
**RECTICEL
CONDENSED FINANCIAL STATEMENTS
PER 30 JUNE 2020**

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I. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements have been authorised for issue by the Board of Directors on 27 August 2020.

I.1. CONSOLIDATED INCOME STATEMENT

Group Recticel in thousand EUR	Notes *	1H2020	1H2019 restated ¹
Sales	1.7.6.	374 262	453 831
Distribution costs		(25 620)	(28 375)
Cost of sales		(283 299)	(337 475)
Gross profit		65 343	87 981
General and administrative expenses		(28 589)	(30 321)
Sales and marketing expenses		(29 881)	(34 300)
Research and development expenses		(4 901)	(5 588)
Impairment of goodwill, intangible and tangible assets	1.7.6.	(2 083)	(333)
Other operating revenues	1.7.7.1	3 640	3 229
Other operating expenses	1.7.7.1	(6 834)	(9 065)
Income from associates ²		420	682
Operating profit (loss)	1.7.6.	(2 885)	12 285
Interest income		589	1 383
Interest expenses		(2 330)	(3 124)
Other financial income		3 568	6 530
Other financial expenses		(4 378)	(7 561)
Financial result	1.7.7.2.	(2 551)	(2 772)
Income from other associates ²		(2 954)	2 588
Change in fair value of option structures		1 702	2 860
Result of the period before taxes		(6 688)	14 961
Income taxes		(2 045)	(2 633)
Result of the period after taxes - continuing operations		(8 733)	12 328
Result from discontinued operations	1.7.7.3.	68 812	3 773
Result of the period after taxes - continuing and discontinued operations		60 079	16 101
of which non-controlling interests		(31)	(6)
of which share of the Group		60 110	16 107

* The accompanying notes are an integral part of this income statement.

¹ Following the partial divestment from Automotive Interiors on 30 June 2020 (see press release of 01 July 2020), Automotive Interiors is integrated in the consolidated accounts according to the 'equity method'. Due the loss of control as a result of the partial divestment of Automotive Interiors and the sale of Eurofoam, the 2019 consolidated income statement was restated to present their operations as discontinued operations.

To facilitate comparisons and understanding of the Group's underlying performance, all comments in this document on developments in revenue or results are made on a like-for-like basis unless otherwise indicated.

Following the divestment of 50% participation in Eurofoam, the publication of combined accounts has been discontinued.

² Income from associates = income from associates considered as being part of the Group's core business are integrated in Operating profit (loss); i.e. Orsafoam

Income from other associates = income from associates not considered as being part of the Group's core business are not integrated in Operating profit (loss); i.e. Proseat and Automotive Interiors

I.2. EARNINGS PER SHARE

in EUR	1H2020	1H2019 restated ¹
Number of shares outstanding (including treasury shares)	55 397 439	55 293 406
Weighted average number of shares outstanding (before dilution effect)	54 959 861	54 917 196
Weighted average number of shares outstanding (after dilution effect)	55 154 501	55 128 831
Earnings per share - continuing operations	(0,16)	0,22
Earnings per shares - discontinued operations	1,25	0,07
Earnings per share of continuing and discontinued operations	1,09	0,29
Earnings per share from continuing operations		
Basic	(0,16)	0,22
Diluted	(0,16)	0,22
Earnings per share from discontinued operations		
Basic	1,25	0,07
Diluted	1,25	0,07
Net book value	5,98	4,98

The basic earnings per share are calculated on the basis of the weighted average number of shares outstanding during the period.

The diluted earnings per share are calculated on the basis of the weighted average number of shares outstanding during the period, increased for the warrants in-the-money.

I.3. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Group Recticel in thousand EUR	1H2020	1H2019
Result for the period after taxes	60 080	16 101
Other comprehensive income		
<i>Items that will not subsequently be recycled to profit and loss</i>		
Actuarial gains (losses) on employee benefits recognized in equity	2 100	(4 333)
Deferred taxes on actuarial gains (losses) on employee benefits	(452)	759
Currency translation differences	195	(18)
Joint ventures & associates	(246)	(655)
Total	1 597	(4 247)
<i>Items that subsequently may be recycled to profit and loss</i>		
Currency translation differences	(13 816)	371
Foreign currency translation reserve difference recycled in the income statement	18 345	305
Deferred taxes on retained earnings	(1)	(68)
Joint ventures & associates	2 003	158
Total	6 532	766
Other comprehensive income net of tax	8 129	(3 481)
Total comprehensive income for the period	68 209	12 620
Total comprehensive income for the period	68 209	12 620
of which attributable to the owners of the parent	68 239	12 626
of which attributable to non-controlling interests	(31)	(6)

I.4. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Group Recticel in thousand EUR	Notes*	30 Jun 2020	31 Dec 2019 as published
Intangible assets		13 883	14 306
Goodwill	I.7.4.1.	24 102	24 412
Property, plant & equipment	I.7.8.1.	171 552	227 617
Right-of-use assets	I.7.8.2.	80 128	105 110
Investment property		3 331	3 331
Investments in associates	I.7.8.3.	12 052	65 465
Investments in other associates	I.7.8.3.	20 122	0
Non-current receivables		33 831	26 383
Other non-current contract assets		0	11 138
Deferred taxes		22 139	24 108
Non-current assets		381 140	501 870
Inventories		84 601	101 797
Trade receivables		119 712	99 117
Other current contract assets		0	11 300
Other receivables and other financial assets		31 349	32 667
Income tax receivables		1 515	1 448
Other investments		154	154
Cash and cash equivalents		197 477	48 479
Assets held for sale		3 738	5 638
Current assets		438 546	300 599
TOTAL ASSETS		819 686	802 469
Capital		138 846	138 494
Share premium		130 741	130 334
Share capital		269 587	268 828
Treasury shares		(1 450)	(1 450)
Other reserves		(21 061)	(25 621)
Retained earnings		95 550	51 226
Hedging and translation reserves		(11 755)	(18 287)
Equity (share of the Group)		330 871	274 696
Equity attributable to non-controlling interests		671	701
Total equity		331 542	275 397
Pensions and similar obligations		47 843	57 164
Provisions	I.7.8.4.	23 371	6 905
Deferred taxes		10 644	10 023
Financial liabilities	I.7.8.5.	77 285	100 334
Non-current contract liabilities		0	20 339
Other amounts payable		43	43
Non-current liabilities		159 186	194 808
Pensions and similar obligations		3 376	696
Provisions	I.7.8.4.	921	5 759
Financial liabilities	I.7.8.5.	164 400	117 415
Trade payables		55 903	93 008
Current contract liabilities		17 301	32 832
Income tax payables		229	1 229
Other amounts payable		86 828	81 325
Current liabilities		328 958	332 264
TOTAL EQUITY AND LIABILITIES		819 686	802 469

* The accompanying notes are an integral part of this statement of financial position. See also note I.7.7.3. on discontinued activities.

The reduction of deferred tax assets is mainly explained by (i) the disposal of the Automotive Interiors activities (EUR 0.7 million) and (ii) amortisation in Belgium (EUR 1.2 million).

I.5. CONSOLIDATED CASH FLOW STATEMENT

Group Rectical in thousand EUR	Notes *	1H2020	1H2019 as published
Operating profit (loss)		(2 886)	24 733
Income from discontinued operations		68 812	0
Amortisation of intangible assets		1 202	1 354
Depreciation of tangible assets	1.7.7.	26 953	25 557
Amortisation of deferred long term and upfront payment		781	909
(Reversal) Impairment losses on intangible assets		9	358
(Reversal) Impairment losses on tangible assets	1.7.7.	3 180	335
(Reversal) Impairment losses on goodwill	1.7.7.	0	0
(Write-back)/Write-offs on assets		671	79
(Write-back)/Write-offs on shares affiliates		220	0
Changes in provisions		13 292	(3 309)
Stock options		304	0
Valorisation of call/put options on Proseat		0	(2 860)
(Gains) / Losses on disposals of intangible and tangible assets		(737)	(3 642)
(Gains) / Losses on disposals of shares affiliates		(101 703)	0
(Gains) / Losses on disposals of receivables		201	0
Income from associates		(420)	(4 833)
GROSS OPERATING CASH FLOW BEFORE WORKING CAPITAL MOVEMENTS		9 882	38 681
Inventories		1 383	(4 752)
Contract assets		0	5 302
Trade receivables		(39 068)	(15 044)
Other receivables		(4 506)	(16 718)
Trade payables		(17 124)	26 476
Contract liabilities		0	(4 063)
Other payables		11 121	1 600
Changes in working capital		(48 194)	(7 200)
Trade & Other long term debts maturing within 1 year		0	6
Tax credit (non-current receivables)		(0)	(926)
Income taxes paid		(2 545)	(2 484)
NET CASH FLOW FROM OPERATING ACTIVITIES (a)		(40 858)	28 077
Interests received		601	476
Dividends received		54	6 306
Result transfer		0	0
Investments in and subscriptions to capital increases		(1 403)	(32 814)
Increase of loans and receivables		(10 000)	0
Decrease of loans and receivables		20 567	6 107
Investments in intangible assets		(1 523)	(2 456)
Investments in property, plant and equipment		(8 767)	(17 522)
Net deferred charges long term		(204)	0
Investments in associates		0	0
Disposals of intangible assets		0	1
Disposals of property, plant and equipment		56	1 935
Disposal of financial investments		0	45 426
Proceeds from affiliates and joint ventures disposals		176 303	0
NET CASH FLOW FROM DIVESTMENT (INVESTMENT) ACTIVITIES (b)		175 685	7 460
Interests paid on financial debt (c)		(1 714)	(1 355)
Interests paid on lease debt (d)		0	(101)
Dividends paid		(13 254)	(13 204)
Increase (Decrease) of capital		760	312
Increase of financial debt		97 523	11 507
Decrease of financial debt		(54 606)	0
Decrease of lease debt (e)		(14 750)	(12 638)
NET CASH FLOW FROM FINANCING ACTIVITIES (f)		13 959	(15 479)
Effect of exchange rate changes (g)		212	2 268
CHANGES IN CASH AND CASH EQUIVALENTS (a)+(b)+(f)+(g)		148 998	22 326
Net cash position opening balance		48 479	13 774
Net cash position closing balance		197 477	36 100
CHANGES IN CASH AND CASH EQUIVALENTS		148 998	22 326
NET FREE CASH FLOW (a)+(b)+(c)+(d)+(e)		118 363	21 443

Cash flows from discontinued activities

Group Rectical in thousand EUR	1H2020	
	Automotive Interiors	Eurofoam
NET CASH FLOW FROM OPERATING ACTIVITIES	(12 053)	0
NET CASH FLOW FROM DIVESTMENT (INVESTMENT) ACTIVITIES	10 620	181 347
NET CASH FLOW FROM FINANCING ACTIVITIES	(9 731)	0
Effect of exchange rate changes	1 054	0
Net cash position closing balance	0	0
CHANGES IN CASH AND CASH EQUIVALENTS	(10 110)	181 347

The key elements contributing to the 1H2020 cash flow statement are highlighted in the above table. The change in working capital is mainly the result of not using any factoring lines per 30 June 2020, compared to prior period. In 1H2020 the Operating profit (loss) only incorporates 'Income from associates', i.e. associates which are considered core activities. Therefor 'Income from other associates' – i.e. associates of non-core businesses – and related options are not reflected in the above cash flow statement for 1H2020; since these are non-cash items.

