(Non-binding translation)

Balta Group NV

Wakkensteenweg 2

B-8710 Wielsbeke
Company number: 0671.974.626

(the **"Company")**

ANNUAL REPORT OF THE BOARD OF DIRECTORS
TO THE SHAREHOLDERS' MEETING OF 28 MAY 2019

Dear shareholders,

In accordance with the legal and statutory Belgian regulations, we have the honour to present the annual report of the financial year 2018.

The Company is an holding company whose corporate purpose is the direct or indirect acquisition of shares and the management of the participating interests in Belgium and foreign countries. The Companies' shares are publicly traded. The Company was founded for an indefinite period on 1 March 2017.

1. Comments to the annual accounts

Article 96, §1, 1° of the Belgian Companies Code determines the annual report gives information about the annual accounts to provide a true and fair view of the financial position and operations of the Company.

	€
The balance sheet total is:	472,135,023.66
The financial result for the period available for distribution:	225,273.77

The financial fixed assets amount to €468,927,446.90, which is 99% of the balance sheet total. The Equity per 31 December 2018 is composed as follows:

	2018 (€ thousands)	2017 (€ thousands)	In- or decrease (€ thousands)
Issued capital:	260,590	260,590	0
Share premium account:	65,660	65,660	0
Available reserves:	147,125	147,125	0
Accumulated loss:	-2,138	-2,363	-225
Equity:	471,237	471,011	225

The Equity represents 99% of the balance sheet total.

In the schedule below, you can find an overview of the income and charges of the financial year 2018.

	2018 (€ thousands)	2017 (€ thousands)	In- or decrease (€ thousands)
Operating income incl. non-recurring operating income:	3,634	9,831	(6,198)
Operating charges incl. non-recurring charges:	3,409	12,191	(8,782)
Operating profit:	225	**(2,360)**	**2,585**
Financial income incl. non-recurring financial income:	8	-	8
Financial charges incl. non recurring financial charges:	7	3	4
Profit for the period before taxes:	225	**(2,363)**	**2,588**
Transfer from/to postponed taxes:	-	-	-
Income taxes:	-	-	-
Profit for the period:	225	**(2,363)**	**2,588**
Transfer from/to untaxed reserves:	-	-	-
Profit for the period available for apporpriation:	225	**(2,363)**	**2,588**

The Board proposes to appropriate the profit as follows:

Profit (loss) to be appropriated	225,273.77	EUR
Profit (loss) to be carried forward	(2,363,092.88)	EUR
Profit (loss) to be appropriated	(2,137,819.11)	EUR
Appropriation of profit (loss)		
Transfers to reserves	-	EUR
Profit (loss) to be carried forward	(2,137,819.11)	EUR
Transfers to capital	-	EUR

We ask you to approve the annual accounts for the year ended 31 December 2018.

2. ***Reporting and analysis in accordance with article 96, §1, 1° of the Belgian Companies Code***

In accordance with article 96, §1, 1° of the Belgian Companies Code, the following is reported:

The Company itself is not exposed to any operational risks other then those which consist for the Balta Group because the main activity of the Company is to provide services to the Balta Group. We refer to section 7 of this report for an overview of the risks which are defined within the Balta Group.

3. ***Information concerning significant events after the year-end***

In accordance with article 96, §1, 2° of the Belgian Companies Code the annual report contains information about significant events which have occurred after the year-end.

There are no significant events which occurred after year-end.

4. ***Circumstances that could have a significant effect on the development of the Company***

In accordance with article 96, §1, 3° of the Belgian Companies Code, the annual report contains information on circumstances that could have a significant effect on the development of the Company insofar as this information or circumstances does not harm the Company.

No other risks than the risks associated to the activities of the Company and relating to the activities described above should be mentioned.

5. ***Research and development***

In accordance with article 96, §1, 4° of the Belgian Companies Code the annual report contains information of the activities of research and development.

No activities of research and development have been executed.

6. ***Corporate governance statement***

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

Corporate governance charter

Pursuant to article 96 § 2, 1° of the Belgian Companies Code, Balta relies on the Belgian Code on Corporate Governance of 12 March 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 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 was revised in 2018. On 24 August 2018, the amended Charter was approved by the Board of Directors. It is available for download on the investor relations section of our corporate website www.baltagroup/corporate_governance.

The Company follows the rules provided by the Belgian Corporate Governance Code of 2009, except as explicitly stated otherwise and justified in the Corporate Governance Statement.

Capital and shareholders structure

Capital and capital evolutions

The capital of the Company amounts to €260,589,621 as at 31 December 2018 represented by 35,943,396 shares without nominal value. Each share carries one vote. No capital movements took place in 2018.

Shareholder evolutions

The applicable successive thresholds pursuant to the Law of 2 May 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 2018, the Company received a transparency declaration from Tocqueville Finance S.A. on 7 September 2018, stating that by virtue of a disposal of shares on 4 September 2018, at that date it holds 1,712,448 shares of the Company, representing 4.76% of the voting rights of the Company.

