BELYSSE™

2024 Interim Financial Report

Belysse Group NV

Period ended June 30, 2024

Registered office:

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8790 Waregem, België
Registration number: 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, 2024, 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
James Neuling	Chief Executive Officer

2 Key Figures

(€ thousands)	H1 2024	H1 2023
Results		
Revenue	**144,719**	**155,605**
Adjusted EBITDA	**21,454**	**12,250**
Adjusted EBITDA Margin	**14.8%**	**7.9%**
Integration and restructuring expenses	365	(1,981)
EBITDA	**21,819**	**10,269**
Depreciation / amortisation	(9,727)	(9,740)
Operating profit / (loss) for the period	**12,092**	**529**
Net finance expenses	795	(8,351)
Income tax benefit / (expense)	(2,338)	(2,145)
Profit/(loss) for the period	**10,549**	**(9,967)**
Cash flow		
Cash, cash equivalents and bank overdrafts at the beginning of the period from continuing operations	**35,812**	**38,488**
Net cash generated / (used) by operating activities	13,450	4,716
Net cash used by investing activities	(5,126)	(5,670)
Net cash generated / (used) by financing activities	(15,139)	(10,592)
Financing and cash transactions between continued and discontinued operations	-	-
Cash, cash equivalents and bank overdrafts at the end of the period from continuing operations	**28,998**	**26,942**

Financial position

(€ thousands)	H1 2024	H1 2023
Net debt[1]	**113,932**	**127,408**
Leverage	**3.2**	**5.5**

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 2024 Consolidated Group Revenue was €144.7m (-7.0% YoY)
- Organic Revenue declined 7.0%, while FX impact contributed -0.0%
- Revenue growth by division: United States (US) -6.2% (-6.2% organic, -0.0% FX), Europe -7.8%

H1 2024 Adjusted EBITDA was €21.5m (+75,1% YoY)
- US Adjusted EBITDA: €14.4m
- Europe Adjusted EBITDA: €7.1m

Q2 2024 Consolidated Group Revenue was €74.5m (-5.7% YoY)
- Organic Revenue declined 6.2%, while FX impact contributed +0.5%
- Revenue growth by division: United States (US) -1.9% (-2.8% organic, -0.9% FX), Europe -10.4%

H1 Net Debt was €139.2m (including €25.3m of IFRS 16 lease liabilities), being €6.1m lower than reported at the end of 2023.
Net leverage excluding IFRS 16 impact but including sale and leasebacks, decreased to 3.2x (4.5x end of 2023).
Total available liquidity (including headroom under the RCF) was €41m at the end of H1 2024.

3.2 Business Update

Consolidated Group Revenue for H1 2024 reflects continued lower market demand in the European Residential business line as well as softer project-driven demand in the US in Q1 2024. Despite the overall softness in the market, H1 2024 Adjusted EBITDA has significantly improved as a result of improved profitability in both regions.

In the US, volumes in Q2 2024 improved vs. Q1 2024, led by higher sales in the education, corporate and residential segments. Adjusted EBITDA and Adjusted EBITDA margin improved in H1 2024 compared to H1 2023 as a result of higher unitary margins as well as fixed cost savings that more than offset the negative impact of the lower volumes.

In Europe, H1 2024 volumes were below H1 2023 due to the continued market softness in the Residential business, and a strategic shift into a more profitable product offering in this segment. In the more project-driven Commercial business line, volumes in H1 2024 were flat compared to H1 2023. Adjusted EBITDA and Adjusted EBITDA margin have recovered significantly compared to H1 2023, which was still at a low comparative base, as a result of lower raw material costs, a higher margin product portfolio and fixed costs saving measures.

4 Operating review per segment

4.1 Q2 2024 Revenue per Division

(€ million, unless otherwise mentioned)	Q2 2024	Q2 2023	% Change	o/w organic	o/w FX
Europe	31,7	35,4	(10,4)%		
US	42,7	43,6	(1,9)%		
Consolidated Revenue	**74,5**	**79,0**	**(5,7)%**	**(6,2)%**	**0,5%**

4.2 H1 2024 Revenue and Adjusted EBITDA per Division

(€ million, unless otherwise mentioned)	H1 2024	H1 2023	% Change	o/w organic	o/w FX
Europe	68,8	74,7	(7,8)%		
US	75,9	81,0	(6,2)%		
Consolidated Revenue	**144,7**	**155,6**	**(7,0)%**	**(7,0)%**	**(0,0)%**
Europe	7,1	(1,6)	N/A		
US	14,4	13,9	3,6%		
Consolidated Adjusted EBITDA	**21,5**	**12,2**	**75,1%**	**75,1%**	**0,0%**
Europe	10,3%	-2,2%			
US	18,9%	17,1%			
Consolidated Adjusted EBITDA Margin	**14,8%**	**7,9%**			

5 Other financial items review

5.1 Integration and Restructuring Expenses

Integration and restructuring expenses over the first six months of 2024 are equal to (€0.4m) and mainly relate to the final settlement of strategic advisory fees and the fixed cost reduction program that was executed early July 2023.