I.6. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the half-year ending 30 June 2020

Group Recticel in thousand EUR	Capital	Share premium	Treasury shares	Other reserves	Retained earnings	Translation differences reserves and Hedging reserves	Total shareholders' equity	Non-controlling interests	Total equity, non- controlling interests included
At the end of the period (31 December 2019)	138 494	130 334	-1 450	-25 621	51 227	-18 288	274 696	701	275 397
Dividends	0	0	0	0	-13 127	0	-13 127	0	-13 127
Stock options (IFRS 2)	0	0	0	304	0	0	304	0	304
Capital movements	352	407	0	0	0	0	759	0	759
Shareholders' movements	352	407	0	304	-13 127	0	-12 064	0	-12 064
Profit or loss of the period	0	0	0	0	60 110	0	60 110	-30	60 080
Other comprehensive income ¹	0	0	0	2 049	-453	-11 812	-10 216	0	-10 216
Change in scope	0	0	0	2 145	-2 145	18 345	18 345	0	18 345
Comprehensive income	0	0	0	4 194	-2 598	6 533	8 129	0	8 129
Reclassification	0	0	0	62	-62	0	0	0	0
At the end of the period (30 June 2020)	138 846	130 741	-1 450	-21 061	95 550	-11 755	330 871	671	331 542

For the half-year ending 30 June 2019

Group Recticel in thousand EUR	Capital	Share premium	Treasury shares	Other reserves	Retained earnings	Translation differences reserves and Hedging reserves	Total shareholders' equity	Non-controlling interests	Total equity, non- controlling interests included
At the end of the period (31 December 2018)	138 068	129 941	-1 450	-19 214	39 636	-22 003	264 977	0	264 977
Dividends	0	0	0	0	-13 254	0	-13 254	0	-13 254
Stock options (IFRS 2)	0	0	0	243	0	0	243	0	243
Capital movements	166	146	0	0	0	0	312	0	312
Shareholders' movements	166	146	0	243	-13 254	0	-12 699	0	-12 699
Profit or loss of the period	0	0	0	0	16 107	0	16 107	-6	16 101
Other comprehensive income	0	0	0	-4 247	-68	834	-3 481	0	-3 481
Change in scope	0	0	0	81	-81	302	302	716	1 018
Reclassification	0	0	0	-67	67	0	0	0	0
At the end of the period (30 June 2019)	138 234	130 087	-1 450	-23 204	42 407	-20 867	265 206	710	265 916

I.7. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDING 30 JUNE 2020

I.7.1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I.7.1.1. STATEMENT OF COMPLIANCE - BASIS OF PREPARATION

These condensed consolidated financial statements for the six months ended 30 June 2020 have been prepared in accordance with IAS 34 Interim Financial Reporting, as endorsed by the European Union. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2019.

These condensed consolidated interim financial statements have been authorised for issue by the Board of Directors on 27 August 2020.

I.7.2. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2019.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2020.

A number of other new standards, interpretations and related amendments are effective from 01 January 2020 but they do not have a material effect on the Group's financial statements.

- Amendments to IFRS 3 – Definition of a Business (effective 1 January 2020): The amendments aim to assist companies to determine whether it has acquired a business or a group of assets.
- Amendments to IAS 1 and IAS 8 – Definition of Material (effective 1 January 2020): The amendments clarify the definition of "material" and to align the definition used in the Conceptual Framework and the standards.

Following the partial divestment from Automotive Interiors on 30 June 2020 (see press release of 01 July 2020), Automotive Interiors is integrated in the consolidated accounts according to the 'equity method'. Due the loss of control as a result of the partial divestment of Automotive Interiors and the sale of Eurofoam, the 2019 consolidated income statement was restated to present their operations as discontinued operations.

In addition, the former concept of 'Associates' has been replaced by 'Associates' and 'Other associates'. Going forward 'Associates' are considered as being part of the Group's core business are integrated in Operating profit (loss); i.e. Orsafoam; whereas 'Other associates' are not considered as being part of the Group's core business are not integrated in Operating profit (loss); i.e. Proseat and Automotive Interiors.

I.7.3. POTENTIAL IMPACT OF NEW STANDARDS WHICH ARE NOT YET APPLICABLE

Following relevant standards, interpretations and related amendments which are not yet applicable are deemed not to have a significant impact on the consolidated financial standards:

- Amendments to IFRS 16 – *COVID 19-Related Rent Concessions* (effective 1 June 2020, but not yet endorsed in EU): If certain conditions are met, the amendments would permit lessees, as a practical expedient, not to assess whether particular covid-19-related rent concessions are lease modifications. Instead, lessees that apply the practical expedient would account for those rent concessions as if they were not lease modifications.
- Amendments to IAS 1 – *Classification of Liabilities as Current or Non-current* (effective 1 January 2023, but not yet endorsed in EU): The amendments provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date.
- Amendments to IAS 16 – *Proceeds before Intended Use* (effective 1 January 2022, but not yet endorsed in EU): The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- Amendments to IAS 37 – *Onerous Contracts – Cost of Fulfilling a Contract* (effective 1 January 2022, but not yet endorsed in EU): The amendments clarify the costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.
- Annual Improvements 2018-2020 (effective 1 January 2022, but not yet endorsed in EU): The annual improvements package includes the following minor amendments: Subsidiary as a First-time Adopter (Amendment to IFRS 1); Fees in the ‘10 per cent’ Test for Derecognition of Financial Liabilities (Amendment to IFRS 9); Lease Incentives (Amendment to Illustrative Example 13 of IFRS 16); Taxation in Fair Value Measurements (Amendment to IAS 41).

I.7.4. CRITICAL ACCOUNTING ASSESSMENTS AND PRINCIPAL SOURCES OF UNCERTAINTY

Drawing up the annual accounts in accordance with IFRS requires management to make the necessary estimates and assessments. The management bases its estimates on past experience and other reasonable assessment criteria. These are reviewed periodically and the effects of such reviews are taken into account in the annual accounts of the period concerned. Future events which may have a financial impact on the Group are also included in this.

The estimated results of such possible future events may consequently diverge from the actual impact on results.

The assessments and estimates made for the period ended 30 June 2020 are similar to the ones disclosed in the applied in the Group’s consolidated financial statements as at and for the year ended 31 December 2019, with the exception of the impact of the COVID-19 pandemic.

Since the COVID-19 outbreak, our first priority has been to ensure and secure a safe and healthy workplace for our employees. So far the number of confirmed infection cases could be contained to 15 employees only, with no serious medical consequences, and none of these infections originated in the workplace.

Since early June all our plants are operating again, adapting activity levels to market demand.

The COVID-19 crisis and subsequent governmental lockdown measures in most countries have led to a decrease of our 2Q2020 combined sales by 32.3% compared to last year, with a slightly positive 2Q2020 Adjusted EBITDA. After a low point of -51.5% in April 2020 vs April 2019, the sales shortfall versus 2019 has progressively reduced to -35.4% in May and -9.3% in June.

The Insulation division has come back to last year level in June, following the restoring activity levels in the building markets, while the Bedding division ended the month of June slightly ahead of last year, thanks to a strong orderbook secured from mid-May onwards as shops progressively reopened throughout Europe.

In Flexible Foams, comfort markets bounced back strongly in June, whereas the technical foams segment remained more subdued due to soft industrial & automotive demand.

The Automotive activities in Europe and the USA, were without surprise the most impacted, as a consequence of the low new car registrations in these regions, and the subsequent massive temporary shutdowns of the car assembly plants. The Automotive forecasts are nonetheless improving since then. (cfr. I.7.7.3.)

The COVID-19 pandemic required the Group to monitor more closely following assessments and estimates made in the financial reporting:

- impairment test of goodwill;
- determination of provisions for irrecoverable receivables;
- the recoverability of deferred tax assets;
- determination of provisions for restructuring, contingent liabilities and other exposures.

1.7.4.1. Impairment test on goodwill

As the specific circumstances of the previous months are a clear indicator for impairment, the Group has conducted an update of the impairment tests on goodwill as per 30 June 2020.

The net book value of the assets retained for impairment tests, as included in the below table, represents 100% of the total goodwill:

Per 30 June 2020:

Group Recticel in thousand EUR	FLEXIBLE FOAMS	BEDDING	INSULATION	CORPORATE	TOTAL
United Kingdom	2 971	-	910	-	3 881
Continental Europe	1 061	-	2 211	-	3 272
Scandinavia	5 250	-	-	-	5 250
Other	0	11 700	-	0	11 700
Total net book value of goodwill	9 282	11 700	3 121	0	24 102

No impairment needed to be recorded based on the goodwill impairment assessment.

