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# 1. Management Report

## 1.1. Key figures

CONSOLIDATED INCOME STATEMENT (in € million)	30 June 2019	30 June 2020
	Unaudited	Unaudited
<b>Sales</b>	<b>312.5</b>	<b>289.2</b>
Gross profit	92.8	88.9
<i>Gross-margin (%)</i>	29.7%	30.7%
EBITDA	29.4	26.4
<b>Adjusted EBITDA</b>	<b>30.2</b>	<b>27.8</b>
<b>EBIT</b>	<b>9.3</b>	<b>6.0</b>
Net profit / (loss)	(1.2)	(3.4)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (in € million)	31 December 2019	30 June 2020
	Audited	Unaudited
Equity	233.1	219.6
Net debt	140.2	118.4
Total Assets	575.4	607.0
Capital expenditure	35.5	8.9
Working capital	94.5	88.8
Capital employed	416.3	379.1

RATIOS	30 June 2019	30 June 2020
	Unaudited	Unaudited
Net result/sales	(0.4%)	(1.2%)
Adjusted EBITDA/sales	9.7%	9.6%
Net debt/LTM Adjusted EBITDA	2.12	2.00
EBIT/Capital employed	2.2%	1.6%

HEADCOUNT	31 December 2019	30 June 2020
	Audited	Unaudited
Total Full Time Equivalents (FTE)	3,754	3,504

Sales per region (in € million)	H1 2019	Chg. Q1 (%)	Chg. Q2 (%)	H1 2020	Chg. H1 (%)
Europe*	173.1	(4.1%)	(24.6%)	147.0	(15.1%)
Turkey & EM*	75.3	5.4%	(22.6%)	68.4	(9.2%)
North America	64.2	32.8%	1.2%	73.9	15.1%
<b>Total</b>	<b>312.5</b>	<b>5.5%</b>	<b>(18.6%)</b>	<b>289.2</b>	<b>(7.4%)</b>

\* From 01.01.2020, Romania is reported as part of Europe instead of part of Turkey & EM. In order to have comparable data in the table above, H1 2019 sales in Romania have been reallocated from Turkey & EM to Europe.

## 1.2. Analysis of the results

### First half of 2020 highlights

- Deceuninck's first priority is the health and safety of its employees. Thanks to the strict implementation of various precautionary measures, we only suffered a limited number of isolated Covid-19 cases amongst our employees, and all are back in good health.
- H1 2020 Adj. EBITDA remains broadly stable at €27.8m or 9.6% on sales (vs €30.2m or 9.7% LY) despite a 7.4% drop in sales due to Covid-19. There is however a significant difference between Q1 and Q2 performance:
  - We realized strong profitable growth in Q1 with sales up 5.5% and Adj. EBITDA doubling to €14.0m, driven by market share gains in North America, an improving economic environment in Turkey and the first / preliminary benefits from the strategic repositioning of Europe.
  - Performance in Q2 proved to be highly resilient with Adj. EBITDA amounting to €13.8m or 10.1% on sales despite an 18.6% drop in sales, thanks to our flexible cost structure, immediate reaction and diversified international footprint.
- Cash flow generation has been strong with net debt decreasing €32m to €118 (leverage 2.0x) compared to €150m in H1 2019 (leverage 2.1x).
  - Most of this decrease is structural, and results from further optimization of working capital and the normalization of CAPEX following the finalization of the large 2016-2019 investment program.
  - A limited part is considered temporary and reflects the impact of lower volumes on working capital and various one-off measures
- Although the immediate future remains highly uncertain, we remain positive about our long term potential. Despite the crises, our growth drivers remain intact: there is an increasing need for housing and renovation in order to meet the needs of a growing population and climate change targets. July 2020 performance proved to be strong.
- We are pleased to welcome Joren Knockaert as new Managing Director of Deceuninck North America, succeeding Filip Geeraert who announced his retirement earlier this year. Joren acquired extensive global experience with Mohawk Industries and Bekaert in various senior management functions in Belgium, the United States and China. Filip Geeraert will continue to serve the company as Chairman of Deceuninck North America.

