agreements, the documentation provides for the effect of changes in accounting standards to be neutralized. As such, the application of IFRS 16 has no consequence for the Group's financing.

(€ thousands)	H1 2023	H1 2022
Net debt[1]	**127,408**	**118,381**
Leverage	**5.5**	**3.6**

Note 1: IFRS 16 effect is excluded from the leverage comparison (see glossary)

3 Management discussion and analysis of the results

3.1 Group Highlights

- H1 consolidated Group Revenue was €155.6m (-5.2% YoY)
  - Organic Revenue declined -5.8% YoY, while FX impact contributed +0.6%
  - Revenue growth by division: United States (US) -0.4%, Europe -10.0%
- H1 Adjusted EBITDA was €12.2m (-27.7% YoY) with an Adjusted EBITDA margin of 7.9% (10.3% in H1 2022)
  - US EBITDA: €13.9m
  - Europe EBITDA: -€1.6m
- Q2 consolidated Group Revenue was €79.0m (-11.5% YoY)
  - Organic Revenue declined -10.7%, while FX impact contributed -0.8%
  - Revenue growth by division: United States (US) -7.0%, Europe -16.4%
- Q2 Adjusted EBITDA was €7.3m (-33.4% YoY) with an Adjusted EBITDA margin of 9.2% (12.2% in Q2 2022)
  - US EBITDA: €8.9m
  - Europe EBITDA: -€1.6m
- H1 Net Debt was €157.1m (including €29.7m of IFRS 16 lease liabilities), flat compared to last quarter (+0.5%). Leverage[1] stands at 5.5x (4.6x Q1 2023) and total available liquidity (including headroom under the RCF) remains strong and has improved to €65m at the end of H1 (€64m end of Q1).

3.2 Business Update Q2 2023

Volumes in the US improved compared to Q1 2023 but were below last year due to a strong comparator with shipment of some large orders in Q2 2022. The EBITDA margin for Q2 2023 is back in line with historical performance after a temporary drop affected by higher raw material costs following the change of our main yarn supplier in 2022 which was finalized in Q1 2023.

In Europe, Q2 2023 results have been affected by lower volumes due to low footfall in the Residential segment and delay of Commercial projects. Unitary margins have improved compared to prior year due to sales price increases, despite peak raw material purchasing prices of last year affecting the Q2 2023 P&L due to First-in, First-out (FIFO) accounting.

Since the start of this year, we managed to open additional ways of raw materials sourcing globally lowering our purchasing prices. From a cash-flow standpoint, Belysse has already started to benefit from this new procurement strategy and the lower cost of energy vs 2022. If these lower costs had impacted the results immediately since the beginning of the year, our results of the European division for H1 2023 would have been higher by €4.5m. However, with FIFO accounting practice, these lower purchase prices will impact the results in H2 2023.

In response to the current weak demand across the European market, a fixed cost reduction program was implemented early July. We expect an in-year 2023 fixed cost reduction of €1.7m and an annualized permanent impact of €3.4m.

With the cost and cash flow improvements described above, assuming all else remains materially unchanged, Belysse is expecting a full year 2023 EBITDA above 2022 levels and a year-end leverage below 4.0x.

[1] As defined in the SSN facility agreements, excluding IFRS16 impact but including sale and leasebacks

4 Operating review per segment

4.1 Revenue and Adjusted EBITDA per Division

4.1.1 Q2 2023

(€ million, unless otherwise mentioned)	*Q2 2023*	*Q2 2022*	% Change	o/w organic	o/w FX
Europe	35.4	42.4	(16.4)%		
US	43.6	46.8	(7.0)%		
Consolidated Revenue	79.0	89.2	(11.5)%	(10.7)%	(0.8)%
Europe	(1.6)	1.3	(223.1)%		
US	8.9	9.6	(6.8)%		
Consolidated Adjusted EBITDA	7.3	10.9	(33.4)%	(32.2)%	(1.2)%
Europe	-4.7%	3.2%			
US	20.5%	20.5%			
Consolidated Adjusted EBITDA Margin	9.2%	12.2%			

4.1.2 H1 2023

(€ million, unless otherwise mentioned)	*H1 2023*	*H1 2022*	% Change	o/w organic	o/w FX
Europe	74.7	82.9	(10.0)%		
US	81.0	81.3	(0.4)%		
Consolidated Revenue	155.6	164.2	(5.2)%	(5.8)%	0.6%
Europe	(1.6)	1.3	(221.9)%		
US	13.9	15.6	(11.2)%		
Consolidated Adjusted EBITDA	12.2	16.9	(27.7)%	(28.2)%	0.5%
Europe	-2.2%	1.6%			
US	17.1%	19.2%			
Consolidated Adjusted EBITDA Margin	7.9%	10.3%			

5 Other financial items review

5.1 Integration and Restructuring Expenses

Integration and restructuring expenses over the first six months of 2023 are equal to €2.0m and mainly relate to severance payments in regards to the fixed cost reduction program that was executed early July.

