2019
ANNUAL report

balta

Rugs

Residential carpets and tiles

Commercial carpets and tiles

Non-Woven

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This report, the "Annual Report" represents the directors' report prepared in accordance with article 3:6 of the Code of Companies and Associations.

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STRATEGIC
report

MESSAGE FROM THE CEO

"2019 was a strong year for our Commercial business with double digit top-line growth in the USA combined with further margin enhancements. In Residential, while our top-line declined against a challenging market backdrop, our strategy of focusing on higher margin products in combination with cost saving actions paid off through improved margins for the division. In our Rugs business, 2019 proved to be a disappointing year. The ramp up of the US e-commerce business required higher costs and has been slower than planned. Some operational inefficiencies in planning for roll-outs during the first half of 2019 and packaging issues in US e-commerce in the third quarter of 2019, in combination with the upfront costs for NEXT throughout the year, have impacted our RUGS results throughout the year. As we have been successfully addressing the issues at hand, we remain confident about the long-term potential of the division.

In 2019 Balta embarked groupwide on NEXT, our three-year transformation and earnings enhancement program. Through NEXT, we aim to unlock the full value of our businesses and are confident about the significant impact the program will have on our earnings in 2020 and beyond. There has been good progress in executing the program, with the first set of initiatives fully implemented and starting to contribute to our results.

Our business realised solid top-line growth in both our Rugs and Commercial divisions. We implemented several structural margin-enhancing initiatives across our businesses (such as price increases, product mix improvements and cost reduction initiatives through the Lean programs across our sites) all of which will continue to deliver going forward.

With the new and expanded management team in place since last summer, we will continue to focus on a solid execution of NEXT going forward."

Cyrille Ragoucy,
CEO

STRATEGIC PRIORITIES

Looking forward, we have identified three strategic priorities which we believe are crucial to drive the long term value of our businesses:

NEXT[1]

Our two key growth drivers are the e-commerce channel and a direct route-to-market approach to architects and designers in Commercial Tiles. These will help us to deliver annual sales of €85m by 2021 versus 2019.

After overcoming initial pain points in the supply chain process in 2019, we now have a fully operational e-commerce fulfillment center for Rugs in the USA and are expecting solid growth in 2020-2021.

Our direct route-to-market initiative in Commercial Tiles focuses on high-growth segments (multi-family, education, government) which already represents 35% of our US sales. This contributed strongly to our top-line performance in 2019 (+€10m) and will represent significant additional sales over the next few years.

Three key levers to improve our margins are Lean, supply chain and procurement.

The Lean program has been rolled out across all our plants, generating a margin improvement of €6m in 2019. We are expecting an additional €7m benefit in 2020 from the Lean program.

In our supply chain, we were able to reduce our Rugs inventory relative to sales by up to 12% in 2019. On-going complexity reduction has helped us to reduce the number of SKUs (most individualized Stock Keeping Unit with single dimension and quality) in Residential by 10% in 2019 and the approach will be extended to all product lines.

In procurement, we were able to deliver €4m savings in 2019 and expect another €3m in 2020.

Environmental, Social and corporate Governance (ESG)

Sustainable and recyclable products are increasingly a key enabler for success with customers. We appointed a Head of Innovation and Sustainability in October 2019, who reports directly to the Management Committee.

Our 'Design to Recycle' objective drives the entire product development pipeline. Successful development of mono-polymer polypropylene and polyester rugs with certified recycled content was presented at Domotex 2020.

Clear objectives for emissions and waste (a 30% reduction in carbon dioxide emission and water consumption versus 2018, all waste fully recycled) have been defined with a quarterly review at the Management Committee to track and accelerate progress.

Good progress has been made in the last two years on safety awareness at the workplace with the launch of our five ''Golden Safety Rules''. Our goal is for zero harm and a mid-term objective to reduce our lost time accidents (LTA) injury rate below one.

Digital Transformation

Digital transformation encompasses all our product lines and processes, from production, to supply chain, planning and sales.

Our Chief Transformation Officer, a member of the Management Committee, is also appointed as Head of Digital Transformation across the Group.

In our Commercial business, we developed several digital initiatives to enhance the experience of the architect and designer community, who have high service expectations and need real-time creative solutions such as on-line sample ordering and visualization tools.

In our operations, digital transformation includes connecting plants, processes and people. It is a key element of several modules of our Lean program (maintenance for example).

1 We refer to the Glossary to define the NEXT Key Assumptions and NEXT Impacts

2019 FINANCIAL REVIEW

Balta delivered full year 2019 consolidated revenue of €671.2m, up 3.9% versus 2018 and Consolidated Adjusted EBITDA of €74.4m, down 5.7% year on year on a like-for-like basis[1]. Consolidated Adjusted EBITDA margin of 11.1% was down from 12.2% the year before on a like-for-like basis[1], reflecting the lower margin in our Rugs division, partly the result of negative one-offs, which were not fully offset by the solid Adjusted EBITDA growth in Commercial and Residential.

FINANCIAL REVIEW BY DIVISION

Rugs

In Rugs, full year revenue of €213.0m was up 7.4% year on year. From a regional perspective, Europe showed double-digit growth, with North America broadly flat and rest of world below prior year.

In North America, 2018 revenue had been impacted by the loss in "share of wallet" with two home improvement customers. For the 2019 outdoor season, we regained part of that loss and were able to secure stable share for the 2020 programs. In 2019, we made progress with our US e-commerce business and started shipping from our dedicated state-of-the-art warehouse in Savannah, Georgia (USA). North American sales through the e-commerce channel remained below our initial expectations as we encountered a few operational challenges with the ramp up. In Europe, after a difficult 2018 for retailers in general, our sales across our key European markets grew significantly in 2019.

Full year Adjusted EBITDA declined from €29.0m to €16.8m on a like-for-like basis[1] with an Adjusted EBITDA margin of 7.9%, down from 14.6%. Against the backdrop of higher raw material costs and a competitive trading environment, the lower Adjusted EBITDA included investments in NEXT initiatives as well as several negative one-offs, such as temporarily higher production costs in the first half of 2019 due to exceptionally high plant occupancy and exceptional sales discounts in relation to issues with packaging in US e-commerce.

1 Like-for-like IFRS 16 adjustment on FY 2018 Adjusted EBITDA

In the fourth quarter, revenue in Rugs was 8.2% below the fourth quarter 2018, as our key US customers pushed the first shipments for next season's US outdoor programs into 2020 and the ramp up of e-commerce sales remained below our initial expectations. In Europe, revenue grew mid-single digit versus the fourth quarter 2018. Fourth quarter Adjusted EBITDA margin of 10.1%, though higher than the full year 2019 average, was down from 18.2% in the fourth quarter 2018 on a like-for-like basis[1]. The timing of the US outdoor roll-outs and lower than expected e-commerce sales, in comparison to the cost of the infrastructure already in place in anticipation of future growth in the e-commerce channel, weighed on our Rugs margin.

Commercial

The Commercial division realised full year revenue growth of 9.7%, posting full year revenue of €235.6m. In the US, our business realised double-digit growth, as we have continued to take share through our investments in sales resources and focus on new segments outside offices. As a result, revenue for the US business is now more than 40% higher than when we acquired the business and has improved margins. In Europe, revenue declined in a competitive market where volume loss was only partly offset by mix and price improvements as we continued to focus on growing our direct route to market with architects and designers.

Full year Adjusted EBITDA increased by 13.7% to €40.5m on a like-for-like basis[1]. Adjusted EBITDA margin further improved year on year to 17.2% versus 16.6% in 2018 on a like-for-like basis[1], in spite of investments into growth initiatives, as a result of price increases, focus on product mix and the first impacts from cost saving initiatives.

In the fourth quarter, Commercial revenue grew 4.1% driven by the double-digit growth of our US business. Fourth quarter Adjusted EBITDA margin was 17.6% vs. 16.9% in the fourth quarter 2018 on a like-for-like basis[1].

Residential

Residential's full year revenue reduced by 5.8% to €194.4m. The performance reflected both our focus on higher margin collections and the challenging trading environment across our key markets both in the UK and Continental Europe. While our overall top-line declined, sales of higher margin broadloom products grew mid-single digits in 2019. Higher margin products now represent 37% of Residential sales versus 33% in 2018 and 7% four years ago.

Full year Adjusted EBITDA of €15.1m was up from €11.8m on a like-for-like basis[1] versus the prior year. Residential Adjusted EBITDA margin of 7.7% improved from 5.7% on a like-for-like basis[1] driven by our continued focus on growing our share of higher margin products, price increases in Continental Europe and our efforts to increase cost competitiveness. Adjusted EBITDA included a net benefit of €2.0m from the release of accruals in the first half of the year and an additional one-off of €0.6m in the fourth quarter of the year.

Fourth quarter revenue saw a decline of 13.7%, mainly driven by lower sales in the UK, as the pre-Brexit stocking by some of our customers in the third quarter reversed in the fourth quarter of the year. Despite the lower sales, our fourth quarter Adjusted EBITDA margin of 7.8% was up from the 5.2% realised in the fourth quarter 2018 on a like-for-like basis[1], driven by the aforementioned price increases in Continental Europe and our focus on high margin products and cost reductions.

OTHER FINANCIAL ITEMS REVIEW

Non-recurring items below Adjusted EBITDA

Several non-recurring items had a material impact on our 2019 net income. The impact of these events amounts to a net expense of €6.6m (€0.18 per share), as compared to €7.7m (€0.21 per share) in 2018. The expense in the current year is mainly driven by advisory fees related to the NEXT program.

Bentley® - Outlier Habitat

Net financing costs

The net finance expense amounted to €25.2m, primarily the interest expense on external borrowings. Compared to prior year, the net financing cost decreased as a result of favourable foreign exchange rate differences on intercompany transactions, offset by increased financing expenses as a result of applying IFRS 16.

Taxation

The Group reported income tax income for the year of €7.4m based on profit before tax for the year of €3.0m. The tax income is mainly driven by the recognition of previously unrecognised tax losses as a result of the alignment of the intercompany financing to the enacted tax legislation.

Earnings per share

Earnings per share are equal to €0.29 in 2019 compared to €0.20 in 2018.

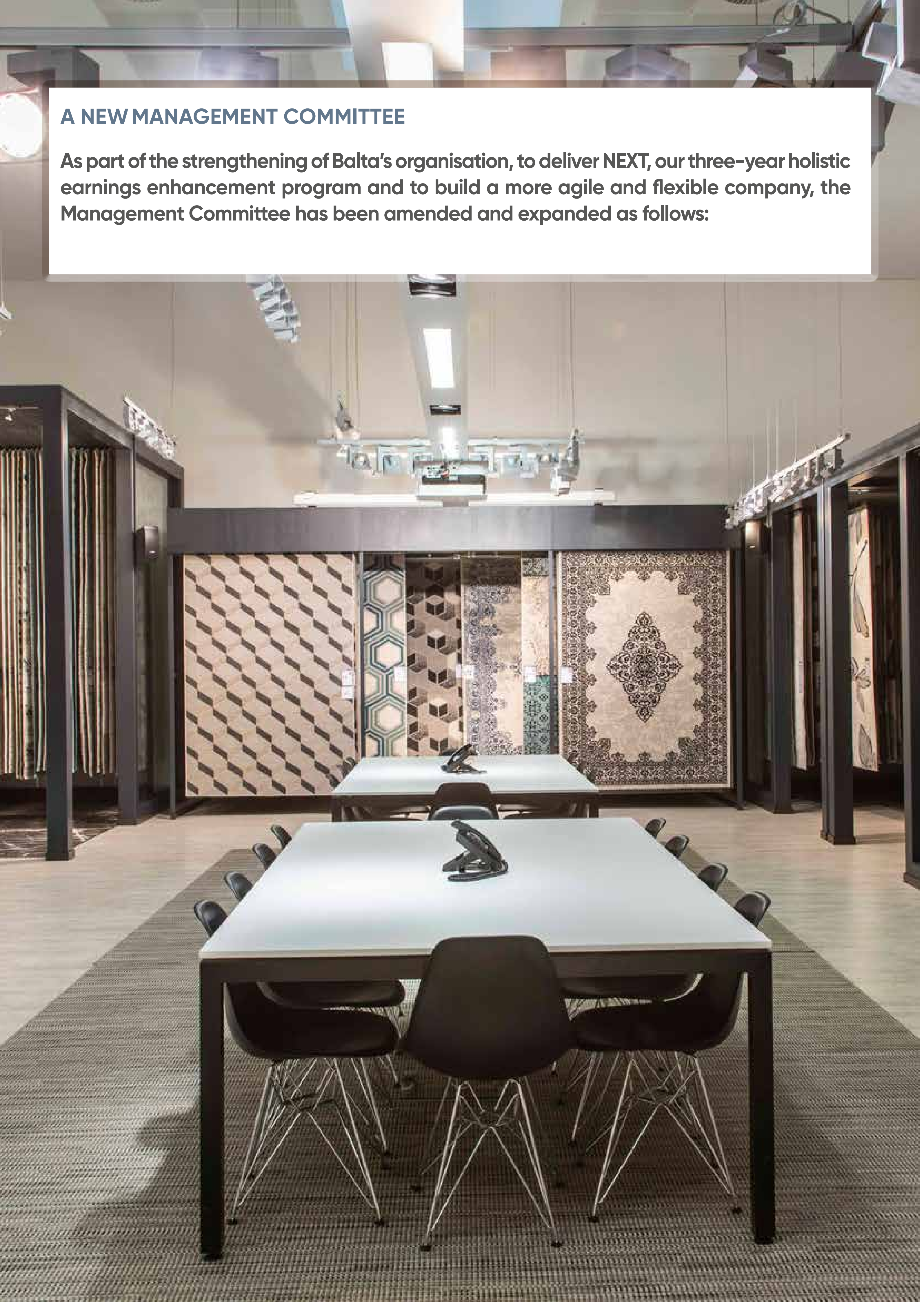
Dividend

Given our investments in growth and cost saving initiatives in our NEXT Program, combined with our Leverage exceeding 3.0x at year-end, the Board will propose to the AGM not to pay a dividend for the year.

Cashflow and Net Debt

Reported Net Debt at the end of 2019 of €313.7m includes a €44.7m IFRS 16 impact. The reported figure in 2018 was €261.9m without IFRS 16 and is not comparable. Leverage has increased from 3.6x at the end of 2018 to 4.0x on a like-for-like basis[1], mainly as the result of the lower Adjusted EBITDA. Our Net Debt increase of €7.1m is fully explained by the non-recurring NEXT advisory fees and capex related to NEXT.

1 Excluding impact of IFRS 16



A NEW MANAGEMENT COMMITTEE

As part of the strengthening of Balta's organisation, to deliver NEXT, our three-year holistic earnings enhancement program and to build a more agile and flexible company, the Management Committee has been amended and expanded as follows:

Cyrille Ragoucy, is the CEO of Balta. He has more than 25 years' experience in senior management positions. His last operational position, before 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.

Jan-Christian Werner, was appointed Chief Financial Officer in July 2019 after previously heading the Group Controlling and Reporting at Balta andhas extensive experience in Corporate Finance as well as Financial Controllership at international stock market listed companies. Before joining Balta in February 2019, Mr Werner was leading the finance organisation for the EMEA region at Orion Engineered Carbon for five years and afterwards spent one year as acting CFO of AvesOne AG, a listed Investment holding company.

Marc Dessein is Managing Director of Balta home. Mr Dessein has worked for the Balta 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 Balta and prior to that Export Sales manager. From 1985 to 1992 he held sales and management positions at Pfizer, Radar and Sun International.

Jim Harley joined the Management Committee as President of Bentley Mills in the USA. Jim, a seasoned industry executive, rejoined Bentley in February 2013 as Chief Operating Officer, and took the helm as President in November 2017. Jim has earned a distinguished reputation in the floorcovering industry. He started his career with Bentley more than 32 years ago, as part of the management team that built the company from a small start-up carpet manufacturer in 1980 into a brand widely recognised for its innovative design, high-quality products and excellence in customer service. He returned to Bentley in 2013 after spending eight years in executive roles at Tandus (now Tarkett), Monterey Carpets and Chroma Systems.

Oliver Forberich joined Balta in September 2019, as Managing Director of Balta carpets, ITC and arc edition. Before joining Balta, Mr Forberich worked at Bekaert where he was Chief Marketing Officer and Senior Vice President Stainless Technologies. Mr Forberich spent twelve years at Bekaert in different leadership roles covering various geographies. Before Bekaert, Oliver also held several executive roles at Schott AG.

Stefan Claeys joined Balta in April 2019 as Managing Director of modulyss, our European commercial brand for carpet tiles. Stefan has worked for the last five years at Beaulieu as the General Manager of the Technical Textiles Division. Before Beaulieu, he spent ten years at the Wienerberger Group in various leadership positions including Director Corporate Marketing and Export, CEO of Wiekor in Poland and Product Group Business Manager.

Kris Willaert joined Balta in June 2019 as Group HR Director. Mr Willaert has previously served in international HR executive roles at KONE International, MasterCard Europe and Lloyds Pharma.

Emmanuel Rigaux joined Balta in October 2019 as Chief Transformation Officer. Mr Rigaux has spent 20 years at LafargeHolcim in various leadership positions, most recently as Head of West and Central Africa. During his time at LafargeHolcim, Mr Rigaux has gained extensive experience in leading several transformation programs. Before his time at LafargeHolcim, Mr Rigaux spent two years at Boston Consulting Group.

Business Insights

As the Rugs division of Balta, we are a vertically integrated rug manufacturer that, to a large extent, produces our own yarn. Alongside our machine woven rugs, we also sell exclusive handmade collections through our Papilio® brand.

Operating in the mid-tier of the market, we are recognised as a leader and are renowned for our ability to respond quickly to the latest trends in the interior decoration sector. Driven through a high renewal rate that sees around 20 – 30% of our portfolio refreshed annually, we offer our customers a continual stream of new constructions, colourways and designs.

Nowhere is this more apparent than in the introduction of our New Generation collection: a wide range of single material rugs made from 100% polypropylene or polyester. Made possible through our vertically integrated approach to production, the single material construction streamlines production, eliminates glue from the manufacturing process and makes recycling simpler. This innovative production process is a fundamental breakthrough in rug manufacturing and unique to Balta home. As a perquisite, these New Generation rugs are also machine washable, bringing added convenience to the consumer.

This year we have also brought a number of collections with novel yarn blends of polypropylene and polyester to market, bringing a softer and more supple product with a textilelike quality. Maybe a less fundamental innovation than our New Generation collection, but underlining that we are constantly looking for improvements in product appeal wherever possible.

In 2019, we have realised good top-line growth, winning back "share of wallet" in the USA, and in April we celebrated the opening of a large e-commerce fulfilment centre for the country in Savannah, Georgia. Operating as a warehouse and direct to home service for online retailers, including several national brands, the centre is capable of rapidly shipping orders to consumers across the USA.

Of course, it is the responsibility of any manufacturer to ensure that we reduce the environmental impact of our operations and so we have continued to focus on making our processes and products more sustainable. Our New Generation rugs are a prime example of this effort. For one of our largest customers we have removed virgin grade polyester from production, exclusively using recycled material across the entire product line.

Marc Dessein,
MD Balta home

"WE WILL DELIVER SHARP FOCUS ON THE GROWTH OF OUR E-COMMERCE ACTIVITY, AS WE BELIEVE IT REPRESENTS A SIGNIFICANT OPPORTUNITY FOR THE GROWTH OF BALTA HOME."

Continuing on the product perspective for the year ahead, we will bring more single material qualities to the market under New Generation, as well as add new depth to our portfolio with ranges in an entirely new production method: Gobelin weaving. These novelties represent our continued effort to create distinction in the marketplace through product innovation.

From a business angle, as well as maintaining our excellent relationships with our broad customer base, we will deliver sharp focus on the growth of our e-commerce activity, as we believe it represents a significant opportunity for the growth of Balta home.

This division of Balta operates in the residential and commercial broadloom and non-woven sector.

In residential carpet we have two well-established and strong brands, Balta carpets and ITC. Balta carpets produces tufted and woven wall-to-wall carpet and has built a strong following in the UK through its StainSafe brand of polypropylene carpets, as well as its Satino range of polyamide styles. ITC produces tufted wall-to-wall carpet in polyester and polyamide and holds a leading position in continental Europe and the Middle East. Through both brands, we are regarded as a preferred partner in product and service.

Oliver Forberich,
MD Balta carpets, ITC, arc edition and Captiqs

"WE WILL CONTINUE TO DEVELOP OUR DIRECT APPROACH, ESPECIALLY IN THE HOSPITALITY SEGMENT, TO FURTHER GROW OUR BUSINESS THROUGH TECHNOLOGIES SUITABLE FOR WORLDWIDE CONSUMPTION SUCH AS CHROMOJET PRINTED CARPET AND TILES."

Our arc edition brand is focused on the commercial broadloom sector, offering carpets for the office and hospitality segments and holds a strong position in Central Eastern Europe. Through our innovative high-definition print Chromojet technology, arc edition specialises in patterned polyamide carpets and offers a custom program for architects and designers.

Our non-woven business provides solutions for exhibition carpet, needle felt backings for carpet and vinyl floors and technical non-wovens for automotive and construction through our Captiqs brand.

Throughout all businesses, our focus remains product innovation, which was clearly demonstrated in 2019 with the launch of several new collections with the Pro Nature collection being one of the highlights. This breakthrough flat woven carpet comes with a European fire certificate to open up new opportunities in the commercial segment. Other launches included a new top-of-the-range residential offer for ITC in solution dyed polyamide called Eternity and the further expansion of high-value products such as Satino and Wild Luxury.

We have also placed an increased focus on the sustainability of our products, introducing qualities made from ECONYL. This polyamide fibre is made from reclaimed fishing nets and helps to clean our oceans of waste. We are also working on the development of an easy to recycle wall-to-wall carpet. With these innovative solutions we are focusing on one of the biggest challenges in sustainability for the flooring industry – what happens to products at end of life.

Plans for the near future in our residential businesses include the continued progression of our NEXT program with, for example, LEAN projects that will ensure that our production platform becomes more efficient and flexible. We will put our efforts in growing our business outside Europe and we will further extend our footprint in high-end solutions such as solution dyed nylon carpet and the introduction of the concept 'sheet and tiles' in residential.

For our commercial business, we will continue to develop our direct approach, especially in the hospitality segment, to further grow our business through technologies suitable for worldwide consumption such as Chromojet printed carpet and tiles.

Modulyss makes high-quality carpet tiles from its production facility in Belgium, for the international commercial segment. Alongside our main European regions, we also sell products in the USA (through Bentley Mills), Asia Pacific, Latin America and the Middle East.

At the heart of the business remains our desire to inspire people with unique carpet tiles that offer solutions to issues such as space design, acoustics and well-being, as well as that provide a more sustainable choice. We continue to challenge competitors by bringing products that perform, represent excellent value and deliver unique design.

In product design, modulyss differentiates itself by focusing on stories, the narrative behind products, developing ideas and concepts that help designers formulate aesthetic proposals for each and every project. Examples of this include Handcraft, Delight and the &-collection.

As an example, our &-collection series of carpet tiles sees a new addition launched on an annual basis. The & moniker is a signal of a design's ability to be mixed with any other from the series. Through coordinating colours, it is a concept that allows interior designers and architects to easily create different layouts.

This year, the &-collection has been boosted with Fluid&, an organic design that sees us employ Chromojet technology. Having access to this technology brings further strength to our position as a carpet tile manufacturer that can challenge in every aspect.

Stefan Claeys,
MD modulyss

"We continue to challenge competitors by bringing products that perform, represent excellent value and deliver unique design."

As well as great design, we've also seen improvements to the function of our carpet tiles with the introduction of comfortBack, a 90% recycled polyester backing that improves wellbeing through underfoot comfort and sound reduction. Another innovation, Flex Fitters, has also seen us make the fitting of modulyss carpet tiles easier. The tab system eliminates carpet tile adhesive for a faster, more flexible and easy to remove installation that also benefits from Volatile Organic Compounds (VOCs).

On the operational side of the business, we have focused on strengthening our field-based sales force across territories so that we can engage with the architecture and design community with increased focus.

Sustainability continues to be a major focus for modulyss, not only in product composition and production, but also in the well-being of those that experience modulyss carpet tiles. Through recycling internal waste into new products, innovations such as comfortBack, the use of ECONYL yarn made from fishing nets, membership of the Healthy Seas program and our CO_2RE carbon initiative, we have taken great strides in sustainability.

In the first quarter of 2020 we have developed a new carpet tile backing that replaces bitumen in our products. Representing a significant step in product development, this work is running alongside our research into end-of-life solutions for the repurposing of our tiles.

Creating a sustainable operation is also a responsibility to our immediate community and, in working to change awareness within the company, we have focused on these too. Every staff member has been gifted their own named reusable water bottle, cutting down on single-use plastic but also continuously reminding us to act with the environment in mind. Our efforts in the community include providing life-saving Automated External Defibrillator (AED) equipment.

For the year ahead, we will continue working on strengthening our relationships with the architecture and design community, not only through product development, but also in the services we provide. From trace and track for samples through to the response time on enquiries, we will be making a suite of behind the scenes changes, while our website will be developed to integrate better into the workflows of architects and designers. It is all about providing a good experience for anyone coming into contact with modulyss, no matter where in the world.

Based in Los Angeles, California, Bentley Mills is our U.S. commercial tufting, focused on modular and broadloom flooring for commercial end use segments. The Bentley brand is synonymous with exceptionally high-end aesthetics, superior quality and boutique service.

With its strong core of medium to high-end commercial business, Bentley has not lost sight of the need to remain flexible and responsive to ever-evolving conditions. Currently, two thirds of our business is focused on the corporate end use segment, but building the product offering to embrace other segments such as education, wellness, multi-family and government is key to successfully building upon the strong, existing foundation.

Along with Bentley's enviable reputation, this effort allows Bentley to supplement its existing, highly accomplished sales team with an additional group of curated segment leaders who will be key in expanding Bentley's hold into segments that will balance its portfolio and future economic swings.

Creative thinking like this has also led Bentley into double-digit growth over the last six years. By identifying new areas in which Bentley can be an industry leader, its focus now includes finding more advanced solutions for sustainable stewardship. Innovations in the reduction of environmental impacts from the manufacturing process is imperative. Lower raw material consumption, improved energy efficiencies, and elevated recycled content, which now accounts for 40% of our total material composition, is a strong push to being true and transparent to the consumer.

Sustainability has not only been a key driver in finished products, but also in operations. Within the last year Bentley has recorded a 25% reduction in electricity consumption after a campaign to convert to LED lighting throughout its facility in 2018. It is important to note that since 2015, demand on the plant has increased by 57%, but for every square metre of carpet produced there has been documented consumption reductions of -32% on electricity, -33% on water and -32% on natural gas. For the 2020 environmental initiative, Bentley is researching the possibility of installing additional solar panels to further reduce the reliance on non-renewables.

Doubling revenue in the last six years has allowed for healthy investment, both in manufacturing technology and in recruiting the best individuals to represent and enhance the brand. By adding the latest tufting innovations, Bentley can continue to deliver highly styled, quality products and services to our customers. This in turn creates an attractive environment for desirable talent that will continue to build brand recognition and loyalty, both internally and externally.

Bentley's design team has focused the past year on building a solid flow of commercial product launches that will continue to bolster the brands, while at the same time, designing products to meet the specific requirements of the targeted expansion sectors of government, education and wellness. These efforts are being accompanied by a healthier investment in the development and coordination of LVT (luxury vinyl tiles) within the product offering.

Jim Harley,
President
Bentley Mills

"By adding the latest tufting innovations, Bentley can continue to deliver highly styled, quality products and services to our customers."

In line with continued innovation across the brand, the design team has already planned 30 new products for 2020 that include unique and specifiable attributes in tufting and fibre technology. At the same time, the team is identifying new ways to decrease development time in order to allow for products to hit key order windows within all new and existing sectors.

Safety continues to be a key initiative. The health and safety of all employees is of utmost importance. Bentley is striving to create an environment where employees can not only work safely but can also thrive and grow with the brand. Employee wellness is paramount in worker retention, product output and overall brand strength.

In all, Bentley is striving to look inward as well as outward to make improvements to our brand, our community, our environment and our bottom line.

Balta is a leading producer of textile floor coverings. With a consolidated revenue of €671m and 3.926 employees, its products are manufactured in 9 locations and sold to 126 countries globally. Since June 2017, Balta Group NV has been a public company listed on Euronext Brussels.

THE GROUP
at a glance

REPORTING SEGMENTS

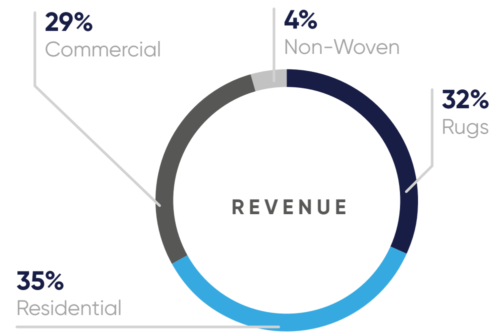
RUGS | RESIDENTIAL | COMMERCIAL | NON-WOVEN

Balta has four reporting segments:

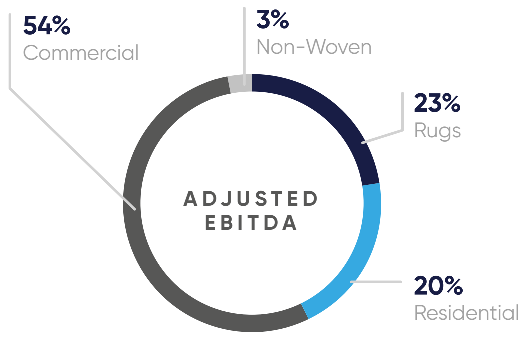
- **Rugs**: woven and tufted area rugs, under the Balta home brand.
- **Residential:** wall-to-wall carpet and carpet tiles for private use, through the brands Balta carpets, ITC and Balta carpet tiles.
- **Commercial:** wall-to-wall carpet and carpet tiles for commercial use under the brands arc edition, Bentley and modulyss.
- **Non-Woven:** needle felt, carpet backing and technical non-wovens under the Captiqs brand.