The impairment tests have been applied on the “cash-generating units” (“CGU”) on the basis of the principles set out above. The recoverable amount of the total CGU is determined on the basis of the value-in-use model.

When determining its expected future cash flows, the Group takes into account prudent, though realistic, assumptions regarding the evolution of its markets, its sales, the raw materials prices, the impact of past restructurings and the gross margins, which all are based on (i) the past experiences of the management and/or (ii) which are in line with trustworthy external information sources. It can however not be excluded that a future reassessment of assumptions and/or market analysis induced by future developments in the economic environment might lead to the recognition of additional impairments.

For the discounting of the future cash flows, a uniform overall Group-based pre-tax discount rate of 8.0% is used for all CGUs (7.5% per year-end 2019). This pre-tax discount rate is based on a (long-term) weighted average cost of capital based on the current market expectations of the time value of money and risks for which future cash flows must be adjusted; the risks being implicit in the cash flows. For countries with a higher perceived risk (i.e. emerging markets), the level of investments is very limited (1.4% of total fixed assets); hence no separate pre-tax discount rate is used.

The pre-tax discount rate for impairment testing is based on the following assumptions: (EUR based)

Group target ratios:	2020	2019
Gearing: net financial debt/total equity	50%	33.3%
% net financial debt	50%	25%
% total equity	50%	75%
Pre-tax cost of debt	0.27%	0.45%
Pre-tax cost of equity		
= $(R_f + (E_m * \beta + S_p)) / (1 - T)$	13.1%	11.8%
Risk free interest rate = R_f	0.50%	0.45%
Beta = β	1.35	1.20
Market equity risk premium = E_m	6.0%	6.0%
Small cap premium = S_p	1.65%	1.50%
Corporate tax rate = T	21.6%	22.8%
Assumed inflation rate	1.0%	1.8%
Pre-tax WACC (weighted average cost of capital)	8.0%	7.5%

Due to the COVID-19 crisis, some assumptions of the sensitivity analysis have been modified compared to the assumptions used per year-end 2019.

A first sensitivity analysis (A) is performed to measure the impact of a changing WACC rate (respectively 1.5% for Flexible Foams and 1.0% for Bedding) on the outcome of the impairment tests. A second sensitivity analysis (B) is performed to measure the impact of a changing gross margin (-1%) on the outcome of the impairment tests. A third sensitivity analysis (C) is performed to measure the impact of a changing sales volume level.

Sensitivity assumptions	Discounted Cash Flow / Net asset base (including right-of-use assets)			
	Base case Sales growth rate of 6.5% in 2021, 5.0% in 2022, and 0% thereafter.	1.5% increase of WACC (A)	1% decrease of gross margin on sales (B)	5% decrease of net sales (C)
Flexible Foams - United Kingdom	1.0 times book value	0.7 times book value	0.7 times book value	0.5 times book value
Sensitivity assumptions	Discounted Cash Flow / Net asset base (including right-of-use assets)			
	Base case Sales growth rate of 6.4% in 2021, 2.0% in 2022 and 0% thereafter.	1.0% increase of WACC (A)	1% decrease of gross margin on sales (B)	1% decrease of net sales, in combination with 1% inflation and lower productivity (C)
Bedding	1.9 times book value	1.6 times book value	1.3 times book value	1.0 times book value

For the other cash generating units, current and expected results do not provide any particular impairment indicator, which would necessitate further impairment testing.

1.7.4.2. Assessment of expected credit losses on receivables

A loss allowance for expected credit losses is recognised for trade debtors for which a risk of total or partial non-recovery of outstanding receivables exists due to the debtor's poor financial condition or for economic, legal or political reasons.

The decision to classify a receivable as doubtful will be made by the management on the basis of all information available to them at any time.

Since the outbreak of the COVID-19 crisis the Group's credit management processes have proven their effectiveness leading to a reducing trend in the number of overdue customers, and no significant credit losses.

One customer from our Bedding operations in Germany filed for insolvency. The credit insurance in place will indemnify Recticel for the full amount outstanding.

Loans granted to Associates include a shareholder's loan of EUR 8.5 million granted in February 2019 to Proseat (maturity 2024) and a new subordinated vendor loan of EUR 10 million (maturity 2027) granted on 30 June 2020 to TEMDA2 GmbH, the new Automotive joint venture which acquired the Automotive Interiors activities (cfr. 1.7.7.3.). On the basis of the assessment performed by the management no adjustment is to be made to the value of these loans.

1.7.4.3. Deferred tax assets

Deferred tax assets are mainly recognised for the unused tax losses carried forward to the extent that future taxable profits are expected to be available to offset these unused tax losses carry forwards. For this purpose, management bases recognition of deferred tax assets on its business plans. In this respect, and despite the impact of COVID-19, sufficient taxable profits are expected to be generated going-forward. Deferred tax assets are mainly related to Belgium, France and Spain.

1.7.4.4. Provisions

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. End-June 2020, the Group was exposed to various litigations (see 1.7.9.3. (b)), which outcomes are uncertain and difficult to predict.

Any significant litigation (tax and other, including threat of litigation) is reviewed by Recticel's in-house lawyers with the support, when appropriate, of external counsels at least every half-year. This review includes an assessment of the need to recognise provisions and/or to re-measure existing provisions together with the Finance department and the Insurance department.

1.7.4.5. Brexit

The turnover of the Group in the UK represents approximately 15% of the total consolidated sales. The products the Group sells in the UK are mainly produced locally. The direct impact of Brexit concerns (i) the import of chemical raw materials necessary for local production, as these raw materials are not available in the UK, and (ii) a currency exchange rate risk. Given the broad uncertainty surrounding the Brexit issues, it is currently not possible to provide meaningful comments and conclusions about its possible impacts.

1.7.4.6. Put/call options on discontinued operations Proseat and Automotive Interiors

On 19 February 2019, Recticel announced the closing of the transactions as a result of which Sekisui Plastics Co., Ltd. acquired 75% in Proseat. Recticel holds a 25% participation in Proseat with the option to sell this remaining participation within three years if Sekisui exercises its call option during this period, or after three years (in March 2022) when Recticel can exercise its put option.

Per 31 December 2019, the fair value of the Proseat option amounted to EUR 3.7 million. On 30 June 2020, an additional EUR +1.7 million adjustment has been made to the fair value of this put/call structure on the Proseat participation.

On 01 July 2020, Recticel announced the closing of the divestment of its Automotive Interiors business to TEMDA GmbH, a new joint venture with Admetos. Recticel holds a participation of 49% in this new joint venture. The agreement contains reciprocal call/put options - for Admetos to acquire, or Recticel to sell its remaining 49% share -, which are exercisable as from March 2024.

A valuation of the put/call structure on the remaining 49% participation in the Automotive Interiors joint venture has been made per 30 June 2020 and resulted in a “zero” value, given the uncertainties over the period until the earliest exercise date of the options (2024). (cfr. 1.7.7.3.)

Both put/call option structures have been recognised as derivative financial instruments at fair value with changes in fair value to be recognised in profit or loss. The value of both options have been calculated using the Black & Scholes option price formula, with the following key assumptions : (i) spot price equal to the estimated enterprise value per end June 2020, (ii) automotive parts' sector volatility, (iii) maturity based on terms and conditions set out in the initial share purchase agreement, (iv) a risk-free interest rate of -0.6% and (v) a dividend yield of 0%.

1.7.4.7. Assets held for sale

End-June 2020, the Group owns two industrial sites – one in Legutiano (Spain) and one in Hassfurt (Germany) – which are currently held for sale. Given the current situation of the real estate market in these locations, an impairment has been booked.

I.7.5. CHANGES IN SCOPE OF CONSOLIDATION

The following changes in the scope of consolidation took place during the first half-year of 2020:

- End-June 2020, divestment of the Automotive Interiors activities, which are now operated through the German company TEMDA 2 GmbH, a newly established 51/49% Admetos/Recticel joint venture.

The disposal of the Automotive Interiors activities comprises the following companies:

- Recticel UREPP Belgium n.v. - Belgium
- Ningbo Recticel Automotive Parts Co. Ltd – China
- Shenyang Recticel Automotive Parts Co. Ltd – China
- Shenyang II Recticel Automotive Parts Co. Ltd – China
- Langfang Recticel Automotive Parts Co. Ltd – China
- Changchun Recticel Automotive Parts Co. Ltd – China
- RAI Most s.r.o. – Czech Republic
- Recticel Czech Automotive s.r.o. – Czech Republic
- Recticel Interiors CZ s.r.o. – Czech Republic
- Recticel Automobilsysteme GmbH – Germany
- Recticel North America Inc – United States

Per 30 June 2020, the new joint venture TEMDA 2 GmbH will be integrated following the equity method under the heading 'Investments in other associates'.

- End-June 2020, disposal of the 50% participation in the Eurofoam group (Flexible Foams), which was accounted for in the consolidated statements following the equity method.

In accordance with IFRS 5, both above-mentioned businesses have been presented as discontinued operations in the consolidated income statement. Details are disclosed in note I.7.7.3.

1.7.6. BUSINESS SEGMENTS

Following the partial divestments of the Proseat participation (in 2019) and of the Automotive Interiors activities (end-June 2020), the principal market segments for Recticel's goods and services are reported as from 2020 under three operating segments: Flexible Foams, Bedding, Insulation and Corporate. For more details on these segments, reference is made to the press release of 28 August 2020 (First Half-Year 2020 Results). Information regarding the Group's reportable segments is presented below. Inter-segment sales are made at prevailing market conditions.