Shareholder structure

The following table shows the shareholder structure on 31 December 2018 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 2 May 2007 on the notification of significant shareholdings:

	Shareholding	
	Number	**%**
LSF9 Balta Holdco S.à r.l.	19,856,416	55.2%

The following transactions by persons discharging managerial responsibilities (PDMR) have been notified in the course of 2018:

Name	Date	Number of shares
Marc Dessein	20 June 2018	84,544
Tom Gysens	20 June 2018	46,815
Lieven Vandendriessche	21 June 2018	84,544
Tom Debusschere	21 June 2018	211,359
Jim Harley	7 September 2018	20,279

The above mentioned PDMR's acquired the shares following the vesting of pre-existing management incentive plans with Lone Star entities following the first anniversary of the IPO.

Dividend policy

Subject to the availability of distributable reserves and the lack of 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.

Shareholders' Meeting

The first annual general Shareholders' Meeting since the IPO took place on 22 May 2018.

The shareholders acknowledged the annual report with respect to the statutory and consolidated annual accounts relating to the financial year ending on 31 December 2017, the statutory auditor's report relating to the financial year ending on 31 December 2017, the replacement of the representative of the statutory auditor and the consolidated annual account relating to the financial year ending on 31 December 2017.

The shareholders approved the remuneration report relating to the financial year ending on 31 December 2017. They further approved the statutory annual accounts relating to the financial year ending on 31 December 2017, including the allocation of the results as proposed by the Board of Directors and the adoption of a gross dividend of 0.08 euro per share. Both the directors and the statutory auditor were discharged of liability regarding the execution of their mandates during the financial year ending on 31 December 2017, the resignation of Mrs Karoline Grauebig as director of the Company with effect as of 1 March 2018 was acknowledged and the co-optation of Mr. Neal Morar as director for the remainder of Mrs Grauebig's mandate was confirmed.

Dealing code

On 29 August 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 16 April 2014 on market abuse. The Dealing Code restricts transactions of 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.

Composition of the Board of Directors

Pursuant to the articles of association, the Board of Directors must comprise at least five members.

Until 26 August 2018, the Board consisted of nine members, comprising three independent non-executive directors.

Due to the resignation of Kairos Management bvba, permanently represented by Mr. Tom Debusschere, executive director and CEO, on 26 August 2018, Mr. Cyrille Ragoucy, the chairman, was appointed as interim CEO. On 1 April 2019, Mr. Cyrille Ragoucy was appointed as permanent CEO.

As a result of this appointment, Mr. Ragoucy no longer qualifies as independent director in accordance with article 526ter of the Belgian Companies Code. Therefore the Board is currently composed of two independent non-executive members. This deviation to the independence criteria set out in the Belgian Companies Code and the Corporate Governance Code is temporary. The Board of Directors proposed the appointment of a new independent director to this year's annual Shareholders' Meeting.

On 31 December 2018 the Board of Directors consisted of eight 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 members to be appointed by the Shareholders' Meeting.

The interim CEO has been 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 31 December 2018, the Board of Directors was composed as follows:

Name	**Position**	**Director since**	**Mandate expires**
Cyrille Ragoucy	Chairman of the Board and interim-CEO	2017	2021
Michael Kolbeck	Non-Executive Director and chairman of the Remuneration and Nomination Committee	2017	2021
Accelium bvba, represented by Nicolas Van Den Abeele	Independent Director	2017	2021
Sarah Hedger	Independent Director	2017	2021
Neal Morar	Non-Executive Director	2018	2021
Hannah Strong	Non-Executive Director	2017	2021
Jeremy Fryzuk	Non-Executive Director and chairman of the Audit Committee	2017	2021
Patrick Lebreton	Non-Executive Director	2017	2021

Mrs Annelies Willemyns was appointed as Corporate Secretary of the Board of Directors.

- **Cyrille Ragoucy** has more than 25 years' experience in senior management positions. His last operational position, before becoming interim CEO of Balta, was as CEO of Tarmac Ltd (originally Lafarge Tarmac), a leading building materials and construction solutions firm in the UK, where he oversaw the 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, and CEO of Lafarge Construction Materials for Eastern Canada, among other director and executive-level posts. Currently he is also non-executive chairman of Chryso Group and non-executive director of SIG plc.

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

- **Michael Kolbeck** is Managing Director and Head of Corporates Europe 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. He currently serves as Director and Board Member for Xella International S.A., a leading European building materials company and Dynamic Bulk LLC, a shipping company. Prior to joining Lone Star and Hudson in 2004, Mr. Kolbeck worked for several years as an investment manager for Allianz Group.

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

- **Nicolas Van Den Abeele** is currently part of the executive team of Barco, heading the Entertainment Division. He is a global leader who has served in a variety of operational and business leadership roles over the past 25 years, delivering growth, business transformation and operational excellence. 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 global executive positions in the technology industry with Alcatel-Lucent and strategy consulting with Arthur Andersen; living 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 2018. 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.

