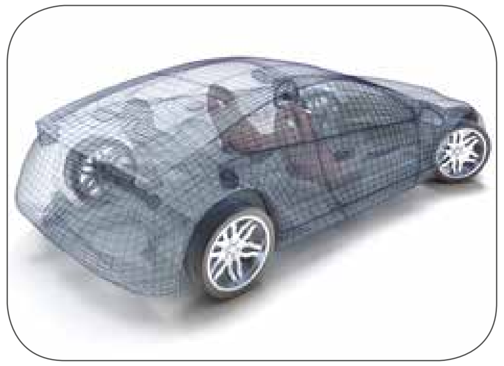
2017 ANNUAL report

balta

Rugs

Residential Carpets & Tiles

Commercial Carpets & Tiles



Non-Woven

DISCLAIMER

This report may include forward-looking statements. Forward-looking statements are statements regarding or based upon our management's current intentions, beliefs or expectations relating to, among other things, Balta Groups' future results of operations, financial condition, liquidity, prospects, growth, strategies or developments in the industry in which we operate. By their nature, forward-looking statements are subject to risks, uncertainties and assumptions that could cause actual results or future events to differ materially from those expressed or implied thereby. These risks, uncertainties and assumptions could adversely affect the outcome and financial effects of the plans and events described herein. Forward-looking statements contained in this report regarding trends or current activities should not be taken as a report that such trends or activities will continue in the future. This report, the "Annual Report", represents the directors' report prepared in accordance with article 119 of the Code of Companies.

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Tom Debusschere, CEO

STRATEGIC report

Chief Executive Officer

OUR STRATEGY

Our vision is to bring beautiful design at affordable prices to the mid-segment mass markets. As a manufacturer with extensive vertical integration, we leverage our innovation capabilities and operational excellence, to target large segments with attractive margin opportunities. Also, our Bentley brand caters to the top end of the US commercial market. We see ourselves as the preferred partner to our customers, providing leading innovation and great customer service.

In the Rugs division, our goal is to be the global innovation and design leader in machine-made rugs. In Commercial, Balta is the growing challenger in the North American and European commercial carpet and tiles segment. Finally in Residential, we aim to be the leading carpet manufacturer in Europe. The execution of these goals is based on a three pillar strategy:

- strengthen our leading position across core segments
- continue to focus on Operational Excellence
- selectively seek complementary acquisition opportunities

We are clear how we will execute these strategies and in the last year we have made good progress.

STRENGTHEN OUR LEADING POSITION ACROSS CORE SEGMENTS

We have proven that a strong focus on product development and launching new innovation is a profitable way for Balta to grow sales and margin. We are also mindful that we have to invest to expand our sales reach and capabilities for future growth in the attractive Rugs and Commercial divisions.

The Rugs division achieved full year organic revenue growth of 8.1%, which is ahead of our growth trend since 2012. The first half growth of 12.9% was supported by a very strong programme of new product development launched with customers; and we saw continued growth during the third quarter of 8.7%. As of quarter four, we have been impacted by a reduction in the 'share of wallet' of this season's outdoor rugs collections with two US home improvement customers.

We have been growing our outdoor rugs business very successfully in the US over the last five years, with a focus on a small number of large retail chains. We are now broadening our customer reach in the US while extending our indoor rugs offering. This is enabled by the continued investment we have made during 2017 to increase our sales and distribution infrastructure; including a new warehouse in Georgia, USA, which also supports our customers in their e-commerce channels.

Commercial Europe had a strong year growing organic revenue at 8.0%. The growth was evenly split across both halves of the year, despite performance in quarter three being impacted by the start-up issues resulting from the full automation of our commercial tile line in the Zele plant, Belgium. In the US, we continue to gain market share while integrating the Bentley business within the Balta group.

At Bentley, in the USA, we increased our sales force to address geographic areas where we see opportunity to grow our market share. For example, in San Francisco we have seen great results and anticipate that we will double our revenue in that region within twelve to eighteen months of the extra sales investment. Within Europe we have been investing in sales teams focussed on the architecture and design community to further build our specification business. Given the production constraints during quarter three, returns from this 2017 investment will only start in 2018.

Within Residential, one important element of our strategy is to grow the proportion of our revenues from the relatively higher margin broadloom products such as the latest super soft qualities. I am pleased to report we have increased sales this year by a third compared to the previous year; these products currently represent 20% of Residential sales versus 15% a year ago and 7% two years ago. However, significant raw material cost price increases and the decline in the GBP have more than offset these achievements resulting in a stronger than expected margin decline.

CONTINUE TO FOCUS ON OPERATIONAL EXCELLENCE

In a capital intensive manufacturing industry such as ours, 'Operational Excellence' is a key ingredient of success. There are three parts to how we do this. First we continue to automate our rugs and commercial production processes to lower the cost of manufacturing. Secondly where our products cannot benefit from automation, we have been increasing capacity in our Turkish facilities where we can manufacture labour intensive products at competitive prices. Thirdly we constantly strive to optimise our infrastructure to changes in the markets that we operate in.

In 2017 we continued with the annual programme of 'Operational Excellence' initiatives to compensate for cost inflation from wage, energy and transportation costs. With the headwinds experienced in the second half of 2017, we have developed an extended programme for implementation in 2018, which will mostly benefit the second half of the year.

Additionally, we have invested in expanding production capacity at our Turkish plant by around 10%, providing increased cost competitiveness in products that are difficult to automate and have a higher labour cost component. We are continuing to grow our Turkish operation in 2018.

At our Zele plant in Belgium we have invested in fully automating the commercial tile plant. The automation moves a roll of broadloom carpet all the way through the process to a wrapped pallet of cardboard boxes with cut-to-size carpet tiles ready for shipment to customers. All without one human hand touching the product. This investment builds increased capacity to support our growth, while at the same time increasing our cost competitiveness.

Finally we announced the restructuring of the operational infrastructure in Belgium within our Residential business, by consolidating the Oudenaarde facility into our two fully vertically integrated factories in the region. We have completed the consultation and negotiation stages, have activated a full project management office to deliver the full annualised run rate EBITDA benefit of €8.3m in 2019. As a result of the progress we have made, we now expect to finish the move ahead of schedule by the summer of 2018 and expect the benefits to commence early in the second half of the financial year.

SELECTIVELY SEEKING COMPLEMENTARY ACQUISITION OPPORTUNITIES

Our focus has been to deliver the shareholder value from the Bentley acquisition made in 2017. The Bentley acquisition has progressed well, the business integration is complete, we have increased sales resources and the expected revenue synergies are on track with specified orders received for modulyss tiles. Furthermore our integration work has created operational and procurement synergies of around $2m that will largely benefit during 2018.

Our short term focus is to deleverage by growing both EBITDA and cash generation; enabling us to continue evaluating complimentary acquisition opportunities with attractive shareholder returns.

PERFORMANCE IN 2017

The business had a transformational year with the IPO in June and we made good progress in executing the strategy. However market conditions we faced became increasingly difficult and a strong first half financial performance was offset by the difficult conditions in the second half of the year.

We had expected negative currency movements and raw material increases, but not to the level we actually experienced. The pressure on Balta's margin was greater than faced by some of our peers because of the movement of currency rates relative to our Euro cost base and Euro reporting currency. As a result, we were not able to realise price increases and other compensating actions to fully offset the currency and raw materials effect.

We expect the headwinds faced in 2017 will even out over time. However, with the near term outlook still looking challenging, we are taking action on costs and pricing to underpin 2018 performance and strengthen our business for the recovery phase.

The external challenges were exacerbated by start-up issues in our Commercial tile plant in the Zele, Belgium facility, creating a shortfall in revenue, profit and cashflow in the second half of the year. The tile plant has been fully operational since quarter four. Following the strong growth of our Rugs division over many years, late in 2017 we could not retain a proportion of this season's outdoor rugs programme with two US home improvement retailers. This impacted our Rugs division late in the fourth quarter and will be a drag on performance in the first half of 2018. Winning and losing 'share of wallet' with a customer is part of the normal cycle of the business and I am confident that in the course of 2018, we will again win 'share of wallet' with the same or other customers restoring our successful growth in US rugs. In doing so, we expect to broaden our customer

Anthem, premium carpet tiles by Bentley®.

base with a focus on increasing our share in the indoor rugs segment.

Our financial performance is explained in more detail on page 20.

2018 PRIORITIES

We have laid out our six key priorities for delivering improved performance with much of the benefits being realised in the second half of 2018 and the full run rate in 2019.

Grow profitable revenue

1. Continue to grow rugs sales in North America, by increasing our channel penetration and broadening our channel reach, underpinned by our 2017 investment in sales and distribution infrastructure, with benefits beginning in the second half of 2018
2. Continue sales growth in the Commercial division, leveraging the increased capacity of our new automated commercial manufacturing line in Europe and our 2017 investment in increasing our sales force, both in Europe and the US. Acceleration of the cross selling of modulyss products through Bentley's sales force, with new end market opportunities in national accounts
3. Further improve the Residential product mix by growing sales of higher margin products and by capturing the right value for our products and services through a strategic pricing excellence project that we have recently launched

Deliver increased level of cost savings

4. Deliver the full benefits of the restructuring of the operational footprint in Residential of €8.3m EBITDA in 2019, commencing early in the second half of 2018
5. Execute the already started expanded Operational Excellence programme, delivering an increased run rate of cost savings from the second half of 2018
6. Execute the planned operational and procurement synergies between our European and US Commercial business.

2018 OUTLOOK

Following the adverse raw material and FX movements, we expect the trends of the second half of 2017 to continue in the first half of 2018. Due to the strong comparative in the first half of 2017 and the timing effect of gains and losses in customers' 'share of wallet', we expect the Rugs division to have mid-teens revenue decline in the first half of 2018; followed by a return to growth in the second half of the year. Together with our growing Commercial division, both in Europe and the US, we are confident that the measures and actions we are taking will deliver a significantly stronger second half run rate.

As a result, with external factors remaining unchanged, we expect 2018 EBITDA to be between €82m and €87m.

Balta is a strong business with a track record of generating revenue growth at good margins, which I have every confidence will continue.

Tom Debusschere,
CEO Balta

HIGHLIGHTS
2017

JANUARY:
Balta brands have a successful Domotex fair in Hanover, Germany, introducing innovations in rugs, residential and commercial broadloom and tiles.

FEBRUARY:
Balta starts the roll-out of a new corporate identity with a new logo that looks more modern, younger and fresh, underlining the dynamic, no-nonsense spirit of Balta.

MARCH:
10 March: Balta announces agreement to acquire Bentley Mills, a California (USA) based manufacturer of high-end modular carpet tiles, strengthening our position in the US enabling the cross selling of European modulyss commercial carpet tiles.

APRIL:
Balta home USA (Rugs Division) hosts all of their existing and potentially new customers during the New York Textile Market in their 5th Avenue showroom in New York. This market focuses on "big box retail".

MAY:
25 May: US President Trump officially opens the new NATO headquarters in Brussels. 80,000m² of Millenium100 carpet tiles from modulyss were fitted throughout the impressive building. According to the project's lead architect, the environment and sustainability were among the most important considerations in the design.

31 May: Balta Group NV announces the launch of its initial public offering (IPO) on Euronext Brussels.

JUNE:
14 June: Balta lists on Euronext Brussels. It is the largest IPO on Euronext Brussels since 2014. The company raised €145m new capital to improve the debt position and further invest.

Bentley and modulyss, our respective US and European commercial companies, showcase their products jointly for the first time at the NeoCon trade fair in Chicago.

Expansion of our Turkish production platform with a 5,900m² new building to support our growth ambitions in rugs.

JULY:
5 July: modulyss launches a new website www.modulyss.com, the perfect resource for architects, designers and specifiers to discover how our carpet tiles bring high style and performance to commercial interiors.

Balta home introduces new innovative collections and hosts a large part of its European and international customers in the Belgian showrooms.

NOVEMBER:
7 November: Balta announces the plan to absorb the Residential carpet production from the Oudenaarde plant into our two other Residential plants in Belgium to optimize the operational footprint.

16 November: Balta home USA opens new 330,000ft² distribution center in Rome, Georgia to support our future growth ambitions and provide the infrastructure to support our customers more effectively in their growing e-commerce sales channels.

SEPTEMBER:
24 September: More than 2,000 group employees and their families visit Balta Avelgem, discovering the high degree of automation and state-of-the-art machinery used in the production of woven area rugs.

OCTOBER:
Positive reaction to modulyss carpet tiles introduced in our recently acquired US commercial business, Bentley, with first specified orders now received. Commercial tile production in Belgium now fully automated and operational.

Luxury Carpet Tiles

DECEMBER:
Rebranding of our product offer in residential carpet tiles as LCT, Luxury Carpet Tiles.

THE KEY
to our success

MOST RELIABLE PARTNER

Here at Balta we know that reliable partners are the key to success. That's why we strive to be the most dependable manufacturer for all stakeholders in the sectors that we operate in. With manufacturing excellence driving products of the highest quality and exceptional service vouching for dependability in everyday business, we pride ourselves on being the best possible partner.

CONSTANT INNOVATION

Creativity and innovation are key ingredients in any new product launch, with colours and designs driven by market demands. Product development teams, within each division at Balta, keep a close eye on international trends to ensure the company stays one step ahead of the market. As a market leader, Balta is not only seen as a trend setter in rugs, broadloom carpet and carpet tiles, but also as a pioneer in new flooring technologies and solutions.

ALWAYS BETTER

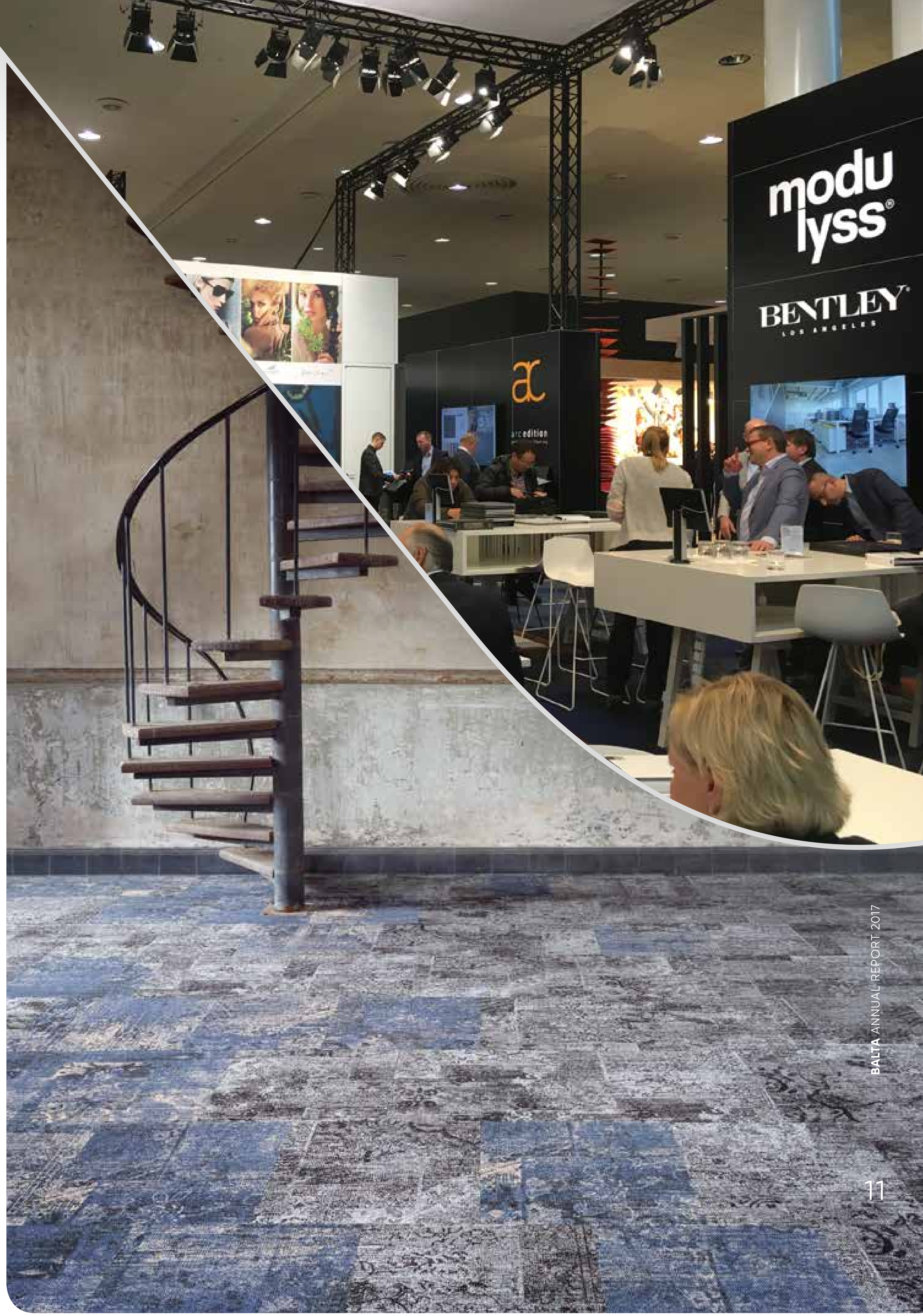
With vertically integrated factories, Balta is constantly looking to improve its manufacturing with its "Operational Excellence" programme applying the Six Sigma lean manufacturing principles. A Total Quality Management system across all plants ensures that products manufactured are of the highest quality and perform to exacting standards.

SUSTAINABILITY – THE 3 P's: PEOPLE, PLANET AND PROSPERITY

People. We believe in people first. Within Balta there is mutual respect and we are striving for zero accidents - every colleague who starts his or her working day returns home safe and sound. As a major employer we take our responsibility towards the community seriously, sponsoring local charity events and organisations.

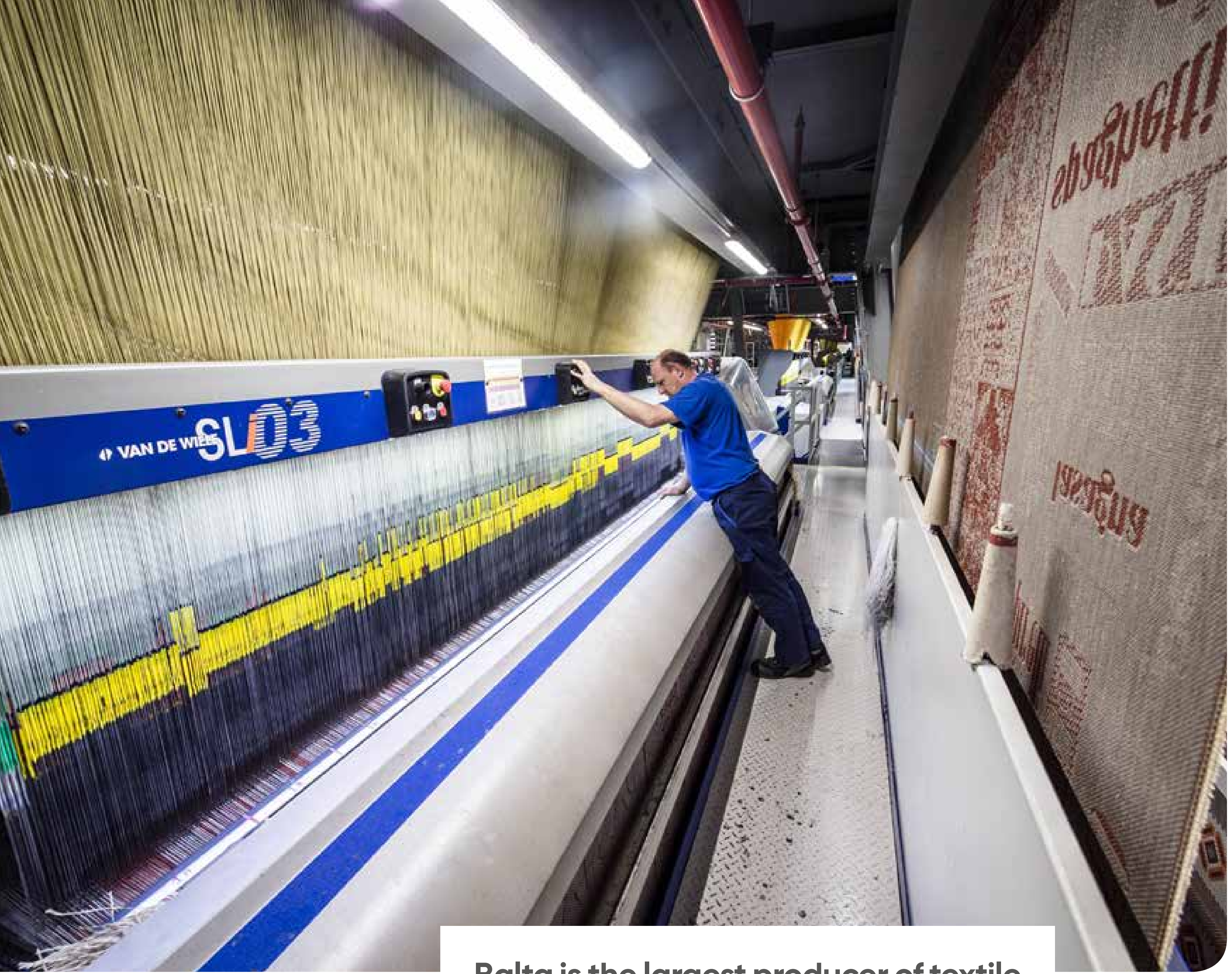
Planet. We are continuously reducing our ecological footprint: less water, less energy, less waste, more recycling. The company has installed one of the largest solar panel projects in the Benelux region supplying renewable energy to its production facilities.

Prosperity. We are also committed to doing business in a responsible and sustainable manner benefitting all stakeholders.



Patchwork carpet tiles by modulyss®

Domotex in Hanover, Jan. 2018



Modern face-to-face weaving looms in Balta Waregem

Balta is the largest producer of textile floor coverings in Europe. With a consolidated revenue of €689m (PF[1] 2017), its products are exported to more than 130 countries worldwide. In June 2017, Balta Group became a public company listed on Euronext Brussels

THE GROUP
at a glance

balta

REPORTING SEGMENTS

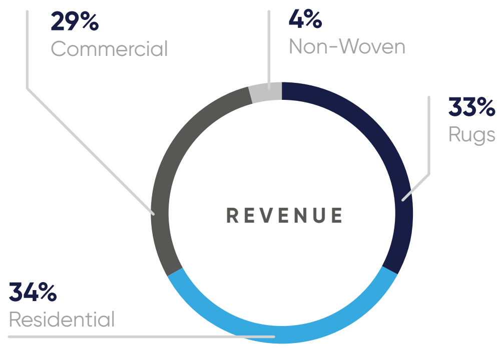
RUGS	RESIDENTIAL	COMMERCIAL	NON-WOVEN
balta home	balta carpets	modulyss, arc edition performance flooring by Balta	BENTLEY LOS ANGELES	CAPTIQS DYNAMIC NONWOVENS
	balta carpet tiles		
	itc carpets masters in comfort		

Balta has four distinct reporting segments:

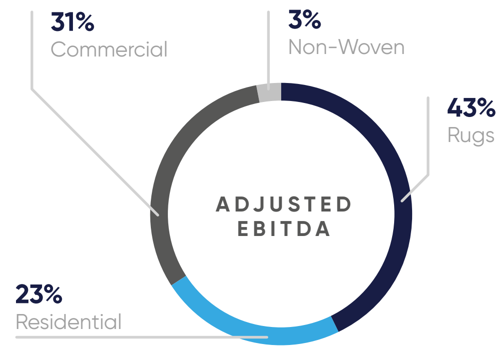
- **rugs**: woven and tufted area rugs, known under the brand Balta home.
- **residential:** wall-to-wall carpet and carpet tiles for private use, with the brands Balta carpets, ITC and Balta carpet tiles.
- **commercial:** wall-to-wall carpet and carpet tiles for commercial use with the brands, modulyss, Bentley and Arc Edition.
- **non-woven:** needle felt, carpet backing and technical non-wovens under the Captiqs brand.

Our traditional core markets include the United States, the United Kingdom, Germany, France, and an important presence in Central and Eastern Europe.

PF[1] Revenue 2017 per reporting segment

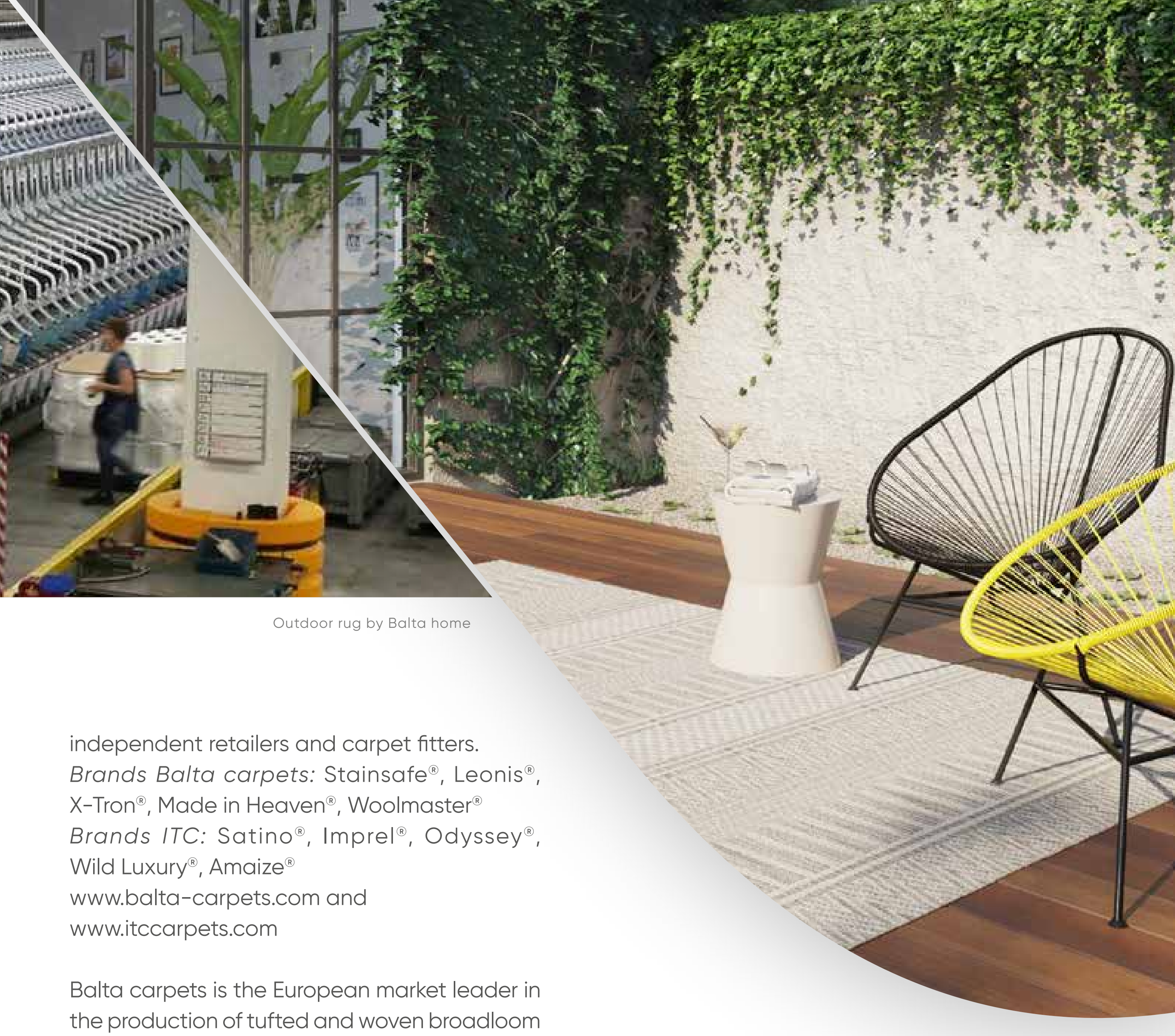


PF[1] Adjusted EBITDA 2017 per reporting segment



[1] see Glossary on page 112 for the definition of Pro Forma.

Yarn processing at Balta Tielt



Outdoor rug by Balta home

RUGS

Balta home

Market position: N° 1 in Europe, N° 2 worldwide and a market leader in the outdoor rugs segment in the United States.
Production plants: 3 in Belgium (Avelgem, Sint-Baafs-Vijve & Waregem) and 2 in Turkey (Uşak).
Distribution centres: 2 in Belgium (Avelgem & Sint-Baafs-Vijve), 1 in Turkey (Uşak) and 1 in the USA (Rome, Georgia).
Distribution channels: major international retailers (such as home improvement, furniture, specialist, discount and DIY stores) and wholesalers, with whom we have long-lasting relationships.
Brands: Line A®, Berclon®
www.balta-home.com

Balta home is a global player in machine-woven and tufted rugs for indoor and outdoor use, exporting to more than 100 countries worldwide. Rugs serve a home decoration purpose and as such we believe the rugs market to be a non-cyclical, consumer and lifestyle driven market. An experienced development team is continuously developing new market-oriented collections, designs and colours to meet the requirements of all our customers. At Balta home, we are experts in creating rugs in all kinds of different colours, designs and constructions: from flat-woven via low-pile to high-pile plush rugs, from soft, washable indoor to sustainable, reversible outdoor rugs. From the idea, via the production of raw materials, to the finished products; at Balta, every step of the development and production process takes place in-house. This vertical integration enables us to control our high quality standards during every step of the production process. Balta home, with highly automated state-of-the-art production and distribution facilities in Belgium, Turkey and the USA, is well known throughout the world for its creativity, know-how, innovation, quality, service delivery and its broad product range.

RESIDENTIAL

Balta carpets & ITC

Market position: market leader in Europe with top positions in the UK (Balta carpets), Germany and CEE (ITC).
Production plants: Sint-Baafs-Vijve, Tielt and Oudenaarde[2] in Belgium.
Distribution centres: Sint-Baafs-Vijve and Tielt in Belgium.
Distribution channels: major retailers and wholesalers, such as specialized carpet, home improvement and furniture chains, DIY stores, independent retailers and carpet fitters.
Brands Balta carpets: Stainsafe®, Leonis®, X-Tron®, Made in Heaven®, Woolmaster®
Brands ITC: Satino®, Imprel®, Odyssey®, Wild Luxury®, Amaize®
www.balta-carpets.com and
www.itccarpets.com

Balta carpets is the European market leader in the production of tufted and woven broadloom carpet in polypropylene. The market as such is predominantly renovation-driven and to a lesser extent driven by new-build. Key market is the United Kingdom, one of the largest residential carpet markets globally, with a strong traditional preference for carpets as a flooring solution, where we believe we are market leader by volume.

ITC is the European market leader in the production of tufted broadloom polyamide carpet. ITC produces high-quality products for premium residential applications in which creativity, design, appearance, durability and resistance to wear are important. All quality and safety aspects are certified by independent bodies such as PRODIS, GUT and TUV.

[2] November 2017: Balta announced its intention to move residential carpet tufting from Oudenaarde to Sint-Baafs-Vijve and Tielt, and the integration of the Sint-Niklaas warehouse in existing sites.

Balta carpet tiles
Production plant & distribution centre: Zele in Belgium
Distribution channels: major retailers and wholesalers, such as specialized carpet, home improvement and furniture chains, DIY stores, independent retailers and carpet fitters.
Brand: LCT First® (Luxury Carpet Tiles)

With balta carpet tiles, we can offer a wide range of multi-functional carpet tiles for use in homes. This modular application is clearly on the rise due to its advantages of being easy to transport, fit and replace. Unique laying patterns and exciting combinations are made possible through these carpet tiles.

COMMERCIAL

modulyss
Market position: N° 3 in Europe.
Production plant & distribution centre: Zele in Belgium.
Distribution channels: architects, designers, contractors and distributors (offices, education, health care and hospitality).
Brands: modulyss®, LCT Pro®
www.modulyss-pureair100.com
www.modulyss.com

modulyss designs and manufactures modular carpet tiles for the international contract market and targets architects and designers looking for high-quality and trend-setting floor coverings. Thanks to the sophisticated manufacturing process, modulyss carpet tiles exceed the limits of performance and design, putting them in a class of their own. In 2017 modulyss invested in a completely new automatic tile-cutting and packaging line doubling capacity. modulyss carpet tiles are available in a variety of colours, structures and patterns. With their endless creative possibilities, modulyss carpet tiles are the ideal solution to give a floor style and exclusivity. The market as such is mainly renovation-driven and to a lesser extent driven by new-build.

Bentley
Market position: a market leader in the premium US commercial segment.
Production plant & distribution centre: Los Angeles in the USA.
Distribution channels: architects, designers and contractors (offices, education, health care and hospitality).
Brand: Bentley®
www.bentleymills.com

Style. Service. Quality. Partnership. For more than 30 years, these tenets have been the driving forces behind Bentley, California's largest carpet design and manufacturing company. Backed by an industry-leading design team recognized for consistent innovation and with a proven new product success track record, Bentley is a leading producer of award-winning, premium carpet tile and broadloom for commercial interiors. It is an iconic brand, chosen by specifiers, architects, designers and end users. Its success is driven by long-term support of the design community, a focus on sustainability and a broad global platform for its end-user clients. Bentley's impressive growth path is fuelled by significant investments in its highly efficient LEED (Leadership in Energy and Environmental Design) Gold production facilities.

This is Bentley. A visionary carpet manufacturing vanguard, Bentley began pushing back boundaries in 1979, setting new standards for the flooring industry. Steeped in our Los Angeles' (California) heritage and frontrunners in style and culture, we employ conscious sensibilities. At the core of our company is our commitment to establish and maintain distinctive, long-term relationships with our partners and to make products inspiring our customers.