Segment information for the first half-year 2020

Group Recticel in thousand EUR	FLEXIBLE FOAMS	BEDDING	INSULATION	CORPORATE & ELIMINATIONS ⁽²⁾	TOTAL
SALES					
External sales	132 885	107 580	112 722	21 074	374 262
Inter-segment sales	14 257	1 653	0	(15 910)	0
Total sales	147 142	109 233	112 722	5 164	374 262
Operating profit (loss)					
Unallocated corporate expenses ⁽¹⁾				(8 093)	
Operating profit (loss)	1 237	(1 874)	5 844	(8 093)	(2 885)
Financial result					(2 551)
Income from other associates and change in fair value of option structures					(1 252)
Result for the period before taxes					(6 688)
Income taxes					(2 045)
Result for the period after taxes - Continuing operations					(8 733)
Result for the period after taxes - Discontinued operations					68 812
Result for the period after taxes - Continuing and discontinued operations					60 079
of which non-controlling interests					(31)
of which share of the Group					60 110

⁽¹⁾ Includes headquarters' costs for EUR 7.2 million (1H2019: EUR 8.0 million) and R&D expenses (Corporate Programme) for EUR 1.3 million (1H2019: EUR 1.2 million).

⁽²⁾ Sales of chemical raw materials at cost to the Proseat and Automotive Interiors companies, which previously were reported under the segment Automotive, are from now on integrated under "Corporate/Eliminations".

Details of discontinued operations are disclosed in note 1.7.7.3.

Segment information for the first half-year 2019 (restated)

Group Recticel in thousand EUR	FLEXIBLE FOAMS	BEDDING	INSULATION	CORPORATE & ELIMINATIONS	TOTAL
SALES					
External sales	174 788	117 253	129 849	31 940	453 830
Inter-segment sales	14 641	2 588	0	(17 229)	0
Total sales	189 429	119 841	129 849	14 711	453 830
Operating profit (loss)					
Unallocated corporate expenses ⁽¹⁾				(13 542)	
Operating profit (loss)	12 436	1 978	11 412	(13 542)	12 285
Financial result					(2 772)
Income from other associates and change in fair value of option structures					5 448
Result for the period before taxes					14 961
Income taxes					(2 633)
Result for the period after taxes - Continuing operations					12 328
Result for the period after taxes - Discontinued operations					3 773
Result for the period after taxes - Continuing and discontinued operations					16 101
of which non-controlling interests					(6)
of which share of the Group					16 107

⁽¹⁾ Includes headquarters' costs for EUR 8.0 million and R&D expenses (Corporate Programme) for EUR 1.2 million.

Disaggregation of consolidated revenues of continuing operations

in thousand EUR

Group Recticel	1H2020	1H2019 restated
Comfort foam	70 961	88 211
Technical foams	76 181	101 217
Flexible Foams	147 142	189 428
Branded Products	74 683	78 805
Non-branded/Private label	34 550	41 037
Bedding	109 233	119 841
Insulation	112 722	129 849
Eliminations	5 164	14 711
TOTAL CONSOLIDATED REVENUES	374 262	453 830
Timing of revenue recognition		
At a point in time	374 262	453 830
Over time (moulds)	0	0
TOTAL CONSOLIDATED REVENUES	374 262	453 830

Other segment information first half-year 2020

Group Recticel in thousand EUR	FLEXIBLE FOAMS	BEDDING	INSULATION	CORPORATE	TOTAL
Depreciation and amortisation	7 127	4 522	5 366	1 172	18 187
Impairment losses recognised in profit and loss	1 100	888	0	95	2 083
EBITDA	9 464	3 537	11 210	(6 827)	17 384
Capital additions	3 509	1 922	1 431	2 050	8 912

Other segment information first half-year 2019 (restated)

Group Recticel in thousand EUR	FLEXIBLE FOAMS	BEDDING	INSULATION	CORPORATE	TOTAL
Depreciation and amortisation	6 824	4 485	5 596	889	17 794
Impairment losses recognised in profit and loss	0	286	46	0	332
EBITDA	19 260	6 750	17 054	(12 653)	30 412
Capital additions	6 411	3 072	2 592	1 673	13 748

Adjustments to the operating result per segment

Group Recticel in thousand EUR	FLEXIBLE FOAMS	BEDDING	INSULATION	CORPORATE	TOTAL
For the first half-year 2020					
Restructuring charges and provisions	(455)	(999)	(70)	(1)	(1 525)
Other	(350)	0	0	188	(161)
Impairments	(1 100)	(888)	0	(95)	(2 083)
TOTAL	(1 905)	(1 888)	(70)	92	(3 770)

- Restructuring charges (EUR -1.5 million) refer to additional restructuring measures in execution of the Group's rationalisation plan.
- Other adjustments relate mainly to non-recurring costs relating to the fire incident in Wetteren (Belgium)
- Impairments relate to idle assets in Flexible Foams in Spain (EUR 1.1 million) and in Bedding following the closure of the Hassfurt plant (Germany) (EUR 0.9 million).

For the first half-year 2019 (restated)					
Restructuring charges and provisions	98	(221)	0	256	133
Other	356	34	0	(4 715)	(4 325)
Impairment	0	(286)	(46)	0	(333)
TOTAL	454	(474)	(46)	(4 459)	(4 525)

- Other (EUR -4.3 million) refer to additional restructuring measures at Corporate level, this in execution of the Group's rationalisation plan.

1.7.7. INCOME STATEMENT

1.7.7.1. OTHER OPERATING INCOME AND EXPENSES

Group Recticel in thousand EUR	1H2020	1H2019 restated ¹
Other operating revenues	3 640	3 229
Other operating expenses	(6 834)	(9 065)
TOTAL	(3 194)	(5 836)
Restructuring charges (including site closure, onerous contracts and clean-up costs)	(1 524)	(706)
Gain (Loss) on disposal of intangible, tangible and right-of-use assets	6	868
Amounts written-back/(-off) on affiliates investments and loss on receivables	0	147
IAS 19 Pensions and other obligations	138	(237)
IAS 19 Operating expenses	(620)	(1 727)
Provisions	(628)	(691)
Insurances	(2 399)	(741)
Fees consultancy and subcontractors	(137)	(209)
Other expenses	(785)	(4 108)
Insurances commission (Recticel RE)	2 492	1 100
Other revenues	263	469
TOTAL	(3 194)	(5 836)

Restructuring

During **1H2020**, restructuring charges (EUR -1.5 million) refer to additional restructuring measures in execution of the Group's rationalisation plan, mainly (i) reorganisation charges in Flexible Foams (EUR 0.5 million) and in Bedding (EUR 1.0 million)

During **1H2019**, restructuring charges (EUR -0.7 million) refer to additional restructuring measures in execution of the Group's rationalisation plan, including further streamlining in corporate and central services.

Gain (loss) on disposal of tangible and intangible assets

In **1H2019**, this item relates mainly to land and building in Belgium (EUR 0.7 million) and Germany (EUR 0.5 million) and idle assets in Spain (EUR 0.4 million).

1.7.7.2. FINANCIAL RESULT

Group Recticel in thousand EUR	1H2020	1H2019 restated ¹
Interest on lease liabilities	(1 108)	(1 773)
Interest on long-term bank loans	(507)	(390)
Interest on short-term bank loans & overdraft	(576)	(765)
Net interest charges on Interest Rate Swaps and Foreign Currency Swaps	(17)	(23)
Interest charges on other loans	(10)	(79)
Total borrowing cost	(2 219)	(3 031)
Interest income from bank deposits	38	14
Interest income from financial receivables	537	1 311
Interest income from financial receivables and cash	575	1 324
Interest charges on other debts	(97)	(35)
Total other interest	(97)	(35)
Interest income and expenses	(1 741)	(1 741)
Exchange rate differences	(652)	(645)
Net interest cost IAS 19	(164)	(386)
Other financial result	6	0
Total other financial result	(810)	(1 031)
FINANCIAL RESULT	(2 551)	(2 772)

1.7.7.3. DISCONTINUED OPERATIONS

On 30 June 2020, the Group has completed the divestment of its 50% stake in the Eurofoam Flexible Foams joint venture to Greiner, as well as the divestment of its Automotive Interiors division to TEMDA 2 GmbH, a newly created company in which Admetos holds 51% and Recticel holds a 49% minority participation.

The contractual framework for the divestment of Automotive Interiors contains - besides customary post-closing price adjustments for working capital normalisation and cash/debt items at the level of the divested entities which are still subject to finalisation - specific arrangements to compensate the joint-venture for adverse conditions that may occur beyond the control of Recticel and that are linked to the potential impact of the COVID-19 pandemic on the Automotive Interiors operations. These relate specifically to a potential :

- 1) Compensation for the loss of contribution margin over the period 01 July – 31 December 2020 - compared to the contribution margin taken into account in the reference business plan -, as a consequence of a shortfall in sales induced by the potential negative impact of the COVID-19 pandemic on customer demand. A risk assessment has been performed on the basis of available sales volume estimates, and anticipating a gradual reduction of the sales shortfall versus the reference business plan over the period.

- 2) Compensation for increased insurance costs compared to the ones taken into account in the reference business plan for a period until December 2023. A provision has been recognised based on the estimated potential additional insurance costs, following the impact of the COVID-19 pandemic on the overall insurance market going forward;

As per finalisation of the interim financial statements, management has made its best estimate with regards to the above arrangements based upon the performance of the division over the prior 6 months and considering the most recent forecast and projections relative to the automotive business. The interiors business is mainly active in the US, China and Europe and is highly sensitive to impacts caused by the COVID-19 pandemic (lock-downs, decreased demand in the automotive sector, supply chain disruptions, ...). In its estimations, management had to make significant judgment which are mainly related to the level of expected sales and to consider whether full lock downs are likely to occur in the coming months. Considering the unpredictability of the COVID-19 pandemic evolution over the coming months in the continents relevant for the interiors business, there is a significant uncertainty in the estimates made of which the resolution is dependent on future events and which are not under control of Recticel. Material changes (being it adverse or favourable) to the most recent forecast used to make the current estimates may significantly impact the final outcome of the above listed compensations and thus significantly increase or reduce the reported loss on the Automotive divestment.

The acquisition and working capital financing facilities of the new joint-venture amount to EUR 45 million. The financing is supported by guarantees issued by the Group, while the agreement provides for a refinancing as of 2022.