  Mrs Hedger was appointed as non-executive director of OneSavings Bank plc, a UK listed bank, on 1 February 2019.

- **Neal Morar** is a Director in the Corporates team at Hudson Advisors UK Limited, which advises Lone Star and the funds which it administers, including Lone Star Fund IX, which is an investor in the Company. Prior to his current role he held the post of UK CFO of Hudson Advisors UK Limited for five years and served on the Boards of various entities across industries including hotels and developments, Loan Servicer in Italy and an equity release company. Prior to joining Hudson in 2012, Mr. Morar worked for 5 years as Managing Director, International CFO for AIG Investments and 10 years in various CFO roles for the FTSE100 Capita Group. Since 1996, Mr. Morar is a Fellow of the Chartered Certified Accountants (FCCA) and since 2001, has been regulated with the FCA in various capacities. He holds a degree in Accounting and Finance from the University of Hertfordshire.
- **Hannah Strong** is Vice President, Legal Counsel 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 her position at Hudson, Mrs Strong worked as in-house legal counsel at The Carlyle Group (2013-2017) and was a corporate associate at Latham & Watkins in London (2007-2013). Hannah has extensive experience advising on legal and compliance issues that face companies across numerous industries and jurisdictions.

  Ms. Strong holds a bachelor's degree in Jurisprudence from Oxford University.
- **Jeremy Fryzuk** is Director in the Corporate Private Equity Team 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, he worked for Rhône Group (2013-2015), a mid-market private equity fund based in London. Prior to joining Rhône, he worked for Morgan Stanley in the firm's principal investments group and investment banking division.

  Mr. Fryzuk holds a Bachelor of Commerce with a major in Finance from Dalhousie University, in Canada.
- **Patrick Lebreton** is Managing Director, Corporates 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, he was a Director (Operating Partner) of Montagu Associates (2012-2015), advising the Montagu Private Equity Fund. From 2004 to 2012, he was an Executive Vice President in the Portfolio Group at Bain Capital. Previously he held executive posts at General Electric, was a manager at Accenture, and is a retired U.S. Army Officer, having served in Operation Desert Storm. He is currently the chairman of Stark Group, the leading Scandinavian builders merchant chain, and a Director of Edilans Sarl, the leading French roofing products company.

  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 2018

With effect as of 1 March 2018, Mrs Karoline Grauebig resigned. Upon recommendation of the Remuneration and Nomination Committee, the Board decided to co-opt Mr. Neal Morar as of 1 March 2018. The annual Shareholder's Meeting held on 22 May 2018 confirmed this co-optation for the remainder of the term of Mrs Grauebig's mandate.

On 26 August 2018 Kairos Management bvba, permanently represented by Mr. Tom Debusschere, resigned.

Functioning of the Board of Directors

In principle, the Board of Directors meets at least five times a year. Additional meetings may be called with appropriate notice at any time to address specific business needs. In 2018 the Board met on eight occasions. On two occasions the Board took decisions by unanimous written consent.

Name	Boards	Attendance rate
Kairos Management bvba, represented by Tom Debusschere	5/5	100%
Michael Kolbeck	8/8	100%
Jeremy Fryzuk	8/8	100%
Karoline Graeubig	2/2	100%
Neal Morar	6/6	100%
Hannah Strong	8/8	100%
Patrick Lebreton	8/8	100%
Cyrille Ragoucy	8/8	100%
Accelium bvba, represented by Nicolas Van Den Abeele	8/8	100%
Sarah Hedger	8/8	100%

At every meeting, the Board of Directors reviewed and discussed financial results as well as the short- to mid-term financial forecast of the Company. On each occasion an update was given on the health and safety performance of the Company. Regular updates were given on compliance policy, including the implementation of GDPR within the Company. Upon recommendation of the Audit Committee, the Board discussed the potential refinancing, proposed the approval of the financial results of 2017, proposed the dividend for approval to the shareholders and approved the 2018 financial budget. It deliberated on the renewal of director mandates, on the 2018 long term incentive plan, the 2017 bonus and the 2018 bonus methodology of the Management Committee members, as presented by the Remuneration and Nomination Committee.

The Board reviewed the Group's divisional strategies with its management teams and closely monitored the implementation of their strategic projects.

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 directors.

Under the lead of its chairman, the Board will regularly evaluate its scope, composition and performance and those of its Committees, as well as its interaction with the executive management.

The CEO and other executive managers are invited to attend meetings. The Chief Financial Officer (CFO) is present at all Board meetings and also the other members of the Management Committee are regularly invited to attend. This guarantees appropriate interaction between the Board and management.

Gender diversity
As a consequence of Mrs Grauebig's resignation, the Board no longer has one-third of its members being of an opposite gender than the other members. For companies whose securities are admitted to a regulated market for the first time, the requirement to have at least one-third of board members of an opposite gender than the other members, is to be met as of the first day of the sixth financial year starting after the IPO, being for the Company as of 1 January 2023. The necessary attention is being paid to meet this requirement as soon as practically possible.