5.2 Changes in inventories

Changes of inventories of Work-In-Progress and Finished Goods for the first six months of 2024 are equal to €2.1m, as compared to (€5.2m) in the same period last year. The positive number for H1 2024 is mainly driven by the increase in inventory levels in Europe. The achieved reduction during last year's first semester was driven by reduction of inventories in the US after the successful completion of the yarn transition project and in Europe after the introduction of more make-to-order processes for less frequently sold products.

5.3 Employee benefit expense

Employee benefit expense for the first six months of 2024 are equal to €39.8m, as compared to €40.5m in the same period last year. This decrease is mainly driven by lower volumes produced in Europe as well as the implementation of a fixed cost reduction program.

5.4 Other expense

Other expense for the first six months of 2024 are equal to €27.8m, as compared to €30.8m in the same period last year. This decrease is mainly driven by the lower energy and transportation spendings.

5.5 Net financing income

Net finance income for the first six months of 2024 is equal to €0.8m, as compared to (€8.4m) in the same period last year. The positive outcome for H1 2024 reflects mainly the aggregated effect of the settlement in February 2024 of the Senior Secured Notes maturing end of 2024 at a €13.4m discount and the cost on Belysse's financial debt and leases, which includes €2.3m fair value of the derivative financial instrument (see note 7.5.6) as well as €1,1m unrealized FX losses on the USD tranche of the new Term Facility. The negative amount reported on H1 2023 corresponds mainly with the interests accounted for on the Senior Secured Notes and leases.

5.6 Taxation

There is an income tax expense of €2.3m for the six months ended 30 June 2024, as compared to an income tax expense of €2.1m in the same period last year. The H1 2024 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 2024 results were higher compared to H1 2023 results. It needs to be remarked that in Europe, in contradiction to H1 2023, also a positive taxable profit occurs which is mainly relating to Luxembourg and linked to the repurchase price of the senior secured notes due in 2024 which was done against a face value of 86,5%. This however did not impact the income tax expense as full usage can be made of unrecognized historic losses available in Luxembourg. The normalized effective tax rate of the Group is around 25%.

5.7 Earnings per share

The net earnings per share for the first six months of 2024 were a gain of €0.29, compared to a loss of €0.28 for the same period last year.

5.8 Cashflow and net debt

H1 Net Debt was €139.2m (including €25.3m of IFRS 16 lease liabilities), being €6.1m lower than reported at the end of 2023. Net leverage excluding IFRS16 impact but including sale and leasebacks, decreased to 3.2x (4.5x end of 2023). Total available liquidity (including headroom under the RCF) was €41m at the end of H1 2024.

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 2023 annual report.

7 Consolidated Interim Financial Statements

7.1 Consolidated Statement of Comprehensive Income

(€ thousands)	H1 2024	H1 2023
I. CONSOLIDATED INCOME STATEMENT		
Revenue	144,719	155,605
Raw material expenses	(58,345)	(67,390)
Changes in inventories	2,130	(5,176)
Employee benefit expenses	(39,838)	(40,458)
Other income	607	435
Other expenses	(27,820)	(30,765)
Depreciation/ amortization	(9,727)	(9,740)
Adjusted Operating Profit [1]	**11,726**	**2,510**
Integration and restructuring expenses	365	(1,981)
Operating profit / (loss) [1]	**12,092**	**529**
Finance income	13,915	39
Finance expenses	(13,120)	(8,390)
Net finance expenses	**795**	**(8,351)**
Profit / (loss) before income taxes	**12,887**	**(7,821)**
Income tax benefit / (expense)	(2,338)	(2,145)
Profit / (loss) for the period	**10,549**	**(9,967)**
Attributable to:		
Equity holders	10,549	(9,967)
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	3,651	(2,289)
Changes in fair value of hedging instruments qualifying for cash flow hedge accounting	-	-
Items in other comprehensive income that will not be reclassified to P&L		
Changes in deferred taxes	(1)	(40)
Changes in employee defined benefit obligations	5	(6)
Other comprehensive income for the period, net of tax	**3,656**	**(2,335)**
Total comprehensive income for the period	**14,205**	**(12,302)**
Basic and diluted earnings per share attributable to the ordinary equity holders of the company	**0.29**	**(0.28)**