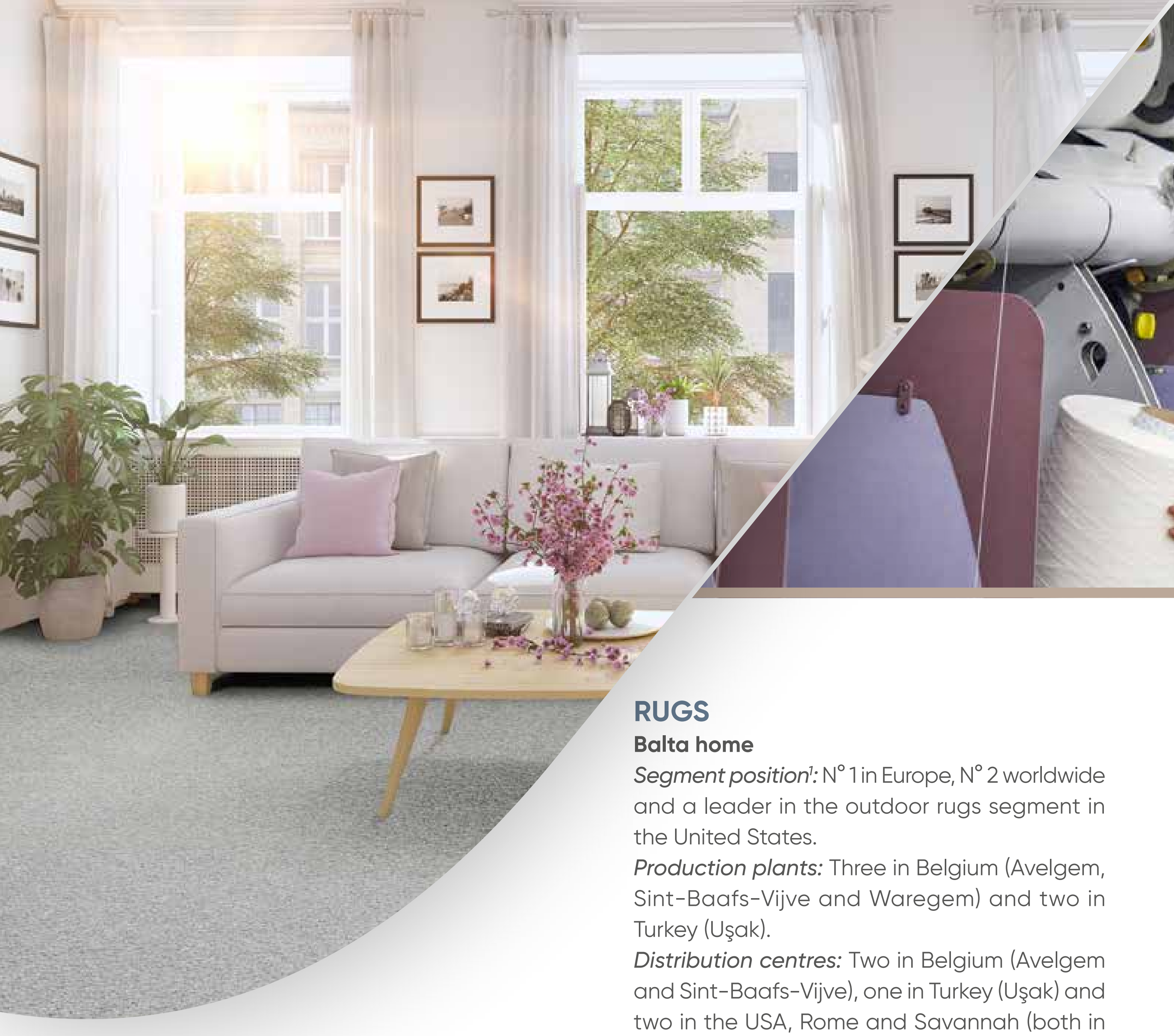
Our traditional core markets include the United States, the United Kingdom, Germany, France, and we have a significant presence in Central and Eastern Europe.

Revenue 2019 per reporting segment



Adjusted EBITDA 2019 per reporting segment





RUGS

Balta home

Segment position[1]: N° 1 in Europe, N° 2 worldwide and a leader in the outdoor rugs segment in the United States.
Production plants: Three in Belgium (Avelgem, Sint-Baafs-Vijve and Waregem) and two in Turkey (Uşak).
Distribution centres: Two in Belgium (Avelgem and Sint-Baafs-Vijve), one in Turkey (Uşak) and two in the USA, Rome and Savannah (both in Georgia).
Distribution channels: major international retailers (such as home improvement, furniture, specialists, discount and DIY stores),
e-commerce players and wholesalers, with whom we have long-lasting relationships.
Brands: Line A®, Berclon®, Papilio®
Websites: www.balta-home.com and www.papiliorugs.com

Balta home is a global player in machine-woven and tufted rugs for indoor and outdoor use.

An experienced development team is continuously working on new market-oriented collections, designs and colours to meet the requirements of all customers.

1 Management estimate

Balta home, with its state-of-the-art production facilities in Belgium and Turkey and distribution centres in the USA, is well-known throughout the world for its creativity, know-how, innovation, quality, service and broad product range.

We acquired the handmade and natural rugs collection of the Papilio® brand. Internationally known for its innovative, stylish design rugs, we are building Papilio® as a new brand within the Balta home division.

Papilio® handcrafted rugs form a complementary range. They are designed in Belgium in close consultation with our customers and hand-crafted in different countries around the world such as India and China.

RESIDENTIAL

Balta carpets and ITC

Segment position[1]: Leader in Europe with top positions in the UK (Balta carpets), Germany and Central Eastern Europe (ITC).
Production plants: Sint-Baafs-Vijve and Tielt in Belgium.
Distribution centres: Sint-Baafs-Vijve and Tielt in Belgium.
Distribution channels: major retailers and wholesalers, such as specialised 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®
Websites: www.balta-carpets.com and www.itccarpets.com

Balta carpets is the European leader in the production of tufted and woven polypropylene broadloom carpet. The European market is predominantly renovation-driven and to a lesser extent driven by new-build. The 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; here we believe we are leader by volume.

ITC is the European leader in the production of tufted broadloom polyamide carpet and 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.

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

With Balta carpet tiles, we offer a wide range of multi-functional Luxury Carpet Tiles (LCT® First) for use in homes. The use of modular flooring in the home is clearly on the rise due to being easy to handle, fit and replace. Unique laying patterns and exciting combinations are also made possible through these carpet tiles.

COMMERCIAL

Modulyss
Segment position[1]: N° 3 in Europe.
Production plant and distribution centre: Zele in Belgium.
Distribution channels: architects, designers, contractors and distributors (offices, education, health care and hospitality).
Brands: Modulyss®, LCT Pro®
Website: www.modulyss.com

Modulyss designs and manufactures modular carpet tiles for international contracts and targets architects and designers looking for high-quality, trend-focused floor coverings. Thanks to the sophisticated manufacturing process, modulyss carpet tiles offer exceptional performance and design. Available in a variety of colours, structures and patterns that enhance creative possibility, modulyss carpet tiles are the ideal solution to give a floor style and exclusivity. The demand is mainly refurbishment-driven and to a lesser extent, new-build.

Bentley
Segment position[1]: a leader in the premium US commercial segment.
Production plant and distribution centre: Los Angeles in the USA.
Distribution channels: architects, designers and contractors (offices, education, health care and hospitality).
Brand: Bentley®
Website: www.bentleymills.com

2019 has proven to be a year of evolution for Bentley®. As the brand cements its identity and heritage through unparalleled products, programs, and platforms; the past year has also unveiled a broader grasp of expansion and inclusion.

For more than 30 years, the Bentley identity - style, service, quality and partnership - has been the driving force behind Bentley. Backed by an industry-leading design team recognised for consistent innovation, Bentley is a leading producer of award winning, premium carpet tile and broadloom for commercial interiors.

Bentley 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 product offer for its end user clients. Bentley's impressive growth is fuelled by significant investments in its highly efficient LEED (Leadership in Energy and Environmental Design) Gold production facilities.

Bentley continues to broaden its horizons with the launch of a loose-lay LVT product for the commercial segment. This addition to the LVT offering puts Bentley in a position to be a competitive force in the hard surface arena.

As Bentley begins to partner and pair with the modulyss product line, it recognises and includes modulyss within marketing signatures and collateral. This marks the collaboration in development between these two elite brands.

arc edition
Segment position[1]: one of the leaders in Europe, with a top position in Central Eastern Europe.
Production plant and distribution centre: Tielt in Belgium.
Distribution channels: commercial customers (including offices, education, health care and hospitality), specialised retail groups and wholesale.
Brand: arc edition®
Website: www.arcedition.com

Arc edition provides innovative high-quality wall-to-wall carpet for commercial environments, enabling flooring professionals, architects, designers and specifiers to explore the creative potential of performance flooring. Through the service collection, the brand provides a wide choice of in-stock carpets suitable for use in demanding commercial environments, as well as the freedom of bespoke Chromojet-printed carpet.

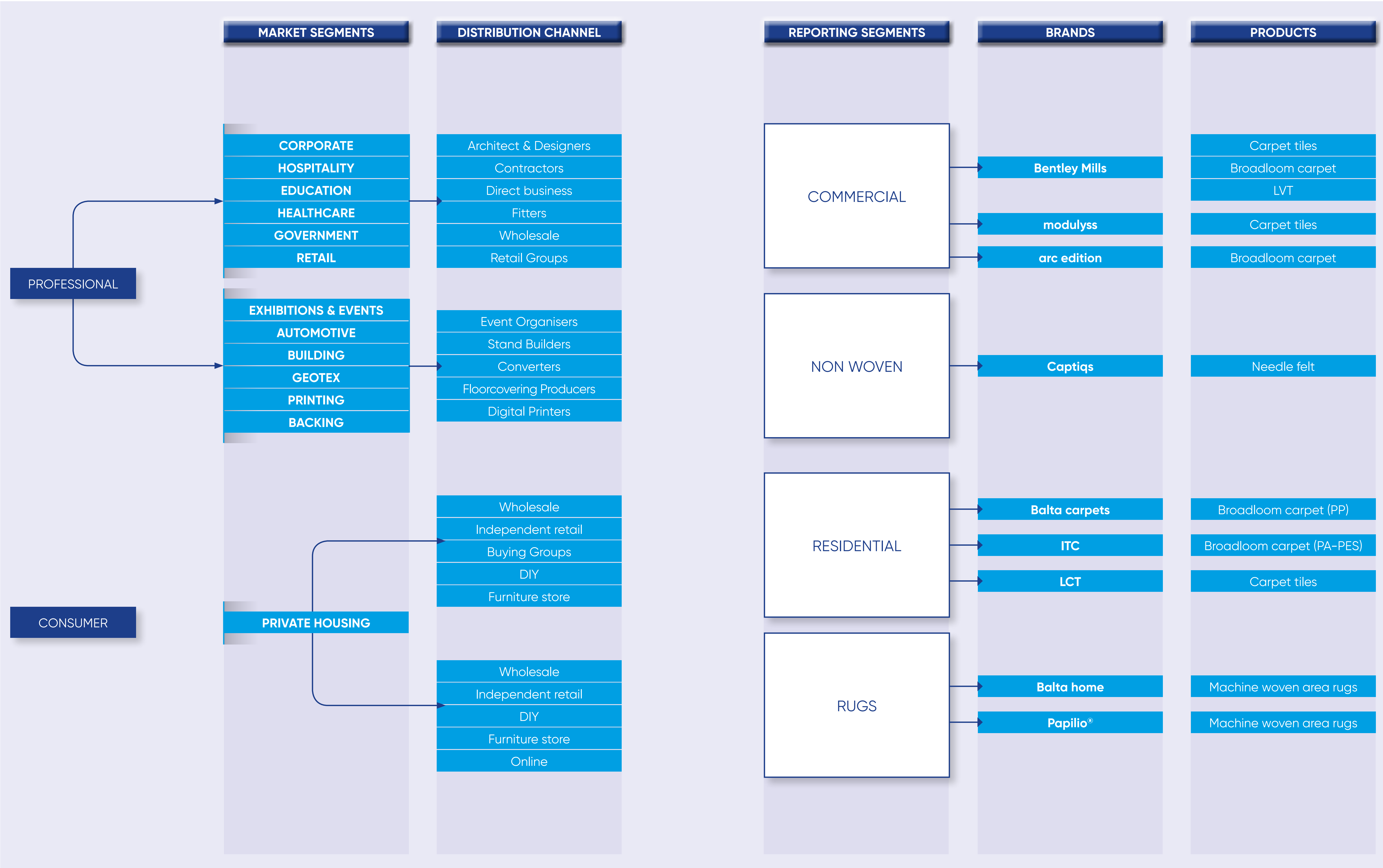
NON-WOVEN

Captiqs
Segment position[1]: European mid-level player.
Production plant and distribution centre: Oudenaarde in Belgium.
Distribution channels: specialised B2B converters, event organisers and traditional distributors.
Brand: Captiqs®
Website: www.captiqs.com

Captiqs is a key European producer of technical and residential needle punched non-wovens, made from virgin and recycled polypropylene and polyester staple fibres. 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, it produces needle-punched, breathable, bonded non-wovens to meet its customers' needs.

Our polypropylene-related business is vertically integrated to offer control at every stage of the production process, from raw material to finished non-wovens. All of our operations are compliant with both the ISO9001 and ISO14001 management systems.

Our flooring solutions



3,926
Total number of employees (31 December 2019)

47
Number of nationalities

114
Countries we sell into

1,003,100 m²
Total manufacturing footprint = 200 football pitches

€671m
Revenue 2019

61,150
Solar panels on 5 factory roofs in Belgium

33.7 ha
Factory roof

67
Football pitches

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

-5.05 million kg
CO_2 per year

HIGHLIGHTS
2019

JANUARY
Arc edition and modulyss co-exhibited at BAU, a European leading trade fair for architecture and materials in Munich, Germany, showcasing new innovations such as the Delight collection and a preview of the Fluid& collection.

At Domotex in Hannover, Balta home showed more than 800 newly developed rugs. 'The New Generation' rugs collection supported by a video explaining the many benefits, including their sustainability as they are made from a single-material, are easy to recycle, fold and wash. Papilio® showed an impressive and completely new collection of creative, hand-woven and natural rugs.

FEBRUARY
The weaving and latex departments at Balta Turkey celebrated one year of being completely accident free at work.

This was achieved by the successful implementation of 'One Balta for Safety' to all employees with the help, support and leadership of the health and safety team. The building blocks have been laid to achieve an integrated and experienced safety culture across the Group in the coming years.

MARCH
New York Home and Textile Market was held in our Balta home showroom in New York with great response from attending customers. Combining all locations of all customers that attended the event, we reached 13,000 individual stores. Two collections were crowd favourites, Siroc and Timber. Customers were excited to hear about our growth plans, our new state-of-the-art facility in Savannah and the ability to service customers in a more efficient way.

We took the opportunity to inform our customers about the plants of our upcoming e-commerce program.

Digitalisation is one of the key priorities for Balta. We started strengthening our IT department with senior SAP experts to work on NEXT initiatives.

The implementation of the Lean program started in 3 plants (Sint-Baafs-Vijve, Tielt and Los Angeles) with the objective to roll out to all manufacturing plants. Any Lean program management system consists of three elements: well defined operating systems, collaborative mindset and behaviours and a clear set of management tools and infrastructure. The implementation took place in a series of 'waves' to move best practice from one plant to the next to leverage external and internal expertise. The full potential of our Operational Excellence enhancements will be unlocked in 2020 and going forward.

APRIL
Appointment of a new permanent CEO, Mr Cyrille Ragoucy. Mr Ragoucy joined Balta mid 2017 as Chairman of the Board. In August 2018, he assumed the role of interim CEO and was instrumental in developing our three-year holistic earnings enhancement program, NEXT.

MAY
For the first time, Balta introduced an indoor and outdoor flat woven carpet collection named 'Pro Nature' which has both the European fire class CFL S1 (EN13501-1) and the American ASTM (E648-08) Class 1 accreditation. This has enabled development for commercial applications.

JUNE
Balta home introduced its new 2020 ranges in advance to its customers in an early bird week event special. We launched 9 new collections, in our showrooms in Sint-Baafs-Vijve and Avelgem..This was to encourage customers to order earlier than usual, so the new ranges could be delivered before the high season peak in winter.

JULY

Balta announced a new amended and expanded Management Committee to deliver NEXT.

Balta home opened a new distribution centre in Savannah, USA, designed specifically to serve the e-commerce market. This new facility allows same day shipping directly to the consumer, and is well located to serve 70% of the American population within a 2 day window. Our improved e-fulfilment and delivery speed will undoubtedly facilitate the growth in the e-commerce segment.

AUGUST
Balta home has been granted the highest Oeko-Tex certificate (Oeko-Tex product class IV).

This certificate guarantees that all Balta home machine woven and tufted rugs surpassed the highest level of testing, including the strict criteria of the Greenpeace Detox regulations. Oeko-Tex is a recognised certificate across more than 60 countries worldwide and has been requested by more than 10,000 companies. Our entire Balta home collection is certified and we are proud to be able to assure our customers of the highest possible product standards.

SEPTEMBER

On 10 September 2019 Balta received the official Authorised Economic Operator (AEO) certificate from the Belgian Customs administration for both Balta Industries NV and modulyss NV. This AEO certificate allows us to operate more smoothly when exporting to non-EU countries. With fewer controls at the borders, we are therefore securing a continuation of our premium delivery service to our customers worldwide. We believe the AEO certificate will in the long term help us dealing with post Brexit export formalities to the UK.

As we strive to reduce our environmental impact, Balta has drastically reduced the road kilometres of its raw material supply chain, enabling a major reduction in CO_2 emissions. Since August 2019, 313 inbound containers from the port of Antwerp to Belgian production sites have been diverted from the road to river, reducing a roundtrip by road of 208km to just 6km. On a yearly basis, road kilometres for these 1,500 containers of raw materials will reduce by 97% from 312,000km to just 9,000km, resulting in a 72% reduction in CO_2 emissions, with an annual drop of 257 tonnes.

In the second half of September, modulyss opened 2 showrooms, in Ghent and Paris. The pop-up showroom in Ghent is located in the trendy Dok Noord neighbourhood, about 30 km from our plant in Zele. The showroom in Paris is in the Quinze-Vingts district, the design hub and creative heart of Paris. In addition to being a workplace for the marketing team, the Paris showroom is used as a meeting place for customers and staff.

A stable health and safety organisation was set up across the group with prevention advisors at each site and support at group level. Responsibility runs throughout the organisation at every level and workplace support is provided through safety coaches.

Showroom Ghent


Showroom Paris

Bentley Mills celebrated its 40th Anniversary with events in Washington DC and New York City. The Bentley brand is synonym to exceptional high-end aesthetics, superior quality and boutique service in commercial flooring.

OCTOBER

Our new Chief Transformation Officer (CTO) Emmanuel Rigaux, joined Balta completing the new and expanded Management Committee.

To improve our attractiveness in the recruitment market and to attract more applicants, we have set up a new employer branding campaign 'Grow your Talent', which highlights the varied opportunities for career growth at Balta. Our campaign attracts wide attention with our colleagues' portrait in blue carpet yarn hair.

We released a new jobs website www.baltajobs.com.

NOVEMBER

The modulyss Delight Collection received the 'Winner' label in the "Excellent Product Design – Building Elements" category at the German Design Awards 2019. This label is awarded to designs that feature particularly successful aspects or solutions.

GERMAN DESIGN AWARD SPECIAL 2019

DECEMBER

The 2nd International Open Week took place in the Oudenaarde showroom, showcasing innovations from all Balta brands with over 300 customers from 45 different nationalities attending.

SUSTAINABILITY Report

Our business model

STAKEHOLDERS

- EMPLOYEES
- SUPPLIERS
- CUSTOMERS
- INVESTOR COMMUNITY
- LOCAL COMMUNITIES
- REGULATOR & AUTHORITIES

We draw on

RESOURCES

INTERNAL

PEOPLE

KNOWHOW

MANUFACTURING

EXTERNAL

MATERIALS
- Natural
- Virgin
- Recycled

SOCIAL
- Stakeholders
- Legislation

FINANCIAL

CAPABILITIES

INNOVATION & R&D

EFFICIENCY & LEAN

HEALTH & SAFETY

GLOBAL COMMERCIAL REACH

PASSION & EXPERTISE

To provide our

PRODUCTS

RUGS

BROADLOOM

CARPET TILES

YARNS

LVT

SERVICES

MANUFACTURING

PARTNERSHIPS IN

- Technical support
- Logistics
- Marketing
- Design & creation

To create

VALUE

PEOPLE

Job creation/employment
Learning & development
Community engagement
Well-living

PLANET

Contribution towards recyclable economy
Reduction of material impact
(waste, emission, water)
Switch to renewables

ECONOMIC

Company growth
Tax contributions
Shareholder return

? HOW WE DO IT

- RESPONSIBLE SOURCING
- LEAN MANUFACTURING IN A SAFE & HEALTHY ENVIRONMENT
- SERVICING OUR CUSTOMERS AS THEIR TRUSTED PARTNER
- SHARING EXPERTISE & KNOWHOW TO CREATE A POSITIVE IMPACT ON SOCIETY
- CONTRIBUTING TOWARDS A CIRCULAR ECONOMY BY APPLYING THE PRINCIPLES OF "REDUCE", RECYCLE", "RECOVER"

PROSPERITY • GOVERNANCE • ETHICS • HUMAN RIGHTS • ABAC

Our contribution to the following UN SDG's

- 3 GOOD HEALTH AND WELL-BEING
- 5 GENDER EQUALITY
- 7 AFFORDABLE AND CLEAN ENERGY
- 8 DECENT WORK AND ECONOMIC GROWTH
- 11 SUSTAINABLE CITIES AND COMMUNITIES
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
- 13 CLIMATE ACTION
- 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
- 17 PARTNERSHIPS FOR THE GOALS

Here at Balta, we are committed to becoming more sustainable throughout our entire operation. From the resources we use, the manufacturing and the floor covering products we make through to our social, environmental and economic impacts; we aim to make a positive contribution. We can meet the future challenges and risks we will face as a company and provide consumers businesses floor covering products that create value in every aspect, while ensuring profitability for the shareholders. We break our mission down into a set of impacts defined under the principles of planet, people and prosperity. Through these principles we are able to address our three strategic priorities, identified as: (i) NEXT, (ii) Environmental, Social and Governance (ESG), and (iii) Digital Transformation.

PEOPLE

We are responsible for the well-being of our employees and committed to create a healthy and safe workplace for all employees, visitors and contractors with the goal of zero accidents. Through five 'Golden Safety Rules' and the 'One Balta for Safety' program we are delivering a cultural shift and a change in attitude to safety throughout the business, proactively reducing risk.

In our own manufacturing operations in Belgium, Turkey and USA, the safety and well-being of our employees is the primary goal for the business. Through the 'One Balta for Safety' program, established in 2018 and undertaken in 2019, we have continued to make improvements in our health and safety performance, building a safer working environment for our employees so that every colleague who starts the workday or shift can return home safe and healthy.

We want health and safety to be top of mind for every employee, so they share in the goal to reach zero accidents.

PLANET

We are aware of the risks we face as a business and are meeting the biggest global challenge climate change head-on. The impacts of climate change will be felt through many aspects of our business, including raw materials, potential water shortages, energy consumption and carbon tax. Looking for more sustainable materials and recycled alternatives, finding ways to create a closed loop product eco-system, through to reducing our water and energy consumption, moving to renewable energy sources and reducing waste at end-of-life are all positive contributions we can make to tackle the crisis.

Actions are being undertaken at our Belgian production sites to create a model for implementation in our other manufacturing locations. Our US plant demonstrates compliance with LEED systems. Our Belgian and Turkish plants are ISO 14001 compliant providing a framework for measurement of the environmental impact of our operations.

PROSPERITY

It is our aim to ensure that Balta not only runs its business in accordance with applicable laws, but also with the highest standards of integrity and ethical practice in all areas. With this at the forefront of our governance, we have developed policies for the legal, HR, finance, IT, HSE and procurement departments of our business. Throughout 2019 we continued to establish this framework through training to create a culture of compliance, giving employees the freedom to act and operate in their daily work and contribute to the success of Balta. We have put plans in place to address the gaps in compliance across various locations through a centralised approach so that all employees are clear in what it means to work for Balta.

2019 also saw us focus on the handling of data in compliance with General Data Protection Regulations ("GDPR') with a training program for our European staff. Its effectiveness has been considerable, with employees raising significantly more questions and issues relating to data compared to 2018. We will continue to increase awareness of information security throughout 2020.

We are acutely aware of Turkey's position as a country deemed high risk by Euromoney Country Risk , an online community of economic and political experts, and we make sure that ethical practices are always maintained. For raw materials sourced from India and Bangladesh, we carry out yearly audits, investigating all aspects of operations, from finances and working conditions through to human rights. We aim to develop a formal Code of Conduct for all our suppliers.

POSITIVE ACTIONS FOR PLANET, PEOPLE AND PROSPERITY TO BRING SUSTAINABLE CHANGE

Through our pillars of planet, people and prosperity, we can be fully aware of the positive contributions that Balta makes. In line with the guiding principles of the United Nations' Sustainable Development Goals (SDGs), we can address our role in achieving a better and more sustainable future, not just for our business and stakeholders, but also for the wider environment and cultures that inhabit it. As we look to make floor coverings that meet the needs of homes and businesses while driving genuine environmental, social and economic change, we will develop key performance indicators based on the parameters of SDGs that help to bring sustainable change to the business.

THE IMPORTANCE OF STAKEHOLDERS

We are aware of the importance of stakeholders in the future sustainability of our business and identify their expectations and requirements in our operations, while also working to ensure their needs are met at every opportunity.

Through SWOT analysis of how our activities impact stakeholders, we are able to prioritise the most meaningful projects.

Stakeholder	Key concerns	Communication	Strategy and actions
Internal stakeholders			
Shareholders and investors	Economic outcomes Risk management Information sharing	Investor relations meetings and calls General shareholder meetings	Stable profit generation Sustainable business future
Employees	Workplace health and safety Diversity and equal opportunity Training and career development Employee rights and benefits Labour relations	'One Balta for Safety' campaign Intranet for employees and digital information screens for production staff CEO lunches Balta Talks SENSOR survey with over 2,600 employees	Reduce workplace incidents with the goal of zero accidents Centralised formal training Talent management assessment Flexible working and working from home schemes Strengthening the presence of women in the workforce and on the Board of Directors 'Why Not You?' social project
External stakeholders			
Customers	Product quality and sustainability Service quality Correct information Communication Transparency	Websites for all business units Communication through service teams Open week including workshops and factory tours Technical downloads for commercial customers	Develop products to meet quality and sustainability expectations Dedicated service teams for business customers Digital transformation ISO 14001 certification Relevant 3rd party environmental certifications
Suppliers	Fair trade Shared growth Human rights protection Sustainable materials and production	Code of Conduct in development Child Labour Policy	C-TPAT membership Yearly supplier audits (high risk countries) Partnerships to develop new materials and technical innovation
Local communities	Local recruitment Local economy Local environment protection Charitable and social giving activities	Social media, online and offline media activity Local government consultation	New 'Grow your Talent' recruitment campaign Sound wall installation in Tielt Roundabout installation in Sint-Baafs-Vijve Oudenaarde water buffer basin "De Warmste Week" charity events Clean-up campaigns Partial funding of Uşak Organised Industrial Zone Textile Technology Vocational Technical Anatolian Secondary School (Turkey) Carpet donations to local charities (USA)
Regulator and authorities	Indirect economic effects Climate change Health and safety Compliance	Participate in consultative bodies	Building of compliance culture, with several policies and trainings 2030 climate actions 'One Balta for Safety' campaign

MATERIALITY

Many different social, environmental and ethical issues impact our business, either directly or through our supply chains. Consequently, we must manage a continually evolving set of issues, which we have identified on our Planet, People and Prosperity principles.

Stakeholder	People	Planet	Prosperity
External and internal stakeholders	Health and safety of our people and service providers (1.7)	Design to Recycle (2.1 and 2.7) Reduce environmental impact across the supply chain (2.12) Making products better for the planet (2.13)	Data protection and cyber security (3.5) Protection of human rights (3.6) No child labour (3.6) Community projects (3.8)
Internal stakeholders	Talent development (1.3) Well-being of our people (1.5) Diversity (1.6)	Reduce our impact on climate change (2.4) Increase monitoring on sustainability KPIs (2.5 and 2.8) Reduce and recycle waste (2.10)	Combatting fraud, corruption and bribery (3.4)

Internal and external stakeholders are defined above.

PEOPLE

1.1 PEOPLE ARE THE HEART OF OUR BUSINESS

As an integrated floor covering producer with 3,926 employees, people are at the heart of our business. The single most important factor in delivering our objectives is our vision to facilitate the development of our employees so that everyone across the organisation can fully engage with, and positively contribute to achieving our strategic goals.

We are one of the largest employers in the region of West Flanders with more than 2,600 employees, so the retention of our people in Belgium is key in driving the success of our business. We have many employees who are members of unions. Balta has built up and sustained a good relationship with its unions throughout the years. We are already achieving excellent performance in ensuring our employees benefit from good working conditions in line with all federal and regional regulations.

Through retention, talent development and training, talent acquisition, employee engagement, well-being and diversity, we can mitigate the risk of not having competent, motivated and dedicated teams working towards a shared objective of delivering long-term and sustainable growth to return value to shareholders. This approach is intended to make Balta an attractive employer to combat the competitive hiring landscape caused by the lowest unemployment rate in Belgium since 1984.

Throughout 2019 we made several appointments to strengthen the Management Committee by welcoming experienced individuals to new roles and reflecting the international aspects of the flooring industry. The Management Committee focuses on strategic development and a pro-active business oriented organisation that adds value in all that it does.

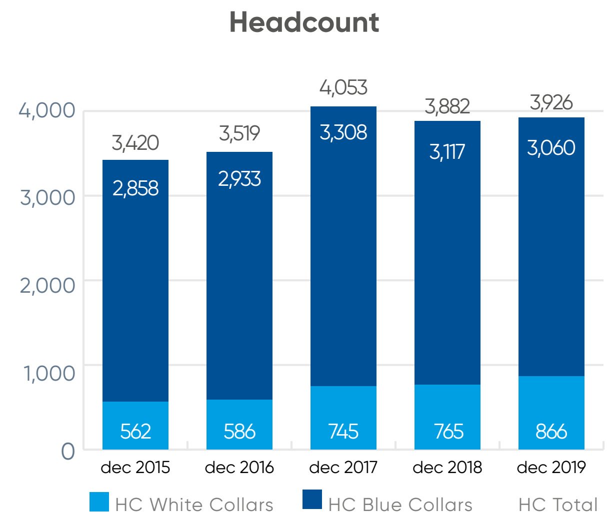
As floor covering manufacturer in Belgium, Turkey and USA, health and safety is a priority for all our locations, with the goal of recording zero accidents. Through the 'One Balta for Safety' program we have mapped out ways to achieve this objective, ensuring that the well-being of the people at the heart of the business are a top priority and that we operate a risk-minimising culture of safety above all else.

