



2020

ANNUAL REPORT



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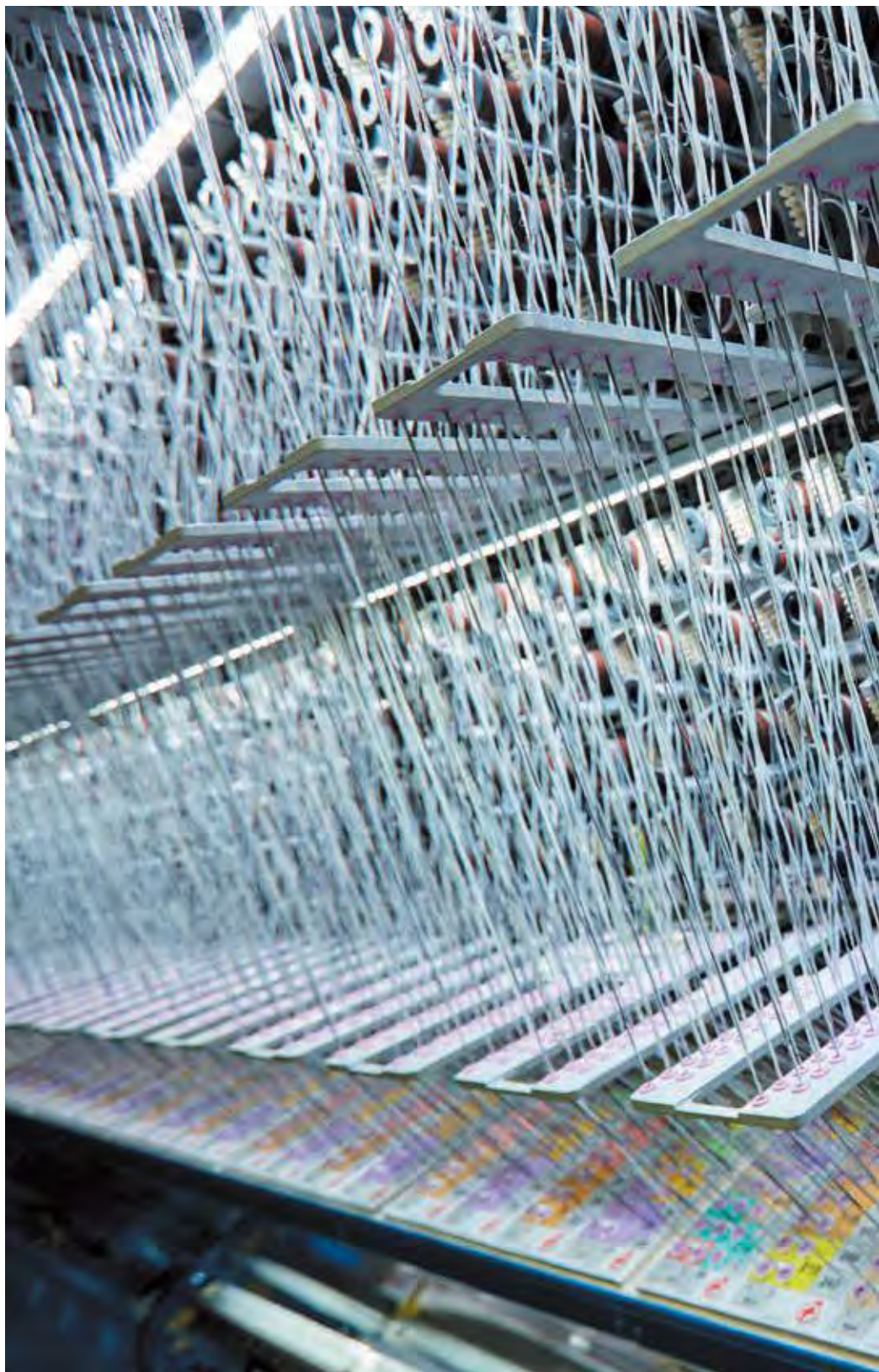
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Cover image: foldable and washable rugs from Balta home.





01 STRATEGIC REPORT



Cyrille Ragoucy, CEO

MESSAGE FROM THE CEO

"2020 was an unprecedented year due to the COVID-19 disruption and its material challenges to our industry. Throughout this entire pandemic, Balta's primary focus was on the safety and health of our employees and other stakeholders. In the second half of the year, we recovered revenues in Rugs and Residential. The Commercial segment is taking somewhat longer to return to more normal levels.

Despite experiencing depressed volume due to COVID-19 restrictions, our full-year Adjusted EBITDA margin still ended higher than last year's, reflecting the strong margin upside of our NEXT initiatives, continued cost savings and lower raw material prices.

Thanks to strong cash flow generation, we reduced Balta's Net Debt at FYE 2020 to the lowest level since the IPO in 2017. Aided by this performance, we refinanced and extended the European Super Senior Revolving Credit Facility and our Senior Secured Notes into 2024, with strong support from our banks and bondholders. This improved our debt maturity profile substantially.

The Management Committee is committed to continue the transformation of Balta by improving operating performance, implementing prudent cost management and executing our NEXT strategy.

Following a strong start in the first two months of 2020, the disruptive impact of COVID-19 began to take place in March 2020. We took swift and decisive measures to protect our employees and other stakeholders, as well as to reduce our operating costs and to manage cash flows. In the second quarter, six of our eight plants were temporarily shut down on a voluntary basis to manage costs. As additional measures senior staff took voluntary reductions in pay, the vast majority of staff were put into temporary unemployment programmes and all non-essential expenditure was deferred.

Despite the voluntary closures that were taken, we retained the flexibility to resume partial production at our facilities which allowed us to satisfy the demand and to service customer orders. As a precautionary measure to address our short term liquidity and working capital needs, revolving credit facilities were fully drawn and covenants were renegotiated.

Throughout the second half of 2020 all Balta plants were operational, while fixed and variable cost-saving measures remained in place. We prepared thoroughly for the market re-opening, with procurement, inventory and other working capital items well managed. As of July, revenues began to recover to normal levels in Rugs and Residential. Our Commercial segment however rebounded less strongly and volumes are still to recover there.

NEXT, Balta's three-year programme designed to deliver a significant improvement in earnings, achieved strong results in the first two months of 2020. As of July, the NEXT programme initiatives resumed. Although they had been delayed, a material part of our margin improvement in the second half of 2020 was achieved as a result of enhancements in NEXT.

The focus on cost savings, cash preservation, the benefit of lower raw material costs and the recovery in H2 2020 resulted in a positive net cash flow and comfortable liquidity throughout the year. 2020 ended with cash and cash equivalents of € 106.3m, with a further € 7.4m available to draw under the US Revolving Credit Facility. The total available liquidity amounted to € 113.7m at year-end 2020.

In October 2020, we amended and extended Balta's existing European Super Senior Revolving Credit Facility. The maturity date has now been extended to 30 June 2024, following the successful exchange offer for our Senior Secured Notes, which are now due 31 December 2024."

Cyrille Ragoucy
CEO BALTA GROUP



modulys, DSGN Tweed

STRATEGIC PRIORITIES

We identified three strategic priorities, which will drive the long term value of Balta's businesses:

1. NEXT⁽¹⁾:

The first strategic priority is our NEXT programme. For this, operational savings are on track albeit slightly delayed due to our decision to postpone capital expenditure until early July. In July, we resumed investment in Lean, supply chain and procurement initiatives across our eight plants. In 2020, NEXT initiatives achieved € 7m of incremental Adjusted EBITDA compared to 2019 and contributed to the cash generating reduction of inventory. Balta continues to have a strong pipeline of NEXT cost initiatives.

Despite subdued demand and the overall revenue decline due to COVID-19, we achieved material revenue from our e-commerce channel initiative in Rugs, our direct route-to-market approach at modulys and the launch of sustainable products in all divisions. At the end of 2020, top-line NEXT initiatives remain on track with € 68m of cumulative incremental revenue since we started, and € 43m of incremental revenue in 2020 versus 2019.

With our e-commerce in the Rugs segment, we continued to penetrate the US and European markets through our dedicated fulfilment centre in the US and our European partnerships with leading digital platforms. E-commerce revenue has more than doubled in 2020 and now represents 17% of North American revenue. Fulfilment performance improved as well, while same-day shipping in the US reached 95% for e-commerce products.

Despite an overall decline in European Commercial tiles revenue, our targeted direct route-to-market approach in modulys delivered € 7m of incremental sales in 2020 compared to 2019.

Other revenue initiatives produced strong results, with € 28m of incremental revenue in 2020 versus 2019, through the launch of innovative products more specifically tailored to meet customer expectations. The Residential segment introduced a premium carpets range with a strong focus on durability and comfort, whilst Rugs introduced new sustainable qualities which already represent 20% of divisional Q4 2020 revenue. Bentley's EliteFlex range targets the Healthcare and Educations segments with its unique noise-absorbing backing and thermoplastic layers which are impermeable to moisture.

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

2. Environmental, Social and Corporate Governance (ESG):

Sustainability is an integral part of Balta's business strategy. That is why we have identified ESG (Environmental, Social and Corporate Governance) as one of our strategic priorities. The primary goal of our product development process is to increase recycled content and to make products easier to recycle, allowing us to achieve a fully circular lifecycle.

In 2020, our commitment to have a net positive impact on the planet and its population – by establishing a circular economy in the flooring industry – translated into several important milestones.

Bentley successfully completed its NSF/ANSI 140 audit, which represents the highest US standard for environmentally responsible carpet products. The audit addressed economic, environmental and societal impacts throughout the supply chain and assures the sustainability of Bentley's full product lifecycle.

Balta home launched ten sustainable collections, consisting of single-material rugs or products containing a minimum of 40% recycled material.

Modulyss was awarded Cradle to Cradle Certified® Platinum, Gold and Silver certificates for 127 sustainable products. The carbon neutral qualification of these products gives us a competitive advantage and wider access to more specified projects.

Safety remains our number one priority in caring for our employees' wellbeing. In 2020, we achieved a 30% year-on-year drop in the Lost Time Accident Frequency Rate.

3. Digital transformation:

Thirdly, digital transformation is a major strategic priority in Balta's business approach. In 2020 our digital transformation accelerated, allowing us to better manage the customer relationship and improve digital operations, logistics and planning.

Bentley enhanced its digital tools for online sample ordering, while the latest software allows the brand to create high-quality rendering for carpet tiles.

With physical fairs and events cancelled due to COVID-19 restrictions, virtual events were organised to launch new collections digitally, via digital showroom tours, webinars and digital brochures.

Data from the new integrated forecasting tool, available to our salesforce on their mobile devices, will materially improve production planning. The implementation of this tool is expected in H1 2021.

Our Field Service Management project has been successfully piloted in two plants in 2020 and will be rolled out across all plants in 2021. It is a step change in the way we manage maintenance by providing real-time stock levels for spare parts, interactive planning and online feedback from maintenance technicians.



Balta carpets, Marlene



modulyss, First Forward & First Streamline

FINANCIAL REVIEW

We delivered a full-year 2020 Consolidated Revenue of € 561.8m, 16.3% less compared to 2019, and a Consolidated Adjusted EBITDA of € 68.0m, which is a 8.6% decrease compared to the year before. The Consolidated Adjusted EBITDA margin of 12.1% was up from last year's 11.1%, reflecting strong margin improvements in our Residential and Rugs divisions, and despite the significant volume impact of COVID-19 across all divisions.

Financial review by division

Rugs

Balta's full-year revenue in the Rugs segment for 2020 of € 182.9m was down 14.2% compared to € 213.0m in 2019. From a regional perspective, North America showed double-digit growth, while revenue in Europe and Rest of World saw double-digit decline. In North America, we grew our e-commerce business strongly and secured a stable share for our 2021 outdoor season programmes. In Europe, the revenue declined significantly as of mid-March due to COVID-19 lockdowns, but rebounded substantially in June.

The full-year Adjusted EBITDA for 2020 grew with 4.3% to € 17.5m (€ 16.8m in 2019) with an Adjusted EBITDA margin of 9.6%, up from 7.9% in 2019. Against the

backdrop of subdued volumes due to COVID-19, the Adjusted EBITDA improved thanks to a better product mix, lower raw material prices, strict cost control and margin improvements from NEXT initiatives. US e-commerce margins continue to be impacted by fixed costs until we reach critical mass.

The fourth-quarter revenue for 2020 of € 50.2m was up 1.0% (€ 49.7m in Q4 2019), despite continuing COVID-19 restrictions. The Adjusted EBITDA margin for Q4 2020 was 19.0%, which is significantly higher than the 10.1% in Q4 2019. This increase is the result of a better product mix, lower raw material prices, strict cost control and margin improvements from NEXT initiatives.