(1) 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 2024	31 Dec 2023
Property, plant and equipment	98,619	100,795
Of which IFRS 16 related right-of-use assets (excluding sale-and-leaseback)	*21,626*	*23,533*
Land and buildings	42,965	44,963
Plant and machinery	50,040	49,742
Other fixtures and fittings, tools and equipment	5,614	6,090
Goodwill	105,388	103,046
Other intangible assets	5,290	5,212
Deferred income tax assets	410	426
Trade and other receivables	601	586
Total non-current assets	**210,306**	**210,066**
Inventory	57,342	52,257
Trade and other receivables	24,263	28,377
Current income tax assets	1,212	1,045
Cash and cash equivalents	28,998	35,812
Total current assets	**111,814**	**117,491**
Total assets	**322,121**	**327,557**
Share capital	252,950	252,950
Share premium	65,660	65,660
Other comprehensive income	4,939	1,283
Retained earnings	(191,744)	(202,298)
Other reserves	(39,876)	(39,876)
Total equity	**91,929**	**77,720**
Senior Secured Notes	1,839	1,839
Term Facility	118,242	-
Bank and Other Borrowings	30,274	34,778
Of which IFRS 16 related lease liabilities (excluding sale-and-leaseback)	*17,967*	*20,375*
Deferred income tax liabilities	6,231	5,814
Provisions for other liabilities and charges	2,526	2,229
Employee benefit obligations	151	159
Derivative Financial Instruments	2,327	-
Total non-current liabilities	**161,590**	**44,818**
Senior Secured Notes	17	135,203
Term Facility	470	-
Bank and Other Borrowings	9,026	8,875
Of which IFRS 16 related lease liabilities (excluding sale-and-leaseback)	*7,316*	*6,757*
Other payroll and social related payables	12,495	14,444
Trade and other payables	45,362	46,462
Income tax liabilities	1,232	36
Total current liabilities	**68,601**	**205,019**
Total liabilities	**230,192**	**249,837**
Total equity and liabilities	**322,121**	**327,557**

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

7.3 Consolidated Statement of Cash Flows

(€ thousands)	H1 2024	H1 2023
I. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit / (loss) from the period	**10,549**	**(9,967)**
Adjustments for:		
Income tax expense/(income)	2,338	2,145
Finance income	(13,915)	(39)
Financial expense	13,120	8,390
Depreciation, amortisation	9,727	9,740
(Gain)/loss on disposal of non-current assets	(104)	-
Movement in provisions and deferred revenue	(428)	(118)
Expense recognised in respect of equity-settled share-based payments	4	3
Cash generated before changes in working capital	**21,292**	**10,154**
Changes in working capital:		
Inventories	(4,055)	11,229
Trade receivables	(1)	(2,714)
Trade payables	(1,983)	(8,362)
Other working capital	(887)	(4,503)
Cash generated after changes in working capital	**14,366**	**5,804**
Net income tax (paid)	(915)	(1,088)
Net cash generated / (used) by operating activities	**13,450**	**4,716**
II. CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(4,716)	(5,467)
Acquisition of intangibles	(514)	(203)
Proceeds from non-current assets	104	-
Net cash used by investing activities	**(5,126)**	**(5,670)**
IIII. CASH FLOW FROM FINANCING ACTIVITIES		
Interest and other finance charges paid, net	(12,292)	(6,882)
Proceeds from borrowings with third parties	120,000	-
Repayments of Senior Secured Notes	(118,624)	-
Repayments of borrowings with third parties	(4,223)	(3,710)
Net cash generated / (used) by financing activities	**(15,139)**	**(10,592)**
NET INCREASE/ (DECREASE) IN CASH AND BANK	**(6,815)**	**(11,546)**
Cash, cash equivalents and bank overdrafts at the beginning of the period	**35,812**	**38,488**
Cash, cash equivalents and bank overdrafts at the end of the period	**28,998**	**26,942**