1.2 RETENTION OF OUR PEOPLE

The attrition rate has risen to 6.58% in 2019 from 5.29% in 2015. This trend might create an operational risk if key people leave the organisation. We monitor all reasons for leaving so that corrective measures can be taken should patterns emerge. By focusing on retaining staff through talent management and developing our leadership capability, we aim to mitigate these factors.

Additionally, we face the challenge of an aging workforce. In 2019, 30% of employees were over 50 years of age and 85% over 40 years. To redress the balance and encourage younger talent to remain at Balta, we have developed more flexible working practices through flextime and working from home programs, as well as a culture that pays attention to employee well-being and the social aspects of work.

Our 2020 target for the attrition rate across Balta is 5% and we aim to achieve this by focussing on the needs of our workforce. We have begun regular CEO lunches, and use our intranet and social media to drive this. In 2020, quarterly 'Balta Talks' will also be recorded on video so that they can be shared across all international locations and with the sales team that is primarily based outside office and manufacturing sites. Retention will also be supported by structured planning and support for managers on good practice.



1.3 MANAGING TALENT IN THE WORKFORCE

With a high attrition rate and low unemployment, as well as the need for succession planning for sustained long-term growth, it is important that we focus on our people, identifying and nurturing their talent so that they progress their careers within the group.

In 2019 we developed a new training delivery approach that uses a mixture of centrally organised training, departmental training and continuous career development. Using this mix and measuring performance in Belgium, we delivered 30,673 hours of formal training. This was split between 25,142 hours of central training and 5,531 hours of career development. Additionally, internal department training is continuous and carried out regularly and on demand. Operations in Turkey carried out the same program, recording 2,037 hours. In US, an approximate total of 1,000 hours has been recorded.

The goal for 2020 will be a similar amount, plus a minimum 1,400 hours of internal 'on the job' training.

2018 saw us start to implement a formal talent management assessment for our senior employees and during 2019 this was cascaded through the organisation. The 2019 talent review based on the nine-box methodology showed an increase of 22% in employees raster as having higher potential.

In 2020 we will introduce a new leadership development program for senior managers with the organisation so we can improve succession planning. In future, we aim to have development plans in place for all employees identified as future leaders, including a mentorship scheme.

1.4 TALENT ACQUISITION

We face a challenge in acquiring talent with 2019 seeing reduced levels of acquisition compared to previous years. That said, recruitment remains significant with 234 people recruited into the business during the year. Of these new employees, 133 were for replacement positions.

Included in these figures are the appointment of new Management Committee members: Stefan Claeys has been appointed in the newly created role of modulyss Managing Director; Oliver Forberich has been appointed as Managing Director Balta carpets, ITC, arc edition and Captiqs; and Emmanuel Rigaux has been appointed as Chief Transformation Officer. The addition of Kris Willaert as Group HR Director has led to a new HR vision that underpins strategic development.

Talent acquisition is part of this vision and by monitoring recruitment and managing it more efficiently it is possible to reduce the time and cost taken to hire talent. 2020 recruitment targets are to reduce the time taken to hire by at least 20% (vs 2019) and simultaneously decrease the average cost per hire by 20% (vs 2019).

In order to achieve these targets and drive a significant reduction in time and cost of recruitment, it is extremely important to improve our recruitment impact and recognition globally. Therefore, 2019 saw us redesign our employer branding and launching a campaign featuring our own employees. Active online and offline, the response has been positive from external recruiters and attracting talent has become easier.

1.5 THE ENGAGEMENT AND WELL-BEING OF OUR PEOPLE

Identifying the need to retain and attract talent, we have conducted well-being surveys and feedback sessions with the aim of finding ways to overcome these challenges. As a result, we have begun a shift in culture towards well-being and employee health at every level of the business.

Several initiatives have already been implemented to improve the well-being of employees by addressing the work-life balance. After the pilot project for flexible working in 2018 was positively evaluated, a new flexible working policy giving the ability to work alternative hours has been introduced across operations in Belgium. It is our aim to roll our similar programs in other international locations. Also, following an in-depth analysis of remote teleworking in Belgium to encourage gender diversity and improve the work life balance of employees, we have also introduced a home working policy.

In the USA, to provide easier commutes for some employees, we have introduced a flexible workspace in Atlanta for those living in the city but working for our facility in Rome, Georgia.

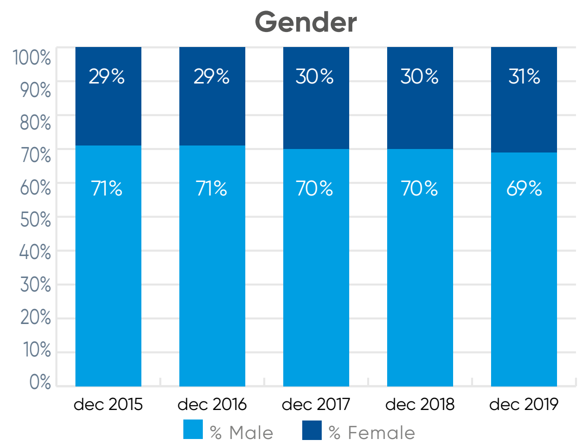
Alongside these positive actions to foster a culture of well-being, we have launched an employee well-being survey (SENSOR) to analyse their effectiveness and find other ways to encourage better work-life balance. Carried out by Professor Notelaers in collaboration with our external service for health and safety, Attentia, all our Belgium locations are involved in SENSOR with over 2,600 employees asked to complete the survey.

The survey is designed to scientifically measure, compare and determine the well-being of our employees, identify the root causes of work-related stress and to measure engagement and job satisfaction with the aim of better understanding key motivators. Results will be compared with the 2016 survey to shape future priorities and strategy.

1.6 MAKING MORE OF DIVERSITY IN THE WORKFORCE

We face a challenge to make our workforce more diverse and create more equal fully opportunity regardless of gender, race or cultural background; reflecting the nature of our operations. While no formal diversity targets have been set, we have made steps in the right direction.

Balta employees have diverse cultural backgrounds across all ages from our identified 'future leaders' through to experienced and knowledgeable 'old hands', and are gender diverse with an increasing number of women in management roles.



Being a global business headquartered in Belgium, we operate in several different languages and employ 47 nationalities across 11 locations. The recent appointments made to our Management Committee reflect this position with the committee now made up of diverse German, French, Belgian and American nationalities.

We are gradually strengthening the presence of women on our Board of Directors, which currently has 22% women. We are working to achieve the quota of a third of our Directors as a different gender than the rest of the Board and will achieve this before our transitional period ends in 2023. Our Board also features a diverse and complementary mix of expertise in operational fields, so that decisions are made in the best interests of Balta.

It is our strong belief that employing the right people for the right roles encourages a balanced workplace and to the end of 2019, this has been reflected in a slight improvement in gender balance. However, diversity does need to improve in senior management functions and it is expected the steps we have taken in engagement and well-being will help to address this issue. During 2020, we will continue to work towards making our workforce reflective of the international stage on which we operate.

1.7 ONE BALTA FOR SAFETY

The Board of Directors has stated that safety is the number one priority for Balta. To address health and safety throughout the business, in 2018 we established the 'One Balta for Safety' program in Belgium to deliver cultural shift and work towards our zero accidents goal. The 'One Balta for Safety' program was adopted by Bentley in the fourth quarter of 2019 and will be rolled-out in Turkey for 2020.

The 'One Balta for Safety' program's aim is to pro-actively address the key risks found through our risk analysis and our thorough legal compliance audits of all departments and sites at Balta. Where we identified opportunities for improvement. It is these opportunities that are taken forward into 'One Balta for Safety'.

The program is split into eight project teams, created to address the measurements made of our safety culture in 2017:

- Project 1: Policy and 'Golden Safety Rules';
- Project 2: Leadership and implementation of the policy;
- Project 3: Implementation of the safety organisation;
- Project 4: Communication: structure and plan;
- Project 5: Risk and legal compliance management;
- Project 6: Technical specifications and management of suppliers and contractors;
- Project 7: Learning organisation;
- Project 8: Safety performance and KPI's.

Each project team contains a mix of different functions, with a sponsor from the Management Committee and a chairman from operational management. The sponsor is responsible for ensuring successful implementation of the team's objectives across all sites and sets KPIs to monitor progress. It is the chairman's role to put together the team and set the objectives and deliverables of the project, ensuring the project is effectively managed. The team is responsible for setting out the plan with the chairman, and implementing it in-line with the performance indicators established.

The efforts of each project team are assessed by the 'One Balta for Safety' steering committee. Taking overall responsibility for the program, ensuring it is compatible with the strategic direction of the company and making sure the resources for success are available, the committee demonstrates leadership in safety. The aim is to make sure safety is in the hearts and minds of all our people, including visitors and third parties, and that we deliver a change in attitude that along with our positive actions on reducing risk in the workplace helps to achieve our goal of zero accidents.

As part of the work carried out through 'One Balta for Safety', we have implemented our five 'Golden Safety Rules' in 2019:

- I stop, watch and think before I do
- I keep my workplace clean and tidy

- I wear my personal protective equipment
- I follow our traffic rules and work instructions
- I take care of my colleagues

Through these rules, we aim to reduce accidents in the workplace and considerable effort is placed on reinforcing these rules to our employees. Each quarter we undertake a campaign of toolbox meetings, flyers and posters to reinforce the message across the entire workforce. Daily safety talks with operators in production also consistently reinforce the 'Golden Safety Rules'.

To drive forward sustained change in a positive attitude to safety on the production floor, we carry out regular management walks and talks and the CEO undertakes accident feedback meetings with managers and supervisors at all levels to ensure that a suitable response in reinforcement of the 'Golden Safety Rules' is delivered. Each department also has a safety coach, in total 68, who deliver training and coaching aimed at reducing potential accidents.

The communication team also works to the same goal, providing 'Golden Safety Lessons' once a quarter as well as communicating successes. Along with a significant increase in the number of toolbox meetings and the introduction of daily safety talks with operators, safety is becoming embedded in the hearts and minds of our people.

It is the responsibility of project team 5 to ensure that we adhere to our legal requirements and to determine which group priorities most need addressing at each plant. In 2019, the top three priorities were identified for each plant and will be implemented in 2020. The team has also undertaken initiatives to ensure the well-being of Balta people:

- Brand new work clothing and social areas were piloted in 2019 and are being rolling out to all Belgian plants in 2020
- Training ergonomics started in all Belgian plants
- Standardised traffic rules in production
- SENSOR well-being survey carried out (see 2.5)
- Risk-analysis of screen workers with personal feedback and overall coaching

To ensure we continue to deliver a culture of safety throughout the entire business, we take positive actions identified by the learning project team for all employees, visitors and contractors:

- HSE (Health, Safety and Environment) welcome training for all employees
- Recording required training, reporting and follow-up for each employee
- Significant increase in toolbox meetings
- Safety training for all visitors
- HSE requirements for all contractors

Through the 'One Balta for Safety'' program, as well as our initiatives designed to inform and educate, we are confident that we can make significant progress in our goal to achieve zero accidents.

3 GOOD HEALTH AND WELL-BEING 8 DECENT WORK AND ECONOMIC GROWTH

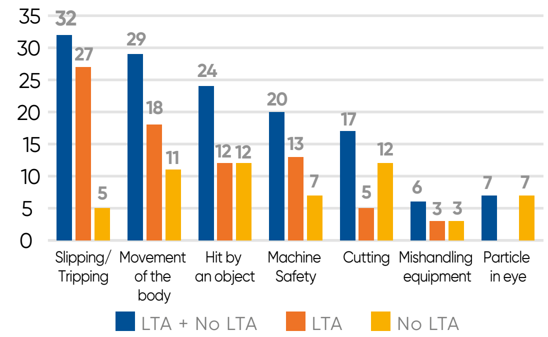
1.8 REPORTING SAFETY

To monitor our progress towards zero accidents we record every single accident at all of our plants, recording data on an individual plant basis, as well as at group level. This helps us to identify important actions at individual plants as well as key priorities for the group.

In 2019, we followed a stricter interpretation of the definition of an occupational accident according to a new Belgian law on the way accidents are recorded. This has caused incident rates to go up.

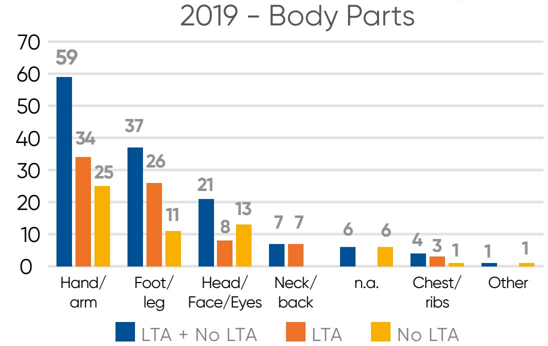
Key H&S Indicators Balta Group	2015	2016	2017	2018	2019
# Fatalities	0	0	1	0	0
# Lost time accidents (LTA)	65	65	105	83	92
# non Lost time accidents (Non LTA)	84	78	72	104	60
Frequency Rate	11,21	10,97	17,02	14,03	15,22
Severity Rate	0,33	0,5	0,52	0,32	0,53

Accident analysis by cause - 2019

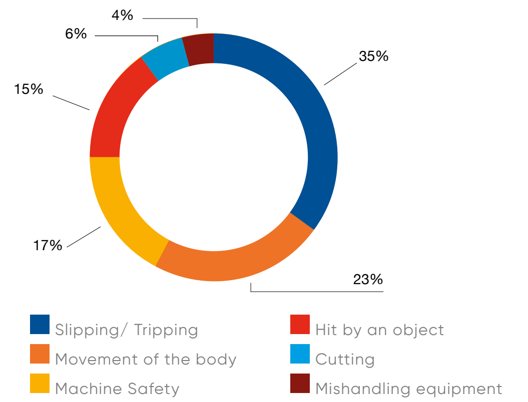


In previous years, we have reported all accidents and those over we have direct control, such as involving machine safety, mishandling equipment or being hit by an object were accepted. However, we now see that many accidents, such as slipping and tripping and movement of the body that are partially outside of our control and with no direct external cause, are also accepted. These accidents accounted for 58% of total accidents across the Balta group. As such, a portion of these types of accidents wouldn't have been in the statistics before 2019, because of the fact they wouldn't have been accepted.

Accident analysis Balta Belgium
2019 - Body Parts

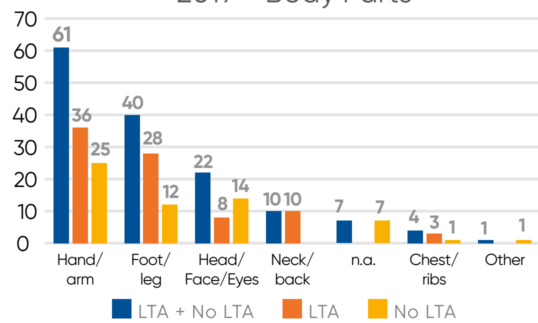


Accident analysis by cause LTA - 2019



After measuring the type of injuries occurring in 2018 we identified those on hands and feet as the most common. Throughout 2019 we have put in measures, including training, to reduce these injuries. We have recorded lower results for hand and feet injuries, demonstrating that a pro-active response to prevention delivers results.

Accident analysis Balta Group
2019 - Body Parts



Through the 'One Balta for Safety' program and pro-active response to the results of our reporting, we are confident that we will see a reduction in accident frequency and severity in 2020.

3 GOOD HEALTH AND WELL-BEING 8 DECENT WORK AND ECONOMIC GROWTH

PLANET

2.1 OUR APPROACH TO THE PLANET

As an integrated producer of soft floor coverings, we create carpets, carpet tiles and rugs for homes and businesses across the world, manufacturing in Belgium, the USA and Turkey. Through our non-woven textiles division, Captiqs, we also produce textiles for use in industries including automotive, events, construction, printing and geotextiles.

We are reliant on polymers – polyamide, polyester and polypropylene yarns or granules – derived from the petrochemical sector as the main material of our floor coverings, as well as jute, a natural fibre with harvests affected by climate; so the protection of our planet is of primary concern.

Alongside the need to reduce our carbon footprint to comply with the European Green Deal, as well as the governmental regulations on emissions in Belgium (federal and regional), Turkey and the USA; we must also be fully aware of the risks presented by climate change. Global warming, drought, rising sea levels and extreme weather all have the potential to impact our business and we are taking positive steps to minimise these risks.

From this year, we are beginning the process of disclosing climate-related financial information according to TCFD (Task Force on Climate-related Financial Disclosures) framework. We believe that adopting the TCFD framework will improve transparency for investors, lenders, insurers and other stakeholders.

TCFD Recommendation	Our actions
Governance	
Describe the board's oversight of climate-related risks and opportunities.	The board oversees climate-change related issues through its regular quarterly meetings.
Describe management's role in assessing and managing climate-related risks and opportunities.	Under the direct leadership of our Chief Transformation Officer, we actively manage risks relating to climate-change. This includes our goals to reduce CO_2 emissions and water consumption 30% by 2030.
Strategy	
Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long-term.	In the short and medium term: the pricing of emissions through a carbon tax and risk in the supply of jute due to extreme weather. The development of mono-polymer products and production processes that reduce emissions are considered opportunities. In the long-term, potential water shortage in Belgium is considered a risk. Investments in water recycling and process changes are opportunities to minimise this risk.
Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.	Climate-related risks and opportunities have impacted on our processes, products, supply chain and investment in R&D. In products we have increased the recycled content in raw materials and developed products that are easy to recycle. In the supply chain we have looked for alternatives for natural raw materials exposed to risk with the development of mono-polymer products. We have also realised transport methods for raw materials that lower CO_2 emissions. In processes, the long-term threat of water shortage sees investment in water recycling and consumption reduction initiatives. Carbon tax is likely to impact financial planning and strategy in the short term, though the action plan to reduce CO_2 emissions will help to combat this.
Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	The introduction of key targets to reduce emissions and water consumption, as well as reduce waste, will make us more resilient to different climate-related scenarios. Our approach to developing products that use more recycled content and that are easier to recycle will also contribute resilience. Finding raw materials that are less prone to climate risk will also aid resilience.

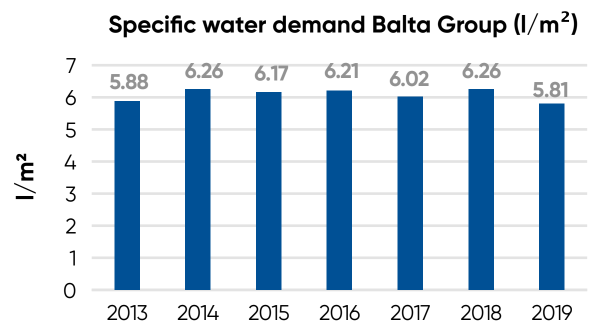
2.2 CLIMATE CHANGE IMPACT ON RESOURCES

Alongside polymers, tufting cloths, glue and latex; one of the key materials in the production of our soft floor coverings is jute, used as the primary backing for our wall-to-wall woven carpets and woven rugs. This is a natural fibre which is sourced from Bangladesh or India putting it at risk from the effects of global warming and potentially affecting Balta through availability and price increases. For some years, we have been using partially recycled polymer-based weft yarns to minimise this risk. We will continue to investigate suitable alternatives that are less prone to the challenges of climate change.

2.3 CLIMATE CHANGE IMPACT ON MANUFACTURING AND PRODUCTS

All of our production plants are above sea level, so there is currently little risk from rising sea levels through global warming. However, our production processes, particularly dyeing and printing, rely heavily on water and it has been identified by the World Resources Institute* that Belgium may face potential shortages in future years (2040). Since 2018's high of 6.26l/m² we have reduced our water demand for the production of soft floor coverings to an average of 5.81l/m².

* https://www.wri.org/blog/2019/08/17-countries-home-one-quarter-world-population-face-extremely-high-water-stress



There is expectation that we will need to make further investments in water recycling, or process changes with lower water consumption for our Belgium production sites. We are also working actively with the Flemish Government on optimising water consumption. Our Bentley manufacturing facility in the USA has also undertaken a study on water reduction. There are no water shortages expected in the USA or Turkey, but given our commitment to taking positive actions towards tackling the climate crisis, after successful implementation in Belgium, we will investigate the possibilities of implementing similar changes to effect positive water consumption reduction in Turkey also.

With the legally binding Paris Agreement (https://ec.europa.eu/clima/policies/international/negotiations/paris_en) setting out to limit global warming to well below 2°C, we are likely facing external measures to offset our CO_2 emissions in the form of a 'carbon tax'. While our activities in Belgium are currently not impacted by CO_2 taxes as the Belgium Government has granted emission credits, the situation will change in 2021 and we will need to gradually increase our expenditure on emission rights.

In case of an EU carbon tax and the potential abolition of the current carbon emission credit system, our European plants would be impacted by a carbon tax. The impact on our US and Turkish activities is not known yet.

The action plan to reduce CO_2 emissions by 30% by 2030 (versus 2018) – and further reductions thereafter in the energy efficiency of our processes, a decrease in overall energy consumption by process technology and the increased usage of renewal energy – should ease the impact of such taxes.

2.4 OUR IMPACT ON CLIMATE CHANGE

At Balta, our activities in the production of floor coverings impact the environment through consumption of petrochemical-based polymers, use of non-renewable energy and output emissions, contributing to our overall carbon footprint. For some years we have been making progress in reducing our impact on the climate through a series of positive actions in materials, product innovation, production, goods transportation and business activities.

Some of these activities, such as materials and production innovation, are reliant on the progress of innovation and technology. They remain key objectives on which actions can be taken when the technology becomes viable.

In addition to the activities relating to the production of carpet in Belgium, Turkey and the USA, we have also identified areas for further improvement and are in the process of planning their implementation. These include research into shifting transport modes to greener alternatives and the utilisation of inland waterways to the strategic port of Antwerp for inbound materials and outbound finished goods.

Reducing our impact on climate change

We have set out a series of goals that will help us focus on the reduction of our carbon footprint across all our activities and finished products:

- Increase the recycled content in raw materials
- Develop products that are easy to recycle
- Reduce water consumption 30% by 2030 (vs 2018)
- Lower overall CO_2 emissions 30% by 2030 (vs 2018)
- 100% production waste recycling by 2030 (vs 2018)
- Traffic goods by alternatives to road
- Reduce waste and make waste recyclable

A 12-month strategic study in Belgium and Turkey to understand the capital investment needed to achieve our 2030 targets started in January 2020. It covers all products, processes and technologies. An additional study on the use of green energy is also ongoing, with Bentley already implementing improvements.

As a business, these key objectives form the basis of our positive actions towards the environment as we work to become a more sustainable producer of floor coverings for the benefit of all our stakeholders.

2.5 OUR APPROACH TO ENVIRONMENTAL MANAGEMENT

In the production of carpets, rugs and non-wovens for technical applications we impact the environment in the following ways:

- Consumption of raw materials and chemicals including Polymers from petrochemicals
- The use of natural gas and electricity as dominant energy sources
- CO_2 emissions and the localised environmental impact of logistics
- Water consumption for production
- Water emissions from production
- Production waste
- End of product lifecycle disposal into energy generation
- The impact of Belgium production in close proximity to densely populated areas

Only by identifying our objectives and monitoring the effectiveness of reducing our impact can we achieve positive action. Our environmental management is part of a wider sustainability policy, created by senior management and approved by the CEO. The policy clearly maps the environmental impacts of Balta, our commitment to continual improvements to these impacts and the need to comply with legal and other requirements.

On this basis, we have adopted the ISO 14001 methodology as a way of documenting key environmental metrics of production. Our Belgium and Turkey production sites are fully ISO 14001 compliant. The Bentley business unit, manufacturing in California (USA), achieves LEED certification and shares the ISO 14001 methodology without being independently certified. All of our raw materials are also REACH (Registration, Evaluation, Authorisation and restriction of Chemicals) compliant, as part of our commitment to maintaining strict quality controls. We also look to lean principles for the reduction of waste in production and currently sort waste into more than 100 categories to avoid landfill.

ISO 14001 defines our environmental impact through a series of organisational processes and operational aspects, as well as the monitoring and evaluation of performance.

Organisational processes:

- Make sure there are enough resources available
- Enforce availability of necessary competencies
- Raise environmental awareness
- Keep documented information

Operational aspects:

- Necessary actions and procedures are formally planned and organised
- All actions, procedures and processes are executed according to the formal action plan
- Results and working methods are checked and validated (if possible)
- React to cause positive change on failures or problems
- Prepare to react suitably to emergency situations

Performance monitoring and evaluation:

- Continual monitoring and measuring for accurate information and the identification of actions and measures needed
- Ensuring compliance
- Annual internal audits to identify status of processes affecting environmental impact
- Annual management review to define effectiveness and targets for the following year

This methodology and the environment for accurate reporting that it fosters, helps Balta to effectively manage its environmental performance and find ways of taking positive actions to reduce our carbon footprint.

2.6 OUR APPROACH TO ENERGY CONSUMPTION

As a manufacturing business, we place high demands on energy. With a total energy consumption equivalent to 120.6KTon of CO_2 emissions at constant production for 2019 and renewable energy through solar panels accounting for just 5.05KTon of the total, we have identified this as a major area for improving our environmental impact. Despite showing a marginal improvement over 2018 figures, there is much that needs to be done in this field to make sure we stay on track for our aim of 30% CO_2 emissions reduction by 2030 (vs 2018).

We have an energy expert at group level, whilst also setting up energy teams for each Balta production site. As a team they will be responsible for ensuring that we take positive steps to reduce our consumption of electricity and natural gas by monitoring our processes and identifying potential projects to contribute to positive change away from our reliance on non-renewable energy.

We have already put in place a program of steps to ensure that energy teams are effectively managing each plant's energy requirements with the ultimate aim to deliver a reduction in consumption.

Every energy saving project is managed on the same basis to ensure consistency in results and accurate assessment of impact, or potential impact, on reducing our CO_2 emissions. Among other technical and data related information, the following is recorded:

- Estimated energy and CO_2 savings
- Estimated investment cost
- Annual exploitation cost
- The project's internal rate of return ("IRR")

2.7 THE FACTORS, SUCCESSES AND CHALLENGES TO BE BETTER FOR THE PLANET

We have recognised that climate change is a significant risk which faces us all, but Balta is also subject to risks related to manufacturing which have the potential to provide a challenge in our goal to reduce our overall carbon footprint. Some of these relate to the limitations imposed by existing technology, while others are indicative of exposure to increasingly stringent regulations from the European Union. These current and potential challenges are:

The reduction of water and CO_2 emissions is driven by process change with, as yet, undefined technology. We are establishing relationships with several partners in 2020 to investigate possible solutions to this challenge and began an internal study at the beginning of the year.

It is also a question of available technology for the development of floor coverings that are easier to recycle. For this to be realised without the degradation in performance or product longevity, new chemistries will be required. Again, along with our own internal developments, we are establishing relationships with several partners in 2020 to find solutions.

Although we have already developed mono-polymer rugs that can be easily recycled in processes that require less energy consumption, the European Union currently doesn't have many recycling centres for carpets (these are available in the USA), and there are few facilities for the recycling of the separated polymers. Without sufficient capacity for the separation of carpets into the different components to allow for the recycling of PET (polyethylene terephthalate) and PP (polypropylene), we cannot reduce our impact through end-of-life recycling.

The EU could impose a specification on new products to improve recyclability or add CO_2 taxes. If either of these are different from manufacturing regulations in other countries, they could leave us at a short-term competitive disadvantage. Our commitment to making products more recyclable and to reduce our energy consumption by 30% by 2030 (vs 2018), should go some way in mitigating these risks.

Through initiatives in product, manufacturing, transportation and other activities, we are making positive inroads into becoming a more sustainable manufacturer:

- Optimising water in Tielt and Oudenaarde production sites
- Selective collection of waste for re-use and reduction projects
- Investment in internal recycling of polypropylene ongoing
- Development of a polyolefin backing for carpet tiles
- Development of mono-polymer wall-to-wall carpets
- Production of mono-polymer rugs that are easier to recycle
- Production of recycled content rugs that are fully recyclable
- Production of a jute substitute for weft yarn in woven carpets and rugs
- Adiabatic cooling for yarn production
- Member of EBO - Belgium's voluntary Energy Management Covenant
- Studies in renewable energy and energy reduction
- Carpet and carpet tile recycling studies
- Realisation of extensive energy reduction plan at Bentley production site
- The use of Oekotex (Balta home) and Cradle-2-Cradle (Bentley) environmental certification
- Moving from road transportation to barge to and from Antwerp and Zeebrugge
- Water treatment plant turned into a 12,000m^3 rainwater store for farms and the fire service in Oudenaarde
- Road improvements to ease congestion in Sint-Baafs-Vijve, home to our HQ
- Annual litter and clean-up campaigns in the local areas of all Belgian production sites

2.8 HOW WE MONITOR OUR IMPACT ON THE PLANET

Every month, for each plant and at group level, we monitor key factors that affect our impact on the environment. Through this data, we can plan effective measures to improve activities in relations to our key goals.

By measuring everything from the CO_2 emissions of our plants, to the petrol and diesel used by our company car fleet to the percentage of containers we move by barge, we are constantly receiving an accurate picture of our impact. Every month, we measure:

- Consumption of gas and electricity
- CO_2 emissions
- Total percentage of recycled content used in products
- Total waste and percentage of waste recycled
- Total number of kilometres covered by internal transport
- Consumption and emissions of company car fleet (Belgium only)
- Percentage of containers sent by barge and CO_2 savings
- Number of containers in Belgium, Turkey and the USA with return freight

We also analyse our emissions and nuisances to our immediate communities, as well as our consumption outside of energy:

- Waste, soil, air, radiation, water emissions
- Sound, odour, dust, vibration, traffic, heat and visual nuisances
- Raw material and space consumption

Combined, these key performance indicators are helping Balta to take the necessary short term and long-term steps needed to play our role in the protection of our planet. With clear goals to work to and awareness of the challenges and risks facing us, we are able to effect genuine change in becoming a more sustainable floor coverings producer.