Commercial

The full-year revenue in the Commercial segment for 2020 declined with 19.2% to € 190.5m, compared to € 235.6m in 2019. The US saw a double-digit decline in revenue as the impact of the COVID-19 restrictions was felt across all segments. Despite this, our gross margin improved as we continued to focus on new segments outside our traditional strength in offices. In Europe, the loss of revenue due to COVID-19 was partly offset by product mix and price improvements.

The full-year Adjusted EBITDA for 2020 decreased with 24.2% to € 30.7m (€ 40.5m in 2019), with an Adjusted EBITDA margin of 16.1%, down from 17.2% in 2019. Despite strong results from NEXT initiatives and cost savings, the margin impact of the lower volumes could not be entirely mitigated.

The fourth-quarter revenue for 2020 of € 45.5m dropped with 25.2% (€ 60.8m in Q4 2019), although the Adjusted EBITDA margin for Q4 2020 improved to 21.1%, from 17.6% in Q4 2019. This is thanks to continued cost control, NEXT margin enhancements in the US and Europe, better product mix and lower raw material prices in Europe.

Residential

The full-year revenue in the Residential segment for 2020 reduced with 11.9% to € 171.2m (€ 194.4m in 2019), reflecting the impact of COVID-19 despite a strong rebound in the second half of the year. Higher-margin products now represent 40% of the Residential FY2020 revenue.

The full-year Adjusted EBITDA of € 19.0m was up 26.0% compared to € 15.1m in 2019, with an Adjusted EBITDA margin of 11.1%, which improved from 7.7% in 2019. Our continued focus on growing our share of higher-margin products, lower raw material prices, cost control and margin enhancements from NEXT initiatives more than compensated for the significant volume drop.

The fourth-quarter revenue for 2020 increased by 9.7% to € 51.3m (€ 46.7m in 2019), driven by pre-Brexit stocking in the UK and increased sales across Europe and the US. The COVID-19 impact continued to be felt in Central and Eastern Europe. The Adjusted EBITDA margin for 2020 of 16.9% was up from 7.8% in Q4 2019, due to volume growth, lower raw material prices and margin improvements from NEXT initiatives.

Other financial items review

Non-recurring items below Adjusted EBITDA

The net impact of non-recurring items on the 2020 net income was € 7.8m (€ 0.22 per share), compared to € 6.6m (€ 0.18 per share) in 2019. The 2020 expense was mainly for advisory fees related to the NEXT programme in the first half of the year and for amending and extending our financing.

Net financing costs

The net financing cost of € 29.2m (€ 25.2m in 2019) primarily represents the interest expense on external borrowings. The net cost increased in comparison with 2019, as the European and US Revolving Credit Facilities were fully drawn as a precaution against the potential impact of COVID-19 and the FX translation impact.

Taxation

The Group reported a tax expense for 2020 of € 3.6m (tax income of € 7.4m in 2019) based on a loss before tax of € 9.0m (profit before tax of € 3.0m for 2019). The tax expense is mainly driven by non-recognition of deferred tax assets, non-deductible costs and taxation of previously untaxed Belgian reserves.

Earnings per share

There was a loss per share of € 0.35 in 2020, compared to a profit per share of € 0.29 in 2019.

Dividend

Given the uncertain COVID-19 environment, the investments in growth and cost-saving initiatives resulting from our NEXT programme, combined with our Leverage exceeding 3.0x at year-end, the Board will not propose a dividend for the year.

Cashflow and Net Debt

The Q4 2020 Reported Net Debt ended at € 283.2m (including € 36.4m of IFRS16 impact), compared to € 313.7m at the end of Q4 2019. The significant Net Debt decrease of € 30.5m is explained by strong cash generation and by IFRS16 depreciation. With reduced Net Debt, Leverage increased only moderately to 4.2x at the end of 2020, from 4.0x at the end of 2019, despite lower Adjusted EBITDA.



Balta home, Sfynx



OUR MISSION, VISION AND VALUES

At Balta, we believe it is important to work towards the same goal. Our Balta fundamentals capture and define what we stand for, and where we are heading. We find it important to actively carry out the values we want to convey as a company. We want our people to feel good both at work and at home.

We also aim for a strong and shared identity, in all Balta divisions and activities. This way, we want to unite everyone working at and with the Balta family, as One Balta.

ONE BALTA

Striving towards “One Balta”, the time was right to create one shared mission, vision and common values. We believe in a bottom-up approach and we appreciate what our Balta colleagues are telling us. Inspired by the results of an employee survey and several workshops, the Management Committee finalized the mission, vision and values, designing our common strategy.

We revealed the mission, vision and values in December 2020 with a communication campaign and in 2021, we are planning a broader rollout.



OUR MISSION

At Balta, we rethink comfort with floor coverings that enrich people's lives.

As Balta, we produce floor coverings that make every room a better place. We keep innovating and provide qualitative flooring solutions for various markets in inspiring styles. Creating comfort is at the heart of everything we do.

OUR VISION

We put people and our planet first. We aspire to be our customers' preferred partner with agile service, innovation and sustainable floor coverings that enrich daily life.

Balta aims to be the preferred producer of floor coverings. We want to redefine flooring comfort in every environment. We strive to be a sustainable company, with respect for our planet and the people on it. To achieve all this, we focus on an agile service and commit to continuous innovation.

OUR VALUES



We care about health and safety

We care about a healthy and safe work environment for our employees and partners. We encourage everyone in the Balta family to work according to the safety measures, both in the production units and the offices.



We think customer in everything we do

We put the customer in the centre of everything we do. As a team, we strive to provide comfort and make floor coverings that enrich people's lives. Every Balta product we create, focusses on the wellbeing of the user.



We value trust and respect

We are a trusted partner towards our customers, colleagues and partners. We work with respect for every individual and value transparency. Our long and rich history makes us a solid and trustworthy player in the industry.



We pursue ambitious goals

We have an ambitious mindset and dare to pursue our dreams. We push boundaries and make a difference, within the company as well as in the outside world. We see the future as an opportunity and contribute to it the best we can.



We reimagine, every day

We are innovative and strive towards continuous improvement. We reinvent comfort and are constantly upgrading our products and solutions. We take an innovative approach at everything we do, every day.



Kristof De Bel
Team Leader Warehouse

Health & Safety

Health & safety is a mindset. In my job as team leader, it is my first and last priority to make sure my employees can work in safe and healthy conditions. By creating an optimal work environment and carrying out this mindset, we contribute to health & safety in a lot of ways. For example to the environment and to our mental and physical wellbeing. This is not only important for our generation, but also for future generations.

Innovation

Innovation is something I work on every day in my job as Design & Product Development Manager. It is the key factor in making our company succeed, as we have to come up with innovative products to stand out from our competitors. It is important to have answers to the questions our customers will ask tomorrow. We have to know what is happening in the market, see where we are heading and how floor coverings can contribute to making our customers' living environment better.



Ruben De Reu
Design & Product Development Manager

Customer

In my job as Sales Director, I am in contact with our customers daily. Directly, but also indirectly via my sales team. This is only one of the reasons why I find the "Customer" value to be a priority. Also because this value embodies all other values. Growing with the right customers also means that "Health & Safety", "Trust", "Ambition" and "Innovation" have to be fulfilled. In an ever more conscious and innovative society, such values become a license to operate. I see customers not just as customers, but as partners. Growth and success can only happen if both the customer and the supplier benefit from this. By aiming for this synergy, we can achieve a better result.

Milosz De Dijn
Sales Director

Ambition

I am ambitious, but rather for the group than for myself. My ambition is to love what I do and to contribute to the Balta Group, no matter on which level. I try as much as possible to keep an open eye, so that the different departments feel the 'One Balta, One Team' mindset. It is amazing to progress as a group and to prove to ourselves that we accomplished a journey together, and completed it successfully.

Valerie Otte
Operational Excellence Specialist

Trust

Trust is of major importance. Employees, no matter in which position, can work together successfully by showing trust and receiving trust. As union delegate, people often come to me to discuss and solve possible issues. The fact that they can trust me to handle this discretely, is a positive sign.

Yassin Habbaz
Maintenance Technician

BALTA GROUP SUSTAINABLE BUSINESS MODEL



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 PRESENCE
PASSION & EXPERTISE

TO PROVIDE OUR

PRODUCTS

RUGS
BROADLOOM
CARPET TILES
YARNS
LVT

How we do it?

Responsible sourcing

Lean manufacturing in a safe & healthy environment

How we do it?

Servicing our customers as their trusted partner



TO CREATE

SERVICES

MANUFACTURING

PARTNERSHIPS IN

Technical support
Logistics
Marketing
Design & Creation

VALUE

PEOPLE

Job creation & Employment
Learning & Development
Community engagement
Well-living

PLANET

Contribution towards circular economy
Reduction of carbon footprint (waste, emission, water)
Switch to renewables

ECONOMIC

Company growth
Tax contributions
Shareholder return

Sharing expertise & knowhow to create a positive impact on society

How we do it?

Contributing towards a circular economy by applying the principles of 'reduce, recycle, recover'

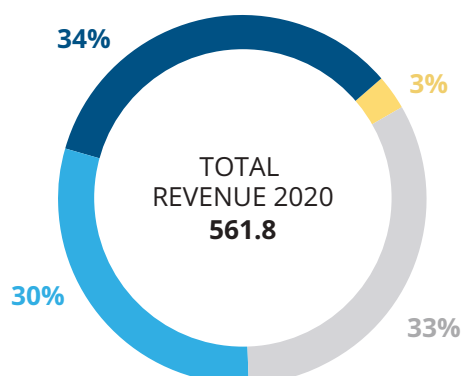


State-of-the-art weaving looms

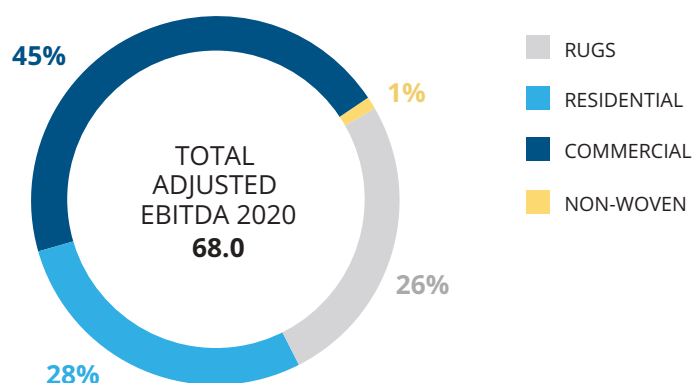
THE GROUP AT A GLANCE

Balta is a leading producer of textile floor coverings. With a consolidated revenue of € 562m and 3,838 employees, our products are manufactured in 8 production facilities and sold to 136 countries globally. Since June 2017, Balta Group NV has been a public company listed on Euronext Brussels.

**REVENUE 2020
PER REPORTING SEGMENT**



**ADJUSTED EBITDA 2020
PER REPORTING SEGMENT**



- RUGS
- RESIDENTIAL
- COMMERCIAL
- NON-WOVEN

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.



Balta home, Re_duce

RUGS

Balta home

Segment position ⁽¹⁾:

No. 1 in Europe, no. 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 one in Turkey (Uşak).

Distribution centres:

Two in Belgium (Avelgem and Sint-Baafs-Vijve), one in Turkey (Uşak) and two in the United States, 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 maintain 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.

With a strong focus on sustainability, market-oriented trends and new technologies, Balta home invests firmly in collections that bring extra value for both its customers and the end-consumers. We have the know-how, the expertise and above all the drive to carefully create rug collections that fulfil all of our customers' needs. All our machine-made products are Oeko-Tex® certified.

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

The Papilio® brand, internationally known for its innovative design rugs, aggregates our handmade rug collections — designed in Belgium in close consultation with our customers and handcrafted in different countries around the world such as India and China.

RE_GENERATION rugs

Balta home values sustainable product design through innovation, being one of the key pillars of our sustainability programme. In 2020 the RE_GENERATION product line was created to turn trash into treasure. Plastic bottles, discarded cotton fabric and leather garment waste: they all 're_vive' into the unique 're_cycled' Balta home rug collections. Combined with 're_invented' softness, timeless design, enriched colours and innovative constructions, these machine- and handmade rugs certainly 're_boost' every indoor and outdoor living space, with 're_spect' for the environment. A QA-CER-certificate, issued by the Belgian Quality Association, reinforces the stated recycled content of our products, machine-made in Belgium.

NEW GENERATION rugs

Not only the reuse of post- and pre-consumer waste is taken into account during the development of new products. There is also a strong focus on creating 'easy to recycle' single-material rugs. The unique machine-tufted NEW GENERATION rugs have become an important product range since the launch in 2015. Thanks to their washability, ensuring a prolonged product lifetime, and the single-material use facilitating the recycling process, this innovative range offers a sustainable solution for any interior design scheme. A Cradle to Cradle® certification is pending.