Arc Edition
Market position: one of the market leaders in Europe, with a top position in CEE.
Production plant & distribution centre: Tielt in Belgium.
Distribution channels: commercial customers (including offices, education, health care and hospitality), specialized retail groups and wholesale.
Brand: arc edition®
www.arcedition.com

Arc edition defines innovative high-quality broadloom carpet for commercial environments, enabling flooring professionals, architects, designers and specifiers to explore the creative potential of performance flooring. This brand provides a wide choice of in-stock textile floorcoverings suitable for use in demanding commercial environments with the service collection, as well as the freedom and unlimited potential of tailor made bespoke, chromojet-printed, carpet creations.

NON-WOVEN

Captiqs
Market position: European mid-level player.
Production plant: Oudenaarde in Belgium.
Distribution centre: Sint-Niklaas[2] in Belgium.
Distribution channels: specialized B2B converters, event organizers and traditional distributors.
Brand: Captiqs®
www.captiqs.com

Captiqs offers durable, non-woven solutions for a wide variety of applications such as automotive, buildings, events, insulation, lining, carpet backing and advertising banners. Through innovation and a dynamic approach, we produce needle-punched, breathable, bonded and calendered non-wovens perfectly meeting our customers' needs.

[2] see footnote page 15

4,053
Total number of employees (31/12/17)

40
Number of nationalities

130+
countries we sell into

70,000
rugs / working day

more than 1.5 million
boxes of carpet tiles/year.

752,000 m²
Total manufacturing footprint = 150 football pitches

€689 m
Pro Forma revenue 2017

Balta Avelgem

Solar panels on the factory roof of Balta Sint-Baafs-Vijve

61,150
Solar panels on 5 factory roofs in Belgium

33.7 ha
Factory roof

67
Football fields

12.8 million kWh per year
The electricity consumption of 4,600 Belgian families

-4.75 million kg
CO^2 per year

Heatsetting nylon yarn in Balta Tielt

CFO
Financial Review

In 2017 Balta delivered group Consolidated Revenue of €661.3m, up 18.6% and Adjusted EBITDA of €84.4m up 3.7%, both versus last year. EBITDA margin of 12.8% was down 183bps, reflecting the impact to earnings from currency movements and raw material inflation which was not sufficiently offset by pricing and other compensating actions in the financial year. These results include the contribution from Bentley which was consolidated into the group's results from 1 April 2017.

On a Pro Forma basis, including Bentley for both the current and prior year, full year revenue grew 3.1% (organic 4.6%) to €689.0m and Adjusted EBITDA declined 10.3% (organic -3.9%) to €87.3m.

FINANCIAL REVIEW BY DIVISION

Rugs

The Rugs division achieved full year organic revenue growth of 8.1%, spread across all three regions of Europe, North America and Rest of the World.

The very strong first half organic growth of 12.9% was supported by a successful programme of new product developments launched with customers. We saw continued organic growth during the third quarter of 8.7%.

In the fourth quarter organic revenue was down 2.4%. Some orders moved to January and we had a reduction in orders for our outdoor rugs collections with two US home improvement customers, which will impact revenue in the first half of 2018. A weakening US dollar to Euro, negatively impacted our Consolidated Revenue by 3.4%, leading to a decline of 5.9%.

During 2017, we have invested to strengthen our position for future growth by increasing our US sales and distribution infrastructure. This includes a new warehouse to better support existing customers and increase our reach to new customers and channels for both indoor and outdoor rugs. As a result we have increased our full year fixed costs by €1.7m.

Full year Consolidated Adjusted EBITDA declined by €0.4m to €37.6m with margins at 16.5% (Q4 margin 14.7%). The margin reduction from 17.7% in 2016, reflects the time delay between higher raw material prices and the actions required to compensate, including price increases. Full year EBITDA was impacted negatively by 1.3% from currency movements, which were higher in quarter four at 2.5%.

Commercial

Full year Consolidated Revenue increased by 114.5% to €171.7m, driven by the acquisition of Bentley at the end of quarter one 2017 and the 8.0% organic growth of our European Commercial business. Quarter four organic revenue was up 14.8%, reflecting the return of full supply in our European tile business.

In the US, whilst integrating the Bentley business within the Balta group we have continued to take market share, enabled by our increased investment in sales resource. The acquisition has allowed us to reach a wider pool of customers in North America using Bentley's customer relationships and a differentiated product portfolio including both Balta's modulyss products and Bentley's own premium tile range. In quarter four we won a national US retailer account for modulyss tiles, which provides Balta with a platform to grow revenue and profit in a new channel.

Also in Europe, we have continued to invest in our commercial sales resource, and with the start-up issues we experienced in 2017 now resolved, the return will start being delivered in 2018.

Consolidated full year Adjusted EBITDA increased by 98.5% to €23.9m although organic EBITDA was lower by 7.9%. Quarter four organic EBITDA was lower by 38.4% due to negative product mix including the lower margins of our new customer in the US, and the incremental costs associated with resupplying our European customer base following the resolution of the supply issues.

Residential

Full year Consolidated Revenue of €234.8m, declined by 0.8%, with organic growth of 0.6% impacted by negative currency of 1.4%. The performance reflected a challenging residential market environment in continental Europe and stable total volumes in the UK. Quarter four revenue was a consolidated growth of 1.6%, with organic growth of 2.4% outweighing the negative currency impact of 0.8%.

Residential EBITDA margins continued to be under pressure with quarter four at 7.3% (full year: 8.6%). The drivers of this are the continued adverse effects of currency movements and raw material inflation which have not been fully offset with price increases.

Full year organic EBITDA reduction of 12.6% combined with a negative currency impact of 16.2% resulted in a consolidated Adjusted EBITDA of €20.2m, down €8.2m versus the prior year.

The strategy to grow sales of higher margin new broadloom products led to sales increasing by a third compared to last year, currently representing about 20% of Residential sales versus 15% a year ago and 7% two years ago.

The benefits from the optimisation of the Residential operational footprint are ahead of schedule and will deliver the full run rate benefits of €8.3m EBITDA in FY19, resulting in a recurring cashflow improvement of €9.9m with exceptional one off costs of €12.4m. As a result of the progress we have made, we now expect to finish the move ahead of schedule and expect the benefits to commence early in the second half of the 2018 financial year.

OTHER FINANCIAL ITEMS REVIEW

Non-Recurring Items

2017 was characterized by several one off events with a material impact on our P&L. The impact of these events on 2017 profit for the period is equal to a net expense off €13.8m (€0.38 per share). In contrast, the profit realized in 2016 was characterized by a net benefit of €8.3m, mainly as a result of the one-off recognition of deferred tax assets (€10.8m).

The non-recurring events of 2017 are:

- purchase price accounting adjustments following the acquisition of Bentley in March 2017. These adjustments have an impact of €2.9m on EBITDA and €1.8m on the profit for the period
- integration and restructuring expenses of €11.4m impacting EBITDA, of which €8.2m is in connection with the optimisation of the Residential operational footprint. As a reminder, the expected total one off cost for the Residential optimisation is €12.4m
- finance expenses of €9.3m relating to (i) expenses of €5.4m in connection with the debt financed acquisition of Bentley, which was fully repaid in June 2017 from the IPO proceeds, and (ii) expenses in connection with the partial early redemption of the Senior Secured Notes (€3.9m)
- €8.6m tax benefit relating to events that are not reflective of Balta's normal business operations, including the re-measurement of deferred tax assets and liabilities following changes in tax legislation.

Net Financing Costs

The net finance expense amounted to €28m, excluding €9.3m of pre-IPO capital structure and one-off financing fees which are non-recurring. In addition, the full year financing cost does not reflect the run rate benefit of the repayment of €21.2m Senior Secured Notes in June 2017 using the proceeds of the IPO and the refinancing of €35m of Senior Secured Notes executed in September 2017. These two transactions have reduced our run rate finance expenses to approximately €23m.

Taxation

The reported income tax expense of the year is a credit of €2.7m which includes two items totaling €8.6m which we have treated as non-recurring.

Firstly, we have recognized a positive effect of €10.3m linked to tax reforms, of which €8.8m is linked to the Belgian tax reform which has been substantially enacted on 22 December 2017. The highlight of the corporate tax reform is the reduction of the corporate tax rate from 33.99% to 29.58% in 2018 (including crisis contribution, lowered from 3% to 2%) and to 25% as from 2020 (abolishment of crisis contribution). As a consequence, deferred tax assets and liabilities have been adjusted to reflect the new tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

Secondly, the deferred tax assets relating to tax credits and loss carryforwards have been adjusted to reflect changes in the probability that these can be used in the future.

When normalizing for all exceptional events of 2017, the Adjusted Effective Tax Rate is equal to approximately 30%. Following the enactment of the tax reform in Belgium, and based on the same scope of activity and financing structure, we anticipate that our future effective tax rate will be between 25% and 27% on a like for like basis.

Earnings per share

Full year Adjusted Earnings per Share is equal to €0.47 in 2017, unchanged versus the prior year. The impact of the non-recurring items results in reported 2017 earnings per share of €0.08.

Dividend

As disclosed at the IPO, the Company intends to pay a dividend of between 30% and 40% of net profit. For 2017, the dividend is calculated pro rata such that the Company only pays a dividend in respect of the portion of the financial year for which its shares were listed on Euronext Brussels. In order to determine the amount, the full year profit for the period has been adjusted to exclude the adverse impact of (i) purchase price accounting adjustments, (ii) integration and restructuring expenses and (iii) exceptional finance expenses. In order to determine the adjusted profit for the period, we have applied our normalized effective tax rate of 30%. We have then taken a pro rata of the normalized full year earnings to reflect the earnings of the post-IPO period.

On this basis, the Board will propose a dividend of €0.08 per share, which is subject to the approval of the annual general meeting.

Cashflow and net debt

Net debt at the end of December 2017 is equal to €253.5m, €15.0m lower versus the end of 2016. Leverage has decreased from 3.3x Adjusted EBITDA at the end of 2016 to 2.9x Adjusted EBITDA at the end of 2017. The reduction in net debt has been achieved by reducing gross debt. As a reminder, a portion of the primary proceeds of the IPO were used to redeem €21.2m of the Senior Secured Notes. An additional €33.9m of Senior Secured Notes were repaid in the course of the third quarter and replaced with a €35m Senior Term Loan facility at a margin of 1.4%, reducing annual interest expenses by €2.1m. Following these transactions, gross debt at the end of 2017 is equal to €290.8m (excluding capitalized financing fees), of which €240.3m Senior Secured Notes, €35.0 million Senior Term Loan Facility and €15.5 million of finance leases.

Business combination accounting

In connection with our acquisition of Bentley Mills, accounting rules require us to adjust various balance sheet accounts, including inventory, to fair value at the time of acquisition. The fair value adjustment is mainly related to inventory and represents a one-off, non-recurring, expense of €2.9m on the operational result of 2017. The after-tax impact of business combination accounting on the net result of 2017 is equal to €1.8m.

Following the completion of the purchase price allocation, goodwill in connection with the Bentley acquisition has been reduced from €81.3m to €74m and annual depreciation charges will increase as from 2018 by an estimated €0.4m.

NON-FINANCIAL
Key Performance Indicators

Balta is committed to responsible and sustainable business practices. Embedding sustainability throughout Balta Group is a shared responsibility, protecting and enhancing our global license to operate and helping to make our business more resilient and competitive.

The UN (United Nations) aims to drive global action through seventeen Sustainable Development Goals (SDGs) launched in September 2015. Reflecting the biggest challenges facing our planet, these goals aim to create a fairer and more sustainable world. We have mapped our Planet, People and Prosperity sustainability strategy against the nine SDGs that we can positively influence.

While the strategic and financial reports outline our strategy and the progress we have made, the topics discussed in this section are key to our current and future performance. Balta's approach to managing sustainability opportunities and risks focuses on integrating the SDGs into individual divisional business strategies. Looking to the future, we intend to develop an overarching group sustainability policy, shaping our goals and targets.

PEOPLE

PLANET

PROSPERITY

FROM FISHING NETS TO CARPET TILES

modulyss has decided to join Healthy Seas, a cross-sector initiative for tackling the problem of marine litter, as an associated member. Healthy Seas not only recovers discarded fishing nets but makes sure they are recycled and regenerated into Econyl nylon 6 yarn. In 2017 modulyss produced 529,067m² of carpet tiles made from Econyl yarns, reducing its eco-footprint by 20%.

PLANET

Balta is investing significant effort into reducing resource use and the impact we have on the environment. Increasing environmental regulations puts us at risk of incurring significant costs and disruption to our business, possibly even impacting our license to operate and our reputation. Assuming a leading role in conserving the environment is the only way for Balta to sustainably create value for its stakeholders and potentially gain a competitive advantage for the company. Whilst Balta has not yet set targets, we intend to move in this direction in the future.

As a leading soft flooring producer, we retain and win customers by supporting their growth with innovative, sustainable and high-performance products. Leveraging our know-how, we are increasingly supporting more sustainable consumption by reducing the environmental footprint of our products and providing customers and consumers with eco-labels to help them make more sustainable choices.

Our approach is to define strategies and key goals in the annual business plans. Together with some of our strategic customers, we are developing joint long-term goals increasingly focused on environmental factors, creating a commercial need to provide innovative solutions.

Balta uses the following standards to work towards environmental sustainability:

In our Belgian and Turkish production plants we are fully ISO 14001-compliant creating strong foundations to implement our environmental initiatives. Internal and external audits are helping us to continuously improve our performance in this area.

In the US, our Bentley business has a LEED 'Gold' label accreditation. LEED stands for Leadership in Energy and Environmental Design and is the most widely used green building rating system in the world. The renewal of the LEED certification is foreseen for 2018.

Balta is reducing its impact on the planet by limiting pollution from its production process and reducing consumption of natural resources, whilst operating as efficiently as possible. There are five key areas upon which we believe we can have the most impact:

Pollution: Balta has comprehensive policies and systems for eliminating pollution and toxins across all production sites. We comply with the requirements on dangerous substances and VOC's (Volatile Organic Compounds), as set out in REACH and the harmonized standard EN14041 (CE-labelling), including the requirements of voluntary labelling scheme's such as GUT/PRODIS. We have spent 2017 designing new products that can be fully recycled, as well as modifying existing products to now be made of only one raw material, thereby supporting their recycling.

Our European Commercial carpet tile brand modulyss has partnerships with both Healthy Seas and CO_2 Logic, with the aim of reducing the life-cycle impact of each product. modulyss is producing increasing numbers of carpet tiles with low CO_2 emissions in our CO_2RE carbon offset initiative. Find out more on the modulyss website https://www.modulyss.com/en_gb/co2re

Balta fully supports the January 2018 decision of the European Carpet and Rug Association (ECRA), of which Balta is a member, to sign the

Every credit we purchase to offset CO_2 emissions during production currently goes to the Paradigm project in Kenya created to positively impact poverty. Reducing greenhouse gas emissions, this social climate project contributes positively to many UN Sustainable Development Goals (SDGs).

AN ENTERPRISING SOLUTION

European Plastics Industry Circular Economy Voluntary Commitment to recycle 50% of plastics waste by 2040. This is a big step and one that we will be working on in the coming years.

Energy: We have a voluntary commitment to the Flemish Government's "Energy agreement" (as of 2003) to reduce carbon emissions. Each year we invest in a number of energy studies resulting in energy reduction projects. For example, in 2017 we invested in low-pressure compressed air networks and in generating hot water via a heat exchanger based on process heat. Our voluntary commitment will be extended by signing the "Energy agreement" to 2022, committing Balta to further reducing its carbon footprint.

Waste: Balta Group has mostly zero production waste to landfill. We recycle 'waste' from yarn extrusions for use in the end-products of our Non-Woven division. Additionally, we have redesigned our manufacturing processes to sort waste into over sixty-five individual categories that can be recycled. Our aim is to achieve 100% recycling by sorting our waste efficiently and effectively.

Transportation: The more we can do to reduce the number of road miles, the better it is for the environment and for our costs. In 2017, we announced a reorganisation of our Belgium operational footprint, establishing two vertically-integrated Residential factories and closing a standalone warehouse. As a result, there will be less need to move materials and finished goods, leading to a 25% reduction in road miles between these factories and our warehousing facilities in 2018.

Water: In several of our plants we rely on closed-loop water cooling systems which re-use water and better control temperatures in heat-demanding equipment, translating into water and energy savings. We have also invested in a system for monitoring water usage, with working groups defining measures to reduce water consumption. Looking to the future, we aim to improve water efficiency via a roadmap of projects to be identified and underpinned with targets.

PEOPLE

The basic expectations are that we provide a safe, motivating and rewarding workplace. However, to achieve our corporate growth ambitions, stronger engagement between the company and its employees will be a key enabler. On the journey towards achieving this, key strategies have been developed in 2017 to improve communication throughout the company, improve our people management capability and develop stronger talent management processes.

People are our core asset in delivering our business strategy. Not making progress in our people strategy incurs the risks of low employee commitment and an inability to attract, motivate and retain the best people and achieve our business strategy. This is especially relevant in Flanders, Belgium, which has very low unemployment and where 69% of our workforce is based.

Our last employee satisfaction survey was in October 2016 (Belgium only) and resulted in a convincing score of 82%. The results were discussed throughout 2017, leading to a number of measures being agreed, such as the organisation of wellbeing sessions accessible to all employees. We will be repeating this survey in either 2018 or 2019, targeting an improvement in our score.

2018 will see the embedding of the 2017 strategies and the rolling out of the code of conduct policy, along with an organisational review. The main objectives of this review will be to align the organisational structure with the company's operating model in line with future needs.

There are six key aspects to our employee strategy.

Code of conduct:
The code of conduct sets the framework within which our people have the freedom to act and operate in their daily work and, by doing so, contribute to the Balta Group success story. It reinforces our core values and behaviours and sets the standards under which we operate as individuals and together as a company. The code of conduct was developed in 2017 and is currently being discussed with our senior leadership team. In 2018 it will be fully implemented across the organisation.

Building a climate of open communication and employee commitment:
Throughout 2017, we have seen the development of increased levels of communication in the form of a weekly CEO's blog, intranet, LinkedIn, Facebook and Twitter. The leadership team meets on a quarterly basis to review the alignment of our actions with our strategy and the progress we are making. It has agreed principles for promoting transparent, open and timely communication through the organisation.

We have also been working on defining the Balta employee brand to drive a stronger corporate engagement with our employees and to increase our followers' and supporters' base inside and outside Balta. There is a strong link to social responsibility here.

Social responsibility:
At Balta, we embrace our corporate social responsibility by supporting good causes. In 2017, amongst others we arranged employee blood-donating sessions and raised money and attention for charity projects such as de 'Warmste Week'. We have an active year-round programme of events for our employees and their families. For example in 2017 we arranged for several Balta teams to take part in the Ekiden team marathon in Brussels, and sponsored nights at the opera, family days at our factories in Zele and Avelgem and health and wellbeing sessions.

Diversity:
We believe that diversity leads to better governance and performance. A diverse management and Board reduce the risk of 'groupthink', bringing insightful perspectives, leading to a better understanding of our customer base and the environment in which Balta operates, and thus paying greater attention to controlling risks and improving performance.

Family day in Balta Zele

Top left: Ekiden Brussels • Top right: Balta cycling • Bottom left: Soup for life (Warmste Week) Bottom right: Blood donation at Balta Tielt

Balta's management is composed of individuals with different skills, backgrounds, information and influence, meaning that each contributes in a different way to the overall set-up required for effective management.

Of Balta's global workforce of 4,053 employees, 2,777 are based in Flanders, Belgium and we have over 40 different nationalities represented. 25% of the 'blue collars' in Belgium are female, whilst at 'white collar' level, 48% are female. Our diversity policy is based on the concept that skills and experience are the sole factors determining the best individual qualified for the job.

This is similarly reflected at Board level. In our view, the expertise, age, gender, competencies, professional background and life experience of the individual Board members are well-diversified. As of the IPO in June 2017, we meet the legal requirement that at least one-third of directors are of an opposite gender.

Balta will continue to pay attention to the implementation of diversification in general. In the years to come, the Remuneration and Nomination Committee will give consideration to diversity with reference to the competencies required for the Board, senior management and directors, taking into account its business nature as well as its strategies.

Human rights:
While we naturally comply with applicable laws in all countries that we operate in, we also respect and promote human rights in accordance with the UN Guiding Principles on Business and Human Rights. The risk of non-compliance is reputational damage, business interruption and penalties, resulting from a lack of awareness by our employees or within our indirect supply chain.

Balta is committed to:
- providing equal employment opportunities, respecting the rights of each employee throughout his/her career at Balta
- guaranteeing equal treatment in the recruitment, remuneration, career development and training of its employees based on qualifications and experience only
- prohibiting any form of harassment, intimidation, reprisal or violence and not conducting business with those who do
- recognising and appreciating the existence of different values and cultural standards in the countries in which we operate
- recognising the individual right to freedom of association and collective bargaining
- the total non-acceptance of child labour and fully supporting the United Nations Convention on the Rights of the Children

To support our policy, we operate a zero-tolerance policy, with any violation resulting in dismissal; furthermore if a law is breached, the local authorities will be informed.

Balta has a number of controls in place. With regard to child labour for example, we require documents showing the date of birth or other documentary evidence of age of every worker before starting work.

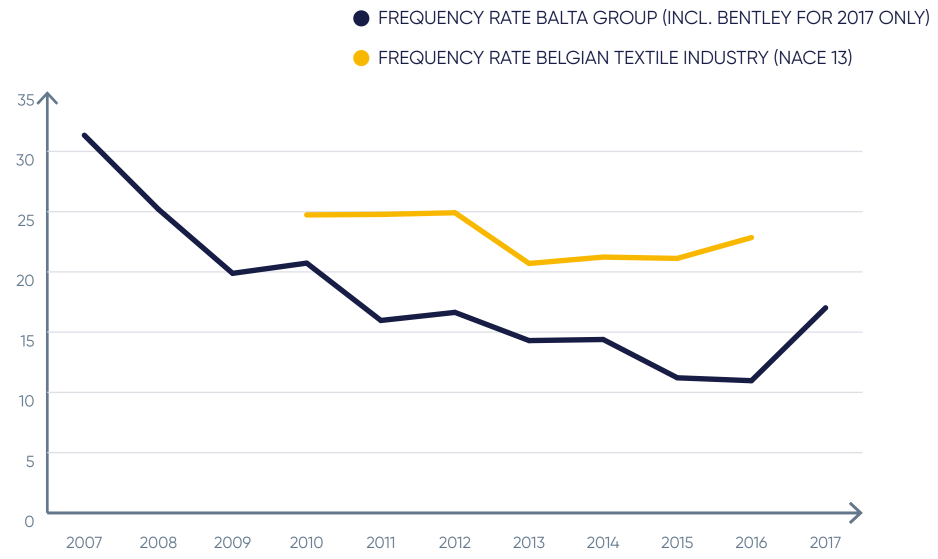
In 2018 we will be training all our employees in the code of conduct and will continue auditing our production facilities and key suppliers on a rolling basis.

Health and safety:
With its large operating footprint of ten production and warehousing locations across three continents, Balta requires high standards of health and safety to support an efficient and growing business. There is a very clear link to the second pillar of our strategy of Operational Excellence.

Consequently, health and safety is a key priority. In 2017, Balta invested in its strong commitment to putting safety first with the aim of improving its lagging safety indicator, the frequency of work-related safety incidents and their severity. After many years of no fatal accidents, in 2017 we regrettably had one in our Tielt factory.

In 2017, the long-term trend of declining numbers of accidents reversed vis-à-vis the Belgian textile industry. This led us to appoint an independent safety consultant to conduct a study on the safety behaviour and culture at all Belgian plants, interviewing more than 300 employees. Using this as a basis, we developed an action plan, reviewed our health and safety policy and created a communication plan for all production managers led by the CEO and the Management Committee to achieve the required improvement in 2018. Our ambition is clear for all employees: "Every colleague who starts the work day or shift returns home safe and healthy."

To achieve this, we have established a programme of measures supporting the three pillars of our health and safety policy:
- technical safety - continuously improving the operating safety of our machines



Frequency Rate = Work related accidents with loss time/1,000,000 hours

- organisational safety – continuously improving safety procedures
- safety behaviour and culture – investing in training, communication and awareness to translate our interventions into routine behaviour.

This programme is led by a new Group Health and Safety Manager appointed in 2017, reporting weekly to the CEO and updating the Board. Some of the key priorities being worked on and set to continue in 2018 are:

- information campaigns at all levels of the organisation to raise awareness, provide clear direction on Balta's safety rules and give training to the employees concerned
- to integrate health and safety across all relevant business processes, ensuring that every individual in the business understands their role and impact towards realising our ambition
- for all leaders and managers to lead by example and help others on our journey, including safety champions on the factory floor
- continuous evaluation of our progress by means of audits and detailed investigations into issues
- improving our risk management process to proactively recognize hazards and risks
- to enhance and standardise our safety performance reporting across the group (including Bentley)

Weaving in Balta Waregem

PROSPERITY

Our current business and financial performance, the proposed dividend to shareholders and future prospects are outlined in the CEO Strategic Review and in the CFO Financial Report. The satisfaction of our customers and suppliers is often determined by how we grow their businesses and by the long-term relationships we have developed. We are also committed to doing business in a responsible and sustainable manner benefiting all parties. Our responsibility to government and other regulatory bodies is to comply with all local laws and to pay our fair share of taxes due. Our businesses operate within local communities where we play an active role and participate in supporting good causes.

Compliance is an important subject at Balta, giving us the freedom to grow our business for the benefit of all our stakeholders. Based on the risks identified and industry regulation, in 2017 we reviewed and formalised our anti-fraud and anti-corruption policy, our gift and entertainment policy and our non-audit services policy. At the beginning of 2018, we created policies for economic sanctions, anti-money laundering and anti-trust. Furthermore, we are in the process of drawing up a data protection policy meeting the General Data Protection Regulation (GDPR).

In 2017, a revised anti-fraud and anti-corruption policy addressing the US Foreign Corrupt Practices Act and the UK Bribery Act was approved. It covers every form of corruption or bribery, charity donations and sponsorship, relationships with officials and behaviour in public tendering, as well as lobbying.

The key risks to future prosperity are that Balta could be affected by a range of legal and regulatory compliance risks, with the highest risks addressed by the policies referred to above. In addition, Balta uses agents and other intermediaries acting on its behalf and based in different geographic locations. Balta will enhance awareness to this topic via communication and training in 2018 for all employees and intermediaries. We will require a formal acknowledgement from management staff that these policies have been understood. In addition, we will also be firmly establishing our policies in the code of conduct to be communicated to all employees in 2018.

Balta operates a zero-tolerance policy towards fraud, bribery and corruption. The Group Compliance Officer is the central contact person for whistleblowers and the investigation of possible policy infringements.

CORPORATE Governance

This chapter provides information on Balta Group nv's (hereinafter also referred to as "Balta" or the "Company") corporate governance.

Corporate governance charter

Balta is committed to high standards of corporate governance and relies – pursuant to article 96 § 2, 1° of the Belgian Companies Code – on the Belgian Code on Corporate Governance of March 12, 2009 (the "Corporate Governance Code") as a reference code. The Corporate Governance Code can be found on the website of the Belgian Corporate Governance Committee (www.corporategovernancecommittee.be). As the Corporate Governance Code is based on a "comply or explain" approach, the Board of Directors intends to comply with the Corporate Governance Code, except with respect to the following:

1) the Articles of Association allow the Company to grant shares, stock options and other securities vesting earlier than three years after their grant;
2) certain members of the Management Committee are entitled in certain circumstances to severance pay higher than 12 months of remuneration; and
3) the group of directors appointed at the nomination of LSF9 Balta Holdco S.à r.l. constitute a majority of the directors (5 out of 9) as a consequence of the majority of shares held by that company.

The exception under 2 is a contractual constraint which was already applicable before the public offering of Balta shares.

As a Belgian headquartered listed company with a commitment to high standards of corporate governance, the Board adopted a Corporate Governance Charter in May 2017, as required by the Corporate Governance Code. This Corporate Governance Charter is updated regularly and can be found on the Company website (www.baltagroup.com).

Capital and shareholders structure

Capital and capital evolutions

The capital of the Company amounts to €260,589,621 as at December 31, 2017 represented by 35,943,396 shares without nominal value. Each share carries one vote.

The following capital movements took place in 2017:
On March 1, 2017, the Company was incorporated with a capital of €61,500, represented by 61,500 shares, each representing an identical fraction of the Company's share capital. 61,499 shares were subscribed by LSF9 Balta Midco S.à r.l. and one share by LSF9 Balta Holdco S.à r.l.

On June 16, 2017, as part of the Company's IPO, the capital was increased to €260,589,621, represented by 35,943,396 shares, as follows:

- a capital increase by a contribution in kind of all ordinary shares of LSF9 Balta Issuer S.à r.l. by LSF9 Balta Holdco S.à r.l. for €331,250,000 in exchange for 25,000,000 shares;
- a capital decrease which resulted in €150,000,000 of distributable reserves being created ;
- a capital decrease of €61,500 by cancellation of the 61,500 shares of the Company subscribed by its founders, i.e. LSF9 Balta Midco S.à r.l. and LSF9 Balta Holdco S.à r.l.; and
- a capital increase by a contribution in cash for €144,999,997 through the issuance of 10,943,396 shares to the public.

Shareholder evolutions

The applicable successive thresholds pursuant to the Law of May 2, 2007 on the disclosure of significant shareholdings in issuers whose shares are admitted to trading on a regulated market and other provisions are set at 5% of the total voting rights, and 10%, 15%, 20% and so on at incremental intervals of 5%.

In the course of 2017, the Company received the following transparency declarations:

On June 20, 2017, the Company received a transparency declaration from LSF9 Balta Holdco S.à r.l. stating that, on June 14, 2017, LSF9 Balta Holdco S.à r.l. held 18,169,759 shares of the Company, representing 50.55% of the shares of the Company.

On July 10, 2017, the Company received a transparency declaration from LSF9 Balta Holdco S.à r.l. stating that, on July 4, 2017, LSF9 Balta Holdco S.à r.l. after the end of the stabilisation period had crossed the threshold of 55% and held 20,303,957 shares of the Company, representing 56.49% of the shares of the Company.

On July 6, 2017 the Company received a transparency declaration from Tocqueville Finance SA, a management company exercising the voting rights attached to the securities held by several OPCVM (Organisme de placement collectif en valeurs mobilières), stating that it holds 2,387,964 or 6.64% voting rights linked to securities since June 14, 2017. On July 20, 2017, the Company received a revised version of the transparency declaration from Tocqueville Finance SA.

Shareholder structure

The following table shows the shareholder structure on December 31, 2017 based on the notifications made to the Company and the Belgian Financial Services and Markets Authority (FSMA) by the shareholders listed below in accordance with article 6 of the Belgian law of May 2, 2007 on the notification of significant shareholdings:

	Shareholding	
	Number	%
LSF9 Balta Holdco S.à r.l.	20,303,957	56.5%
Tocqueville Finance SA	2,387,964	6.6%

No transactions by persons discharging managerial responsibilities have been notified since the admission to trading on Euronext Brussels.

Dividend policy

Subject to the availability of distributable reserves and any material external growth opportunities, the Company intends to pay a dividend of between 30% to 40% of its net profits for the year based on its consolidated IFRS Financial Statements. The amount of any dividend and the determination of whether to pay the dividend in any year may be affected by a number of factors, including the Company's business prospects, cash requirements, and any material growth opportunities.

For the 2017 financial year, the amount of dividend is calculated based on normalised full year earnings, pro-rated for the post-IPO period to reflect that portion of the financial year for which the shares were listed on Euronext Brussels.

Shareholders' meetings

In 2017, before the IPO, four extraordinary shareholders' meetings were held, approving the appointment of directors, a modification to the Articles of Association, a capital decrease and a capital increase by a contribution in kind (as referred to above) and the remuneration of the Statutory Auditor.

Dealing code

On August 29, 2017, the Board approved the Company's Dealing Code in accordance with the EU Market Abuse Regulation EU 596/2014 of the European Parliament and of the Council of April 16, 2014 on market abuse. The Dealing Code restricts transactions in Balta Group nv securities by members of the Board and the Management Committee, senior management and certain other persons during closed and prohibited periods. The Dealing Code also contains rules concerning the disclosure of intended and executed transactions by leading managers and their closely associated persons through a notification to the Company and to the FSMA. The General Counsel is the Compliance Officer for the purposes of the Balta Dealing Code.

The Board and Committees

Balta Group nv has a Board of Directors, a Management Committee, an Audit Committee and a Remuneration and Nomination Committee.

Board of Directors

Mandate of the board

The Board of Directors is vested with the power to perform all acts that are necessary or useful for the realisation of the Company's purpose, except for those actions that are specifically reserved by law or the Articles of Association for the Shareholders' Meeting or other corporate bodies.

In particular, the Board of Directors is responsible for:

- defining the general policy strategy of the Company and its subsidiaries;
- deciding on all major strategic, financial and operational matters of the Company;

- overseeing the management by the Chief Executive Officer (CEO) and other members of the Management Committee; and
- all other matters reserved to and obligations imposed (including disclosure obligations) on the Board of Directors by law or the Articles of Association.

On March 2, 2017, the Board of Directors appointed Kairos Management bvba, permanently represented by Tom Debusschere, as CEO of the Company, in accordance with article 17 of the Articles of Association. He has all powers related to the daily management as well as the powers set out in the Articles of Association.

Composition of the Board of Directors

Pursuant to the Articles of Association, the Board of Directors must comprise at least five (5) members. On December 31, 2017 the Board of Directors consisted of nine (9) members.