2.9 ENERGY CONSUMPTION

Balta is part of Belgium's Voluntary Energy Management Covenant, founded by the Flemish Government in 2013 and we have renewed our commitment to 2022. As well as our own goal of reducing CO_2 emissions by 30% in 2030 (vs 2018), the covenant commits us to reduce our carbon footprint through audits and studies on energy consumption and measures investment in projects with an Internal Rate of Return ("IRR") target of more than 12.5%.

During 2019, audits were carried out and specific projects identified to meet these requirements. Most of the energy saving projects are linked to the use of compressors, boilers and coolers within factories. We invested €361,000 in our Belgian factories to complete the commitments made in previous years. Further projects will be identified and evaluated during 2020.

In the USA, Bentley recorded a 20% reduction in electricity consumption after converting to LED lighting throughout its facility in 2018. Since 2015, production demand has increased by 57%, but for every square yard of carpet produced there was a documented reduction in consumption of 32% for electricity, 33% for water and 32% natural gas (vs 2015).

For 2020, Bentley is researching the possibility of installing additional solar panels to further reduce reliance on non-renewable energy, driven by the State of California's program to ensure 100% of all electricity supplied across the state comes from renewable sources by 2045.

2.10 HOW WE MANAGE WASTE

Since 2012, we've ensured that zero waste from production has gone to landfill across all our manufacturing sites. Operational excellence programs have further reduced waste in production and over 100 different waste streams have been identified, collected and reused where possible. Priority is given to internal reuse of production waste, as currently only 2% of total waste streams are recycled internally.

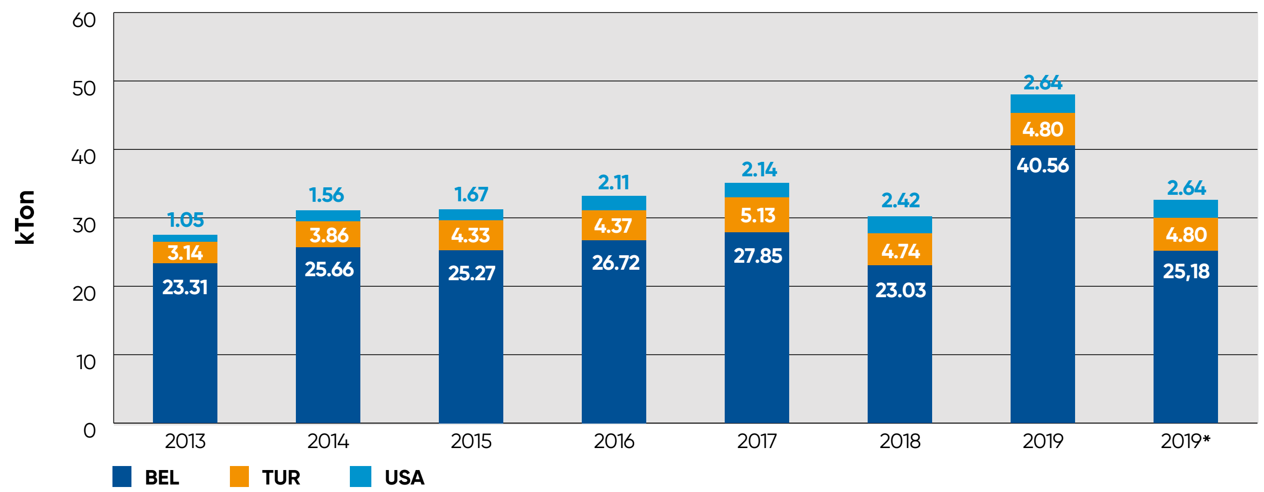
During 2020 we are investing in the development of a waste polypropylene recycling plant. The re-granulated polypropylene will be reused in the production of staple fibre for non-woven textiles and as weft-yarn for weaving as we look to reduce our reliance on jute.

As one of our key objectives to reduce our impact on our climate change, we aim to achieve 100% production waste recycling by 2030. We will progress this through reviewing and optimising manufacturing processes, re-evaluating waste streams and re-engineering products. There are also opportunities in co-operation with a broader range of external recycling partners. Currently, there are clearly defined common waste streams across Balta so performance can be measured and best practice shared across all production sites.

Through the one-off operation to empty and clean the water purification plant in Oudenaarde following the restructuring of production across Belgium, 2019 recorded an increase in wastewater flows. In addition, there were changes in the dyeing operation in Tielt which meant the biological purification plant could not handle this type of wastewater. This waste-water is currently treated externally.

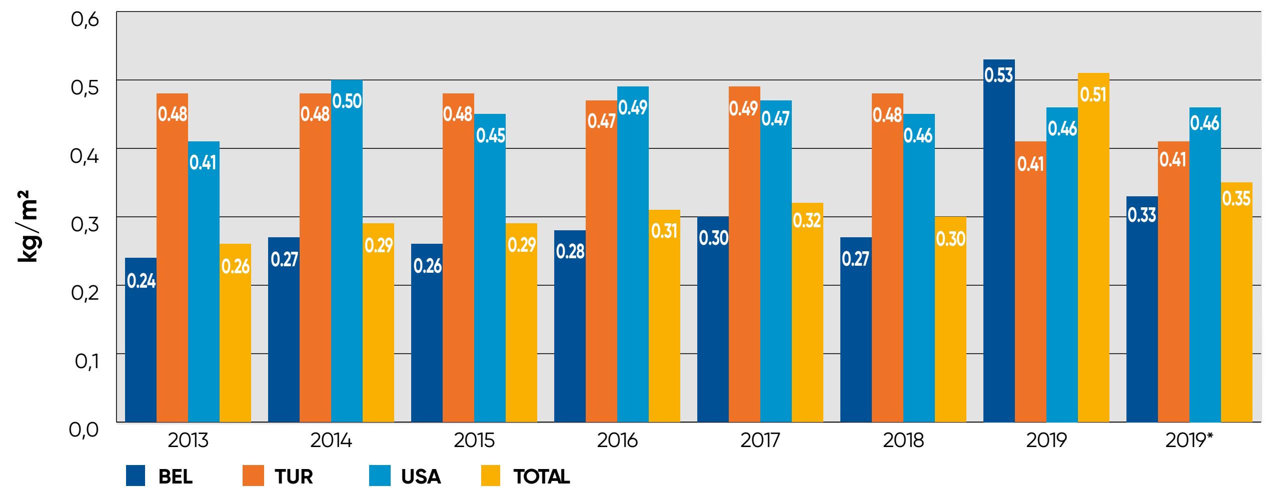
Outside of Belgium, all raw material waste streams are constantly monitored and waste percentages remain below our KPIs. Bentley will use group KPIs for 2020 reporting.

Waste evolution per country (kTon)



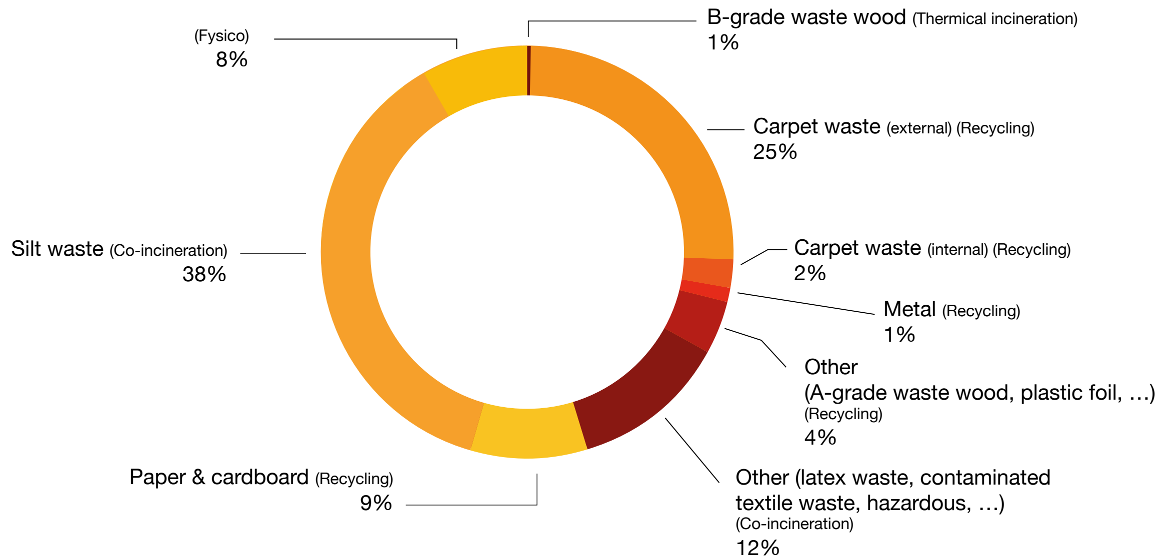
*without extra sludge from Balta Oudenaarde and Balta Tielt

Specific waste per country (kg/m²)



*without extra sludge from Balta Oudenaarde and Balta Tielt

Waste by category and disposal method



12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

2.11 WATER CONSUMPTION

As the conservation of water has been identified as a risk of climate change, and Belgium has been indicated as a country that could potentially face a water shortage, we continue to make every effort to reduce our dependency on water supply.

In light of our target to reduce water consumption 30% by 2030 (vs 2018), we have formed working groups with specific objectives to reduce water consumption in all activities. KPIs for these working groups are currently in development and production processes are being designed to use less water. In the USA, our water consumption reduction project removed 4,815m^3 from use in 2019 (vs 2018).

All of our cooling systems are closed-loop and waste water generated through manufacturing processes, as well as grey water, is either treated by Balta or sent to public treatment plants Water purification installations in Sint-Baafs-Vijve and

Tielt are used to treat water used in production process and both facilities are being monitored to meet the waste standards for surface water.

In Tielt, investments have been made to efficiently mix rainwater with purchased semi-purified and recovered water through the water treatment plant on site. The water is treated using reverse osmosis and ultra-filtration using purges through a sand filter to maximise usable output.

2.12 REDUCING THE IMPACT OF TRANSPORT

We have an over-dependence on road transport which needs to be reduced if we are to meet our CO_2 emissions target for 2030. Moving towards inland water ways during 2018 has been an important step and led to a major reduction in CO_2 emissions for this activity.

Since August 2019, 46% of inbound raw material containers from the port of Antwerp have been diverted from road to river, reducing a road-trip of 208km to just 6km. Most containers are re-used and sent back to the port with finished goods. On an annual basis, we expect this to reduce road kilometres for raw material containers by 97% from 312,000km to 9,000km. The estimated annual CO_2 reduction is expected to be 257tonnes.

We also work with transport partners with a focused approach to reducing impact. Verhoek, a logistics company providing 25% of our total road transport, have won a 'Lean and Green'-award for their processes and initiatives. Other transport partners have also provided written commitments to the environment.

A study has been carried out investigating the potential use of the container port at Avelgem on the river, although actions have yet to be taken. We will continue to focus on road reduction initiatives for 2020.

In Turkey, opportunities to divert from road transport are currently not available. Returned loads are used where possible and are being measured so KPIs can be established.

In the USA, Bentley makes use of rail transport for raw materials where possible. When trucks are used to deliver raw materials, a return load system is employed so 99% of return journeys are made with a load of finished goods.

Since the opening of a new warehouse in Savannah, Georgia (USA) for the Balta home e-commerce business that is within closer proximity to the coast than our Rome facility, we have been able to reduce reliance on inland transportation.

Further work is ongoing to reduce the carbon impact of transport using some of these initiatives as a blueprint for future operational changes.

2.13 MAKING PRODUCTS BETTER FOR THE PLANET

As a leading floor covering manufacturer, we know that customers are won and retained by delivering products that are innovative, sustainable and of high-performance. As part of our ambition to become more sustainable it is important that we reduce the impact of our products, whilst also ensuring they meet the needs of our customers by improved well-being through our products.

The primary goal of our product development is to work towards increasing recycled content and making products easier to recycle and thereby achieving a circular life cycle process. We are committed to finding solutions that help us to achieve this. We are now using increased amounts of recycled raw materials in pile yarns and backings and research is being conducted in end-of-life solutions. As an example of the progress we have made, 32% of the modulyss carpet tile collection for commercial use employs ECONYL® regenerated yarn as a face fibre. We also used recycled polypropylene or 100% recycled PET for the non-woven backing produced by Captiqs, with 37% of all non-woven felt produced featuring recycled content. At Bentley, carpet tiles feature an average 35% recycled content.

One of the major achievements in 2019 has been the introduction of a 100% recycled PET backing for modulyss carpet tiles, comfortBack. The backing doesn't compromise long-term performance.

Balta Home has taken a significant step towards a circular life cycle product with the New Generation range of rugs. Made from a single polymer to ensure easy recycling, the collection is a major step as some qualities are also made from 100% recycled PET.

Significant investment in our yarn extrusion facility in Turkey was made so that PET from recycled plastic bottles could be made into a yarn suitable for use in New Generation rugs. This investment has also enabled the introduction of several new lines in the RE-generation product line for Balta home, set for launch in 2020.

As a responsible manufacturer, we also respond to the requirements and well-being of customers through environmental assessment and certification of our products:

- REACH (Registration, Evaluation, Authorisation and restriction of Chemicals) compliant
- EN 14041 standard
- GUT/PRODIS (Gemeinschaft Umweltfreundlicher Teppichboden/Product Information System)
- Oekotex (Balta home) environmental certification
- C2C (Bentley) environmental certification
- Environmental Performance Declarations for modulyss carpet tiles
- Good Environmental Choice of Australia for modulyss carpet tiles

PROSPERITY

3.1 BUSINESS ETHICS

Balta is dedicated to running its business in accordance with applicable laws, as well as the highest standards of integrity and ethical practice. That is why we have developed policies in several domains: legal, HR, finance, IT, HSE and purchasing.

Our policies provide the framework within which employees have the freedom to act and operate in their daily work and, by doing so, contribute to the success of the company. This includes a prohibition on the use of corrupt and illegal practices including bribery.

3.2 BUILDING A COMPLIANCE CULTURE

Under the responsibility of the Audit Committee and the Board of Directors, in 2019 we continued to develop and stimulate a company culture in which ethical conduct and compliance with our policies, and applicable regulations, are at the core of how we do business.

Over the past few years, we have continually invested in building a company-wide compliance program. And as of April 2019, a full-time compliance manager was appointed to coordinate the development of standards and controls to enforce compliance and awareness in the organisation, a further step towards minimising risk of breach.

Following significant changes to the Management Committee during 2019 and as a further step in enforcing our compliance culture, we are currently working to fully define our vision and values. In January 2020, a survey was undertaken across all employees to identify alignment between personal and company values, as well as those values considered most important to the development of the company. Results have been presented to the extended Balta leadership team and are now being assessed for potential action. Part of this work includes the further development of our formal Code of Conduct and Ethics policies, in line with the overall vision and mission.

3.3 RAISING AWARENESS

Raising awareness for our complete legal compliance program was a key priority during 2019. This included market abuse, anti-bribery and anti-corruption, gift and entertainment, antitrust, anti-money laundering, economic sanctions, privacy and data protection.

One of the core elements of this strategy was to increase accessibility of the program through the intranet. A system of 'tips and tricks' and 'red flag' overviews for various risks were added. Short summaries using simple, easy to understand language were developed to make the search for different topics easier. We also used the company blog to underline the Management Committee's commitment to compliance. Policies are also now in different languages, with our Antitrust Policy available in English, French, Dutch and German to ensure native understanding in the key operational languages of our business.

Next to a scheduled training program focused on data protection and privacy, 2019 saw additional training sessions available on request for any of the business units. For example, the modulyss carpet tile division held its international sales and marketing event where competition law and anti-corruption training was given.

New starters at senior levels were given face-to-face training sessions on Balta's Dealing and Disclosure Code and relevant market abuse regulations.

At the end of 2019 we conducted a five-week communication campaign reiterating key compliance messages. All European employees in leadership positions signed off on their compliance with legal policies over the course of the year, as well as their commitment to continued compliance. Known as the Compliance Declaration, it concluded our 2019 awareness raising campaign.

Going forward, we will place more attention on compliance within our welcome packs and induction programs for new staff and this includes written confirmation of knowledge and acceptance of Balta policies. This project is at an early stage and will be extended in 2020.

We will continue to invest in the education of our people relating to ethical and lawful behaviour. A new anti-corruption and antitrust training campaign will be launched in this year, including a strategy for recurring courses in forthcoming years. There will also be the formalisation of a 'speak up' procedure and this will become a key performance indicator.

One of the main potential risks identified is the gap across various international locations and how that impacts compliance. We have taken initial steps to create a more centralised approach to negate this risk through the central intranet system and making policies available in multiple languages.

Providing an overview of policies and procedures across all domains, will we monitor the effectiveness of this delivery method throughout 2020 with the aim of making it a truly global program for all Balta business units. In the short term, we are working with our US colleagues to ensure a consistent level with Europe.

3.4 COMBATTING FRAUD, CORRUPTION AND BRIBERY

During 2019, additional policies and new procedures were developed to reinforce internal control measures for combatting fraud and corruption and implemented in the following areas: Spend Approval Policy, Capital Expenditure and Lease Approval Policy, Global Travel and Expense Policy, and Delegation of Authority (DOA) Policy.

These actions have increased transparency across all relevant business units and have clarified decision-making roles and responsibilities.

Following the launch of our new DOA Policy, a training roadshow was carried out by the legal team with 18 sessions organised at different locations. Specifically targeting employees with decision making responsibilities, an attendance rate of 88.3% was achieved and follow-up actions have been developed.

The Global Travel and Expense Policy has been automated to allow increased ease of approval and monitoring of expenses with the implementation of 'Mobile Expense'.

We have recognised that across the group, any exposure to corruption would vary depending on the nature and location of the business. One of the key risks identified is the use of third parties and intermediaries (such as commercial agents) in certain geographical areas. Some of these agents have already taken part in our 2018 Antitrust and Corruption training and the reach will be extended during 2020 as part of the drive to increase awareness.

3.5 DATA PROTECTION AND CYBER SECURITY

We remain firmly committed to the protection of personal data and during 2019 several policies were added, and improvements made to existing processes, to ensure protection. These included awareness campaigns for cyber security and 'phishing', further training in GDPR compliance and an audit on our IT infrastructure. This audit has led to the development of a technical improvement plan and the optimisation of data breach procedures.

To ensure our employees are aware of their data protection responsibilities, we organised a GDPR training campaign for our European staff. A large majority of the target group (472 employees) received training via an online program ending in a mandatory graded quiz and the acknowledgement of our Data Protection Policy. The training was successfully completed by 97% of the target group.

Technical IT, marketing and HR departments attended in-depth face-to-face workshops delivered by our data protection coordinator as they have increased focus on GDPR in their daily operations.

The effectiveness of training and awareness of GDPR is demonstrated by a significant increase in questions and issues raised by employees. In 2019, over 20 items were reported, compared to five items in 2018. We will continue to increase awareness for cyber security and data protection in 2020.

3.6 HUMAN RIGHTS

As a responsible manufacturer operating globally and sourcing products from countries deemed high-risk for violation of human rights, the protection of relevant stakeholders is of central importance to the business.

It is the responsibility of the Procurement Director to ensure we consider the working conditions, fair treatment, health and well-being of our suppliers. For the working conditions, fair treatment, health and well-being of our employees the responsibility is that of our Group HR Director. We currently buy raw materials from India and Bangladesh and carry out yearly audits of suppliers operating in these countries. We assess the working conditions, fair pay and treatment of employees and ensure that the supplier adheres to all legal requirements surrounding ethical practice, modern slavery and human rights protection. We are making progress in centralising these audits across all Balta business units, including Papilio® hand-woven rugs for suppliers in countries deemed high-risk.

We also ensure that suppliers commit to our Child Labour Policy. This policy was developed in-line with the strictest guidelines currently available and fully implemented across all global locations during 2019 as part of our commitment to the protection of the communities in which we operate.

In Europe, the risks to human rights are less pronounced, but we are focused on making sure that the well-being of employees is protected. We have many employees that are members of unions and work to ensure we meet requests relating to working practices if viable. There are no recorded strike incidents as testament to our open relationship with employees' unions. All recruitment is carried out professionally to ensure that there is no discrimination and we meet the objectives of our diversity program (see 1.6).

Going forward, we will develop a Code of Conduct that will formally identify our processes and map out expectations on the protection of human rights for all our locations and suppliers.

3.7 SUPPLY OF GOODS

In September, we received an official AEO (Authorised Economic Operator) certification from the Belgian customs authorities for all production sites in Belgium. The AEO is part of our plan to mitigate risks in post-Brexit export to the UK, and this AEO is applicable for exports to all non-EU countries and facilitates the smooth flow of goods. It will help to secure the continuation of a premium delivery service to our worldwide customers.

We also became a member of Custom Trade Partnership Against Terrorism (C-TPAT), a US Customs and Border Protection (CBP) voluntary private-public partnership program. C-TPAT ensures that goods in the supply chain are legitimate and legal from manufacturer to end-users. While it was originally set-up to protect supply chains in the USA from terrorist activity and illegal trade, it does minimise potential risk for Balta when trading internationally.

3.8 CORPORATE AND SOCIAL RESPONSIBILITY

Across the Balta group there are numerous initiatives that demonstrate our commitment to Corporate and Social Responsibility (CSR). By nature, many of these activities are also linked to our goal to reducing our impact on the planet (see 2.6).

3.8.1 Local CSR projects

In Belgium, some of the plants are within populated areas and therefore noise and safety can be an issue. We monitor these 'nuisances' for their impact on the local community and in 2019 we took action to reduce the noise levels at our Tielt factory. Installing a sound wall to reduce noise levels to the surrounding communities, as well as stopping goods-in and goods-out activity from 7pm has made a significant positive impact for local residents.

In a similar exercise, Balta contributed to the cost of installing a roundabout in Sint-Baafs-Vijve, Wielsbeke, to reduce the noise levels of lorries braking hard and to make nearby roads safer for residents. Previously, due to restrictions in the town, lorries had to leave the factory in the opposite direction to arrival, increasing traffic for other areas as well as prolonging time spent in residential areas. After consultation, installation of a roundabout was the preferred solution from a safety standpoint. The cost of €450,000 was split between Balta (33%), local township (15%) and the province (52%).

We have also contributed the old waste-water treatment plant at Oudenaarde as a buffer basin for the local community. Converted as a rainwater store capable of storing 12,000m^3, the majority of water (10,000m^3) will be made available to surrounding farms that have struggled with water shortages over recent dry summers. The remaining capacity is split between the needs of the plant and 1,000m^3 as a source for fire services.

We are also active participants in 'De Warmste Week', a charity event for which Balta employees organise fundraising events for local charities. We also donated money to the provision of life-saving AED (Automated External Defribillator) to local schools. We will undertake similar charity activity in 2020.

Encouraging our employees to live fit and healthy lives outside work is part of our CSR and so we organised a 'Fit at Balta' event in September 2019 and will be repeating this in 2020. The month-long event focused on improving the health and well-being of our employees and their family members.

When	What	Who benefits
Week 1	Fruit at work	Everyone
Week 2	Clean-up Action	Environment
Week 3	Car free day	Employees and environment
Week 4	Family walking tour	Employees and families

3.8.2 International CSR projects

Rising to the challenge of global warming and taking a wider perspective, a selection of modulyss carpet tiles are now available with low CO_2 emissions through an offset program supporting a certified climate change project. The project supplies efficient cooking stoves and water treatment to village communities in Africa.

In Turkey, we work alongside the District Governor in Selendi on the 'Why not You' social project which aims to stop migration from rural areas to the city. Here, we actively employ workers from the local region. Over 50% of this workforce is female, also helping in our goal for better gender balance in our workforce. For most of them it is their first real experience working in industry, so developing skills for the future through our training and education program is important.

The Uşak Organised Industrial Zone Textile Technology Vocational Technical Anatolian Secondary School was inaugurated in 2019 and was partly funded by Balta. Subsequently we received an award from the Industrial Zone's Presidency as a token of gratitude. The aim of the school is to provide a professional education for students so they can become fully qualified technical workers which will help to bring textile companies in the Industrial Zone to the next level.

In the USA, we have several initiatives in the form of charitable donations. For example, we committed to incorporating a charitable component within the theme of each NeoCon event in Chicago, resulting in a $20,000 donation to three charities in the laundry and personal hygiene sectors. We also donate all the carpet installed each year in our showroom in Chicago to local charities who can reuse it within their own facilities. For 2020 we will be reaching out to local animal shelters to donate 'seconds' for use in cages and kennels and we will be reaching out to Habitat to offer carpet for their local housing programs.

At Bentley, we have an initiative to reduce marketing giveaways that are made of non-sustainable materials sourced from overseas. Working with local Californian artisans, artists and makers helps to emphasise the importance of upcycling materials as well as sourcing locally. Many of these artists are also local educators and will help to develop speaking programs and classes that will support and educate future makers. The results of any activities stemming from events will go to fund local charities. We are also still working with the Giving Key commitment to helping those affected by homelessness, so keys are distributed during each factory tour and remind our guests of the message and meaning with each key. To date we have distributed over 100 giving keys, contributing over $5,700 towards this inspiring cause.

5 GENDER EQUALITY

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3.9 RESPONSIBLE SOURCING AND SUPPLY CHAIN

As a global organisation with the desire to embed sustainability at every point, our relationship with our suppliers is extremely important for the ongoing success of the Balta.

It is our goal to rigorously audit and assess suppliers in key areas including environmental concerns, health and safety, legal compliance, the use of hazardous materials, workforce well-being and financial stability, as well as compliance with recognised International standards on Human Rights and Child Labour.

Important existing suppliers are audited to ensure those standards are maintained and we have contracts in place to ensure this does not change. For some time, as part of our ISO 14001 compliance, we have had a balanced scorecard method of measurement for raw material suppliers. In 2019, we introduced a similar measurement for our transport suppliers. We are beginning to use the same principles for all purchasing at all locations and adhere to a coherent process and procedure for everything we buy.

To minimise waste, we consolidate purchasing contracts where possible and in 2019 have reduced the total number of suppliers across the Balta group whilst simultaneously increasing the number of supplier contracts we have.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

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

Pursuant to article 3:6 § 2, 1°of the Belgian Code of Companies and Associations ("Belgian Companies Code" or "BCCA"), 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 most recently revised in 2018. 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 2019 represented by 35,943,396 shares without nominal value. Each share carries one vote. No capital movements took place in 2019.

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 2019, the Company received a transparency declaration from LSF9 Balta Holdco S.à r.l. on 24 June 2019, stating that by virtue of a disposal of shares on 21 June 2019, it holds at that date 19,640,516 shares of the Company, representing 54.64% of the voting rights. The disposal of shares forms part of the management incentive plan arrangements, implemented at the time of the IPO of the Company, in which LSF9 Balta Holdco S.à r.l., on behalf of LSF9 Balta Midco S.à r.l., agreed to transfer 935,635 shares to certain existing and former senior managers of Balta subject to certain conditions. Given that these conditions had been fulfilled, the final part of the shares vested and were transferred to the managers, causing the threshold of 55% to be crossed downwards.

Shareholder structure

The following table shows the shareholder structure on 31 December 2019 based on the notifications made to the Company and the Belgian Financial Services and Markets Authority ("FSMA") by the shareholder 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.	19,640,516	54.64%

The following acquisitions of shares by persons discharging managerial responsibilities ("PDMR") have been notified in the course of 2019:

Name	Date	Number of shares
Cyrille Ragoucy	9 May 2019	28,000
Tom Gysens	19 June 2019	46,814
Lieven Vandendriessche	19 June 2019	84,543
Marc Dessein	20 June 2019	84,543
Jim Harley	11 July 2019	20,278

Mr Ragoucy acquired the shares on Euronext. The other PDMR's acquired the shares following the vesting of pre-existing management incentive plan arrangements with Lone Star entities (our reference shareholder) following the second 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 Company's annual general Shareholders' Meeting took place for the second time on 28 May 2019.

The shareholders acknowledged the annual report and the statutory auditor's report with respect to the statutory and consolidated annual accounts relating to the financial year ending on 31 December 2018 and the consolidated annual account relating to the financial year ending on 31 December 2018. The shareholders also acknowledged the resignation of Kairos Management BVBA, permanently represented by Mr Tom Debusschere, as of 26 August 2018 as director of the Company and its full discharge for the execution of its mandate until 26 August 2018.

The shareholders approved the remuneration report relating to the financial year ending on 31 December 2018. They further approved the statutory annual accounts relating to the financial year ending on 31 December 2018, including the allocation of the results as proposed by the Board of Directors. 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 2018. Upon a proposal by the Company's Board of Directors and based on the advice of the Company's Remuneration and Nomination Committee, the shareholders approved the appointment of a new independent director, Mr Itzhak Wiesenfeld, with immediate effect for a four year period, until the annual Shareholders' Meeting resolving on the annual accounts of the financial year ending on 31 December 2022. In accordance with article 7:151 of the Belgian Companies Code, the shareholders also approved the clauses in the Company's long term incentive plan and the CEO's performance share unit ("PSU") agreement, allowing for accelerated PSU vesting in the event of the closing of a public takeover bid on or a change of control over the Company.

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 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 and 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 28 May 2019, the Board consisted of eight members, comprising three independent non-executive directors.

Following his temporary appointment as interim CEO on 26 August 2018, Mr Cyrille Ragoucy, the chairman, was appointed as permanent CEO on 1 April 2019.

As a result of this appointment, Mr Ragoucy no longer qualified as an independent director in accordance with article 7:87 §1 of the Belgian Companies Code. For a transitional period, the Board of Directors was composed of two independent non-executive members. On 28 May 2019, the shareholders approved the appointment of a new independent director, Mr Itzhak Wiesenfeld, upon a proposal of the Board of Directors, and based on the advice of the Company's Remuneration and Nomination Committee. On 31 December 2019 the Board of Directors consisted of nine members, again comprising of three independent non-executive directors.

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 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 2019, the Board of Directors was composed as follows:

Name	Position	Director since	Mandate expires
Cyrille Ragoucy	Chairman of the Board and CEO	2017	2021
Michael Kolbeck	Non-Executive Director and chairman of the Remuneration and Nomination Committee	2017	2021
Accelium BVBA, represented by Nicolas Vanden Abeele	Independent Director	2017	2021
Sarah Hedger	Independent Director	2017	2021
Itzhak Wiesenfeld	Independent Director	2019	2023
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 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.