The Automotive Interiors divestment agreement contains reciprocal call/put options for Admetos to acquire, or Recticel to sell, its remaining 49% share, exercisable as from March 2024 at a price calculated on the basis of a pre-agreed EBITDA multiple.

in thousand EUR	Disposal of Eurofoam	Disposal of Automotive Interiors
Total gain (loss) on transaction	124 428	(41 056)
Net result of the period	3 813	(18 330)
Total discontinuing result	128 241	(59 386)

For 1H2020, the results are composed as follows:

in thousand EUR	Eurofoam	Automotive Interiors
Sales	0	55 303
Distribution costs	0	(1 478)
Cost of sales	0	(53 688)
Gross profit (loss)	0	137
General and administrative expenses	0	(6 801)
Sales and marketing expenses	0	(2 847)
Research and development expenses	0	(815)
Impairment of goodwill, intangible and tangible assets	0	(1 106)
Other operating revenues	127 123	574
Other operating expenses	(2 695)	(55 816)
Income from other associates	3 813	11 656
Operating profit (loss)	128 241	(55 018)
Financial result	0	(2 556)
Result of the period before taxes	128 241	(57 574)
Income taxes	0	(1 812)
Net result of the period	128 241	(59 386)

During the year, the Automotive Interiors division contributed following cash flows to the consolidated cash flow statement:

Group Recticel in thousand EUR	Automotive Interiors
Net cash flow from operating activities relating to discontinued operations	(12 053)
Net cash flow from investing activities relating to discontinued operations	10 620
Net cash flow from financing activities relating to discontinued operations	(9 731)
Effect of exchange rate differences	1 054
Effect of change in scope of consolidation and foreign currency translation difference	0
Total cash flow from discontinued operations	(10 110)

The net assets of Eurofoam and the Automotive Interiors division at the date of disposal were as follows:

Group Recticel in thousand EUR	Eurofoam	Automotive Interiors
Intangible assets	0	933
Property, plant and equipment	0	46 746
Right-of-use assets	0	26 985
Investment in joint ventures and associates	44 944	0
Other financial assets	0	(3 668)
Non-current contract assets	0	9 926
Deferred taxes	0	698
Non-current assets	44 944	81 620
Inventories	0	16 754
Trade receivables	0	29 972
Current contract assets	0	9 614
Other receivables and other financial assets	0	44 377
Income tax receivables	0	46
Cash and cash equivalents	0	7 434
Current assets	0	108 197
TOTAL ASSETS OVER WHICH CONTROL WAS LOST	44 944	189 817
Pensions and similar obligations	0	2 637
Financial liabilities	0	41 820
Non-current contract liabilities	0	16 327
Non-current liabilities	0	60 784
Pensions and similar obligations	0	367
Provisions	0	3 885
Financial liabilities	0	59 582
Trade payables	0	12 950
Current contract liabilities	0	16 191
Income tax payables	0	600
Other amounts payable	0	13 098
Current liabilities	0	106 673
TOTAL LIABILITIES OVER WHICH CONTROL WAS LOST	0	167 457
NET ASSETS DISPOSED OF	44 944	22 360

The capital gain (loss) on the divestment of respectively Eurofoam and the Automotive Interiors activities can be summarized as follows:

Group Recticel in thousand EUR	Eurofoam	Automotive Interiors
Full consideration received	184 547	2 390
- Net assets disposed	(44 944)	(22 360)
- Cumulative translation differences related to the net assets disposed	(11 770)	(6 757)
- Provisions for post-closing price adjustments and specific arrangements	(865)	(12 629)
- Transaction fees and other expenses	(2 540)	(1 700)
= Capital gain (loss) on disposal	124 428	(41 056)

1.7.7.4. DIVIDENDS

The Board of Directors' proposal to distribute a gross dividend of EUR 0.24 per share or EUR 13.3 million for the year 2019, was approved by the shareholders at the Annual General Meeting of 26 May 2020. The payment of this dividend took place on 02 June 2020, and is thus reflected in the financial statements for the first half of 2020.

I.7.8. BALANCE SHEET

I.7.8.1. PROPERTY, PLANT & EQUIPMENT

For the half-year ending 30 June 2020:

Group Recticel in thousand EUR	Land and buildings	Plant, machinery & equipment	Furniture and vehicles	Other tangible assets	Assets under construction and advance payments	TOTAL
At the end of the preceding period (31 December 2019)						
Gross value	218 664	522 391	29 411	1 106	22 806	794 378
Accumulated depreciation	(124 477)	(401 925)	(23 309)	(1 010)	(241)	(550 962)
Accumulated impairments	(3 905)	(11 854)	(19)	0	(22)	(15 800)
Net book value at opening	90 282	108 613	6 082	97	22 543	227 617
Movements during the period						
Changes in scope of consolidation	(3 770)	(38 220)	(792)	(16)	(3 948)	(46 746)
Acquisitions, including own production	0	917	91	0	10 096	11 105 ⁽¹⁾
Impairments	(95)	(1 092)	(5)	0	0	(1 192)
Expensed depreciation	(2 562)	(12 240)	(1 017)	(6)	0	(15 825)
Sales, scrapped or destroyed	0	(15)	2	0	0	(13) ⁽²⁾
Transfers from one heading to another	720	5 630	555	0	(6 820)	85
Exchange rate differences	(1 720)	(1 528)	(56)	(2)	(174)	(3 480)
At the end of the period (30 June 2020)	82 856	62 066	4 861	72	21 698	171 552
Gross value	189 792	316 036	25 821	966	21 698	554 313
Accumulated depreciation	(105 888)	(252 339)	(20 959)	(895)	0	(380 081)
Accumulated impairments	(1 048)	(1 630)	(2)	0	0	(2 680)
Net book value at the end of the period (30 June 2020)	82 856	62 066	4 861	72	21 698	171 552
Acquisitions		Disposals				
Cash-out on acquisitions tangible assets	(7 246)	Cash-in from disposals tangible assets 56				
Acquisitions included in working capital	(3 858)	Disposals included in working capital (43)				
Total acquisitions tangible assets ⁽¹⁾	(11 105)	Total disposals tangible assets ⁽²⁾ 13				

Total acquisitions of tangible assets amount to EUR 11.1 million in the first half of 2020.

At 30 June 2020, the Group has entered into contractual commitments for the acquisition of property, plant & equipment amounting to EUR 5.7 million.

At 31 December 2019, the Group had entered into contractual commitments for the acquisition of property, plant & equipment amounting to EUR 4.3 million.

For the half-year ending 30 June 2019:

Group Recticel in thousand EUR	Land and buildings	Plant, machinery & equipment	Furniture and vehicles	Leases and similar rights	Other tangible assets	Assets under construction and advance payments	TOTAL
At the end of the preceding period (31 December 2018)							
Gross value	187 887	526 968	25 945	44 698	1 112	15 315	801 925
Accumulated depreciation	(117 837)	(394 780)	(21 749)	(17 303)	(1 043)	(238)	(552 951)
Accumulated impairments	(3 964)	(12 350)	(21)	(76)	0	(22)	(16 432)
Net book value at opening	66 086	119 838	4 174	27 319	70	15 055	232 541
Movements during the period							
Changes in accounting policies	0	0	0	(27 319)	0	0	(27 319)
Changes in consolidation method	1 483	444	18	0	0	0	1 946
Acquisitions, including own production	151	1 557	244	0	5	11 623	13 581 ⁽¹⁾
Impairments	0	(325)	(10)	0	0	0	(335)
Expensed depreciation	(2 011)	(11 191)	(981)	0	(10)	0	(14 193)
Sales, scrapped or destroyed	0	(7)	(1)	0	0	(3)	(11) ⁽²⁾
Transfers from one heading to another	2 597	13 733	642	0	36	(16 942)	66
Exchange rate differences	21	370	4	0	(0)	(14)	381
At the end of the period (30 June 2019)	68 327	124 420	4 091	(0)	100	9 719	206 657
Gross value	191 913	554 561	26 916	0	1 914	9 982	785 285
Accumulated depreciation	(119 695)	(418 499)	(22 800)	0	(1 814)	(240)	(563 048)
Accumulated impairments	(3 891)	(11 642)	(25)	0	0	(22)	(15 580)
Net book value at the end of the period (30 June 2019)	68 327	124 420	4 091	0	100	9 719	206 657
Acquisitions		Disposals					
Cash-out on acquisitions tangible assets	(17 522)	Cash-in from disposals tangible assets		753			
Acquisitions included in working capital	3 941	Disposals included in working capital		(742)			
Total acquisitions tangible assets ⁽¹⁾	(13 581)	Total disposals tangible assets ⁽²⁾		11			

Total acquisitions of tangible assets amount to EUR 13.6 million in the first half of 2019.

At 30 June 2019, the Group has entered into contractual commitments for the acquisition of property, plant & equipment amounting to EUR 10.0 million.

At 31 December 2018, the Group had entered into contractual commitments for the acquisition of property, plant & equipment amounting to EUR 10.5 million.

1.7.8.2. RIGHT-OF-USE ASSETS

For the half-year ending 30 June 2020:

Group Recticel in thousand EUR	Land and buildings	Plant, machinery & equipment	Furniture & Vehicules	TOTAL
At the end of the preceding period (31 December 2019)				
Gross value	107 173	19 041	16 545	142 759
Accumulated depreciation	(25 935)	(5 606)	(5 698)	(37 239)
Accumulated impairments	(364)	(46)	0	(410)
Net book value at opening	80 874	13 389	10 846	105 110
Movements during the period				
Changes in scope of consolidation	(20 411)	(5 226)	(1 348)	(26 985)
Acquisitions, including own production	16 214	163	641	17 017
Lease reassessment	360	16	125	501
Impairments	(88)	0	0	(88)
Expensed depreciation	(5 890)	(2 550)	(2 906)	(11 345)
Sales, scrapped or destroyed	(1 678)	0	(11)	(1 689)
Exchange rate differences	(1 893)	(393)	(106)	(2 392)
At the end of the period (30 June 2020)	67 488	5 399	7 241	80 128
Gross value	90 847	8 726	13 470	113 042
Accumulated depreciation	(23 023)	(3 288)	(6 229)	(32 539)
Accumulated impairments	(336)	(39)	0	(375)
Net book value at the end of the period (30 June 2020)	67 488	5 399	7 241	80 128

Acquisitions include (i) a new lease contract for the International Headquarters of the Group in Belgium (EUR 2.8 million; 12 years with early-termination option; 2.91%), (ii) the renewal of the lease of the Bedding building in Poland (EUR 9.6 million; 11 years without purchase option; 5.5%), (iii) the renewal of the lease of a building in Czech Republic (EUR 1.2 million; 10 years without purchase option; 4.815%) and (iv) the renewal of a lease for the Bedding building in Sweden (EUR 1.3 million; 3 years without purchase option; 2.705%).