The Articles of Association entitle LSF9 Balta Holdco S.à r.l., as long as it holds at least 50% of the total number of shares issued by the Company (which is the case), to nominate at least five (5) members to be appointed by the Shareholders' Meeting.

In accordance with the independence criteria set out in the Belgian Companies Code and the Corporate Governance Code, three (3) members are independent non-executives.

The CEO is the only executive member of the Board.

Although the term of office of directors under Belgian law is limited to six years (renewable), the Corporate Governance Code recommends that it be limited to four years. The Articles of Association limit the term of office of directors to four years.

The appointment and renewal of directors is based on a recommendation of the Remuneration and Nomination Committee to the Board of Directors and is subject to approval by the Shareholders' Meeting, taking into account the nomination rights described above.

On December 31, 2017, the Board of Directors was composed as follows:

Name	Age	Position	Director since	Mandate expires
Cyrille Ragoucy	61	Chairman of the Board and Independent Director	2017	2021
Tom Debusschere (1)	50	Executive Director and CEO	2017	2021
Michael Kolbeck	48	Non-Executive Director	2017	2021
Nicolas Vanden Abeele (2)	45	Independent Director	2017	2021
Sarah Hedger	52	Independent Director	2017	2021
Karoline Graeubig	36	Non-Executive Director	2017	2021 (3)
Hannah Strong	33	Non-Executive Director	2017	2021
Jeremy Fryzuk	33	Non-Executive Director	2017	2021
Patrick Lebreton	49	Non-Executive Director	2017	2021

(1) Tom Debusschere provides services through Kairos Management bvba.
(2) Nicolas Vanden Abeele provides services through Accelium bvba.
(3) Mrs. Groeubig resigned with effect of 1 March 2018 and was replaced by Mr. Neal Morar (by way of co-optation)

- Cyrille Ragoucy has thirty years' experience in construction products. His last position was as CEO of Tarmac Ltd (originally Lafarge Tarmac), a leading building materials and construction solutions firm in the UK where he oversaw creation of the joint venture between Lafarge SA and Anglo American as well as the integration of several acquisitions, before the entity was purchased by CRH, a large Irish construction firm in August 2015. From 1998 to 2012, Mr. Ragoucy was with Lafarge, serving as CEO of Lafarge Shui On Cement, a Chinese joint venture between Lafarge and Shui On, CEO of Lafarge Construction Materials for Eastern Canada and Group Senior Vice President for Health and Safety at Lafarge Holding, among other director and executive-level posts.

  Mr. Ragoucy holds a Master of Management from the University of Paris IX (Dauphine), France.

- Tom Debusschere joined the Balta Group as CEO in 2016. From 2009 to 2016, he served as CEO of Deceuninck nv, a global leader in PVC window and door systems. Prior to Deceuninck, Mr. Debusschere was the President of Unilin Decor from 2004 to 2008 and served multiple roles at Deceuninck USA between 1995 and 2004 including General Manager, Vice President of Operations, Vice President of Supply Chain & IT and Director of Logistics & IT.

  Mr. Debusschere holds a Master of Science in Electromechanical Engineering (magna cum laude) from the University of Ghent.

- Michael Kolbeck is Managing Director and Head of Corporate at Hudson Advisors UK Limited, which advises Lone Star and the Funds which it administers, including Lone Star Fund IX, an investor in the Company. Prior to his post at Hudson since January 2017, he was Managing Director at Lone Star Germany Acquisitions GmbH. Prior to joining Lone Star and Hudson in 2004, Mr. Kolbeck worked several years for Allianz Group as an investment manager.

  Mr. Kolbeck holds a Master's degree in Business Administration from Ludwig-Maximilians University, Munich, Germany.

- Nicolas Vanden Abeele is currently part of the executive team of Barco, heading the Entertainment Division. Before joining Barco, he spent six years as a member of the executive committee at building materials company, Etex Group, where he headed one of its divisions and also served as a director for several Etex Group companies. Prior to Etex Group, he held various executive positions in the technology industry with Alcatel-Lucent and strategy consulting with Arthur Andersen in Europe, the Americas and Asia.

  Mr. Vanden Abeele holds Master's degrees in Business Administration (K.U. Louvain, Belgium), International Business and European Economics (College of Europe, Belgium) and Management (Solvay School of Management/ULB, Belgium).

- Sarah Hedger was employed by General Electric for twelve years, prior to retiring in March 2017. She held leadership positions in its Corporate, Aviation and Capital business development teams, leaving General Electric as Leader of Business Development and M&A for its GE Capital division. While at General Electric, she served as a non-executive director of GE Money Bank AB from 2011 to 2014, prior to its sale to Santander Group, as well as GE Capital EMEA Services Limited from 2011 to 2017. Before General Electric, Ms. Hedger worked at Lazard & Co., Limited for 11 years, leaving as Director Corporate Finance and spent five years as an auditor at PricewaterhouseCoopers.

  Ms. Hedger holds a Master's degree in Electrical & Electronic Engineering and Business Studies from Imperial College, London University and is a qualified chartered accountant.

- Karoline Graeubig is Director Asset Management at Hudson Advisors UK Limited.

  Ms. Graeubig holds a Master's degree in International Business Administration from Eberhard-Karls University, Tuebingen, Germany.

- Hannah Strong is Vice President, Legal Counsel at Hudson Advisors UK Limited.

  Ms. Strong holds a Bachelor's degree in Jurisprudence from Oxford University.

- Jeremy Fryzuk is Vice President Underwriting at Hudson Advisors UK Limited. He is currently a Board Observer of MRH (GB) Limited, a leading independent petrol filling station operator in the UK.

  Mr. Fryzuk holds a Bachelor of Commerce with a major in Finance from Dalhousie University, Halifax, Canada.

- Patrick Lebreton is Managing Director, Asset Management at Hudson Advisors UK Limited. Prior to his post at Hudson, between 2012 and 2015 he was the Director (Operating Partner) of Montague Associates, advising the Montague Private Equity Fund. From 2004 to 2012, he was an Executive Vice President in the Portfolio Group at Bain Capital. He has also held executive posts at General Electric, was a manager at Accenture, and is a retired U.S. Army First Lieutenant , having served in Operation Desert Storm. He is currently a director of Arioneo, which provides equine health and performance solutions, and MRH (GB) Limited, a leading independent petrol filling station operator in the UK; and was previously a director of Ideal Standard, a world leader in bathroom equipment, fittings and accessories from 2009 to 2012.

  Mr. Lebreton holds a Bachelor of Science in International Economics and Finance from Georgetown University and a Master's degree in Business Administration from Harvard Business School.

Evolution in composition during 2017

On March 1, 2017, on the date of the incorporation of the Company, the shareholders appointed Kairos Management bvba, with Mr Tom Debusschere as its permanent representative, Mr Michael Kolbeck and Mr Luca Destito as board members of the Company.

On May 29, 2017, the shareholders acknowledged the resignation of Mr Luca Destito, and appointed Ms Karoline Graeubig, Ms Hannah Strong, Mr Jeremy Fryzuk and Mr Patrick Lebreton as directors of the Company with immediate effect.

On May 30, 2017, the shareholders appointed Mr Cyrille Ragoucy, Accelium bvba, with Mr Nicolas Vanden Abeele as its permanent representative, and Ms Sarah Hedger as independent directors, subject to and with effect from the closing of the IPO, on June 16, 2017.

Functioning of the Board of Directors

In principle, the Board of Directors meets at least five (5) times a year. Additional meetings may be called with appropriate notice at any time to address specific business needs. In 2017 the Board met on six (6) occasions, including two (2) after the closing of the IPO. On one occasion the Board also took decisions by unanimous written consent.

Name	Boards	Attendance rate
Kairos Management bvba, represented by Tom Debusschere	6/6	100%
Michael Kolbeck	6/6	100%
Luca Destito	2/2	100%
Jeremy Fryzuk	4/4	100%
Karoline Graeubig	4/4	100%
Hannah Strong	4/4	100%
Patrick Lebreton	4/4	100%
Cyrille Ragoucy	2/2	100%
Accelium bvba, represented by Nicolas Vanden Abeele	2/2	100%
Sarah Hedger	2/2	100%

The major matters discussed by the Board during 2017 included, amongst others:

- The Initial Public Offering and the necessary steps related to this;
- The Corporate Governance Charter;
- The approval of the half year and quarterly Financial Statements and financial report
- The refinancing project, as described under note 25 of the Financial Statements;
- General strategic, financial and operational matters of the Company;
- The Company's safety and health strategy;
- The new market abuse regime and the dealing and disclosure code;
- The approval of the intention to reorganize the Residential division; and
- The approval of compliance policies such as anti-fraud and anti-corruption, gifts and entertainment, reserved matters and non-audit services.

The Board of Directors is convened by the Chairman or the CEO whenever the interest of the Company so requires, or at the request of two (2) directors.

Under the lead of its Chairman, the Board will regularly (on an annual basis) evaluate its scope, composition and performance and those of its Committees, as well as its interaction with the executive management.

Gender diversity

Since the IPO, the Board meets the requirement that at least one-third of the directors are of an opposite gender. For the broader aspects of diversity, reference is made to the section Diversity in the "Non-Financial Key Performance Indicators" chapter.

Audit Committee

In accordance with article 526bis of the Belgian Companies Code and provision 5.2 of the Corporate Governance Code, the Board of Directors of Balta has established an Audit Committee.

On December 31, 2017, the Audit Committee consisted of three (3) members, all being non-executive directors and a majority of them being independent directors.

Name	Position	Mandate since	Mandate expires
Jeremy Fryzuk	Chairman of the Committee, Non-Executive Director	2017	2021
Accelium bvba, represented by Nicolas Vanden Abeele	Member, Independent Director	2017	2021
Sarah Hedger	Member, Independent Director	2017	2021

In the course of 2017 the Audit Committee met three (3) times. All members attended all meetings.

As required by the Belgian Companies Code, Jeremy Fryzuk, chairman of the Audit Committee possesses appropriate expertise and experience in this field. Reference is made to his biography in the "Board of Directors" section above.

The Chairman reported the outcome of each meeting to the Board of Directors.

The CEO and the Chief Financial Officer (CFO) are not members of the Committee, but are invited to attend its meetings. This guarantees the essential interaction between the Committee and the Management. As appropriate, also other Board members are invited to attend the Committee meetings.

The Statutory Auditor attended two meetings during which it presented the audit plan, reported on the main findings resulting from its interim audit procedures and highlighted specific points of attention.

In addition to its statutory powers and its power under the Corporate Governance Charter, the Audit Committee discussed the following main subjects: the quarterly Financial Statements, the compliance approach and related policies, the Balta Group's FX exposure, the closing and forecasting process and the budget.

Remuneration and Nomination Committee

In accordance with article 526quater of the Belgian Companies Code and provision 5.3 and 5.4 of the Corporate Governance Code, the Board of Directors of Balta Group has installed a Remuneration and Nomination Committee.

On December 31, 2017, the Remuneration and Nomination Committee consisted of three (3) members, all being non-executive directors and a majority of them being independent directors.

Name	Position	Mandate since	Mandate expires
Michael Kolbeck	Chairman and Non-Executive Director	2017	2021
Accelium bvba, represented by Nicolas Vanden Abeele	Member and Independent Director	2017	2021
Cyrille Ragoucy	Member and Independent Director	2017	2021

In 2017 the Remuneration and Nomination Committee met two (2) times. All members attended all meetings.

The CEO and the CFO are not members of the Committee, but are invited to attend its meetings, unless the members of the Committee want to meet separately (eg when discussing remuneration). This guarantees the essential interaction between the Committee and the Management.

In addition to its statutory powers and its powers under the Corporate Governance Charter, the Committee discussed the following main subjects: the recruitment of senior management, long-term incentive grants, the compensation and benefits package for the CEO and other members of the Management Committee and the variable remuneration for the CEO and other members of the Management Committee.

Chief Executive Officer

Kairos Management bvba with Tom Debusschere as its permanent representative, has been appointed CEO by the Board of Directors and reports directly to it. The CEO has direct operational responsibility for the Company and oversees the organisation and day-to-day management of the Company and its subsidiaries.

The CEO is responsible for the execution and management of the outcome of all Board of Directors decisions.

The CEO heads the Management Committee, which reports to him, within the framework established by the Board of Directors and under its ultimate supervision.

Management Committee

The Management Committee is chaired by the CEO. Other members of the Management Committee are appointed and removed by the Board of Directors upon the advice of the CEO and the Remuneration and Nomination Committee.

The Management Committee exercises the duties assigned to it by the CEO, under the ultimate supervision of the Board of Directors. It does not constitute an executive committee ("directiecomité" / "comité de direction") within the meaning of article 524bis of the Belgian Companies Code. The Management Committee is an informal executive committee.

The Company's Management Committee consists of the following members:

Name	Age	Position
Tom Debusschere (1)	50	Chief Executive Officer
Tom Gysens (2)	44	Chief Financial Officer
Marc Dessein (3)	58	Managing Director Balta Home
Lieven Vandendriessche (4)	51	Managing Director European Carpets & Tiles

(1) Tom Debusschere provides services through Kairos Management bvba.

(2) Tom Gysens provides services through Tom Gysens bvba.

(3) Marc Dessein provides services through Marc Dessein bvba.

(4) Lieven Vandendriessche provides services through Vandendriessche Consulting bvba.

- For the biography of Tom Debusschere, please see the "Board of Directors" section above.

- Tom Gysens joined the Balta Group as CFO in 2016. Prior to this, Mr. Gysens worked for Beaulieu International Group for over ten years, serving as Group CFO from 2008 to 2016 and Group Controller from 2005 to 2008. Before Beaulieu, Mr. Gysens was Financial Projects Manager for Berry Floor Group from 2004 to 2005 and Senior Audit Manager for PricewaterhouseCoopers Bedrijfsrevisoren from 1997 to 2004.

  He holds a Master's in Commercial Engineering (cum laude) and a Master's in Accountancy and Auditing (cum laude) from the Catholic University of Leuven.

- Marc Dessein has worked for the Balta Group since 1992, serving as Managing Director of the Rugs Division since 2006. From 1993 until 2006, he was General Manager of the Wool-Heatset Rugs Business Unit of the Balta Group and prior to that Export Sales manager. From 1985 to 1992 he held sales and management positions at Pfizer, Radar and Sun International. From 1981 to 1985 he was Assistant Professor in the Faculty of Medicine at Catholic University Leuven.

  Mr. Dessein holds a Master's in Physical Education (magna cum laude) from the Catholic University of Leuven and a Master's in Marketing (magna cum laude) from Vlerick Management School, University of Ghent.

- Lieven Vandendriessche joined the Balta Group as Managing Director of the Carpets and Tiles Division in 2016. From 2011 to 2016, he worked as General Manager Europe and served as a member of the Executive Committee for Bekaert Deslee, a private equity owned global market leader for mattress textiles. From 2005 to 2011, Mr. Vandendriessche was Group Vice President of Operations for Deceuninck, a global leader in PVC window profile systems, having joined the group in 1995.

  Mr. Vandendriessche earned a Master's in Business Economics (magna cum laude) from Erasmushogeschool, Brussels.

Mr Ralph Grogan, former CEO of Balta's subsidiary Bentley Mills Inc and member of the Balta Group Management Committee, left the group in November 2017.

Statutory Auditor

The audit of the statutory and consolidated financial statements of the Company is entrusted to the Statutory Auditor appointed at the Shareholders' Meeting, for renewable terms of three years. The current Statutory Auditor is PricewaterhouseCoopers Bedrijfsrevisoren BCVBA, with its registered office at Woluwedal 18, 1932 Sint-Stevens-Woluwe, and represented by Mr Peter Opsomer.

The mandate of PricewaterhouseCoopers Bedrijfsrevisoren BCVBA will expire at the Annual Shareholders' Meeting that will be asked to approve the annual accounts for the financial year ended on December 31, 2019.

Article 140/1 of the Belgian Companies Code and article 24 of the Law of December 7, 2016 on the organisation of the profession of and the public supervision over auditors limit the liability of auditors of listed companies to €12.0 million for, respectively, tasks concerning the legal audit of annual accounts within the meaning of article 16/1 of the Belgian Companies Code and other tasks reserved to auditors of listed companies by Belgian law or in accordance with Belgian law, except for liability resulting from the auditor's fraud or other deliberate breach of duty.

In the course of 2017, the Audit Committee approved a policy on the provision of non-audit services by the Statutory Auditor.

In 2017, remuneration paid to the Statutory Auditor for auditing activities amounted to €343,500. Remuneration paid to the Statutory Auditor for special assignments (IPO related) was €1,006,500 and €393,933 for other assignments outside the mandate.

Relevant information in the event of a takeover bid

Article 34 of the Royal Decree of November 14, 2007 on the obligations of issuers of securities which have been admitted to trading on a regulated market, requires that listed companies disclose certain items that may have an impact in the event of a takeover bid.

Capital structure

A comprehensive overview of our capital structure as at December 31, 2017 can be found in the "Capital Structure" section of this Corporate Governance Statement.

Restrictions on transfers of securities

The Company's Articles of Association do not impose any restrictions on the transfer of shares. Furthermore, the Company is not aware of any such restrictions imposed by Belgian law except in the framework of the Market Abuse Regulation.

Holders of securities with special control rights

There are no holders of securities with special control rights other than the nomination rights set out below.

Employee share plans where the control rights are not exercised directly by the employees

The Company has not set up employee share plans where control rights over the shares are not exercised directly by the employees.

Restriction on voting rights

The Articles of Association of the Company do not contain any restrictions on the exercise of voting rights by the shareholders, provided that the shareholders concerned comply with all formalities to be admitted to the shareholders' meeting.

Shareholder agreements

Balta is not aware of any shareholder agreement which includes or could lead to a restriction on the transfer of its shares or exercise of voting rights related to its shares.

Rules on the appointment and replacement of members of the Board of Directors and on amendments to the Articles of Association

The term of office of directors under Belgian law is limited to six years (renewable) but the Corporate Governance Code recommends that it be limited to four years.

According to the Articles of Association, the Company is managed by a Board of Directors that shall consist of a minimum of five directors. These are appointed by the Shareholders' Meeting for a maximum term of four years and may be reappointed. Their mandate may be revoked at any time by the Shareholders' Meeting.

Should any of the directors' mandates become vacant, for whatever reason, the remaining directors may temporarily fill such vacancy until the next Shareholders' Meeting appoints a new director.

For as long as LSF9 Balta Holdco S.à r.l. ("LSF9") or a company affiliated therewith within the meaning of article 11 of the Belgian Companies Code (a "company affiliated therewith"), directly or indirectly, holds at least 50% of the total number of shares issued by the Company – which was the case in 2017 – it is entitled to nominate at least five directors to be appointed by the Shareholders' Meeting.

For as long as LSF9 or a company affiliated therewith, directly or indirectly, holds less than 50% but at least 40% of the total number of shares issued by the Company, it is entitled to nominate four directors to be appointed by the Shareholders' Meeting.

For as long as LSF9 or a company affiliated therewith, directly or indirectly, holds less than 40% but at least 30% of the total number of shares issued by the company, it is entitled to nominate three directors to be appointed by the Shareholders' Meeting.

For as long as LSF9 or a company affiliated therewith, directly or indirectly, holds less than 30% but at least 20% of the total number of shares issued by the Company, it is entitled to nominate two directors to be appointed by the Shareholders' Meeting.

For as long as LSF9 or a company affiliated therewith, directly or indirectly, holds less than 20% but at least 10% of the total number of shares issued by the Company, it is entitled to nominate one director to be appointed by the Shareholders' Meeting.

If the direct or indirect shareholding of LSF9 or a company affiliated therewith in the Company falls below one of the aforementioned thresholds, LSF9 shall cause a director appointed upon its nomination to tender its, his or her resignation as director with effect as of the date of the next Annual Shareholders' Meeting, failing which the mandate of the director who was most recently appointed upon LSF9's nomination, shall automatically terminate on the date of the next Annual Shareholders' Meeting.

The CEO is vested with the day-to-day management of the Company and the representation of the Company in respect of such management. The Board of Directors appoints and removes the CEO.

Within the limits of the powers granted to him/her by or pursuant to the Articles of Association, the CEO may delegate special and limited powers to a Management Committee, other than within the meaning of article 524bis of the Belgian Companies Code, or any other person.

Save for capital increases decided by the Board of Directors within the limits of the authorized capital, only an Extraordinary Shareholders' Meeting is authorized to amend the Company's Articles of Association. A Shareholders' Meeting is the only body which can deliberate on amendments to the Articles of Association, in accordance with the articles of the Belgian Companies Code.

Authorised capital and acquisition of own shares

Authorised capital

According to art. 6 of the Articles of Association, the Board of Directors may increase the share capital of the Company once or several times by a (cumulated) amount of maximum 100% of the amount of the share capital as such amount was recorded immediately after the closing of the Initial Public Offering of the shares of the Company on June 16, 2017.

This authorisation may be renewed in accordance with the relevant legal provisions. The Board of Directors can exercise this power for a period of five (5) years as from the date of publication in the Annexes to the Belgian State Gazette of the amendment to the Articles of Association approved by the Extraordinary Shareholders' Meeting of May 30, 2017.

Any capital increases which can be decided pursuant to this authorisation will take place in accordance with the modalities to be determined by the Board of Directors and may be made (i) by means of a contribution in cash or in kind (where appropriate including a non-distributable share premium), (ii) through conversion of reserves, whether available or unavailable for distribution, and issuance premiums, with or without issuance of new shares with or without voting rights. The Board of Directors can also use this authorisation for the issuance of convertible bonds, warrants or bonds to which warrants or other tangible values are connected, or other securities.

When exercising its authorisation within the framework of the authorized capital, the Board of Directors can limit or cancel the preferential subscription right of the shareholders in the interest of the Company, subject to the limitations and in accordance with the conditions provided for by the Belgian Companies Code. This limitation or cancellation can also occur to the benefit of the employees of the Company or its subsidiaries or to the benefit of one or more specific persons even if these are not employees of the Company or its subsidiaries.

The Board of Directors is expressly empowered to proceed with a capital increase in any and all form, including but not limited to a capital increase accompanied by the restriction or withdrawal of the preferential subscription right, even after receipt by the Company of a notification by the FSMA of a takeover bid for the Company's shares. Where this is the case, however, the capital increase must comply with the additional terms and conditions laid down in article 607 of the Belgian Companies Code. The powers hereby conferred on the Board of Directors remain in effect for a period of three years from the date of the completion of the condition precedent of the amendment to the Articles of Association approved by the Extraordinary Shareholders' Meeting of May 30, 2017. These powers may be renewed for a further period of three years by resolution of the Shareholders' Meeting, deliberating and deciding in accordance with applicable rules. If the Board of Directors decides upon an increase of authorized capital pursuant to this authorisation, this increase will be deducted from the remaining part of the authorized capital specified in the first paragraph.

In the course of 2017, the Board of Directors did not make use of its mandate to increase Balta's capital as stated in article 6 of the Articles of Association.

Acquisition of own shares

According to its Articles of Association, the Board of Directors may, without any prior authorisation of the Shareholders' Meeting, in accordance with articles 620 ff. of the Belgian Companies Code and within the limits set out in these provisions, acquire, on or outside a regulated market, up to 20% of the Company's own shares, profit-sharing certificates or associated certificates for a price which will respect the legal requirements, but which will in any case not be more than 10% below the lowest closing price in the last thirty trading days preceding the transaction and not more than 10% above the highest closing price in the last thirty trading days preceding the transaction. This authorisation is valid for five years from the date of the completion of the condition precedent of the amendment to the Articles of Association approved by the Extraordinary Shareholders' Meeting of May 30, 2017. This authorisation covers the acquisition on or outside a regulated market by a direct subsidiary within the meaning and the limits set out by article 627, indent 1 of the Belgian Companies Code. If the acquisition is made by the Company outside a regulated market, even from a subsidiary, the Company shall comply with article 620, §1, 5° of the Belgian Companies Code.

The Company is authorised, subject to compliance with the provisions of the Belgian Companies Code, to acquire for the Company's account the Company's own shares, profit-sharing certificates or associated certificates if such acquisition is necessary to avoid serious and imminent harm to the Company. Such authorisation is valid for three years as from the date of publication of the completion of the condition precedent of the amendment of the Articles of Association, approved by the Extraordinary Shareholders' Meeting of May 30, 2017, in the Annexes to the Belgian State Gazette.

By resolution of the Extraordinary Shareholders' Meeting held on May 30, 2017 the Board of Directors is authorized to divest itself of part of or all the Company's shares, profit-sharing certificates or associated certificates at any time and at a price it determines, on or outside the stock market or in the framework of its remuneration policy to employees, directors or consultants of the Company or to prevent any serious and imminent harm to the Company. The authorisation covers the divestment of the Company's shares, profit-sharing certificates or associated certificates by a direct subsidiary within the meaning of article 627, indent 1 of the Belgian Companies Code. The authorisation is valid without any time restriction, irrespective of whether the divestment is to prevent any serious and imminent harm for the Company or not.

Material agreements to which Balta or certain of its subsidiaries is a party containing change of control provisions

Senior Secured Notes

On August 3, 2015, LSF9 Balta Issuer S.à r.l. (the "Issuer") issued €290,000,000 in aggregate principal amount of 7.75% Senior Secured Notes due 2022 of which €234,900,000 remained after the partial redemptions mid last year.

Upon the occurrence of a change of control (as defined in the Senior Secured Notes Indenture), the Senior Secured Notes Indenture requires the Issuer to offer to repurchase the Senior Secured Notes at 101% of their aggregate principal amount, plus accrued and unpaid interests and additional amounts, if any, to the date of purchase.

Revolving Credit Facility

On August 3, 2015, the Issuer and LSF9 Balta Investments S.à r.l. entered into a revolving credit facility agreement, which currently provides for €68,000,000 of committed financing.

The Revolving Credit Facility Agreement requires mandatory prepayment in full or in part in certain circumstances including upon a change of control (as defined in the Revolving Credit Facility Agreement).

Senior Term Loan

On August 29, 2017, LSF9 Balta Issuer S.à r.l. entered into a €35,000,000 Senior Term Loan Facility due in September 2020.

The Senior Term Loan Facility Agreement requires mandatory prepayment in full or in part in certain circumstances including upon a change of control (as defined in the Senior Term Loan Facility Agreement).

Severance pay pursuant to the termination of contract of Board members or employees pursuant to a takeover bid

The Company has not concluded any agreement with its Board members or employees which would result in the payment of specific severance pay if, pursuant to a takeover bid, the Board members or employees resign, are dismissed or their employment agreements are terminated.

Please see section "Provisions concerning individual severance payments for Management Committee members / Termination Provisions" of this Corporate Governance Statement on termination provisions of the members of the Board of Directors and the Management Committee in general.

Conflicts of Interest

Directors' Conflicts of Interest

Article 523 of the Belgian Companies Code provides for a special procedure if a director of the Company, save for certain exempted decisions or transactions, directly or indirectly has a personal financial interest that conflicts with a decision or transaction that falls within the Board of Directors' powers. The director concerned must inform the other directors before any decision of the Board of Directors is taken and the Statutory Auditor must also be notified. For listed companies, the director thus conflicted may not participate in the deliberation or vote on the conflicting decision or transaction.

On May 30, 2017 a potential conflict of interest was declared. The relevant section of the minutes can be found below in its entirety:

"Before the deliberation started, the following directors declared that they had a potential conflict of interest, as defined in article 523 of the Belgian Company Code (the BCC), concerning the items on the agenda as follows. These directors will inform the Statutory Auditor of their conflict of interests.

Re the IPO:

"Kairos Management bvba and Michael Kolbeck declared that they had a potential conflict of interest, as defined in article 523 of the BCC, concerning all items on the agenda, as all items relate to the IPO.

The potential conflict of interest arises for Kairos Management bvba because the manager who provides services on behalf of the aforementioned director is entitled to receive Shares(1) and a cash bonus from the Selling Shareholder(2) upon or following completion of the Offering(3) pursuant to existing management incentive schemes with Lone Star entities. In addition, the aforementioned director is entitled to a share-related bonus payment from Balta nv pursuant to a phantom share bonus scheme which operates by reference to the value of a number of shares in the Company at the pay-out date. Both entitlements will depend on the Offer Price(4) and the final size of the Offering, as set out in the Prospectus(5) (see section "Management and Corporate Governance").

The potential conflict of interest arises for Michael Kolbeck because he has a private equity type of carried interest arrangement with Lone Star, which will be impacted by the realisation and the terms of the Offering.

As set out above, the envisaged IPO and subsequent Listing(6) are, among other things, with a view to obtaining additional resources to finance the group's activities and its further growth and development. Those are aimed at increasing the group's capitalisation and financial flexibility.

Hence, the board of directors is of the opinion that the IPO will strengthen the financial structure of the group. As all agenda items of this meeting relate to the contemplated IPO and subsequent Listing, these are therefore justified.

For the expected financial impact of the IPO, reference is made to the Prospectus. As set out above, the IPO will strengthen the financial structure of the Company and the group.

The board decided to approve all items on the agenda relating to the IPO."

Re the Insurance Policy:

"All directors declared that they had a potential conflict of interest, as defined in article 523 of the BCC, concerning an item on the agenda, as this item relates to the approval of an insurance policy for, among other things, directors' liability.

This potential conflict of interest arises because each director is insured under the Insurance Policy(7).

With a view to the Company's Listing, the board of directors suggested that the Company will take out prospectus liability insurance. In accordance with market practice, it was also suggested to insure, amongst other persons, the members of the board of directors against directors' liability. The board of directors is of the opinion that this is in accordance with market practice and necessary to attract and retain directors and ensure their effective decision-making.

The Company will pay insurance premiums as set out in the Insurance Policy. Subject to certain franchise thresholds and for an amount equal to the insurance amounts as set out in the Insurance Policy, at least the Company, its subsidiaries and all directors de jure, de facto and external mandates of the insured companies will be covered against certain claims in relation to prospectus and directors' liability as set out in the Insurance Policy.

The board of directors decided to approve the insurance policy for directors' liability".

(1) ordinary shares of the Company
(2) LSF9 Balta Holdco S.à r.l.
(3) the offering consisted of (i) the issuance of the Company of new shares and (ii) the offering of existing shares (the Offer Shares)
(4) the final price per Offer Share
(5) the English version of the final prospectus
(6) the listing of the Company's new and existing shares on Euronext Brussels
(7) the insurance policy relating to directors' liability and prospectus liability

Remuneration report

Procedures for developing the remuneration policy and for determining the remuneration granted to individual directors

The remuneration of the independent members of the Board of Directors was decided by the Shareholders' Meeting dated May 30, 2017 as follows:

- director fee for independent directors: annual fee of €40,000 gross;
- additional fee for Committee membership (per Committee): annual fee of €10,000 gross; and
- additional fee applicable to the Chairman of the Board of Directors: annual fee of €70,000 gross.

The remuneration of the Chairman of the Board of Directors is capped at €120,000 gross.

In order to ensure the independence of the Board of Directors in its supervisory function over the Management Committee, the remuneration system for the Board of Directors does not contain any performance-related components. It takes into account the responsibilities and the commitment of the Board members to develop the Company and is intended to attract and retain individuals who have the necessary experience and competencies for this role.

No director fee is paid to the executive director and the non-executive directors appointed upon nomination by LSF9 Balta Holdco S.à r.l.. No attendance fees are granted.

The remuneration policy will be reviewed on a regular basis by the Remuneration and Nomination Committee and the Board of Directors in line with prevailing market conditions for listed companies in Belgium. It will submit proposals in this regard to the General Shareholders Meeting for decision.

Actual remuneration granted to non-executive directors in 2017:

Name	Remuneration for board members	Remuneration for AC members	Remuneration for RNC members	Total
Cyrille Ragoucy	€59,583	-	€5,417	€65,000
Michael Kolbeck	€0	-	€0	€0
Jeremy Fryzuk	€0	€0	-	€0
Nicolas Vanden Abeele (1)	€21,667	€5,417	€5,417	€32,500
Sarah Hedger	€21,667	€5,417	-	€27,084
Karoline Graeubig	€0	-	-	€0
Hannah Strong	€0	-	-	€0
Patrick Lebreton	€0	-	-	€0

(1) Nicolas Vanden Abeele provides services through Accelium BVBA.

Procedures for developing the remuneration policy and for determining the remuneration granted to members of the Management Committee

The remuneration policy for the CEO and the Management Committee takes account of prevailing legislation, the Corporate Governance Code and market data.

It is monitored by the Remuneration and Nomination Committee – with the assistance of specialist members of staff – to see whether it complies with the law, the Corporate Governance Code and prevailing market practices and trends. The Chairman of the Remuneration and Nomination Committee informs the Board of Directors of the Committee's activities and advises it of any proposed changes to the remuneration policy and its practical implementation.

On the basis of advice obtained from the Remuneration and Nomination Committee, the Board of Directors determines the remuneration to be granted to the CEO and the members of the Management Committee and will assess this amount at regular intervals. The amount in question is split into a fixed component and a performance-related component.

Remuneration policy regarding the remuneration granted to members of the Management Committee

For the remuneration related to 2017, the following principles were applied for members of the Board of Directors, the CEO and the members of the Management Committee:

Principles to determine the remuneration

Balta's remuneration philosophy is to ensure that all employees are rewarded fairly and appropriately for their contribution. In setting remuneration levels, the Remuneration and Nomination Committee takes appropriate market benchmarks into account, ensuring an emphasis on pay for performance. This approach helps to attract, engage, retain, and motivate key management, while ensuring their behaviour remains consistent with its values and strategy.