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

- **Michael Kolbeck** is Managing Director and Head of Europe for Corporate Investments at Hudson Advisors UK Limited, which advises Lone Star Funds, including Lone Star fund IX, an investor in the Company. Prior to his post at Hudson since January 2017, he was a Managing Director at Lone Star Germany Acquisitions GmbH. He currently also serves as Board Member for Xella International S.A., a leading European building materials company and Dynamic Bulk LLC, a shipping company, and is an observer of the board of LSF 10 Edilians Investments S.a.r.l., a leading roof tile manufacturer in France. 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 Vanden Abeele** is currently part of the executive team of Barco, a global leader in visualization solutions, heading the worldwide Entertainment Division. He is a seasoned global leader with over 25 years' experience in a variety of operational and business leadership roles delivering growth, business transformation and operational excellence. Before joining Barco, he served six years as a member of the executive committee at the Etex Group, a leading building materials company, where he headed its Insulation and Building Materials Division 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), Management (Solvay School of Management/ ULB Belgium) and International Business and European Economics (College of Europe, 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, Mrs. Hedger worked at Lazard & Co. Limited for 11 years, leaving as Director Corporate Finance and spent five years as an auditor at PricewaterhouseCoopers.

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

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

- **Itzhak (Tzachi) Wiesenfeld** has thirty years' experience in senior management positions. For 12 years he was the EMEA CEO at ASSA ABLOY, the global leader in door opening solutions. EMEA is a €2 billion division with 10,000 employees across 40 factories and 100 selling units. Under Mr Wiesenfeld's leadership, the EMEA revenues grew by 50% and delivered high profits and strong cash flows. Previously Mr Wiesenfeld was CEO of ASSA ABLOY in the UK and CEO of Mul-T-Lock. His experience includes optimization of manufacturing footprint, digitization of industrial companies and execution of many M&A deals. His commercial background includes B2B and B2C in a multi-channel market environment.

  Mr Wiesenfeld is currently the Chairman of iLOQ, a fast growing digital locks company, based in Finland and owned by Nordic Capital. He is also a board member at FlaktGroup, a leading European ventilation and air management solutions company, owned by Triton Partners. He is also a Senior Industry Expert, involved predominantly in M&A deals for private equity firms.

  Mr Wiesenfeld holds a BSc degree in Industrial Engineering and an MBA. He is also a Sloan graduate from London Business School. He holds dual British and Israeli citizenships.

- **Neal Morar** is a Managing 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 including the set up and running of a captive server in Mumbai, India in 2003. Mr Morar obtained membership of the Chartered Certified Accountants in 1996, gained Fellow status (FCCA) in 2001 and has also been regulated in various capacities with the FCA (UK), JFSC (Jersey) and CBI (Ireland) over the last 19 years.

  Mr Morar holds a degree in Accounting and Finance from the University of Hertfordshire, UK.

- **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). Mrs. Strong has extensive experience advising on legal and compliance issues that face companies across numerous industries and jurisdictions.

  Mrs. 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 S.à r.l., 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 2019

Upon a recommendation by the Remuneration and Nomination Committee and a proposal from the Board of Directors, the shareholders approved, on 28 May 2019, the appointment of Mr Itzhak Wiesenfeld as an independent director with immediate effect for a four year period.

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 2019 the Board met on ten occasions.

Major matters reviewed and discussed by the Board of Directors in 2019 are:

- Financial and overall performance of the group;
- Implementation, actions and outcome of the 'One Balta for Safety' initiative;
- Detailed follow-up of the progress made with the Company's three-year transformation and earnings enhancement program NEXT;
- General strategic, financial and operational matters of the business;
- On a recommendation from the Audit Committee, approval of the quarterly and half-year financial results and the corresponding reports and press releases, refinancing opportunities, the 2019 budget, and the sale and leaseback;
- On a recommendation from the Remuneration and Nomination Committee, approval of the 2018 bonus and the 2019 bonus methodology for members of the Management Committee, the 2019 long term incentive plan, and appointment of new management.

Directors' attendance at Board and Committee meetings

	Board of Directors	Audit Committee	Remuneration and Nomination Committee
Cyrille Ragoucy	10/10		
Michael Kolbeck	10/10		7/7
Accelium BVBA, represented by Nicolas Vanden Abeele	10/10	6/6	7/7
Sarah Hedger	10/10	6/6	7/7
Itzhak Wiesenfeld	5/5		1/1
Neal Morar	10/10		
Hannah Strong	10/10		
Jeremy Fryzuk	10/10	5/6	
Patrick Lebreton	10/10		

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

Diversity

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. Our Board of Directors is currently 22% female. The necessary attention is being paid to meet this requirement as soon as practically possible. Our Board also features a mix of expertise from different operational fields.

We face a challenge to make our broader workforce diverse and create equal fully equal opportunities regardless of gender, race or cultural background given the nature of our operations. While no formal diversity targets have been set, we have made steps in the right direction.

Balta employees have diverse backgrounds across all age groups, from our identified 'future leaders' through to those with deep domain expertise, and are gender diverse with an increasing number of women in management roles.

Being a global business headquartered in Belgium, we operate in several different languages and employ 47 nationalities across 11 locations. The recent appointments made to our Management Committee reflect this, with the Committee now made up of diverse German, French, Belgian and American nationalities.

It is our strong belief that employing the right people for the right roles encourages a balanced workplace and this has been reflected in a slight improvement in gender balance at the end of 2019. However, our diversity does need to improve in senior management functions and we expect the steps taken in engagement and well-being will help address this issue. During 2020, we will continue to work towards making our workforce reflect more closely the international stage on which we operate.

Audit Committee

In accordance with the stipulations in book 7, title 4, chapter 1 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 2019, 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 Vanden Abeele	Member and Independent Director	2017	2021
Sarah Hedger	Member and Independent Director	2017	2021

In the course of 2019, the Audit Committee met six times.

As required by the Belgian Companies Code, Mr 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, other Board members are invited to attend the Audit 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, refinancing opportunities, the internal legal restructuring, the compliance approach and related policies, the Company's Brexit readiness, the set-up of the internal audit department, its risk management approach, ICT security measures, the sale and leaseback, and the 2019 and 2020 budget.

Remuneration and Nomination Committee
In accordance with the stipulations in book 7, title 4, chapter 1 of the Belgian Companies Code and provision 5.3 and 5.4 of the Corporate Governance Code, the Board of Directors of Balta Group NV has established a Remuneration and Nomination Committee.

On 5 November 2019, Mr Itzhak Wiesenfeld was appointed as member of the Remuneration and Nomination Committee.

On 31 December 2019, 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 Vanden Abeele	Member and Independent Director	2017	2021
Sarah Hedger	Member and Independent Director	2018	2021
Itzhak Wiesenfeld	Member and Independent Director	2019	2023

In 2019 the Remuneration and Nomination Committee met seven times.

The CEO and the Group HR director 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 performance of members of the Management Committee, the 2018 bonus for members of the Management Committee, the compensation and benefit packages for members of the Management Committee, the recruitment and remuneration of the new CEO and senior management, the new composition of the Management Committee, the 2019 long term incentive plan, the 2019 bonus methodology for members of the Management Committee, the remuneration report, and talent and succession planning at management level.

Chief Executive Officer
On 1 April 2019, Mr Ragoucy, who was already CEO ad interim, was appointed 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.

The composition of the Company's Management Committee changed in 2019. The CFO, Tom Gysens BVBA, represented by Mr Tom Gysens, and the managing director of the European carpets and tiles division, Vandendriessche Consulting BVBA, represented by Mr Lieven Vandendriessche, left the company and were replaced.

On 3 July 2019, a new CFO was appointed. In addition, the Management Committee expanded through appointing the Managing Director for the modulyss division, the President of Bentley Mills Inc and the Group HR director as members. On 2 September 2019, the Managing Director of Balta carpets, ITC and arc edition was appointed. On 1 October 2019, a Chief Transformation Officer was appointed.

The Company's Management Committee consists of the following members on 31 December 2019:

Name	Position
Cyrille Ragoucy	Chief Executive Officer
Jan-Christian Werner	Chief Financial Officer
Marc Dessein BVBA, represented by Marc Dessein	Managing Director Balta home
Oliver Forberich	Managing Director Balta carpets, ITC and arc edition
Quercum BVBA, represented by Stefan Claeys	Managing Director modulyss
Jim Harley	President Bentley Mills Inc
Kris Willaert	Group HR Director
Emmanuel Rigaux	Chief Transformation Officer

For the biography of **Cyrille Ragoucy**, please see the "Board of Directors" section above.

- **Jan-Christian Werner** started at Balta in February 2019 as Head of Group Controlling and Reporting and was appointed Chief Financial Officer on 3 July 2019. Mr Werner has extensive experience in financial controllership, Corporate Finance and M&A at international stock market listed companies. Before joining Balta, Mr Werner was Head of the Finance organisation for the EMEA region at Orion Engineered Carbons for five years and afterwards spent one year as acting CFO of AvesOne AG, a listed Investment holding company.

- **Marc Dessein** has worked for Balta 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 Balta and prior to that Export Sales manager. From 1985 to 1992 he held sales and management positions at Pfizer, Radar and Sun International.

- **Oliver Forberich** joined the Balta on 2 September 2019 as managing director Balta carpets, ITC, arc edition and Captiqs. In 1998, he started his career at SCHOTT focussing on business development and marketing. In 2006 Mr Forberich joined thinXXS Microtechnology and moved on in 2007 to join Bekaert in Belgium. Mr Forberich worked at Bekaert for 12 years holding various general management positions before being appointed Chief Marketing Officer and Senior Vice President Stainless Technologies. Over the last 20 years he gained extensive experience in many different industries across the globe.

- **Stefan Claeys** joined Balta on 23 April 2019, as Managing Director modulyss.

  Stefan worked at Beaulieu from 2012 to 2017 as general manager of the technical textiles division. From 2002 to 2012, he was in the Wienerberger Group in various positions including director corporate marketing and export, CEO of Wiekor in Poland and product group business manager at the Vienna HQ. Prior to that he occupied international sales, marketing and business development positions within CNH Group, Bekaert and the Koramic Investment Group.

- **Jim Harley**, , a seasoned industry executive, rejoined Bentley in February 2013 as Chief Operating Officer, and became President in November 2017. He started his career with

Bentley more than 32 years ago, as part of the management team that built the company from a small start-up carpet manufacturer in 1980 into a brand widely recognised for its innovative design, high-quality products and excellence in customer service. Prior to re-joining Bentley, he spent eight years in executive roles at Tandus (now Tarkett), Monterey Carpets and Chroma Systems.

- **Kris Willaert** joined Balta on 3 June 2019 as Group HR Director. Kris holds a Master's degree in Communication Sciences and has a wealth of HR management experience having worked for leading global companies. He has previously served in international HR executive roles at KONE International (Southern Europe, Middle East and Africa), MasterCard Europe and Lloyds Pharma.

- **Emmanuel Rigaux** joined Balta on 1 October 2019 as Chief Transformation Officer. Mr Rigaux previously held leadership positions at LafargeHolcim, most recently as Head of West and Central Africa. During his time at LafargeHolcim, Mr Rigaux gained extensive experience in leading transformation programs. Mr Rigaux started his career with the Boston Consulting Group.

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 BV, with its registered office at Woluwedal 18, 1932 Sint-Stevens-Woluwe, and represented by Mr Peter Opsomer.

The mandate of PricewaterhouseCoopers Bedrijfsrevisoren BV 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 3:71 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 3:55 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 2019, the remuneration paid to the statutory auditor for auditing activities amounted to €369,000. Remuneration paid for special assignments was €48,000 and €99,000 for other assignments outside the audit mandate. Re-appointment of the statutory auditor will be presented to the shareholders in May 2020.

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 2019 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 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 1:20 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 2019 – 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 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 7:202 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 2019, 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. The Board will submit a resolution to renew this authorization for approval to the Extraordinary Shareholders' Meeting of 2020.

Acquisition of own shares

According to article 16 of its articles of association, the Board of Directors may, without any prior authorisation of the Shareholders' Meeting, in accordance with articles 7:215 ff. of the Belgian Companies Code and within the limits set out in these provisions, acquire, on or outside a regulated market, 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 7:221, 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 7:215 §1 4° 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 7:221, 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.

In the course of 2019, 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. The Board will submit a resolution to renew this authorization for approval to the Extraordinary Shareholders' Meeting of 2020.

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 Super Senior Revolving Credit Facility Agreement (as amended or supplemented from time to time, the "Revolving Credit Facility"), which provides for €68,000,000 of committed financing at 31 December 2019.

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

Senior Term Loan

On 29 August 2017, LSF9 Balta Issuer S.à r.l. entered into a €35,000,000 Senior Term Loan Facility Agreement (the "Senior Term Loan").

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

On 21 January 2020, the Company prepaid all amounts outstanding under the Senior Term Loan.

2018 Long Term Incentive Plan

In 2018, a long term incentive plan (the "2018 LTIP") was implemented to create alignment between managers' and shareholders' interests. The 2018 LTIP consists of Performance Share Units ("PSU"s) which convert into shares and vest to relevant managers that still provide services to the Balta Group on the third anniversary of their award, to the extent that the Company's share price reaches certain defined targets. As approved by the Shareholders' Meeting of 16 June 2017 in accordance with article 7:151 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 PSUs in view of his 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

Also in 2019, a long term incentive plan (the "2019 LTIP") was implemented by the Board of Directors. The PSUs granted under the 2019 LTIP will vest to relevant managers that still provide services to the Balta Group on the second and third anniversaries of their award, to the extent that the Company's share price reaches certain defined targets. The clause allowing for accelerated PSU vesting in the event of the closing of a public takeover bid over the Company was approved by the Shareholders' Meeting of 28 May 2019, in accordance with article 7:151 of the Belgian Companies Code.

Sale and leaseback

On 20 December 2019, the Company entered into a sale and leaseback agreement with three banks. This agreement contains a change of control clause in favour of the banks. In case a third party gains control over the Company, the banks are entitled to terminate the agreement at their own discretion. This change of control clause will be submitted to the general Shareholders' Meeting of 26 May 2020 for approval in accordance with article 7:151 of the Belgian Companies Code.

2020 Long Term Incentive Plan

On 5 March 2020, the Board of Directors approved a new long term incentive plan (the "2020 LTIP"). The PSUs granted under the 2020 LTIP will vest to relevant managers that still provide services to the Balta Group on the third anniversary of their award, to the extent that the Company's share price reaches 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 to the Shareholders' Meeting of 26 May 2020, in accordance with article 7:151 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

Articles 7:96 and 7:97 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 4 March 2019:

"Before the deliberation started, Mr Cyrille Ragoucy declared a conflict of interest, as defined in article 523 of the Belgian Companies Code ("BCC"), concerning several items on the agenda related to his remuneration.

The conflict results from the fact that Mr Ragoucy is both director of the Company and member of the management committee. The resolutions to be adopted envisage the approval of his 2020 remuneration package as managing director and interim-CEO and the approval of a the third quarter and the fourth quarter of 2018 variable remuneration, in accordance with his letter of appointment.

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 quarterly variable fee is linked to performance objectives determined by the Board for each three months' reference period. Subject to satisfying all the performance objectives set by the Board of Directors, each quarterly variable fee may be a maximum of €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 of the Belgian Companies Code."

Relevant section of the minutes of the Board of Directors of 1 April 2019:

"Cyrille Ragoucy declared that he has a conflict of interest as referred to in Article 523 of the Belgian Companies Code, given that he acts as counterparty of the Company with respect to the Independent Service Agreement and the PSU Agreement. He did not participate in the deliberation and decision-taking.

Each of the remaining directors declared that he or she had, neither directly nor indirectly, any interest of a patrimonial nature which could be contrary to the resolutions to be passed at this meeting or the transactions contemplated thereby, or referred to in Article 523 of the Belgian Companies Code.

The purpose of the Independent Service Agreement is to bind Mr Cyrille Ragoucy in his capacity as CEO of the Company for a longer term, with the PSU Agreement giving him a financial long term incentive, as the remuneration under the PSU Agreement will be linked to the financial performances of the Company. Given that the CEO fulfils one of the key functions within the Company, the board of directors deems the entering into of the Independent Service Agreement and the PSU Agreement justified.

The financial consequences of the Independent Service Agreement and the PSU Agreement are substantially as follows:

- Independent Service Agreement: (a) a fixed remuneration of €700,000 per year, (b) a variable fee of up to 80% of the fixed remuneration, in accordance with the terms of the Independent

Service Agreement, (c) participation in the 2019 LTIP, and (d) several other advantages (in kind) (such as a company car and a mobile phone).
- PSU Agreement: the grant of 200,000 Performance Share Units in accordance with the PSU Agreement.

The board of directors believes the conditions of the Independent Service Agreement and the PSU Agreement are in line with market practice for a position of this nature and the skills of Mr Ragoucy."

Relevant section of the minutes of the Board of Directors of 16 April 2019:
"Before the deliberation started, Mr Cyrille Ragoucy declared 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 first quarter of 2019 bonus for the CEO and approval of the 2019 Long Term Incentive Plan.

The conflict results from the fact that the aforementioned director is eligible for a quarterly variable fee for his role as managing director and interim-CEO of the Company, and the aforementioned director is, together with the other members of the management committee, beneficiary of the 2019 LTIP. The resolution to be adopted envisages the approval of the first quarter of 2019 bonus and the approval of the 2019 LTIP possibly granting shares linked to the reaching of certain performance criteria.

In accordance with article 523 BCC, Mr Ragoucy refrained from taking part in the deliberations and from voting on those resolutions.

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 variable remuneration encourages the contribution of the interim managing director/CEO to the strategy of the Company.

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

The interim managing director/CEO is eligible to receive a quarterly variable fee with respect to performance during each three months' period of his appointment. The performance objectives applicable with respect to each three months' reference period are determined by the Board. Subject to satisfying all the performance objectives set by the Board of Directors, each quarterly variable fee may be a maximum of €120,000 gross.

The number of shares to be granted under the 2019 LTIP will depend on the share price reaching a defined target.

Each of the other directors stated that he/she did not have any direct or indirect conflicting interest of a patrimonial nature in respect of 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 2009 Corporate Governance Code as a reference code for the financial year ending 31 December 2019. For the financial year starting on 1 January 2020, the new 2020 Corporate Governance Code will be used 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. This is due to binding agreements which were already in place at the time of the Company's IPO. All agreements with members of the Management Committee entered into by the Company after its IPO are in compliance with the 2009 Corporate Governance Code;

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. This situation is specific to the Company's shareholding structure and is based on nomination rights set out in the Company's articles of association. As LSF9 Balta HoldCo S.à r.l. reduces its shareholding below certain agreed percentages their right to appoint directors is also reduced (see above). The Remuneration and Nomination Committee aims to ensure, in consultation with LSF9 Balta Holdco S.à r.l., the Board of Directors is well-balanced and that non-executive directors have complementarity skills and experience; and

4) the chairman of the Board and the CEO are the same individual. The Board of Directors has appointed its chairman as CEO. Following his mandate as interim CEO, during which he was instrumental in developing and starting to implement the NEXT program, the Board requested that Mr Ragoucy assume the role in a permanent capacity. Given his deep knowledge of the organisation and his strong track record of leading and driving strategy and profitability improvements, the Board is convinced that Mr Ragoucy is best placed to continue to drive and deliver the implementation of our transformation program.

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 of managing director and interim CEO of the Company, i.e. until 31 March 2019, Mr Ragoucy was only entitled to a director's fee connected to his mandate as chairman, i.e. the annual fee of €70,000. As of assuming the role of permanent CEO from 1 April 2019, Mr Ragoucy was 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's 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 2019:

Name	Chairmanship	Independent directorship	AC membership	RNC membership	Total
Cyrille Ragoucy	€17,500 (until 31 March 2019)	-		-	€17,500
Michael Kolbeck	-	-	-	€0	€0
Jeremy Fryzuk	-	-	€0	-	€0
Accelium BVBA, represented by Nicolas Vanden Abeele	-	€40,000	€10,000	€10,000	€60,000
Sarah Hedger	-	€40,000	€10,000	€10,000	€60,000
Itzhak Wiesenfeld		€23,763 (appointed since 28 May 2019)		€1,667 (member as of 5 November 2019)	€25,430
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 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 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 2019, 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. This performance review was carried out during the Committee meeting of 18 December 2019. The results were presented to and discussed by the Board of Directors on 24 January 2020.

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

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 long-term 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 manager 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 manager for 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 (this year, for the period from 1 January 2019 to 31 December 2019).

During his appointment as interim CEO, i.e. until 31 March 2019, 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 first quarter of 2019 were a combination of short term financial, organisational and strategic targets.

For the CEO (as of 1 April 2019 in his permanent capacity), the CFO, the Group HR Director and the CTO, the STIP for 2019 was based on Group financial targets: 50% on Group Adjusted EBITDA, 20% on Group Seasonality Adjusted Net Debt and 30% on realisation of personal objectives set to drive longer term financial improvements in the context of project NEXT. For the Managing Directors of the divisions, the STIP was based on the realisation of Group and divisional financial targets: 25% on Group Adjusted EBITDA, 25% on Divisional Adjusted EBITDA, 20% on Divisional Working Capital and 30% on realisation of personal objectives set to drive longer term financial improvements in the context of project NEXT.

The Remuneration and Nomination Committee evaluated achievement against the 2019 performance objectives for each member of the Management Committee and proposed their short-term variable remuneration component to the Board of Directors.

The variable remuneration is not spread over time.

In 2019, the target STIP was 80% of fixed annual remuneration for the CEO and, on average, 45% of annual fixed remuneration for other members of the Management Committee.

Since 2018, Long Term Incentive Plans ("LTIP"s) have been implemented to create alignment between manager's and shareholders' interests.

The 2018 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 members of the Management Committee at that time.

In 2019, the Board of Directors approved a similar LTIP designed to drive the performance and long-term growth of the Group by offering long-term incentives to managers who contribute to such performance and growth. The 2019 LTIP is also intended to facilitate recruiting and retaining personnel of outstanding ability. The PSUs granted under the 2019 LTIP will vest to relevant managers that still provide services to the Group on the second and third anniversaries of their award, to the extent the Company's share price has reached certain defined targets, all significantly above the current share price. The clause allowing for accelerated PSU vesting in the event of the closing of a public takeover bid for the Company was approved by the Shareholders' Meeting on 28 May 2019, in accordance with article 7:151 of the Belgian Companies Code. The 2019 LTIP was awarded to the CEO and to the other members of the Management Committee.

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.

Changes to the remuneration policy since the end of 2019

At the beginning of 2020, the Remuneration and Nomination Committee reviewed the 2020 short term targets for all members of the Management Committee. In 2020, non-financial targets will no longer be part of the STIP. For the CEO, CFO, Group HR Director and CTO, the 2020 STIP will be based on the following financial targets: 70% on Group Adjusted EBITDA and 30% on Group Seasonality Adjusted Net Debt. For the Managing Directors of the divisions, the STIP will be based on the following financial targets: 25% on Group Adjusted EBITDA, 50% on Divisional Adjusted EBITDA and 25% on Divisional Working Capital. For all members of the Management Committee, conducting an agreed minimum number of factory safety walks will be a condition for any 2020 bonus pay-out. In light of the ongoing uncertainty caused by the COVID-19 pandemic and its significant impact on the Group and the economy as a whole, the Board of Directors, taking advice from the Remuneration and Nomination Committee, will continue to monitor the fast evolving market circumstances and their impact on the appropriateness of the financial targets.

On 5 March 2020, the Board of Directors approved a new long term incentive plan (the "2020 LTIP"). Similar to the previous LTIPs, the purpose of the 2020 LTIP is to drive the performance and long-term growth of the Company by offering long term incentives to managers who contribute to such performance and growth. The PSUs granted under the 2020 LTIP will vest to relevant managers that still provide services to the Balta Group on the third anniversary of their award, to the extent that the Company's share price reaches 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 to the Shareholders' Meeting of 26 May 2020, in accordance with article 7:151 of the Belgian Companies Code.

Remuneration awarded to the CEO as member of the Management Committee

Cyrille Ragoucy (until 31 March 2019 in his capacity as interim CEO and as of 1 April 2019 in a permanent capacity)

- Base salary (gross remuneration): €675,000
- Variable remuneration (relating to performance in 2019, paid out in 2020): €302,944
  To help mitigate the impact on the Coronavirus COVID-19 on the Company, the CEO decided to delay the part of the pay-out of his 2019 bonus awarded after 1st April 2019.
- Pension: nil
- Other compensation components (company car, fuel card and smartphone): €12,720.
- Within the framework of the 2019 LTIP 40,000 PSU's were granted in 2019.

As mentioned above, Mr Ragoucy was appointed as permanent CEO on 1 April 2019. The several components of the remuneration are explained in the subtitle "conflict of interest" hereabove. 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 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 NV.

Remuneration awarded to the other Management Committee members

For the year ended 31 December 2019, the total remuneration of the Management Committee members was as follows:

- Base salary (gross remuneration): €1,862,363
- Variable remuneration (relating to performance in 2019, paid out in 2020): €301,413
  To help mitigate the impact of the Coronavirus COVID-19 on the Company, the CEO decided to delay the pay-out of the 2019 bonuses
- Pension: €20,145
- Other compensation components (car, insurance, lunch vouchers, representation allowances): €46,754
- Within the framework of the 2019 LTIP, 103,500 PSU's were granted in 2019.

As part of the IPO process, members of the Management Committee at that time were entitled to a share related bonus payment pursuant to a phantom share bonus scheme with Balta Group NV representing the value of 86,361 shares at the pay-out date. The members of the Management Committee that were still providing services to the Balta Group on the second anniversary of the IPO, were entitled to this bonus.

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. The total number of shares awarded to the these members of the Management Committee and to the current President 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) vested on its second anniversary.

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 six (6) 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 minimum notice period of six (6) months. As an exception, in case of termination of the employment contract by the employer before 31 August 2021 directly resulting from a divestment or reorganisation, he will be entitled to a notice period of twelve (12) months. If the employer does not require him to perform his duties during the entire notice period, he will be entitled to an amount equal to his fees for the time of the notice period related to the non-performed period.

Other than in certain cases of termination for breach of contract, Mr Marc Dessein is entitled to a notice period of eighteen (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 (1) year from the date of termination or resignation, restricting his ability to work for competitors. He is entitled to receive compensation of an amount up to €162,500 of remuneration if this non-competition clause is applied in full.

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

Other than in the case of termination in certain events of breach of contract, Mr Oliver Forberich is entitled to a minimum notice period of six (6) months. As an exception, in case of termination of his employment contract by the employer before 31 August 2021 directly resulting from a divestment or reorganisation of the broadloom division, he will be entitled to a notice period of twelve (12) months. If the employer does not require him to perform his duties for the entire notice period, he will be entitled to an amount equal to the fees for the time of the notice period related to the non-performed period.

Other than in the case of termination in certain events of breach of contract, Mr Stefan Claeys is entitled to a notice period of six (6) 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, Mr Emmanuel Rigaux is entitled to a minimum notice period of six (6) months. If the employer does not require him to perform his duties during the entire notice period, he will be entitled to an amount equal to the fees for the time of the notice period related to the non-performed period.

Other than in the case of termination in certain events of breach of contract, Mr Kris Willaert is entitled to a minimum notice period of six (6) months. If the employer does not require him to perform his duties during the entire notice period, he will be entitled to an amount equal to the fees for the time of the notice period related to the non-performed period.

The notice period of Mr Jim Harley can be negotiated, with a minimum of two (2) weeks.

Severance payments for Management Committee members who left in 2019
No severance payments were made to Management Committee members leaving during 2019.

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.

Risk management and internal control framework

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

Balta 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'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 applies the "three lines of defence model" to clarify roles, responsibilities and accountabilities, and to enhance communication within the area of risk and control:

- 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: internal audit provides the governing body and senior management with comprehensive assurance based on the highest level of independence and objectivity within the organisation, and challenges the risk management processes as executed by the first and second line of defence. In 2019, a Group Internal Audit and Control Director has been appointed.

External auditors, regulators, and other external bodies reside outside the organisation's structure, but they have an important role in the organisation's overall governance and control structure. When coordinated effectively, external auditors, regulators and other groups outside the organisation can be considered as additional lines of defence, providing assurance to the organisation's shareholders, including the governing body and senior management.

Policies, procedures and processes
Corporate culture is sustained by the implementation of different company-wide policies, procedures and processes such as the Balta 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 delegation of authority 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.

Control activities
Control measures are in place to minimise the effect of risk on Balta's ability to achieve its objectives. These control activities are embedded in the Balta's key processes and systems to ensure that the risk responses and the Balta'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: an authorisation cascade 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 and 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 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.

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

All Balta 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.

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 and 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. 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.

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. Internal audit also reports to the Audit Committee on the risk-based audit plan. Risk-based auditing focuses on the analysis and management of the corporate, operational and strategic risks, to provide assurance to the Board of Directors and the Audit Committee that risk management processes are managing risks effectively and adequately in relation to the risk appetite. 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.

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 materialise.

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 16.9% of our 2019 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 depend 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 114 countries, we are exposed to geopolitical risk on both the demand and supply side.

As the UK represents 16.4% of our total revenues, mainly related to our Residential business, the Group is exposed to the outcome of the UK's exit from the European Union (Brexit). Management assessed all potential scenarios and has made preparations with regard to logistical flows through local stock keeping and an in depth assessment of the Brexit-readiness of our logistical partners. The Group continues to translate the impact of potential outcomes into practical measures.

In 2019 Balta received an official AEO (Authorised Economic Operator) certificate from the Belgian Customs administration for all the Belgian production sites of both Balta Industries NV and modulyss NV. This AEO certificate will allow the Group to facilitate exports to non-EU countries, with less controls and holds at borders, securing a continuation of our premium delivery service to customers worldwide. The AEO certificate can, in the long term, also help the Group deal with post Brexit export formalities to the UK.

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.

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

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

Legal and 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 and 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. We have longstanding relationships with our key suppliers.

In 2019, raw materials expenses represented 47.2% of our revenues. The key raw materials used were polypropylene, yarn, latex and polyamide, which together represented approximately 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 material price indexation mechanisms.

Reference is made to commodity price risk, as described under note 27 of the section financial risk management in the Financial Statements.

Production and 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 administration). 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 increasing cybercrime-related incidents, which require us to maintain adequate cyber security. 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 currencies versus the Euro for 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 the credit risk exposure towards our customers is covered by our external credit insurance agreements. Amongst others, a reduction in external credit limits might cause the existing factoring not to be available at existing levels going forward.