RESIDENTIAL

*Balta carpets and ITC***Segment position ⁽¹⁾:**

Leader in Europe with top positions in the United Kingdom (Balta carpets), Germany and Central Eastern Europe (ITC).

Production plants:

Sint-Baafs-Vijve and Tielt, Belgium.

Distribution centres:

Sint-Baafs-Vijve and Tielt, 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®.

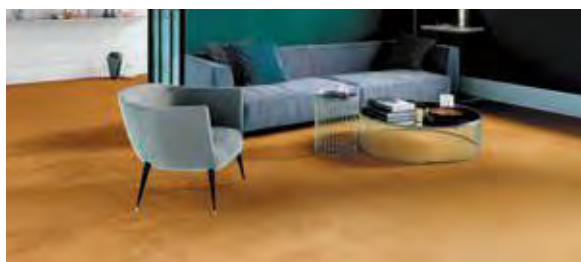
Brands ITC:

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, which is 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.



Balta carpets, Marilyn

(1) Management estimate

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.

Collections reimagining comfort

With the adoption of new ways of living and working at home, consumers see their homes as sanctuaries from the unrelenting outside world. This has seen ideas of comfort and calm come to the fore, and there are few better floor coverings than carpet to reinforce these feelings.

Homeowners seeking the ultimate in comfort find their ways to the emerging Eternity®, which promises to continue its growing reputation as the collection has been extended with new qualities with a premium feel.

Newcomer Marlene is another promising highlight. Part of the Legacy collection of high-luxury velvet finish polyamide styles, Marlene is inspired by the glamour of 20th-century Hollywood. Presenting a palette of lavish colours deemed perfect by our customers.

*Balta carpet tiles***Production plant and distribution centre:**

Zelee, Belgium.

Distribution channels:

Major retailers and wholesalers, such as specialised carpet, home improvement and furniture chains, DIY stores, independent retailers and carpet fitters.

Brands:

LCT® First (Luxury Carpet Tiles).

Websites:

www.balta-carpets.com

Balta carpet tiles offers 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, thanks to easy handling, fitting and replacing. Unique laying patterns and exciting combinations are also made possible through these carpet tiles.

COMMERCIAL

modulyss

Segment position ⁽¹⁾:

No. 3 in Europe.

Production plant and distribution centre:

Zelev, Belgium.

Distribution channels:

Architects, designers, contractors and distributors (main segments: offices, education, healthcare and hospitality).

Brands:

modulyss®, LCT Pro®.

Website:

www.modulyss.com

Modulyss designs and produces high-quality carpet tiles for the international commercial segment from a production facility in Zelev, Belgium. Alongside main European regions, modulyss also sells products in the United States (through Bentley Mills), Asia-Pacific, Latin America and the Middle East.

The company's desire to inspire people with unique carpet tiles remains at the heart of its business.



Sustainable and sound

Not only does modulyss offer solutions to issues such as space design, acoustics and wellbeing, the brand also aims to provide a more sustainable choice. That is why modulyss now offers 127 Cradle to Cradle Certified® products. Moreover, with the introduction of ecoBack – a backing that can be disassembled and recycled at the end of its life – modulyss is closing the loop and has found a way to repurpose carpet tiles. This new carpet tile backing is PVC- and bitumen-free and consists of a polyolefin-based layer with at least 75% recycled content. Furthermore, our ecoBack is Cradle to Cradle Certified® at Gold level. modulyss not only aims to improve the product composition and production of its carpet tiles, but also strives to improve the wellbeing of those installing them. Thanks to ecoBack's unique composition, flexibility and lower weight, it is easier and less strenuous for installers to cut and handle tiles with an ecoBack backing.

The story behind the product

In product design, modulyss differentiates itself by focusing on stories and the narrative behind products. Through collection groups such as Handcraft, DSGN and First, the brand develops ideas and concepts that help designers formulate aesthetic proposals for every project. In 2020, for example, the First collection group has been boosted with fresh colours and improved designs. By choosing coordinating colours, the five designs can be combined with each other, as well as with matching colours from the revamped DSGN collection group. The ability to mix and match products allows interior designers and architects to easily create different layouts and demonstrates the outstanding flexibility of modulyss carpet tiles.

Bentley

Segment position ⁽¹⁾:

A leader in the premium United States commercial segment.

Production plant and distribution centre:

Los Angeles, United States.

Distribution channels:

Architects, designers and contractors (offices, education, healthcare and hospitality).

Brand:

Bentley®.

Website:

www.bentleymills.com



For more than 40 years, the Bentley identity – style, service, quality and partnership – has been the driving force behind the brand. Backed by an industry-leading design team recognised for consistent innovation, Bentley is a leading producer of award-winning premium carpet tiles and broadloom for commercial interiors.

Great growth

Bentley is an iconic brand preferred 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 (Luxury Vinyl Tiles) 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, 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 and high-quality wall-to-wall carpet for commercial environments. The brand enables flooring professionals, architects, designers and specifiers to explore the creative potential of performance flooring. Through the service collection, arc edition 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, 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, the brand produces needle-punched, breathable, bonded non-wovens to meet the 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.

⁽¹⁾ Management estimate

BALTA GROUP IN NUMBERS

FINANCIAL



€ 561.8m

REVENUE 2020

Adjusted
EBITDA Margin

12.1%

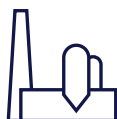
Adjusted
EBITDA

€ 68.0m

WORLDWIDE

8

PLANTS
in the world



2

**DISTRIBUTION
CENTRES**



136

COUNTRIES WE SELL INTO

1,003,100 m²

TOTAL MANUFACTURING
FOOTPRINT



= 200 Football pitches

RENEWABLE ENERGY



61,125

Solar panels on 5 factory
roofs in Belgium

= 10.8 GWh/year in 2020

= The electricity consumption
of 3,000 Belgian households



-2,561 mio kg

CO₂ per year

PEOPLE

3,838

EMPLOYEES WORLDWIDE



50+

NUMBER OF
NATIONALITIES



BALTA GROUP WORLDWIDE





HIGHLIGHTS 2020



EARLY REDEMPTION OF € 35M SENIOR TERM LOAN FACILITY

In January 2020, Balta Group closed a € 42m long term sale-and-leaseback transaction, which involved two of the five production plants owned in Belgium. The lease has a maturity of at least ten years and was concluded with three of Balta Group's main relationship banks. Balta Group prepaid all amounts outstanding under the € 35m Senior Term Loan facility maturing September 2020.

February

BALTA LEARNING HUB

Within the domain expertise of Talent Development, continuous learning is central. Therefore, we introduced our new Balta Learning Hub. With this 'Hub' we wanted to create a knowledge platform where our employees can share experience and knowledge, and address training needs.

Based on our Balta strategy, policy and business needs, we organise in-company central training courses and encourage our employees to organise internal learning moments to share knowledge with each other.

March



COVID-19 HITS

While Balta Group's results in the first two months of 2020 were strong, we experienced a drop in orders from several continental European customers as a consequence of the COVID-19 lockdown measures in several countries, which impacted Balta's revenues. Balta implemented several measures to proactively manage costs, such as a temporary production stop in some Belgian plants. Balta also introduced social distancing mats and the "**Golden Hygiene Rules**" as guidance for all employees.

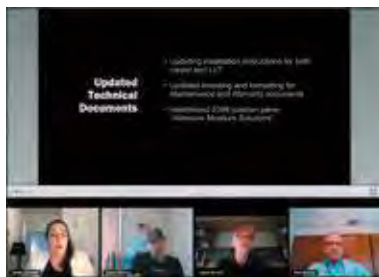


RE_DUCE

Also, in January, Balta home launched the sustainable Re_duce collection at Domotex. This flatwoven rug collection for indoor and outdoor use is made from recycled PET bottles. Some 243 bottles of 0.5 litres are needed to produce a 160x230cm rug. This way, the Re_duce collection is the ideal eco-friendly alternative for an affordable yet trend-forward, durable area rug. On top of this, the rug can easily be folded into a practical cardboard box.

VIRTUAL MADE REAL

Bentley found new ways to connect with each other and our customers in 2020, enabling us to successfully launch 10 new products. In March, we began Work from Home Wednesdays, a virtual sales and marketing meeting sharing new products, content, and best practices. We focused on digital content, converting presentations and brochures in order to stay in touch with architects and designers and our growth segments. We partnered with editorial friends for webcast interviews, product spotlights and social media promotions.



FIRST PURELOOP RE-GRANULATION

In June, Balta's first Pureloop re-granulation line became fully operational with a capacity of 1,000 tonnes per year. This new line allows us to recycle 100% polypropylene internal production residue such as rest yarns, needlefelt waste, side borders of 100% PP rugs and even shearing dust. Subsequently, the granulate is applied in our fibre extrusion process to produce the fibres needed for non-wovens, which are used in automotive and exhibition carpet produced in our Oudenaarde plant. Pureloop avoids the use of virgin raw materials, bringing us one step closer to a circular economy.

SAFETY THEATRE PLAY BALTA TURKEY

Our Balta home plant in Turkey organised theatre performances for all employees to raise awareness about the COVID-19 and health and safety in general. The scenario of the play was tailor-made for our corporate culture. Our colleagues really appreciated this fun way of bringing serious messages. Another contribution to #OneBaltaforSafety!



June

July

August



CRADLE TO CRADLE CERTIFIED®

Modulyss makes sustainability accessible with more Cradle to Cradle Certified® products. After having achieved the Gold level on 28 product options, modulyss was awarded Cradle to Cradle Certified® Silver status on a staggering 99 products. Modulyss also received a second Gold certificate for its recyclable ecoBack backing, making it possible for everyone to limit their carbon footprint, without having to compromise on quality or design.

HIGHLIGHTS 2020

September

LIMIT YOUR FOOTPRINT PROGRAMME

Modulyss is widely regarded as a brand that guarantees top-quality carpet tiles. We back up that promise by giving our customers a 15-year warranty on all our products. In order to support our customers better, it was time to take the next step, a step to circular CO₂ neutrality.

Yes, you have read it right: at modulyss, squares can be circular too.

With our circular and Cradle to Cradle Certified® solutions, as well as our CO₂-neutral carpet tiles, we want our customers to take responsibility and limit the environmental footprint of their project. Thanks to our "Limit Your Footprint" programme, they just need to select one of the four levels (Ultimate, Premium, Standard or Basic) to start reducing their carbon footprint.

Squares  can be circular  too.

October

NEW DEBT MATURITY

Amendment and Extension (A&E) of the European Super Senior Revolving Credit Facility.

Balta signed agreements with each of its lenders under the existing European Super Senior Revolving Credit Facility, to amend and extend the maturity date from 11 August 2021 to at least 30 June 2022. The maturity date was further extended to 30 June 2024, following the extension of the Company's Senior Secured Notes to December 2024. The amendment and extension was granted in return for a small increase in interest rate.

CAR FREE DAY
17/09/20



CAR FREE DAY

During the COVID-19 crisis, people rediscovered the benefits of walking and biking, with opportunities for a lasting, sustainable change in our commute and travel behaviour. On Car Free Day, September 17, we wanted to encourage our employees to choose a mode of transport other than their car: on foot, by (e-)bike or by (COVID-19 proof) carpooling. This action underlines the environmentally friendly image and sustainable ambition of our company.

Speak up!

Report (suspicion of) misbehavior in all confidentiality



Speak up! Report (suspicion of) misbehaviour in all confidentiality. Balta is committed to a culture of open communication and trust between employees and management, striving to uphold the utmost in business ethics. Supportive of this culture, Balta has defined a Whistleblowing Policy and has set up a whistleblowing tool through which anyone can report (potential) misbehaviour in a confidential manner. Reporting can also be done anonymously.

WE SHARE THE "VISION ZERO"

As part of Balta's Health and Safety value, we officially reconfirmed the "Vision Zero" commitment. The goal is to implement a strong prevention culture based on trust, respect and cooperation. The initiative got off to a great start, so we look forward to further development in 2021.



November

December



IMPROVED LOGISTICS FOR GROWING E-COMMERCE

Improved logistics for growing E-commerce business in Savannah, GA. Balta home US has invested in a telescopic conveyor belt to unload the containers coming into the E-commerce distribution centre in Savannah, GA. This new way of unloading and sorting the containers creates safer work and a significant time and cost saving.

TOWARDS ONE MISSION, VISION AND COMMON VALUES

Striving towards 'One Balta', we needed to capture and define our mission and vision, as well as sharing the values we want to convey as a company. These Balta fundamentals are a solid base for everything we do. We aim for a strong and shared identity in all Balta divisions and activities, uniting everyone working at and with the Balta family.