### Francis Van Eeckhout, CEO, comments:

*"Despite the significant impact of the Covid-19 pandemic, our performance remained highly resilient and allowed us to significantly reduce financial debt. This is explained by our flexible cost structure, our diversified geographical footprint, as well as by the agility and determination of our management teams worldwide. I would like to express my sincere respect towards all our employees who were confronted with these very challenging conditions and did what is necessary to weather the storm. Our long term growth drivers remain intact and the execution of our strategic projects is on track so I am confident that we will resume profitable growth as we emerge from this global crisis."*

## Markets and sales

Consolidated H1 2020 sales decreased by 7.4% to € 289.2m, compared to € 312.5m in H1 2019. After an increase by 5.5% in Q1, sales decreased by 18.6% in Q2 due to the various measures governments had to take to mitigate the spread of the virus.

Sales evolution in Q2 has shown a similar pattern in all regions whereby the April sales were impacted significantly by Covid-19, followed by a relatively quick recovery as of June.

**Europe** is the region that has been hit first by Covid-19. From early March various construction sites, mainly in Western Europe, were forced to stop, which had an immediate impact on our business despite a well-filled order book. From mid-April onwards our customers could gradually resume operations to reach normal activity levels again in June. Overall, sales in Europe decreased by 15.1% to € 147.0m (H1 2019: € 173.1m).

Despite the impact of Covid-19, sales in **North America** increased in H1 2020 by 15.1% to € 73.9m (H1 2019: € 64.2m) thanks to the acquisition of new large customers which compensates for the negative impact of Covid-19. Continued low mortgage rates and a growing population further supported the housing market, despite high unemployment data released in recent months.

Sales in **Turkey & Emerging Markets** decreased by 9.2% to € 68.4m (H1 2019: € 75.3m). Q1 2020 sales rose by 5.4% versus Q1 2019 thanks to an improving economic environment (lower interest rates and inflation) in Turkey, however this is entirely offset by the impact of Covid-19 in Q2.

## Operational and financial results

H1 2020 **Adjusted EBITDA** remains broadly stable at €27.8m or 9.6% on sales (vs 30.2m or 9.7% LY) despite a 7.4% drop in sales due to Covid-19. There is however a significant difference between Q1 and Q2 performance. We realized strong profitable growth in Q1 with sales up 5.5% and Adj. EBITDA nearly doubling to €14.0m, driven by market share gains in North America, an improving economic environment in Turkey and the first / preliminary benefits from the strategic repositioning of Europe. Performance in Q2 proved to be highly resilient with Adj. EBITDA amounting to €13.8m or 10.1% on sales despite an 18.6% drop in sales, thanks to our flexible cost structure, immediate reaction and diversified international footprint.

**Depreciations** in H1 2020 slightly increased to € 20.5m (H1 2019: € 20.1m).

**Non-recurring costs** amount to € 1.4m and mainly include one off restructuring expenses in North America and platform migration expenses in Europe.

As a consequence of the above the **Operating Result (EBIT)** decreased to € 6.0m (H1 2019: € 9.3m).

The **Financial result** improved from € (11.1)m in H1 2019 to € (9.3)m in H1 2020 as a result of normalizing interest rates in Turkey.

**Net loss** increased from a loss of € 1.2m in H1 2019 to a loss of € 3.4m in H1 2020, representing a loss per share of € 0.03 (H1 2019: loss of € 0.01).

## Cash flow and Balance Sheet

Cash flow generation has been strong with net debt decreasing €32m to €118 (leverage 2.0x) compared to €150m in H1 2019 (leverage 2.1x).

Most of this decrease is structural, and results from further optimization of working capital and the normalization of CAPEX following the finalization of the large 2016-2019 investment program. A limited part is considered temporary and reflects the impact of lower volumes on working capital and various one-off measures.

### 1.3. Strategic projects

Despite the temporary shutdown of plants across the world and homeworking for virtually all white collars, the implementation of our most important strategic projects has continued throughout Q2.

### 1.4. Outlook

Although the immediate future remains highly uncertain, we remain positive about our long term potential. Despite the crises our growth drivers remain intact: there is an increasing need for housing and renovation in order to meet the needs of a growing population and climate change targets.

July performance proved to be strong.

### 1.5. Risks and uncertainties

We refer to the following sections of the Annual Report 2019:

- Internal control and risk management systems (pp. 46 - 50)
- Consolidated financial statements and notes: Note 25. Risk Management (pp. 147 - 151)

Except for the impact of Covid-19 on the credit and liquidity risk, these risks remain valid for the first half of the financial year.