5.2 Changes in inventories

Changes of inventories of Work-In-Progress and Finished Goods for the first six months of 2023 are equal to (€5.2m), as compared to €14.4m in the same period last year. The negative number for the period is driven by the reduction in inventory levels achieved during the first 6 months. In the US the reduction was driven by the successful completion of the yarn transition project, in Europe a make-to-order process was introduced for less frequently sold products.

5.3 Employee benefit expense

Employee benefit expense for the first six months of 2023 are equal to €40.5m, as compared to €39.3m in the same period last year. This increase is mainly driven by the automatic wage indexation in Belgium and the increase in wages in the US driven by the inflationary environment.

5.4 Other expense

Other expense for the first six months of 2023 are equal to €30.8m, as compared to €37.6m in the same period last year. This decrease is mainly driven by the lower energy and transportation cost as well as lower cost for temporary workforce.

5.5 Net financing expenses

Net finance expenses for the first six months of 2023 are equal to €8.4m, as compared to €11.6m in the same period last year. This decrease is mainly driven by the lower financing cost of the group since the debt repayments after the Disposal per 4th of April 2022.

5.6 Taxation

There is an income tax expense of €2.1m for the six months ended 30 June 2023, as compared to an income tax expense of €2.8m in the same period last year. The H1 2023 net expense results from taxing the results of our US division and the fact that no DTA are recognized on the losses in Europe. The difference in tax expense year over year is mainly linked to the US division where H1 2023 results were somewhat lower compared to H1 2022 results. The normalized effective tax rate of the Group is around 25%.

5.7 Earnings per share for continuing operations

The net earnings per share for the first six months of 2023 were a loss of €0.28, compared to a loss of €0.20 for the same period last year.

5.8 Cashflow and net debt

H1 Net Debt was €157.1m (including €29.7m of IFRS 16 lease liabilities), flat compared to last quarter (+0.5%). Leverage[1] stands at 5.5x (4.6x Q1 2023), and total available liquidity (including headroom under the RCF) remains strong and has improved to €65m at the end of H1 (€64m end of Q1).

6 Risk Factors

There are no material changes related to the risks and uncertainties for the Group as explained in the section "Summary of main risks" of the 2022 annual report.

[1] As defined in the SSN facility agreements, excluding IFRS16 impact but including sale and leasebacks

7 Consolidated Interim Financial Statements

7.1 Consolidated Statement of Comprehensive Income

(€ thousands)	H1 2023	H1 2022
I. CONSOLIDATED INCOME STATEMENT		
Revenue	155,605	164,181
Raw material expenses	(67,390)	(84,675)
Changes in inventories	(5,176)	14,415
Employee benefit expenses	(40,458)	(39,313)
Other income	435	(31)
Other expenses	(30,765)	(37,633)
Depreciation/ amortization	(9,740)	(8,471)
Adjusted Operating Profit (1)	**2,510**	**8,475**
Integration and restructuring expenses	(1,981)	(1,301)
Operating profit / (loss) (1)	**529**	**7,174**
Finance income	39	7
Finance expenses	(8,390)	(11,610)
Net finance expenses	**(8,351)**	**(11,603)**
Profit / (loss) before income taxes	**(7,821)**	**(4,429)**
Income tax benefit / (expense)	(2,145)	(2,764)
Profit / (loss) for the period from continuing operations	**(9,967)**	**(7,193)**
Profit/ (loss) for the period from discontinued operations	-	(55,083)
Profit/(loss) for the period	**(9,967)**	**(62,276)**
Attributable to:		
Equity holders	(9,967)	(62,276)
Non-controlling interest	-	-
II. CONSOLIDATED OTHER COMPREHENSIVE INCOME		
Items in other comprehensive income that may be subsequently reclassified to P&L		
Exchange differences on translating foreign operations	(2,289)	13,984
Changes in fair value of hedging instruments qualifying for cash flow hedge accounting	-	152
Items in other comprehensive income that will not be reclassified to P&L		
Changes in deferred taxes	(40)	242
Changes in employee defined benefit obligations	(6)	(288)
Other comprehensive income for the period, net of tax for continuing operations	**(2,335)**	**14,089**
Other comprehensive income for the period, net of tax for discontinued operations	-	(1,762)
Total comprehensive income for the period	**(12,302)**	**(49,949)**
Basic and diluted earnings per share attributable to the ordinary equity holders of the company	**(0.28)**	**(1.73)**
Basic and diluted earnings per share from continued operations attributable to the ordinary equity holders of the company	(0.28)	(0.20)
Basic and diluted earnings per share from discontinued operations attributable to the ordinary equity holders of the company	-	(1.53)

Adjusted Operating Profit / Operating profit/(loss) are non-GAAP measures.