Energy park, Balta Sint-Baafs-Vijve



02 SUSTAINABILITY REPORT



Balta carpets, Nature Rainbow

INTRODUCTION

At Balta, we are convinced that becoming a more sustainable group is the only way forward to justify our mission. It is our goal and commitment to meet future challenges and provide floor covering solutions that create value for our customers, while ensuring profitability for our shareholders. That is why we consider the social, environmental and economic impact of every business decision we make.

This year, an internal Sustainability Committee was installed as a next step in setting out a more effective sustainability strategy at Balta Group. The committee is composed of the members of the Management Committee, the Head of Innovation and Sustainability, the General Counsel and the SSHEQ Director. Their role is to outline policies and ambitions, and reflect on the progress made, in order to accelerate our efforts where needed.

This report has been prepared in accordance with the **Global Reporting Initiative (GRI) Standards: Core option**. A reinforced organisational structure is put in place to realise more robust data collection and to communicate internally on monthly sustainability KPIs. Risks and opportunities associated with both specific elements and climate change as a whole are defined at the end of this section of the Annual Report.

PEOPLE

We are an integrated floor covering manufacturer with nearly 4,000 employees, so people are naturally at the heart of our business, and of our success. Firstly, worker safety and well-being are top priorities in our sustainability strategy, which is why this year we have renewed our commitment to our people and to all other stakeholders who are impacted by our operations and products.

Secondly, we believe that facilitating the personal development of our employees is a crucial factor for us to reach our objectives. Everyone across the organisation can fully engage with our strategic goals, and positively contribute to achieving them.



*becoming a more sustainable
group is the only way forward
to justify our mission*

PLANET

Balta fully supports the shift from a linear to a circular economy, promoted by the Green Deal announced by the European Commission in March 2020, and is fully aware of its responsibilities in this transition. Since we are headquartered in Europe and most of our manufacturing plants are influenced by the EU, the associated EU Sustainable Finance Action Plan will define the way forward.

As a leading floor covering manufacturer, we know that customer attraction and retention hinges on delivering products that are innovative, sustainable and high-performing. Innovation will be the key driver on our path to a circular economy.



PROSPERITY

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 are making continuous efforts to raise awareness for our legal compliance programme. In 2020, this translated into a clear focus on the antitrust policy and on setting up a new process and policy for whistleblowing.

The next step will be the further development and introduction of our formal Code of Conduct, in line with our overall vision and mission, as well as the consolidation of most of the existing stand-alone compliance policies into a single programme.





2020 ACHIEVEMENTS

HEALTH AND SAFETY

-30%

reduction of Lost-Time
Injury Frequency Rate

SUSTAINABLE PRODUCTS

135

products Cradle to Cradle Certified®
Gold and Silver

HEALTH AND SAFETY OF OUR PRODUCTS

98.9%

of our sourced polypropylene granulate
is produced phthalate-free

RECYCLED CONTENT

55.3%

in non-wovens

27.4%

in carpet tiles





AMBITIONS BY 2030

In 2020, Balta's Management Committee expanded the Group's 2018 sustainability ambitions and made them more specific, in order to cover all essential domains in terms of both People and Planet. In the respective paragraphs of this chapter, we report the progress on these ambitions, and outline the framework on how to reach them.

**Accident frequency rate of
less than 1**

- Number of lost-time incidents per million hours worked
- Contracted employees and contractors included

30%

**of our rugs will be
monopolymer-based**

30%

**lower water consumption
compared to the 2018
baseline**

- l/m²

50%

**of our collections will have certified
recycled or renewable content**

At least

40%

women in all layers
of Balta Group's top
management

- Management Committee,
BLT and EBLT

30%

reduction of plant GHG
emissions compared to
the 2018 baseline

- kg CO₂/m²
- Scope 1 and 2 emissions



**All production waste will
be fully recycled in-house
or externally**

- Waste coming from
production lines (e.g. scrap,
excess, residue)
- Material recycling

STAKEHOLDER ENGAGEMENT

At Balta, we are very much aware of the importance of stakeholder engagement for the future sustainability of our business. This is why we identify their expectations and requirements in our operations, while also working to ensure their needs are met at every opportunity.

During the execution of the new materiality analysis in 2020, the Sustainability Committee revisited the identification of the Group's different stakeholders.

Did you know...

Engagement is an umbrella term that covers the full range of an organisation's efforts to understand and involve stakeholders in its activities and decisions.

(source: youmatter.world)

STAKEHOLDER	ROUTES OF ENGAGEMENT
INTERNAL STAKEHOLDERS	
Employees	SENSOR well-being survey, sustainability e-survey, internal communications
Board	Meetings, sustainability e-survey
Balta Leadership Top (BLT)	Sustainability e-survey, workshops, internal communications
Extended Balta Leadership Team (EBLT)	Sustainability e-survey, intranet website, video calls, internal communications
Unions	Social elections, negotiations, interviews
EXTERNAL STAKEHOLDERS	
Capital markets	
Bond holders	Phone interviews, meetings
Analysts and investors	Market updates, website, interviews
Customers	Face-to-face meetings, websites, customer sustainability e-surveys, customer audits
Regulators	
EU	Lobbying activity (through trade associations), Green Deal communications, legislation
National governments, non-EU	Websites, legislation
Local communities	Ad-hoc meetings, mailings
Others	
Media	News websites and papers, articles, press releases
Non-governmental organisations	Reports, websites
Suppliers and contractors	Interviews, meetings, mailings

In 2021, we plan to further redesign our stakeholder engagement, by executing a **stakeholder mapping** process.

We have identified the list of stakeholders, and now we will proceed to a deeper analysis in order to understand the relevance of each one of them. The following questions can be asked:

- **Contribution:** Does the stakeholder have information, counsel or expertise on the issue that could be helpful to the company?
- **Legitimacy:** How legitimate is the stakeholder's claim for engagement?
- **Willingness to engage:** How willing is the stakeholder to engage?
- **Influence:** How much influence does the stakeholder have? We need to clarify whom they influence, e.g. other companies, NGOs, consumers, investors.
- **Necessity of involvement:** Is this someone who could derail or delegitimise the process if they were not included in the engagement?

This process will be executed under the supervision of the Sustainability Committee.

Did you know...

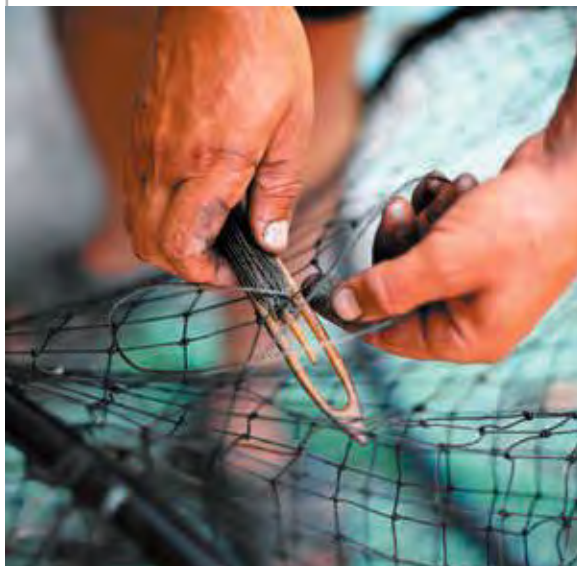
Stakeholder mapping is a collaborative process of research, debate and discussion that draws from multiple perspectives to determine a key list of stakeholders across the entire stakeholder spectrum.

(source: henricodolfig.com)

Did you know...

From fishing nets to carpet tiles

As part of our sustainable mission to reduce the life cycle impact of each product, modulyss decided to join Healthy Seas as an associate partner member. Healthy Seas was set up to protect our seas by diving for abandoned fishing nets, which get recycled and regenerated into ECONYL® yarn. ECONYL® reduces the environmental impact of a carpet tile by 20%.



Membership of associations





MATERIALITY ANALYSIS

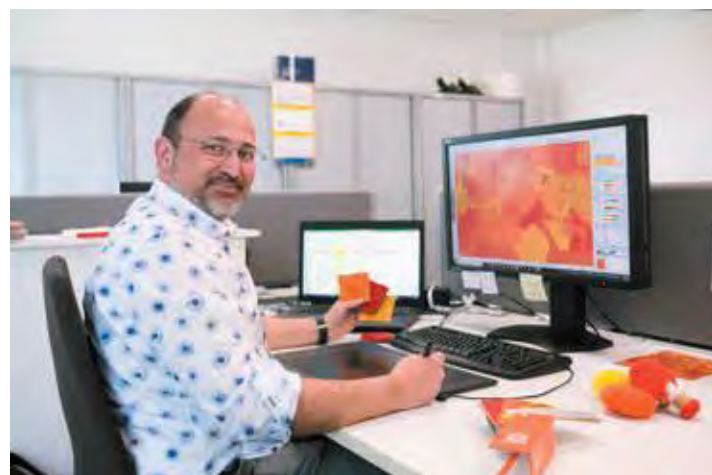
Materiality is about identifying and addressing what matters most to Balta and to our most important stakeholders, what we have the largest impact on and what has the largest impact on us. In other words, aspects with a high materiality score are aspects that should be given high priority.

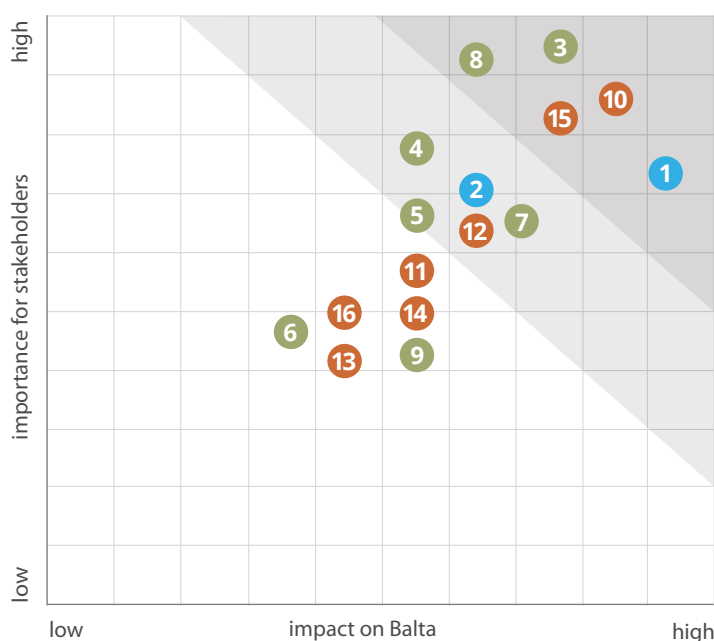
This year, we conducted a formal materiality analysis to identify key topics that merit inclusion in this annual report. This structured approach was guided by the Sustainability Committee, which scored the **impact** of each item. The feedback from all stakeholders on the **importance** of the topics was integrated into the results.

The criteria for impact are:

- Necessity to actively manage (related to KPIs)
- Need for engagement (related to leadership)
- Demand for investments
- License to operate

Designing and creating new products →





PROSPERITY

1. Economic performance
2. Business ethics

PLANET

3. Sustainable products
4. Energy efficiency
5. Water usage
6. Sustainable mobility
7. Production waste
8. Environmental compliance
9. Supplier environmental assessment

PEOPLE

10. Occupational health and safety
11. Diversity and equal opportunity
12. Non-discrimination
13. Local communities
14. Supplier social assessment
15. Health and safety of our products
16. Transparent marketing and labelling of products

The outcome of the process clearly indicates the five most material topics for Balta Group:

1. Sustainable products

Designing and creating new products which have a high degree of recycled content and/or are easily recyclable. Closing the loop with non-toxic, non-hazardous products in a Cradle to Cradle® vision. Use of renewables. See p. 64.

2. Occupational health and safety

Healthy and safe working conditions involve prevention of physical and mental harm, as well as the promotion of our workers' health. See p. 47.

3. Economic performance

Demonstrate that the continuity of the business is guaranteed, so that the sustainability ambitions can be realised. See p. 127.

4. Health and safety of our products

We need to ensure health and safety throughout the life cycle of our products, as well as adhere to customer health and safety regulations and voluntary codes. See p. 52.

5. Environmental compliance

A license to operate, strictly organised at Balta. See p. 73.

Subsequently, we identified five secondary topics:

1. Business ethics

We need to implement appropriate business policies and practices with regard to subjects such as corporate governance, insider trading, bribery and fiduciary responsibilities. See p. 77.

2. Energy efficiency

Using energy more efficiently and opting for renewable energy sources is essential for combatting climate change and for lowering our organisation's overall carbon footprint. See p. 67 and 68.

3. Production waste

The goal of recycling production waste is to reduce plastic pollution and our use of virgin materials. This approach helps to conserve resources and diverts plastics from landfills. See p. 72.