A review of the performance of each member of the Management Committee will be conducted annually by the CEO and discussed with the Remuneration and Nomination Committee. The results will be presented to and discussed by the Board of Directors.

The Board of Directors will also meet annually in a non-executive session (i.e. without the CEO being present) in order to discuss and review the performance of the CEO.

This will take place for the first time in 2018, as the IPO took place in June 2017.

Relative importance of the different components of remuneration

The remuneration of individual Management Committee members is made up of a fixed annual fee and a variable annual fee.

The fixed annual fee is defined on the basis of various criteria, such as the market value of the role, the scope of the position and the profile of the incumbent in terms of skill set and professional experience. The purpose of the guaranteed fixed fee is to compensate the management for time and competence at a market-related rate.

The aim of the variable fee is to create a high-performance culture through a cash bonus linked to performance against contracted deliverables with due regard to preventing excessive risk taking. This Short-Term Incentive Plan (STIP) is harmonized throughout the organisation. It is designed to reward the performance of the Company and its divisions over a one-year time horizon.

Characteristics of performance-related bonuses in the form of shares, options, or any other rights to acquire shares

There are no performance-related bonuses in the form of shares, options or any other rights to acquire shares.

Remuneration policy for the next two financial years

On February 28, 2018, the Board of Directors agreed to set up a Long Term Incentive Plan (LTIP) to create alignment between a manager's and shareholders' interests.

The purpose of the LTIP is to drive the performance and long-term growth of the Balta Group by offering long-term incentives to managers who contribute to such performance and growth. The LTIP is also intended to facilitate recruiting and retaining personnel of outstanding ability.

The LTIP consists of Performance Stock Units (PSUs). The PSUs will vest to relevant managers that still provide services to the Balta Group on the 3rd anniversary of their award, to the extent that the Company's share price has reached a defined target.

Going forward, the remuneration policy will be reviewed on a regular basis by the Remuneration and Nomination Committee in line with prevailing market conditions for listed companies in Belgium and companies of similar scale and business characteristics.

Characteristics of performance-related bonuses of members of the Management Committee

The STIP rewards the realisation of key financial performance indicators against targets approved by the Remuneration and Nomination Committee for the period from January 1, 2017 to December 31, 2017.

For the CEO and the CFO, the STIP is based on group financial targets: 70% on group-adjusted EBITDA and 30% on seasonality adjusted net debt. For other members of the Management Committee the STIP is based on the realisation of divisional financial targets: 70% on Divisional EBITDA and 30% on Divisional Working Capital.

The Remuneration and Nomination Committee evaluated the achievement of the 2017 objectives for the members of the Management Committee and proposed to the Board of Directors the calculation of a short-term variable remuneration based on the 2017 performance criteria.

The variable remuneration is not spread over time.

The target STIP is 80% of the fixed annual remuneration for the CEO and, on average, 42% of annual fixed remuneration for other members of the Management Committee.

Remuneration awarded to the Chief Executive Officer as a member of the Management Committee

For the year ended December 31, 2017, the remuneration is comprised of the following elements:

- base salary (gross remuneration): €560,000;
- variable remuneration (relating to performance in 2017, paid out in 2018): €nil
  The CEO has voluntarily transferred the bonus payment he was to receive regarding 2017 to 2018. This amount will be added to his target bonus for 2018 and paid out in 2019, subject to his meeting specific performance criteria set for 2018.
- other compensation components (representation allowances): €24,000.

- As part of the IPO process, the CEO is entitled to a share-related bonus payment pursuant to a phantom share bonus scheme with Balta nv representing the value of 84,544 shares at the payout date. The bonus is only payable if the CEO still provides services to the Company on the second anniversary of the IPO. If services cease to be provided for any reason prior to the second anniversary, the bonus arrangement for the CEO is forfeited.

Remuneration awarded to the other Management Committee members

For the year ended December 31, 2017, the total remuneration of the Management Committee members (including Mr Ralph Grogan, who left the company on November 10, 2017) was as follows:

- base salary (gross remuneration): €1,532,852;
- variable remuneration (relating to performance in 2017, paid out in 2018): €174,400
  Certain members of the Management Committee have voluntarily transferred the bonus payment they were to receive regarding 2017 to 2018. This amount will be added to their target bonus for 2018 and paid out in 2019, subject to them meeting specific performance criteria set for 2018.
- pension and death in service and disability coverage: €1,244;
- as part of the IPO process, the members of the Management Committee (excluding the CEO) are entitled to a share related bonus payment pursuant to a phantom share bonus scheme with Balta nv representing the value of 86,361 shares at the payout date. The bonus is only payable if the manager still provides services to the Balta Group on the second anniversary of the IPO. If services cease to be provided for any reason prior to the second anniversary, the bonus arrangement for that manager is forfeited.

Remuneration awarded in the context of the IPO

In the context of the IPO, certain managers received shares and a cash bonus from LSF9 Balta Midco S.à r.l pursuant to existing management incentive schemes with Lone Star entities.

The number of shares granted to the members of the Management Committee and the current general manager of Bentley Mills Inc is 1,127,362 shares in total. 232,284 shares were acquired upon completion of the IPO and, of the remainder, 50% (447,541 shares) would vest on the first anniversary of the IPO and 50% (447,537 shares) on its second anniversary . A manager who leaves the Balta Group voluntarily or is dismissed for cause prior to a vesting date will lose his entitlement to unvested shares.

The Company has not yet granted any stock options or other rights to acquire shares to members of the Management Committee.

Provisions concerning individual severance payments for Management Committee members / Termination Provisions

Other than in the case of termination in certain events of breach of contract, the CEO is entitled to a notice period of 12 months or a termination fee equal to his fixed fee for a period of 12 months. The CEO is subject to a non-competition clause for a period of up to one year from the date of termination or resignation restricting his ability to work for competitors. A non-compete compensation of 50% of his fixed fee is due if this non-compete is not waived within 30 days of the agreement ending.

Other than in the case of termination in certain events of breach of contract, the CFO is entitled to a notice period of 12 months or a termination fee equal to his fixed fee for a period of 12 months. The CFO is subject to a non-competition clause for a period of up to one year from the date of termination or resignation restricting his ability to work for competitors.

Other than in the case of termination in certain events of breach of contract, Mr. Lieven Vandendriessche is entitled to a notice period of 12 months or a termination fee equal to his fixed fee for a period of 12 months. Mr. Lieven Vandendriessche is subject to a non-competition clause for a period of up to one year from the date of termination or resignation, restricting his ability to work for competitors. A non-compete compensation of 50% of his fixed fee is due if this non-compete is not waived within 30 days of the agreement ending.

The above-mentioned termination provisions were included in management agreements dated before the IPO.

Other than in certain cases of termination for breach of contract, Mr. Marc Dessein is entitled to a notice period of 18 months and a termination fee equal to the relevant portion of his fixed and variable fee paid out in the preceding calendar year for early termination of the notice period. Mr. Dessein is subject to a non-competition clause for a period of up to one year from the date of termination or resignation, restricting his ability to work for competitors. He is entitled to receive compensation in an amount equal to up to €162,500 of remuneration if this non-competition clause is applied.

The termination provision was included in Mr. Marc Dessein's management agreement dated before the IPO and is justified given his skills and seniority.

Severance payments for Management Committee members who left in 2017

No severance payments were made to the Management Committee member leaving the Company in 2017.

Clawback provision regarding members of the Management Committee

There are no clawback provisions if remuneration is paid on the basis of inaccurate data. Grants will be based on audited financial information.

Changes to the remuneration policy since the end of 2017

The LTIP, as described above, was developed during 2017. It was proposed by the Remuneration and Nomination Committee to the Board of Directors and approved on February 28, 2018. It will be implemented in 2018.

Risk management and internal control framework

Introduction

Balta Group operates a risk management and control framework in accordance with the Belgian Companies Code and the Corporate Governance Code.

Balta Group is exposed to a wide variety of risks within the context of its business operations, possibly resulting in its objectives being affected or potentially not being achieved. Controlling such risks is a core task of the Board of Directors, the Management Committee and all other employees with managerial responsibilities.

The risk management and control system has been set up to achieve the following goals: achieving Balta Group's objectives, achieving operational excellence, ensuring correct and timely financial reporting and ensuring compliance with all applicable laws and regulations.

Control environment

The control environment constitutes the basis of the internal control and risk management system. The control environment is defined by a mix of formal and informal rules and corporate culture on which the operation of the business relies.

Three lines of defence

Balta Group applies the "three lines of defence model" to clarify roles, responsibilities and accountabilities, and to enhance communication within the area of risk and control. Within this model, the lines of defence to respond to risks are:

- first line of defence: line management is the first body responsible for assessing risks on a day-to-day basis and implementing controls in response of these risks;
- second line of defence: oversight functions like Finance, Controlling, Quality, Compliance and Legal oversee and challenge risk management as executed by the first line of defence. Those constituting the second line of defence provide guidance and direction and develop a risk management framework;
- third line of defence: independent assurance providers, like external auditors, challenge the risk management processes as executed by the first and second line of defence.

Policies, procedures and processes

Corporate culture is sustained by the implementation of different company-wide policies, procedures and processes such as the Balta Group compliance charter, the anti-fraud and anti-corruption policy, the gift and entertainment policy, the non-audit services policy, the reserved matters policy and the quality management system. Both the Board of Directors and the Management Committee fully endorse these initiatives. Employees will be regularly informed and trained on these subjects in order to develop sufficient risk management and control at all levels and in all areas of the organisation.

Group-wide ERP system

The majority of Balta's entities operate the same group-wide ERP system which is managed centrally. This system embeds the roles and responsibilities defined at group level. Through this system, the main flows are standardized, key internal controls are enforced and regular testing is carried out by the corporate finance department. The system also allows detailed monitoring of activities and direct central access to data.

Risk management

Sound risk management starts with identifying and assessing the risks associated with the business, in order to minimize such risks on the organisation's ability to achieve its objectives and to create value for its stakeholders.

All Balta Group employees are accountable for the timely identification and qualitative assessment of the risks within their area of responsibility.

Balta has identified and analysed its key corporate risks as disclosed under the "Summary of main risks" chapter of this Annual Report.

Control activities

Control measures are in place to minimize the effect of risk on Balta Group's ability to achieve its objectives. These control activities are embedded in the Balta Group's key processes and systems to ensure that the risk responses and the Balta Group's overall objectives are carried out as designed. Control activities are conducted throughout the organisation, at all levels and within all departments.

The following control measures have been implemented at Balta Group: an authorisation cascade system in the computer system, access and monitoring systems in the buildings, payment authorities, cycle counts of inventories, identification of machinery and equipment, daily monitoring of the cash position, an internal reporting system by means of which both financial data and operational data are reported on a regular basis. All deviations against budgets and previous reference periods are carefully analyzed and explained. Great importance is attached to security of all data stored in various computer systems.

Information and communication

Balta recognizes the importance of timely, complete and accurate communication and information both top-down as well as bottom-up. The Company therefore communicates operational and financial information at both divisional and group level. The general principle is to ensure consistent and timely communication to all stakeholders of all information impacting their area of responsibility.

All key business processes in a majority of the subsidiaries are managed through the ERP system. This not only offers extensive functionality with regard to internal reporting and communication, but also the ability to manage and audit access rights and authorisation management on a centralized basis.

The Management Committee also discusses the results on a monthly basis. The corporate finance department directs the information and communication process. For both internal and external reporting and communication, a financial calendar exists in which all reporting dates are set out and which is communicated to all parties involved.

Supervision and monitoring of control mechanisms

Supervision and monitoring is mainly performed by the Board of Directors through the work of the Audit Committee and the Management Committee. Moreover, the Statutory Auditor, in the context of reviewing the annual accounts, reports to the Audit Committee on their review of internal controls and risk management systems. In so doing, the Statutory Auditor focuses on the design and effectiveness of internal controls and systems relevant for the preparation of the Financial Statements.

Risk management and internal control with regard to financial reporting

The accurate and consistent application of accounting rules throughout the Company is ensured by means of Finance and Accounting procedures & guidelines.

The accounting teams are responsible for producing the accounting figures, whereas the controlling teams check their validity. These checks include consistency tests, comparing current figures with historical and budget figures, as well as sample checks of transactions according to their materiality.

Specific internal control activities with respect to financial reporting are in place, including the use of a periodic closing and reporting checklist. This checklist ensures clear communication of timelines, the completeness of tasks, and the clear assignment of responsibilities.

Uniform reporting of financial information throughout the organisation ensures a consistent flow of information, in turn allowing potential anomalies to be detected. The group-wide ERP system and management information tools give the central controlling team direct access to disaggregated financial and non-financial information.

An external financial calendar is planned in consultation with the Board of Directors and the Management Committee, and this calendar is announced to external stakeholders via the Company's website www.baltagroup.com/en/Investors. The objective of this external financial reporting is to provide Balta stakeholders with the information necessary for making sound business decisions.

SUMMARY
of main risks

For Balta, risk management is an inherent part of doing business. The summary below, though not exhaustive, provides an overview of the main risks we have identified[1]. While we take mitigating actions, there can be no guarantee that such risks will not materialize.

Market Competition

The global flooring market is competitive and each of our divisions faces competition from other soft flooring manufacturers as well as hard flooring alternatives.

Key to our competitiveness is our ability to identify and respond to rapidly changing consumer preferences, requiring us to frequently renew our designs and product mix and to innovate.

Customer Dependency

Our main customers are large retailers and wholesalers with substantial buying power. Our top three customers accounted for 20.3% of our 2017 revenues. We may not be successful at retaining our key customers, which could have an adverse impact on our sales. In addition, we are dependent on the success of our customers.

In line with normal industry practice, we have no formal contracts with the majority of our customers. We typically deal with our customers on a non-exclusive basis without minimum purchase obligations.

General Macro-economic and Geopolitical Events & Trade Regulations

Demand for our products depends significantly on consumer confidence and factors impacting the residential and commercial renovation and construction markets.

With production and distribution facilities in Belgium, Turkey and the United States and sales to more than 130 countries, we are exposed to geopolitical risk on both the demand and supply side.

Political uncertainty caused by events such as Brexit or upcoming elections may weigh on consumer demand in certain geographies. Management closely monitors the political and economic situation in all countries where we do business.

Increased import duties or sanctions against the importing of certain goods in certain countries could pose barriers for us to successfully do business.

Legal & Compliance

Failure to comply with the laws of the countries we do business in may result in a delay or temporary suspension of our sales and operations, and may impact our financial position.

Publicity and reputation

We may be affected by product recall or liability claims or otherwise be subject to adverse publicity.

Employees

Our ability to successfully execute our strategy depends on our success in attracting, retaining and developing our employees.

If the relationship with our employees or trade unions were to deteriorate, this could have an adverse impact on our business.

Raw Materials & Supply Chain

We use large quantities of raw materials for which we depend on a limited number of suppliers. Most of our suppliers are large companies and can exert substantial supplier power. As is common in the industry, we have no formal contracts with the majority of our raw material suppliers.

In 2017, raw materials expenses represented 46.7% of our revenues. The key raw materials used were polypropylene, yarn, latex and polyamide, which together represented 70.3% of our total raw material expenses.

1 The order in which the risks are listed is not indication of the potential impact nor the probability of occurrence

Raw material prices can be volatile and depend on a number of factors that are often beyond our control including, but not limited to, local supply and demand balance, general economic conditions and fluctuations in commodity prices. The majority of our price agreements with customers do not include raw materials price indexation mechanisms.

Production & Logistics

The ability to produce and deliver products on time is key to attracting new and retaining existing customers.

Disruptions at our manufacturing or distribution facilities may occur and could result in temporary shortfalls in production and late or incomplete deliveries or increase our cost of sales. We may incur losses that are completely or partially uninsured.

We do not have our own transportation facilities and depend on third-party service providers for the timely delivery of our products to our customers.

IT

Failure of our IT platform could hamper our ability to process orders in time. We use our IT platform to manage our operations (including sales, customer service, logistics and admin). We have a complex and heterogeneous application landscape that in part consists of certain systems from prior acquisitions that have only been partially integrated, which could trigger operational risks.

We are also contending with an increasing number of cybercrime-related incidents, which require us to maintain adequate cybersecurity. Any failure to do so may adversely affect our operations.

Financial

Our activities expose us to a variety of financial risks including, but not limited to, currency risk, interest rate risk, credit risk and liquidity risk.

Part of our sales and purchases are denominated in currencies other than Euro. Other key currencies include Pound Sterling, US Dollar and Turkish Lira. The fluctuation of these currencies versus the Euro may impact our results.

Some of our external borrowings carry interest at a variable rate.

Not all of the credit risk exposure towards our customers is covered by our external credit insurance agreements.

Our external financing agreements include obligations, restrictions and covenants, which may have an adverse effect on our business, financial situation and results of operations if we are unable to meet these.

Changes in tax legislation or accounting rules could affect future results.

Changes in assumptions underlying the carrying value of our assets could result in an impairment of such assets, including intangible assets such as goodwill.

Reference is made to the risk factors referred to in note 30 of the section financial risk management in the Financial Statements.

M&A

There is no guarantee of success in acquiring any preferred target companies in line with our acquisition strategy.

We may fail to successfully integrate acquisitions as expeditiously as expected and may not be able to fully realize anticipated cost savings, synergies, future earnings or benefits that we intend to achieve from acquisitions.

FINANCIAL STATEMENTS

I.1. Consolidated statement of comprehensive income for the period ended December 31

(€ thousands)	Note	For the year ended December 31[1] 2017	2016
I. CONSOLIDATED INCOME STATEMENT			
Revenue	Note 4	661,320	557,685
Raw material expenses		(310,391)	(259,472)
Changes in inventories	Note 17	(3,359)	6,055
Employee benefit expenses	Note 8	(151,334)	(130,054)
Other income	Note 9	7,112	8,171
Other expenses	Note 9	(121,869)	(101,017)
Depreciation / amortization	Note 10	(32,499)	(28,666)
Adjusted Operating Profit [2]		**48,980**	**52,701**
Gains on asset disposals		–	1,610
Integration and restructuring expenses	Note 11	(11,368)	(5,128)
Operating profit / (loss) [2]		**37,611**	**49,183**
Finance income		41	57
Finance expenses	Note 12	(37,327)	(28,608)
Net finance expenses		**(37,285)**	**(28,552)**
Profit / (loss) before income taxes		326	20,632
Income tax benefit / (expense)	Note 13	2,654	4,713
Profit / (loss) for the period from continuing operations		**2,980**	**25,345**
Profit / (loss) for the period from discontinued operations		–	–
Profit / (loss) for the period		**2,980**	**25,345**
Attributable to:			
Equity holders		2,946	–
Non-controlling interest		34	–
II. CONSOLIDATED OTHER COMPREHENSIVE INCOME			
Items in other comprehensive income that may be subsequently reclassified to P&L			
Exchange differences on translating foreign operations		(13,522)	(8,013)
Changes in fair value of hedging instruments qualifying for cash flow hedge accounting		123	(116)
Items in other comprehensive income that will not be reclassified to P&L		–	–
Changes in deferred taxes		(457)	285
Changes in employee defined benefit obligations		1,005	(882)
Other comprehensive income for the period, net of tax		(12,850)	(8,727)
Total comprehensive income for the period		**(9,870)**	**16,618**
Basic and diluted earnings per share from continuing operations attributable to the ordinary equity holders of the company[3]	Note 37	**0.08**	**0.71**

(1) Predecessor: Balta Group NV was incorporated on 1 March 2017. The financial information relating to 2016 has been extracted from the consolidated financial statement of LSF9 Balta Issuer S.à r.l.

(2) Adjusted Operating Profit / Operating profit/(loss) are non-GAAP measures as defined in note 1.25 and include impact purchase price accounting in statement above.

(3) For 2017, the dividend is calculated on a pro rata basis starting from the IPO date.

The accompanying notes form an integral part of these Consolidated Financial Statements.

I.2. Consolidated statement of financial position as at December 31

(€ thousands)	Note	For the year ended December 31[1] 2017	2016
Property, plant and equipment			
Land and buildings	Note 15	162,103	169,203
Plant and machinery	Note 15	130,977	115,016
Other fixtures and fittings, tools and equipment	Note 15	18,080	15,019
Goodwill	Note 7	198,814	124,673
Intangible assets	Note 14	12,218	2,376
Deferred income tax asset	Note 16	4,747	18,950
Trade and other receivables	Note 18	1,165	138
Total non-current assets		**528,104**	**445,375**
Inventories	Note 17	147,868	135,320
Derivative financial instruments	Note 29	–	46
Trade and other receivables	Note 18	61,539	54,930
Current income tax assets		3,434	34
Cash and cash equivalents	Note 19	37,338	45,988
Total current assets		**250,179**	**236,318**
Total assets		**778,283**	**681,693**
Share capital	Note 20	252,950	171
Share premium	Note 20	65,660	1,260
Preferred Equity Certificates	Note 23	–	138,600
Other comprehensive income	Note 21	(19,913)	(7,063)
Retained earnings	Note 22	6,297	3,351
Other reserves		(39,878)	–
Total equity		**265,116**	**136,319**
Senior Secured Notes	Note 24	228,130	279,277
Senior Term Loan Facility	Note 25	34,782	–
Bank and Other Borrowings	Note 26	13,310	15,388
Deferred income tax liabilities	Note 16	54,471	69,775
Provisions for other liabilities and charges	Note 33	2,335	–
Employee benefit obligations	Note 31	4,127	5,079
Total non-current liabilities		**337,155**	**369,519**
Senior Secured Notes	Note 24	3,425	4,234
Senior Term Loan Facility	Note 25	(108)	–
Bank and Other Borrowings	Note 26	2,361	2,614
Provisions for other liabilities and charges	Note 33	7,316	64
Derivative financial instruments	Note 29	2	162
Other payroll and social related payables	Note 32	33,373	31,246
Trade and other payables	Note 34	126,375	131,562
Income tax liabilities		3,265	5,974
Total current liabilities		**176,010**	**175,856**
Total liabilities		**513,165**	**545,374**
Total equity and liabilities		**778,283**	**681,693**

(1) Predecessor: Balta Group NV was incorporated on 1 March 2017. The financial information relating to 2016 has been extracted from the consolidated financial statement of LSF9 Balta Issuer S.à r.l.

The accompanying notes form an integral part of these Consolidated Financial Statements

I.3. Consolidated statement of cash flows for the period ended December 31

(€ thousands)	Note	For the year ended December 31[1] 2017	2016
I. CASH FLOW FROM OPERATING ACTIVITIES			
Net profit / (loss) for the period		**2,980**	**25,345**
Adjustments for:			
Reclass of capital increase expenses to cashflow from financing activities (gross)		132	-
Income tax expense/(income)	Note 13	(2,654)	(4,713)
Finance income		(41)	(57)
Financial expense	Note 12	37,327	28,608
Depreciation, amortisation	Note 10	32,499	28,666
Movement in provisions		7,252	-
(Gain) / loss on disposal of non-current assets		(58)	(1,610)
Fair value of derivatives		8	786
Non-cash impact of purchase price allocation	Note 6	2,902	-
Cash generated before changes in working capital		**80,347**	**77,025**
Changes in working capital:			
Inventories	Note 17	(4,280)	(5,883)
Trade receivables	Note 18	1,913	(8,433)
Trade payables	Note 34	(15,460)	10,485
Other working capital		(2,248)	(5,459)
Cash generated after changes in working capital		**60,272**	**67,735**
Net income tax (paid)		(5,344)	(1,478)
Net cash generated / (used) by operating activities		**54,928**	**66,257**
II. CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition & disposal of property, plant and equipment	Note 15	(38,261)	(36,483)
Acquisition of intangibles	Note 14	(1,673)	(1,494)
Proceeds from non-current assets		912	2,408
Acquisition of subsidiary	Note 6	(68,752)	-
Net cash used by investing activities		**(107,775)**	**(35,569)**
III. CASH FLOW FROM FINANCING ACTIVITIES			
Interest and other finance charges paid, net		(32,388)	(27,814)
Proceeds from borrowings with third parties	Note 26	110,000	-
IPO Proceeds	Note 20	145,000	-
Incremental costs paid directly attributable to IPO	Note 5	(7,772)	-
Repayments of borrowings with third parties	Note 20, 26	(171,987)	(2,349)
Proceeds from contribution in kind		1,343	-
Net cash generated / (used) by financing activities		**44,196**	**(30,163)**
NET INCREASE/ (DECREASE) IN CASH AND BANK OVERDRAFTS		**(8,650)**	**526**
Cash, cash equivalents and bank overdrafts at the beginning of the period		45,988	45,462
Cash, cash equivalents and bank overdrafts at the end of the period	Note 19	37,338	45,988

(1) Predecessor: Balta Group NV was incorporated on 1 March 2017. The financial information relating to 2016 has been extracted from the consolidated financial statement of LSF9 Balta Issuer S.à r.l.

The accompanying notes form an integral part of these Consolidated Financial Statements

I.4. Consolidated statement of changes in equity for the year ended December 31

(€ thousands)	Share capital	Share premium	Preferred Equity Certificates	Other comprehensive income	Retained earnings	Other reserves	Total	Non-controlling interest	Total equity
Balance at January 1 2016	171	1,260	-	1,664	(21,995)	-	(18,900)	-	(18,900)
Recognition of PECs as equity instrument	-	-	138,600	-	-	-	138,600		138,600
Profit / (loss) for the period	-	-	-	-	25,345	-	25,345	-	25,345
Other comprehensive income									
Exchange differences on translating foreign operations	-	-	-	(8,013)	-	-	(8,013)	-	(8,013)
Changes in fair value of hedging instruments qualifying for cash flow hedge accounting	-	-	-	(116)	-	-	(116)	-	(116)
Cumulative changes in deferred taxes	-	-	-	285	-	-	285	-	285
Cumulative changes in employee defined benefit obligations	-	-	-	(882)	-	-	(882)	-	(882)
Total comprehensive income for the period	**-**	**-**	**-**	**(8,727)**	**25,345**	**-**	**16,618**	**-**	**16,618**
Balance at December 31 2016 [1]	171	1,260	138,600	(7,063)	3,351		136,319	-	136,319

(€ thousands)	Share capital	Share premium	Prefered Equity Certificates	Other comprehensive income	Retained earnings	Other reserves	Total	Non-controlling interest	Total equity
Balance at January 1 2017	171	1,260	138,600	(7,063)	3,351	-	136,319	-	136,319
Profit / (loss) for the period	-	-	-	-	2,946	-	2,946	34	2,980
Other comprehensive income									
Exchange differences on translating foreign operations	-	-	-	(13,522)	-	-	(13,522)	-	(13,522)
Changes in fair value of hedging instruments qualifying for cash flow hedge accounting	-	-	-	123	-	-	123	-	123
Cumulative changes in deferred taxes	-	-	-	(457)	-	-	(457)	-	(457)
Cumulative changes in employee defined benefit obligations	-	-	-	1,005	-	-	1,005	-	1,005
Total comprehensive income for the period	**-**	**-**	**-**	**(12,850)**	**2,946**	**-**	**(9,904)**	**34**	**(9,870)**
Incorporation of founders' share	62	-	-	-	-	-	62	-	62
Capital contribution Bentley Management Buy-out	1,343	-	-	-	-	-	1,343	(34)	1,309
Contribution in kind of LSF9 Balta Issuer S.à r.l.	331,250	-	-	-	-	-	331,250	-	331,250
Transfer of share capital to other reserves	(150,000)	-	-	-	-	150,000	-	-	-
Cancellation of founders' share	(62)	-	-	-	-	-	(62)	-	(62)
Contribution of net proceeds from the Primary Tranche of the IPO	79,340	65,660	-	-	-	-	145,000	-	145,000
IPO expenses attributed to the Primary tranche of the IPO	(7,640)	-	-	-	-	-	(7,640)	-	(7,640)
Capital reorganisation under common control	(1,514)	(1,260)	(138,600)	-	-	(189,878)	(331,252)	-	(331,252)
Total transactions with the owners	**252,779**	**64,400**	**(138,600)**	**-**	**-**	**(39,878)**	**138,701**	**(34)**	**138,667**
Balance at December 31 2017 [1]	**252,950**	**65,660**	**-**	**(19,913)**	**6,297**	**(39,878)**	**265,116**	**-**	**265,116**

(1) Predecessor: Balta Group NV was incorporated on 1 March 2017. The financial information relating to 2016 has been extracted from the consolidated financial statement of LSF9 Balta Issuer S.à r.l.

The accompanying notes form an integral part of these Consolidated Financial Statements.

I.5. Notes to the Consolidated Financial Statements

Note 1. Accounting policies

The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. These policies have been consistently applied to the year presented, unless otherwise stated.

Note 1.1. Basis of preparation

Basis of preparation

These Consolidated Financial Statements of Balta Group NV ("the Company" or "Balta Group"), registered at Wakkensteenweg 2, 8710 Sint-Baafs-Vijve, Belgium (Registration number 0671.974.626) and its subsidiaries ("the Group") have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). These include all IFRS standards and IFRIC interpretations issued and effective at December 31 2017.

The Financial Statements of the Company for the period 1 January 2017 to 31 December 2017 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

These Consolidated Financial Statements are presented in Euro, which is the Group's presentation currency and the functional currency of the Company. All amounts in these Consolidated Financial Statements are presented in thousands of Euro, unless otherwise stated. Rounding adjustments have been made in calculating some of the financial information included in these Consolidated Financial Statements.

These Financial Statements are prepared on a going concern basis, i.e. assuming that operations will continue in the foreseeable future.

Any events and/or transactions significant to an understanding of the changes since December 31 2016 have been included in these notes to the Consolidated Financial Statements and mainly relate to the Initial Public Offering (IPO) of the Group in 2017 and relate to the acquisition of the Bentley Mills Group of companies which was completed on March 22 2017.

In preparation of the IPO of the Group in 2017, Balta Group NV was incorporated on March 1 2017 for the purpose of acquiring LSF9 Balta Issuer S.à r.l and its subsidiaries, which occurred on May 30 2017 through a contribution in kind in the Share Capital of the Company. Balta Group NV was established by the same shareholders as those of LSF9 Balta Issuer S.à r.l. Since the shareholders of LSF9 Balta Issuer S.à r.l. before the reorganisation have the same absolute and relative interest in the net assets of the Group and the new group immediately before and after the reorganisation, the transactions for the IPO constitute a capital reorganisation under common control. Consequently, these transactions are recognized in the Financial Statements using the predecessor value method.

This means:

1. That the assets/liabilities of Balta Issuer S.à r.l. have been recognized at book value in the Financial Statements of Balta Group, as established in accordance with IFRS. LSF9 Balta Issuer S.à r.l has always since its creation, prepared Consolidated Financial Statements in accordance with IFRS, and therefore IFRS 1 is not applicable;
2. That the other comprehensive income, retained earnings and other reserves recognized in the Consolidated Financial Statements are the other comprehensive income, retained earnings and other reserves of LSF9 Balta Issuer S.à r.l. and the difference between the consideration for the contribution in kind of the shares of LSF9 Balta Issuer S.à r.l. and the eliminated share capital of LSF9 Balta Issuer S.à r.l. is recognized in "Other reserves";
3. That the income statement and statement of cash flows for the twelve months ended December 31 2017 spans twelve months, notwithstanding the fact that the financial year of Balta Group NV as a legal entity is shorter (March 1 to December 31 2017);
4. That the comparative information presented in the consolidated financial statements is the information of LSF9 Balta Issuer S.à r.l. Management has taken this decision in order to ensure the continuity of the financial information.

The preparation of Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements are disclosed in Note 2.

New standards and amendments to standards

The following interpretations and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2017 and have been endorsed by the

European Union. These have not had a material impact on the 2017 Financial Statements of the Company.

- Amendments to IAS 7 Statement of Cash Flows-Disclosure Initiative, effective for annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of Financial Statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved. We refer to Note 28 for disclosure.

- Amendments to IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses, effective 1 January 2017. These amendments make clear how to account for deferred tax assets related to debt instruments measured at fair value.

The following interpretations and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2017 (however not yet subjected to EU endorsement). These have not had an impact on the 2017 Financial Statements of the Company:

- annual improvements Cycle – 2014-2016, effective 1 January 2017. The amendment impacts the standard: IFRS 12 'Disclosure of interests in other entities regarding clarification of the scope of the standard'.

The following new standards and amendments to standards have been issued, but are not mandatory for the financial year beginning 1 January 2017 and have been endorsed by the European Union:

- IFRS 16 'Leases'. This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The impact of changes in IFRS 16 will be further analysed in the course of 2018.

- IFRS 9 'Financial instruments', effective for annual periods beginning on or after 1 January 2018. The standard addresses the classification, measurement, de-recognition of financial assets and financial liabilities and general hedge accounting. On the classification and measurement the Group's current assessment did not indicate any material impact. IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables either on a 12-month or lifetime basis. While the Group has not yet undertaken a detailed assessment of how its provisions would be affected by the new model, it may result in an earlier recognition of credit losses. Nevertheless the Group does not expect any material impact since it uses credit insurances as a means to transfer credit risk related to trade receivables and the historical default rates for 2016 and 2017 are not exceeding 0.1 % for 2016 and 2017. Moreover there are no significant receivables due for more than 3 months for which no provision has been set up. The Group is currently only applying limited cash flow hedging for expected cash flows. No significant changes are expected under IFRS 9 for the current cash flow hedge documentation and accounting treatment.

- IFRS 15 'Revenue from contracts with customers'. Companies using IFRS will be required to apply the revenue standard for annual periods beginning on or after 1 January 2018. IFRS 15 specifies how and when revenue is recognized and is prescribing relevant disclosures. The standard supersedes IAS 18 Revenue, IAS 11 Construction Contracts and a number of revenue related interpretations. The new standard provides a single, principles-based five-step model to be applied to all contracts with customers. Furthermore, it provides new guidance on whether revenue should be recognized at a point in time or over time.