#### **Credit risk**

The products of Deceuninck are used almost exclusively in the construction industry. Therefore credit risk is largely depending on the performance of the building industry and the general economic conditions.

In order to manage credit risk, we are closely monitoring payment behaviour as well as other relevant sources of information about our customers and make use of credit insurance to mitigate the residual credit.

In view of COVID-19 a number of procedures are being strengthened and monitoring has been intensified. We are also helping our customers by informing them about available government support measures for which they might qualify. Furthermore, the impact of COVID-19 on the expected credit loss (ECL) model and related credit risk provisions has been assessed and to the extent possible based on external expert reports. This resulted in an additional credit risk provision of € 4.7 m.

#### **Liquidity risk**

Deceuninck Group holds sufficient cash, cash equivalents and committed credit facilities for the funding of its operating activities.

Liquidity problems could arise if an event of default would occur under the syndicated loan agreement or the retail bond which is not remedied within the foreseen remedy period. In that case, the outstanding amounts under the syndicated loan agreement and the retail bond might become immediately due and payable, which would jeopardize the liquidity situation of Deceuninck.

Simulations have been made to assess the impact of COVID-19 and the various mitigating actions management took in order to manage liquidity (in addition to the actions described above, management further structurally optimized working capital and benefited from temporary government support measures such as the delayed payment of VAT and a €5.0m loan guaranteed by the French government). These do not indicate any liquidity issues. In addition, all covenants have been met with sufficient headroom.

## 2. Interim condensed consolidated financial statements

### 2.1 Consolidated income statement

FOR THE 6 MONTH PERIOD ENDED 30 JUNE (in € thousand)	Notes	H1 2019	H1 2020
		Unaudited	Unaudited
<b>SALES</b>	<b>2</b>	<b>312,512</b>	<b>289,239</b>
Cost of goods sold		(219,665)	(200,341)
<b>GROSS PROFIT</b>		<b>92,848</b>	<b>88,897</b>
Marketing, sales and distribution expenses		(56,265)	(58,056)
Research and development expenses		(3,888)	(3,259)
Administrative and general expenses		(23,419)	(20,430)
Other net operating result		126	1,410
Share of profit of a joint venture		(106)	(2,564)
<b>OPERATING PROFIT (EBIT)</b>		<b>9,296</b>	<b>5,998</b>
Cost related to the derecognition of accounts receivable		(2,908)	(1,925)
Financial charges		(17,894)	(13,905)
Financial income		9,734	6,389
<b>RESULT BEFORE TAXES (EBT)</b>		<b>(1,772)</b>	<b>(3,443)</b>
Income taxes	<b>4</b>	552	26
<b>NET PROFIT / (LOSS)</b>		<b>(1,220)</b>	<b>(3,417)</b>

EBIT includes depreciation and amortization for a total amount of € 20.5 million (H1 2019: € 20.1 million). EBITDA amounts to € 26.4 million (H1 2019: € 29.4 million) is calculated as EBIT (€ 6.0 million, € 9.3 million for H1 2019) excluding the depreciation and amortization expenses.

THE NET PROFIT / (LOSS) IS ATTRIBUTABLE TO (in € thousand)		H1 2019	H1 2020
Shareholders of the parent company		(1,280)	(3,563)
Non-controlling interests		60	146

EARNINGS PER SHARE DISTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY (in €)		H1 2019	H1 2020
Number of ordinary shares		136,586,787	136,732,506
Number of treasury shares		74,769	69,769
Basic earnings per share		(0.01)	(0.03)
Diluted earnings per share		(0.01)	(0.03)

## 2.2 Consolidated statement of comprehensive income

FOR THE SIX MONTH PERIOD ENDED 30 JUNE (in € thousand)	2019	2020
	Unaudited	Unaudited
<b>NET PROFIT / (LOSS)</b>	<b>(1,220)</b>	<b>(3,417)</b>
Currency translation adjustments	(2,576)	(11,708)
<b>Net other comprehensive income / (loss) potentially to be reclassified to profit or loss in subsequent periods</b>	<b>(2,576)</b>	<b>(11,708)</b>
Actuarial gains / (losses) on defined benefit plans	(365)	972
Income tax impact	(119)	(233)
<b>Net other comprehensive income / (loss) not to be reclassified to profit or loss in subsequent periods</b>	<b>(484)</b>	<b>738</b>
<b>OTHER COMPREHENSIVE INCOME (+) / LOSS (-)</b>	<b>(3,060)</b>	<b>(10,969)</b>
<b>TOTAL COMPREHENSIVE INCOME (+) / LOSS (-)</b>	<b>(4,280)</b>	<b>(14,386)</b>