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

7.2 Consolidated Statement of Financial Position

(€ thousands)	30 June 2023	31 Dec 2022
Property, plant and equipment	104,547	108,178
Of which IFRS 16 related right-of-use assets (excluding sale-and-leaseback)	*26,278*	*29,388*
Land and buildings	48,437	51,245
Plant and machinery	49,783	50,025
Other fixtures and fittings, tools and equipment	6,328	6,908
Goodwill	104,276	105,662
Other intangible assets	5,021	5,432
Deferred income tax assets	436	829
Trade and other receivables	591	599
Total non-current assets	**214,872**	**220,700**
Inventory	64,423	76,177
Trade and other receivables	27,945	24,994
Cash and cash equivalents	26,942	38,488
Total current assets	**119,310**	**139,660**
Total assets	**334,183**	**360,359**
Share capital	252,950	252,950
Share premium	65,660	65,660
Other comprehensive income	3,531	5,866
Retained earnings	(201,172)	(191,208)
Other reserves	(39,876)	(39,876)
Total equity	**81,093**	**93,392**
Senior Secured Notes	132,270	130,745
Bank and Other Borrowings	38,188	41,590
Of which IFRS 16 related lease liabilities (excluding sale-and-leaseback)	*22,817*	*25,577*
Deferred income tax liabilities	6,508	6,355
Provisions for other liabilities and charges	2,145	2,176
Employee benefit obligations	150	150
Total non-current liabilities	**179,260**	**181,015**
Senior Secured Notes	1,627	1,611
Bank and Other Borrowings	8,842	8,760
Of which IFRS 16 related lease liabilities (excluding sale-and-leaseback)	*6,875*	*6,872*
Other payroll and social related payables	14,802	17,161
Trade and other payables	46,826	57,201
Income tax liabilities	1,732	1,219
Total current liabilities	**73,829**	**85,952**
Total liabilities	**253,089**	**266,967**
Total equity and liabilities	**334,183**	**360,359**

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

7.3 Consolidated Statement of Cash Flows

(€ thousands)	H1 2023	H1 2022
I. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit / (loss) from the period	(9,967)	(7,193)
Adjustments for:		
Income tax expense/(income)	2,145	2,764
Finance income	(39)	(7)
Financial expense	8,390	11,610
Depreciation, amortisation	9,740	8,471
(Gain)/loss on disposal of non-current assets	-	(2)
Movement in provisions and deferred revenue	(118)	3,295
Expense recognised in respect of equity-settled share-based payments	3	(66)
Fair value of derivatives	-	125
Cash generated before changes in working capital	**10,154**	**18,997**
Changes in working capital:		
Inventories	11,229	(22,037)
Trade receivables	(2,714)	(6,249)
Trade payables	(8,362)	20,565
Other working capital	(4,503)	(7,830)
Cash generated after changes in working capital	**5,804**	**3,446**
Net income tax (paid)	(1,088)	(2,574)
Net cash generated / (used) by operating activities	**4,716**	**872**
II. CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(5,467)	(4,951)
Acquisition of intangibles	(203)	(42)
Proceeds from non-current assets	-	163,618
Net cash used by investing activities	**(5,670)**	**158,624**
IIII. CASH FLOW FROM FINANCING ACTIVITIES		
Interest and other finance charges paid, net	(6,882)	(15,590)
Repayments of Senior Secured Notes	-	(102,818)
Repayments of borrowings with third parties	(3,710)	(56,646)
Net cash generated / (used) by financing activities	**(10,592)**	**(175,054)**
NET INCREASE/ (DECREASE) IN CASH AND BANK	(11,546)	(15,558)
Cash, cash equivalents and bank overdrafts at the beginning of the period from continuing operations	38,488	51,394
Financing and cash transactions between continued and discontinued operations	-	363
Cash, cash equivalents and bank overdrafts at the end of the period from continuing operations	26,942	36,198