The revenue is currently recognized when the goods are delivered which is the point in time at which the customer accepts the goods and the related legal title, i.e. when risks and rewards of the ownership are transferred. Revenue is only recognized at this moment and provide that the other requirements are also met, such as, no continuing management involvement with goods, the ability to reliably measure revenue and costs and a sufficiently probable recovery of the consideration. Under IFRS 15, revenue will be recognized when a customer obtains control of the goods. Based on the initial assessment, the Group did not identify material differences between the transfer of control and the current transfer of risk and rewards. As such, at this stage the Group does not anticipate material differences in the timing of revenue recognition for the sale of products. Volume discounts and rebates are currently accrued over the year based on the sales realized per customer and taking into account the expected yearly volumes per customer. There are no other significant incremental contract costs. Consequently the Group does not expect any material impact under IFRS 15. In general, the Group does not have any material contracts that include separate performance obligations nor any special transactions such as consignment, bill and hold arrangements, warranty programs, upfront payments or any third party involvement.

- Amendments to IFRS 15 'Revenue from contracts with customers'- Clarifications (effective 1 January 2018). These amendments compromise clarification guidance on identifying performance obligations, accounting for licenses of intellectual property and the principle versus agent assessment.

The following new standards, amendments and interpretation to standards have been issued, but are not mandatory for the financial year beginning 1 January 2017 and have not been endorsed by the European Union:

- IFRS 17 'Insurance contracts' (effective 1 January 2021). This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. The Group doesn't expect any material impact of this change in standard on the Financial Statements.

- Amendments to IFRS 2 'Share-based payments' (effective 1 January 2018): The amendment clarifies the measurement basis for cash-settled payments and the accounting for modifications that change an award from cash settled to equity settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay the amount to the tax authorities. We refer to the Note 35 share-based payments for more information.

- IFRIC 22 'Foreign currency transactions and advance consideration' (effective 1 January 2018). This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice. This IFRIC will not result in any material impact on the Financial Statements of the Group.

IFRIC 23 'Uncertainty over income tax treatments' (effective 1 January 2019). This interpretation clarifies the accounting for uncertainties in income taxes. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

Note 1.2. Consolidation

Subsidiaries

Subsidiaries are all entities for which the Group is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

The Group applies the acquisition method to account for business combinations. The consideration paid reflects the fair value of the assets transferred, the liabilities assumed and the equity instruments issued. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration agreement (for example, variable consideration contingent on future events such as achievement of post-acquisition earnings targets or success of a significant project).

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Acquisition related costs are expensed in the income statement. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest and previously held interest in the entity acquired. For each business combination, the Group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. The excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net recognized amount (generally at fair value) of the identifiable assets acquired and liabilities assumed is recognized as goodwill. Negative goodwill is recognized immediately in the income statement.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated on consolidation. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred in which case the asset is impaired through the income statement. Accounting policies of subsidiaries are changed where necessary to ensure consistency with the policies adopted by the Group.

Segment reporting

Note 4 provides the Group's segment information, in line with IFRS 8. The Group operates its business through four segments, which are organized by product and sales channel. The Rugs segment designs, manufactures and distributes a broad range of machine-made rugs to major retailers (such as home improvement, furniture, specialist, discount and DIY stores) and wholesalers. The Residential segment designs, manufactures and distributes branded broadloom carpets (*Balta Broadloom* and *ITC* brands) and tiles to major retailers and wholesalers. The Commercial segment designs, manufactures and distributes modular carpet tiles mainly for offices and public projects through the Group's *modulyss* brand in Europe (Commercial Europe), the *Bentley* Brand in the US (Commercial US) and broadloom carpets mainly for the hospitality sector through its *arc edition* brand to architects, designers, contractors and distributors. Finally, the Non-Woven segment designs, manufactures and distributes soft flooring for events such as fairs and expositions and specialized fabrics for insulation, lining, cars, carpet backing and banners through its *Captiqs* brand.

Operating segments are reported in a manner consistent with the internal reporting provided to the Board and the Management Committee. Items that are provided on a monthly basis to the Management Committee are revenues, Adjusted EBITDA, net inventory, accounts receivable and capital expenditure. The segment information provided in Note 4 has been selected on this basis. It follows that other items such as total assets and liabilities per segment are not reviewed internally and hence not disclosed. Interest income, interest expense and taxes are managed centrally and accordingly such items are not presented by segment as they are excluded from the measure of segment profitability.

Note 1.3. Foreign currency translation

Functional and presentation currency

Items included in the Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Consolidated Financial Statements are presented in Euro, which is the Group's functional and the Group's presentational currency. All amounts are stated in thousands of Euro unless otherwise stated.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or date of valuation, in case of items that are re-measured at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Foreign exchange gains and losses that relate to cash and cash equivalents and borrowings, including borrowings, payables and receivables between group companies that do not qualify as a net investment in a foreign operation are presented in income statement within "Finance income and expense". All other foreign exchange gains and losses are presented in the income statement within "Other income" or "Other expenses" which is part of the operating profit.

The principal exchange rates that have been used to prepare these Financial Statements are as follows:

	December 31 2017		December 31 2016	
	Closing	Average	Closing	Average
USD	1.1993	1.1297	1.0541	1.1069
TRY	4.5155	4.1159	3.7099	3.3375
GBP	0.8872	0.8767	0.8562	0.8195

As the Bentley group of companies was only acquired as from 22 March 2017, the income statement was included in the Financial Statements using the average USD/EUR rate from March 22 2017 to December 31 2017. The Business combination was included using the closing rate per 31 March 2017. As a result the figures of the Bentley Mills Group are included using the following rates.

	December 31 2017		March 31 2017
	Closing	Average	Closing
USD	1.1993	1.1519	1.0691

Group companies

The results and financial position of all the Group's entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing or year-end rate;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognized in "Other comprehensive income".

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments (if any), are taken to "Other comprehensive income". When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the income statement as part of the gain or loss on sale.

Foreign exchange gains and losses that relate to borrowings and transactions between group companies in a different currency compared to the functional currency, are presented in the income statement within "Finance income and expense", if these borrowings do not qualify as a net investment in a foreign operation.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Note 1.4. Property, plant and equipment

Property, plant and equipment are carried at acquisition cost less any accumulated depreciation and less any accumulated impairment loss. Cost of property, plant and equipment also includes the estimated cost of dismantling and removing the asset and restoring the site, to the extent that the provision is recognized under IAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Freehold land is not depreciated. Depreciation on other assets is calculated using the straight-line method, to allocate the costs over the estimated remaining useful lives, as follows:

Industrial and administrative Buildings	
- Structural work	40-50 years
- Other elements	10-25 years
Machinery	10-33 years
Vehicles, transport equipment	5 years
Furniture, fittings and equipment	5-15 years

Cars are depreciated to a residual value of 20% of the initial cost.

Spare parts purchased for particular items of plant are capitalized and depreciated over the useful life not exceeding 4 years. Samples of products are capitalized and depreciated over 2-3 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Fair value adjustments as a result of Business Combinations are depreciated over the estimated remaining useful life of the applicable assets.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "Other income" or "Other expenses" in the income statement.

Note 1.5. Goodwill

Goodwill on acquisitions of subsidiaries is allocated to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Goodwill is tested annually for impairment and carried at cost in the underlying currency less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of a cash-generating unit include the carrying amount of goodwill relating to the cash-generating unit sold

Note 1.6. Other Intangible assets

Trademarks

Trademarks acquired in a business combination are recognized at fair value at the acquisition date. The fair market value is determined on the basis of a net present value calculation corrected for the cost to be taken to further support the trademarks in the market. Trademarks have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of the trademarks over the shortest of their estimated useful lives or the period of the legal right.

Internally generated software and other development cost

Costs associated with maintaining computer software programs are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software product include the software development employee costs and an appropriate portion of directly attributable overheads.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Computer software development costs recognized as assets are amortized over their estimated useful lives, which in general is equal to 4 years.

Note 1.7. Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. These values are generally determined based on discounted cash flow calculations. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Note 1.8. Derivative financial instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The Group records all gains or losses resulting from changes in fair value of derivatives in the income statement within "Other income" or "Other expenses" to the extent that they relate to operating activities and within "Finance income" or "Finance costs" to the extent that they relate to the financing activities of the Group.

Derivative financial instruments used to hedge the exposure to variability in future cash flows are designated as hedges under cash-flow hedge accounting. The effective portion of changes in fair value as from the designation date of the cash flow hedge are recorded in the cash flow hedge reserve, part of "Other comprehensive income". Amounts recorded in the cash flow hedge reserve will be recognized in the income statement in the same period or periods during which the hedged forecast transaction affects the income statement. In case of the hedge of a forecast sales transaction, this coincides with the date upon which the revenue and trade receivable is recognised.

When the underlying hedged transactions no longer meet the criteria for hedge accounting, the cumulative gain or loss on the hedging instrument that has been recognized in other comprehensive income from the period when the hedge was effective shall be reclassified from equity to profit or loss as a reclassification adjustment.

When the underlying hedged transaction is no longer expected to occur, the cumulative gains or loss on the hedging instrument that has been recognized in "Other comprehensive income" from the period when the hedge was effective shall be reclassified from equity to profit or loss as a reclassification adjustment.

Note 1.9. Inventories

Inventories are stated at the lower of cost and net realisable value. These net realisable value adjustments are reviewed on a regular basis and updated to reflect the estimated selling price less selling expenses, based on historical data and expectations. Cost is determined using the first-in, first-out ("FIFO") method. The cost of finished goods and work in progress comprises amongst other design costs, raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Based on a quantified methodology, provisions against the carrying value of inventories are recorded taking qualitative aspects into account including the lower of cost versus net realisable value assessment. These provisions are reviewed by management.

Note 1.10. Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less bad debt allowance.

Trade receivables are reviewed on a continuing basis. A bad debt allowance is recorded when collectability of the receivable is questionable. The bad debt allowance covers the net estimated risk for the Group and is calculated by taking into account the coverage expected to be received from credit insurance.

Note 1.11. Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

Note 1.12. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 1.13. Government grants

Government grants are recognized at their fair value when there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the income statement within "Other income" over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected useful lives of the related assets.

Note 1.14. Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Supplier finance arrangements are recognized as a financial liability unless the original trade payable is extinguished or its terms are significantly modified to the extent that it qualifies for de-recognition under IAS 39 (we refer to de-recognition of financial assets and liabilities Note 1.17).

Note 1.15. Financial liabilities measured at fair value through profit or loss

Some instruments that have the legal form of a liability are, in substance, equity. A financial instrument is classified as a financial liability or an equity instrument depending on the substance of the arrangement rather than the legal form. Liabilities arise when the issuer is contractually obligated to deliver cash or another financial asset to the holder. An instrument is an equity instrument only if the issuer has no such obligation, i.e. it has an unconditional right to avoid settlement in cash or another financial asset. The ability to defer payment is not enough to achieve equity classification, unless payment can be deferred indefinitely. Generally an obligation for the entity to deliver its own shares is not a financial liability because an entity's own shares are not considered its financial assets. An exception to this is where an entity is obliged to deliver a variable number of its own equity instruments.

Note 1.16. Senior Secured Notes and Bank and other borrowings

Senior Secured Notes, Bank and other Borrowings are recognized initially at fair value, net of transaction costs incurred. They are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Note 1.17. De-recognition of financial assets and liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where IAS 39 de-recognition criteria are not met, the receivables continue to be recognized in the statement of financial position, while the proceeds received by the Group under any financing/factoring arrangements are recognized as a financial liability.

A financial liability is de-recognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or when the existing liability is transferred to a different lender and the Group obtains a legal release from the initial lender, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective amounts is recognized in the income statement.

The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least ten per cent different from the discounted present value of the remaining cash flows of the original financial liability.

Note 1.18. Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in "Other comprehensive income" or directly in equity. In this case the tax is also recognized in "Other comprehensive income" or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company's subsidiaries operate and generate taxable income. In line with paragraph 46 of IAS 12 'income taxes', management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This evaluation is made for tax periods open for audit by the competent authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the "Statement of financial position" date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. Deferred tax is not discounted.

Note 1.19. Provisions

Provisions for restructuring expenses, legal claims, service warranties and make good obligations are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Note 1.20. Employee benefits

Pension obligations

IAS 19 distinguishes two types of post-employment benefit plans:

- Defined contribution plans (DC plans) are post-employment benefit plans under which an enterprise pays fixed contributions into a separate entity (a fund or group insurance contract) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current or prior periods;
- Defined benefit plans (DB plans) are post-employment benefit plans other than defined contribution plans.

Group companies operate one defined benefit plan for a group of managers and various pension schemes funded through payments to insurance companies. Because of the Belgian legislation applicable to 2nd pillar pension plans (so-called "Law Vandenbroucke"), all Belgian Defined Contribution plans have to be considered under IFRS as Defined Benefit plans. Law Vandenbroucke states that in the context of defined contribution plans, the employers must guarantee a minimum return of 3.75% on employee contributions and 3.25% on employer contributions.

However, shortly before year-end 2015, a change in the Belgian Law was enacted resulting in a decrease of the guaranteed return from 3.25% to a minimum interest rate defined based upon the Belgian 10-year interest rate but within the range 1.75% - 3.25%. The new rate (1.75% per December 31 2017 and per December 31 2016) applies for the years after 2015 on future contributions and also on the accumulated past contributions as from 31 December 2015 if the financing organisation does not guarantee a certain result on contributions until retirement age. If the organisation does guarantee such a result, the historical rates still apply.

Because of this minimum guaranteed return, the employer is exposed to a financial risk: further contributions could be required if the return on the assets is not sufficient to reach the minimum benefits to be paid. The group has plans that are financed through insurance contracts. The projected unit credit method has been used as the actuarial technique to measure the defined benefit obligation. Note that for the bonus plans, a simplified approach is applied as it is not possible to predict future bonuses (which define future contributions). The fair value of the plan assets is based on §113 of IAS 19 and is defined as the present value of the retirement capitals guaranteed by the insurance company (using the tariffs as set out by the insurance company). The discount rate used takes into account the investment risk of financial institutions by referring to financial single A bonds. Therefore an additional gap is added to the Defined Benefit Obligation ("DBO") discount rate which reflects the difference between double AA corporate bonds and single A financial bonds. At December 31 2017 this gap was 25 basis points.

Other post-employment obligations

The Group does not have other post-employment obligations.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes a liability and expense for termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

In Belgium, the system of early retirement pensions ensures that elderly people who are dismissed by their employer or who are encouraged to terminate their employment and who fulfill certain conditions, are eligible to receive supplementary unemployment allowance and paid by their former employer on top of the unemployment allowances paid by social security. This benefit is generally paid until normal retirement age, which is 65 years.

Within the Group, several former employees benefit from the system of "early retirement fee or pension", based on several Belgian Collective Labor Agreements (CLAs) in place for the sector (*textielnijverheid en breiwerk/ industrie textile et de la bonneterie*) or specifically for the Group. These CLAs describe the different possibilities for employees in the sector to benefit from "early retirement fee or pension", the creation of a sector fund (*fonds voor bestaanszekerheid/ fonds de sécurité d'existence*), part-time work, education and training etc. Certain CLAs exist for blue collar workers and others for white collar workers.

For those early retirement fees or pensions which are directly paid out by the employer, a provision should be made under IAS 19. It has been determined as the present value of the best estimate of future cash flows. The discount rate used is based on the return on high quality corporate bonds (AA rated) of a maturity equivalent to the duration of the liabilities. The changes in pension liabilities are accounted for through other comprehensive income when the changes relate to a change in actuarial assumptions from one year to another.

Bonus plans

Bonuses received by company employees and management are based on pre-defined Group and individual target achievement. The estimated amount of the bonus is recognized as an expense in the period the bonus is earned.

Share Based payments

An equity-settled share-based payment transaction is a transaction in which the Group receives services as consideration for its own shares (or share options). The fair value of the services received in exchange for the grant of the shares (or share options) measured by reference to the grant date fair value of the shares (or share options), is recognised as an expense over the vesting period.

When share-based payment plans are cash-settled: the goods or services acquired and the liability are measured at the fair value of the liability. Until the liability is settled, the fair value of the liability is re-measured at the end of each reporting period and at the date of settlement with any changes in fair value recognised in profit and loss for the period.

Note 1.21. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. When estimating the rebates payable, the Group uses all available information, including historical and forecast results and takes into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sales of goods

Sales of goods are recognized when the risks and rewards are transferred to the customers, in most cases when the goods are made available for collection at the Group's premises (factory, warehouse) on the date agreed upon with the customer and the customer accepted the goods in accordance with the sales contract.

Amounts billed to the customer in respect of transportation of product to the customer's premises are included in revenue. Associated transportation costs incurred by the Group are included in other expenses.

Interest income

Interest income is recognized using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables are recognized using the original effective interest rate.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Note 1.22. Leases

The Group leases certain property, plant and equipment.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, purchase option (when there is reasonable certainty that the lessee will obtain ownership by the end of the lease term), are included in "Borrowings". The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the useful life of the asset or if there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

Note 1.23. Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's Financial Statements in the period in which the dividends are approved by the Company's shareholders.

Note 1.24. Cash flow statement

The cash flows of the Group are presented using the indirect method. This method reconciles the movement in cash for the reporting period by adjusting net profit for the year for any non-cash items and changes in working capital, and identifying investing and financing cash flows for the reporting period.

Note 1.25. Non-GAAP measures

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

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

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

Adjusted Earnings per Share is defined as profit / (loss) for the period adjusted for (i) the impact of the purchase price allocation mainly on changes in inventory, (ii) gains on asset disposals, (iii) integration and restructuring expenses, (iv) non-recurring finance expenses and (v) non-recurring tax effects, divided by the number of shares of Balta Group NV. The Adjusted Earnings per Share for 2016 is a pro forma number that has been included for comparison purposes, assuming the total number of shares was equal to the current number of shares of Balta Group NV.

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

Leverage is defined as the ratio of Net Debt to Pro Forma Adjusted EBITDA.

Pro Forma Adjusted EBITDA is included, for illustrative purposes. The figure incorporates the acquisition effect of Bentley under the assumption that the transaction took place as of the start of the prior financial year. This information is intended to help investors to analyse and compare historical financial information. It is important to note that the acquisition of Bentley was completed on 22 March 2017 and consolidated in the Group's results from the 1 April 2017.

Adjusted Effective Tax Rate is defined as the ratio of income tax expenses, plus or minus the tax effect of integration and restructuring expenses, the tax effect of exceptional items within the finance charges, the tax effect attributable to the re-measurement of deferred tax assets and liabilities and the tax effect of the purchase price accounting adjustments, divided by earnings from continuing operations before income taxes plus integration and restructuring expenses plus exceptional finance expenses and excluding the impact of purchase price accounting adjustments.

Note 2. Critical accounting estimates and judgements

The amounts presented in the Financial Statements involve the use of estimates and assumptions about the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions will seldom equal the related actual results. The estimates and assumptions that could have an impact on the Financial Statements are discussed below.

Determination of fair values in business combinations

The Group has applied estimates and judgements in order to determine the fair value of assets acquired and liabilities assumed by way of a business combination. The value of assets, liabilities and contingent liabilities recognized at the acquisition date are recognized at fair value. In determining the fair value, the Group has utilized valuation methodologies including discounted cash flow analysis. The Group's estimates are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable. These valuations require the use of management's assumptions, which would not reflect unanticipated events and circumstances that may occur. Any significant change in key assumptions may cause the acquisition accounting to be revised including the recognition of additional goodwill or a discount on acquisition. All significant changes in key assumptions have been considered when completing the fair value analysis of the assets and liabilities acquired from the Bentley group of companies.

Goodwill

The amount of goodwill initially recognized as a result of a business combination is dependent on the allocation of the purchase price to the fair value of the identifiable assets acquired and the liabilities assumed. The determination of the fair value of the assets and liabilities is based, to a considerable extent, on management's judgement. Allocation of the purchase price affects the results of the Group as finite life intangible assets are amortized, whereas indefinite life intangible assets, including goodwill, are not amortized and could result in differing amortization charges based on the allocation to indefinite life and finite life intangible assets.

Impairment testing

IFRS requires management to undertake an annual test for impairment of indefinite life assets and, for finite life assets, to test for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of:

- growth in EBITDA, calculated as adjusted operating profit before depreciation and amortisation;
- timing and quantum of future capital expenditure;
- long-term growth rates; and
- the selection of discount rates to reflect the risks involved.

Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect the Group's impairment evaluation and hence results. The Group's review includes the key assumptions related to sensitivity in the cash flow projections. Further details are provided in Note 7.

Income taxes

The Group operates in various tax jurisdictions and therefore has to determine tax positions under respective local tax laws and tax authorities' views which can be complex and subject to different interpretations of tax payers and local tax authorities. The Group incurs costs centrally which are allocated to subsidiaries in different jurisdictions and which exposes the Group to inherent tax risks, as is the case for all companies operating in an international context. Based on these tax risks, management performed a detailed assessment for uncertain tax positions which resulted in provisions recorded for these uncertainties.

The Group has tax credits in respect of losses carried forward, Dividend Received Deduction (relief for dividend payments by qualifying EU subsidiaries to qualifying EU parent companies, to avoid double taxation of dividend income), and Notional Interest Deduction ("NID"). These tax credits can be used to offset against future taxable profits. The valuation of this asset depends on a number of judgemental assumptions regarding the future taxable profits of different Group subsidiaries in different jurisdictions and on the outcome of tax planning strategies. These estimates are made prudently based on current knowledge and reasonable long-term projections. Where circumstances to change and the final tax outcome would be different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Trade receivables

The Group makes significant judgements in determining the bad debt allowance with respect to trade receivables when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The assessment is performed on an individual basis in consideration of various factors such as historical experience, credit quality, age of the accounts receivables and economic conditions that may affect a customer's ability to pay.

The amount of the bad debt allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The estimated future cash flow is determined based upon the significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

Customer rebates

The Group also needs to make some judgements in determining accruals for customer rebates as presented in the "Other payables" section. When estimating the rebates payable, the Group uses all available information, including historical and forecast results and takes into consideration the type of customer, the type of transaction and the specifics of each arrangement. We also refer to revenue recognition, Note 1.21.

Note 3. Reconciliation of non GAAP measures

The table below shows the impact of the purchase price allocation and non-recurring items on profit / (loss) of the period and provides a reconciliation between the reported information and the non-GAAP measures as presented in these Financial Statements.

	2017				2016		
(€ thousands)	Adjusted	Non-recurring	PPA [1]	Reported	Adjusted	Non-recurring	Reported
Revenue	661,320	-	-	661,320	557,685	-	557,685
Raw material expenses	(310,391)	-	-	(310,391)	(259,472)	-	(259,472)
Changes in inventories	(351)	-	(3,008)	(3,359)	6,055	-	6,055
Employee benefit expenses	(151,343)	-	10	(151,334)	(130,054)	-	(130,054)
Other income	7,112	-	-	7,112	8,171	-	8,171
Other expenses	(121,965)	-	96	(121,869)	(101,017)	-	(101,017)
Adjusted EBITDA [2]	**84,381**	**-**	**(2,902)**	**81,479**	**81,367**	**-**	**81,367**
Depreciation/amortisation	(32,469)	-	(30)	(32,499)	(28,666)		(28,666)
Adjusted Operating Profit	**51,912**	**-**	**(2,933)**	**48,980**	**52,701**	**-**	**52,701**
Gains on asset disposals	-	-	-	-	-	1,610	1,610
Integration and restructuring expenses	-	(11,368)	-	(11,368)	-	(5,128)	(5,128)
Operating profit / (loss)	**51,912**	**(11,368)**	**(2,933)**	**37,611**	**52,701**	**(3,518)**	**49,183**
Finance income	41	-	-	41	57	-	57
Finance expenses	(28,019)	(9,307)	-	(37,327)	(28,608)	-	(28,608)
Net finance expenses	**(27,978)**	**(9,307)**	**-**	**(37,285)**	**(28,552)**	**-**	**(28,552)**
Profit / (loss) before income taxes	**23,934**	**(20,676)**	**(2,933)**	**326**	**24,150**	**(3,518)**	**20,632**
Income tax benefit / (expense)	(7,110)	8,615	1,149	2,654	(7,142)	11,855	4,713
Profit / (loss) for the period from continuing operations	**16,825**	**(12,060)**	**(1,784)**	**2,980**	**17,007**	**8,338**	**25,345**

(1) Predecessor: Balta Group NV was incorporated on 1 March 2017. The financial information relating to 2016 has been extracted from the consolidated financial statement of LSF9 Balta Issuer S.à r.l.

(2) Adjusted Operating Profit and Adjusted EBITDA are non-GAAP measures as defined in Note 1.25.

The non-recurring events of 2017 are:

- Purchase price accounting adjustments following the acquisition of Bentley in March 2017. These adjustments have an impact of €2.9m on EBITDA and €1.8m on the profit for the period.
- Integration and restructuring expenses of €11.4m impacting EBITDA, of which €8.2m is in connection with the optimisation of the Residential segment's operational footprint.
- Finance expenses of €9.3m relating to (i) expenses of €5.4m in connection with the debt financed acquisition of Bentley, which debt was fully repaid in June 2017 from the IPO proceeds, and (ii) expenses in connection with the partial early redemption of the Senior Secured Notes (€3.9m)
- €8.6m tax benefit relating to events that are not reflective of the Group's normal business operations, including the re-measurement of deferred tax assets and liabilities following changes in tax legislation.

Note 4. Segment Reporting

Segment information is presented in respect of the Group's business segments as defined earlier. The performances of the segments is reviewed by the Group's chief operational decision making body, which is the Management Committee.

(€ thousands)	2017	2016
Revenue by segment	**661,320**	**557,685**
Rugs	228,331	214,545
Commercial	171,683	80,050
Residential	234,818	236,758
Non-Woven	26,488	26,332
Revenue by geography	**661,320**	**557,685**
Europe	431,899	429,580
North America	170,506	73,843
Rest of World	58,915	54,262
Adjusted EBITDA by segment (1)	**84,381**	**81,367**
Rugs	37,590	37,969
Commercial	23,941	12,067
Residential	20,219	28,411
Non-Woven	2,632	2,920
Net Capital expenditure by segment	**39,023**	**35,569**
Rugs	14,566	16,119
Commercial	10,455	6,259
Residential	13,050	12,460
Non-Woven	952	732
Net inventory by segment	**147,868**	**135,320**
Rugs	65,898	63,642
Commercial	31,162	15,346
Residential	46,818	52,718
Non-Woven	3,989	3,614
Trade receivables by segment	**49,612**	**41,326**
Rugs	11,934	17,263
Commercial	20,397	6,149
Residential	16,031	16,502
Non-Woven	1,250	1,411

(1) We refer to the Note 1.25 of which we provide a glossary of the non-GAAP measures.

Given the international sales footprint of the Group, 98% of revenue is realized outside Belgium, with sales in Belgium being equal to around €13m in 2017.

Bentley is reported as part of our Commercial segment. Given the acquisition date of 22 March 2017, Bentley contributes to the consolidated earnings of the Group as from Q2 2017.

Note 5. Initial Public Offering and listing on Euronext Brussels

In 2017, the Group and its shareholders initiated a process to actively explore a new capital structure to support future growth, which resulted in an IPO and listing on Euronext Brussels on 14 June 2017. During the IPO, the total number of shares sold was 15,365,802 of which 10,943,396 new shares and 4,422,406 existing shares. At a final offer price of €13.25 per share, this represents a total offering size of €203.6m. The gross proceeds for Balta Group NV resulting from the new shares sold were approximately €145m and the net proceeds were approximately €136.8m. These net proceeds have been used to repay gross debt.

The IPO of Balta Group NV impacts the Financial Statements of the Group in the following manner:

- Increase of equity
- Decrease of financial debt
- Incurrence of transaction expenses

Increase of equity

Equity of the Group has increased from €136.3m at December 31 2016 to €265.1m at December 31 2017. This increase of €129.0m is driven by (i) capital increase of €145.0m, from which €7.6m transaction expenses net of taxes have been deducted, (ii) capital increase of €1.3m by means of a contribution in kind, and (iii) (€9.9m) impact of net comprehensive result for the period.

Further details on the breakdown of movements within equity can be found in Note 20.

Decrease of financial debt

The net proceeds of the IPO have been used to reduce gross debt. The debt that has been repaid includes (i) repayment in full of a Senior Term Loan Facility at the level of Bentley for an amount of $33. 0m capital plus accrued interest (€29.4m) when converted at a rate of $1.1222 per Euro, (ii) partial repayment of a revolving credit facility at the level of Bentley for an amount of $11.1m plus accrued interest (€9.9m) when converted at a rate of $1.1222 per Euro, (iii) repayment in full of the Senior Term Loan Facility for an amount of €75.0m plus accrued interest, and (iv) partial repayment of €21.2m of the Senior Secured Notes plus accrued interest and redemption premium of 3%.

Further details on the movement in bank and other borrowings can be found in Note 26.

Incurrence of transaction expenses

All fees and expenses related to the IPO have been divided pro rata between the Group and the Selling Shareholder based on the respective sizes of the Primary Tranche and Secondary Tranche. The total expense for the Group is equal to €7.8m. Transaction costs that are incremental and directly attributable to the issue of new shares as a result of the IPO have been recognized as a deduction of share capital (€7.6m net of taxes). The costs incurred in relation to the listing of the existing shares (€0.2m) have been expensed as part of integration and restructuring expenses in the income statement (see Note 11).

Note 6. Business combinations

For the purpose of this disclosure, amounts in USD have been converted to EUR at a rate of 1.0691 USD/EUR which is the closing rate per 31 March 2017. Where used herein "Bentley" refers to Bentley Mills, Inc. or where the context requires, the Bentley Group of companies.

Details of the business combination

On December 1 2016, Lone Star Fund IX agreed to acquire Bentley, a leader in premium commercial tiles and broadloom carpets for commercial interiors in the US market, from Dominus Capital, L.P. The acquisition was completed on February 1 2017. Lone Star Fund IX acquired 98.39% of the class A unit voting rights whilst Bentley Management acquired the remaining 1.61% of the class A unit voting rights. On 22 March LSF9 Balta Issuer S.à r.l. acquired 98.39% from Lone Star Fund IX.

Balta NV, a member of the Balta Group subsequently acquired the remaining 1.61% of the Class A unit voting rights from Bentley Management on May 31 2017 which results in a 100% ownership as per May 31 2017.

The consideration paid to the original share and option holders was equal to €88.3m ($94.3m). In order to finance (i) the consideration paid, (ii) the repayment in full of legacy debt at the level of Bentley and (iii) the payment of transaction fees and expenses, the following sources of financing were raised:

- an equity contribution of €68.8m ($74m) by LSF9 Renaissance Super Holdings LP;
- a management contribution of €1.1m ($1.2m) in equity;
- the issuance of a term loan of €30.9m ($33.0m) at the level of BPS Parent Inc;
- a drawdown of €10.4m ($11.1m) on a revolving credit facility of €16.8m ($18.0m) at the level of BPS Parent Inc.

On March 22 2017, LSF9 Balta Issuer S.à r.l. acquired from LSF9 Renaissance Super Holdings, L.P. its interests in LSF9 Renaissance Holdings LLC and LSF9 Renaissance Acquisitions LLC. This acquisition was originally financed by the issuance of a Senior Term Loan Facility for an amount of €75.0m at the level of LSF9 Balta Issuer S.à r.l. (see Note 25 for a description hereof). Subsequently, on March 23 2017, Balta NV replaced LSF9 Balta Issuer S.à r.l. and acquired the interest in LSF9 Renaissance Holdings LLC. As a result of these transactions, Balta NV currently controls Bentley.

On May 31 2017, Balta NV acquired the remaining class A unit voting shares of the Bentley group of companies from LSF9 Balta Holdco S.à r.l. which indirectly acquired the minority stake from Bentley's management. The related party debt which resulted from this transaction was subsequently contributed in the capital of LSF9 Balta Issuer S.à r.l. As a result of this transaction, Balta NV gained a 100% control over Bentley.

Balta will continue to support the Bentley brand, and will make use of Bentley's sale force and market access to accelerate the growth of its European carpet tiles in the USA.

Transaction overview and allocation of purchase price paid

The acquisition made by LSF9 Balta Issuer S.à r.l. is a transaction under a common control, and the accounting policy election was made to account for such a transaction in accordance with IFRS 3, Business Combinations. We refer to Note 41 in which we provide an overview of the related party transactions of the Group during the year. As a result, previous Goodwill was reversed in order to calculate the net assets, and the final goodwill was recognized as the difference between the consideration paid and such net assets.

The purchase price allocation required under IFRS 3 Business Combinations has been reflected in the Consolidated Financial Statements per 31 December 2017. As a result, the purchase price has been allocated to the identifiable assets and liabilities acquired, based on the estimated fair values at the date of acquisition.

The total purchase price paid in cash was equal to €68.8m, as compared to a net asset value of Bentley Mills of (€12.5m) at completion date before purchase price allocation. There is no contingent consideration outstanding in relation to the acquisition as of December 31 2017. Consequently, the preliminary goodwill – before purchase price allocation - was equal to €81.3m. As a result of the purchase price allocation, €7.0m of the preliminary goodwill was allocated to identifiable assets and liabilities resulting in a final goodwill of €74.3m.