  

THE TOTAL COMPREHENSIVE INCOME (+) / LOSS (-) IS ATTRIBUTABLE TO (in € thousand)	2019	2020
	Unaudited	Unaudited
Shareholders of the parent company	(4,014)	(14,227)
Non-controlling interests	(266)	(160)

## 2.3 Consolidated statement of financial position

(in € thousand)	Notes	31 December 2019	30 June 2020
		Audited	Unaudited
<b>Assets</b>			
Intangible fixed assets		3,682	2,720
Goodwill	5	10,628	10,614
Tangible fixed assets		299,152	270,055
Financial fixed assets		15	(2)
Investment in a joint venture		2,924	373
Deferred tax assets		4,502	5,577
Long-term receivables		907	954
<b>Non-current assets</b>		<b>321,810</b>	<b>290,291</b>
Inventories		109,073	114,385
Trade receivables	7	78,097	64,592
Other receivables	7	12,015	11,531
Cash and cash equivalents	8	52,799	114,687
Fixed assets held for sale		1,580	11,514
<b>Current assets</b>		<b>253,564</b>	<b>316,709</b>
<b>Total assets</b>		<b>575,374</b>	<b>607,000</b>
<b>Equity and liabilities</b>			
Issued capital		53,925	53,925
Share premiums		88,261	88,261
Consolidated reserves		200,427	197,293
Actuarial gains / losses		(7,640)	(6,902)
Treasury shares		(75)	(75)
Treasury shares held in subsidiaries		(454)	(15)
Currency translation adjustments		(103,783)	(115,185)
<b>Equity excluding non-controlling interest</b>		<b>230,662</b>	<b>217,303</b>
Non-controlling interest		2,443	2,302
<b>Equity including non-controlling interest</b>		<b>233,105</b>	<b>219,605</b>
Interest-bearing loans including lease liabilities		140,546	143,399
Other long term liabilities		80	80
Long-term provisions		27,282	26,513
Deferred tax liabilities		672	873
<b>Non-current liabilities</b>		<b>168,581</b>	<b>170,864</b>
Interest-bearing loans including lease liabilities		52,405	89,727
Trade payables		92,656	90,179
Tax liabilities		3,678	8,849
Employee related liabilities		11,967	15,066
Short-term provisions		8,291	5,623
Other liabilities		4,702	7,087
<b>Current liabilities</b>		<b>173,689</b>	<b>216,532</b>
<b>Total equity and liabilities</b>		<b>575,374</b>	<b>607,000</b>

## 2.4 Consolidated statement of changes in equity

(in € thousand)	Issued capital	Share premiums	Consolidated reserves	Actuarial gains / losses	Treasury shares	Treasury shares held in subsidiaries	Currency translation adjustments	Total equity attributable to shareholders of the parent company	Non-controlling interest	Total
<b>As per 31 December 2018</b>	<b>53,901</b>	<b>88,193</b>	<b>218,591</b>	<b>(4,288)</b>	<b>(75)</b>	<b>(669)</b>	<b>(102,637)</b>	<b>253,018</b>	<b>2,613</b>	<b>255,631</b>
Net income (loss) for the current period			(14,951)					(14,951)	211	(14,741)
Other comprehensive income (+) / loss (-)				(3,353)			(1,147)	(4,499)	(265)	(4,764)
<b>Total comprehensive income (+) / loss (-)</b>			<b>(14,951)</b>	<b>(3,353)</b>			<b>(1,147)</b>	<b>(19,451)</b>	<b>(55)</b>	<b>(19,505)</b>
Capital increase	24	68						92	132	224
Own shares purchased						215		215	9	224
Exercise of options										
Non-controlling interest due to business combinations										
Share based payments			913					913	-	913
Dividends paid			(4,125)					(4,125)	(257)	(4,383)
Transfer										
<b>As per 31 December 2019</b>	<b>53,925</b>	<b>88,261</b>	<b>200,427</b>	<b>(7,640)</b>	<b>(75)</b>	<b>(454)</b>	<b>(103,783)</b>	<b>230,661</b>	<b>2,443</b>	<b>233,104</b>