Changes in our own credit rating could detrimentally affect our working capital and liquidity.

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. More detail can be found in note 27 of the section financial risk management in the Financial Statements.

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 27 of the section financial risk management in the Financial Statements.

NEXT

As a result of the strategic and operational review, As a result of the strategic and operational review, we launched the transformational program NEXT, designed to deliver a significant improvement in earnings over a three year period. The key initiatives focus on delivering sustainable growth, improving commercial excellence and increasing cost competitiveness through Lean initiatives and procurement savings. Anticipated improvements in earnings may be delayed or fall below our expectations.

Sustainability

The expectations on corporate responsibility, including recyclability of products and in general greener footprints, is increasing. Consequently, it has become essential to develop a solid sustainability roadmap with clear milestones and quantified targets, as launched by Balta in 2019. Even with such a roadmap, several risks can be identified, for example:

- A negative perception of our products by our customers
- A negative perception of our activity and our production processes by our stakeholders (shareholders or local communities)
- A competitive gap with competitors or with other flooring solutions

COVID-19 statement

In response to the outbreak of the novel coronavirus (COVID-19), which first appeared in China in December 2019 and has since early 2020 been declared a pandemic and spread to every region of the world, governments globally and in the markets in which we operate have implemented strict social distancing measures, including varying degrees of lockdowns and the closure of non-essential businesses, including the businesses of a number of our customers. These measures have resulted in a significant disruption of daily life, and in a significant deterioration of global, regional and national macroeconomic conditions, with each of the markets in which we operate now expected to see negative economic growth for the year. Since the pandemic is an event of 2020, it is a subsequent event of the 2019 closing and has no impact on the 2019 financial statements.

To protect the health and safety of our workforce and customers and to mitigate the effect of COVID-19 on our operations, we have formed an internal COVID-19 taskforce which participates in daily calls and coordinates our response to the situation across the Balta group. In addition, we have implemented a number of measures to reduce our operating costs and manage our cash flows, including the temporary closure of plants as well as a reduction of employee costs, procurement costs and capital expenditures.

Following a strong start to the year, which saw an almost 16% increase in EBITDA in the two months ended 29 February 2020 compared to the same period in 2019, revenues decreased by more than 29% during March 2020 compared to the same period in 2019, mainly as a result of a decrease in orders from customers.

As a result of this reduced demand for our products and to reduce costs and preserve cash, we have temporarily shut down 6 of our 8 plants, which we estimate has reduced our operating costs by approximately 37% in April. Other than these voluntary closures, our plants are fully operational and have not yet been ordered to close by any government or other authority. Additionally, we have put our product launches on hold and we have reviewed all purchases of raw materials and are in negotiations with our suppliers to delay or, where possible cancel, our raw material orders. We estimate that these measures will result in a further reduction of our operating costs by 12% in Q2.

To reduce our employee costs, we have accessed available government unemployment support programmes in Belgium, UK, France and Germany for the vast majority of our workforce in those countries. Additionally, we have implemented a hiring freeze across the entire Balta group, postponed our annual merit-based salary reviews and reduced the monthly compensation of our CEO and the members of our Management Committee and group-wide leadership team by 50%, 40% and 30%, respectively. Our paid directors have also agreed to reduce their director fees by 50%. We believe that these measures will allow us to reduce employee costs by up to 25%. The reduced compensations will not be recaptured.

The current crisis has and will continue to impact our working capital. We are closely monitoring our daily cash flows. To further protect our liquidity position, we have also significantly reduced our marketing costs as well as samples and other capital expenditures by approximately €20m, which we believe is the minimum amount necessary to continue operating our business. Additionally, we are closely monitoring our accounts receivable and accounts payable to manage our cash outflows. As a precautionary measure, to address our short-term liquidity and working capital needs, on 11 March 2020, we drew €72.7m revolving credit facility. As of 31 March 2020, we held cash and cash equivalents in the amount of €80.4m.

As of the date of this report, it is too early to accurately predict the effect of COVID-19. We believe that the COVID-19 situation represents an unprecedented short-term disruption to our business and the wide variations in potential outcomes present a material challenge to our business and industry. We are in regular contact with the governments in our key markets to determine the availability of, and our eligibility for, state aid and other government support measures, including the availability of additional financing.

We are currently forecasting a ramp-up in production beginning in early June 2020, and under this scenario we are estimating that we would be producing at approximately 85% of capacity in the fourth quarter of 2020. We anticipate additional working capital requirements as we begin our production ramp-up. We have assumed that our customers will continue to pay according to invoice terms, and we plan to continue to manage our cash flow conservatively for the duration of the COVID-19 crisis. Based on these assumptions, we are currently forecasting our existing cash on hand and cash flow to be sufficient for our business through our expected production ramp-up, but as a result of the decreasing EBITDA levels we were facing the possibility of breaching our leverage covenant on our €61m RCF financing in Q2 of 2020 and in subsequent quarters where the twelve month period being tested includes months that are impacted by the COVID-19 pandemic. We have proactively reached an agreement with the relevant banks to adjust the covenant calculation for the impact of COVID-19 through Q2 of 2021. We are confident that with this amended calculation of the covenant, a breach will be avoided. Based on the currently available information and forecasts, although visibility remains limited as the pandemic is still progressing, the Group currently believes that it will be able to meet its liabilities and commitments as they fall due across the applicable forecast period and has determined that the going concern basis remains the appropriate basis of preparation for its financial statements. To further strengthen our position, we will likely look at government and other options to raise funds given the uncertainty as to when the COVID-19 crisis will end, and markets will return to normal.

FINANCIAL STATEMENTS

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

(€ thousands)	Note	For the year ended 31 December 2019	2018
I. CONSOLIDATED INCOME STATEMENT			
Revenue	Note 4	671,151	646,197
Raw material expenses		(317,006)	(306,640)
Changes in inventories	Note 15	(278)	5,826
Employee benefit expenses	Note 6	(167,301)	(159,106)
Other income	Note 7	3,455	3,363
Other expenses	Note 7	(115,666)	(117,287)
Depreciation / amortisation	Note 8	(39,602)	(32,430)
Adjusted Operating Profit[1]		**34,754**	**39,922**
Gains on asset disposals		-	-
Integration and restructuring expenses	Note 9	(6,641)	(7,699)
Operating profit / (loss)		**28,114**	**32,223**
Finance income		205	51
Finance expenses	Note 10	(25,357)	(25,881)
Net finance expenses		**(25,152)**	**(25,831)**
Profit / (loss) before income taxes		**2,961**	**6,393**
Income tax benefit / (expense)	Note 11	7,440	953
Profit / (loss) for the period from continuing operations		**10,401**	**7,346**
Profit / (loss) for the period from discontinued operations		-	-
Profit / (loss) for the period		**10,401**	**7,346**
Attributable to:			
Equity holders		10,401	7,346
Non-controlling interest		-	-
II. CONSOLIDATED OTHER COMPREHENSIVE INCOME			
Items in other comprehensive income that may be subsequently reclassified to P&L			
Exchange differences on translating foreign operations		(2,133)	(13,833)
Changes in fair value of hedging instruments qualifying for cash flow hedge accounting		(245)	87
Items in other comprehensive income that will not be reclassified to P&L			-
Changes in deferred taxes		393	(107)
Changes in employee defined benefit obligations		(1,740)	379
Other comprehensive income for the period, net of tax		(3,725)	(13,473)
Total comprehensive income for the period		**6,676**	**(6,128)**
Basic and diluted earnings per share from continuing operations attributable to the ordinary equity holders of the company	Note 33	**0.29**	**0.20**

1 Adjusted Operating Profit / Operating profit / (loss) are non-GAAP measures as defined in Note 1.25.

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

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

(€ thousands)	Note	For the year ended 31 December[1] 2019	2018
Property, plant and equipment		**337,594**	**301,259**
(Of which IFRS 16 related right-of-use assets)		*42,072*	-
Land and buildings	Note 13	186,173	153,752
Plant and machinery	Note 13	138,807	132,632
Other fixtures and fittings, tools and equipment	Note 13	12,614	14,875
Goodwill	Note 5	195,991	194,643
Other intangible assets	Note 12	10,357	11,399
Deferred income tax assets	Note 14	11,191	5,470
Trade and other receivables	Note 16	1,121	996
Total non-current assets		**556,253**	**513,765**
Inventory	Note 15	152,948	153,894
Derivative financial instruments	Note 25	3	119
Trade and other receivables	Note 16	58,379	60,772
Current income tax assets		908	278
Cash and cash equivalents	Note 17	19,241	26,853
Total current assets		**231,479**	**241,916**
Total assets		**787,732**	**755,681**
Share capital	Note 18	252,950	252,950
Share premium	Note 18	65,660	65,660
Other comprehensive income	Note 19	(37,113)	(33,388)
Retained earnings	Note 20	18,343	9,457
Other reserves		(39,876)	(39,876)
Total equity		**259,964**	**254,804**
Senior Secured Notes	Note 21	232,001	230,065
Senior Term Loan Facility	Note 22	-	34,908
Bank and Other Borrowings	Note 23	48,963	12,225
Of which IFRS 16 related lease liabilities		*37,318*	-
Deferred income tax liabilities	Note 14	41,004	47,837
Provisions for other liabilities and charges	Note 30	2,729	2,458
Employee benefit obligations	Note 28	4,106	3,106
Total non-current liabilities		**328,802**	**330,598**
Senior Secured Notes	Note 21	3,425	3,425
Senior Term Loan Facility	Note 22	34,927	(118)
Bank and Other Borrowings	Note 23	8,680	1,261
Of which IFRS 16 related lease liabilities		*7,357*	-
Provisions for other liabilities and charges	Note 30	164	1,165
Derivative financial instruments	Note 26	413	55
Other payroll and social related payables	Note 29	36,995	36,714
Trade and other payables	Note 31	109,019	123,599
Income tax liabilities		5,343	4,178
Total current liabilities		**198,966**	**170,279**
Total liabilities		**527,768**	**500,877**
Total equity and liabilities		**787,732**	**755,681**

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

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

(€ thousands)	Note	For the year ended 31 December 2019	2018
I. CASH FLOW FROM OPERATING ACTIVITIES			
Net profit / (loss) for the period		**10,401**	**7,346**
Adjustments for:			
Income tax expense / (income)	Note 11	(7,440)	(953)
Finance income		(205)	(51)
Financial expenses	Note 10	25,357	25,881
Depreciation / amortisation (incl. depreciation of IFRS 16 right-of-use assets - as from 2019	Note 8	39,602	32,430
(Gain) / loss on disposal of non-current assets		(1)	29
Movement in provisions		(1,001)	(6,215)
Fair value of derivatives		229	21
Expense recognised in respect of equity-settled share-based payments		15	7
Cash generated before changes in working capital		**66,959**	**58,495**
Changes in working capital:			
Inventories	Note 15	156	(4,447)
Trade receivables	Note 16	976	(4,497)
Trade payables	Note 30	(10,178)	3,056
Other working capital		(812)	(1,436)
Cash generated after changes in working capital		**57,101**	**51,170**
Net income tax (paid)		(7,848)	(4,782)
Net cash generated / (used) by operating activities		**49,253**	**46,388**
II. CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition and disposal of property, plant and equipment	Note 13	(28,704)	(30,765)
Acquisition of intangibles	Note 12	(1,034)	(930)
Proceeds from non-current assets		2,342	867
Acquisition of subsidiary		-	-
Net cash used by investing activities		**(27,396)**	**(30,828)**
III. CASH FLOW FROM FINANCING ACTIVITIES			
Interest and other finance charges paid, net		(20,846)	(21,032)
Proceeds from borrowings with third parties		-	-
Proceeds from capital contributions		-	-
Repayments of Senior Secured Notes		-	-
Repayments of borrowings with third parties (incl. IFRS 16 lease liabilities - as from 2019	Note 22	(8,624)	(2,137)
Dividends paid	Note 34	-	(2,875)
Net cash generated / (used) by financing activities		**(29,469)**	**(26,044)**
NET INCREASE/ (DECREASE) IN CASH AND BANK OVERDRAFTS		**(7,612)**	**(10,485)**
Cash, cash equivalents and bank overdrafts at the beginning of the period		26,853	37,338
Cash, cash equivalents and bank overdrafts at the end of the period	Note 17	19,241	26,853

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

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

(€ thousands)	Share capital	Share premium	Other comprehensive income	Retained earnings	Other reserves	Total	Non-controlling interest	Total equity
Balance 31 December 2017	**252,950**	**65,660**	**(19,913)**	**6,297**	**(39,878)**	**265,117**	**-**	**265,117**
Adoption of accounting policies	-	-	-	(1,308)	-	(1,308)	-	(1,308)
Balance 1 January 2018	252,950	65,660	(19,913)	4,990	(39,878)	263,809	-	263,809
Profit / (loss) for the period	-	-	-	7,346	-	7,346	-	7,346
Dividends paid	-	-	-	(2,875)	-	(2,875)	-	(2,875)
Equity-settled share-based payment plans	-	-	-	7	-	7	-	7
Other comprehensive income								
Exchange differences on translating foreign operations	-	-	(13,833)	-	-	(13,833)	-	(13,833)
Changes in fair value of hedging instruments qualifying for cash flow hedge accounting	-	-	87	-	-	87	-	87
Cumulative changes in deferred taxes	-	-	(107)	-	-	(107)	-	(107)
Cumulative changes in employee defined benefit obligations	-	-	379	-	-	379	-	379
Total comprehensive income for the period	**-**	**-**	**(13,474)**	**4,478**	**-**	**(13,474)**	**-**	**(13,474)**
Balance at 31 December 2018	**252,950**	**65,660**	**(33,388)**	**9,458**	**(39,876)**	**254,804**	**-**	**254,804**

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

(€ thousands)	Share capital	Share premium	Other comprehensive income	Retained earnings	Other reserves	Total	Non-controlling interest	Total equity
Balance 31 December 2018	**252,950**	**65,660**	**(33,388)**	**9,458**	**(39,876)**	**254,804**	**-**	**254,804**
Adoption of accounting policies	-	-	-	(1,530)	-	(1,530)	-	(1,530)
Balance 1 January 2019	252,950	65,660	(33,388)	7,928	(39,876)	253,274	-	253,274
Profit / (loss) for the period	-	-	-	10,401	-	10,401	-	10,401
Equity-settled share-based payment plans	-	-	-	15	-	15	-	15
Other comprehensive income								
Exchange differences on translating foreign operations	-	-	(2,133)	-	-	(2,133)	-	(2,133)
Changes in fair value of hedging instruments qualifying for cash flow hedge accounting	-	-	(245)	-	-	(245)	-	(245)
Cumulative changes in deferred taxes	-	-	393	-	-	393	-	393
Cumulative changes in employee defined benefit obligations	-	-	(1,740)	-	-	(1,740)	-	(1,740)
Total comprehensive income for the period	**-**	**-**	**(3,725)**	**10,416**	**-**	**6,691**	**-**	**6,691**
Balance at 31 December 2019	**252,950**	**65,660**	**(37,113)**	**18,344**	**(39,876)**	**259,965**	**-**	**259,965**

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 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 31 December 2019.

The Financial Statements of the Company for the period 1 January 2019 to 31 December 2019 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 31 December 2018 have been included in these notes to the Consolidated Financial Statements.

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.

Impact new standards

The following interpretations and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2019 and have been endorsed by the European Union.

- IFRS 16 "Leases" (effective 1 January 2019). As of 1 January 2019, the Group changed its accounting policies to adopt IFRS 16. IFRS 16 has replaced IAS 17 Leases, 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 recognise a lease liability reflecting future lease payments and a right-of-use asset for virtually all lease contracts. 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.

  Under the IFRS 16 adoption method chosen by the Group (modified retrospective approach), prior years are not restated to conform to the new policies. Hence, Balta Group opted to measure the right-of-use asset at an amount equal to the lease liability at opening (no prepaid nor accrued lease expenses). Consequently, the year over year changes in profit, assets and liabilities and cash flows are impacted by the new policies.

  The transition impact of the policy changes as of 1 January 2019, was as follows:

  - Property plant and equipment are higher by €43.6m resulting from the recognition of right-of-use assets,
  - Financial liabilities are higher by €43.6m due to the recognition of lease liabilities.

  These contracts are in nature mainly related to renting of building and warehouses.

Operating lease commitments at 31 December 2018	50,954
Discounted using the lessee's incremental borrowing rate at date of initial application	(7,346)
Finance lease liabilities recognised as at 31 December 2018	13,391
Lease liability recognised as at 1 January 2019	**56,999**
Current lease liability as at 1 January 2019	6,821
Non-current lease liability as at 1 January 2019	50,178
Lease liability recognised as at 1 January 2019	**56,999**

At the end of 2019, the year-over-year impact of IFRS 16 on balance sheet results in €42.1m right-of-use assets and €44.7m additional lease liability. From a P&L perspective, the following schedule makes the 2018 results comparable to the 2019 results:

(€ m)	FY 2018	LFL IFRS16 Impact	Lfl FY 2018	FY 2019	% change
Revenue	646,2	-	646,2	671,2	3,9 %
Adjusted EBITDA	72,4	6,5	78,8	74,4	(5,7 %)
Adjusted EBITDA Margin	11,2 %	-	12,2 %	11,1 %	(112) bps
Adjusted Operating Profit	39,9	0,7	40,6	34,8	(14,4 %)
Operating Profit	32,2	0,7	32,9	28,1	(14,5 %)
Profit for the period	7,3	(1,0)	6,3	10,4	64,6 %

The consolidated cash flow statement is amended by moving the payment of leases (€7.6m) within financing activities. As a result, the adoption of IFRS 16 has a positive impact on the operating cash flow of €7.5m.

From a P&L perspective, the impact of applying IFRS 16 results in a decrease of operating expenses (€7.6m), compensated by an increase of depreciation charges (€6.9m) and an increased financing cost (€2.1m).

In relation to Balta's financing agreements, the documentation provides for the effect of changes in accounting standards to be neutralized. As such, the application of IFRS 16 has no consequences for the Group's financing. We will continue to calculate Leverage in line with the definition in our financing agreement. The key judgments involved in the evaluation relate to the applied discount rates and the lease term. We have reviewed the applied rates and concluded that the applied rates of January are still valid and accurate.

- 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 whether tax taken by a Group will be accepted by the tax authority. It is applied to both current and deferred tax where there is uncertainty over a Group's tax position. Balta made a detailed assessment of all tax uncertainties within the Group having the following implications on the accounting policies:

  a. It has decided whether to consider its uncertain tax positions (UTPs) individually or collectively, based on which approach provided the best predictions of the resolution of the uncertainties with the tax authority;

  b. It has assumed that the tax authority will examine the position (if entitled to do so) and will have full knowledge of all the relevant information;

  c. On a case by case basis the Group has decided to recognise a UTP (group of UTPs) using either the most likely amount or the expected value, depending on which is thought to give a better prediction of the resolution of each (group of) UTP(s), to reflect the likelihood of an adjustment being realised on examination.

  The Group applied this Interpretation retrospectively with the cumulative effect of initially applying the Interpretation recognised on 1 January 2019. In accordance with the transitional provisions of IFRIC 23 it has opted not to restate comparative information. Instead, the cumulative effect of initially applying the Interpretation as an adjustment (€1.5m) has been recognised to the opening balance of the reserves, see Note 20.

The following new standards, amendments and interpretations to standards have been issued, but are not mandatory for the financial year beginning 1 January 2019 and have not been endorsed by the European Union or are considered to have a limited impact on the financial statements of 2020. The Group intends to adopt these standards and interpretations if applicable, when they become effective.

- Amendments to Refences to the Conceptual Framework in IFRS Standards (effective 1 January 2020).

- Amendments to the guidance of IFRS 3 Business Combinations, that revises the definition of a business (effective 1 January 2020).

- Amendments to the definition of material in IAS 1 and IAS 8 (effective 1 January 2020).

- Amendments to IFRS 9, IAS 39 and IFRS 7 (effective 1 January 2020).

- IFRS 17 insurance contracts, (effective 1 January 2022).

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 recognises 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 recognised for non-controlling interest over the net recognised amount (generally at fair value) of the identifiable assets acquired and liabilities assumed is recognised as goodwill. Negative goodwill is recognised immediately in the income statement.

Intercompany transactions, balances and unrealised gains on transactions between Group entities are eliminated on consolidation. Unrealised 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 organised 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), e-commerce players 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 specialised 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 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 recognised 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 entities that do not qualify as a net investment in a foreign operation are presented in income statement within "Finance income" and "Finance expenses". 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:

	31 December 2019		31 December 2018	
	Closing	Average	Closing	Average
USD	1.1234	1.1195	1.145	1.181
TRY	6.6506	6.3481	6.028	5.6789
GBP	0.8508	0.8778	0.8945	0.8847

Group entities

The results and financial position of all the Group 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 recognised 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 recognised 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 entities in a different currency compared to the functional currency, are presented in the income statement within "Finance income" and "Finance expenses", if these borrowings do not qualify as a net investment in a foreign operation.

Foreign exchange gains and losses resulting from hedging instruments which are of a trading nature, are presented in the income statement within "Finance income" and "Finance expenses".

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 recognised under IAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

Subsequent costs are included in the asset's carrying amount or recognised 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 derecognised. 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 capitalised and depreciated over the useful life not exceeding 4 years. Samples of products are capitalised 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 recognised within "Other income" or "Other expenses" in the income statement.

Note 1.5. Goodwill

Goodwill is allocated to 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 recognised 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 recognised 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 recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software 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 during its development can be reliably measured.

Directly attributable costs that are capitalised 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 recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

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

Note 1.7. Impairment of assets

Goodwill is not subject to amortisation and is 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 recognised 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 expenses" 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 recognised 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 recognised 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 recognised 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 labour, 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. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less bad debt allowance. Trade receivables are reviewed on continuing basis, if collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

The Group has applied IFRS 9 by applying the modified retrospective approach, by using the standard's simplified approach and calculated ECLs (Expected Credit Loss) based on lifetime expected credit losses. The Group has established a provision matrix. Trade receivables have been categorised by common characteristics that are representative of the customer's abilities to pay (based on geographical region and type of customers such as retail, wholesale or construction & building, and delinquency status). The provision matrix is based on historical observed default rates, whereby historical credit loss experience is adjusted by scalar factors to reflect differences in the Group's view of current and expected economic conditions and historical conditions.

In addition, to this general approach, the Group includes individually managed exposures on a case by case basis if not covered by the ECL model, also reflecting additional risk factors into the ECL model if not yet included.

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 recognised 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 recognised 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 recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Supplier finance arrangements are recognised 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 IFRS 9 (we refer to de-recognition of financial assets and liabilities Note 1.17).

Note 1.15. Classification liability or equity

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, bank and other borrowings

Senior Secured Notes, bank and other borrowings are recognised initially at fair value, net of transaction costs incurred. They are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised 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 derecognised 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 IFRS 9 de-recognition criteria are not met, the receivables continue to be recognised in the statement of financial position, while the proceeds received by the Group under any financing/factoring arrangements are recognised as a financial liability.

A financial liability is de-recognised 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 recognised 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 recognised in the income statement, except to the extent that it relates to items recognised in "Other comprehensive income" or directly in "Equity". In this case the tax is also recognised 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 Group entities 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 recognised, 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 realised or the deferred income tax liability is settled.

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

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 entities 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 31 December 2019 and per 31 December 2018) 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 31 December 2019 this gap was 40 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 recognises 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 recognises 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 fulfil 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 Labour 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 recognised 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 from contracts
IFRS 15 Revenue from contracts with customers supersedes IAS 18 Revenue, IAS 11 Construction Contracts and a number of revenue related interpretations. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new standard establishes a five-step mode to account for revenue arising from contracts with customers. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The five steps are to identify the contract(s) with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to each performance obligation and recognise revenue as each performance obligation is satisfied.

Balta has assessed each of the revenue streams from an IFRS 15 revenue recognition perspective (as disclosed in Note 4) and has concluded that IFRS 15 does not have an impact on the amount and timing of revenue recognition. In adopting IFRS 15, the Group has considered the following:

Recognition of revenue from distinct performance obligations
The Group has analysed its contracts with customers to determine all its performance obligations. Performance obligations arising from the Group's sales contracts are mainly order-driven customer deliveries related to the sale of goods. Services mostly have an ancillary role in the Group's business operations, or they complement deliveries of goods. The Group did not identify any distinct performance obligations that should be accounted for in accordance with IFRS 15.

Variable considerations
Some contracts with customers provide volume rebates, financial discounts, price concessions or a right of return for quality claims. Revenue from these sales are recognised based on the price specified in the contract, net of returns and allowances, trade discounts and volume rebates. During a financial year, the presentation of the effect of a variable price component can be based on management's judgement of discount drivers, for example the sales quantity reached with a given customer during the year. IFRS 15 does not change the principles applied by the Group to the determination or allocation of the transaction price.

Recognising revenue as each performance obligation is satisfied
According to IFRS 15, revenue is recognised in the period during which the customer assumes control of the delivered goods. The Group delivers goods under contractual terms based on internationally accepted delivery conditions (Incoterms) and has concluded that the transfer of risks and rewards generally coincides with the transfer of control at a point in time under Incoterms. Consequently, the timing of revenue recognised for the sales of its products does not change under IFRS 15.

Warranty obligations
The Group provides assurance-type warranties that the products sold comply with agreed-upon specifications. These warranties do not qualify as a separate service (performance obligations) and hence will continue to be accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets, consistent with past practice.

Interest income
Interest income is recognised 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 recognised using the original effective interest rate.

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

Impairment losses on trade receivables or contract assets

The Group applied IFRS 9 in relationship to the impairment losses on trade receivable, we refer to Note 1.10. The Group has no significant contract balances where either the Group has performed the Performance Obligation (PO) for which no billing occurred yet, or alternatively has received advance payments for which the PO has not been satisfied.

Note 1.22. Leases

The Group leases certain property, plant and equipment.

IFRS 16 is effective for annual reporting since 1 January 2019. Balta has opted for the modified retrospective method, not restating comparatives for 2018.

The new accounting standard results in almost all leases being recognised on the balance sheet (except for low-value assets or leases with a lease term of 12 months or less which are accounted for in P&L).

Under the new standard, an asset (the right-to-use asset) and a liability to make lease payments (the lease liability) are recognised. The right-to-use asset of the leased assets are capitalised under property, plant and equipment and comprises the net present value of the lease. The corresponding lease liability is subdivided into current (lease payment within 12 months) and non-current liability. For each lease contract at the application date, an estimate has been made for the duration of the contract including an optional lease period in case there is reasonably certainty that the option could be extended.

Lease terms remain unchanged, unless an occurrence of a significant event or a significant change in circumstances that are in control of the lessee, impacted the duration of the lease, in that case, the lease term will be reassessed.

The Group also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessments made applying IAS 17 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

At the commencement date of a lease, lessees recognise a lease liability (i.e. a liability to make lease payments), and a right-of-use asset (i.e. an asset representing the right to use the underlying asset over the lease term). The lease liabilities are recognised at the present value of the remaining lease payments. The right-of-use asset is depreciated over the term of the lease. Interest expense is recognised on the lease liability. The lease liability is remeasured upon the occurrence of certain events (e.g. a change in the lease term or a change in future lease payments resulting from a change in index). Such remeasurements of the lease liability will generally be recognised as an adjustment to the right-of-use asset.

The Group applies the lease recognition exemptions for short-term leases and leases for which the underlying asset is of low value. The Group elects, by class of underlying asset, not to separate non-lease components from lease components and instead accounts for each lease component and any associated non-lease component as one single lease component.

The application of IFRS 16 results in the recognition of a right-of-use asset and liability of €43.6m at 1 January 2019. We refer to note 13 and note 24.

The liability was measured at the present value of the remaining lease payments, discounted at a predetermined discount rate. Balta applied several discount rates, depending on the type of asset (buildings or machines), lease term, geographical area, risk premium (from 1,80% to 3%) and the variability of the base rate (based on the market swap rates of 31 December 2018). The applied incremental borrowing rate depends on the geographical environment and the remaining duration of the agreement. For contracts in Europe, this is between 0 and 1.4%. While in the US, the incremental borrowing rate is 2.7%.

The leasing agreements under IFRS 16 have a remaining term between 1 and 12 years. We relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019.

Note 1.23. Dividend distribution

Dividend distribution to the Company's shareholders is recognised 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 may not be comparable to similarly titled measures of other companies, have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results, our performance or our liquidity under IFRS.

Organic Growth is defined as growth excluding (i) FX impact, which comprises the translation of key foreign entities, (ii) M&A impact and (iii) the impact of IFRS16. Note that as from 1 January 2019 onwards, the calculation of the FX impact changed, whereby transactional FX impacts are no longer taken into account under FX impact. When retroactively applying the new method to calculate FX impact on full year 2018, the FX impact on Consolidated revenue would have been -0.2% instead of -1.3%, and the FX impact on Consolidated Adjusted EBITDA would remain -0.3%.

Adjusted Operating Profit/Loss 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 margin is defined as the Adjusted EBITDA as a percentage of revenue.

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.

Gross 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 capitalised financing fees.

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 capitalised financing fees and (iv) cash and cash equivalents.

Net-investment or Net-CAPEX is defined as of the sum of all investments in tangible and intangible fixed assets adjusted for proceeds from sales of fixed assets.

NEXT key assumptions and NEXT impacts are to be understood versus a baseline of 2018 or 2019:

- Impacts shown for the Revenue initiatives are the anticipated gross impacts and take no account of possible 'cannibalization effects' or the current macro-economic uncertainty
- Impacts shown for the Margin initiatives are the anticipated gross impacts before cost inflation
- Impacts are calculated on the basis of forecast volumes

• FX exchange rates are assumed stable over the period
• Lean and Procurement are P&L impacts (excluding Capex savings or cost avoidance) and affect either COGS (raw materials consumption or costs) or fixed expenses (eg maintenance)

Leverage is defined as the ratio of Net Debt to Adjusted EBITDA (excluding IFRS 16 as per financing documentation).

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.

Goodwill
The amount of goodwill initially recognised 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 amortised, whereas indefinite life intangible assets, including goodwill, are not amortised and could result in differing amortisation 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 Adjusted 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, in line with IFRIC 23.