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 31 December 2018, the Audit Committee consisted of three 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 and Non-Executive Director	2017	2021
Accelium bvba, represented by Nicolas Van Den Abeele	Member and Independent Director	2017	2021
Sarah Hedger	Member and Independent Director	2017	2021

In the course of 2018 the Audit Committee met six 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 CFO are not members of the Audit Committee, but are invited to attend its meetings. This guarantees appropriate interaction between the Committee and management. As appropriate, also other Board members are invited to attend the Committee meetings.

The statutory auditor attended three meetings during which it reported on the outcome of the audit and presented the global audit plan.

In addition to its statutory powers and its power under the Corporate Governance Charter, the Audit Committee considered the following main subjects: the quarterly financial statements, the potential refinancing and related legal structure, the compliance approach and related policies, the FX exposure, the Company's hedging strategy, its Brexit readiness, its risk management approach, the annual management cycle, 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 established a Remuneration and Nomination Committee.

As a result of the appointment of Mr. Cyrille Ragoucy as interim CEO on 26 August 2018, it was noted that he could no longer be a member of the Remuneration and Nomination Committee. Article 526 quater of the Belgian Companies Code provides, among others, that the Remuneration Committee can solely be composed of non-executive directors, and must be composed of a majority of independent directors. Therefore, it was necessary to replace Mr. Ragoucy as member of the Remuneration and Nomination Committee by an independent director of the Company. With effect as of 26 August 2018, Mrs Sarah Hedger replaced Mr. Ragoucy as member of the Remuneration and Nomination Committee.

On 31 December 2018, the Remuneration and Nomination Committee was composed as follows:

Name	Position	Mandate since	Mandate expires
Michael Kolbeck	Chairman and Non-Executive Director	2017	2021
Accelium bvba, represented by Nicolas Van Den Abeele	Member and Independent Director	2017	2021
Sarah Hedger	Member and Independent Director	2018	2021

In 2018 the Remuneration and Nomination Committee met seven times. All members attended all meetings.

The CEO and 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 appropriate interaction between the Committee and management.

In addition to its statutory powers and its powers under the Corporate Governance Charter, the Remuneration and Nomination Committee discussed the following main subjects: the recruitment of senior management, the 2018 long term incentive plan, the compensation and benefits packages for the CEO, the members of the Management Committee and other key senior managers, the variable remuneration for 2017 and the 2018 bonus methodology of the members of the Management Committee, the performance of the members of the Management Committee and the core leadership team, the remuneration report, the annual HR cycle and talent and succession planning at management level.

Chief Executive Officer

Kairos Management bvba, with Tom Debusschere as its permanent representative, resigned on 26 August 2018. Mr. Cyrille Ragoucy, chairman of the Board has been appointed as interim CEO by the Board of Directors with effect as of 26 August 2018. As of 1 April 2019, Mr. Ragoucy is assuming the role of CEO in a permanent capacity. He reports directly to the Board. 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 on 31 December 2018:

Name	**Position**
Cyrille Ragoucy	Interim Chief Executive Officer
Tom Gysens bvba, represented by Tom Gysens	Chief Financial Officer
Marc Dessein bvba, represented by Marc Dessein	Managing Director Balta home
Vandendriessche Consulting bvba, represented by Lieven Vandendriessche	Managing Director European carpets & tiles

For the biography of Cyrille Ragoucy, 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 10 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 Masters in Commercial Engineering (cum laude) and a Masters 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 Masters in Physical Education (magna cum laude) from the Catholic University of Leuven and a Masters 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 Masters in Business Economics (magna cum laude) from Erasmushogeschool, Brussels.

Statutory Auditor

The audit of the unconsolidated 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 31 December 2019.

Article 140/1 of the Belgian Companies Code and article 24 of the Law of 7 December 2016 on the organisation of the profession of and the public supervision over auditors, limit the liability of auditors of listed companies to €12 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 2018, the remuneration paid to the statutory auditor for auditing activities amounted to €351,000. Remuneration paid for special assignments was €40,000 and €147,000 for other assignments outside the mandate.

Relevant information in the event of a takeover bid

Article 34 of the Royal Decree of 14 November 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 31 December 2018 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.

In accordance with 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, as recommended by the Corporate Governance Code, 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 2018 – 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 authorised capital, only an Extraordinary Shareholders' Meeting is authorised 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 article 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 16 June 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 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 30 May 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 authorised 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 30 May 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 authorised capital pursuant to this authorisation, this increase will be deducted from the remaining part of the authorised capital specified in the first paragraph.

In the course of 2018, 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 30 May 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 Board of Directors outside a regulated market, even from a subsidiary, the Board shall comply with article 620, §1, 5° of the Belgian Companies Code.

The Board of Directors 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 30 May 2017, in the Annexes to the Belgian State Gazette.