The weighted average underlying incremental borrowing rate of the right-of-use asset agreements per 30 June 2020 was 2.9% (3.2% per 31 December 2019).

Besides the Group benefits from other operating lease arrangements which are not recognised in the balance sheet, following the exception rule under IFRS 16.

For the half-year ending 30 June 2019:

Group Recticel in thousand EUR	Land and buildings	Plant, machinery & equipment	Furniture & Vehicules	TOTAL
At the end of the preceding period (31 December 2018)				
Gross value	0	0	0	0
Accumulated depreciation	0	0	0	0
Accumulated impairments	0	0	0	0
Net book value at opening	0	0	0	0
Movements during the period				
Changes in accounting policies	87 058	18 976	11 496	117 530
Changes in accounting policies - Transfer from Property, plant and equipment	27 313	6	0	27 319
Acquisitions, including own production	591	228	1 616	2 435
Lease reassessment	500	0	0	500
Expensed depreciation	(6 250)	(2 767)	(2 342)	(11 359)
Sales, scrapped or destroyed	(1 673)	0	0	(1 673)
Exchange rate differences	160	160	4	323
At the end of the period (30 June 2019)	107 698	16 602	10 775	135 075
Gross value	131 237	19 836	13 176	164 249
Accumulated depreciation	(22 985)	(3 235)	(2 401)	(28 621)
Accumulated impairments	(553)	0	0	(553)
Net book value at the end of the period (30 June 2019)	107 699	16 602	10 775	135 075

I.7.8.3. INTERESTS IN JOINT VENTURES AND ASSOCIATES

Group Recticel in thousand EUR	Associates	Other associates	30 JUN 2020
At the end of the preceding period	65 465	0	65 465
Movements during the year			
Capital increase	0	973	973
Transfer from one heading to another	(53 833)	53 833	0 (3)
Remeasurement gains/losses on defined benefit plans	0	0	0
Other comprehensive income net of tax	0	0	0
Group's share in the result for the period	420	(2 954)	(2 534) (1)
Translation differences	0	585	585
Comprehensive income for the period	420	(2 369)	(1 949)
Change in scope	0	(32 315)	(32 315) (2)
At the end of the period	12 052	20 122	32 174

In 1H2020 a reclassification was made of the interests in associates. Associates considered as being part of the Group's core business (i.e. Orsafoam) are reported under the item "Interest in associates", whereas associates not considered as being part of the Group's core business (i.e. Proseat and Automotive Interiors) are reported under the item "Interests in other associates". (cfr. I.7.7.3.)

- (1) In **1H2020**, this item relates to the Group's share in the result of the period of Orsafoam (associates) and of Proseat (other associates)).
- (2) The item 'Change in scope' relates to Eurofoam (sale of 50% participation) and the 49% participation in the newly established joint venture TEMDA 2 GmbH.
- (3) The transfer from one heading to another relates to the entities of the Eurofoam group and Proseat, which were both reclassified as other associates.

1.7.8.4. PROVISIONS

For the half-year ending 30 June 2020:

Group Recticel in thousand EUR	LITIGATIONS	DEFECTIVE PRODUCTS	ENVIRONMENTAL RISKS	RESTRUCTURING	OTHER RISKS	TOTAL
At the end of the preceding year (31 December 2019)	25	1 607	1 730	7 179	2 123	12 664
Movements during the period						
Changes in scope of consolidation	0	0	0	(3 885)	0	(3 885)
Increases	0	156	0	2 228	16 865	19 249
Utilisations	0	(134)	(31)	(2 662)	(619)	(3 447)
Write-backs	0	(208)	0	(999)	0	(1 207)
Transfer from one heading to another	0	0	0	0	866	866
Exchange rate differences	0	(6)	0	0	36	30
Other	0	0	0	22	0	22
At the end of the current year (30 June 2020)	25	1 415	1 699	1 883	19 270	24 292
Non-current provisions (more than one year)	25	1 415	1 491	1 189	19 251	23 371
Current provisions (less than one year)	0	0	208	693	20	921
At the end of the current year (30 June 2020)	25	1 415	1 699	1 883	19 270	24 292

Provisions for other risks increase by EUR 16.9 million, of which EUR 16.0 million represents management assessments with regards to post-closing settlements linked to the disposal of the Automotive Interiors activities. (cfr 1.7.7.3.)

For the half-year ending 30 June 2019:

Group Recticel in thousand EUR	CUSTOMER & OTHER LITIGATIONS	DEFECTIVE PRODUCTS	ENVIRONMENTAL RISKS	REORGANISATION	PROVISIONS FOR ONEROUS CONTRACTS	OTHER RISKS	TOTAL
At the end of the preceding period (31 Dec 2018)	171	1 713	2 237	9 063	1 117	2 573	16 873
Movements during the period							
Changes in accounting policies	0	0	0	0	(618)	0	(618)
Changes in consolidation method	0	0	0	0	0	0	0
Actuarial (gains) losses recognized in equity	0	0	0	0	0	0	0
Actualisation	0	(0)	0	0	0	0	(0)
Increases	0	371	0	0	0	865	1 236
Utilisations	(146)	(278)	(172)	(1 714)	34	(237)	(2 513)
Write-backs	(15)	(54)	0	(666)	(95)	(174)	(1 004)
Transfers from one heading to another	15	0	0	0	0	(15)	0
Exchange rate differences	0	5	0	0	0	6	11
At the end of the period (30 Jun 2019)	25	1 756	2 065	6 683	438	3 018	13 986
Non-current provisions (more than one year)	25	1 576	1 857	6 093	438	3 018	13 007
Current provisions (less than one year)	0	181	208	590	0	0	979
Total at end of the period (30 Jun 2019)	25	1 756	2 065	6 683	438	3 018	13 986

The movement in the **changes in accounting policies** relates to the application of IFRS 16.

1.7.8.5. FINANCIAL LIABILITIES

(a) FINANCIAL LIABILITIES CARRIED AT AMORTISED COST

Group Recticel in thousand EUR	NON-CURRENT LIABILITIES		CURRENT LIABILITIES	
	30 JUN 2020	31 DEC 2019	30 JUN 2020	31 DEC 2019
Secured				
Lease liabilities	62 796	80 561	7 931	15 837
Bank loans	12 869	18 103	901	1 778
Bank loans - factoring with recourse	0	0		758
Total secured	75 664	98 664	8 832	18 373
Unsecured				
Other loans	1 620	1 670	260	260
Current bank loans	0	0	110 278	259
Commercial paper	0	0	42 977	96 936
Bank overdrafts	0	0	1 490	742
Other financial liabilities	0	0	563	846
Total unsecured	1 620	1 670	155 568	99 043
Total liabilities carried at amortised cost	77 285	100 334	164 400	117 416

(b) GROSS FINANCIAL DEBT: INTEREST-BEARING BORROWINGS, INCLUDING CONTINUING INVOLVEMENT OF OFF-BALANCE SHEET NON-RECOURSE FACTORING PROGRAMS

in thousand EUR

Group Recticel		
	30 JUN 2020	31 DEC 2019
Drawn amounts under the various available interest-bearing borrowing facilities		
Outstanding amounts under lease liabilities	62 796	80 561
Outstanding amounts under other non-current loans	14 489	19 773
Outstanding amounts under non-current gross interest-bearing borrowings (a)	77 285	100 334
Outstanding amounts under bank overdrafts	1 490	742
Outstanding amounts under current bank loans	111 179	2 036
Outstanding amounts under lease liabilities	7 931	15 837
Outstanding amounts under factoring programs - retention amount	0	758
Outstanding amounts under commercial paper programs ¹	42 977	96 936
Outstanding amounts under other current loans	260	260
Outstanding amounts under other financial liabilities	563	846
Outstanding amounts under current gross interest-bearing borrowings (b)	164 400	117 416
Total outstanding amounts under gross interest-bearing borrowings (c)=(a)+(b)	241 685	217 750
Outstanding amounts under non-recourse factoring programs (d)	0	47 051
Total outstanding amounts under gross interest-bearing borrowings and factoring programs (e)=(c)+(d)	241 685	264 801
Weighted average lifetime of non-current interest-bearing borrowings (in years)	4,9	3,5
Weighted average interest rate of gross financial debt at fixed interest rate	2,22%	1,98%
Interest rate range of gross financial debt at fixed interest rate	1.46% - 2.62%	1.46% - 2.62%
Weighted average interest rate of gross financial debt at variable interest rate	0,54%	0,39%
Interest rate range of gross financial debt at variable interest rate	0.21% - 3.70%	0.25% - 3.70%
Weighted average interest rate of total gross financial debt	1,08%	0,90%
Percentage of gross financial debt at fixed interest rate	32,0%	32,0%
Percentage of gross financial debt at variable interest rate	68,0%	68,0%

¹ The amount drawn under the commercial paper program is to be covered at any time by the undrawn amount under the club deal facility. Therefore the reported unused amount under the EUR 175 million club deal revolving credit facility is after deduction of the issued amounts under the commercial paper program.

The fair value of floating rate borrowings is close to the nominal value.

The majority of the Group's financial debt is centrally contracted and managed through Recticel International Services n.v./s.a., which acts as the Group's internal bank.