The Group has tax credits in respect of losses carried forward and Dividend Received Deduction (relief for dividend payments by qualifying EU subsidiaries to qualifying EU parent companies, to avoid double taxation of dividend income). 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
In applying IFRS 9, the Group makes significant judgements in determining the realisable value in respect to trade receivables. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the lifetime expected credit losses, the Group has established a provision matrix based on the categorization by common characteristics. The Group included the following parameters: probability of default, exposure at default (including estimated coverage by credit insurance). In order to approximate these parameters, the trade receivables have been categorised based on common characteristics (mainly geographical area, type of customer and the days past due). The provision matrix is based on historical observed default rates, whereby historical credit loss experience is adjusted by scalar factors to reflect differences in the Group's view of current and expected economic conditions and historical conditions.

In addition to this generalized approach, the Group included individually managed exposures on a case by case basis, if not covered by the ECL model.

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.

Brexit
Although the impact of a Brexit is still considered to be significant, we believe the impact on 2020 is limited given the on-going negotiations and the related uncertainly will not impact the 2020 financial results.

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.

(€ thousands)	2019 Reported	2018 Reported
Revenue	671,151	646,197
Raw material expenses	(317,006)	(306,640)
Changes in inventories	(278)	5,826
Employee benefit expenses	(167,301)	(159,106)
Other income	3,455	3,363
Other expenses	(115,666)	(117,287)
Adjusted EBITDA [1]	**74,356**	**72,352**
Depreciation/amortisation	(39,602)	(32,430)
Adjusted Operating Profit [1]	**34,754**	**39,922**
Gains on asset disposals	-	-
Integration and restructuring expenses	(6,641)	(7,699)
Operating profit / (loss)	**28,114**	**32,223**
Finance income	205	51
Finance expenses	(25,357)	(25,881)
Net finance expenses	**(25,152)**	**(25,831)**
Profit / (loss) before income taxes	**2,961**	**6,393**
Income tax benefit / (expense)	7,440	953
Profit / (loss) for the period from continuing operations	**10,401**	**7,346**

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

Several non-recurring items had a material impact on our 2019 net income. The impact of these events amounts to a net expense of €6.6m (€0.18 per share), as compared to €7.7m (€0.21 per share) in 2018. The expenses in the current year are mainly driven by advisory fees related to the NEXT program.

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)	2019	2018
Revenue by segment	**671,151**	**646,197**
Rugs	213,029	198,301
Commercial	235,593	214,818
Residential	194,394	206,331
Non-Woven	28,136	26,746
Revenue by geography	**671,151**	**646,197**
Europe	414,211	401,638
North America	215,288	197,669
Rest of World	41,653	46,891
Adjusted EBITDA by segment(1)	**74,356**	**72,352**
Rugs	16,775	27,943
Commercial	40,453	30,585
Residential	15,058	11,443
Non-Woven	2,070	2,381
Net Capital expenditure by segment	**27,396**	**30,828**
Rugs	9,820	9,589
Commercial	7,746	10,500
Residential	9,227	9,949
Non-Woven	604	791
Inventories by segment	**152,948**	**153,894**
Rugs	70,301	72,940
Commercial	37,144	33,170
Residential	41,473	43,622
Non-Woven	4,030	4,162
Trade receivables by segment	**50,192**	**51,558**
Rugs	15,011	11,895
Commercial	22,826	23,774
Residential	11,594	14,665
Non-Woven	760	1,223

1 We refer to 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 realised outside Belgium, with sales in Belgium being equal to around €12.5m in 2019 (2018: €14.0m).

All revenue mentioned in the table above reflect the revenue related to contracts with customers, recognised in accordance with IFRS 15. The Group has recognised these revenue at a point in time, in accordance with the accounting policies as disclosed in Note 1.21.

Note 5. 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 ("CGU") or a group of cash-generating units ("CGUs"), 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 Commercial segment 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 CGUs 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 (€71.2m). 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 30 September 2019. 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 30 September 2019, 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 (2018: 2%), 1% for Commercial Europe and Commercial US (2018: 1%) and an after-tax discount rate of 7.8% (2018: 8.3%).

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. This average cost of capital is benchmarked with comparable competitors. 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.

	Minimal growth rate	Maximum discount rate
Rugs	0.1%	9.2%
Commercial Europe	(-2.3%)	10.0%
Commercial US	(31.1%)	18.9%

Movements compared to prior year solely relate to changes in exchange rate.

Note 6. Employee benefit expenses

The following table sets forth employee benefit expenses for the years ended 31 December 2019 and 2018:

(€ thousands)	2019	2018
Total employee benefit expenses	**167,301**	**159,106**
Wages and salaries	119,761	111,961
Social security costs	31,495	31,423
Pension costs	4,108	3,460
Other employee benefit expenses	11,937	12,263

Employee benefit expenses increased due to an overall increase in the workforce. The total amounts to €167.3m, compared to €159.1m as per 31 December 2018.

The average number of employees in 2019 and 2018 was 3,915 (in full time equivalents) and 3,696 (in full time equivalents). Part-time employees are included on a proportionate basis.

	2019	2018
Average number of total employees	**3,915**	**3,696**
Average number of employees - blue collar	3,105	2,977
Average number of employees - white collar	811	719

Note 7. Other income and expenses

(€ thousands)	2019	2018
Other income	**3,455**	**3,363**
Foreign exchange gains	689	722
Foreign exchange forward contracts	-	-
Rental income from solar rooftop installations	1,342	1,356
Sales of energy certificates	88	261
Grants	488	411
Recharge of costs	-	30
Gain on sale of fixed assets	1	-
Other	848	583
Other expenses	**115,666**	**117,287**
Services and other goods	69,346	73,931
Selling expenses	41,317	39,614
Foreign exchange losses	1,696	776
Foreign exchange forward contracts	-	33
Real estate tax	3,209	2,904
Loss on sale of fixed assets	-	29
Other	98	-

Other income comprises a gain in relation to foreign exchange movements, rental payments received from third parties who lease the space to install solar panels, grants 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".

Other expenses decreased by €1.6m to €115.7m for the year ended 31 December 2019 from €117.3m for the year ended 31 December 2018. 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 €8.7m of research and development expenses during the 12 months ended in 31 December 2019 (2018: €7.2m). 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 8. Depreciation / amortisation

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

(€ thousands)	2019	2018
Depreciation/amortisation	**39,602**	**32,430**
Amortisation of intangible assets	2,248	2,176
Depreciation property, plant and equipment	38,749	31,648
Release deferred revenue sale & lease back	(1,395)	(1,395)

Depreciation / amortisation amounts to €39.6m, an increase of €7.2m compared to 31 December 2018 mainly driven by the application of IFRS 16.

The release of deferred revenue sale and leaseback relates to the gradual recognition of the capital gain realised on the sale and leaseback of one of the Group's manufacturing facilities in 2014. This deferred revenue is recognised 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 recognised in the income statement is €1.4m, with the balance of deferred income equal to €8.8m as at 31 December 2019 (€10.4m at the end of 2018).

Note 9. Integration and restructuring expenses

The total integration and restructuring expenses incurred in 2019 amount to €6.6m (2018: €7.7m). This comprises various items which are considered by management as non-recurring or unusual by nature.

(€ thousands)	2019	2018
Integration and restructuring expenses	**6,641**	**7,699**
Corporate restructuring	60	1,197
Business restructuring	-	4,207
Acquistion related expenses	-	-
Idle IT costs	-	-
Strategic advisory services	6,778	2,612
Other	(197)	(317)

The main component of the integration and restructuring expenses in 2019 was the expense in relation to NEXT. The implementation of this 3-year earnings enhancement program focuses on delivering sustainable growth, improving commercial excellences and increasing cost competitiveness.

In 2018, the optimisation of the Residential operational footprint was concluded with a total cost of €12.4m (of which €4.2m in 2018). The €2.6m expenditure under strategic advisory services was related to NEXT which was initiated in 2018. The €1.2m one-off expense for corporate restructuring was related to the changes in executive leadership.

Note 10. Finance expenses

(€ thousands)	2019	2018
Total finance expenses	**25,357**	**25,881**
Interest expense on Senior Secured Notes	20,140	20,140
Interest expense on Senior Term Loan Facility (€35m)	635	635
Interest expense on Bank borrowings (including leasing)	2,728	354
Foreign exchange result on interco transactions	140	2,050
Other finance costs	1,713	2,702

The net finance expense amount to €25.2m in 2019, and primarily contains the interest related to the external borrowings (Senior Secured Notes, Senior Term Loan Facility and Finance leasing obligations). We refer to Notes 21, 22 and 24 for a description of these facilities. The net finance cost decreased due to less negative foreign exchange differences on intercompany transactions but was offset by the increase in finance expenses from the application of IFRS 16.

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 €18.2m and the amortisation of capitalised financing fees of €1.9m which are in line with previous year.

Note 11. Income tax benefit / expense

(€ thousands)	2019	2018
Income tax benefit / (expense)	**7,440**	**953**
Current tax	6,088	(5,260)
Deferred tax	13,528	6,213

(€ thousands)	2019	2018
Income tax benefit / (expense)	**7,440**	**953**
Income tax calculated at Belgian tax rate (29.58%)	(900)	(1,891)
Rate differential due to transactions with foreign entities	191	24
Disallowed expenses	(660)	(1,034)
Tax-exempted revenues	518	426
Tax losses for which no deferred tax asset is recognised	(3,648)	273
Deferred tax asset derecognised	-	-
Utilization and recognition of previously not recognised tax assets	12,485	2,593
Other	(546)	563

Income taxes represent a 'benefit' in both 2019 and 2018, driven by the net positive deferred tax income.

In assessing whether deferred tax assets should be recognised, management considers the extent to which it is probable that the deferred tax assets will be realised. 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 the assessment. The Group reported income tax income for the year of €7.4m based on profit before tax for the year of €3.0m.

The tax income is mainly driven by the recognition of previously unrecognised tax losses as a result of the alignment of the intercompany financing to the enacted tax legislation.

Note 12. Other intangible assets

(€ thousands)	Trademarks	Software and licences	Internally generated intangible assets	Total
Opening net book value	**8,999**	**1,688**	**1,532**	**12,219**
Business combinations				–
Additions	–	–	468	468
Disposals	–	–	–	–
Transfers	–	–	–	–
Amortisation charge	(1,019)	(490)	(667)	(2,176)
Impairment charge	–		(7)	(7)
Exchange differences	427	469		896
Closing net book value	**8,407**	**1,666**	**1,326**	**11,399**
At 31 December 2018				
Cost or valuation	10,190	6,631	9,067	25,888
Accumulated amortisation, impairment and other adjustments	(1,783)	(4,965)	(7,741)	(14,489)
Closing net book value	**8,407**	**1,666**	**1,326**	**11,399**
Opening net book value	**8,407**	**1,666**	**1,326**	**11,399**
Additions	–	254	780	1,034
Disposals	–	–	–	–
Transfers	–	–	–	–
Amortisation charge	(1,039)	(539)	(670)	(2,248)
Impairment charge	–	–	–	–
Exchange differences	162	3	8	172
Closing net book value	**7,530**	**1,384**	**1,443**	**10,357**
At 31 December 2019				
Cost or valuation	10,386	6,907	9,847	27,139
Accumulated amortisation, impairment and other adjustments	(2,856)	(5,523)	(8,403)	(16,782)
Closing net book value	**7,530**	**1,384**	**1,443**	**10,357**

The trademark of €7.5m relates to the acquisition of Bentley.

The internal and external software development costs are capitalised 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 €2.2m (2018: €2.2m) is included in the line "Depreciation, amortisation and impairment" in the income statement.

Note 13. Property, plant and equipment

(€ thousands)	Land and buildings	Plant and machinery	Other Equipment	Total
Opening net book value at 1 January 2018	**162,103**	**130,977**	**18,080**	**311,160**
Business combinations	–	–	–	–
Additions	365	17,822	13,573	31,760
Revaluation surplus	–	–	–	–
Disposals	–	(931)	(387)	(1,318)
Transfers	43	4,455	(4,498)	0
Depreciation charge	(5,934)	(13,819)	(11,895)	(31,648)
Impairment charge	189	(1,013)	(136)	(960)
Exchange differences	(3,014)	(4,858)	138	(7,734)
Closing net book value at 31 December 2018	**153,752**	**132,632**	**14,875**	**301,259**
Cost or valuation	228,189	518,370	53,585	800,144
Accumulated depreciation, impairment and other adjustments	(74,437)	(385,738)	(38,710)	(498,885)
Closing net book value at 31 December 2018	**153,752**	**132,632**	**14,875**	**301,259**
Opening net book value at 31 December 2018	**153,752**	**132,632**	**14,875**	**301,259**
Adoption of new accounting principle	42,717	891	–	43,608
Opening net book value at 1 January 2019	**196,469**	**133,523**	**14,875**	**344,867**
Additions	3,087	21,759	11,809	36,655
Disposals	(470)	(384)	(2,550)	(3,404)
Transfers	11	707	(718)	–
Depreciation charge	(11,949)	(15,841)	(10,959)	(38,749)
Impairment charge	–	–	–	–
Exchange differences	(975)	(957)	157	(1,775)
Closing net book value at 31 December 2019	**186,173**	**138,807**	**12,614**	**337,594**
Cost or valuation	272,118	527,211	38,578	837,908
Accumulated depreciation, impairment and other adjustments	(85,946)	(388,405)	(25,964)	(500,314)
Closing net book value at 31 December 2019	**186,173**	**138,807**	**12,614**	**337,594**

In 2019, a total of €80.4m (2018: €31.8m) has been added of which €43.6m relating to the application of a new accounting standard (IFRS 16). We refer to Note 1.1 for the impact of new standards and Note 1.22 for the accounting treatment of leases.

Main investments in 2019 were in particular in plant, machinery and other equipment.

The total depreciation expense of €38.8m (2018: €32.6m) has been charged in the line "Depreciation and amortisation" in the income statement.

(€ thousands)	Right-of-use assets	Owned PP&E	Total PP&E
As at 31 December 2018	**12,004**	**289,255**	**301,259**
Adoption of accounting policies	43,608	–	43,608
As at 1 January 2019	**55,612**	**289,255**	**344,867**
Additions	7,763	28,892	36,655
Disposals	(460)	(2,944)	(3,404)
Depreciations	(8,719)	(30,030)	(38,749)
Transfer	(871)	871	–
FX impact	–	(1,775)	(1,775)
As at 31 December 2019	**53,325**	**284,269**	**337,594**

Right-of-use asset value (€ thousands)	31 December 2019	31 December 2018
Right-of-use assets - Land and Buildings	**47,897**	**11,125**
Cost - Capitalised leases	62,605	18,412
Accumulated depreciation	(14,708)	(7,288)
Right-of-use assets - Plant and machinery	**5,428**	**881**
Cost - Capitalised leases	6,525	1,155
Accumulated depreciation	(1,096)	(274)
Right-of-used assets - Total leased Property, Plant & Equipment	**53,325**	**12,004**
Cost - Capitalised leases	69,130	19,567
Accumulated depreciation	(15,804)	(7,562)

The Group's assets which are pledged as security for the borrowings are described in Note 23.

Exchange differences (2019: €1.8m and 2018: €7.7m) 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 14. 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)	2019	2018
Deferred tax assets:	**11,191**	**5,470**
Deferred tax assets to be reversed after more than 12 months	8,718	4,079
Deferred tax assets to be reversed within 12 months	2,473	1,390
Deferred tax liabilities:	**(41,004)**	**(47,837)**
Deferred tax liabilities to be reversed after more than 12 months	(37,074)	(45,057)
Deferred tax liabilities to be reversed within 12 months	(3,930)	(2,780)

The movement in the net deferred tax positions can be summarised as follows:

(€ thousands)	2019	2018
At 1 January	**(42,367)**	**(49,724)**
Adoption of accounting policies	(1,530)	-
Exchange differences	163	1,278
Business combination	-	-
Other comprehensive income	393	(134)
Movement to share capital	-	-
Income statement charge	13,528	6,213
At 31 December	**(29,813)**	**(42,367)**

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	Provisions	Other	Total
1 January 2018	**9,678**	**3,004**	**832**	**1,388**	**1,434**	**1,059**	**22**	**700**	**18,117**
(Charged)/credited to the income statement	7,063	(412)	(747)	(28)	(376)	118	853	184	6,655
Exchange differences	3	-	-	-	-	313	344	14	673
Other comprehensive income	-	-	-	-	(107)	-	-	-	(107)
31 December 2018	**16,744**	**2,592**	**85**	**1,360**	**951**	**1,490**	**1,219**	**898**	**25,338**
1 January 2019	**16,744**	**2,592**	**85**	**1,360**	**951**	**1,490**	**1,219**	**898**	**25,338**
(Charged)/credited to the income statement	12,827	(1,116)	(57)	(10)	(478)	1,007	494	555	13,222
Exchange differences	115	-	-	-	329	(35)	(28)	(1)	379
Other comprehensive income	-	-	-	-	393	-	-	-	393
Adoption of accounting policy	(1,530)	-	-	-	-	-	-	-	(1,530)
31 December 2019	**29,686**	**1,476**	**28**	**1,350**	**1,195**	**2,462**	**1,684**	**1,452**	**37,802**

In assessing the realisability of deferred tax assets, management considers the extent to which it is probable that the deferred tax asset will be realised. 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 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 realise the benefits of these deductible differences. As of 31 December 2019, the Group has certain tax losses subject to significant limitations. For those losses, deferred tax assets are not recognised, 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 recognising deferred tax assets and liabilities.

As of 31 December 2019 total tax credits amounted to €538.8m, resulting in a potential deferred tax asset of €133.9m of which the Group only recognised €28.2m at the end of 2019. As of 31 December 2018 total tax credits amounted to €522.3m, resulting in a potential deferred tax asset of €153.6m of which the Group only recognised €16.8m.

The majority of the tax credits in 2018 and 2019 are incurred at the level of the Group entities in Belgium, where there is no expiry date regarding the tax credits.

Deferred tax liabilities

(€ thousands)	Property, plant and equipment	Intangible assets	Inventory	Other	Total
At 1 January 2018	**(63,420)**	**(1,956)**	**(2,461)**	**(2)**	**(67,841)**
Charged/(credited) to the income statement	73	165	121	(801)	(442)
Exchange differences	500	(53)	117	14	576
At 31 December 2018	**(62,848)**	**(1,844)**	**(2,223)**	**(789)**	**(67,705)**
At 1 January 2019	**(62,848)**	**(1,844)**	**(2,223)**	**(789)**	**(67,705)**
Charged/(credited) to the income statement	745	61	(170)	(329)	306
Exchange differences	(241)	21	(11)	14	(217)
At 31 December 2019	**(62,344)**	**(1,762)**	**(2,404)**	**(1,104)**	**(67,614)**

Deferred income tax liabilities have not been recognised 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 €261.4m as of 31 December 2019 (as compared to €146.3m as of 31 December 2018).

When we add up the gross amounts of deferred tax assets (€37.8m) and gross amount of deferred tax liabilities (€67.6m) we arrive at a net deferred tax liability position per 31 December 2019 of €29.8m.

Note 15. Inventories

The table below provides a breakdown of total inventories as per 31 December:

(€ thousands)	31 December 2019	31 December 2018
Total inventories	**152,948**	**153,894**
Raw materials and consumables	64,564	65,147
Work in progress	20,775	21,660
Finished goods	67,609	67,087

Inventories were relatively stable compared to 31 December 2018, showing an overall decrease of €1m. Raw materials and work in progerss both declined with €1m, offset by an increase of €1m in finished goods. The movement in 'Work in progress' and 'finished goods' is detailed as follows:

(€ thousands)	31 December 2019	31 December 2018
Beginning of period	**88,747**	**82,921**
Business combinations	-	-
Income statement	(364)	5,826
Of which: impact purchase price allocation	-	-
Of which: actual movements in inventory	(364)	5,826
December 31	**88,384**	**88,747**

The Group increased the provision for obsolete inventory in 2019 by €0.2m compared to a decrease of €0.2m in 2018 which is included in the Consolidated Statement of Comprehensive income under "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 sum of the raw material expenses and the changes in inventories recognised as expenses in 2019 amounts to €317.3m as compared to €300.8m in 2018.

The Group's assets which are pledged as security for the Senior Secured Notes and borrowings are described in Notes 21 to 23.

Note 16. Trade and other receivables

(€ thousands)	31 December 2019	31 December 2018
Total trade and other receivables	**59,499**	**61,767**
Trade and other receivables (non-current)	**1,121**	**996**
Other amounts receivable	1,121	996
Trade and other receivables (current)	**58,379**	**60,772**
Net trade receivables	50,192	51,558
Trade receivables	52,930	54,433
Less: Bad debt allowance	(2,738)	(2,875)
Prepayments and accrued income	1,967	1,551
Other amounts receivable	6,220	7,663

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 derecognised the accounts receivable for which substantially all risk and rewards of ownership have been transferred.

Current trade and other receivables amounts to €59.5m as of 31 December 2019 (and are in line with previous year).

As of 31 December 2019, the net trade receivables that were past due amounted to €3.4m (2018: €3.6m).

In 2019, the Group has one external customer, representing 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 carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

(€ thousands)	31 December 2019	31 December 2018
Total trade and other receivables	**59,499**	**61,767**
EUR	24,248	20,208
USD	22,810	24,753
GBP	8,068	8,523
TRY	4,372	8,283

The Group is monitoring the recoverability of the trade and other receivables on a case by case assessment. In addition, the Group has applied IFRS 9, by using the standard's simplified approach and calculated ECLs based on lifetime expected credit losses.

	Not due or less than 15 days past due	More than 15 days past due	Total
31 December 2018			
Expected loss rate	1.4%	59.3%	
Gross carrying amount - trade receivables	50,797	3,636	54,433
Loss allowance	**718**	**2,157**	**2,875**
31 December 2019			
Expected loss rate	3.0%	37.7%	
Gross carrying amount - trade receivables	49,592	3,338	52,930
Loss allowance	**1,480**	**1,258**	**2,738**

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

(€ thousands)	2019	2018
As at 31 December - calculated under IAS 39	**(2,875)**	**(965)**
Amounts restated through opening retained earnings	-	(1,857)
Opening loss allowance as at 1 January - calculated under IFRS 9	**(2,875)**	**(2,822)**
Business combination	-	-
Increase in loan loss allowance recognised in profit or loss during the year	(55)	(137)
Receivables written off during the year as uncollectible	182	80
Unused amounts reversed	13	28
Assets held for sales		
FX difference	(4)	(23)
As at 31 December	**(2,738)**	**(2,875)**

The creation and release of allowances for impaired receivables has been included in "Other income/expenses" in the income statement expect for the restatement as a result of the implementation of IFRS 9 which is included in the opening retained earnings of 2018. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

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 31 December 2019 the Group holds collateral (letters of credit and corporate or bank guarantees) for an amount of €0.2m (2018: €0.5m).

Note 17. Cash and cash equivalents

(€ thousands)	31 December 2019	31 December 2018
Total cash and cash equivalents	**19,241**	**26,853**
Cash at bank and on hands	11,734	14,201
Short-term bank deposits	-	-
Cash from local financing	7,507	12,652
Of which in countries with legal restrictions	837	2,679

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

The credit quality of the banks and financial institutions is disclosed in Note 27. The Group's assets which are pledged as security for the Senior Secured Notes and borrowings are described in Notes 23 to 25.

Note 18. Share capital and share premium

The legal issued share capital of the Group is set at €252.9m divided into 35,943,396 ordinary shares without a nominal value. All shared issued by the Group were fully paid, together with a share premium of €65.7m.

Note 19. Other comprehensive income

Other comprehensive income Components of "Other comprehensive income" ("OCI") are items of income and expenses (including reclassification adjustments) that are not recognised 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 summarised in the table below:

(€ thousands)	2019	2018
Items in OCI that may be subsequently reclassified to P&L	**(36,931)**	**(34,553)**
Cumulative translation reserves as of 31 December	**(36,780)**	**(34,647)**
Cumulative translation reserves at beginning of the period	(34,647)	(20,814)
Exchange differences on translating foreign operations	(2,133)	(13,833)
Cumulative changes in fair value of hedging instruments as of 31 December	**(151)**	**94**
Cumulative changes in fair value of hedging instruments at beginning of the period	94	7
Changes in fair value of hedging instruments during the period	(245)	87
Items in OCI that will not be reclassified to P&L	**(180)**	**1,167**
Changes in deferred tax at 31 December	**(318)**	**(711)**
Changes in deferred taxes at beginning of the period	(711)	(604)
Changes in deferred taxes during the period	393	(107)
Changes in employee defined benefit obligations at 31 December	**137**	**1,877**
Changes in employee defined benefit obligations at beginning of the period	1,877	1,498
Changes in employee defined benefit obligations during the period	(1,740)	379
Total other comprehensive income at 31 December	**(37,112)**	**(33,388)**

Cash flow hedge accounting

The movement schedule below summarizes the amounts recorded into the cash flow hedge reserve and the portion that was recognised in the income statement in relation to contracts that were settled in December 2019. The amounts recognised in the income statement have been presented as "other income" – see Note 9.

(€ thousands)	31 December 2019	31 December 2018
Cash flow hedge reserve, ending balance	**(151)**	**94**
Opening balance	94	7
Amounts recorded in the cash flow hedge reserve	(527)	71
Amounts recognised in the income statement	281	17

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 30 for further details.

The liability has been measured using a discount rate of 0.5% for 2019 and 1.57% for 2018.

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 20. Retained earnings

(€ thousands)	2019	2018
Beginning of period	**9,457**	**6,297**
Adoption of accounting policies	(1,530)	(1,308)
Dividends paid	-	(2,875)
Equity-settled share-based payment plans	15	-
Profit / (loss) for the year allocated to equity owners	10,401	7,346
At 31 December	**18,343**	**9,458**

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 Senior Term Loan Facilities agreement and the senior term loan facilities and the restrictions which are imposed by law. We refer to Note 1.1 for more detail on the initial adoption of accounting policies.

Note 21. Senior Secured Notes

(€ thousands)	31 December 2019	31 December 2018
Total Senior Secured Notes	**235,426**	**233,490**
Non-current portion	**232,001**	**230,065**
Of which: gross debt	234,900	234,900
Of which: capitalised financing fees	(2,899)	(4,835)
Current portion	**3,425**	**3,425**
Of which: accrued interest	5,360	5,360
Of which: capitalised financing fees	(1,935)	(1,935)

On 3 August 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 15 September 2022. In June, July and August 2017, the Group performed a partial repayment of €55.1m in total.

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

Costs related to the issuance of Senior Secured Notes have been included in the carrying amount and are amortised into profit or loss over the term of the debt in accordance with the effective interest method. It follows that the amount of capitalised financing fees expensed during 2019 is equal to €1.9m.

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 capitalised financing fee that will be amortised into profit or loss over the next 12 months.

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 25) and Senior Term Loan Facility (see Note 21) 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 22. Senior Term Loan Facility

(€ thousands)	31 December 2019	31 December 2018
Total Senior Term Loan Facility	**34,927**	**34,790**
Non-Current portion	**-**	**34,908**
Of which: gross debt	-	35,000
Of which: capitalised financing fees	-	(92)
Current portion	**34,927**	**(118)**
Of which: gross debt	35,000	-
Of which: acrrued interests	19	20
Of which: capitalised financing fees	(92)	(138)

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 15 September 2020, at Euribor + 1.40% margin per annum. The facility ranks pari passu with the Senior Secured Notes. The Senior Term Loan Facility agreement is dated 29 August 2017 and the principal amount was released at completion date which was 5 September 2017.

Similar to for the Super Senior Revolving Credit Facility (Note 25), 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 15 March, 15 June, 15 September and 15 December of each year, commencing on 15 September 2017.

Costs related to the issuance of Senior Term Loan Facility have been included in the carrying amount and are amortised 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 capitalised financing fee that will be amortised into profit or loss over the next 12 months. As the maturity date of this loan is 15 September 2020, the principle amount is classified as current liability..

On 21 January 2020, the Group announced the early redemption of the €35.0m Senior Term Loan Facility. We refer to Note 39.

Note 23. Bank and other borrowings

The table below provides an overview of the bank and other borrowings that continue to exist on 31 December 2019 and 2018:

(€ thousands)	31 December 2019	31 December 2018
Total Bank and other borrowings	**57,643**	**13,486**
Non-Current portion	**48,963**	**12,225**
Finance lease liabilities	48,963	12,225
Current portion	**8,680**	**1,261**
Super Senior RCF	-	-
Bentley RCF	-	-
Finance lease liabilities	8,594	1,166
Commitment fees	86	95

Bank borrowings

On 3 August 2015, LSF9 Balta Issuer S.à r.l. and LSF9 Balta Investments S.à r.l. entered into a six-year Super Senior 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. This credit facility was fully undrawn at the end of 2018 and 2019.

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 2.00% 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 unutilised 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 (as defined in the contract), operational restructurings or permitted reorganisations of the Group.

The Super Senior 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 1 February 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 31 January 2022, and availability is governed by a borrowing base, and (ii) a five year senior term loan facility of $33.0m ("Bentley Term Loan"),with the latter repaid in 2017. 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 favour 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. This credit facility was fully undrawn at the end of 2018 and 2019.

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 derecognised from the statement of financial position.

Whilst the factoring program described above relates to a portfolio of credit insured trade receivables, the Group had 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 was 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 was 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 was transferred and financed under this agreement was derecognised from the Group's statement of financial position. The Group continues to recognise a portion of the receivables to the extent of its continuing involvement, in accordance with IFRS 9.

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 derecognised on the moment the cash is received.

Note 24. Leases

The lease liabilities have increased from €12.0m as of 31 December 2018 to €57.6m as of 31 December 2019. The application of IFRS 16 results in an additional lease liability at 1 January 2019 of €43.6m. At the end of 2019, the corresponding lease liability related to IFRS 16 amounts to €44.7m.

In relation to Balta's financing agreements, the documentation provides for the effect of changes in accounting standards to be neutralized. As such, the application of IFRS 16 has no consequences for the Group's financing. We will continue to calculate Leverage in line with the definition in our financing agreement.

Carrying amounts of lease liabilities and the movements in 2019:

(€ thousands)	Total
As at 31 December 2018	**13.310**
Change in accounting policies	43.608
As at 1 January 2019	**56.918**
Additions	8.038
Disposals	-756
Accretion of interest	2.465
Payments	-8.816
FX impact	-250
As at 31 December 2019	**57.599**
Current lease liability	8.680
Non-current lease liability	48.919
Total lease liability	**57.599**

(€ thousands)	31 December 2019	31 December 2018
Total present value of finance lease liabilities	**57,599**	**13,310**
No later than 1 year	8,680	1,085
Later than 1 year and no later than 5 years	33,611	4,200
Later than 5 years	15,308	8,025

The Group used hindsight in determining the lease term where the contract contains options to extend or terminate the lease. Beside the impact on the business, criteria such as penalties and leasehold improvements were considered in this analysis. Variable lease payments are not included in the measurement of lease liabilities.