By resolution of the Extraordinary Shareholders' Meeting held on 30 May 2017, the Board of Directors is authorised 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 3 August 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 outstanding after the partial redemptions in 2017.

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 3 August 2015, the Issuer and LSF9 Balta Investments S.à r.l. entered into a revolving credit facility agreement (as amended or supplemented from time to time, the "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 29 August 2017, LSF9 Balta Issuer S.à r.l. entered into a €35,000,000 Senior Term Loan Facility (the "Senior Term Loan Facility Agreement").

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).

2018 Long Term Incentive Plan

In 2018, a long term incentive plan ("LTIP") was implemented to create alignment between managers' and shareholders' interests. The LTIP consists of PSUs which convert into shares and 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 certain defined targets. As approved by the Shareholders' Meeting of 16 June 2017 in accordance with article 556 of the Belgian Companies Code, the PSU vesting is accelerated in the event of a change of control or the closing of a public takeover bid over the Company.

One-off PSU Package CEO

As mentioned below in the section relative to remuneration, Mr. Ragoucy has been awarded a one-off package consisting of Performance Share Units ("PSUs") in view of this appointment as permanent CEO. The agreement relative to this one-off award contains a clause that triggers an accelerated vesting of the PSUs on the occurrence of a public takeover resulting in a change of control (i.e. the closing/first settlement date of a voluntary or mandatory public takeover bid on all shares of Balta Group nv).

2019 Long Term Incentive Plan

On 16 April 2019, the Board of Directors approved the main characteristics of the 2019 LTIP. The PSUs granted under the 2019 LTIP will vest to relevant managers that still provide services to the Balta Group on the 2nd and 3rd anniversaries of their award, to the extent that the Company's share price has reached certain defined targets. The clause allowing for accelerated PSU vesting in the event of the closing of a public takeover bid over the Company will be submitted for approval by the Shareholders' Meeting of 28 May 2019, in accordance with article 556 of the Belgian Companies Code.

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 Management Committee.

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.

Relevant section of the minutes of the Board of Directors of 28 February 2018:

Before the deliberation of the Board of Directors of 28 February 2018 started, Kairos Management bvba, permanently represented by Mr. Tom Debusschere declared to have a conflict of interest, as defined in article 523 of the Belgian Companies Code ("BCC"), concerning the following items on the agenda: the approval of the LTIP and the approval of the 2018 bonus methodology.

The conflict arises as the manager providing services on behalf of the aforementioned director is, together with the other members of the Management Committee, a beneficiary of an LTIP and of the 2018 bonus plan. The resolutions to be adopted envisage the approval of the 2018 LTIP, possibly granting shares linked to the reaching of certain performance criteria and the approval of the 2018 bonus methodology, possibly providing the pay-out of an annual variable fee linked to the meeting of certain performance criteria.

In accordance with article 523 BCC, Kairos Management bvba refrained from taking part in the deliberations and from voting on the resolutions. The statutory auditor of the Company will be informed of this conflict of interest.

The implementation of the LTIP is in the interest of the Company as it is intended to facilitate the recruiting and retaining of personnel of outstanding ability. The bonus plan encourages the contribution of the members of the Management Committee to the strategy of the Company. The Board is therefore of the opinion that these are justified.

The number of shares to be granted and the variable fee to be paid by the Company will depend on the share price reaching a defined target and on the performance criteria as set out in the bonus scheme being met.

Each of the other directors stated that he/she did not have any direct or indirect conflicting interest of a patrimonial nature with a resolution or operation upon which the Board of Directors will decide during this meeting or as referred to under article 523 BCC.

Relevant section of the minutes of the Board of Directors of 2 May 2018:

Before the deliberation of the Board of Directors of 2 May 2018 started, Kairos Management bvba, permanently represented by Mr. Tom Debusschere declared a conflict of interest, as defined in article 523 of the BCC, concerning the following item on the agenda: the approval of the 2017 bonus.

The conflict arises as the manager providing services on behalf of the aforementioned director is, together with the other members of the Management Committee, a beneficiary of the 2017 bonus. The resolutions to be adopted envisage the approval of the 2017 bonus arrangement.

In accordance with article 523 BCC, Kairos Management bvba refrained from taking part in the deliberations and from voting on the resolutions. The statutory auditor of the Company will be informed of this conflict of interest.

The bonus pay-out is in the interest of the Company as it encourages the contribution of members of the Management Committee to the strategy of the Company. The Board is therefore of the opinion that these pay-outs are justified.

As the relevant manager voluntarily transferred the bonus payment he was to receive regarding 2017 to 2018, this amount was added to his target bonus for 2018 and would be paid out in 2019, subject to meeting specific performance criteria set for 2018 (on EBITDA).

Each of the other directors stated that he/she did not have any direct or indirect conflicting interest of a patrimonial nature with a resolution or operation upon which the Board of Directors will decide during this meeting or as referred to under article 523 BCC.