(in € thousand)	Issued capital	Share premiums	Consolidated reserves	Actuarial gains / losses	Treasury shares	Treasury shares held in subsidiaries	Currency translation adjustments	Total equity attributable to shareholders of the parent company	Non-controlling interest	Total
<b>As per 31 December 2019 (audited)</b>	<b>53,925</b>	<b>88,261</b>	<b>200,427</b>	<b>(7,640)</b>	<b>(75)</b>	<b>(454)</b>	<b>(103,783)</b>	<b>230,661</b>	<b>2,443</b>	<b>233,104</b>
Net income (loss) for the current period			(3,563)					(3,563)	146	(3,417)
Other comprehensive income (+) / loss (-)				738			(11,402)	(10,664)	(306)	(10,969)
<b>Total comprehensive income (+) / loss (-)</b>				<b>738</b>			<b>(11,402)</b>	<b>(14,227)</b>	<b>(160)</b>	<b>(14,386)</b>
Capital increase										-
Own shares purchased						439		439	19	458
Exercise of options										-
Non-controlling interest due to business combinations										-
Share based payments			429					429		429
Dividends paid										-
Transfer										-
<b>As per 30 June 2020 (unaudited)</b>	<b>53,925</b>	<b>88,261</b>	<b>197,293</b>	<b>(6,902)</b>	<b>(75)</b>	<b>(15)</b>	<b>(115,185)</b>	<b>217,303</b>	<b>2,302</b>	<b>219,605</b>

## 2.5 Consolidated statement of cash flows

For the 6 month period ended per 30 June (in € thousand)	2019 Unaudited	2020 Unaudited
Profit (+) / loss (-)	(1,220)	(3,417)
Depreciations & Impairment	20,089	20,440
Net financial charges	11,068	9,441
Income taxes	(552)	(26)
Inventory write-off (+ = cost / - = inc)	365	3,112
Trade AR write-off (+ = cost / - = inc)	71	5,425
Long term provisions (+ = cost / - = inc)	385	(1,808)
Gain / Loss on disposal of (in)tang. FA (+ = cost / - = inc)	(71)	(55)
Fair value adjustments Investment in a joint venture (equity method)	(90)	2,564
<b>GROSS OPERATING CASH FLOW</b>	<b>30,045</b>	<b>35,676</b>
Decr / (incr) in inventories	(8,200)	(13,345)
Decr / (incr) in trade AR	5,075	3,041
Incr / (decr) in trade AP	(6,196)	1,346
Decr / (incr) in other operating assets/liabilities	5,711	8,744
Income taxes paid (-) / received (+)	(2,603)	106
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>23,831</b>	<b>35,568</b>
Purchases of (in)tangible FA (-)	(16,046)	(8,949)
Proceeds from sale of (in)tangible FA (+)	276	1,748
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>	<b>(15,770)</b>	<b>(7,201)</b>
Capital incr (+) / decr (-)	549	458
Dividends paid (-) / received (+)	(4,073)	(141)
Interest received (+)*	3,232	999
Interest paid (-)	(5,123)	(2,955)
Net financial result, excl interest	(17,601)	987
New (+) / repayments (-) of long-term debts	(9,951)	(1,919)
New (+) / repayments (-) of short-term debts	8,787	40,711
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>(24,179)</b>	<b>38,141</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(16,117)</b>	<b>66,507</b>
Cash and cash equivalents as per beginning of period	65,831	52,799
Impact of exchange rate fluctuations	(4,069)	(4,619)
<b>Cash and cash equivalents as per end of period</b>	<b>45,645</b>	<b>114,687</b>

\* H1 2019 cash flow has been restated to reflect the amended classification of Interest received as Cash Flow from Financing Activities instead of Cash Flow from Operating Activities from 01.01.2020.

## Notes to the interim condensed consolidated financial statements

### 1. Basis of presentation

These interim condensed consolidated financial statements for the six months ended 30 June 2020 have been prepared in accordance with IAS 34, Interim Financial Reporting.