(i) Lease liabilities

As of 30 June 2020, lease liabilities comprise (i) following the application of IFRS 16 the operating leases for property, plant and equipment, furniture and vehicles of EUR 55.2 million, and (ii) the formerly called finance leases. Finance leases consist mainly of three leases. The first one finances the Insulation plant in Bourges (France), has an outstanding amount of EUR 5.8 million and is at floating rate. The second one for buildings in Belgium, has an outstanding amount of EUR 2.0 million in the statement of financial position and is at a fixed rate. In 2018 a new lease was taken to finance the extension of the Insulation plant in Wevelgem (Belgium). Per 30 June 2020 the outstanding amount of this new lease amounted to EUR 7.7 million. This lease is at fixed rate.

(ii) Bank loans – “club deal”

On 9 December 2011, Recticel concluded a five-year club deal for a multi-currency loan of EUR 175 million. The tenor of this ‘club deal’ facility – in which 6 European banks are participating - has been extended in February 2016 for another five years. It currently will mature in February 2021 and refinancing discussion are currently on-going. It is expected that these negotiations will be finalized in the coming months.

(iii) Other bank loans

In 2019, Recticel concluded a secured fixed rate bilateral bank loan of EUR 15.5 million for the financing of the new greenfield Insulation plant in Finland. The tenor of this amortising bank loan is 15 years, with maturity in March 2033.

(iv) Commercial paper program

In 2018, the Group started a short term commercial paper program (TCN – Titres de Créances Négociables) in France for an amount of EUR 100 million, which was increased in 2019 to EUR 150 million. This TCN-program is used to complement the financing of day-to-day working capital needs of the Group. The amount issued under the TCN-program is to be covered by the unused amount under the EUR 175 million club deal credit facility.

The following table presents the unused credit facilities available to the Group:

in thousand EUR

Group Recticel		
	30 JUN 2020	31 DEC 2019
Unused amounts under non-current financing facilities		
Undrawn available commitments under the club deal facility ¹	22 000	78 064
Undrawn available under non-current commitments maturing within one year	0	0
Undrawn available under other non-current commitments	0	0
Total available under non-current facilities	22 000	78 064
Unused amounts under current financing facilities		
Undrawn under current on-balance facilities	35 604	53 087
Undrawn under off-balance factoring programs	53 000	35 333
Total available under current facilities	88 604	88 420
Total unused amounts under financing facilities	110 604	166 484

¹ The amount drawn under the commercial paper program is to be covered at any time by the undrawn amount under the club deal facility. Therefore the reported unused amount of EUR 22 million under the EUR 175 million club deal revolving credit facility is after deduction of the issued amounts under the commercial paper program.

All conditions under the financial arrangements with the banks are respected.

I.7.9. MISCELLANEOUS

I.7.9.1. OFF-BALANCE SHEET ITEMS

Recticel s.a./n.v., or some of its subsidiaries have provided various parental corporate guarantees and comfort letters for commercial and/or financial commitments towards third parties.

Following the divestment of the 50% participation in Eurofoam (cfr I.7.7.3.) all guarantees provided on behalf of Eurofoam GmH and subsidiaries have been stopped as of 30 June 2020.

Compared to the situation per 31 December 2019, most other outstanding guarantees and/or comfort letters remained in place; save for some minor adjustments in some committed amounts.

During the first half-year 2020, Recticel s.a./n.v. issued the following material (> EUR 1 million) new additional guarantees and/or comfort letters :

For subsidiaries:

- On behalf of Recticel Sp.z.o.o. in the framework of a new real estate lease agreement: EUR 29.6 million.

For other associates:

- On behalf of TEMDA 2 GmbH: EUR 25 million, and
- On behalf of various Automotive Interiors companies: EUR 20 million.

Group Recticel	30 JUN 2020	31 DEC 2019
Guarantees given or irrevocably promised by Recticel SA/NV as security for debts and commitments of companies	151 088	87 331

These guarantees include mainly parental corporate guarantees and letters of comfort for commitments contracted by subsidiaries with banks (EUR 95.8 million), lessors (EUR 45.0 million), governmental institutions (EUR 3.8 million) and other third parties (EUR 6.5 million).

I.7.9.2. RELATED PARTY TRANSACTIONS

Compared to December 2019 there are two significant changes in the related party transactions, namely with Eurofoam (divested) and the newly established 51/49 Admetos/Recticel joint venture (Automotive Interiors).

Transactions between Recticel s.a./n.v. and its subsidiaries, which are related parties, have been eliminated in the consolidation and are not disclosed in this note. Transactions with other related parties are disclosed below, and concern primarily commercial transactions done at prevailing market conditions. The tables below include only transactions considered to be material, i.e. exceeding a total of EUR 1 million.

Transactions with joint ventures and associates: 2020

in thousand EUR

Group Recticel	NON-CURRENT RECEIVABLES	TRADE RECEIVABLES	OTHER CURRENT RECEIVABLES	TRADE PAYABLES	OTHER PAYABLES	REVENUES	COST OF SALES
Total Proseat companies	8 500	2 634	0	27	0	13 341	(90)
Total Orsafoam companies	0	20	152	131	3	61	0
Total TEMDA 2 companies	10 000	1 793	8 840	444	2 960	0	0
TOTAL	18 500	4 447	8 992	602	2 962	13 401	(90)

Following the partial divestment from the Proseat group, revenues from Proseat companies relate to the sale of chemical raw materials at cost.

1.7.9.3. ISSUE OF NEW WARRANT PLAN

On 27 June 2020 a new warrant plan was issued in favour of leading staff members of the Group. In total 505,000 new warrants were issued with an exercise price of EUR 6.70. The exercise period runs - after a vesting period of three years -, from 01 January 2024 till 27 June 2027. Fair value of this warrant serie amounts to EUR 0.74 million.

360,000 out of the 505,000 were allocated to the current members of the Management Committee.

1.7.9.4. STAFF

Group Recticel	30 JUN 2020	31 DEC 2019 as published
Management Committee	10	10
Employees	1 534	2 250
Workers	2 539	3 842
Average number of people employed (full time equivalent) on a consolidated basis (i.e. excluding joint ventures)	4 083	6 102
Average number of people employed in Belgium	964	1 047

The decrease of the average number of people employed is to a large extent explained by the change of scope following the divestment of the Automotive Interiors activities (1.496 full time equivalents) (cfr 1.7.7.3.).

I.7.9.5. CONTINGENT ASSETS AND LIABILITIES

The contingent assets and liabilities as communicated in the annual report 2019 (section II.4.2.6.9.) encountered the following developments:

(a) Tertre (Belgium)

1. Carbochimique, which was progressively integrated into the Recticel Group in the 1980s and early 1990s, owned an industrial site in Tertre (Belgium), where various carbochemical activities had been carried on since 1928. These activities were gradually spun off and sold to other industrial companies, including Yara and Prince Erachem (Eramet group). Finapal, a Recticel subsidiary, retained ownership of some plots on the site, chiefly old dumping sites and settling ponds that have been drained.

In 1986, Recticel sold its "fertilizer" division, in particular the activities of the Tertre site, to Kemira, now acquired by Yara. As part of this agreement, Recticel undertook to set an old basin ("Valcke Basin"), in line with environmental regulations. This requirement was not yet performed because of the mutual dependence of the environmental conditions within the industrial site in Tertre. Yara sued Recticel for precautionary reasons pursuant to this obligation in July 2003. Both parties negotiated and signed a settlement agreement in the course of 2011, which ended the dispute.

Under the settlement agreement Yara and Recticel committed to prepare together a recovery plan for four contaminated areas of the industrial area in Tertre, including the Valcke Bassin and a dump site of Finapal, and agreed on the cost split thereof.

This plan was approved in December 2013 by Ministerial Order of the Walloon Government, and the specification book was likewise prepared by both parties and approved by the authorities. End December 2015 Ecoterres was appointed as contractor. The works were started in 2016 and the end of the works is expected by end 2021.

2. Following the sale of the entity Sadacem to the French group Comilog, now part of the group Eramet, Recticel committed itself to sanitise, on a shared cost basis, an old industrial waste site on the grounds of Prince Erachem. The start of the execution of this commitment was studied in consultation with the entity Prince Erachem and has been provisioned in the accounts of the Recticel Group. A proposal was submitted to the Office Wallon des Déchets in April 2009 and since been approved.

The implementation of the restructuring plan started in 2013 and has been completed as planned. The clean-up works were completed in 2018 but are still subject to a monitoring phase during 3 years, which has now been prolonged by one year.

(b) Litigations

The Group has been the subject of an antitrust investigation at European level. Recticel announced on 29 January 2014 that a settlement was reached with the European Commission in the polyurethane foam investigation. The case was closed after payment of the last instalment of the effective overall fine in April 2016.

Various claims have been issued by one or more customers, in which these entities allege harm with regard to the conduct covered by the European Commission's cartel decision. Some procedures have been ended or concluded in the course of 2016-2019, with one court procedure ongoing in Germany linked to Eurofoam, and one court procedure recently launched in the United Kingdom. No additional new claims are to be expected as these have now all become time-barred.

While Recticel believes there to be no harm done, and it is up to the customer to prove any damage incurred, Recticel carefully reviews and evaluates the merits for each case with its legal advisors to determine the appropriate defensive strategy and recognises, where appropriate, provisions to cover any legal costs in this regard.

Regarding the on-going litigation, no considered judgment can at this stage be formed on the outcome of these procedures or on the amount of any potential loss for the company.

One of our Group entities in the United Kingdom is the subject of a HSE investigation following the accidental death of one of its employees. The HSE has concluded the fact-finding phase of its investigation and has made certain allegations against Recticel Ltd. for breach of HSE regulations. Recticel has replied to these allegations. It cannot be excluded that further procedural steps might be taken by the authorities, leading to prosecution, legal costs and fines.

One of the Group's entities in France is implicated in a labour law case following the closure of a production site, whereby the former employees have launched a claim to obtain additional compensations, on the basis that the economic reasons for the closure were invalid. The court proceedings have so far confirmed the position of the employees, but Recticel SAS has launched an appeal procedure. The final outcome remains uncertain.