Relevant section of the minutes of the Board of Directors of 5 November 2018:

Before the deliberation of the Board of Directors of 5 November 2018 started, Mr. Cyrille Ragoucy declared a conflict of interest, as defined in article 523 of the BCC, concerning the following item on the agenda: the approval of the remuneration of the interim CEO.

The conflict results from the fact that Mr. Ragoucy is both director of the Company and since 26 August 2018 also a member of the Management Committee. The resolution to be adopted envisages approval of his remuneration as managing director and interim CEO.

In accordance with article 523 BCC, Mr. Cyrille Ragoucy refrained from taking part in the deliberations and from voting on the resolutions. The statutory auditor of the Company will be informed of this conflict of interest.

The Board is of the opinion that the remuneration proposed is in accordance with market practice and justifiable for an interim managing director/CEO role with uncertain duration and limited benefits/notice period.

The fixed monthly remuneration amounts to €50,000 gross. The CEO is also eligible to receive a quarterly variable fee with respect to performance during each three months' period following 26 August 2018. The performance objectives applicable with respect to each three months' reference period will be determined in writing. Subject to satisfying the performance objectives set by the Board of Directors, each quarterly variable fee may be equal to €120,000 gross.

Each of the other directors stated that he/she did not have any direct or indirect conflicting interest of a patrimonial nature with a resolution or operation upon which the Board of Directors will decide during this meeting or as referred to under article 523 BCC.

Compliance with the 2009 Belgian Code on Corporate Governance

Balta is committed to high standards of corporate governance and to the Corporate Governance Code as a reference code. 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;
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 8) as a consequence of the majority of shares held by that company;
4) the chairman of the Board and the CEO are the same individual (art 1.5) as a consequence of the chairman becoming the CEO: and
5) due to the chairman becoming an executive director, the Board is composed of two independent directors (art 2.3).

The exception under 2 is a contractual constraint which was already applicable before the public offering of Balta shares. The exception under 5 is temporary, pending appointment of another independent director, proposed by the Board of Directors for approval at this year’s annual Shareholders’ Meeting.

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 30 May 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. During the period that the chairman was executing the mandate as managing director and interim CEO of the Company, Mr. Ragoucy was only entitled to the fee connected to the mandate as chairman, i.e. the annual fee of €70,000. As of assuming the role of CEO in a permanent capacity, Mr. Ragoucy is no longer remunerated for his directors’ mandate.

In order to ensure the independence of the Board of Directors in its supervisory function over the Management Committee, the remuneration system for the non-executive 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 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 the non-executive directors in 2018:

Name	Chairmanship	Independent directorship	AC membership	RNC membership	Total
Cyrille Ragoucy	€70,000	€26,022 (independent until 26 August 2018)	-	€6,505 (member until 26 August 2018)	€102,527
Michael Kolbeck	-	-	-	€0	€0
Jeremy Fryzuk	-	-	€0	-	€0
Accelium bvba, represented by Nicolas Van Den Abeele	-	€40,000	€10,000	€10,000	€60,000
Sarah Hedger	-	€40,000	€10,000	€3,495 (member since 26 August 2018)	€53,495
Karoline Graeubig	-	-	-	-	€0
Neal Morar	-	-	-	-	€0
Hannah Strong	-	-	-	-	€0
Patrick Lebreton	-	-	-	-	€0

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 members of 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.

Based on the 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 performance-related components.

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

For the remuneration related to 2018, the following principles were applied for the CEO and the other 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. This performance review was carried out during the Committee meeting of 31 October 2018.

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 took place on 26 August and 13 December 2018.

Different components of remuneration and their characteristics

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

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 harmonised throughout the organisation. It is designed to reward the performance of the Company and its divisions over a one-year time horizon.

The STIP rewards the realisation of key financial performance indicators against targets recommended by the Remuneration and Nomination Committee and approved by the Board of Directors for the period from 1 January 2018 to 31 December 2018.

For the CEO and the CFO, the STIP for 2018 has been 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 has been 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 2018 objectives for the members of the Management Committee and proposed the calculation of a short-term variable remuneration based on the 2018 performance criteria to the Board of Directors.

The variable remuneration is not spread over time.

During his appointment as interim CEO, Mr. Ragoucy was eligible for a quarterly variable fee with respect to performance during each three-month period. Due to the interim nature of the assignment, the performance objectives for the last quarter of 2018 were a combination of short term financial, organisational and strategic targets.

In 2018, the target STIP has been 80% of the fixed annual remuneration for the CEO and, on average, 46% of the annual fixed remuneration for other members of the Management Committee.

In 2018, a **Long Term Incentive Plan** (LTIP) was implemented to create alignment between manager's and shareholders' interests.

The LTIP consists of PSUs. The PSUs will vest to relevant managers that still provide services to the Balta Group on the third anniversary of their award and are converted into shares, to the extent that the Company's share price has reached defined targets with a minimum hurdle of € 13.25 per share required for any conversion. The 2018 LTIP was awarded to Kairos Management bvba, represented by Tom Debusschere and to the other members of the Management Committee.