4. Non-discrimination

Discrimination is defined as the act and the result of not treating people equally by imposing unequal burdens or denying benefits, instead of treating each person fairly on the basis of individual merit. Discrimination can also include harassment. See p. 57.

5. Water usage

Scarcity of water is a worldwide issue, aggravated by global warming. How can Balta contribute to less consumption of freshwater resources and augment the reuse of its process waters? See p. 71.



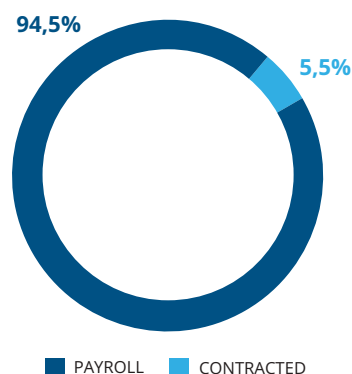
PEOPLE

2020 was a truly exceptional year, as we were all faced with an unprecedented global pandemic. The impact of COVID-19 on our business and on the well-being of our employees has been considerable. In these trying times, Balta Group has made every effort to take care of its people – whose well-being is of paramount importance – and to comply with governmental guidelines. In spite of these challenges, we are more motivated than ever to improve at every level of the Balta Group, in every way we can.

At the end of 2020, Balta employed 3,959 people (total headcount), a slight increase of 0.8% compared to the year before. Balta has eight production facilities, located in Belgium, Turkey and the United States. The majority of our people work in Belgium, where the headquarters are located.

The following overview of our employees gives a clear image of our international footprint:

Countries	Number of employees
Belgium	2,673
Turkey	761
US	470
Rest of Europe	51
Rest of the world	4



More than 90% of contracted personnel work in Belgium. Balta has a flexible layer of 5.5% contracted personnel to cope with fluctuating product demand. Temporary work is also seen as a way of attracting and selecting people. This happens in full transparency with our social partners.

WELL-BEING

WELL-BEING AS AN INTEGRAL PART OF OUR HEALTH AND SAFETY STRATEGY

Well-being at the workplace is defined by the quality of work on the one hand, and the work experience – the level of engagement and pleasure at work – on the other. As both factors have an imperative impact on **behaviour** and **health**, we invest strongly in stress prevention and work motivation. People who are relaxed and motivated need less time to recover after work.

Providing challenging assignments and social support while encouraging people to grow as a person, as well as within the organisation, will boost their engagement and pleasure at work. This will result in less absenteeism and attrition, in better performance and in the behaviour needed to realise our safety ambitions.

Accidents at work and occupational diseases are neither determined by fate nor unavoidable — they always have causes. By building a strong prevention culture, these causes can be eliminated so that work-related accidents, harm and occupational diseases can be prevented.



Balta Group has been a Vision Zero company since the start in 2017. Vision Zero is a transformational approach to prevention that integrates the three dimensions of safety,

health and well-being at all levels of work. This initiative was developed by the International Social Security Association (ISSA). The success or failure of implementing the Vision Zero strategy will ultimately be determined by dedicated employers and executives, motivated managers, and vigilant employees.

The Management Committee decided to incorporate this vision on well-being and prevention into a new commitment, signed off by the CEO in 2020. In line with our values, and with the aim to empower our people, this commitment states everything we believe in. The scope is not limited to our own personnel, but broadened to all stakeholders working on our premises, and it also includes the health and safety of our products.

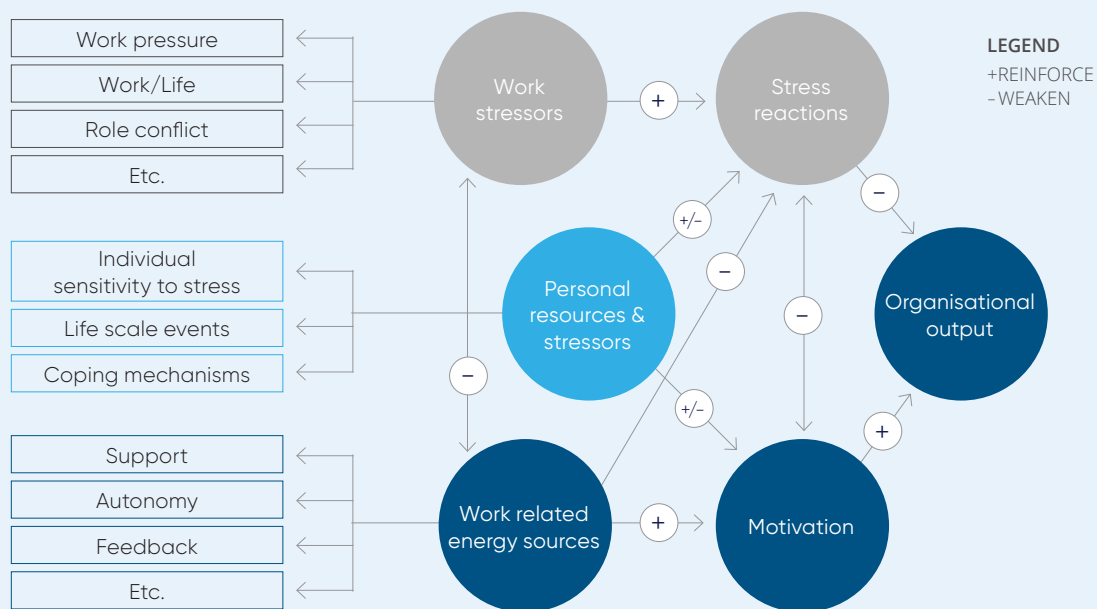
This commitment has been communicated to all levels and will be the foundation on which we will further build to realise the cultural shift we intend to establish.

Risk analysis of the psychosocial workload

At the end of 2019, we launched an employee well-being survey (SENSOR) at our Belgian sites to identify the work aspects we need to improve. The action plans, which we intend to implement before the end of 2021, are targeted to improve the engagement of employees:

- by tackling the sources of stress and the subsequent stress reactions;
- by boosting the sources of motivation in the organisation.

The survey was carried out in collaboration with our external provider for health and safety, and over 2,600 employees were asked to complete it. The questionnaire was based on the Job Demands – Resources model, as illustrated in the following figure.



JOB DEMANDS – RESOURCES MODEL

The **positive well-being** indicators scored well, with 74.3% of our employees stating that they feel engaged. Those employees claim to feel energised by and involved with their work, and to have the feeling that time flies when they are at work. Almost as many employees (74%) state that they experience pleasure at work, and that their work is enjoyable and interesting, which is a clear measure for intrinsic motivation.

A **negative well-being** indicator was also measured: the degree to which employees experience the need to recover after work. This is an indicator of fatigue caused by work. Employees indicate they have difficulty relaxing at the end of the working day, they feel exhausted and have difficulty concentrating. Of the 1,416 respondents, 36% experience a need for recovery, 21.6% indicate they always experience this need. This is an increase compared to the results of 2016, where we had a score of 33.5%.

If we benchmark our results to other textile companies who have done the same survey (reference group), we score better on variety in work, skill utilisation and autonomy. There are no significantly less favourable scores compared to the reference group. The industry sector benchmark shows a similar outcome on the well-being indicators, as well as on unwanted behaviour at work. When looking at work-life balance, Balta scores significantly higher, versus a lower score for difficult physical circumstances.

The results of the survey reveal a scattered landscape, so no one-size-fits-all approach can be defined. This is why we have decided to split up the corrective actions into targeted action plans per division. HR business partners were appointed to coordinate these actions and monitor progress.

Health & safety
on top of mind



OCCUPATIONAL HEALTH AND SAFETY

Success in occupational health and safety requires clear goals and concrete steps for implementation, which can best be established in a programme. Balta's Board and Management Committee clearly state that safety remains our **number one priority**.



Balta started the 'One Balta for safety' programme in 2018. The SSHEQ Director is in charge of overall management of this

programme. A steering committee composed of the Operational Directors of the different divisions and the HR Director ensures that the 'One Balta for Safety' programme is compatible with the strategic direction of Balta and that resources are available. Projects can be led by working groups or by individual project managers.

The programme has eight building blocks:

- Leadership
- Participation
- Goals and targets
- Risk assessment
- Incident investigation and analysis
- Healthy and safe production facilities, machines and workplaces
- Training
- Communication

Over the last two years, a network of 'safety coaches' has been established, and appropriate training has been provided. These safety coaches are volunteers, acting as the ambassadors of our safety culture, in addition to the safety advisors already in place as legally required. These men and women are key to the participation of our on-site workforce.

Balta complies with national regulations. Formal worker participation and consultation in the development, implementation, and evaluation of the occupational health and safety management is ensured by duly installed and elected safety committees. Members of these committees have access to relevant information and receive frequent updates on safety results and ongoing projects.

In 2020, we evaluated the progress made and revitalised our approach, based on the new commitment of Balta, to make it even more effective. We made the choice to **go digital**, starting with a pilot project at the head office and three sites in Belgium at the beginning of 2021. New software, which is also available as a smartphone app, will greatly facilitate the reporting of unsafe conditions and the execution of safety walks. Online dashboards will be available to managers. We will evaluate this pilot project, and subsequently decide whether to roll out this software to all our sites in Balta Group.

A major project in 2020 for the Belgian sites was the elaboration of comprehensive **Job Safety Analyses** (JSAs) for our production activities by our external provider for health and safety. JSAs are formalised processes used to identify specific dangers related to specific work tasks. This is done by breaking down a job into its separate tasks, and looking for potential hazards at every step. In order to prioritise our efforts, Balta uses the Fine & Kinney method for ranking the risks.

In addition, the **SENSOR survey** revealed that improvement is needed in terms of ergonomics. Due to the nature of our machinery and an aging blue-collar population, urgent action is required. We will start a new initiative on ergonomics in 2021.

Our facilities in Turkey and the United States had lower accident rates in both 2019 and 2020, so there is less need for urgent action at those sites. Of course, **constant attention to health and safety remains a necessity** there as well. They are gradually aligning their local safety approach to group policies and formats.

Work-related incidents

The results of our approach were clearly visible in the number of lost-time accidents (LTAs) recorded in 2020. An LTA is an accident that results in an employee not performing his/her normal assignments during any successive workday following the day of injury. As of 2020, we report all LTAs involving our own employees as well as contracted personnel. In other words, the reporting includes everyone present at the workplace who is under the direct control of Balta. The figures of 2018 and 2019 have been adjusted accordingly.

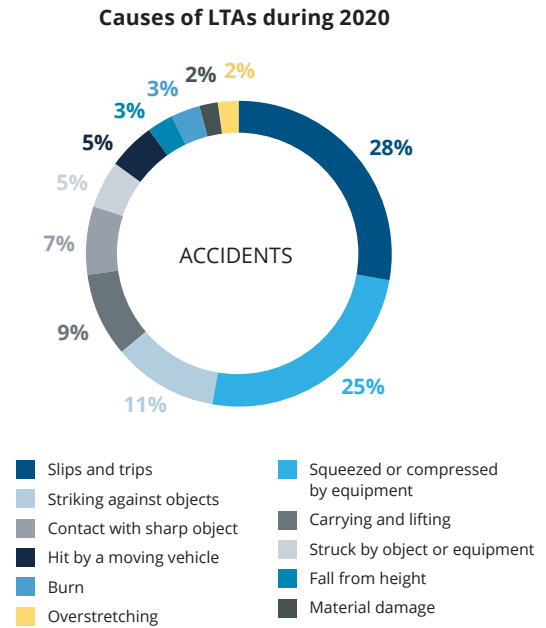
	2018	2019	2020	Δ
Fatalities	0	0	0	
LTA	100	103	61	
Recordables	187	157	116	
LTAFR	16.6	16.6	11.6	-30.1%
LTASR (own)	0.33	0.49	0.54	10.2%

Our main indicator for safety is the lost-time accident frequency rate (LTAFR), which is the number of LTAs per million hours worked. We recorded a significant drop of 30% in the LTAFR in 2020: from 16.6 to 11.6. This is a very positive result, especially when taking into account the disruptive effects of the COVID-19 pandemic. The small increase in the lost-time accident severity rate (LTASR) was mainly caused by two accidents in 2019 where the victims went through long periods of rehabilitation. The LTASR represents the number of lost workdays per 1,000 working hours. Without the impact of these two accidents, the LTASR in 2020 would have been 0.25.