The interim condensed consolidated financial statements have been prepared using the same accounting policies and methods of computation as in the 31 December 2019 annual financial statements, except for the new standards and interpretations which have been adopted as of 1 January 2020 (see “New amended IFRS standards and IFRIC interpretations” below) and which had an impact on the interim condensed consolidated financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

### New amended IFRS standards and IFRIC interpretations

Several amendments and interpretations apply for the first time in 2020, but do not have a material impact on the interim condensed consolidated financial statements of the Group.

- Definition of Material – amendments to IAS 1 and IAS 8
- Definition of a Business – amendments to IFRS 3
- Revised Conceptual Framework for Financial Reporting
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7.

### 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, France, Italy, Spain, the United Kingdom, Bosnia, Bulgaria, Croatia, Czech Republic, Germany, Lithuania, Poland, Romania, Russia and Serbia;
2. North America: United States and Canada;
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 Team as its Chief Operating Decision Maker. The segments have been defined based on the information provided to the Executive Team.

The Executive Team monitors the performance of its operational segments based on sales and adjusted EBITDA per segment and makes decisions about resource allocation on this geographical segmentation basis.

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

FOR THE 6 MONTH PERIOD ENDED 30 JUNE (in € thousand)	EUROPE		NORTH AMERICA		TURKEY & EMERGING MARKETS		INTERSEGMENT ELIMINATIONS		CONSOLIDATED	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
External sales	173,090	146,990	64,159	73,868	75,264	68,381	-	-	312,512	289,239
Intersegment sales	444	113	136	467	1,424	3,797	(2,004)	(4,377)	-	-
Total sales	173,533	147,128	64,295	74,335	76,688	72,152	(2,004)	(4,377)	312,512	289,239
EBITDA	13,237	10,263	6,197	7,064	10,188	9,837	(237)	(726)	29,385	26,438
<b>Adjusted EBITDA</b>	<b>13,237</b>	<b>11,150</b>	<b>6,197</b>	<b>7,570</b>	<b>10,188</b>	<b>9,837</b>	<b>553</b>	<b>(726)</b>	<b>30,175</b>	<b>27,832</b>
Non recurring costs and benefits	-	-	-	-	-	-	-	-	(791)	(1,394)
Financial result	-	-	-	-	-	-	-	-	(11,068)	(9,350)
Income taxes	-	-	-	-	-	-	-	-	552	26
Depreciations & Impairment	11,169	11,692	4,739	5,111	4,400	4,183	(219)	(519)	20,089	20,468
Capital expenditures (Capex)	(11,247)	(4,482)	(3,325)	(3,585)	(1,636)	(1,303)	162	421	(16,046)	(8,949)

\* From 01.01.2020, Romania is reported as part of Europe instead of part of the Emerging Markets. In order to have comparable data in the table above, H1 2019 sales in Romania have been reallocated from Turkey & EM to Europe. The impact on the other KPIs is considered as insignificant.

The difference between the adjusted EBITDA and EBITDA of € 1.4m includes the following non-recurring income and expenses

- Costs related to the one-off product platform migration including an exceptional impairment of intangibles (€ 1.8 m)
- The cost of a one-off restructuring program in North America (€ 0.5m) and release of provision related to the one-off restructuring program in Europe (€ 0.9m)

## Assets:

(in € thousand)	CONSOLIDATED	
	31 Dec 2019	30 Jun 2020
Europe	300,066	288,731
North America	103,098	102,113
Turkey & Emerging Markets	141,419	123,963
<b>INTERSEGMENT ASSETS</b>	<b>544,583</b>	<b>514,807</b>
Cash and cash equivalents	52,799	114,687
Intersegment eliminations	(22,007)	(22,494)
<b>TOTAL GROUP ASSETS</b>	<b>575,374</b>	<b>607,000</b>

## Liabilities:

(in € thousand)	CONSOLIDATED	
	31 Dec 2019	30 Jun 2020
Europe	109,050	156,472
North America	19,855	22,792
Turkey & Emerging Markets	74,642	75,311
<b>INTERSEGMENT LIABILITIES</b>	<b>203,547</b>	<b>254,575</b>
Equity including non-controlling interest	233,105	219,604
Long-term interest-bearing loans	140,546	143,399
Other long term liabilities	80	80
Short-term interest-bearing loans	19,297	15,647
Intersegment eliminations	(21,201)	(26,305)
<b>TOTAL GROUP LIABILITIES</b>	<b>575,374</b>	<b>607,000</b>