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.

Remuneration policy for the next two financial years

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.

Remuneration awarded to the CEO as member of the Management Committee

Kairos Management, represented by Tom Debusschere (until 26 August 2018)

- Base salary (gross remuneration): €381,484
- Variable remuneration (relating to performance in 2018, paid out in 2019): nil
- The 2017 bonus which was delayed to 2018 was not paid out.
- Pension: nil
- Other compensation components (representation allowances): €15,677.42
- Due to the ending of the position with the Company,
    - the phantom share retention bonus that had been put in place lapsed and was not payable.

    - the 14,088 PSU's that were granted within the framework of the LTIP, forfeited and will no longer vest.

Cyrille Ragoucy (as from 26 August 2018 in his capacity as interim CEO)

- Base salary (gross remuneration): €209,677 (excluding the chairmanship fee)
- Variable remuneration (relating to performance in 2018, paid out in 2019): €165,652
- Pension: nil
- Other compensation components (company car, fuel card and smartphone): €4,000.

As mentioned above, Mr. Ragoucy was appointed as permanent CEO on 1 April 2019. In terms of fixed and (short-term target) variable remuneration, the remuneration awarded to him as permanent CEO is largely in line with the remuneration package to which he was entitled as interim CEO, except for the variable fee now being measured and paid on an annual basis. In the context of his appointment as permanent CEO and in order to compensate (a) Mr. Ragoucy in view of the fact that no LTIP award was made to him in 2018 and (b) the loss of income connected to him giving up external roles, Mr. Ragoucy has been awarded a one-off package consisting of PSU's in view of this appointment, which would vest subject to a significant increase in the Company's share price (i.e. a minimum share price of €13). Mr. Ragoucy will also participate in the 2019 LTIP.

Mr. Ragoucy has also been offered by Balta Group's reference shareholder (LSF9 Balta Holdco S.à r.l.) a conditional incentive that would be payable in cash by LSF9 Balta Holdco S.à r.l. subject to and linked to a significant increase of the value of its stake in Balta Group.

Remuneration awarded to the other Management Committee members

For the year ended 31 December 2018, the total remuneration of the Management Committee members was as follows:

- Base salary (gross remuneration): €1,302,444
- Variable remuneration (relating to performance in 2018, paid out in 2019): €50,670
- Certain members of the Management Committee had voluntarily transferred the bonus payment they were to receive regarding 2017 to 2018. This amount was added to their target bonus for 2018 and would be paid out in 2019 subject to the meeting of specific performance criteria set for 2018. Due to the target not being met, no deferred bonuses will be paid out.
- Pension: nil
- Other compensation components: nil
- Within the framework of the LTIP, 32,578 PSU's were granted in 2018.

As part of the IPO process, the members of the Management Committee were entitled to a share related bonus payment pursuant to a phantom share bonus scheme with Balta nv representing the value of 86,361 shares (excluding the former CEO, Kairos Management bvba) 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 pre-existing management incentive schemes with Lone Star entities. After the resignation of Mr. Debusschere, the total number of shares awarded to the current members of the Management Committee and the current manager of Bentley Mills Inc amounted to 633,592 shares, of which 161,232 shares were granted upon completion of the IPO, another 236,182 shares vested on the first anniversary of the IPO and the remainder (236,178 shares) will vest 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/her entitlement to unvested shares.

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

Other than in the case of termination in certain events of breach of contract, before his appointment as permanent CEO, Mr. Ragoucy, in his capacity as interim CEO was entitled to a notice period of one month or a termination fee equal to his fixed fee for a period of one month. As of his permanent appointment, the CEO is entitled to a notice period of six months or a termination fee equal to the proportion of the fixed fee that he would be entitled to during this six months' period.

Other than in the case of termination in certain events of breach of contract, the CFO is entitled to a notice period of twelve months or a termination fee equal to his fixed fee for a period of twelve 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 twelve months or a termination fee equal to his fixed fee for a period of twelve 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 thirty days of the agreement ending.

Other than in certain cases of termination for breach of contract, Mr. Marc Dessein is entitled to a notice period of eighteen 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.

Other than for Mr. Ragoucy, the above-mentioned termination provisions were included in management agreements dated before the IPO. The termination provision included in Mr. Dessein's management agreement is justified given his skills and seniority.

Severance payments for Management Committee members who left in 2018

In line with the contractual arrangements, the Board approved to grant Kairos Management bvba a termination fee equal to the fixed fee for a period of twelve months. A lump sum of 50% of his annual fixed fee was paid as indemnity for respecting the contractual agreed non-compete provision. The 2017 bonus which was delayed to 2018 was not paid out. The phantom share retention bonus that had been put in place has lapsed and shall not be payable. All PSU's are forfeited and will no longer vest due to the ending of the position with the Company.