The final purchase price paid of €68.8m and corresponding goodwill before purchase price allocation of €81.3m is determined as follows:

The initial purchase price paid in cash was equal to €68.3m, as compared to a net asset value of Bentley of (€12.5)m at 22 March 2017 (the "Acquisition Date"), of which (€13.3)m attributable to LSF9 Balta Issuer S.à r.l. and €1.0m attributable to the non-controlling interest held by Bentley management. Consequently, the provisional goodwill – before purchase price allocation - was equal to €82.0m on 22 March 2017.

The non-controlling interest held by Bentley management was acquired on May 31 2017 for an amount of €1.3m having a corresponding net asset value at that time of €1.2m. Consequently the provisional goodwill paid for the Bentley Group of companies – before purchase price allocation – increased by €0.2m as from May 31 2017 and was equal to €82.2m at that time.

On July 20 2017, a final agreement on the purchase price was agreed with Dominus Capital, L.P. resulting in a decrease of the original purchase price paid of €0.9m ($1.1m) through the final release of the escrow account resulting in a decrease in goodwill of €0.9m to finally become €81.3m before purchase price allocation.

The table below provides an overview of the net assets recognized as a result of the acquisition before and after the allocation of goodwill.

(€ thousands)	Net assets at Completion Date before allocation goodwill	Fair value adjustments	Net assets at Completion Date after allocation goodwill
Assets acquired	**50,726**	**12,412**	**63,138**
Property, plant & equipment	14,267	1,807	16,074
Intangible assets	2,726	8,453	11,179
Trade and other receivables	744	164	908
Total non-current assets	17,737	10,425	28,162
Inventories	15,935	2,281	18,216
Trade and other receivables	13,874	(294)	13,580
Current income tax asset	3,180	-	3,180
Total current assets	32,989	1,987	34,976
Liabilities assumed	**(63,270)**	**(5,396)**	**(68,666)**
Bank and other borrowings	(38,471)	-	(38,471)
Deferred income tax liabilities	(1,842)	(4,460)	(6,302)
Provisions for other liabilities and charges	(2,045)	(935)	(2,980)
Employee Benefit Obligations	(347)	-	(347)
Total non-current liabilities	(42,705)	(5,396)	(48,100)
Bank and Other Borrowings	(1,325)	-	(1,325)
Employee Benefit Obligations	(1,695)	(0)	(1,695)
Trade and other payables	(17,545)	0	(17,545)
Total current liabilities	(20,565)	(0)	(20,565)
Purchase Price Paid in Cash	**68,752**	**-**	**68,752**
Identifiable assets and liabilities	(12,544)	7,016	(5,528)
Goodwill	81,296	(7,016)	74,280

Purchase price allocation

The original goodwill of €81.3m has been allocated over the assets acquired and liabilities assumed leading to a fair value adjustment of the identifiable assets and liabilities of €7.0m. The remaining goodwill arising from the acquisition will mainly consist of the synergies and the economies of scale expected from combining the operations of Bentley and Balta.

None of the remaining goodwill recognized is expected to be deductible for income tax purposes.

The main fair value adjustments can be summarized as follows:

The fair value adjustment of property, plant and equipment of €1.8m is mainly driven by a revaluation of the existing machinery, installations and equipment. This fair value adjustment was determined on the basis of valuation reports and market appraisals on the valuation of the machines. As a result of this exercise, remaining useful lives of the property, plant and equipment were updated and depreciation rules were aligned with the Group policies. The fair value step up is amortized over the remaining useful life of the machines.

The fair value adjustment of the intangible assets mainly relates to an adjustment of the value of the trade name of Bentley (€8.4m). The Bentley trade name is well known in the US market and provides additional support in selling the products to the market. The "relief from royalty" method has been used to determine the fair value of the trade name using level 3 valuation techniques. As a result, the fair value of the trade name was determined based on the estimated present value of the future net returns increased by a tax amortisation benefit. The trade names are further amortized over a period of 10 years.

The carrying amount of the "Non-current trade and other receivables" has been increased by €0.2m and reflects the fair value of the existing operating lease contracts which mainly relate to the leasing of some land and buildings.

The fair value correction on inventory was based on computations which considered many factors, including the estimated average selling price of the inventory and the sales effort required to bring the products to the market. In addition the fair value of the work in progress ("WIP") has been determined by allocating the margin taking into account the percentage of completion of the related product. The total net fair value correction of inventory amounted to €2.3m and has been fully reversed over a period of 3 months in the income statement which corresponds with the expected rotation rate of the inventory.

The carrying amount of the current trade receivables was reduced by €0.3m in order to reflect the probability that certain trade receivables may not be fully collected in later periods.

Bentley has recognized an additional provision for other liabilities and charges for €0.9m which mainly relates to an estimation of the asset retirement obligation which exists for the buildings which are currently leased. The asset retirement obligation reflects the net present value of the expected costs to be made to bring the leased property in its original condition when the lease agreements are ended in the future.

The net fair value step up of the assets and liabilities will result in an adjustment of the pre-tax income in future periods. As a result, the related deferred tax effect of the fair value adjustments needs to be reflected in the opening balance and results in an increase of deferred tax liabilities of €4.5m.

The excess of the purchase price over the amounts allocated to identifiable assets and liabilities is equal to €74.3m and has been included in goodwill. Goodwill will be tested for impairment on an annual basis, as described in Note 7.

Details of acquired receivables

The non-current and current trade and other receivables acquired from Bentley in March 2017 amounted to €14.5m and relate to trade receivables (€13.2m), other receivables (€0.9m), accruals (€0.2m) and deferrals (€0.3m). The trade receivables included a bad debt provision of €0.6m to cover for receivables that are assumed to be difficult to collect.

Details of non-controlling interests

The amount of non-controlling interest recognized amounted to €1.0m at the acquisition date and represented the 1.61% stake management owned in the net assets of Bentley.

The non-controlling interest disappeared as a result of the acquisition of the remaining share portion on May 31 2017 by the Balta Group. The Profit / (Loss) for the period which was attributed to the Non-controlling interest for the period March 23 2017 until May 31 2017 amounted to €34k.

Impact of acquisition on amounts reported in the statement of comprehensive income

The acquisition of Bentley by Balta was completed on March 22 2017. Because the closing date was near the end of the first quarter, management believes that the amount of revenue and profit or loss since the acquisition date to be included in the consolidated statement of comprehensive income for the period to the end of March 2017 is not material. As a result, the comprehensive income of Bentley was taken into account as of April 1 2017 and only included for 9 months in the twelve months ended December 31 2017 figures.

If Bentley had been consolidated from January 1 2017, Bentley would have contributed €113.6m of revenue from January 1 2017 to December 31 2017. The profit of the year from continuing operations would have been equal to €6.2m on a pro forma basis, i.e. taking into account the effects of the new capitalisation structure of the Group, after elimination of transaction expenses incurred by Bentley and after elimination of the purchase price adjustment effect on inventories.

Note 7. Goodwill

The goodwill represents, amongst other things, the value of the longstanding customer relationships, the Group's market position, brand and reputation, as well as the value of the Group's workforce.

The goodwill impairment test is performed at the level of a cash-generating unit ("CGUs") or a group of cash-generating units, which is the lowest level at which goodwill is monitored for internal management purposes. Our CGUs are generally in line with our segments, with our Residential segment broken down into two CGUs, Balta Broadloom (polypropylene broadloom) and ITC (polyamide broadloom) whilst our commercial segment is broken down into our European activity and our US activity.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the cash-generating units that are expected to benefit most from the business combination. Consequently, the goodwill arising from the acquisition of Balta Finance (€124.7m) has been solely allocated to Rugs (€94.3m) and Commercial Europe (€30.4m), whilst the goodwill arising from the acquisition of Bentley has been allocated to Commercial US (€74.3m). Whilst no goodwill has been allocated to Residential, the assets of this CGU have been tested for impairment using the same approach as the impairment testing for goodwill.

The impairment testing has been performed on September 30 2017. The assets and liabilities comprising the CGU have not changed significantly since the most recent calculation.

Based on the comparison of the "value in use" (derived using discounted cash flow analysis) and the carrying amount (book value of capital employed) per CGU at September 30 2017, the Group has been able to demonstrate that the recoverable amount exceeds the carrying amount and hence the goodwill is not impaired. The "value in use" calculations use cash flow projections (which include EBITDA, working capital movements, capital expenditure and taxes) and are based on financial projections covering a three-year period. Estimates beyond this three-year period are calculated with a growth rate that reflects the long-term growth rate applicable to the CGU, moderated to reflect management's view of long-term earnings across the cycle.

Key assumptions on which management has based its determinations of the "value in use" include terminal value growth rates of 2% for Rugs, 1% for Commercial Europe and Commercial US (2016: 2% for all CGU's) and an after-tax discount rate of 7.9% (2016: 7.9%).

The "value in use" is mainly driven by the terminal value which is particularly sensitive to changes in the assumptions on the terminal value growth rate and discount rate. Discount rates are based on the weighted average cost of capital. Terminal value growth rates take into consideration external macroeconomic sources of data and industry specific trends. The table below includes the CGUs to which goodwill has been allocated and presents the extent in which these two assumptions would need to change in absolute terms in order to reduce the "value in use" to the carrying amount.

	Decrease in growth rate	Increase in discount rate
Rugs	1,3%	1,1%
Commercial Europe	6,7%	5,3%
Commercial US	3,8%	3,1%

Note 8. Employee benefit expenses

The following table sets forth employee benefit expenses for the years ended December 31 2016 and 2017:

(€ thousands)	2017	2016
Total employee benefit expenses	**151,334**	**130,054**
Wages and salaries	105,682	92,289
Social security costs	32,180	29,974
Pension costs	4,026	1,603
Other employee benefit expenses	9,445	6,188

Employee benefit expenses increased by €21.3m as compared to December 31 2016 of which €19.4m is driven by the acquisition of Bentley.

The average number of employees in 2017 and 2016 was equal to 3,714 (in full time equivalents and of which 376 full time equivalents relate to Bentley) and 3,238 respectively. Part-time employees are included on a proportionate basis.

	2017	2016
Average number of total employees	**3,714**	**3,238**
Average number of employees - blue collar	3,045	2,694
Average number of employees - white collar	669	544

Note 9. Other income and expense

(€ thousands)	2017	2016
Other income	**7,112**	**8,171**
Foreign exchange gains	1,087	1,493
Foreign exchange forward contracts	1,295	2,307
Rental income from solar rooftop installations	1,383	1,410
Sales of energy certificates	961	-
Grants	454	602
Recharge of costs	328	755
Other	1,604	1,603
Other expenses	**121,869**	**101,017**
Services and other goods	78,990	67,772
Selling expenses	39,591	28,824
Foreign exchange losses	712	2,253
Real estate tax	2,524	2,156
Other	52	12

Other income includes gains realized on the settlement of FX forward hedge agreements (see Note 21 on cash flow hedge accounting), rental payments received from third parties who lease the space to install solar panels, and the sales of green energy certificates to which we are eligible thanks to the combined generation of heat and power.

Some costs can be recharged to external parties for which the income was presented under "Other income". As a result of some changes in rental agreements, the recharges to external parties decreased in comparison to last year.

The increase of "Other expenses" mainly relates to the acquisition of Bentley (€18.3m). The main component of other expenses is services and other goods which mainly includes electricity and gas, maintenance and repair and interim blue collars. Selling expenses mainly include freight and commissions.

The costs of research and development are also included within "Other expenses".

The Group incurred €7.0m of research and development expenses during the 12 months ended in December 31 2017 compared to the €5.5m of research and development expenses during the 12 months ended December 31 2016. One of the competitive advantages of our business is our long history of creativity and innovation. The Group aims to leverage research and development to continually optimize the production capacity and provide designs that appeal to our customers. Trends in product design and innovation are closely monitored through continuous testing and analysis, with a focus on anticipating customers' preferences and market developments.

Note 10. Depreciation/amortisation

The components of depreciations and amortisations can be summarized as follows:

(€ thousands)	2017	2016
Depreciation/amortisation	**32,499**	**28,666**
Amortisation of intangible assets	1,923	785
Depreciation property, plant and equipment	31,972	29,276
Release deferred revenu sale & lease back	(1,395)	(1,395)

Depreciation/amortisation increased by €3.8m as compared to December 31 2016, mainly driven by the acquisition of Bentley. Excluding the impact of Bentley, the depreciation/amortisation for December 31 2017, would have been €28.8m.

The release of deferred revenue sale and lease back relates to the gradual recognition of the capital gain realized on the sale and lease back of one of the Group's manufacturing facilities in 2014. This deferred revenue is recognized on a straight line basis over a 12 year period as partial offset to depreciation charges over the period of the lease. The annual amount recognized in the income statement is €1.4m, with the balance of deferred income equal to €11.5m as at December 31 2017.

Note 11. Integration and restructuring expenses

The total integration and restructuring expenses incurred in 2017 amount to €11.4m (2016: €5.1m). This comprises various items which are considered by management as non-recurring or unusual by nature.

(€ thousands)	2017	2016
Integration and restructuring expenses	**11,368**	**5,128**
Corporate restructuring	-	1,920
Business restructuring	8,248	670
Acquistion related expenses	1,334	-
Idle IT costs	776	703
Strategic advisory services	595	1,324
Other	414	512

The main component of the integration and restructuring expenses is the €8.2m provision in relation to the optimisation of the Residential operational footprint. The acquisition-related expenses of €1.3m have been incurred in relation to the acquisition of Bentley in March 2017. Incremental (idle) IT costs in relation to a legacy IT system amounted to €0.8m. The replacement of the legacy system was completed in the course of 2017 and therefore these costs will no longer be incurred. The strategic advisory services amount to €0.6m and are driven by the portion of the IPO expenses that are not considered to be directly attributable to the issue of new shares and therefore not eligible for deduction from equity. The other expenses mainly relate to accrued expenses in connection with the phantom share bonus scheme. The bonus is only payable if the managers still provide services to the Group on the second anniversary of the completion of the IPO. If services cease to be provided for any reason prior to the second anniversary, the bonus arrangement for that manager is forfeited.

In 2016, €1.9m of corporate restructuring expenses were incurred in relation to changes in the senior management team. The business restructuring expenses of €0.7m related to a fee paid to terminate an agency agreement in the UK, as part of the strategy to further develop our *modulyss* brand in Europe through a direct sales approach. In addition, given the minor share of wool in our raw material mix, the decision was taken to close the wool spinning department and, going forward, to buy wool yarns from third party suppliers.

Strategic advisory fees amounted to €1.3m in relation to non-recurring tax, legal and financial advisory services.

Note 12. Finance expense

(€ thousands)	2017	2016
Total finance expenses	**37,327**	**28,608**
Interest expense on Senior Secured Notes	26,783	24,897
Interest expense on Senior Term Loan Facility (€35m)	204	-
Interest expense on Senior Term Loan Facility (€75m)	3,289	-
Interest expense on Senior Term Loan Facility Bentley	2,025	-
Interest expense on Bank borrowings (including leasing)	425	504
Other finance costs	2,521	2,244
Foreign exchange result on interco transactions	2,080	962

The Group's finance expenses increased from €28.6m in 2016 to €37.3m in 2017. This increase is mainly driven by €9.3m of non-recurring finance expenses, of which (i) €5.4m in connection with the debt financed acquisition of Bentley, which was fully repaid in June 2017 from the IPO proceeds and (ii) €3.9m expenses in connection with the early redemption of the Senior Secured Notes.

The remaining finance expenses are driven by interest charges on the Senior Secured Notes, the Senior Term Loan Facility of €35m, the Super Senior Revolving Credit Facility, the other Revolving Credit Facilities and on the finance leasing obligations. We refer to Notes 24, 25 and 26 for a description of these facilities. Other finance costs mainly relate to factoring, commitment fees and other bank related charges. The effective interest expense of the Senior Secured Notes comprises a cash interest of €20.7m (€22.5m in 2016), an early redemption fee of €1.7m and the amortization of capitalized financing fees of €4.4m (€2.4m in 2016).

Note 13. Income tax benefit / expense

(€ thousands)	2017	2016
Income tax benefit / (expense)	**2,654**	**4,713**
Current tax	(2,615)	(3,014)
Deferred tax	5,269	7,727

(€ thousands)	2017	2016
Income tax benefit / (expense)	**2,654**	**4,713**
Income tax calculated at Luxembourg tax rate (31.47%)	-	(6,495)
Income tax calculated at Belgian tax rate (33.99%)	(111)	-
Rate differential due to transactions with foreign entities	702	1,000
Disallowed expenses	(1,945)	(730)
Tax-exempted revenues	738	323
Deferred tax assets recognised	-	10,789
Tax losses for which no deferred tax asset is recognized	(398)	(2,878)
Deferred tax asset derecognized	(10,671)	-
Impact tax reforms	10,255	-
Utilisation of previously not recognized tax assets	-	3,153
Impact intercompany financing	3,234	-
Other	851	(449)

Income taxes represent a 'benefit' in both 2017 and 2016, driven by the net positive deferred tax income.

The reported income tax expense of the year is a credit of €2.7m which includes two items which we have treated as non-recurring.

Firstly, we have recognized a positive effect of €10.3m linked to tax reforms, of which €8.8m is linked to the Belgian tax reform which has been substantially enacted on 22 December 2017. The highlight of the corporate tax reform is the reduction of the corporate tax rate from 33.99% to 29.58% in 2018 (including crisis contribution, lowered from 3% to 2%) and to 25% as from 2020 (abolishment of crisis contribution). As a consequence, deferred tax assets and liabilities have been adjusted to reflect the new tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

Secondly, the deferred tax assets relating to tax credits and loss carryforwards have been adjusted by €10.7m to reflect changes in the probability that these can be used in the future as a result of the restructuring of the operational infrastructure in Belgium within the Residential business, by the consolidation of the Oudenaarde facility into the Group's two fully vertically integrated factories in the region.

When normalizing for all exceptional events of 2017, the Adjusted Effective Tax Rate[1] is equal to approximately 30%.

In 2016 the income tax benefit is driven by the recognition of a deferred tax asset of €10.8m in relation to tax credits for which the recognition criteria were previously not met. This benefit was offset by certain tax losses subject to significant limitations (tax losses for which no deferred tax asset is recognized). For those losses, deferred tax assets have not been recognized, as it is not probable that taxable profit will be generated to offset those losses.

In assessing whether deferred tax assets should be recognized, management considers the extent to which it is probable that the deferred tax asset will be realized. The ultimate realisation of deferred tax assets is dependent upon the generation of future taxable profits during the periods in which those temporary differences and tax losses carried forward become deductible. Management considers the expected reversal of deferred tax liabilities and projected future taxable income in making this assessment.

1 We refer to note 1.25 where we provide a glossary of the non-GAAP measures and note 3.

Note 14. Other Intangible assets

(€ thousands)	Trademarks	Software and licences	Internally generated intangible assets	Total
Opening net book value	**-**	**534**	**1,132**	**1,667**
Additions	-	829	665	1,494
Transfers	-	15	(15)	-
Amortisation charge	-	(257)	(528)	(785)
Closing net book value	**-**	**1,121**	**1,255**	**2,376**
At December 31 2016				
Cost or valuation	-	5,206	8,080	13,286
Accumulated amortisation, impairment and other adjustments	-	(4,085)	(6,825)	(10,910)
Closing net book value	**-**	**1,121**	**1,255**	**2,376**
Opening net book value	**-**	**1,121**	**1,255**	**2,376**
Business combinations	10,913	266	-	11,179
Additions	-	799	875	1,673
Disposals				
Transfers				
Amortisation charge	(730)	(619)	(598)	(1,923)
Exchange differences	(1,184)	97	-	(1,087)
Closing net book value	**8,999**	**1,663**	**1,532**	**12,218**
At December 31 2017				
Cost or valuation	9,728	9,292	8,955	29,922
Accumulated amortisation, impairment and other adjustments	(730)	(7,604)	(7,423)	(17,704)
Closing net book value	**8,999**	**1,688**	**1,532**	**12,218**

The trademark of €9.0m relates to the acquisition of Bentley. More information can be found in the note regarding business combinations. We refer to Note 6 for further details.

The internal and external software development costs are capitalized under internally generated intangible assets. These projects are mainly related to SAP implementation, SAP upgrades and the automation of production processes.

The total amortisation expense of €1.9m (2016: €0.8m) is included in the line "Depreciation, amortisation and impairment" in the income statement and mainly increased as a result of the acquisition of Bentley.

Note 15. Property, plant and equipment

(€ thousands)	Land and buildings	Plant and machinery	Other Equipment	Total
Opening net book value	**175,734**	**108,584**	**15,012**	**299,332**
Additions	1,446	23,787	11,249	36,483
Revaluation surplus				
Disposals	-	(1,543)	(234)	(1,777)
Transfers				
Depreciation charge	(5,854)	(12,499)	(10,923)	(29,276)
Impairment charge				
Exchange differences	(2,124)	(3,314)	(86)	(5,523)
Closing net book value	**169,203**	**115,016**	**15,019**	**299,237**
At December 31 2016				
Cost or valuation	232,628	528,504	46,983	808,115
Accumulated depreciation, impairment and other adjustments	(63,426)	(413,488)	(31,964)	(508,877)
Closing net book value	**169,203**	**115,016**	**15,019**	**299,237**
Opening net book value	**169,203**	**115,016**	**15,019**	**299,237**
Business combinations	700	10,740	4,634	16,074
Additions	665	23,138	14,458	38,261
Disposals	(0)	(463)	(391)	(854)
Transfers	284	2,375	(2,659)	0
Depreciation charge	(5,977)	(13,736)	(12,258)	(31,972)
Exchange differences	(2,771)	(6,093)	(724)	(9,587)
Closing net book value	**162,103**	**130,977**	**18,080**	**311,160**
At December 31 2017				
Cost or valuation	231,256	516,930	47,446	795,633
Accumulated depreciation, impairment and other adjustments	(69,153)	(385,953)	(29,367)	(484,474)
Closing net book value	**162,103**	**130,977**	**18,080**	**311,160**

A total of €16.1m of property, plant and equipment was acquired in the context of the business combination with Bentley. Refer to Note 6 for further details.

A total of €38.3m (€36.5m in 2016) has been invested, in particular in plant, machinery and equipment.

The total depreciation expense of €32.0m (€29.3m in 2016) has been charged in the line "Depreciation and amortisation" in the income statement.

The Group's assets which are pledged as security for the borrowings are described in Note 24 and 26.

Exchange differences (2017: €9.6m and 2016: €5.5m) relate to fluctuations in the closing exchange rate of our Turkish entities and US entities which have a significant amount of Property Plant and Equipment recorded on the statement of financial position.

Note 16. Deferred income tax assets and liabilities

IFRS requires the deferred taxes for each jurisdiction to be presented as a net asset or liability. Offsetting of deferred tax liabilities from one jurisdiction against deferred tax assets of another jurisdiction is not allowed. The table below presents the net deferred tax position in accordance with these presentation principles.

(€ thousands)	**2017**	**2016**
Deferred tax assets:	**4,747**	**18,950**
Deferred tax assets to be reversed after more than 12 months	4,215	18,111
Deferred tax assets to be reversed within 12 months	532	839
Deferred tax liabilities:	**(54,471)**	**(69,775)**
Deferred tax liabilities to be reversed after more than 12 months	(51,048)	(64,491)
Deferred tax liabilities to be reversed within 12 months	(3,423)	(5,283)
Net deferred tax liabilities	**(49,724)**	**(50,825)**

The movement in the net deferred tax liabilities can be summarized as follows:

(€ thousands)	**2017**	**2016**
Beginning of period	**(50,825)**	**(59,306)**
Business combination	(6,302)	-
Income statement charge	5,269	7,727
Other comprehensive income	(457)	285
Deferred taxes on IPO expenses attributed to the Primary tranche of the IPO	1,553	-
Exchange differences	1,037	469
December 31	**(49,724)**	**(50,825)**

In contrast to the table above, the table below shows the movement in deferred taxes on a gross basis, i.e. without netting deferred tax liabilities and deferred tax assets within the same jurisdiction.

Deferred tax assets

(€ thousands)	**Tax losses carried forward**	**Deferred income sale and leaseback**	**Intangible assets**	**Borrowings**	**Employee benefits**	**Inventory**	**Other**	**Total**
January 1 2016	**9,416**	**4,859**	**2,867**	**1,903**	**1,612**	**683**	**1,044**	**22,384**
(Charged)/credited to the income statement	9,451	(474)	(956)	-	(22)	325	(987)	7,338
Other comprehensive income	-	-	-	-	285	-	-	285
Exchange differences	12	-	-	-	-	-	-	12
December 31 2016	**18,879**	**4,385**	**1,911**	**1,903**	**1,875**	**1,007**	**57**	**30,018**
January 1 2017	**18,879**	**4,385**	**1,911**	**1,903**	**1,875**	**1,007**	**57**	**30,018**
Business combinations	193	-	-	-	248	-	1,098	1,539
(Charged)/credited to the income statement	(10,781)	(1,381)	(1,080)	(515)	(232)	52	(433)	(14,370)
Movement to share capital	1,553	-	-	-	-	-	-	1,553
Exchange differences	(166)	-	-	-	-	-	-	(166)
Other comprehensive income	-	-	-	-	(457)	-	-	(457)
December 31 2017	**9,678**	**3,004**	**832**	**1,388**	**1,434**	**1,059**	**722**	**18,117**

In assessing the realizability of deferred tax assets, management considers the extent to which it is probable that the deferred tax asset will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable profits during the periods in which those temporary differences and tax loss carryforwards become deductible. Management considers the expected reversal of deferred tax liabilities and projected future taxable income in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is probable the Group will realize the benefits of these deductible differences. As of December 31 2017, the Group has certain tax losses subject to significant limitations. For those losses, deferred tax assets are not recognized, as it is not probable that gains will be generated to offset those losses. Uncertain tax positions, as described in Note 2, are taken into account when recognizing deferred tax assets and liabilities.

As of December 31 2017 total tax credits amounted to €497.1m, resulting in a potential deferred tax asset of €123.7m of which the Group only recognized €9.7m in 2017. As of December 31 2016 total tax credits amounted to €453.6m, resulting in a potential deferred tax asset of €151m of which the Group only recognized €18.9m. The decrease in potential deferred tax assets mainly relates to the decrease of corporate income tax rates in Belgium and US as a result of the tax reforms enacted before year end 2017 and also reflects changes in the probability that tax losses can be further used in the future as a result of the restructuring of the operational infrastructure in Belgium within the Residential business, by the consolidation of the Oudenaarde facility into the Group's two fully vertically integrated factories in the region. The majority of the tax credits in 2016 and 2017 are incurred at the level of the Belgian legal entities where - with the exception of the tax credits in relation to the Notional Interest Deduction - there is no expiry date regarding the tax credits.

Deferred tax liabilities

(€ thousands)	**Property, plant and equipment**	**Inventory**	**Income tax liability**	**Intangible assets**	**Other**	**Total**
January 1 2016	**(76,430)**	**(2,394)**	**(1,404)**	**(420)**	**(1,040)**	**(81,689)**
Charged/(credited) to the income statement	(1,636)	(388)	1,404	(31)	1,041	390
Exchange differences	457	-	-	-	-	457
December 31 2016	**(77,610)**	**(2,782)**	**-**	**(451)**	**1**	**(80,843)**
January 1 2017	**(77,610)**	**(2,782)**	**-**	**(451)**	**1**	**(80,843)**
Business combinations	(4,664)	(549)		(2,628)		(7,841)
Charged/(credited) to the income statement	17,652	870	-	1,123	(3)	19,642
Exchange differences	1,201	-	-	-	-	1,201
December 31 2017	**(63,420)**	**(2,461)**	**-**	**(1,956)**	**(2)**	**(67,841)**

Deferred income tax liabilities have not been recognized for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are permanently reinvested. Aggregate unremitted earnings are equal to €158.8m as of December 31 2017 (as compared to €150.1m as of December 31 2016). The deferred tax liabilities resulting from property, plant and equipment mainly decreased as a result of a decrease in tax rates driven by the tax reforms enacted in Belgium before 31 December 2017.

When we add up the gross amounts of deferred tax assets (€18.1m) and gross amount of deferred tax liabilities (€67.8m) we arrive at a net deferred tax position per 31 December 2017 of €49.7m.

Note 17. Inventories

The table below provides a breakdown of total inventories as of December 31 2017 and December 31 2016:

(€ thousands)	**December 31 2017**	**December 31 2016**
Total inventories	**147,868**	**135,320**
Raw materials and consumables	64,948	60,564
Work in progress	22,892	19,087
Finished goods	60,029	55,670

Inventories increased by €12.5m to €147.9m for the year ended December 31 2017 from €135.3m for the year ended December 31 2016. The increase is mainly driven by the acquisition of Bentley (€14.8m) and a decrease of inventory by the rest of the Group (€2.3m).

The movement in 'Work in progress' and 'Finished goods' is detailed as follows:

(€ thousands)	December 31 2017	December 31 2016
Beginning of period	**74,757**	**68,701**
Business combinations	11,523	-
Income statement	(3,359)	6,055
Of which: impact purchase price allocation	(3,008)	-
Of which: actual movements in inventory	(351)	6,055
December 31	**82,921**	**74,757**

The Group decreased the provision for obsolete inventory in 2017 with €1.4m compared to a decrease of €0.3m in 2016 which is included in "Raw materials used" and "Changes in inventories of finished goods and work in progress" respectively related to raw materials and finished goods (including work in progress). The impact of the Bentley acquistion on the year-end provision for obsolete inventory is equal to €3.8m.

The sum of the raw material expenses and the changes in inventories recognized as expenses in 2017 amounts to €313.8m as compared to €253.4m in 2016.

The Group's assets which are pledged as security for the borrowings and Senior Secured Notes are described in Notes 24 to 26.

Note 18. Trade and other receivables

(€ thousands)	December 31 2017	December 31 2016
Total Trade and other receivables	**62,704**	**55,068**
Trade and other receivables (non-current)	**1,165**	**138**
Other amounts receivable	1,165	138
Trade and other receivables (current)	**61,539**	**54,930**
Net trade receivables	49,612	41,325
Trade receivables	50,577	42,658
Less: Bad debt allowance	(965)	(1,333)
Prepayments and accrued income	1,026	1,945
Other amounts receivable	10,901	11,661

The fair value of the trade and other receivables approximates their carrying amount as the impact of discounting is not significant.

As part of its normal course of business, the Group has entered into non-recourse factoring agreements with financial parties. The Group has derecognized the accounts receivable for which substantially all risk and rewards of ownership have been transferred.

Current trade and other receivables increased by €6.6m to €61.5m as of December 31 2017, compared to €54.9m as of December 31 2016. This increase is mainly driven by the acquisition of Bentley. The net trade receivables owned by Bentley amount to €15.5m. Excluding the impact of the acquisition, current trade and other receivables decreased by €8.9m.

As of December 31 2017 trade receivables that were past due amounted to €5.2m compared to €3.2m at December 31 2016. The increase is driven by the acquisition of Bentley and some customers having surpassed the due date of their invoices at December 31 2017 compared to 2016. The increase in past due receivables did not impact the bad debt allowance because the majority of overdue invoices were settled shortly after year end.

The Group has one external customer representing just more than 10% of the Group's revenue.

The Group uses credit insurance as a means to transfer the credit risk related to trade receivables. Furthermore, our trade receivables portfolio is very diversified, in terms of both segmentation and client base, which mitigates the credit risk. The credit quality of the trade receivables that are neither past due nor impaired is good.

The assessment to set up a bad debt allowance is performed on an individual basis in consideration of various factors such as historical experience, credit quality, age of the accounts receivables and economic conditions that may affect a customer's ability to pay. For the year ended December 31 2017 there are some receivables past due more than 3 months for which provision has been set up.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

(€ thousands)	December 31 2017	December 31 2016
Total trade and other receivables	**62,704**	**55,068**
EUR	28,465	32,650
USD	19,306	9,723
GBP	5,697	2,352
TRY	9,236	10,344

Movements in the Group's bad debt allowance with respect to trade receivables are as follows:

	2017	2016
As at January 1	**(1,333)**	**(2,535)**
Business combination	(547)	-
Impairment loss recognized	(42)	(39)
Receivables written off during the year as uncollectible	383	761
Unused amounts reversed	516	479
Fx difference	58	-
As at 31 December	**(965)**	**(1,333)**

The creation and release of allowances for impaired receivables has been included in "Other income/expenses" in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. As a result of the acquisition of Bentley, the allowance for bad debt increased with €0.6m on 31 March 2017 to reflect the probability that certain trade receivables may not be fully collected.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. As per December 31 2017 the Group holds collateral (letters of credit and corporate or bank guarantees) for an amount of €0.5m (as compared to €0.3m as of December 31 2016).

Note 19. Cash and cash equivalents

(€ thousands)	December 31 2017	December 31 2016
Total cash and cash equivalents	**37,338**	**45,988**
Cash at bank and on hands	26,876	38,553
Short-term bank deposits	3,127	2,035
Cash from local financing	7,335	5,400

The cash from local financing relates to cash and cash equivalent balances held by subsidiaries that operate in countries where legal restrictions apply and as such the cash and cash equivalents are not directly available for general use by the parent or other subsidiaries.

The credit quality of the banks and financial institutions is disclosed in Note 30. The Group's assets which are pledged as security for the borrowings are described in Notes 24 to 26.

Note 20. Share capital and share premium

Share capital and share premium have increased from €1.4m to €318.6m as a result of the following events:

- capital increase in cash resulting from the subscription of the sale of primary shares in the IPO. The shareholders of the Company have issued 10,943,396 new shares at a price of €13.25 per share for a total amount of €145.0m. This has been allocated to capital (€7.25 per share, i.e. €79.3m) and share premium (€6.0 per share, i.e. €65.7m). Transaction costs that are directly attributable to the issue of new shares as a result of the IPO have been recognized as a deduction of share capital (€7.6m net of taxes).