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[1]	Total equity
Balance at 31 December 2022	**252,950**	**65,660**	**5,866**	**(191,208)**	**(39,876)**	**93,392**
Profit / (loss) for the period	-	-	-	(11,095)	-	(11,095)
Other comprehensive income						
Exchange differences on translating foreign operations	-	-	(4,529)	-	-	(4,529)
Cumulative changes in deferred taxes	-	-	(40)	-	-	(40)
Cumulative changes in employee defined benefit obligations	-	-	(13)	-	-	(13)
Total other comprehensive income for the period	-	-	(4,583)	-	-	(4,583)
Total comprehensive income for the period	**-**	**-**	**(4,583)**	**(11,095)**	**-**	**(15,678)**
Equity-settled share-based payment plans	-	-	-	6	-	6
Balance at 31 December 2023	**252,950**	**65,660**	**1,283**	**(202,298)**	**(39,876)**	**77,720**
Profit / (loss) for the period	-	-	-	10,549	-	10,549
Other comprehensive income						
Exchange differences on translating foreign operations	-	-	3,651	-	-	3,651
Cumulative changes in deferred taxes	-	-	(1)	-	-	(1)
Cumulative changes in employee defined benefit obligations	-	-	5	-	-	5
Total other comprehensive income for the period	-	-	3,656	-	-	3,656
Total comprehensive income for the period	**-**	**-**	**3,656**	**10,549**	**-**	**14,205**
Equity-settled share-based payment plans	-	-	-	4	-	4
Balance at 30 June 2024	**252,950**	**65,660**	**4,939**	**(191,744)**	**(39,876)**	**91,929**

[1] 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, 2024 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, 2023 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 2024	Previous reported figures [1]
Revenue by segment	**144,719**	**155,605**
Europe	68,807	74,653
US	75,912	80,952
Revenue by geography	**144,719**	**155,605**
Europe	59,680	63,604
North America	77,345	83,099
Rest of World	7,694	8,902
Adjusted EBITDA by segment	**21,454**	**12,250**
Europe	7,082	(1,619)
US	14,372	13,869
Net Capital expenditure by segment	**5,126**	**5,670**
Europe	3,352	3,575
US	1,774	2,095
Net inventory by segment	**57,342**	**52,257**
Europe	35,174	30,927
US	22,168	21,330
Trade receivables by segment	**22,590**	**21,799**
Europe	6,687	6,503
US	15,903	15,296

[1] For Revenue, Adjusted EBITDA and Capital Expenditure, the previous reporting period refers to June 30, 2023. The previous period for Net inventory and Trade Receivables refers to December 31, 2023.

7.5.3 Integration and Restructuring Expenses

The following table sets forth integration and restructuring expenses for the period ended June 30, 2024 and 2023. This comprises various items which are considered by management as non-recurring or unusual by nature.

(€ thousands)	H1 2024	H1 2023
Integration and restructuring expenses	**365**	**(1,981)**
Corporate restructuring	365	(1,981)

Integration and restructuring expenses over the first six months of 2024 and mainly relate to the final settlement of strategic advisory fees and the fixed cost reduction program that was executed early July 2023.

7.5.4 Goodwill

The goodwill increased by €2.3m from €103.0m as of December, 2023 to €105.4m as of June 30, 2024. The increase 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	Loan Blantyre due after 1 year	Senior Secured Notes due within 1 year	Loan Blantyre 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 2023	**(1,839)**	**-**	**(135,348)**	**-**	**(35,020)**	**(8,853)**	**(80)**	**(181,140)**	35,812	**(145,328)**
Cashflows	-	-	-	-	-	-	-	**-**	(6,815)	**(6,815)**
Proceeds of borrowings with third parties	-	(120,000)	-	-	-	-	-	**(120,000)**	-	**(120,000)**
Repayments of borrowings with third parties	-	-	122,991		-	4,223	-	**127,214**	-	**127,214**
Non- cash movements (including FX)	-	(3,032)	12,340	(2,320)	3,481	(4,813)	57	**5,714**	-	**5,714**
Net debt as at 30 June 2024	**(1,839)**	**(123,032)**	**(17)**	**(2,320)**	**(31,539)**	**(9,442)**	**(23)**	**(168,212)**	**28,998**	**(139,214)**

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

Net Debt was €139.2m (including €25.3m of IFRS 16 lease liabilities), being €6.1m lower than reported at the end of 2023.

7.5.6 Derivative Financial Instruments

On 7 December 2023, the Group entered into a new term facility agreement. Related to this agreement, Contingent Value Rights ('CVR') were granted to the lender. Under IFRS9, the CVR's are considered as an embedded derivative which needs to be valued at fair value through the income statement. The fair value is based on a Black & Scholes model.

This derivative is presented as a non-current financial liability since it is not expected to be realized within the next coming 12 months.

7.5.7 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, 2023 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.

7.5.8 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 2023 annual report.

7.5.9 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, 2024.

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) Term Facility adjusted for the financing fees included in the carrying amount,(ii) Notes maturing in 2030 and (iii) Bank and other borrowings adjusted for capitalized financing fees.

Net Debt is defined consistent versus previous reporting as (i) Term Facility, (ii) Notes maturing in 2030, (iii) Bank and other borrowings (and where noted IFRS 16 liabilities) less (iv) 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).