Following the fire incident in Most (Czech Republic), the involved Group entity has been temporarily unable to supply the contractually agreed quantities of products, leading to production interruptions at the direct customers and the car manufacturers. While the Group entity involved have claimed Force Majeure in this respect, this has been put in question or even contested by a number of customers, with indication that further claims could be raised to obtain damage compensation. While the Group is insured in this regard in line with industrial standards, it cannot be excluded that such claims could lead to financial losses for the companies involved. One customer has launched a legal proceeding in France in the course of the first semester of 2019.

Some years ago Recticel has initiated opposition proceedings against the patent application of a Swiss competitor which had been developed by and has been since many years used by the Group. Recticel has won this procedure. In March 2020 the European Patent Office confirmed the decision in appeal. This decision is final.

Following the announced closure of a production plant in Catarroja, Spain, a transport company sent a claim letter for damage compensation against Recticel's Spanish entity. Recticel refuted the claim. In May 2020, both parties reached an amicable settlement with no material impact at Recticel level.

On 31 May 2019, Greiner AG launched an arbitration proceeding against Recticel SA/NV, claiming that Recticel supplied excess quantities of foam to its Bedding subsidiaries located in the territory of the Eurofoam joint venture, in breach of the 1997 Joint Venture agreement and requesting compensation for damages in this regard. Recticel considered this claim to be without merit. In the framework of the negotiation and signature of the Eurofoam divestment transaction with Greiner, both parties agreed to abandon their respective claims, with each party paying its own legal costs. Termination letters were sent to the Arbitration Tribunal in early July, following the closing of the sale of Eurofoam.

As of 30 June 2020, total overall provisions and accruals for other litigations, environmental risks and other risks on Recticel Group level amounted to EUR 5.0 million in the consolidated financial statements. With reference to the prejudicial exemption in IAS 37 §92, the Group will not disclose any further information about the assumptions for the provision, including any details about current and the expected number of lawsuits and claims.

The disclosure of such information is believed to be detrimental to the Group in connection with the ongoing confidential negotiations and could inflict financial losses on Recticel and its shareholders.

I.7.9.6. Reconciliation with alternative performance measures (consolidated)

Group Recticel in thousand EUR	30 JUN 2019 restated ¹	30 JUN 2020
Income statement		
Sales	453 831	374 262
Gross profit	87 981	65 343
EBITDA	30 412	17 384
Operating profit (loss)	12 284	(2 885)
Operating profit (loss)		
Amortisation intangible assets	935	879
Depreciation tangible assets	16 373	16 751
Amortisation deferred charges long term	488	557
Impairments on goodwill, intangible and tangible fixed assets	333	2 083
EBITDA	30 412	17 384
EBITDA		
Restructuring charges	(133)	1 525
Other	4 325	161
Adjusted EBITDA	34 604	19 070
Operating profit (loss)		
Restructuring charges	(133)	1 525
Other	4 325	161
Impairments	333	(2 083)
Adjusted operating profit (loss)	16 809	(3 282)
Group Recticel in thousand EUR		
	31 DEC 2019 as published	30 JUN 2020
Non-current financial liabilities	100 334	77 285
Current financial liabilities	117 415	164 400
Cash	(48 479)	(197 477)
Other financial assets ¹	(712)	(374)
Net financial debt on statement of financial position	168 558	43 834
Factoring programs	47 051	0
Total net financial debt	215 609	43 834
¹ Hedging instruments and interest advances		
Gearing ratio (Net financial debt / Total equity)		
Total equity	275 397	331 542
Net financial debt on statement of financial position / Total equity	61,2%	13,2%
Total net financial debt / Total equity	78,3%	13,2%
Leverage ratio (Net financial debt / EBITDA)		
EBITDA (last 12 months)	95 264	47 173
Net financial debt on statement of financial position / EBITDA	1,8	0,9
Total net financial debt / EBITDA	2,3	0,9
Net working capital		
Inventories and contracts in progress	101 797	84 601
Trade receivables	99 117	119 712
Current contract assets	11 300	0
Other receivables	20 119	31 349
Income tax receivables	1 449	1 515
Trade payables	(93 008)	(55 903)
Current contract liabilities	(32 832)	(17 301)
Income tax payables	(1 229)	(229)
Other amounts payable	(81 325)	(86 828)
Net working capital	25 388	76 916
Current ratio (= Current assets / Current liabilities)		
Current assets	300 600	438 546
Current liabilities	332 264	328 958
Current ratio (factor)	0,9	1,3

II. INTERIM MANAGEMENT REPORT

For the comment of the interim management report, reference is made to the press release of 28 August 2020.

III. DECLARATION BY THE RESPONSIBLE OFFICERS

Mr Johnny Thijs (Chairman of the Board of Directors), Mr Olivier Chapelle (Chief Executive Officer) and Mr Jean-Pierre Mellen (Chief Financial Officer), certify in the name and on behalf of Recticel, that to the best of their knowledge:

- the summary financial information, prepared in conformity with applicable accounting standards, reflects the faithful image of the financial situation and results of the Recticel Group
- the intermediate report contains a faithful presentation of significant events occurring over the first six months of 2020, and their impact on the summary financial information.

* * *

IV. STATUTORY AUDITOR'S REPORT ON THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDING 30 JUNE 2020

Report on the review of the consolidated interim financial information of Recticel NV for the six-month period ended 30 June 2020

In the context of our appointment as the company's statutory auditor, we report to you on the consolidated interim financial information. This consolidated interim financial information comprises the consolidated condensed statement of financial position as at 30 June 2020, the consolidated condensed income statement, the consolidated condensed statement of comprehensive income, the consolidated condensed statement of changes in equity and the consolidated condensed statement of cash flows for the period of six months then ended, as well as selective notes I.7.1 to I.7.9

Report on the consolidated interim financial information

We have reviewed the consolidated interim financial information of Recticel NV ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting" as adopted by the European Union.

The consolidated condensed statement of financial position shows total assets of 819 686 (000) EUR and the consolidated condensed income statement shows a consolidated profit (group share) for the period then ended of 60 110 (000) EUR.

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

Scope of review

We conducted our review of the consolidated interim financial information in accordance with International Standard on Review Engagements (ISRE) 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 performed in accordance with the International Standards on Auditing (ISA) 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 on the consolidated interim financial information.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial information of Recticel NV has not been prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

Emphasis of matter

We draw attention to note I.7.7.3 of the consolidated interim financial information with regard to the determination of the transaction result on the disposal of the automotive interiors business. It describes the significant judgements and estimates made by management and the related uncertainties linked to specific arrangements to compensate the joint-venture for the potential impact of the Covid-19 pandemic on the automotive interiors operations, of which the resolution is dependent upon future events. Our conclusion is not modified in respect of this matter.

Signed at Ghent, on 11/9/2020 | 3:54 PM CEST

The statutory auditor

Digitally signed by
Kurt Dehoorne Signed By: Kurt Dehoorne (Signature)
Signing Time: 9/11/2020 | 3:56:54 PM CEST
C: BE
Issuer: Citizen CA
ED9861CE6C284D828D9CB6212C5D4C5E

Deloitte Bedrijfsrevisoren/Réviseurs d'Entreprises CVBA/SCRL
Represented by Kurt Dehoorne

V. GLOSSARY

- **IFRS measures**

Consolidated (data) : financial data following the application of IFRS 11, whereby Recticel's joint ventures are integrated on the basis of the equity method.

- **Alternative Performance Measures**

In addition, the Group uses alternative performance measures (Alternative Performance Measures or "APM") to express its underlying performance and to help the reader to better understand the results. APM are not defined performance indicators by IFRS. The Group does not present APM as an alternative to financial measures determined in accordance with IFRS and does not give more emphasis to APM than the defined IFRS financial measures.

Adjusted EBITDA : EBITDA before Adjustments (to Operating profit)

Adjusted operating profit (loss) : Operating profit (loss) + adjustments to operating profit (loss)

Adjustments to Operating profit (loss) : include operating revenues, expenses and provisions that pertain to restructuring programmes (redundancy payments, closure & clean-up costs, relocation costs,...), reorganisation charges and onerous contracts, impairments on assets ((in)tangible assets and goodwill), revaluation gains or losses on investment property, gains or losses on divestments of non-operational investment property, and on the liquidation of investments in affiliated companies, revenues or charges due to important (inter)national legal issues.

Current ratio : Current assets / Current liabilities

EBITDA : Operating profit (loss) + depreciation, amortisation and impairment on assets; all of continuing activities

Gearing : Net financial debt / Total equity

Income from associates : income from associates considered as being part of the Group's core business are integrated in Operating profit (loss); i.e. Orsafoam

Income from other associates : income from associates not considered as being part of the Group's core business are not integrated in Operating profit (loss); i.e. Proseat and Automotive Interiors

Leverage : Net financial debt / EBITDA (last 12 months).

Net free cash-flow : Net free cash flow: is the sum of the (i) Net cash flow after tax from operating activities, (ii) the Net cash flow from investing activities and (iii) the Interest paid on financial liabilities; as shown in the consolidated cash flow statement.

Net financial debt : Interest bearing financial liabilities and lease liabilities at more than one year + interest bearing financial liabilities and lease liabilities within maximum one year + accrued interests – cash and cash equivalents + Net marked-to-market value position of hedging derivative instruments. The interest-bearing borrowings do not include the drawn amounts under non-recourse factoring/forfeiting programs

Net working capital : Inventories and contracts in progress + Trade receivables + Other receivables + Income tax receivables – Trade payables – Income tax payables – Other amounts payable

Operating profit (loss) : Profit before income from other associates, fair value adjustments of option structures, earnings of discontinued activities, interests and taxes. Operating profit (loss) comprises income from associates of continuing activities.

Total net financial debt: Net financial debt + the drawn amounts under off-balance sheet non-recourse

Net working capital : Inventories and contracts in progress + Trade receivables + Other receivables + Income tax receivables – Trade payables – Income tax payables – Other amounts payable

Total net financial debt: Net financial debt + the drawn amounts under off-balance sheet non-recourse factoring programs

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