- capital increase by means of a contribution in kind. LSF9 Balta Holdco S.à r.l. contributed all the shares it held in LSF9 Balta Issuer S.à r.l to the share capital of the Company by means of a contribution in kind, in exchange for 25m shares. As a result of this contribution in kind, and prior to the IPO, the Company held all equity interests in LSF9 Balta Issuer S.à r.l. The shares have been contributed at €13.25 per share and hence represent a value of €331.3m.

- capital reduction to create distributable reserves. Immediately following the capital increase as described above, the capital of the Company has been decreased by €150.0m to create distributable reserves. Accordingly, the Company will be entitled to make distributions to shareholders out of these distributable reserves even in the absence of Belgian GAAP annual net profit for the relevant year.

- Bentley Management Buy-Out: Prior to the IPO, Bentley management owned a minority equity stake (of less than 2% of the total interest) in the Bentley group of companies. This minority equity stake has been acquired by LSF9 Balta Midco S.à r.l., who in turn has rolled-down the stake into Balta NV in a cash-less manner, such that the full ownership in Bentley is centralized in Balta NV. This integration of the Bentley management equity stake has resulted in an equity increase at the level of the Group of €1.3m.

- capital reduction to cancel the founders' shares. Capital of the Company has been reduced by €61,500 by (i) cancellation of the 61,500 shares of the Company subscribed to by its founders at incorporation on March 1 2017 and (ii) repayment of the contributions made at the Company's incorporation by these founders. The new shareholders do not benefit from this distribution.

Note 21. Other comprehensive income

Components of "Other comprehensive income" ("OCI") are items of income and expenses (including reclassification adjustments) that are not recognized in the profit or loss as required or permitted by other IFRSs. The Group has other comprehensive income which mainly relates to the re-measurements of post-employee defined benefit obligations, the gains and losses arising from translating the Financial Statements of foreign entities and the changes in the fair value of hedging instruments.

The movements in other comprehensive income are summarized in the table below:

(€ thousands)	2017	2016
Items in OCI that may be subsequently reclassified to P&L	**(20,807)**	**(7,409)**
Cumulative translation reserves as of December 31	**(20,814)**	**(7,293)**
Cumulative translation reserves at beginning of the period	(7,293)	720
Exchange differences on translating foreign operations	(13,522)	(8,013)
Cumulative changes in fair value of hedging instruments as of December 31	**7**	**(116)**
Cumulative changes in fair value of hedging instruments at beginning of the period	(116)	-
Changes in fair value of hedging instruments during the period	123	(116)
Items in OCI that will not be reclassified to P&L	**895**	**346**
Changes in deferred tax at December 31	**(604)**	**(147)**
Changes in deferred taxes at beginning of the period	(147)	(432)
Changes in deferred taxes during the period	(457)	285
Changes in employee defined benefit obligations at December 31	**1,498**	**493**
Changes in employee defined benefit obligations at beginning of the period	493	1,375
Changes in employee defined benefit obligations during the period	1,005	(882)
Total other comprehensive income at December 31	**(19,913)**	**(7,063)**

Cash flow hedge accounting

The movement schedule below summarizes the amounts recorded into the cash flow hedge reserve and the portion that was recognized in the income statement in relation to contracts that were settled in December 2017. The amounts recognised in the income statement have been presented as "other income" – see Note 9.

(€ thousands)	December 31 2017	December 31 2016
Cash flow hedge reserve, ending balance	**7**	**(116)**
Opening balance	(116)	-
Amounts recorded in the cash flow hedge reserve	1,418	2,190
Amounts recognized in the income statement	(1,295)	(2,307)

Employee defined benefit obligations

The Group operates defined benefit pension plans. The changes in pension liabilities are accounted for through other comprehensive income when the changes relate to a change in actuarial assumptions from one year to another.

In the recent past, several insurance companies have decided to reduce the technical interest rate on group insurance contracts to a level below the minimum return guaranteed by law for Belgian defined contribution pension plans. Because the employer has to guarantee the statutory minimum return on these plans, not all actuarial and investment risks relating to these plans are transferred to the insurance company or pension fund managing the plans. Therefore these plans do not meet the definition of defined contribution plans under IFRS and should by default be classified as defined benefit plans. Refer to Note 31 for further details.

The liability has been measured using a discount rate of 1.35% for 2017 and 1.31% for 2016.

Deferred Taxes

The changes in pension liabilities also affect deferred taxes. When the change in pension liabilities are recorded through other comprehensive income, the related deferred tax charge is also recorded in other comprehensive income

Note 22. Retained earnings

(€ thousands)	2017	2016
Beginning of period	**3,351**	**(21,995)**
Profit / (loss) for the year allocated to equity owners	2,946	25,345
At 31 December	**6,297**	**3,351**

The retained earnings may be distributed to shareholders upon the decision of a general meeting of shareholders, taking into account the restrictions as defined in the financing agreements and the restrictions which are imposed by law.

Note 23. Preferred Equity Certificates

As a result of the capital reorganization the Preferred Equity Certificates ("PECs"), which remained outstanding on 31 December 2016, have been converted into share capital of LSF9 Balta Issuer S.à r.l.

Note 24. Senior Secured Notes

(€ thousands)	December 31 2017	December 31 2016
Total Senior Secured Notes	**231,555**	**283,510**
Non-Current portion	**228,130**	**279,277**
Of which: gross debt	234,900	290,000
Of which: capitalised financing fees	(6,770)	(10,723)
Current portion	**3,425**	**4,234**
Of which: accrued interest	5,360	6,618
Of which: capitalised financing fees	(1,935)	(2,384)

On August 3 2015, LSF9 Balta Issuer S.à r.l. issued €290.0m aggregate principal amount of Senior Secured Notes with an interest rate of 7.75% as part of the financing of the acquisition of Balta Finance S.à r.l. and its subsidiairies. The maturity date of the Senior Secured Notes is September 15 2022.

Interest on the Senior Secured Notes accrue at the rate of 7.75% per annum and are payable semi-annually in arrears on March 15 and September 15 of each year, commencing on March 15 2016.

Costs related to the issuance of Senior Secured Notes have been included in the carrying amount and are amortized into profit or loss over the term of the debt in accordance with the effective interest method. It follows that the amount of capitalized financing fees expensed during 2017 is equal to €4.4m. This amount contains €2.2m of financing fees that were recycled to the income statement as a result of the partial repayment of the Senior Secured Notes in June, July and September 2017.

The current portion of the debt associated with the Senior Secured Notes relates to accrued interest payable at the next interest payment date and the portion of the capitalized financing fee that will be amortized into profit or loss over the next 12 months.

In June, July and September 2017, the Group performed a partial repayment of the Senior Secured Notes of €21.2m, €7.8m and €26.1m. As a result, the non-current portion of the gross debt decreased by €55.1m which also reduced the accrued interest remaining open at year end compared to 2016. The capitalized financing fees were also decreased by €2.2m as a result of the early redemption.

Security agreements have been entered into which collectively secure the Senior Secured Notes and accrued interest on the Senior Secured Notes. Under the Senior Secured Notes indenture, The Group is subject to quarterly reporting requirements and certain limitations on restricted payments and debt incurrence. The Senior Secured Notes are secured by first-ranking security interests over a number of assets and mainly relate to shares of the guarantors and certain intra-group loans and receivables of the guarantors.The Group retains full ownership and operating rights for the assets pledged. In the event of a default of repayment of the Senior Secured Notes and related interest payments, the noteholders may enforce against the pledged assets.

The collateral also secures the Super Senior Revolving Credit Facility (see Note 26) and Senior Term Loan Facility (see Note 25) and certain hedging obligations. Under the terms of the Intercreditor Agreement, in the event of enforcement of the security over the collateral, holders of the Senior Secured Notes will receive proceeds from the enforcement of the collateral only after indebtedness in respect of the Super Senior Revolving Credit Facility and certain hedging obligations have been repaid in full. Any such proceeds will, after all obligations under the Super Senior Revolving Credit Facility and such hedging obligations have been repaid from such recoveries, be applied pro rata in repayment of all obligations under the Indenture and any other obligations that are permitted to be secured over the Collateral under the Indenture on an equal and ratable basis.

We confirm that we have complied with all covenants over the reporting period.

Note 25. Senior Term Loan Facility

(€ thousands)	December 31 2017	December 31 2016
Total Senior Term Loan Facility	**34,674**	**-**
Non-Current portion	**34,782**	**-**
Of which: gross debt	35,000	-
Of which: capitalised financing fees	(218)	-
Current portion	**(108)**	**-**
Of which: acrrued interests	23	-
Of which: capitalized financing fees	(131)	-

Senior Term Loan Facility of €75m

On March 16 2017, LSF9 Balta Issuer S.à r.l. and certain of its subsidiaries entered into a senior term loan agreement (the "Senior Term Loan Agreement of €75m"), which provided for a €75.0m senior term loan facility (the "Senior Term Loan of 75m"). The proceeds of the initial drawings of the Senior Term Loan Facility of €75m were used to repay certain subordinated loans incurred by LSF9 Balta Issuer S.à r.l. to finance the acquisition of Bentley and to pay related fees and expenses.

The Senior Term Loan Facility of €75m was repaid in full in June 2017 using a portion of the capital contribution received from Balta Group NV.

Senior Term Loan Facility of €35m

LSF9 Balta Issuer S.à r.l. entered into a €35.0m Senior Term Loan Facility (the "Senior Term Loan agreement") maturing September 15, 2020, at Euribor + 1.40% margin per annum. The facility ranks pari passu with the Senior Secured Notes. The net proceeds were used to finance a partial redemption of the Senior Secured Notes in July and September 2017. The Senior Term Loan Facility agreement is dated August 29 2017 and the principal amount was released at completion date which was September 5 2017.

Similar to for the Super Senior Revolving Credit Facility, The Group is subject to quarterly reporting requirements and an annual guarantor coverage test.

Interest on the Senior Term Loan Facility accrues at the rate of Euribor + 1.40% margin per annum and is payable quarterly in arrears on March 15, June 15, September 15 and December 15 of each year, commencing on September 15 2017.

Costs related to the issuance of Senior Term Loan Facility have been included in the carrying amount and are amortized into profit or loss over the term of the debt in accordance with the effective interest method.

The current portion of the debt associated with the Senior Term Loan Facility relates to accrued interest payables at the next interest payment date and the portion of the capitalized financing fee that will be amortized into profit or loss over the next 12 months.

Note 26. Bank and other borrowings

The table below provides an overview of the bank and other borrowings that continue to exist on December 31 2016 and 2017:

(€ thousands)	December 31 2017	December 31 2016
Total Bank and other borrowings	**15,670**	**18,002**
Non-current portion	**13,310**	**15,388**
Finance lease liabilities	13,310	15,388
Current portion	**2,361**	**2,614**
Finance lease liabilities	2,225	2,494
Commitment fees	136	120

Bank borrowings

On August 3 2015, LSF9 Balta Issuer S.à r.l. and LSF9 Balta Investments S.à r.l. entered into a six-year Revolving Credit Facility Agreement providing for a €40.0m European Super Senior Revolving Credit Facility; which was increased to €45.0m in 2016 and to €68.0m in 2017.

On 18 July 2017, Balta has also renegotiated and obtained more favorable commercial terms in respect of its European Super Senior Revolving Credit Facility, including a reduction of the margin from the original 3.75% p.a. in August 2015 to an average margin below 1.80% p.a. at current leverage.

The Super Senior Revolving Credit Facility is secured by first-ranking security interests over the collateral, which also secures the Senior Secured Notes and the Guarantees. Under the Super Senior Revolving Credit Facility, a lender may make available an ancillary facility, such as overdrafts, guarantees, short-term loan facilities, derivatives or foreign exchange facilities subject to the satisfaction of certain conditions precedent, to a Borrower or an Affiliate of a Borrower in place of all or part of its unutilized commitment under the Super Senior Revolving Credit Facility. Amounts drawn under the Super Senior Revolving Credit Facility may be used for working capital and other general corporate purposes of the Restricted Group, operational restructurings or permitted reorganisations of the Group.

The Revolving Credit Facility Agreement contains customary and certain deal specific affirmative loan style covenants and restrictive covenants such as a springing financial covenant (based on total net leverage ratio) and an annual guarantor coverage test. The Super Senior Revolving Credit Facility is also guaranteed by each Guarantor. Under the terms of the Intercreditor Agreement, in the event of enforcement of the security over the collateral, holders of the Senior Secured Notes and Senior Term Loan Facility will receive proceeds from the enforcement of the collateral only after indebtedness in respect of the Super Senior Revolving Credit Facility and certain hedging obligations have been repaid in full.

We confirm that we have complied with all covenants over the reporting period.

Bentley Financing Arrangements

BPS Parent, Inc. and other subsidiaries entered into a $51.0m syndicated credit facility (the "Fifth Third Credit Agreement") with Fifth Third Bank and other financial institutions (the "Lenders") on February 1 2017. The credit facilities under the Fifth Third Credit Agreement consist of: (i) a five year revolving credit facility of $18.0m which will be due and payable on January 31 2022, and availability is governed by a borrowing base, and (ii) a five year Senior Term Loan Facility of $33.0m ("Bentley Term Loan"), also scheduled to mature on January 31 2022, requiring quarterly payments. Obligations under the Fifth Third Credit Agreement are secured by a security interest on substantially all assets of BPS Parent, Inc. and its subsidiaries in favor of the Lenders. The Fifth Third Credit Agreement contains affirmative and negative covenants with respect to BPS Parent, Inc. and its subsidiaries and other payment restrictions. Certain of the covenants limit indebtedness and investments of BPS Parent, Inc. and its subsidiaries and require the maintenance of certain financial ratios defined in the Fifth Third Credit Agreement.

In June 2017, a portion of the proceeds of the primary tranche of the IPO were used to (i) fully repay the five year term loan facility, and (ii) to partially reduce the amounts drawn under the revolving credit facility. In August 2017 the remaining amount of the five year revolving credit facility was repaid and no amounts have been drawn since then.

Factoring

As part of its normal course of business, The Group has entered into non-recourse receivables factoring agreements, whereby it may sell trade receivables arising from the normal course of business at face value less certain reserves and fees. The insolvency risk related to the factored receivables has been transferred to the factoring company, who in turn has transferred this risk to a credit insurance company. Under the non-recourse agreements, the Group collects payments from its customers on behalf of the factoring company to which it has factored its receivables. Given that substantially all of the risks and rewards of ownership has been transferred, the trade receivables assigned to the factoring companies have been derecognized from the statement of financial position.

Whilst the factoring program described above relates to a portfolio of credit insured trade receivables, the Group has also entered into a forfaiting agreement where a financial institution agrees to purchase (forfait) on a revolving basis the receivables from individually identified debtors. The credit risk related to these receivables is fully transferred from the Group to the financial institution and as a result thereof, the financial institution bears the risk of non-payment by the debtor. The Group has been mandated to collect the forfeited receivables for the account of and on behalf of the financial institution. The eligible portion of the trade receivables that have been transferred and financed under this agreement have been derecognized from the Group's statement of financial position. The Group continues to recognize a portion of the receivables to the extent of its continuing involvement, in accordance with IAS 39 "Financial instruments: recognition and measurement".

The Group is also party to an Accounts Receivables Purchase Agreement with a financial institution, in the framework of a supply chain financing program offered by a large customer. Under the agreement, the Group offers to sell some or all of its accounts receivable due from this customer to the financial institution. Given the non-recourse nature of the agreement, the accounts receivables are derecognized on the moment the cash is received.

Note 27. Leases

Finance lease liabilities

The table below shows the net book amount of the "land and buildings" and "plant and machinery" which are subject to a finance lease agreement:

(€ thousands)	December 31 2017	December 31 2016
Net book value - Land and Buildings	**12,658**	**14,193**
Cost - Capitalised finance leases	18,412	18,412
Accumulated depreciation	(5,754)	(4,219)
Net book value - Plant and machinery	**5,227**	**5,558**
Cost - Capitalised finance leases	6,608	6,608
Accumulated depreciation	(1,381)	(1,050)
Net book value - Total leased Property, Plant & Equipment	**17,886**	**19,751**
Cost - Capitalised finance leases	25,020	25,020
Accumulated depreciation	(7,134)	(5,270)

The finance lease liabilities have decreased from €17.8m as of December 31 2016 to €15.5m as of December 31 2017. No material new financial lease contracts have been signed during the period.

The gross investment in leases and the present value of minimum future lease payments are due as follows:

(€ thousands)	December 31 2017	December 31 2016
Gross finance lease liabilities - minimum lease payments	**17,468**	**20,293**
No later than 1 year	2,430	2,824
Later than 1 year and no later than 5 years	5,336	6,479
Later than 5 years	9,703	10,990

(€ thousands)	December 31 2017	December 31 2016
Total present value of finance lease liabilities	**15,447**	**17,787**
No later than 1 year	2,137	2,399
Later than 1 year and no later than 5 years	4,235	5,263
Later than 5 years	9,075	10,125

Operating leases

The Group leases various buildings, equipment, machinery and vehicles under operating lease agreements. The lease terms are between 1 and 12 years.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

(€ thousands)	December 31 2017	December 31 2016
Total present value of operating lease commitments	**46,855**	**10,460**
No later than 1 year	7,157	3,358
Later than 1 year and no later than 5 years	21,845	5,595
Later than 5 years	17,853	1,507

The operating lease commitments increased by €36.4m as at December 31 2017, mainly due to the commitment of €17.0m of operating leases at the level of Bentley which mainly relate to the lease of buildings and new lease contracts entered into by Balta Home USA (€20.8m), which moved to a new 330,000 square feet distribution facility in Rome, Georgia, to provide more capacity for its North American business.

Note 28. Net debt Reconciliation

The following table sets out an analysis of net debt and the movements in net debt:

	Other assets	Liabilities from financing activities									Total
(€ thousands)	Cash and Cash equivalents	Senior Secured Notes due after 1 year	Senior Secured Notes due within 1 year	Senior Term Loan Facility (€75m) due after 1 year	Senior Term Loan Facility due after 1 year	Senior Term Loan Facility due within 1 year	Bentley Financing arrangements due after 1 year	Bentley Financing arrangements due within 1 year	Finance Lease liabilities due after 1 year	Finance Lease liabilities due within 1 year	
Net debt as at January 1 2017	**45,988**	**(290,000)**	**(6,618)**	**-**	**-**	**-**	**-**	**-**	**(15,388)**	**(2,494)**	**(268,511)**
Cashflows	(8,650)	-	1,258	-	-	(23)	-	-	-	6	(7,410)
Proceeds of borrowings with third parties	-	-	-	(75,000)	(35,000)	-	-	-	-	-	(110,000)
Business combinations	-	-	-	-	-	-	(40,030)	(1,325)	-	-	(41,355)
Foreign exchange adjustments	-	-	-	-	-	-	1,741	68	-	-	1,809
Repayments of borrowings with third parties	-	55,100	-	75,000	-	-	38,289	1,257	-	2,341	171,987
Other non-cash movements	-	-	-	-	-	-	-	-	2,078	(2,078)	-
Net debt as at December 31 2017	**37,338**	**(234,900)**	**(5,360)**	**-**	**(35,000)**	**(23)**	**-**	**-**	**(13,310)**	**(2,225)**	**(253,480)**

Note 29. Additional disclosures on financial instruments

The following table presents the carrying amounts and fair values of each category of financial assets and financial liabilities:

(€ thousands)	Fair value hierarchy	December 31 2017	December 31 2017	December 31 2016	December 31 2016
		Carrying amount	Fair value	Carrying amount	Fair value
ASSETS AS PER STATEMENT OF FINANCIAL POSITIONS		**100,041**	**100,041**	**101,102**	**101,102**
Loans and receivables		**100,041**	**100,041**	**101,056**	**101,056**
Trade and other receivables		62,704	62,704	55,068	55,068
Cash and cash equivalents	Level 1	37,338	37,338	45,988	45,988
Assets at fair value through OCI		**-**	**-**	**46**	**46**
Foreign exchange derivative financial instruments	Level 2	-	-	46	46
LIABILITIES AS PER STATEMENT OF FINANCIAL POSITIONS		**408,277**	**428,587**	**433,237**	**468,726**
Financial liabilities measured at amortised cost	**-**	**408,275**	**428,585**	**433,075**	**468,564**
Senior Secured Notes	Level 1	231,555	251,864	283,511	319,000
Senior Term Loan Facility	Level 1	34,674	34,674	-	-
Bank and other borrowings	Level 2	15,671	15,671	18,002	18,002
Trade and other payables		126,375	126,375	131,562	131,562
Financial liabilities measured at fair value through OCI		**2**	**2**	**162**	**162**
Foreign exchange derivative financial instruments	Level 2	2	2	162	162

The different levels of valuation method have been defined as follows:

- level 1: are valuations derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level 2: are valuations derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);
- level 3: are valuations derived from inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The fair value of the Senior Secured Notes is based on a Level 1 estimate. The fair value of all other financial instruments, with the exception of cash- and cash equivalents, has been determined using Level 2 estimates. The fair value of the forward foreign exchange contracts have been determined using forward exchange rates that are quoted in an active market. The effects of discounting are generally insignificant for Level 2 derivatives. For trade and other receivables, as well as trade and other payables, the carrying amount is considered to be a good estimate of the fair value, given the short term nature of these items.

There were no changes in valuation techniques during the period.

Note 30. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and commodity price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The objective is to identify, quantify, manage and then monitor events or actions that could lead to financial losses. Derivative financial instruments are used to hedge certain risk exposures at Group level.

The Group applied hedge accounting on the derivative financial instruments relating to foreign exchange risk for the periods covered in these Financial Statements starting from 1 June 2016.

Qualitative and quantitative disclosures about market risk

Foreign Exchange Risk

We have significant exposure to the value of the British pound, the U.S. dollar and the Turkish lira. Consequently, our financial results have been, and in the future will likely continue to be, subject to currency transaction and translation effects resulting from fluctuations in exchange rates, primarily the EUR/USD, EUR/GBP and EUR/TRY exchange rates. The proportion of our revenue recognized in each currency does not exactly correspond with the revenue derived from each geography, as we sometimes invoice customers in currencies other than their local currency. For instance, a portion of our sales in the United Kingdom are invoiced in Euro.

Our Consolidated Financial Statements are prepared in Euro. We are therefore exposed to translation risk on the preparation of our Consolidated Financial Statements when we translate the Financial Statements of our subsidiaries which have a functional currency other than Euro. A portion of our assets, liabilities, revenue and costs are denominated in various currencies other than Euro, principally GBP, USD and TRY. As a result, our consolidated results of operations, which are reported in Euro, are affected by currency exchange rate fluctuations.

Transaction risk arises when our subsidiaries execute transactions in a currency other than their functional currency. We mitigate this risk through three primary methods. We have entered into commercial arrangements with some key customers to automatically adjust the impact of EUR/GBP and EUR/TRY fluctuations through our prices. Second, we use forward exchange contracts to hedge our residual exposure to GBP and to hedge our USD exposure on an ad hoc basis. Finally, even with respect to commercial arrangements that do not provide for exchange rate-based price-adjustment mechanisms, our established relationships with our customers allow that both positive and negative currency fluctuations are generally passed on through price revisions over the medium term. Fluctuations in the value of the USD and TRY relative to the euro typically have an impact on our gross margin.

Changes in foreign exchange rates may have a long-term impact on our sales volumes. For example, if there is a long-term depreciation of the Euro, our sales volumes may increase as we become more competitive in non-Eurozone markets. In contrast, a long-term strengthening of the Euro may decrease our volumes and price competitiveness in non-European markets.

The following table presents the main statement of financial position items affected by foreign exchange risk.

(€ thousands)	EUR	GBP	USD	TRY	TOTAL
December 31 2017 Net exposure	**(48,160)**	**4,180**	**6,198**	**11,448**	**(26,334)**
Trade and other receivables	28,465	5,697	19,306	9,236	62,704
Cash and cash equivalents	20,649	4,409	10,043	2,236	37,338
Trade and other payables	(97,274)	(5,926)	(23,151)	(24)	(126,375)

(€ thousands)	EUR	GBP	USD	TRY	TOTAL
December 31 2016 Net exposure	**(42,328)**	**(795)**	**5,028**	**7,589**	**(30,506)**
Trade and other receivables	32,650	2,352	9,723	10,344	55,068
Cash and cash equivalents	38,436	3,237	2,227	2,088	45,988
Trade and other payables	(113,414)	(6,384)	(6,922)	(4,843)	(131,562)

The following table presents the sensitivity analysis of the year-end statement of financial position in GBP, USD and TRY in case the Euro would weaken by 10%.

(€ thousands)	2017	2016
GBP denominated	**(1,092)**	**(1,710)**
Changes in fair value derivative financial instruments	(1,556)	(1,622)
Changes in carrying amount of monetary assets and liabilities	464	(88)
USD denominated	**689**	**712**
Changes in fair value derivative financial instruments	-	153
Changes in carrying amount of monetary assets and liabilities	689	559
TRY denominated	**1,272**	**843**
Changes in fair value derivative financial instruments	-	-
Changes in carrying amount of monetary assets and liabilities	1,272	843

The following table presents the sensitivity analysis of the year-end statement of financial position in GBP, USD and TRY in case the Euro would strengthen by 10%:

(€ thousands)	2017	2016
GBP denominated	**893**	**1,399**
Changes in fair value derivative financial instruments	1,273	1,327
Changes in carrying amount of monetary assets and liabilities	(380)	72
USD denominated	**(563)**	**(582)**
Changes in fair value derivative financial instruments	-	(125)
Changes in carrying amount of monetary assets and liabilities	(563)	(457)
TRY denominated	**(1,041)**	**(690)**
Changes in fair value derivative financial instruments	-	-
Changes in carrying amount of monetary assets and liabilities	(1,041)	(690)

Commodity Price Risk

We are exposed to fluctuations in the price of major raw material used in the manufacturing process. Our key raw materials are polypropylene granulates, yarn, latex and polyamide granulates.

In 2017, raw materials expenses represented 46.9% of the Group's revenue compared to 46.5% per last year. As there is typically a time delay in the Group's ability to pass through raw materials price increases, changes in the cost of raw materials typically have an impact on the Group's gross margin. During 2017, raw material cost prices increased and put pressure on the Group's margins. Price increases and other compensating actions were not sufficient to fully offset the adverse effect from increased raw material prices.

If the commodity prices of polypropylene and polyamide had been 10% higher (lower), profit after tax would have been €4.6m lower (higher) in the absence of any mitigating actions taken by management. This impact has been determined by multiplying the volumes of both granulates and yarns purchased on an annual basis with a 10% variance on the average purchase price of polypropylene and polyamide for the year. The sensitivity calculation takes into account the typical time lag between purchasing polypropylene and polyamide and recognizing the raw material expenses against sales.

When we hedge, we might do so by entering into fixed price contracts with our suppliers. No such arrangements were entered into in 2017 or 2016.

Interest Rate Risk

Our interest rate risk principally relates to external indebtedness that bears interest at variable rates. Only the amounts that we borrow under the (Super Senior) Revolving Credit Facilities, our capital leases of buildings, our Senior Term Loan and use under our factoring and forfaiting arrangements are subject to variable interest rates, as the Senior Secured Notes carry interest at a fixed rate. We therefore did not use interest rate swaps in respect of our financing during the current reporting period. The following table presents the sensitivity analysis of the interest expenses and income when there is an 25% shift in the € yield curve.

(€ thousands)	25 bps downward shift in EUR yield curve	"25 bps upward
Total impact on interest expenses/income	**63**	**(63)**
Non-derivative floating rate financial liabilities	63	(63)

Qualitative and quantitative disclosures about credit risk

Our credit risk is managed on a Group-wide basis. We assess the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual credit limits are set based on historical experience, in-depth knowledge of the customer and in close cooperation with the business unit manager. These credit limits are regularly reviewed by the business unit managers and by finance management. In addition, we have obtained credit insurance to cover a large portion of the credit default risk. Finally, credit risk is also mitigated through non-recourse factoring and forfaiting of the trade receivables where the insolvency risk has been transferred to the counterparty. Trade receivables are spread over a number of countries and counterparties. There is no large concentration of trade receivables. For derivative financial assets, credit quality has been assessed based on the Fitch rating of the counterparty. All our forward exchange contracts are over the counter with a financial institution as counterparty. Our fixed price purchase commitments are entered into with the counterparty of our long term procurement contracts.

Historical default rates did not exceed 0.1% for 2016 and 2017.

Excess liquidities are invested for very short periods and are spread over a limited number of banks, all enjoying a satisfactory credit rating. For cash at bank and short-term bank deposits, the table below gives an overview of credit ratings for banks used by the Group.

(€ thousands)	December 31 2017	December 31 2016
Total cash and bank equivalents	**37,338**	**45,988**
A rating	32,860	42,493
BBB Rating	1,199	3,495
BB Rating	3,278	-

Qualitative and quantitative disclosures about liquidity risk

We monitor cash flow forecasts and liquidity requirements centrally, ensuring that we have sufficient cash to meet operational needs while maintaining sufficient headroom on our undrawn committed borrowing facilities at all times so that we do not breach borrowing limits or covenants on any of our borrowing facilities.

The operating activities of our subsidiaries and their cash inflows are our main source of liquidity. Our cash pooling system enables us to benefit from the surplus funds of certain subsidiaries to cover the financial requirements of other subsidiaries. We invest surplus cash in interest-bearing current accounts and short-term cash deposits, selecting instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts.

In order to meet our cash outflow obligations, we use cash flows generated from operating activities and credit facilities with financial institutions if necessary. In addition, we have entered into factoring agreements with financial institutions where cash is made available to us in consideration for certain trade receivables generated by us.

The principal financing arrangements that are in place at December 31 2017 and at December 31 2016 are the Senior Secured Notes, the Senior Term Loan Facility, the Super Senior Revolving Credit Facility, the Bentley Mills Revolving Credit Facility and capital lease agreements.

The following table reflects all contractually fixed pay-offs for settlement, repayments and interest resulting from recognized financial liabilities. The amounts disclosed are undiscounted net cash outflows, based on the market conditions existing at December 31 2017.

(€ thousands)	Less than 6 months	Between 6 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Total as of December 31 2017	**(137,109)**	**(10,421)**	**(20,100)**	**(328,826)**	**(9,703)**
Senior Secured Notes	(9,102)	(9,102)	(18,205)	(289,514)	-
Senior Term Loan Facility	(248)	(249)	(497)	(35,374)	-
Finance lease liabilities	(1,360)	(1,069)	(1,398)	(3,938)	(9,703)
Trade and other payables	(126,375)	-	-	-	-
Gross settled derivative financial instruments - outflows	(14,004)	-	-	-	-
Gross settled derivative financial instruments - inflows	13,981	-	-	-	-

The following table reflects all contractually fixed pay-offs for settlement, repayments and interest resulting from recognized financial liabilities. The amounts disclosed are undiscounted net cash outflows, based on the market conditions existing at December 31 2016.

(€ thousands)	Less than 6 months	Between 6 months and 1 year	Between 1 year and 2 years	Between 2 and 5 years	Over 5 years
Total as of December 31 2016	**(144,357)**	**(12,647)**	**(24,905)**	**(71,474)**	**(323,465)**
Senior Secured Notes	(11,238)	(11,238)	(22,475)	(67,425)	(312,475)
Finance lease liabilities	(1,414)	(1,409)	(2,430)	(4,049)	(10,990)
Trade and other payables	(131,562)	-	-	-	-
Gross settled derivative financial instruments - outflows	(15,925)	-	-	-	-
Gross settled derivative financial instruments - inflows	15,782	-	-	-	-

A key factor in maintaining a strong financial profile is our credit rating which is affected by, among other factors, our capital structure, profitability, ability to generate cash flows, geographic and customer diversification and our competitive position. Our current corporate credit ratings from Moody's Investor Service (Moody's) and Standard & Poor's Ratings Services (S&P) are noted as follows:

	December 31 2017	December 31 2017	December 31 2016	December 31 2016
	Moody's	**S&P**	**Moody's**	**S&P**
Long-term issue rating Senior Secured Notes	B1	B+	B2	B
Corporate rating	B1	B+	B2	B

On August 10 2015, Moody's assigned a B2 rating to the €290m Senior Secured Notes issued by LSF9 Balta Issuer S.à r.l., the previous parent holding company of the Group, following a review of the final bond documentation. In June 2017, following the IPO, the ratings were upgraded to B1 to reflect the strengthening of the Group's financial profile, increased transparancy as a public company, strengtherend corporate governance arrangements and enhanced access to equity capital markets.

On September 14 2015, S&P assigned its 'B' long-term corporate credit rating to LSF9 Balta Investments S.à r.l. At the same time, S&P assigned its 'B' long-term issue rating to LSF9 Balta Issuer S.à r.l.'s €290m Senior Secured Notes and its 'BB-' long-term issue rating to the €68m Super Senior Revolving Credit Facility. In July 2017, the corporate rating was increased to B+ to reflect the improvements in the Group's financial credit metrics following the use of net proceeds from the IPO to repay part of the Group's debt.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. The Group is closely monitoring its financial performance to comply with financial covenants. Refer to Notes 24 to 26 for further details.

Brexit

The United Kingdom held a referendum on June 23 2016, to determine whether the United Kingdom should leave the European Union (the "EU") or remain as a member state, and the outcome of that referendum was in favor of leaving the EU (commonly referred to as "Brexit"). The effects of Brexit will depend on any agreements the United Kingdom makes to retain access to EU markets, and, while such impacts are difficult to predict, Belgian exports may be negatively affected. In the year ended December 31 2017, our sales in the United Kingdom represented €147.9 m, or 22.4% of our revenue, of which €126.1m was in our Residential segment where the United Kingdom represents just above half of sales. Any reduction in consumers' willingness or ability to spend due to Brexit-related changes in the economic environments of the United Kingdom and Europe could materially affect our revenue. In addition, lack of clarity about future UK laws and regulations, as the United Kingdom determines which EU laws to replace or replicate in the event of a withdrawal, may increase costs associated with operating in either or both of the United Kingdom and Europe.