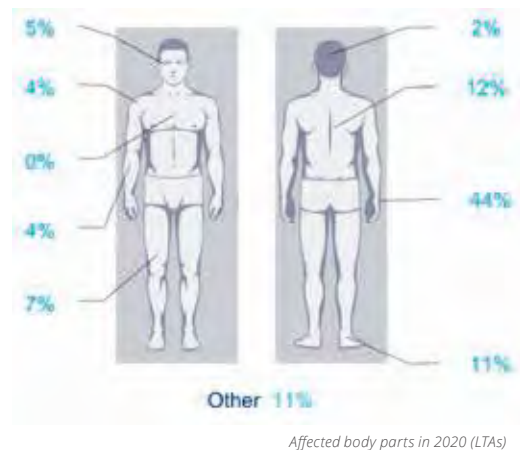
In 2020, the Management Committee launched a new ambition to reduce the LTAFR to less than 1 by 2030, taking into account our own employees, contracted personnel and contractors working at Balta sites. Although aware of the big step forward in 2020, Balta's management does not accept the current level and wants to lower the LTAFR further.

In order to achieve this, we will focus on leadership and improving safety awareness: "Stop, Think, Act". Too many of our safety incidents happen when people are in a hurry, feel pressured to rush, or fall victim to routine. The new standard practice will help to achieve our safety goals and objectives by reinforcing the importance of taking the time to stop and think about the task at hand before starting it, and to act accordingly so all tasks can be performed safely.

The most common causes of accidents are still slips and trips, followed by being squeezed or compressed by equipment.



The most affected body parts are hands, legs and feet (62% combined). The number of back injuries is on the rise (hence our focus on ergonomics), but there have been fewer face and eye injuries compared to 2019, thanks to new safety equipment.



HEALTH

In 2020, we focused on the fight against the spread of COVID-19. As the pandemic hit in early March, Balta's management immediately put a crisis team in place. This was soon replaced by a regular meeting of the CoronaSafe Working Group, chaired by the SSHEQ Director. This working group reported to the Management Committee on a weekly basis on the status and progress made. Local hygiene coordinators were appointed at all sites. Usually this role was taken up by the site manager and the safety advisor or HR manager.

Our main mission was to **take care of personnel and mitigate the adverse economic impact of this pandemic** by actively limiting the spread of the virus to keep the numbers of positive COVID-19 cases as low as possible. We made sure to abide by local government regulations at all times, no matter how specific or varied over time.

Our approach included an **adaptive response to actual risks** involved, according to the ALARP principle ("as low as reasonably practicable"). We followed the guidelines of the World Health Organisation, which were translated into detailed plans and regulations by the local authorities.

We elaborated **Golden Hygiene Rules** around five topics, containing — next to the rules — a set of guidelines that needed to be implemented. Risk analyses against these guidelines were performed at every site, and gaps were identified. Before letting any person in, workplaces were made safe by installing the necessary physical separation materials, and by providing extra sanitary facilities and cleaning materials.

We emphasised the importance of limiting social contacts inside and outside the Group. Teleworking was introduced on a large scale wherever possible, virtual meetings were organised, and for any remaining physical meetings, the number of attendees was limited (according to the available space). Circulation plans were put in place at all our sites.

Communication is key, so we installed visible signs, billboards and posters, all with the same look and feel, and also displayed this content on our CCTV screens.

Furthermore, we made use of the extranet by setting up a Balta COVID-19 website for our employees and analysed the hits to see if we succeeded in reaching them. Toolbox meetings were organised for all personnel returning to work, and managers were instructed to stay in touch with every single member of their teams when they were forced to stay at home. In order to keep the teams engaged, several online activities were centrally organised, such as an online end-of-year event and an online quiz.

*We elaborated
Golden Hygiene Rules*



An online survey was organised to identify the effects of teleworking and the COVID-19 measures so far. With 347 white-collar workers completing the survey, the response rate was 55%.

The survey shows both encouraging results, and some areas of concern. The respondents feel that the protective measures that were put in place are adequate. Also, a clear message in favour of continued teleworking was given. This would be a significant shift in the labour organisation for our white-collar workers, and we will consider how to integrate this into future work patterns. On the other hand, the negative effects of teleworking also need to be addressed: 48% feel increased work pressure, and only 57% feel just as connected with

their team as they did before. In December, we organised several workshops on these topics with managers from all relevant departments. Specific issues will be integrated into specific and targeted action plans for 2021.

Since the beginning of the pandemic, we have been keeping track of all positive COVID-19 cases. We applied a strict contact tracing procedure to separate high-risk contacts and low-risk contacts inside Balta. Swift and appropriate actions were taken. Only one major outbreak amongst employees was noted, at our Bentley Mills plant in the US. We were forced to close down production lines for two weeks. Bentley was able to catch up quickly after reopening.





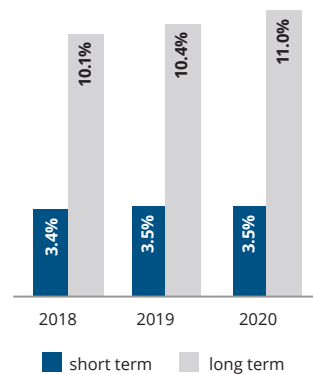
Illness rates

Illness rates are an indicator of the health of employees, but also of the engagement of the workforce. Research indicates that strongly engaged employees do not call in sick, even when feeling some symptoms, which can result in up to 50% less absenteeism. It is not always the sickness itself which causes the sick leave, but other external factors which influence the mental well-being of the employee (at work or at home).

Illness rate is calculated as the total number of sick days per 100 available employee days. Absenteeism caused by a lost-time accident is included; maternity leave is not. We differentiate between short term absenteeism (less than a month) and long term absenteeism (longer than a month).

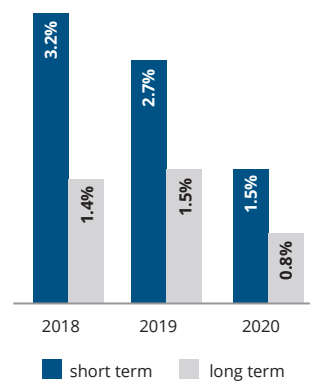
Illness rates for blue-collar workers at our Belgian sites have gradually been going up the last three years, in line with national trends. In long term absenteeism, we see the clear influence of our aging population. Short term absenteeism is slightly above the national benchmark.

ILLNESS RATES FOR BLUE-COLLAR WORKERS IN BELGIUM



The picture for our white-collar workers in Belgium is different: absenteeism levels are well below the national benchmark. We see an engaged workforce, in line with the outcome of our SENSOR well-being survey (see p. 45).

ILLNESS RATES FOR WHITE-COLLAR WORKERS BELGIUM



Short term absenteeism for Turkey (white-collar and blue-collar workers combined) fell from 5% to 3%. Local HR initiatives are having a positive impact.



HEALTH AND SAFETY OF OUR PRODUCTS

Moving on from our concern for the safety of our personnel, we also want our customers to be safe. Our carpets and rugs are used in a wide range of indoor and outdoor settings all over the world. It is essential that their functional aspects safeguard the health and safety of people walking on and living with our products.

Our product designs focus on materials with low volatile organic compound (VOC) emissions, with a target of zero for harmful chemicals. Carpets and rugs can also be designed to prevent slips and trips, to be protective against allergies, and to help reduce noise. They need to be easy to clean and maintain, so they will keep their hygienic performance.

Transparent marketing and labelling of products means providing customers with accurate and adequate information on both the positive and negative environmental impacts of our products and services. Both from a product and service labelling perspective, and from a marketing communications perspective. Fair and responsible marketing communications, as well as access to information about the composition of products and their proper use and disposal, can help customers make informed choices.



modulyss, First Define, First Forward

*Carpets and rugs
designed to reduce noise*

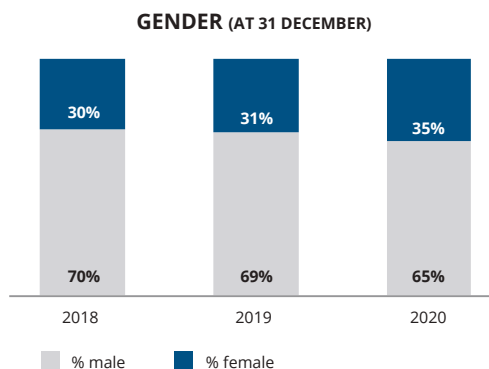
A list of our initiatives:

- All Balta products comply with the minimum criteria for health and safety as set out in the harmonised European standard EN14041, better known as **CE marking**, with criteria set for fire safety, slip, antistatic properties and hazardous substances.
- All Bentley products are certified to meet the requirements of the Carpet and Rug Institute's (CRI) **Green Label Plus** test protocol. This independent testing programme measures the total VOC emissions as well as the individual chemical concentrations. The enhanced Green Label Plus programme sets a high standard for **Indoor Air Quality (IAQ)** and helps customers to identify low-emitting products.
- Since we are a participating company of PRODIS, we make use of the independent third-party GUT test system for VOC emissions and chemicals, and apply the FCSS standard symbols for use classification. The product passport is the evolution of the **PRODIS** system, established by GUT and ECRA in 2004. While the **GUT label** focuses on health and environmental aspects, the PRODIS system adds a greater level of technical detail, resulting in the first EU-wide harmonised digital product information system for flooring. New elements such as recycled and renewable content or recycling potential will be added to the digital passport soon.
- We have abided by the **French VOC labelling** regulation since 2012, stating that any floor covering product placed on the market has to be labelled with emission classes based on their emissions after 28 days, tested in line with ISO 16000 standards and calculated for the European Reference Room (TC 351).
- In 2019, the Balta home division has been granted the highest **Oeko-Tex®** certificate (Oeko-Tex® product class IV). This certificate guarantees that all machine-woven and tufted Balta home rugs surpassed the highest level of testing, including the strict criteria of the **Greenpeace** Detox regulations. Our entire Balta home collection is certified. Oeko-Tex® is a recognised certificate across more than 60 countries worldwide and has been requested by more than 10,000 companies.
- In Balta carpets, we have a polypropylene carpet collection called **Stainsafe®**, which guarantees easy cleaning and easy stain removal. For more information, visit www.stain-safe.com.
- In June 2020, modulyss received **Cradle to Cradle Certified® Gold** for 9 of their collections, covering 28 products. In the 'material health' category, they achieved a **Platinum** score, underlining the products' exceptional safety to humans and the environment.



DIVERSITY AND EQUAL OPPORTUNITY

Being a global business headquartered in Belgium, we operate in several different languages and employ 50+ nationalities across 10 main locations in 3 countries. Balta employees have diverse cultural backgrounds across a wide range of ages. While we embrace diversity at Balta, it would be fair to say that we still face challenges in many areas of the organisation. In the Extended Balta Leadership Team (EBLT), only 5% are non-Belgian.



Overall, our workforce had 35% female versus 65% male workers in 2020. The percentage of women has gone up by 5% in just two years' time, which is a favourable evolution. This percentage is even higher if we only consider white-collar workers, where no less than 47% are women.

In 2020, the Management Committee launched a new ambition to have at least 40% women in all layers of Balta Group's top management by 2030, to reflect the gender ratio in the entire organisation. Diversity, both in the workplace and in leadership teams, is a critical success factor for making better decisions and developing more innovative business solutions. By focusing on gender equality, organisations can attract and retain the best talent, while also ensuring that all employees within the organisation have access to equal opportunities in developing their careers in a workplace free of bias.



We believe the target being set is achievable, because it takes into account possible barriers and the level of control we have over them. It is clear that in 2021, we will need to further develop a programme to implement this strategy in the organisation, outlining priorities and resources, and actively promoting it to all stakeholders. Frequent communication about the status and progress, both internally and externally, will be part of that.

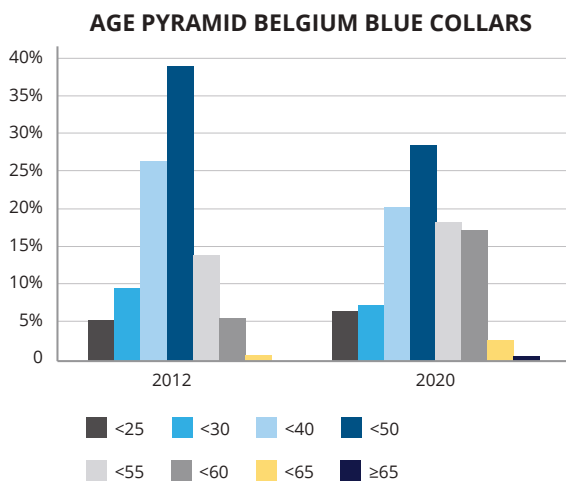
At the end of 2020, the ratios were as follows:

- Our **Board of Directors** currently includes 22% women. We are working to achieve the legal requirement to have at least one third of Directors of a different gender than the rest of the Board, and we are on track to achieve this quota before our transitional period ends in 2023. Our Board also features a diverse and complementary mix of expertise in operational fields, so that all decisions are made in the best interests of Balta.
- The **Management Committee** is composed of male members only.
- The **Balta Leadership Top** (BLT) has 13% female members (4 women out of 31 senior managers). The BLT is composed of the Management Committee plus all senior managers reporting directly to a member of the Management Committee.
- The **Extended Balta Leadership Team** (EBLT) currently has 23% female managers (26 women, 85 men), as opposed to 19% in 2019. The EBLT is the middle management of the Group and is composed of all grade 6 managers and above.