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 2018

At the beginning of 2019, the Remuneration and Nomination Committee reviewed the 2019 STIP targets for members of the Management Committee. Due to the transformational character of 2019 with the implementation of project Next (the strategic and operational review program), the STIP for the CEO and CFO is no longer based on realisation of short term group financial targets only, now being 50% on group-adjusted EBITDA, 20% on seasonality adjusted net debt, and 30% on realisation of personal objectives set to drive longer term financial improvements in the context of project Next. Also for the other members of the Management Committee the STIP will be based 30% on the realisation of personal objectives and 70% on financial targets, being 25% on group adjusted EBITDA, 25% on divisional adjusted EBITDA and 20% on divisional working capital.

The Board of Directors approved the main characteristics of the 2019 LTIP on 16 April 2019. Similar to the 2018 LTIP, the purpose of the 2019 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 PSUs granted under the 2019 LTIP will vest to relevant managers that still provide services to the Balta Group on the 2nd and 3rd anniversaries of their award, to the extent that the Company's share price has reached certain defined targets, all significantly above the current share price levels. The clause allowing for accelerated PSU vesting in the event of the closing of a public takeover bid over the Company needs to be approved by the Shareholders' Meeting, in accordance with article 556 of the Belgian Companies Code.

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 travel and expense note policy, the non-audit services policy, the reserved matters policy, the antitrust policy, the anti-money laundering policy, the economic sanctions policy, the data protection policy and data breach 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 standardised, 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 minimise 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. Deviations against budgets and previous reference periods are carefully analysed and explained. Great importance is attached to security of all data stored in various computer systems.

Information and communication

Balta recognises 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 the 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 centralised 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 doing so, 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 investor relations section of our corporate website. The objective of this external financial reporting is to provide Balta stakeholders with the information necessary for making sound business decisions.

7. ***Risk management system and internal control***

For the Company, 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 16.3% of our 2018 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.

The Group is exposed to uncertainty regarding the possible outcome of a Brexit. The UK represents 18.7% of our total revenues, mainly related to our Residential business. Management assessed all potential scenarios and has made all kind of preparations, especially with regard to the logistical flows under the worst case scenario of a no-deal-Brexit, through local stock keeping and a in depth assessment of the Brexit-readiness of our logistical partners.

In addition measures have been taken to protect the revenue stream for a potential devaluation of the Pound Sterling, through a combination of pricing mechanisms and hedging contracts.

As the political uncertainty over the final outcome of a potential Brexit , with- or without a deal, or even potentially revoking article 50 is still unclear, the Group continues to assess the impact of the potential outcomes into practical measures.

Increased import duties or sanctions against the importing of certain goods in certain countries could pose barriers for us to successfully do business. One such example is the risk of possible US sanctions on Turkey, where Balta has a production facility, targeting our product category.

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.

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

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 2018, raw materials expenses represented 47.5% of our revenues. The key raw materials used were polypropylene, yarn, latex and polyamide, which together represented 70% of our total raw material expenses.

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. In addition, a devaluation of the currencies versus the Euro of countries where our competitors manufacture or source raw materials, such as Turkey or Egypt, may have an impact on our competitiveness.

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.

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.

8. Renumeration report

The renumeration report is included by the Board in the annual Corporate Governance Statement.

The Remuneration and Nomination Committee advises the Board and consist of all non-executive directors and a majority of them being independent directors.

The following directors form the Remuneration and Nomination Committee: Michael Kolbeck, Sarah Hedger and Nicolas Van Den Abeele (providing services through Accelium bvba).

9. Information concerning permanent establishments of the Company

In accordance with article 96, §1, 5° of the Belgian Companies Code the annual report contains information on the permanent establishments of the Company.

We confirm there are no permanent establishments.

10. Justification of the application of the valuation rules

In the case the balance shows a loss carried forward or the income statement of the financial year and the income statement of the previous year shows a loss in two consecutive periods, in accordance with article 96, §1, 6° of the Belgian Companies Code, the annual report contains a justification of the application of the valuation rules under going concern.

The Company incurred a number of one-off costs which related to the formation of the Company and the IPO. These one-off costs have been financed with cash received from the capital increase. The remaining portion of the capital increase received in cash was used to perform a capital increase in LSF9 Balta Issuer S.à r.l.

The Board proposes to apply the valuation rules under going concern.

11. Information of the use of financial instruments

In accordance with article 96, §1, 8° of the Belgian Companies Code, the annual report contains information concerning the use of financial instruments by the Company and the risk management.

The Company doesn’t use financial instruments.

12. Discharge directors and auditor

We ask to individually discharge the directors and the auditor for the execution of their mandate.

Done at Wielsbeke on 25 April, 2019.

The Board of Directors

RAGOUCY Cyrille
Chairman

KOLBECK Michael
Director

HEDGER Sarah
Director

Accelium bvba
Permanently represented by
VAN DEN ABEELE Nicolas
Director

FRYZUK Jeremy
Director

STRONG Hannah
Director

LEBRETON Patrick
Director

MORAR Neal
Director