Note 31. Employee benefit obligations

The Group operates a pension plan and provides for pension liabilities. These benefits have been measured in compliance with IAS 19 revised and in accordance with the Group accounting policies described in Note 1.20. The liability was measured using a discount rate of 1.35% and 1.31% in 2017 and 2016, respectively. The annual pension cost, relating to the pension plan is disclosed in Note 8.

The Group foresees termination benefits (including early retirement) for its working and retired personnel. The liability was measured using a discount rate of 0.83% in 2017 and 0.62% in 2016.

The employee benefit obligations recognized in the Financial Statements are detailed below:

(€ thousands)	December 31 2017	December 31 2016
Total employee benefit obligations	**4,127**	**5,079**
Pension plans	1,810	2,815
Provisions early retirement pension	1,710	2,071
Provision for pensions	608	193

Pension plans: overview

A pension plan has been put in place for management and is financed through employer contributions which increase depending on seniority (base contribution of 3.75% of pensionable salary, increasing by 0.5% for every 5 years of service rendered within the Group up to a maximum contribution rate of 5.75%). This plan also includes a "death in service" benefit amounting to twice pensionable salary. Several pension plans are in place for white collar workers and are financed through fixed employer contributions. In addition, as part of the bonus policy for members of management, a portion of the bonus is awarded via employer contributions to a pension plan scheme.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets.

Pension plans: valuation methodology

The pension and bonus plans as described above have been classified as defined benefits. The valuation of the pension and bonus plans have been performed in accordance with IAS 19.

We refer to Note 1.20 concerning the valuation methodology which has been used. The liability is based on the difference between the present value of the "defined benefit obligation", taking into account the minimum return and a discount factor, less the fair value of any plan assets at date of closing.

Pension plans: main valuation assumptions

The main assumptions used to perform the valuation are described below:

	December 31 2017	December 31 2016
Discount rate	1.35%	1.31%
Retirement age	65 years	65 years
Mortality	MR/FR-5	MR/FR-5

Pension plans: reported figures

For the year ended December 31 2017, the defined benefit obligation taking into account the tax effect amounts to €15.6m (December 31 2016: €10.1m), offset by plan assets of €13.8m (December 31 2016: €7.3m) as at December 31 2017.

Note 32. Other payroll and social related payables

(€ thousands)	December 31 2017	December 31 2016
Total other payroll and social related payables	**33,373**	**31,246**
Holiday pay	15,302	14,136
Social security taxes	7,499	7,365
Salaries and wages payable	5,430	5,137
Early retirement provision	636	628
Group insurance	586	557
Withholding taxes	874	886
Other	3,046	2,539

Other payroll and social related payables increased from €31.2m as of December 31 2016 to €33.4m at December 31 2017.

The increase mainly relates to other payroll and social related payables in relation to the acquisition of Bentley (€3.8m).

Note 33. Provisions for other liabilities and charges

(€ thousands)	Asset Retirement Obligation	Restructuring	Warranty	Other	Total
At January 1 2017	**-**	**-**	**-**	**64**	**64**
Business combinations	935	-	2,045	-	**2,980**
Additional provisions made and increases to existing provisions	-	7,252	-	-	**7,252**
Unused amounts reversed	-	-	(111)	-	**(111)**
Exchange differences	(102)	-	(209)	-	**(310)**
Amounts used	-	-	(223)	-	**(223)**
At December 31 2017	**834**	**7,252**	**1,502**	**64**	**9,652**

Analysis of total provisions:	31 Dec 2017
Non-current	2,335
Current	7,316
	9,652

The provision for other liabilities and charges increased by €9.6m to €9.7m for the year ended December 31 2017.

The Group has announced the restructuring of the operational infrastructure in Belgium within the Residential business, by consolidating the Oudenaarde facility into our two fully vertically integrated factories in the region. The Group completed the consultation and negotiation stages, has activated a full project management office to deliver an increased run rate EBITDA benefit as from 2019. A provision for restructuring was set up in accordance with IAS 37 for an amount of €7.3m as at December 31 2017.

The acquisition of Bentley resulted in the increase of a warranty provision by €2.0m on 31 March 2017 which further decreased to a provision of €1.5m at the end of the year. Moreover, Bentley also rents some buildings for which an asset retirement obligation of €0.8m was recognized.

Note 34. Trade and other payables

(€ thousands)	December 31 2017	December 31 2016
Trade and other payables	**126,375**	**131,562**
Trade payables	88,979	96,620
Accrued charges and deferred income	31,776	33,369
Other payables	5,620	1,573

Trade payables as of December 31 2017 include the amounts for outstanding invoices (€71.3m, as compared to €81m as of December 31 2016) and invoices to be received in relation to goods and services received during the current period (€17.6m, as compared to €16m as of December 31 2016).

Accrued charges and deferred income mainly relate to:

- deferred revenue relating to the sale and lease back of one of the facilities which is recognized in profit over the leasing period of the facilities (€11.5m, as compared to €13.0m as of December 31 2016);
- deferred revenue relating to advance payments on rental agreements (€3.2m, as compared to €3.7m as of December 31,2016);
- accrued charges for customer discounts (€14.0m as of December 31 2017 and €16.0m as of December 31 2016).

The decrease in the outstanding trade and other payables from €131.6m as of December 31 2016 to €126.4m as of December 31 2017 mainly relates to a decrease in purchases and capital expenditures in the last quarter of 2017 compared to 2016.

Note 35. Share based payments

On 16 June 2017, Balta NV, a member of the Balta Group, provided a share related bonus payment pursuant to a phantom share bonus scheme with Balta NV to certain members of the Management Committee.

The Chief Executive Officer is entitled to a share-related bonus payment pursuant to a phantom share bonus scheme with Balta NV representing the value of 84,544 shares at payout date. The bonus is only payable if the Chief Executive Officer still provides services to the Group on the second anniversary of the IPO. If services cease to be provided for any reason prior to the second anniversary, the bonus arrangement for the Chief Executive Officer is forfeited.

The other members of the Management Committee (excluding the CEO) are entitled to a share related bonus payment pursuant to a phantom share bonus scheme with Balta NV, collectively representing the value of 86,361 shares at payout date. The bonus is only payable if the manager still provides services to the Group on the second anniversary of the IPO. If services cease to be provided for any reason prior to the second anniversary, the bonus arrangement for that manager is forfeited.

The actual cost of these share related bonus payment are recognized in the income statement over the vesting period of the schemes and have been recognized in integration and restructuring expenses as the installation of the phantom share bonus schemes was directly connected to the IPO.

In the context of the IPO, certain managers received shares and a cash bonus from LSF9 Balta Midco S.à r.l. pursuant to existing management incentive schemes with Lone Star entities.

The number of shares granted to the members of the Management Committee and the current general manager of Bentley is 1,127,362 shares in total. 232,284 shares were acquired upon completion of the IPO and of the remaining, 50% (447,541 shares) would vest on the first anniversary of the IPO and 50% (447,537 shares) on its second anniversary. A manager who leaves the Group voluntarily or is dismissed for cause prior to a vesting date will lose his entitlement to unvested shares.

The Group has not granted any stock options or other rights to acquire shares to members of the Management Committee.

Note 36. Government grants

The Group's government grants relate to incentives given by Belgian authorities based on the Group's investment, environmental and employment policies.

The main incentives received comprise:

- Environmental grants: The Group receives governmental allowances on a yearly basis in the framework of legislative measures put into place in order to ascertain the competitiveness of industries covered by the EU Emission Trading System (the allowances for "carbon leakage"). At December 31 2017, €0.4m has been received in this framework. As per December 31 2016 the amount was equal to €0.6m.
- Investment grants: The Group has concluded a cooperation agreement with external parties for the development of hybrid structures made with blended (preferential airlaid) technology containing waste streams of polypropylene and of polyurethane. At December 31 2017, €0.02m has been received in this framework (which is the same amount as last year).

Note 37. Earnings per share

Basic earnings per share

	December 31 2017	December 31 2016
BASIC AND DILUTED EARNINGS PER SHARE		
Net result from continuing operations	**2,980**	**25,345**
Percentage of net result from continuing operations attributable to holders of ordinary and diluted shares	100%	100%
Net result from continuing operations attributable to holders of ordinary and diluted shares	2,980	25,345
Weighted average number of ordinary and diluted shares oustanding (in thousands)	35,943	35,943
Net result per share attributable to holders of ordinary and diluted shares (in Euro)[1]	0.08	0.71

(1) For 2017, the dividend is calculated on a pro rata basis starting form the IPO date

In accordance with IAS33, the basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. The earnings per share for the periods prior to the IPO were computed as if the shares issued for the contribution of the Group and upon the IPO were outstanding for all periods presented. The number of shares used for the year 2017 and 2016 were 35,943,396 which is the number of shares issued in connection with the IPO.

Adjusted earnings per share

The result of 2017 and 2016 included some non-recurring items which affected the earnings per share calculation. From a management perspective we calculated an adjusted earnings per share which excluded the impact of non-recurring items.

	December 31 2017	December 31 2016
ADJUSTED EARNINGS PER SHARE [1]		
Net result from continuing operations	**2,980**	**25,345**
Normalisation adjustments:	13,844	8,338
Adjusted Net Result from continuing operations	**16,825**	**17,007**
Percentage of net result from continuing operations attributable to holders of ordinary and diluted shares	100%	100%
Net result from continuing operations attributable to holders of ordinary and diluted shares	16,825	17,007
Weighted average number of ordinary and diluted shares oustanding (in thousands)	35,943	35,943
Net result per share attributable to holders of ordinary and diluted shares (in Euro)	0.47	0.47

(1) We refer to the Note 1.25 in which we provide a glossary of the non-GAAP measures and Note 3.

The profit for the period in 2017 includes a net €13.8m impact from non-recurring items, comprised of €11.4m integration and restructuring expenses, €9.3m incremental finance expenses, €1.8m net impact of purchase price accounting and offset by €8.6m of net tax benefits. In the absence of such events, the normalized profit for the period would have been €16.8m. Similarly, the profit for the period in 2016 includes a net non-recurring benefit of €8.3m (as detailed on page 8), resulting in a normalized net profit of €17.0m.

The Group or a direct subsidiary or a person, acting in its own name but on behalf of the Company, has not acquired shares of the Company.

Note 38. Dividends per share

As disclosed at the IPO, the Company intends to pay a dividend of between 30% and 40% of net profit. For 2017, the dividend is calculated pro rata such that the Company only pays a dividend in respect of the portion of the financial year for which its shares were listed on Euronext Brussels. In order to determine the amount, the full year profit for the period has been adjusted to exclude the adverse impact of (i) purchase price accounting adjustments, (ii) integration and restructuring expenses and (iii) exceptional finance expenses. In order to determine the adjusted profit for the period, the Group applied a normalized effective tax rate of 30%. The Group has then taken a pro rata of the normalized full year earnings to reflect the earnings of the post IPO period.

On this basis, the Board proposed a dividend of €0.08 per share, which is subject to the approval of the annual general meeting.

Note 39. Commitments

Energy

Our fixed price purchase commitments for electricity and gas, for deliveries in 2018, are equal to €8.6m as of December 31 2017 compared to an amount of €11.5m as of December 31 2016.

Raw material

Our fixed price purchase commitments for raw materials, for deliveries in 2018, are equal to €65m as of December 31 2017 compared to an amount of €66m as of December 31 2016.

Capital expenditures

As of December 31 2017 €1.7m capital commitments are outstanding compared to €2.4m as of December 31 2016.

Note 40. List of consolidated companies

The subsidiaries and jointly controlled entities of Balta Group NV, the Group's percentage of interest and the Group's percentage of control of the active companies are presented below.

	December 31 2017		December 31 2016	
	% of interest	% of control	% of interest	% of control
Belgium				
Balta NV	100%	100%	100%	100%
Balta Industries NV	100%	100%	100%	100%
Balta Trading Comm.V	100%	100%	100%	100%
Modulyss NV	100%	100%	100%	100%
Balta Oudenaarde NV	95%	100%	95%	100%
Balta M BVBA (liquidated on December 13 2017)	100%	100%	100%	100%
Balfid BVBA	100%	100%	100%	100%
Luxembourg				
LSF9 Balta Issuer S.à r.l. (1)	100%	100%	100%	100%
Balfin Services S.à r.l.	100%	100%	100%	100%
LSF9 Balta Luxembourg S.à r.l. (incorporated December 1 2016)	100%	100%	100%	100%
LSF9 Balta Investment S.à r.l.	100%	100%	100%	100%
Turkey				
Balta Orient Tekstil Sanayi Ve Ticaret A.S.	100%	100%	100%	100%
Balta Floorcovering Yer Dös, emeleri San.ve Tic A.S.	100%	100%	100%	100%
USA				
Balta USA Inc	100%	100%	100%	100%
LSF9 Renaissance Holdings LLC	100%	100%	–	–
LSF9 Renaissance Acquisitions LLC	100%	100%	–	–
BPS Parent, Inc.	100%	100%	–	–
Bentley Prince Street Holdings, Inc.	100%	100%	–	–
Bentley Mills, Inc.	100%	100%	–	–
Prince Street, Inc.	100%	100%	–	–

(1) On 14 June 2017, The Company's corporate form changed from S.A. (société anonyme) to S.à r.l. (société à responsabilité limitée). All references to LSF9 Balta Issuer S.A have been replaced by LSF9 Balta Issuer S.à r.l. in this document.

Note 41. Related party transactions

The Company may enter into transactions with its shareholders and other entities owned by its shareholders in the ordinary course of business. Those transactions include, among others, financing agreements and professional, advisory, consulting and other corporate services.

The Company has entered into arrangements with a number of its subsidiaries and affiliated companies in the course of its business. These arrangements relate to manufacturing, sales transactions, service transactions and financing agreements and were conducted at market prices. Transactions between the Company and its subsidiaries, which are related parties, have been eliminated in the consolidation and are accordingly not disclosed in this note.

Bentley Mills Acquisition

As noted before, on February 1 2017, Lone Star Fund IX acquired BPS Parent, Inc., the indirect parent company of Bentley Mills, Inc. and the Bentley Group, from its shareholders, including Dominus Capital, L.P. The following series of transactions then occurred, with the ultimate effect of Balta NV acquiring control over the Bentley Group of companies:

- on March 22 2017, pursuant to an agreement dated March 10 2017, LSF9 Balta Issuer S.à r.l. together with LSF9 Balta investments S.à r.l completed the acquisition of the Bentley group of companies and brought (other than certain minority interests held by the Bentley management team) the Bentley group of companies within the Group.
- on March 23 2017, in view of the integration of the Bentley group of companies into the operational group within the Group, Balta NV acquired the interests in the Bentley group of companies – from LSF9 Balta Issuer S.à r.l., for a consideration of €21,119,243.77 and $51,000,000.00 which remained outstanding on the intercompany account (for the purposes of this paragraph, the "Balta NV Consideration").

The limited partnership interest acquired by LSF9 Balta Issuer S.à r.l. and subsequently by Balta NV represented at the time of the acquisition over 98% of the total interests in the Bentley group of companies with the remaining partnership interests held by members of the Bentley management team. As part of the reorganization, the Bentley management was bought out as explained in "Note 6, Business combinations" for €1,343k.

The push down in the Group structure of the former participation of Bentley management team in the Bentley group of companies to Balta NV following the buy-out of the Bentley management was financed through the issuance of intra-group notes, as follows:

- following the buy-out of Bentley management by LSF9 Balta Midco S.à r.l. and a subsequent transfer of the Bentley management equity stake to LSF9 Balta Holdco S.à r.l., LSF9 Balta Holdco S.à r.l. transferred the newly acquired interests in the Bentley group of companies to Balta NV against the issuance by Balta NV of a new note to LSF9 Balta Holdco S.à r.l. (the "BM Note 1");
- the BM Note 1 was assigned by LSF9 Balta Holdco S.à r.l. to LSF9 Balta Issuer S.à r.l. against the issuance of a new note by the latter (the "BM Note 2"); and
- subsequently, LSF9 Balta Issuer S.à r.l. in turn assigned this BM Note 1 to LSF9 Balta Investments S.à r.l. against the issuance of another new note (the "BM Note 3").The Group simplified the intragroup financing between the Luxembourg holding companies and Balta NV by means of different debt-to-equity conversions by the contribution of the BM Notes into the equity (capital reserve) of their respective issuers by LSF9 Balta Holdco S.à r.l. and LSF9 Balta Issuer S.à r.l. which resulted in an equity increase of €1.3m in LSF9 Balta Issuer S.à r.l.

Shares

Until February 22 2017, 100% of shares of LSF9 Balta Issuer S.à r.l. were owned by LSF9 Balta Midco S.à r.l. As a result of a sales and purchase agreement dated February 22 2017, 100% of the shares of LSF9 Balta Issuer S.à r.l. were sold to LSF9 Balta Holdco S.à r.l.

LSF9 Balta Holdco S.à r.l. contributed 100% of the shares of LSF9 Balta Issuer S.à r.l. to the share capital of Balta Group NV by means of a contribution in kind in exchange for 25m shares. This contribution was described in an agreement dated May 30 2017 and was subject to the IPO described in Note 5.

Following the IPO, Lone Star Fund IX, through intermediate holding companies, controls approximately 56.5% of the issued share capital of Balta Group NV.

Contributions in the capital and reserves of LSF9 Balta Issuer S.à r.l.

As described in Note 20, LSF9 Balta Holdco S.à r.l. contributed an intercompany loan of €1.3m in the share capital of LSF9 Balta Issuer S.à r.l. and a participation in the Bentley group of companies to integrate the former Bentley management equity stake in the Group prior to the IPO.

As described in Note 20 PECs issued by LSF9 Balta Issuer S.à r.l. and owned by LSF9 Balta Holdco S.à r.l. were contributed in the share capital of LSF9 Balta Issuer S.à r.l. for an amount of €152.9m prior to the IPO.

Key management compensation

Key management means the Group's Management Committee, which consists of people having authority and responsibility for planning, directing and controlling the activities of the Group. Key management compensation includes all fixed and variable remuneration and other benefits which are presented in other expenses and long-term employee benefits which are presented in integration and restructuring.

(€ thousands)	December 31 2017	December 31 2016
Total key management compensation	**2,937**	**4,098**
Short-term employee benefits	2,410	2,785
Long-term employee benefits	403	-
Board compensation	125	-
Termination benefits	-	1,313
Share-based payments	-	-

We also refer to the 'Corporate Governance Chapter' earlier in this report for information with respect to remuneration of directors and members of the Group's Management Committee.

Other transactions with related parties

Year-end balances arising from daily operations:

(€ thousands)	December 31 2017	December 31 2016
Other payables to related parties	(292)	54

The year-end balances mainly arise from current account positions as a result of payments which have been performed on behalf of Group entities. These current accounts are respectively reflected in "Trade and other receivables" and in "Trade and other payables".

Note 42. Fees paid to the Group's auditors

(€ thousands)	2017	2016
Audit services	**1,350**	**354**
Audit of the Group pursuant to legislation	344	300
Other audit-related services	1,007	54
Non-audit services	**394**	**798**
Tax services	184	798
Other services	210	-
Total fees paid to the Group's auditor	**1,744**	**1,152**

Note 43. Events after the reporting period

Following the Board of Directors meeting of 28 February 2018, Balta announced that a dividend of €0.08 per share would be proposed to the Annual Shareholders meeting for the year ending December 31 2017.

I.6. Condensed statutory financial statement

The statutory statement of financial position and the statutory statement of comprehensive income for the period ended December 31 2017 of Balta Group NV are given below in summarised form.

In accordance with the Company code, the annual accounts of Balta Group NV, together with the management report and the statutory auditor's report will be deposited with the National Bank of Belgium.

(€ thousands)	Period ended December 31 2017
Fixed assets	468,927
Financial assets	468,927
Total non-current assets	**468,927**
Amounts receivable within one year	7,879
Cash and cash equivalents	156
Total current assets	**8,035**
Total assets	**476,962**
Share capital	260,590
Share premium	65,660
Other reserves	147,125
Retained earnings	(2,363)
Total equity	**471,012**
Trade and other payables	5,950
Total current liabilities	**5,950**
Total equity and liabilities	**476,962**

(€ thousands)	Period ended December 31 2017
Other income	9,831
Other expenses	(12,191)
Operating profit / (loss)	**(2,360)**
Finance expenses	(3)
Profit / (loss) for the period	**(2,363)**

1.7. Audit report

BALTA GROUP NV

Statutory auditor's report to the general shareholders' meeting on the consolidated accounts for the year ended 31 December 2017

18 April 2018

STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING OF THE COMPANY BALTA GROUP NV ON THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2017

We present to you our statutory auditor's report in the context of our statutory audit of the consolidated accounts of Balta Group NV (the "Company") and its subsidiaries (jointly "the Group"). This report includes our report on the audit of the consolidated accounts, as well as the report on other legal and regulatory requirements. These reports form part of an integrated whole and are indivisible.

We have been appointed as statutory auditor by the shareholders' general meeting of 1 March 2017, following the proposal formulated by the Board of Directors and following the recommendation by the audit committee. Our mandate will expire on the date of the shareholders' general meeting which will deliberate on the consolidated accounts for the year ended 31 December 2019. We have performed the statutory audit of the consolidated accounts of Balta Group NV for the first year.

Report on the audit of the consolidated accounts

Unqualified opinion

We have performed the statutory audit of the Group's consolidated accounts, which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, and which is characterised by a consolidated statement of financial position total of EUR (000) 778,283 and a profit for the year (Group share) of EUR (000) 2,946.

In our opinion, the consolidated accounts give a true and fair view of the Group's net equity and consolidated statement of financial position as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Basis for unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "*Statutory auditor's responsibilities for the audit of the consolidated accounts*" section of our report. We have fulfilled our ethical responsibilities in accordance with the ethical requirements that are relevant to our audit of the consolidated accounts in Belgium, including the requirements related to independence.

We have obtained from the Board of Directors and Company officials the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated accounts of the current period. These matters were addressed in the context of our audit of the consolidated accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Acquisitions

Key audit matter

The acquisition of Bentley Mills' Group was of most significance to our audit due to the size and significant judgments and assumptions involved in the purchase price allocation for Bentley Mills, mainly in relation to the valuation of tangible assets, intangible fixed assets such as the trade name and the remaining goodwill balance. At the acquisition date, 22 March 2017, the increase in the intangible assets recognized under goodwill and other intangibles related to Bentley Mills amounted to respectively EUR (000) 74,280 and EUR (000) 11,179 as disclosed in Note 6.

How our audit addressed the key audit matter

With respect to the accounting for the Bentley Mills' acquisition described in Note 6, we have, amongst others, read the share purchase agreement, ensured the correct accounting treatment has been applied and appropriate disclosure has been made; assessed the valuation and accounting for the consideration payable and traced payments to bank statements; audited the identification and determination of the fair value of the assets and liabilities the Group acquired including any GAAP and fair value adjustments; and assessed the valuation assumptions such as discount and tax rates by recalculating these, evaluating and challenging assumptions used in such calculations amongst others based on external evidence. In doing so we have utilized valuation specialists to assist with the audit of the identification and valuation of the assets and liabilities acquired. We also assessed the adequacy of the disclosures in Note 6.

Our findings

We found the methodologies and the assumptions applied to be in line with our expectations, and the acquisition accounting and related disclosure in line with the share purchase agreement.

Uncertain tax positions

Key audit matter

Income tax was of most significance to our audit because the assessment process is complex and the amounts involved are material to the financial statements as a whole. The company went through several capital market transactions over the last years and has operations in different tax and legal jurisdictions where transfer pricing assessments can be challenged by the tax authorities. The accounting for the tax positions comprise significant judgement by the company mainly in the area of the recognition and measurement of uncertain tax positions and deferred taxes. Referring to Note 2, management performed a detailed assessment for uncertain tax positions which resulted in provisions recorded for these uncertainties.

How our audit addressed the key audit matter

We have tested the completeness and accuracy of the amounts reported for current and deferred taxes, including the assessment of the uncertain tax positions and deferred taxes, based on the developments in 2017. In addition we have evaluated the tax opinions of the companies' experts on the respective cases. We also involved our local subsidiaries' auditors as well as tax specialists in those subsidiaries determined to be the regions with significant tax risks. In respect of deferred tax assets, we analysed and tested the companies' assumptions used to determine the probability that deferred tax assets will be recoverable. During our procedures, we use amongst others budgets, forecasts and tax laws.

Our findings

We found the Companies' judgements in respect of the Group's position on uncertain tax items to be consistent and in line with our expectations.

Valuation of goodwill and other (in)tangible fixed assets

Key audit matter

Balta carries a significant amount of goodwill, amounting to EUR (000) 198,814 and detailed in Note 7, and other (in) tangible fixed assets on the consolidated statement of financial position. Under EU-IFRS, the Company is required to test the amount of goodwill for impairment at least annually. The impairment tests were significant to our audit due to the complexity of the assessment process and judgments and assumptions involved which are affected by expected future market and economic developments. The most important assumptions concern the growth rates of revenue and anticipated profit improvements.

How our audit addressed the key audit matter

We challenged the cash flow projections used in the impairment tests and the process through which they were prepared. For our audit we furthermore critically assessed and tested the assumptions, methodologies, the weighted average cost of capital and other data used, for example by comparing them to external and historical data, such as external market growth expectations and by analysing sensitivities in Balta's valuation model. We have assessed the historical accuracy of management's estimates and evaluation of business plans by comparing the prior year's forecast with the company's actual performance. We included valuation specialists in our team to assist us with these procedures. We specifically focused on the sensitivity in the headroom for the cash generating units, evaluating whether a reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount. We discussed the likelihood of such change with management. We also assessed the adequacy of the disclosures (Note 7) in the financial statements.

Our findings

From our sensitivity analysis, we found the likelihood of changes resulting in impairment losses to be low.

Customer discounts

Key audit matter

We focused on volume discounts and other rebates because those areas are subject to judgmental estimates and assessments and are material. Normal incentives related to sales are reported as deduction of company's revenue. Balta applies different incentive programs to increase the sales. Incentives can for example be structured as a percentage on sales with certain thresholds to be realized, also including commercial negotiations at the end of a period. Balta calculates an estimate of final incentives based on the information available at the end of the period. The accrued discounts to customers as of 31 December 2017 amounts to EUR 14,0 million as disclosed in Note 34.

How our audit addressed the key audit matter

In our audit we have verified the company's revenue recognition with a focus on such discounts. We have evaluated the company's revenue process and tested the company's controls within the process. We have also audited the accrued discounts to customers as of 31 December 2017. We have agreed the amounts to underlying customer agreements, recalculated the accrual and performed a retrospective analysis of the accruals per 31 December 2016. Our audit has also included review of credit notes and other adjustments to trade receivables after 31 December 2017. Finally we have audited manual journal entries related to discounts in order to confirm that sufficient documentation and suitable attestations exist for these entries.

Our findings

Our work did not identify findings that are significant for the financial statements as a whole.

Responsibilities of the Board of Directors for the consolidated accounts

The Board of Directors is responsible for the preparation of consolidated accounts that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated accounts, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Statutory auditor's responsibilities for the audit of the consolidated accounts

Our objectives are to obtain reasonable assurance about whether the consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the consolidated accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated accounts, including the disclosures, and whether the consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors and the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors and the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors and the audit committee, we determine those matters that were of most significance in the audit of the consolidated accounts of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Responsibilities of the Board of Directors

The Board of Directors is responsible for the preparation and the content of the directors' report on the consolidated accounts.

Statutory auditor's responsibilities

In the context of our mandate and in accordance with the Belgian standard (revised) which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, the directors' report on the consolidated accounts and to report on these matters.

Aspects related to the directors' report on the consolidated accounts

In our opinion, after having performed specific procedures in relation to the directors' report on the consolidated accounts, this report is consistent with the consolidated accounts for the year under audit, and it is prepared in accordance with article 119 of the Companies' Code.

In the context of our audit of the consolidated accounts, we are also responsible for considering, in particular based on the knowledge acquired resulting from the audit, whether the directors' report on the consolidated accounts is materially misstated or contains information which is inadequately disclosed or otherwise misleading. In light of the procedures we have performed, there are no material misstatements we have to report to you. We do not express any form of assurance conclusion on this directors' report.

The non-financial information is included in the directors' report on the consolidated accounts. The Group has prepared the non-financial information, based on seventeen sustainable development goals. However, in this report, we do not express an opinion as to whether the non-financial information has been prepared, in all material aspects, in accordance with the seventeen sustainable development goals as disclosed in the consolidated accounts. Furthermore, we do not express assurance on individual elements included in this non-financial information.

Statement related to independence

- We did not provide services which are incompatible with the statutory audit of the consolidated accounts and we remained independent of the Company in the course of our mandate.

- The fees for additional services which are compatible with the statutory audit of the consolidated accounts referred to in article 134 of the Companies' Code are correctly disclosed and itemized in the notes to the consolidated accounts.

Other statements

- This report is consistent with the additional report to the audit committee referred to in article 526 bis §6 4° of the Companies Code referring to 11 of Regulation (EU) N° 537/2014.

Gent, 18 April 2018

The statutory auditor
PwC Bedrijfsrevisoren bcvba
Represented by

Peter Opsomer
Registered Auditor

I.8. Statement of the Board of Directors

We, the Board of Directors, hereby certify that, to the best of our knowledge, the Consolidated Financial Statements as of 31 December 2017, prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, and with the legal requirements applicable in Belgium, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole, and that the management report includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

GLOSSARY

Alternative Performance Measures

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

Organic Growth: is defined as growth at constant currency and excluding M&A.

Pro Forma revenue and Pro Forma Adjusted EBITDA are included, for illustrative purposes. These figures incorporate the acquisition effect of Bentley under the assumption that the transaction took place as of the start of the prior financial year. This information is intended to help investors to analyse and compare historical financial information. It is important to note that the acquisition of Bentley was completed on 22 March 2017 and consolidated in the Group's results from 1 April 2017.

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

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

Adjusted Earnings per Share is defined as profit/ (loss) for the period adjusted for (i) the impact of the purchase price allocation mainly on changes in inventory, (ii) gains on asset disposals, (iii) integration and restructuring expenses, (iv) non-recurring finance expenses and (v) non-recurring tax effects, divided by the number of shares of Balta Group NV. The Adjusted Earnings per Share for 2016 is a pro forma number that has been included for comparison purposes, assuming the total number of shares was equal to the current number of shares of Balta Group NV.

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

Leverage is defined as the ratio of Net Debt to Pro Forma Adjusted EBITDA

Adjusted Effective Tax Rate is defined as the ratio of income tax expenses, plus or minus the tax effect of integration and restructuring expenses, the tax effect of exceptional items within the finance charges, the tax effect attributable to the re-measurement of deferred tax assets and liabilities and the tax effect of the purchase price accounting adjustments, divided by earnings from continuing operations before income taxes plus integration and restructuring expenses plus exceptional finance expenses and excluding the impact of purchase price accounting adjustments.

INVESTOR RELATIONS

OVERVIEW

Our aim is to provide transparent, clear and timely information on Balta's strategy, business and financial performance to all financial market players. Since our IPO in June 2017, we have been building up our investor relations programme, including the recruitment of a senior and experienced Corporate Development and Investor Relations Director in the last quarter of 2017.

Since the IPO we have met with investors in roadshows and conferences in several locations across Europe and have hosted a number of site visits both to our head office and production facilities in Belgium and to our US subsidiary, Bentley.

SHAREHOLDER STRUCTURE

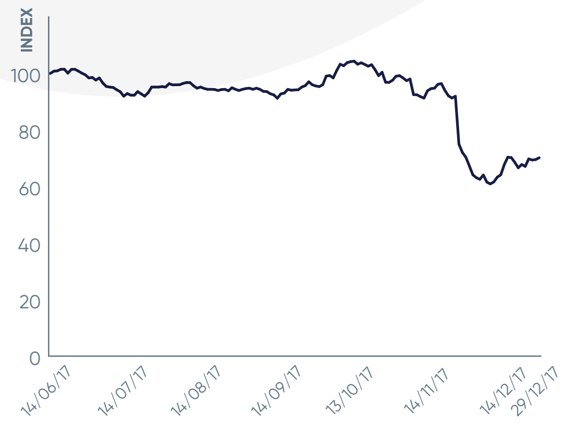
The shareholder structure of Balta Group NV, based on the declarations received in the period up to 31 December 2017, is as follows:

Shareholder	Number of Shares	%[1]
LSF9 Balta Holdco S.à r.l.	20,303,957	56.49%
Tocqueville Finance SA	2,387,964	6.64%

[1] at the time of the declaration

SHARE PERFORMANCE

Balta shares are listed on Euronext Brussels. The calendar year ended with a share price of €8.70, below the IPO price of €13.25 but above the low of €7.52 following the unplanned earnings downgrade on 24 November.



ANALYST COVERAGE

Balta was covered by 6 analysts as of 31 December 2017. Details are available in the Investor Relations section of our corporate website (www.baltagroup.com).

FINANCIAL CALENDAR[2]

First Quarter Results 3 May 2018
Annual General Meeting of Shareholders 22 May 2018
Half Year Results 28 August 2018
Third Quarter Results 7 November 2018

[2] dates are provisional

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Commercial Carpets & Tiles

Residential Carpets & Tiles

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