Note 25. Net debt reconciliations

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

	Liabilities from financing activities									Cash and Cash equiva-lents	
(€ thousands)	Senior Secured Notes due after 1 year	Senior Secured Notes due within 1 year	Senior Term Loan Facility due after 1 year	Senior Term Loan Facility due within 1 year	Finance Lease liabilities due after 1 year	Finance Lease liabilities due within 1 year	Super Senior RCF	Bentley RCF	Total gross financial debt	Cash and Cash equiva-lents	Total net financial debt
Net debt as at 31 December 2018	**(234,900)**	**(5,360)**	**(35,000)**	**(20)**	**(12,225)**	**(1,166)**	**-**	**-**	**(288,671)**	**26,853**	**(261,818)**
Change in accounting policies					(37,953)	(5,655)	-	-	(43,608)		(43,608)
Net debt as at 1 January 2019	**(234,900)**	**(5,360)**	**(35,000)**	**(20)**	**(50,178)**	**(6,821)**	**-**	**-**	**(332,279)**	**26,853**	**(305,426)**
Cashflows	-	-	-	1	-	-	-	-	1	(7,612)	(7,611)
Proceeds of borrowings with third parties	-	-	-	-	-	-	-	-	-	-	-
Business combinations	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange adjustments	-	-	-	-	-	-	-	-	-	-	-
Repayments of borrowings with third parties	-	-	-	-	-	8,624	-	-	8,624	-	8,624
Other non- cash movements	-	-	35,000	(35,000)	1,215	(10,483)	-	-	(9,268)	-	(9,268)
Net debt as at 31 December 2019	**(234,900)**	**(5,360)**	**-**	**(35,019)**	**(48,963)**	**(8,680)**	**-**	**-**	**(332,922)**	**19,241**	**(313,681)**

The table above does not include the movements in capitalised financing fees, or the interest paid (see Note 21 and Note 22).

Note 26. 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	31 December 2019	31 December 2019	31 December 2018	31 December 2018
		Carrying amount	Fair value	Carrying amount	Fair value
Assets as per statement of financial positions		**78,743**	**78,743**	**88,739**	**88,739**
Loans and receivables		**78,740**	**78,740**	**88,620**	**88,620**
Trade and other receivables		59,499	59,499	61,767	61,767
Cash and cash equivalents	Level 1	19,241	19,241	26,853	26,853
Assets at fair value through OCI		**3**	**3**	**119**	**119**
Foreign exchange derivative financial instruments	Level 2	3	3	119	119
Liabilities as per statement of financial positions		**437,427**	**423,465**	**405,420**	**391,507**
Financial liabilities measured at amortised cost		**437,015**	**423,053**	**405,365**	**391,454**
Senior Secured Notes	Level 1	235,426	221,464	233,490	219,580
Senior Term Loan Facility	Level 1	34,927	34,927	34,790	34,790
Bank and other borrowings	Level 2	57,643	57,643	13,486	13,486
Trade and other payables		109,019	109,019	123,599	123,599
Financial liabilities measured at fair value through OCI		**413**	**413**	**55**	**55**
Foreign exchange derivative financial instruments	Level 2	413	413	55	55

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 and Senior Term Loan facility 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 27. 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 minimise 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 the Financial Statements.

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 recognised 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, many 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 EUR, 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 in general passed on through price revisions over the medium term. Fluctuations in the value of the USD, GBP 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
31 December 2019 Net exposure	**(46,921)**	**3,172**	**10,174**	**3,296**	**(30,279)**
Trade and other receivables	24,248	8,068	22,810	4,372	59,499
Cash and cash equivalents	7,286	2,371	8,984	601	19,241
Trade and other payables	(78,455)	(7,267)	(21,621)	(1,677)	(109,020)

(€ thousands)	EUR	GBP	USD	TRY	TOTAL
31 December 2018 Net exposure	**(63,933)**	**6,135**	**14,488**	**8,331**	**(34,979)**
Trade and other receivables	20,208	8,523	24,753	8,283	61,767
Cash and cash equivalents	7,458	2,944	16,251	200	26,853
Trade and other payables	(91,599)	(5,332)	(26,516)	(153)	(123,599)

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)	2019	2018
GBP denominated	**(3,107)**	**(1,455)**
Changes in fair value derivative financial instruments	(3,459)	(2,136)
Changes in carrying amount of monetary assets and liabilities	352	682
USD denominated	**1,130**	**1,542**
Changes in fair value derivative financial instruments	-	(68)
Changes in carrying amount of monetary assets and liabilities	1,130	1,610
TRY denominated	**366**	**926**
Changes in fair value derivative financial instruments	-	-
Changes in carrying amount of monetary assets and liabilities	366	926

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)	2019	2018
GBP denominated	**2,542**	**1,190**
Changes in fair value derivative financial instruments	2,830	1,748
Changes in carrying amount of monetary assets and liabilities	(288)	(558)
USD denominated	**(925)**	**(1,261)**
Changes in fair value derivative financial instruments	-	56
Changes in carrying amount of monetary assets and liabilities	(925)	(1,317)
TRY denominated	**(300)**	**(757)**
Changes in fair value derivative financial instruments	-	-
Changes in carrying amount of monetary assets and liabilities	(300)	(757)

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 2019, raw materials expenses represented 47.2% of the Group's revenue compared to 47.5% 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 2019, 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 €13.2m 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 recognising 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 2019 or 2018.

Interest rate risk

Our interest rate risk principally relates to external indebtedness that bears interest at variable rates. Excluding IFRS 16, 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 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 bps shift in the € yield curve.

(€ thousands)	25 bps downward shift in EUR yield curve	25 bps upward shift in EUR yield curve
Total impact on interest expenses/ income	**114**	**(127)**
Non-derivative floating rate financial liabilities	114	(127)

The company has initiated into a three year program designed to have a significant impact on our earnings. The several growth & cost saving initiatives will improve the profitability and cash generation profile of the Group. The effects will have an immediate beneficial impact on leverage and profitability, ahead of the refinancing of the Senior Secured notes, maturing in 2022.

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 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.

Historical default rates did not exceed 0.1% for 2018 and 2019.

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)	31 December 2019	31 December 2018
Total cash and bank equivalents	**19,241**	**26,853**
A rating	18,404	25,079
BBB Rating	-	1
BB Rating	837	1,774

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 31 December 2019 are the Senior Secured Notes, the Senior Term Loan Facility (€35m) and capital lease agreements.

The following table reflects all contractually fixed pay-offs for settlement, repayments and interest resulting from recognised financial liabilities. The amounts disclosed are undiscounted net cash outflows, based on the market conditions existing at 31 December 2019.

(€ 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 31 December 2019	**(161,157)**	**(13,556)**	**(26,302)**	**(273,771)**	**(20,856)**
Senior Secured Notes	(9,102)	(9,102)	(18,205)	(253,105)	
Senior Term Loan Facility	(35,046)				
Finance lease liabilities	(4,480)	(4,452)	(8,097)	(20,666)	(20,856)
Trade and other payables	(112,072)				
Gross settled derivative financial instruments - outflows	(14,122)	(970)			
Gross settled derivative financial instruments - inflows	13,666	969			

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.

In particular, the Super Senior Revolving Credit Facility includes a springing Leverage covenant at 6.5x, however only to be tested at the end of a quarter, and provided more than 30% of the Super Senior Revolving Credit Facility is used at that time. Per yearend, the Super Senior Credit Facility has never been used at the end of a quarter. Moreover, Leverage at the end of the year was 4.0x at maximum during 2019. The $18m revolving credit facility at the level of BPS Parent Inc. includes a local leverage and fixed charge coverage covenant, providing ample headroom.

The following table reflects all contractually fixed pay-offs for settlement, repayments and interest resulting from recognised financial liabilities. The amounts disclosed are undiscounted net cash outflows, based on the market conditions existing at 31 December 2018.

(€ 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 31 December 2018	**(135,586)**	**(10,030)**	**(54,918)**	**(274,769)**	**(7,512)**
Senior Secured Notes	(9,102)	(9,102)	(18,205)	(271,310)	-
Senior Term Loan Facility	(248)	(249)	(35,374)	-	-
Finance lease liabilities	(684)	(679)	(1,339)	(3,460)	(7,512)
Trade and other payables	(123,599)	-	-	-	-
Gross settled derivative financial instruments - outflows	(22,297)	-	-	-	-
Gross settled derivative financial instruments - inflows	20,345	-	-	-	-

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:

	31 December 2019	31 December 2019	31 December 2018	31 December 2018
	Moody's	**S&P**	**Moody's**	**S&P**
Long-term issue rating Senior Secured Notes	B2	BB-	B2	BB-
Corporate rating	B2	B	B2	B

On 10 August 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 transparency as a public company, strengthened corporate governance arrangements and enhanced access to equity capital markets. In November 2018, the rating was downgraded to 'B2' with a negative outlook on the back of the financial performance. Throughout 2019, no changes to our credit rating were made.

On 14 September 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+' and the long-term issue rating to 'BB' 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. In November 2018, on the back of the financial performance, the corporate rating was reduced again to 'B' and the long-term issue rating on the Super Senior Revolving Credit Facility to 'BB-'. Throughout 2019, no changes to our credit rating were made.

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 21 to 23 for further details.

Note 28. 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 0.5% and 1.57% in 2019 and 2018, respectively. The annual pension cost, relating to the pension plan is disclosed in Note 6.

The Group foresees termination benefits (including early retirement) for its working and retired personnel. The liability was measured using a discount rate of 0.15% in 2019 and 0.92% in 2018.

The employee benefit obligations recognised in the Financial Statements are detailed below:

(€ thousands)	31 December 2019	31 December 2018
Total employee benefit obligations	**4,533**	**3,713**
Pension plans	3,333	1,700
Provisions early retirement pension	1,201	2,013

(€ thousands)		31 December 2019
Total employee benefit obligations		**4,533**
Non current		4,106
Current	Note 29	427

Pension plans: overview

Pension plans have 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 recognised 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.

Beside the pension plans in Belgium, the Group has similar plans in place in Turkey.

Pension plans: valuation methodology
The pension and bonus plans as described above have been classified as defined benefit. 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:

	31 December 2019	31 December 2018
Discount rate BE	0.50%	1.57%
Discount rate TR	4.57%	4.23%
Retirement age	65 years	65 years
Mortality	MR/FR-5	MR/FR-5

For the year ended 31 December 2019, the defined benefit obligation, taking into account the tax effect, amounts to €18.6m (2018: €13.6m) and the offset by plan assets of €15.9m (2018: €12.2m).

Note 29. Other payroll and social related payables

(€ thousands)	31 December 2019	31 December 2018
Total other payroll and social related payables	**36,995**	**36,714**
Holiday pay	14,835	15,244
Social security taxes	6,233	6,923
Salaries and wages payable	11,082	9,145
Early retirement provision	427	607
Group insurance	68	68
Withholding taxes	1,470	1,578
Other	2,879	3,150

Other payroll and social related payables increased from €36.7m as of 31 December 2018 to €37.0m at 31 December 2019.

Note 30. Provisions for other liabilities and charges

(€ thousands)	Asset retirement obligation	Restructuring	Warranty	Other	Total
At 1 January 2019	**863**	**1,165**	**1,595**	**-**	**3,623**
Additional provisions made and increases to existing provisions	-	-	224	-	**224**
Exchange differences	-	-	34	-	**34**
Amounts used	-	(1,001)	-	13	**(988)**
At 31 December 2019	**863**	**164**	**1,853**	**13**	**2,893**

Analysis of total provisions:	**31 December 2019**
Non-current	(2,729)
Current	(164)
	(2,893)

The provision for other liabilities and charges decreased by €0.7m to €2.9m for the year ended 31 December 2019.

Throughout 2018, the Group concluded the restructuring project in Oudenaarde and the related costs were set off on the existing provision. The remaining provision for restructuring at the end of 2018 relates to the further unwinding of the machinery and onerous contracts. At the end of 2019, the unwinding of machinery is still in progress.

Note 31. Trade and other payables

(€ thousands)	31 December 2019	31 December 2018
Trade and other payables	**109,019**	**123,599**
Trade payables	80,687	90,610
Accrued charges and deferred income	27,661	29,521
Other payables	671	3,468

Trade payables as of 31 December 2019 of €109.0m include the amounts for outstanding invoices (€65.6m, as compared to €75.3m as of 31 December 2018) and invoices to be received in relation to goods and services received during the current period (€15.1m, as compared to €15.3m as of 31 December 2018).

Accrued charges and deferred income mainly relate to:

- Deferred revenue relating to the sale and lease back of one of the facilities which is recognised in profit over the leasing period of the facilities (€8.7m, as compared to €10.1m as of 31 December 2018);
- Deferred revenue relating to advance payments on rental agreements (€2.5m, as compared to €2.8m as of 31 December 2018);
- Accrued charges for customer discounts (€13.3m as of 31 December 2019 and €12.4m as of 31 December 2018).

Note 32. Share based payments
On 16 June 2017, Balta NV, a member of the Balta, provided a share related bonus payment pursuant to a phantom share bonus scheme with Balta NV to certain members of the Management Committee.

The members of the Management Committee 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 payments is recognised in the income statement over the vesting period of the schemes and have been recognised 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. After the resignation of Mr Debusschere, the total number of shares awarded to the 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) vested on its second anniversary. A manager who leaves the Balta voluntarily or is dismissed for cause prior to a vesting date will lose his/her entitlement to unvested shares.

The company has a long term incentive plan for certain employees, which depends on the share price reaching a defined target. As this moment, the options are "out-of-the money". We refer to the remuneration report, part of the "Corporate Governance Statement".

Note 33. 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"). In 2019, €0.4m has been received in this framework, identical to previous year.
- Investment grants: The Group reveived in 2019 €0.2m for the development of alternative polyolefins for bitumes. At 31 December 2018, €0.02m has been recveived as part of the development of hybrid structures made with blended (preferential airlaid) technology containing waste streams of polypropylene and of polyurethane.

Note 34. Earnings per share

Basic and diluted earnings per share

	31 December 2019	31 December 2018
Basic and diluted earnings per share		
Net result from continuing operations	**10,401**	**7,346**
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	10,401	7,346
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)	0,29	0.20

In accordance with IAS 33, 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.

Adjusted earnings per share

The result of 2019 and 2018 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.

	31 December 2019	31 December 2018
Adjusted earnings per share[1]		
Net result from continuing operations	**10,401**	**7,346**
Normalisation adjustments:	(3,856)	3,230
Adjusted Net Result from continuing operations	**6,545**	**10,576**
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	6,545	10,576
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)	0.18	0.29

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 2019 includes the one-off tax effect of the utilisation and recognition of previously unrecognised fiscal losses and the tax losses for which no deferred tax asset is recognised (see Note 11), offset by the net of tax impact of the €6.6m non-recurring expenses for integration and restructuring. In the absence of such events, the normalized profit for the period would have been €6.5m. Similarly, the profit for the period in 2018 includes a net non-recurring expense of €7.7m (as in Note 3), resulting in a normalized net profit of €10.6m.

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 35. Dividends per share

In light of our investments in the various growth and cost saving initiatives resulting from the strategic and operational review, combined with our Leverage exceeding 3.0x at year-end, the Board does not propose to pay a dividend for the year.

Note 36. Commitments

Energy

Our fixed price purchase commitments for electricity and gas, for deliveries in 2020, are equal to €17.3m as of 31 December 2019 compared to an amount of €16.9m as of 31 December 2018.

Capital expenditures

As of 31 December 2019 €2.1m capital commitments are outstanding compared to €0.5m as of 31 December 2018.

Note 37. 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.

	31 December 2019		31 December 2018	
	% 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%
Modulyss NV	100%	100%	100%	100%
Balta Oudenaarde NV	95%	100%	95%	100%
Balfid BVBA	100%	100%	100%	100%
Luxembourg				
LSF9 Balta Issuer S.à r.l.	100%	100%	100%	100%
Balfin Services S.à r.l.	100%	100%	100%	100%
LSF9 Balta Luxembourg S.à r.l.	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%	100%	100%
LSF9 Renaissance Acquisitions LLC	100%	100%	100%	100%
BPS Parent, Inc.	100%	100%	100%	100%
Bentley Prince Street Holdings, Inc.	100%	100%	100%	100%
Bentley Mills, Inc.	100%	100%	100%	100%
Prince Street, Inc.	100%	100%	100%	100%
United Kingdom				
Balta Floorcovering UK	100%	100%	-	-

Note 38. 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. Throughout 2018, a contract has been signed with a related party of the main shareholder, the impact on the 2018 and 2019 financials is limited.

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.

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)	31 December 2019	31 December 2018
Total key management compensation	**3,404**	**3,012**
Short-term employee benefits	3,221	2,130
Long-term employee benefits	10	(182)
Board compensation	163	216
Termination benefits	0	840
Share-based payments	9	8

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)	31 December 2019	31 December 2018
Other payables to related parties	(91)	(294)

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 39. Fees paid to the Group's auditors

(€ thousands)	2019	2018
Audit services	**369**	**351**
Audit of the Group pursuant to legislation	369	351
Other audit-related services	-	-
Non-audit services	**147**	**187**
Tax services	0	147
Other services	147	40
Total fees paid to the Group's auditor	**516**	**538**

Note 40. Events after the reporting period

On 21 January 2020, the Group announce the closing of a €42m long-term sale and lease-back transaction involving two of its five owned production plants in Belgium. The lease, with a maturity of at least 10 years at an interest rate of 2.7% per annum, was concluded with three of Balta Group's main relationship banks.

Balta Group has prepaid all amounts outstanding under the €35m Senior Term Loan facility maturing September 2020.

COVID-19 statement

In response to the outbreak of the novel coronavirus (COVID-19), which first appeared in China in December 2019 and has since early 2020 been declared a pandemic and spread to every region of the world, governments globally and in the markets in which we operate have implemented strict social distancing measures, including varying degrees of lockdowns and the closure of non-essential businesses, including the businesses of a number of our customers. These measures have resulted in a significant disruption of daily life, and in a significant deterioration of global, regional and national macroeconomic conditions, with each of the markets in which we operate now expected to see negative economic growth for the year. Since the pandemic is an event of 2020, it is a subsequent event of the 2019 closing and has no impact on the 2019 financial statements.

To protect the health and safety of our workforce and customers and to mitigate the effect of COVID-19 on our operations, we have formed an internal COVID-19 taskforce which participates in daily calls and coordinates our response to the situation across the Balta group. In addition, we have implemented a number of measures to reduce our operating costs and manage our cash flows, including the temporary closure of plants as well as a reduction of employee costs, procurement costs and capital expenditures.

Following a strong start to the year, which saw an almost 16% increase in EBITDA in the two months ended 29 February 2020 compared to the same period in 2019, revenues decreased by more than 29% during March 2020 compared to the same period in 2019, mainly as a result of a decrease in orders from customers.

As a result of this reduced demand for our products and to reduce costs and preserve cash, we have temporarily shut down 6 of our 8 plants, which we estimate has reduced our operating costs by approximately 37% in April. Other than these voluntary closures, our plants are fully operational and have not yet been ordered to close by any government or other authority. Additionally, we have put our product launches on hold and we have reviewed all purchases of raw materials and are in negotiations with our suppliers to delay or, where possible cancel, our raw material orders. We estimate that these measures will result in a further reduction of our operating costs by 12% in Q2.

To reduce our employee costs, we have accessed available government unemployment support programmes in Belgium, UK, France and Germany for the vast majority of our workforce in those countries. Additionally, we have implemented a hiring freeze across the entire Balta group, postponed our annual merit-based salary reviews and reduced the monthly compensation of our CEO and the members of our Management Committee and group-wide leadership team by 50%, 40% and 30%, respectively. Our paid directors have also agreed to reduce their director fees by 50%. We believe that these measures will allow us to reduce employee costs by up to 25%. The reduced compensations will not be recaptured.

The current crisis has and will continue to impact our working capital. We are closely monitoring our daily cash flows. To further protect our liquidity position, we have also significantly reduced our marketing costs as well as samples and other capital expenditures by approximately €20m, which we believe is the minimum amount necessary to continue operating our business. Additionally, we are closely monitoring our accounts receivable and accounts payable to manage our cash outflows. As a precautionary measure, to address our short-term liquidity and working capital needs, on 11 March 2020, we drew €72.7m revolving credit facility. As of 31 March 2020, we held cash and cash equivalents in the amount of €80.4m.

As of the date of this report, it is too early to accurately predict the effect of COVID-19. We believe that the COVID-19 situation represents an unprecedented short-term disruption to our business and the wide variations in potential outcomes present a material challenge to our business and industry. We are in regular contact with the governments in our key markets to determine the availability of, and our eligibility for, state aid and other government support measures, including the availability of additional financing.

We are currently forecasting a ramp-up in production beginning in early June 2020, and under this scenario we are estimating that we would be producing at approximately 85% of capacity in the fourth quarter of 2020. We anticipate additional working capital requirements as we begin our production ramp-up. We have assumed that our customers will continue to pay according to invoice terms, and we plan to continue to manage our cash flow conservatively for the duration of the COVID-19 crisis. Based on these assumptions, we are currently forecasting our existing cash on hand and cash flow to be sufficient for our business through our expected production ramp-up, but as a result of the decreasing EBITDA levels we were facing the possibility of breaching our leverage covenant on our €61m RCF financing in Q2 of 2020 and in subsequent quarters where the twelve month period being tested includes months that are impacted by the COVID-19 pandemic. We have proactively reached an agreement with the relevant banks to adjust the covenant calculation for the impact of COVID-19 through Q2 of 2021. We are confident that with this amended calculation of the covenant, a breach will be avoided. Based on the currently available information and forecasts, although visibility remains limited as the pandemic is still progressing, the Group currently believes that it will be able to meet its liabilities and commitments as they fall due across the applicable forecast period and has determined that the going concern basis remains the appropriate basis of preparation for its financial statements. To further strengthen our position, we will likely look at government and other options to raise funds given the uncertainty as to when the COVID-19 crisis will end, and markets will return to normal.

I.6. Condensed version of Statutory Financial Statements Balta Group nv

The statutory statement of financial position and the statutory statement of comprehensive income for the period ended 31 December 2019 of Balta Group NV are given below in a condensed form.

The accounting principles used for the Statutory Financial Statements of Balta Group NV differ from the accounting principles used for the Consolidated Financial Statements: the Statutory Financial Statements follow the Belgian legal requirements, while the Consolidated Financial Statements follow the International Financial Reporting Standards.

The management report of the Board to the Annual General Meeting of Shareholders and the Statutory Financial Statements of Balta Group NV, as well as the auditor's report, will be filed with the National Bank of Belgium within the statutory periods. These documents are available on the www.baltagroup.com and can be requested free of charge.

The statutory auditor's report is unqualified and certifies that the non-Consolidated Financial Statements of Balta Group NV for the year ended 31 December 2019 gives a true and fair view on the financial position and results of the company in accordance with all legal and regulatory dispositions.

(€ thousands)	2019	2018
Fixed assets	468,927	468,927
Financial assets	468,927	468,927
Total non-current assets	**468,927**	**468,927**
Amounts receivable within one year	3,313	3,204
Cash and cash equivalents	-	4
Total current assets	**3,313**	**3,208**
Total assets	**472,241**	**472,135**
Share capital	260,590	260,590
Share premium	65,660	65,660
Other reserves	147,125	147,125
Retained earnings	(2,049)	(2,138)
Total equity	**471,325**	**471,237**
Trade and other payables	915	898
Total current liabilities	**915**	**898**
Total equity and liabilities	**472,241**	**472,135**

(€ thousands)	Period ended 31 December 2019	Period ended 31 December 2018
Other income	2,998	3,634
Other expenses	(2,907)	(3,409)
Operating profit / (loss)	**91**	**225**
Finance income	2	8
Finance expenses	(4)	(7)
Profit / (loss) for the period	**89**	**225**

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 2019
23 April 2020

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 2019

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 consolidated accounts, as well as the other legal and regulatory requirements. This forms part of an integrated whole and is indivisible.

We have been appointed as statutory auditor by the general shareholders' 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 general shareholders' meeting which will deliberate on the annual accounts for the year ended 31 December 2019. We have performed the statutory audit of the consolidated accounts of Balta Group NV for 3 consecutive years.

Report on 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 2019, 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) 787,732 and a profit for the year (Equity holders) of EUR (000) 10,401.

In our opinion, the consolidated accounts give a true and fair view of the Group's net equity and consolidated financial position as at 31 December 2019, 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) as applicable in Belgium. Furthermore, we have applied the International Standards on Auditing (ISAs) as approved by the IAASB which are applicable to the year-end and which are not yet approved at the national level. 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.

Emphasis of matter – subsequent event

As far as the outbreak of COVID 19 is concerned, we draw your attention to point summary of main risks of the directors' report and to Note 40 ("Events after the reporting period") of the consolidated accounts in which the board of directors expresses its view that, although the consequences thereof may have a significant impact on the Group's operations in 2020, such consequences do not have a material impact on the Group's financial position for the year ended 31 December 2019. Our opinion is not modified in respect of this matter.

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.

Valuation of goodwill and other (in)tangible fixed assets

Description of the key audit matter

Balta carries a significant amount of goodwill, amounting to EUR (000) 195,991 and detailed in Note 5, and other (in)tangible fixed assets on the consolidated statement of financial position. Under 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 5) in the financial statements.

Our findings

From our sensitivity analysis, we found the likelihood of changes resulting in impairment losses to be low.

Uncertain tax positions

Description of the 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. The accounting treatment of uncertain tax positions was a topic of particular importance due to the introduction of IFRIC 23 in 2019.

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 2019. 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.

Customer discounts
Description of the 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 2019 amounts to EUR 13,3 million as disclosed in Note 31.

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 2019. We have agreed the amounts to underlying customer agreements, recalculated the accrual and performed a retrospective analysis of the accruals per 31 December 2018. Our audit has also included review of credit notes and other adjustments to trade receivables after 31 December 2019. 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 preparation of 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.

In performing our audit, we comply with the legal, regulatory and normative framework applicable to the audit of the consolidated accounts in Belgium. A statutory audit does not provide any assurance as to the Group's future viability nor as to the efficiency or effectiveness of the board of directors' current or future business management at Group level.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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 financial statements. 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 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 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 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.

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 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 3:32 of the Companies' and Associations' 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 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.

The non-financial information required by virtue of article 3:32, §2 of the Companies' and Associations' Code is included in the directors' report on the consolidated accounts. The Company has prepared the non-financial information, based on seventeen United Nations' Sustainable Development Goals. However, in accordance with article 3:80, §1, 5° of the Companies' and Associations' Code, we do not express an opinion as to whether the non-financial information has been prepared in accordance with the seventeen United Nations' Sustainable Development Goals as disclosed in the consolidated accounts.

Statement related to independence
- Our registered audit firm and our network did not provide services, which are incompatible with the statutory audit of the consolidated accounts, and our registered audit firm remained independent of the Group 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 3:65 of the Companies' and Associations' 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 7:99 §6, 4° of the Companies' and Associations' Code referring to article 11 of Regulation (EU) N° 537/2014.

Gent, 23 April 2020

The statutory auditor
PwC Bedrijfsrevisoren BV /
PwC Reviseurs d'Entreprises SRL
represented by

Peter Opsomer
Bedrijfsrevisor / Réviseur d'Entreprises

I.8. Statement of the Board

We, the Board, hereby certify that, to the best of our knowledge, the Consolidated Financial Statements as of 31 December 2019, 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 measures of performance and liquidity. The alternative performance measures may not be comparable to similarly titled measures of other companies, have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results, our performance or our liquidity under IFRS.

Organic Growth is defined as growth excluding (i) FX impact, which comprises the translation of key foreign entities, (ii) M&A impact and (iii) the impact of IFRS16. Note that as from 1 January 2019 onwards, the calculation of the FX impact changed, whereby transactional FX impacts are no longer taken into account under FX impact. When retroactively applying the new method to calculate FX impact on full year 2018, the FX impact on Consolidated revenue would have been -0.2% instead of -1.3%, and the FX impact on Consolidated Adjusted EBITDA would remain -0.3%.

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.

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

Adjusted EBITDA margin is defined as the Adjusted EBITDA as a percentage of revenue.

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

Gross 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 and (iii) Bank and other borrowings adjusted for capitalized financing fees.

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.

Net-investment or net-CAPEX is defined as of the sum of all investments in tangible and intangible fixes assets adjusted for proceeds from sales of fixed assets.

NEXT key assumptions and NEXT impacts are to be understood versus a baseline of 2018 or 2019:

- Impacts shown for the Revenue initiatives are the anticipated gross impacts and take no account of possible 'cannibalization effects' or the current macro-economic uncertainty
- Impacts shown for the Margin initiatives are the anticipated gross impacts before cost inflation
- Impacts are calculated on the basis of forecast volumes
- FX exchange rates are assumed stable over the period
- Lean and Procurement are P&L impacts (excluding Capex savings or cost avoidance) and affect either COGS (raw materials consumption or costs) or fixed expenses (eg maintenance)

Leverage is defined as the ratio of Net Debt to Adjusted EBITDA (excluding IFRS16 as per financing documentation).

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 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 2019 and based on the final vesting pursuant to existing Management Incentive Plans with Lone Star entities, is as follows:

Current shareholding	Number	%[1]
LSF9 Balta Holdco S.à r.l.	19,408,879	54.00%
Management	363,245	1.01%
Public	16,171,272	44.99%
Total	**35,943,396**	**100.00%**

[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 €2.80, 16% below the share price of €3.32 at the end of 2018.

ANALYST COVERAGE

Balta was covered by 4 analysts as of 31 December 2019. Details are available in the Investor Relations section of our corporate website (www.baltainvestors.com).

FINANCIAL CALENDAR[2]

2019 Full year Results:
6 March 2020
First Quarter Results:
5 May 2020
Annual Shareholders' Meeting:
26 May 2020
Half Year Results:
28 August 2020
Third Quarter Results:
6 November 2020

[2] dates are provisional

INVESTOR AND PRESS CONTACT

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Indoor and Outdoor Rugs

Residential carpets and tiles

Commercial carpets and tiles

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