Balta is actively trying to attract and promote women to managerial positions through our recruitment campaigns. A considerable number of actions promoting an optimal work-life balance were put in place in 2020, such as a teleworking policy and the facilitation of flexible working hours.

During the COVID-19 crisis in 2020, teleworking for anyone whose presence on-site was not strictly necessary was actively promoted, and even enforced during certain periods by the Belgian government. This resulted in approximately 40% of worked time executed remotely. Compared to 1% in January and February, this was a remarkable increase. As mentioned before, teleworking will become more institutionalised at Balta.

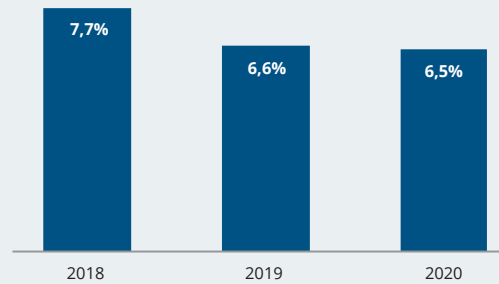
One of our biggest challenges is **attracting young workers**. Our blue-collar population in Belgium is aging, as is evident from the following chart comparing 2020 figures with 2012.



In the upcoming years, Balta will invest substantially in creating a more challenging and inviting working environment, by upgrading social workspaces and office environments, and providing state-of-the-art work clothing that meets all safety requirements. A successful pilot project to this effect was held at our Waregem plant this year. In 2021, we will roll out this concept to other sites. We will also be starting a two-year project to renovate the office buildings in Sint-Baafs-Vijve in 2021.

At the same time, we are looking to **keep** both our experienced workforce and newcomers to the Group as long as possible. Our **attrition rate** —the rate at which employees voluntarily leave the firm — has been stable for the last two years for the majority of our personnel. The intention is to lower it to 5% (the level achieved in 2015).

ATTRITION RATE
(EXCLUDING BLUE COLLARS US AND TR,
AND ALL OF BENTLEY MILLS)



A more detailed analysis shows that the attrition rate for white-collar workers in Belgium is still high at 8.8%, but has improved from 9.6% in 2019. Balta is putting in place a renewed strategy to remedy this adverse effect. The pillars of this strategy are:

- Identifying internal talent
- Maximising and building internal talent
- Promoting internal mobility
- Continuing our efforts in terms of employer branding

Today, only 10% of vacancies are filled internally, and none of these are at the managerial level. A perceived lack of career opportunities and satisfying job content are major reasons for leaving.

A formal **talent review** has been put in place, starting top-down from EBLT, later to be expanded to all employees. This approach has led to personal development plans. More than 30 of these plans were started in 2020, versus 13 in 2019, for our Belgian white-collar workers. High-potential workers have been identified, and BLT mentors assigned. Starting a **young high potentials programme** (Early Entry) is the next step.

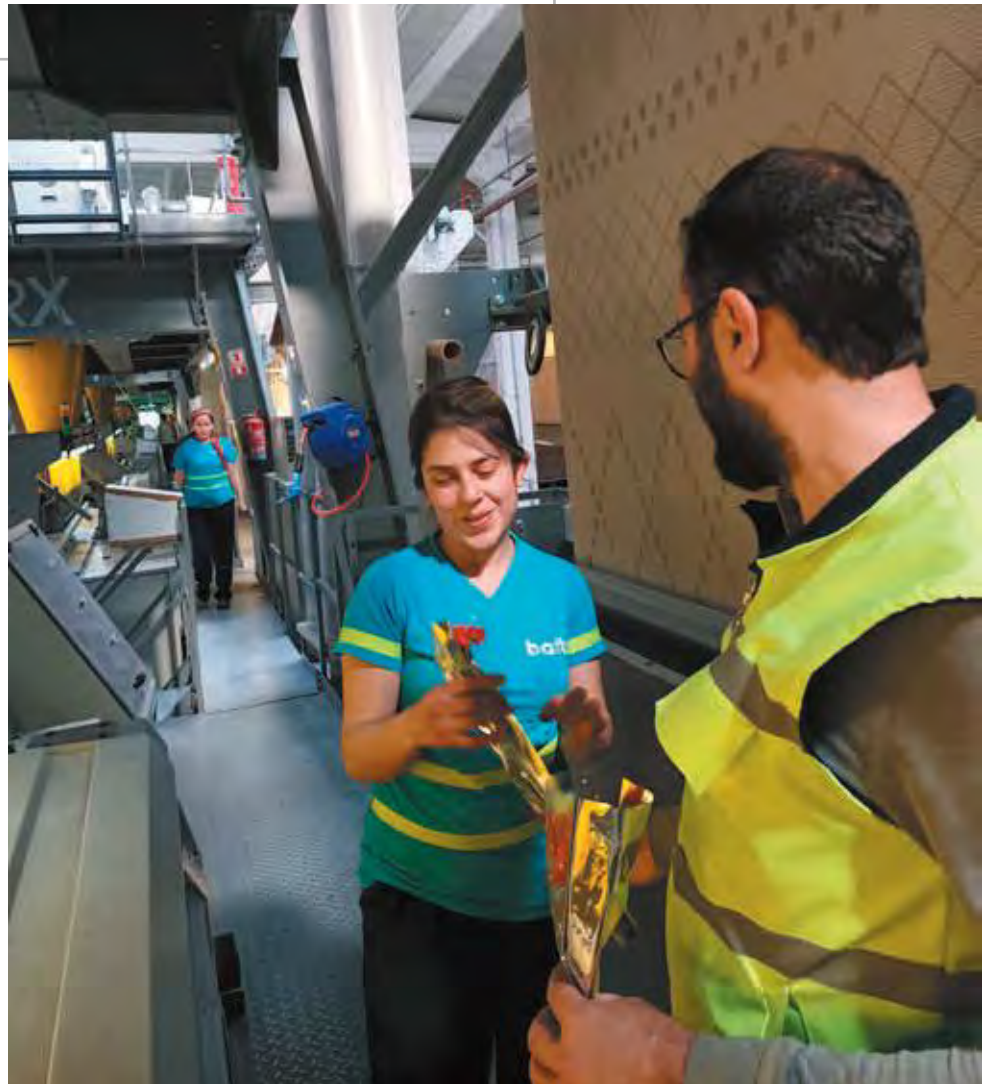
International Women's Day

International Women's Day is a global day celebrating the social, economic, cultural and political achievements of women. The day also marks a call to action for accelerating women's equality.

This year, it was celebrated at our Turkish sites in Uşak with a special gift: flowers for all female employees as a token of gratitude for their engagement every working day.

"This is the first flower I've been given in my life! Thank you, Balta, for valuing our efforts." - One of the female employees in the weaving department

Flowers as a token
of gratitude



NON-DISCRIMINATION

Balta Group has installed the necessary lines of defence to fight discrimination, starting with professional recruitment. It is our strong belief that employing the right people for the right roles encourages a balanced workplace. No one will be excluded on grounds of race, religion, gender, sexual orientation, or disability. We want the Balta workplace to be a mirror that reflects the societies we operate in.

As outlined earlier in this report, Balta carries out general risk analyses on a regular basis, like the SENSOR survey for our Belgian sites. These surveys include questions about unwanted behaviour, such as bullying at work, aggression and conflicts with colleagues, aggression and conflicts with superiors, and sexual harassment. The outcome of the 2019 survey indicates that Balta scores slightly better than the industry average. Nevertheless, our management is very mindful of bullying in the workplace and, where the survey indicates a problem, corrective actions were taken.

Balta has good worker grievance mechanisms in place, mostly based on legal requirements. These systems consist of procedures, roles and rules for receiving and addressing complaints. We have certified internal confidential advisors at each site in Belgium, and there is a possibility to escalate issues to (neutral) external safety advisors specialised in psychosocial aspects. These advisors can be easily contacted and have the freedom to handle such requests for investigation with priority. Anyone reporting any kind of misconduct will be protected against any form of retaliation. Similar procedures are in place at our sites in Turkey and the US.

In 2020, four incidents were registered in Belgium, one in Turkey, and one in the US. All incidents were informal complaints and were investigated internally. In both the Turkish and US cases, this led to dismissal of the offender (harassment cases). All Belgian cases (harassment and unwanted sexual behaviour) were remedied by HR and local management, through the mediation of a confidential advisor.

Did you know...

Discrimination is defined as the act and the result of not treating people equally by imposing unequal burdens or denying benefits, instead of treating each person fairly on the basis of individual merit. Discrimination can also include harassment.

(source: GRI standard 406 Non-discrimination of 2016)



HUMAN RIGHTS

The expectations of responsible conduct for business enterprises with respect to human rights are defined by the United Nations in its 'Guiding Principles on Business and Human Rights', endorsed by the UN Human Rights Council in 2011. Balta is implementing these principles as we want to contribute to socially sustainable globalisation.

Our manufacturing operations are located in countries where government enforces laws that are aimed at, or have the effect of, requiring business enterprises to respect human rights, and which periodically assess the adequacy of such laws to address any shortcomings.

We see it as our responsibility to respect human rights, mainly the fundamental rights set out in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. We guarantee freedom of association and have many employees who are members of unions and who work to ensure we meet any viable requests relating to working practices. There have been no recorded strike incidents, which is a testament to our open relationship with our employees and the unions.

Our Child Labour Policy was developed in line with the strictest available guidelines and was fully implemented across all global locations over the course of 2019 as part of our commitment to the protection of the communities we operate in. We also ensure that all suppliers and business partners commit to this policy.

Due to the COVID-19 pandemic, we were forced to cancel most of the planned audits. We are determined to resume this audit programme in 2021, as soon as travel restrictions are lifted. The goal is to have all high-risk suppliers audited.

Balta has a zero-tolerance approach to modern slavery and is fully committed to preventing slavery and human trafficking in its operations and supply chain. Every year, pursuant to section 54(1) of the Modern Slavery Act of 2015, a separate statement about the procedures and results is made by the CEO for Balta Group NV and its subsidiaries.

As a responsible manufacturer, operating globally and sourcing products from countries deemed to be at high risk of violating human rights, the protection of relevant stakeholders is of key importance to the business. It is the responsibility of the Procurement Director to ensure that we consider the working conditions, fair treatment, health and well-being of our suppliers. We currently buy raw materials from India and Bangladesh, and we carry out yearly audits of suppliers operating in these countries.

The Supplier Code of Conduct, finalised in late 2020, will be rolled out at the start of 2021, supported with online communication and information. The code covers all relevant topics:

- Compliance to applicable laws and regulations
- Respect for human and labour rights
- Adherence to health and safety standards
- Limiting environmental impact and climate change
- Demanding ethical business conduct

The code stipulates that suppliers shall ensure that their own suppliers, contractors and other business partners participating in the delivery of products, components, materials and services to Balta Group comply with certain minimum requirements. Balta reserves the right to audit compliance with this code on-site, using its own personnel or through a contracted third party. Breaches of this code can be communicated to Balta's Compliance Officer, either directly or by using the newly established whistleblowing mailbox (see later in this report).



LOCAL COMMUNITIES

Local communities are major stakeholders for Balta Group, as we are convinced that good neighbourliness is a crucial factor for the successful long-time development of our individual plants.

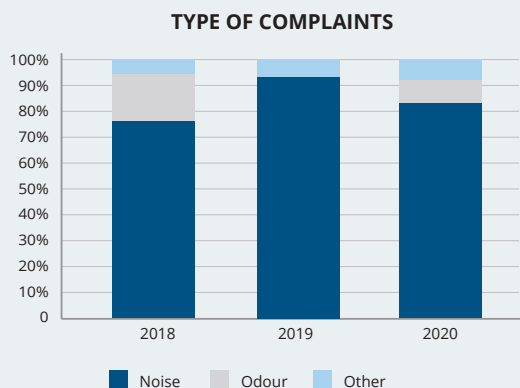
All complaints and remarks are registered at the plant level, causes are determined and — if needed — a task force is appointed to provide long term solutions. The number of complaints received has been steadily decreasing, which reflects the efforts Balta Group has made over the years. Moreover, the local residents usually communicate directly with the plant rather than through enforcement agencies, which is an indication that relations are good and that a high level of trust has been reached.