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

FOR THE 6 MONTH PERIOD ENDED 30 JUNE	EUROPE		NORTH AMERICA		TURKEY & EMERGING MARKETS		CONSOLIDATED	
	2019	2020	2019	2020	2019	2020	2019	2020
Window and door systems	79%	80%	100%	100%	96%	96%	88%	89%
Outdoor living	12%	13%	0%	0%	0%	0%	7%	7%
Home protection	9%	8%	0%	0%	4%	4%	6%	5%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

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)	2019	2020
	Unaudited	Unaudited
Current income tax expense	(400)	(1,223)
Deferred income tax expense	951	1,249
<b>INCOME TAX REPORTED IN THE INCOME STATEMENT</b>	<b>552</b>	<b>26</b>
Income tax recognized in other comprehensive income	(119)	(233)
<b>INCOME TAX RECOGNIZED IN OTHER COMPREHENSIVE INCOME</b>	<b>(119)</b>	<b>(233)</b>
<b>TOTAL</b>	<b>432</b>	<b>(207)</b>

The recoverability of deferred income tax assets (DTA) on tax losses carried forward and other tax credits has been reassessed including a prudence factor reflecting forecast uncertainties. The total reassessment has no material impact on the total DTA recognized.

### 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.

The impact of reduced economic activity and lower revenues due to Covid-19 are assessed as an indicator of impairment.

The assumptions and cash flow forecasts used to test for impairment are updated. For the period 2020 – 2023 the cash flow forecast is based on long term plans, taking into account the potential impact of Covid-19. For subsequent years, a terminal growth rate of 1.5% is assumed. The discount rate was estimated based on the weighted average cost of capital (WACC) and is 11.3%. The model used to determine the present value of expected future cash flows includes sensitivities on the WACC, terminal growth rate and exchange rates. The exercise performed revealed no impairment issues.

### 6. Investment in a joint venture

The Group's interests in joint ventures and associates accounted for under the equity method are tested for impairment in accordance with IAS 28 Investments in Associates and Joint Ventures.

The Group considered the impact of COVID-19 and the measures taken to control the impact as an indicator that for impairment. A similar impairment exercise as performed for the goodwill has been performed, indicating no impairment on the joint venture in the So Easy Group.

The underlying intangible assets in So Easy have been tested for impairment and resulted in a write-off on the customer base of € 2.6 m.

## 7. Trade and other receivables

The impact of COVID-19 on the expected credit loss model (ECL) has been assessed. Forward-looking information is adjusted to reflect the increase in credit risk as well as the amount at risk resulting from COVID-19.

We took into account the expected increase in insolvencies as estimated by external experts (1). This resulted in an additional bad debt provision of € 4.7 m.

(1) Allianz Research 26 March 2020: Covid-19 Crisis in Europe to put 13.000 corporates at risk  
 Allianz Research 19 June 2020: Construction companies in Europe: Size does matter  
 Allianz Research March 2020: COVID 19: Quarantined Economics – Global Economic Outlook  
 COFACE for trade – Q2 2020: Country risk assessment map

## 8. Cash and cash equivalents

(in € thousand)	31 December 2019	30 June 2020
	Audited	Unaudited
Cash and current bank accounts	22,286	80,587
Short term deposits	30,513	34,100
<b>TOTAL</b>	<b>52,799</b>	<b>114,687</b>

## 9. Other financial assets and financial liabilities

The Group uses the following hierarchical classification in determining and explaining the fair value of financial instruments by valuation technique.

- Level 1: quoted (not adjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques that use input with a significant impact on the recorded fair value that is not based on observable market data.