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

7.4 Consolidated Statement of Changes in Equity

(€ thousands)	Share capital	Share premium	Other comprehensive income	Retained earnings	Other reserves[2]	Total	Elements of comprehensive income from discontinued operations	Total equity
Balance at 31 December 2021	252,950	65,660	(4,836)	(15,140)	(39,876)	258,759	(162,767)	95,991
Profit / (loss) for the period	-	-	-	(13,287)	-	(13,287)	(54,459)	**(67,746)**
Other comprehensive income								
Exchange differences on translating foreign operations	-	-	10,214	-	-	10,214	54,863	**65,077**
Changes in fair value of hedging instruments qualifying for cash flow hedge accounting	-	-	152	-	-	152	-	**152**
Cumulative changes in deferred taxes	-	-	268	-	-	268	158	**425**
Cumulative changes in employee defined benefit obligations	-	-	68	-	-	68	(565)	**(496)**
Total other comprehensive income for the period	-	-	10,702	-	-	10,702	54,456	65,158
Total comprehensive income for the period	**-**	**-**	**10,702**	**(13,287)**	**-**	**(2,585)**	**(3)**	**(2,587)**
Change in scope[1]	-	-	-	(162,770)	-	(162,770)	162,770	**-**
Equity-settled share-based payment plans	-	-	-	(12)	-	(12)	-	(12)
Balance at 31 December 2022	252,950	65,660	5,866	(191,208)	(39,876)	93,392	-	93,392
Profit / (loss) for the period	-	-	-	(9,967)	-	(9,967)	-	(9,967)
Other comprehensive income								
Exchange differences on translating foreign operations	-	-	(2,289)	-	-	(2,289)	-	(2,289)
Cumulative changes in deferred taxes	-	-	(40)	-	-	(40)	-	(40)
Cumulative changes in employee defined benefit obligations	-	-	(6)	-	-	(6)	-	(6)
Total other comprehensive income for the period	-	-	(2,335)	-	-	(2,335)	-	(2,335)
Total comprehensive income for the period	**-**	**-**	**(2,335)**	**(9,967)**	**-**	**(12,302)**	**-**	**(12,302)**
Equity-settled share-based payment plans	-	-	-	3	-	3	-	3
Balance at 30 June 2023	252,950	65,660	3,531	(201,172)	(39,876)	81,093	-	81,093

[1] Change in scope reflects the transfer of the elements of comprehensive income from discontinued operations to retained earnings of the group at completion date of the divestment without currency translation adjustments which are recycled over the income statement.

[2] Other reserves were created as a result of certain pre IPO transactions. Refer to the 2017 annual report for more information

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

7.5 Selected Explanatory Notes to the Condensed Consolidated Interim Financial Statements

7.5.1 Significant Accounting Policies

These consolidated condensed interim financial statements for the six months ended June 30, 2023 have been prepared in accordance with IAS 34 *Interim financial reporting*. They do not include all the notes of the type normally included in an annual report. Accordingly, this report is to be read in conjunction with the annual report for the year ended December 31, 2022 and any public announcements made by the Belysse Group during the interim reporting period.

The amounts in this document are presented in thousands of euro, unless otherwise stated. Rounding adjustments have been made in calculating some of the financial information included in these consolidated condensed interim financial statements.

The accounting policies are consistent with those of the previous financial year and corresponding interim period. There are no IFRS standards issued but not yet effective which are expected to have an material impact on Belysse's financials.

7.5.2 Segment Reporting

Segment information is presented in respect of the Company's business segments. The performances of the segments is reviewed by the chief operating decision maker, which is the Management Committee.

(€ thousands)	H1 2023	Previous reported figures (1)
Revenue by segment	**155,605**	**164,181**
Europe	74,653	82,912
US	80,952	81,270
Discontinued Operations	**-**	**96,729**
Revenue by geography	**155,605**	**164,181**
Europe	63,604	69,705
North America	83,099	83,859
Rest of World	8,902	10,618
Discontinued Operations	**-**	**96,729**
Adjusted EBITDA by segment	**12,250**	**16,946**
Europe	(1,619)	1,329
US	13,869	15,617
Discontinued Operations	**-**	**7,140**
Net Capital expenditure by segment	**5,670**	**5,076**
Europe	3,575	2,747
US	2,095	2,329
Discontinued Operations	**-**	**5,209**
Net inventory by segment	**64,423**	**76,177**
Europe	37,678	47,333
US	26,745	28,844
Trade receivables by segment	**25,564**	**24,994**
Europe	7,078	7,915
US	18,486	17,079

[1] For Revenue, Adjusted EBITDA and Capital Expenditure, the previous reporting period refers to June 30, 2022. The previous period for Net inventory and Trade Receivables refers to December 31, 2022.