During the reporting period ending 30 June 2020, 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 2019 the Group had the following financial instruments:

(in € thousand)	31 December 2019		Level 1	Level 2	Level 3
	Audited				
	Fair Value	Nominal Value			
FX forward contracts	1,009	50,187		1,009	
<b>Assets</b>	<b>1,009</b>	<b>50,187</b>	<b>-</b>	<b>1,009</b>	<b>-</b>
FX forward contracts	564	32,516		564	
<b>Liabilities</b>	<b>564</b>	<b>32,516</b>	<b>-</b>	<b>564</b>	

As of 30 June 2020, the Group had the following financial instruments:

(in € thousand)	30 June 2020 Unaudited		Level 1	Level 2	Level 3
	Fair Value	Nominal Value			
FX forward contracts	638	55,509		638	
<b>Assets</b>	<b>638</b>	<b>55,509</b>	-	<b>638</b>	-
FX forward contracts	536	14,774		536	
<b>Liabilities</b>	<b>536</b>	<b>14,774</b>	-	<b>536</b>	-

## 10. Related parties

During 2020, the Group made purchases valued at € 36 thousand (€ 77 thousand as per 30 June 2019), under normal market conditions, from companies of which directors of the company held a majority of the shares.

## 11. Going concern

Management considered the implications of COVID-19 as well as the various mitigating actions and resulting financial performance. Furthermore, we refer to the measures as described in the section on liquidity risk. There are no indicators or circumstances that might question the continuity of the activities.

## 12. 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 2020, except for the non-adjusting subsequent event of the sale of land plot in Hooglede-Gits, Belgium on July 15<sup>th</sup>, 2020 for a total amount of € 14,2m.

### 3. Statement of the Board of Directors

Declaration regarding the information given in this interim financial report for the 6 month period ending 30 June 2020

The undersigned declare that:

- the interim condensed consolidated financial statements have been prepared in conformity with the standards applicable for annual accounts, and that they give a true picture of the net assets, the financial position and of the results of the company and the consolidated companies.
- the half year financial report gives a fair overview of the developments and results of the issuer and the consolidated companies and also provides a fair description of the most important risks and uncertainties with which they are confronted.

Board of Directors  
Deceuninck NV

## 4. Report of the statutory auditor

### **Report of the statutory auditor to the shareholders of Deceuninck NV on the review of the interim condensed consolidated financial statements as of 30 June 2020 and for the 6 month period then ended**

#### **Introduction**

We have reviewed the accompanying interim condensed consolidated financial statements, consisting of the consolidated statement of financial position of Deceuninck NV and its subsidiaries (jointly “the Group”) as of 30 June 2020 and the related consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six-month period then ended, as well as the explanatory notes.

The board of directors is responsible for the preparation and presentation of this consolidated condensed interim financial information in accordance with IAS 34, as adopted by the European Union. Our responsibility is to express a conclusion on this consolidated condensed interim financial information based on our review.

#### **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity.” A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34, as adopted by the European Union.

Gent, 14 August 2020

The statutory auditor

PwC Bedrijfsrevisoren BV/Reviseurs d'Entreprises SRL

Represented by

Lien Winne

Bedrijfsrevisor/Réviser d'entreprises

## GLOSSARY

1	<b>EBITDA</b>	EBITDA is defined as operating profit / (loss) adjusted for depreciation / amortization and impairment of fixed assets.
2	<b>Adjusted EBITDA</b>	Adjusted EBITDA is defined as operating profit / (loss) adjusted for (i) gains on asset disposals, (ii) integration and restructuring expenses, (iii) depreciation / amortization and (iv) impairment of fixed assets.
3	<b>LTM Adjusted EBITDA</b>	Adjusted EBITDA for the prior twelve consecutive months
4	<b>EBITA</b>	Earnings before interest, taxes and amortization
5	<b>EBIT</b>	Earnings before interest and taxes = operational result
6	<b>EBT</b>	Earnings before taxes
7	<b>EPS (non-diluted)</b>	(Non-diluted) earnings per share
8	<b>EPS (diluted)</b>	(Diluted) earnings per share
9	<b>Net debt</b>	Financial debts – cash and cash equivalents
10	<b>Working capital</b>	Trade receivables + inventories – trade debts
11	<b>Capital employed (CE)</b>	The sum of goodwill, intangible, tangible and financial fixed assets and working capital
12	<b>Headcount (FTE)</b>	Total Full Time Equivalents including temporary and external staff

## FRAMING THE FUTURE TOGETHER

We are Deceuninck, the smartest choice for the most innovative window & door solutions.

As a highly reliable partner to our clients around the globe we offer them eco-friendly products that increase the comfort of houses and buildings in terms of insulation, safety, acoustics and air quality. Our aim is to be a provider of solutions for a better world.