7.5.3 Integration and Restructuring Expenses

The following table sets forth integration and restructuring expenses for the period ended June 30, 2023 and 2022. This comprises various items which are considered by management as non-recurring or unusual by nature.

(€ thousands)	H1 2023	H1 2022
Integration and restructuring expenses	**1,981**	**1,301**
Corporate restructuring	1,981	1,301

Integration and restructuring expenses over the first six months of 2023 mainly relate to severance payments in regards to the fixed cost reduction program that was executed early July.

7.5.4 Goodwill

The goodwill decreased by €1.4m from €105.7m as of December, 2022 to €104.3m as of June 30, 2023. The decrease in goodwill reflects the changes in foreign exchange rate from the US dollar to euro from the date of acquisition of Bentley. The related foreign exchange fluctuations are presented in other comprehensive income.

7.5.5 Net Debt Reconciliation

The following table reconciles the net cash flow to movements in net debt:

	Liabilities from financing activities						*Cash and Cash equivalents*	
(€ thousands)	Senior Secured Notes due after 1 year	Senior Secured Notes due within 1 year	Lease liabilities due after 1 year	Lease liabilities due within 1 year	Super Senior RCF	Total gross financial debt	Cash and Cash equivalents	Total net financial debt
Net debt as at 31 December 2022	(132,489)	(3,479)	(42,004)	(8,849)	(82)	(186,903)	38,488	(148,415)
Cashflows	-	-	-	-	-	-	(11,546)	(11,546)
Repayments of borrowings with third parties	-	-	-	4,061	-	4,061	-	4,061
Non- cash movements (including FX)	(653)	107	3,488	(4,154)	11	(1,201)	-	(1,201)
Net debt as at 30 June 2023	(133,142)	(3,371)	(38,517)	(8,942)	(71)	(184,043)	26,942	(157,101)

The table above does not include the movements in capitalized financing fees, or the interest paid.

Net Debt was €157.1m (including €29.7m of IFRS 16 lease liabilities), flat compared to last quarter (+0.5%).

7.5.6 Related Party Transactions

The related party transactions with shareholders and parties related to the shareholders have not substantially changed in nature and impact compared to the year ended December 31, 2022 and hence no updated information is included in this interim report.

The remuneration of key management is determined on an annual basis, for which reason no further details are included in this interim report.

7.5.7 Commitments

There is no significant evolution to report in terms of commitments. Please refer to Note 35 ‘Commitments’ in the IFRS Financial Statements of the 2022 annual report.

7.5.8 Events After the Statement of Financial Position Date

No subsequent events occurred which could have a significant impact on the interim condensed financial statements of the Group per June 30, 2023.

8 Glossary: Alternative Performance Measures

The following alternative performance measures (non-IFRS) have been used as management believes that they are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. The alternative performance measures may not be comparable to similarly titled measures of other companies, have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results, our performance or our liquidity under IFRS.

Organic Growth is defined as growth excluding (i) FX impact, which comprises the translation of key foreign entities and (ii) M&A impact.

Adjusted EBITDA is defined as operating profit / (loss) adjusted for (i) the impact of the purchase price allocation mainly on change in inventories, (ii) gains on asset disposals, (iii) integration and restructuring expenses, (iv) depreciation / amortization and (v) impairment and write-off.

Adjusted EBITDA margin is defined as the Adjusted EBITDA as a percentage of revenue.

Adjusted Operating Profit/Loss is defined as operating profit/(loss) adjusted for (i) the impact of the purchase price allocation mainly on changes in inventory, (ii) gains on assets disposals, (iii) integration and restructuring expenses and (iv) impairment and write-off.

Gross Debt is defined as (i) Senior Secured Notes adjusted for the financing fees included in the carrying amount and (ii) Bank and other borrowings adjusted for capitalized financing fees.

Net Debt is defined as (i) Senior Secured Notes adjusted for the financing fees included in the carrying amount, (ii) Bank and other borrowings adjusted for capitalized financing fees less (iii) cash and cash equivalents.

Net-investment or net-CAPEX is defined as of the sum of all investments in tangible and intangible fixed assets adjusted for proceeds from sales of fixed assets.

Leverage is defined as the ratio of Net Debt to Adjusted EBITDA (excluding IFRS16 impacts as per financing documentation, except for sale-and-leaseback transactions).