As can be expected, the oldest plants generate the most nuisance reports, whereas the more recent plants (e.g. Turkey and the US, but also Avelgem) have no such reports. This is almost entirely due to spatial planning. Recent sites are located at dedicated industrial zones, while the older plants (though they are designated as industrial sites) are bordered by residential areas, some of which were established long after the plants themselves.

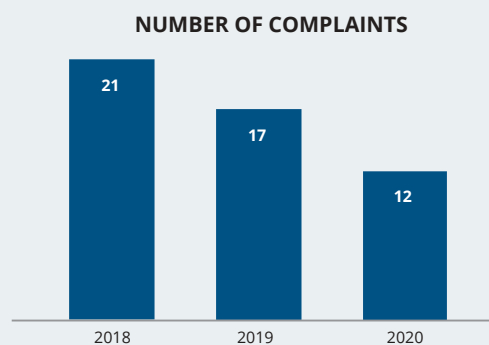
If we look at the nature of the reports received, most are linked to noise nuisance, followed by odour complaints. The remaining few have different causes and are more incidental by nature (e.g. vegetation on the plot boundary that needs to be trimmed, or waste that was scattered after a storm).

Though the relative weight of the noise complaints remains more or less constant, the number of individual reports has decreased. In Tiel, where Balta invested in a noise screen in 2019, the number dropped by 45%.

The COVID-19 pandemic may have had some impact on the number of reports received. Some plants were put on low production regimes or completely shut down for several weeks. After those breaks, production at most plants went to almost full capacity. At the same time, a lot of local residents started working from home or stayed home, and may have got accustomed to low noise levels.



The totals below include all reports received, even those that — after further inquiry — cannot be linked to the activities of Balta plants. It is also possible that certain incidents result in multiple complaints, for instance from different neighbours, or from the same person who lodges multiple nuisance reports before the cause can be determined or a solution is implemented.



SOCIAL RESPONSIBILITY INITIATIVES

PARTICIPATION IN CONNECTED SMILES INITIATIVE

The COVID-19 pandemic has affected some people significantly more than others, especially if they do not have access to the right tools for digital communication. Some elderly people have no way of communicating with their loved ones, and many children and young people are struggling to attend classes remotely without the right device.

Sensitive to this emergency, the teams of Solidaris, aSmartWorld and the Belgian Red Cross have joined forces to organise a collection of unused or damaged devices. Balta is donating its out-of-use smartphones and tablets.

COLLABORATION WITH AAROVA

In 2020, we renewed our collaboration with Aarova, a Belgian 'social profit' service provider that offers supported and sheltered employment. Teams come to Sint-Baafs-Vijve to assist in the making of displays, in labelling, and in the distribution of mouth masks (COVID-19 protective equipment).



CLOSE THE GAP RECEIVED FROM BALTA

270

DECOMMISSIONED
COMPUTERS

20

LAPTOPS



PARTICIPATION IN THE CLOSE THE GAP INITIATIVE

Close the Gap is an international social enterprise that aims to bridge the digital divide by offering high-quality, pre-owned computers donated by European and international companies to educational, medical and social projects in developing and emerging countries.

Close the Gap collected 270 decommissioned computers and 20 laptops from Balta. They arranged for other organisations to clean the hard disks and then check and configure the hardware according to the requirements of its end users.

RECOGNITION AS AN INCLUSIVE ENTREPRENEUR



Balta has been nominated to receive official recognition from Cobot, the sectoral training partner for Textiles in Flanders, for its efforts to provide language training and basic education to new candidates who do not have all the necessary competences to start as an employee. Balta is reaching out to them to become full members of the Balta family.

Even with restrictions imposed by COVID-19 measures, we succeeded in providing training in Dutch in Tielt and Sint-Baafs-Vijve (44 of the 60 hours planned), and coaching to starters (up to 60 hours per person).



PLANET

According to the Ellen MacArthur Foundation, a circular economy is based on the principles of designing out of waste and pollution, keeping products and materials in use, and regenerating natural systems. In contrast to the 'take-make-waste' linear model, a circular economy is regenerative by design and aims to gradually decouple growth from the consumption of finite resources.

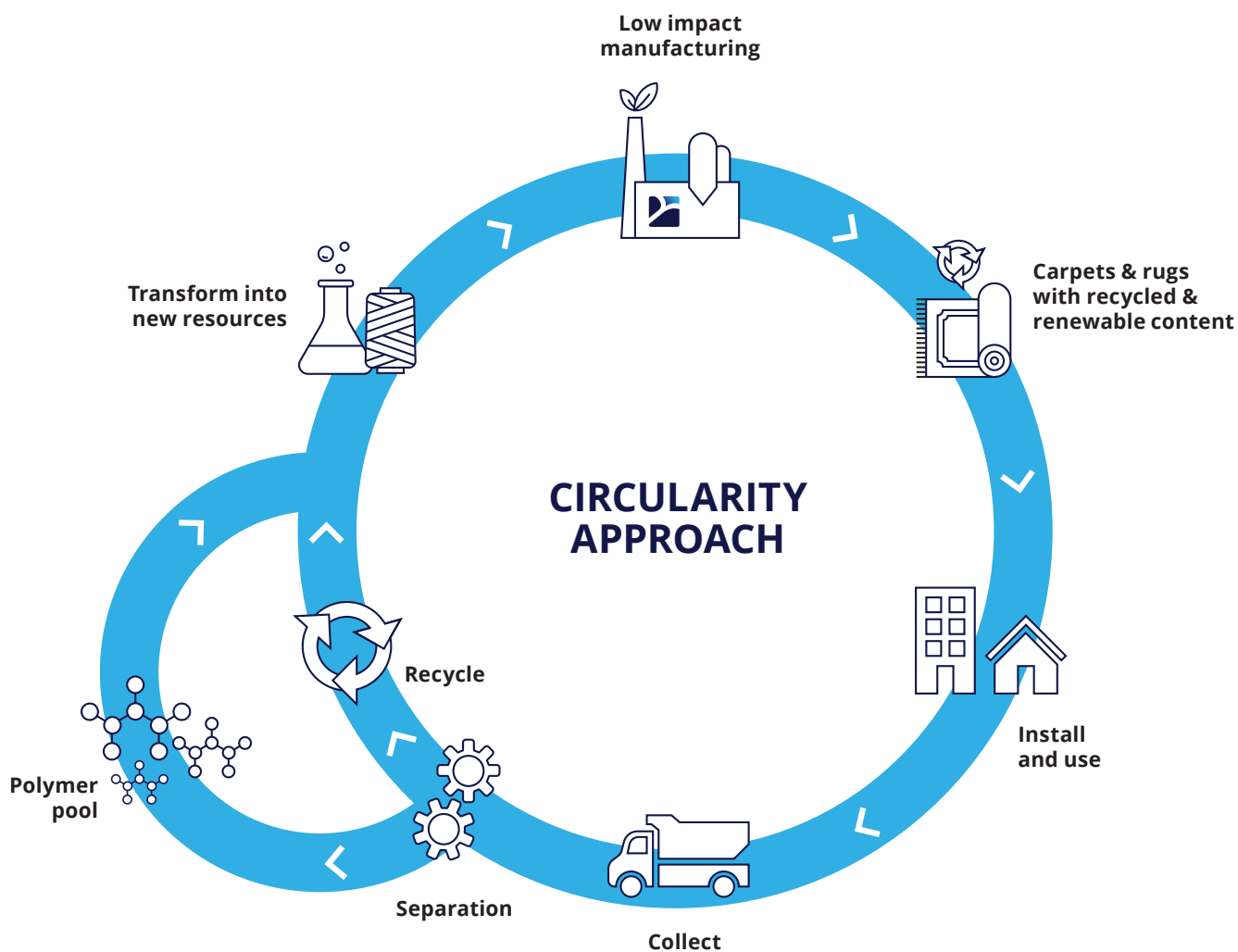
REALISING THE IMPORTANCE OF SHIFTING FROM A LINEAR TO A CIRCULAR ECONOMY, BALTA WANTS TO PLAY A LEADING ROLE IN THIS REGARD.

This transition to circularity will be accelerated by the European Green Deal, which was announced by the European Commission in March 2020. As we are headquartered in Europe and most of our manufacturing plants are influenced by the EU, this new policy will be instrumental in setting the course for the future.

BALTA'S APPROACH TO CIRCULARITY

Customers want innovative, sustainable and high-quality products. As a leading floor covering manufacturer, we are convinced that innovation will be the key driver of our future success.

In order to close the loop, we continue to partner with peers, suppliers and waste collectors, and are actively investigating new recycling routes. In order to recycle the materials in our end-of-life products, they have to be collected first. Balta's carpets and rugs are sold worldwide and have a lifetime of 15 to 20 years. It would not be feasible for us to organise end-of-life logistics on our own, and creating a sector-specific recycling scheme on an industrial scale would not be economically viable, given the carpet industry's limited contribution to overall plastic waste. Creating partnerships with other operators will therefore be critical.



Step 1: Removal

Removal will be done by (building) contractors.

Step 2: Collection and pre-treatment

The waste sector is far better organised when it comes to the logistics of collection and bulking for transport, and has already built-up experience and capacity in pre-treatment (mechanical separation, shredding, delamination), in some cases in partnership with the carpet industry. Deliverables are polymer fractions ready for further treatment, or rest waste prepared as fuel pellets for co-incineration. Recycling of the filler is also an option.

Step 3: Chemical recycling

To get rid of colour, smell, pollution and some remaining impurities, the polymers are preferably recycled on sites where a virgin production unit is active. In most cases, these polymer recycling processes break down the waste polymer into its monomers, which are then purified before they enter the virgin polymer material flow. These chemical recycling units typically have between 50,000 and 150,000 tons of capacity per year to achieve economies of scale. In case of degraded polymers, pyrolysis or gasification is a preferred recycling technology.



DESIGN2RECYCLE

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.

The primary goal of our product development is to increase our use of certified recycled or renewable content. This is possible with PET (polyethylene terephthalate), PA6 (polyamide 6) and PP (polypropylene). Today the extra cost is substantial, but we are convinced that more and more companies are willing to pay the 'green' bonus.

At the same time, we are investigating how to make products that are easier to recycle, thereby achieving a circular life-cycle process. Since an economically viable solution to recycling carpets and rugs has yet to be developed, it is difficult to engineer an easy-to-separate product. We anticipate separation will be mechanical, solvent-based or water-based, allowing further recycling of isolated single-polymer fractions.

Following this approach, we are developing single-polymer products, which do not require separation, leading to a significantly lower recycling cost. This is possible for single PP (polypropylene) and single PET (polyethylene terephthalate) products, with extra assets such as washability and protection against fraying.

The Management Committee has established high ambitions for Balta:

- By 2030, 50% of our collections will have certified recycled or renewable content.
- By 2030, 30% of our rugs will be mono-polymer based.

Various collections have already been developed to allow the customer to install floor coverings with the highest possible content of recycled materials. In order to map the relative importance of these collections in relation to the total production volume, the exact proportion of recycled materials in the manufactured goods was examined across all reporting segments of Balta Group in 2020. For each collection, the proportion of recycled material in the finished product was determined (weight/weight percentages). This includes the use of recycled yarns (such as Econyl®), backing materials based on post-industrial or post-consumer streams, and fibres made with a proportion of regranulate. Subsequently, the production volumes of each collection were offset against the percentage of recycled material. In 2020, the percentage of recycled content amounted to 27.4% for tiles and 55.3% for non-wovens.

Balta will strive to increase these percentages through the development of new collections, further research into the use of new recycled materials, and commercial initiatives to increase the share of these products.

- In **Rugs**, our sustainable products with a minimum content of 40% recycled material or single-material rugs already account for 20% of the division's 2020 revenues. At the moment, we have 10 sustainable collections.
- In **Captiqs**, projects are ongoing to eliminate the use of latex and to create fully recyclable carpets. The use of specific environmentally friendly top-layer coatings for non-wovens is also being examined.
- Together with **VLAIO** (Flanders Innovation & Entrepreneurship), Balta is working on a production process to replace the current latex technology, in order to make a 100% PP/ polyolefin carpet that can be recycled more easily and economically.
- Another project is the use of **chemically recycled PA (polyamide) granulate** to augment the percentage of recycled and/or renewable content of our broadloom carpets.

WE APPLY THE CRADLE TO CRADLE® PRINCIPLES

Cradle to cradle® design mirrors the healthy, regenerative productivity of nature and considers materials as assets, not liabilities. We intend to grow the number of Cradle to Cradle Certified® product families. This certification is a globally recognised measure of safer, more sustainable products made for the circular economy. Certificates are issued by the Cradle to Cradle® Products Innovation Institute.

To receive the Cradle to Cradle® certification, products are assessed for environmental and social performance across five critical sustainability categories:

- material health
- material reuse
- renewable energy and carbon management
- water stewardship
- social fairness

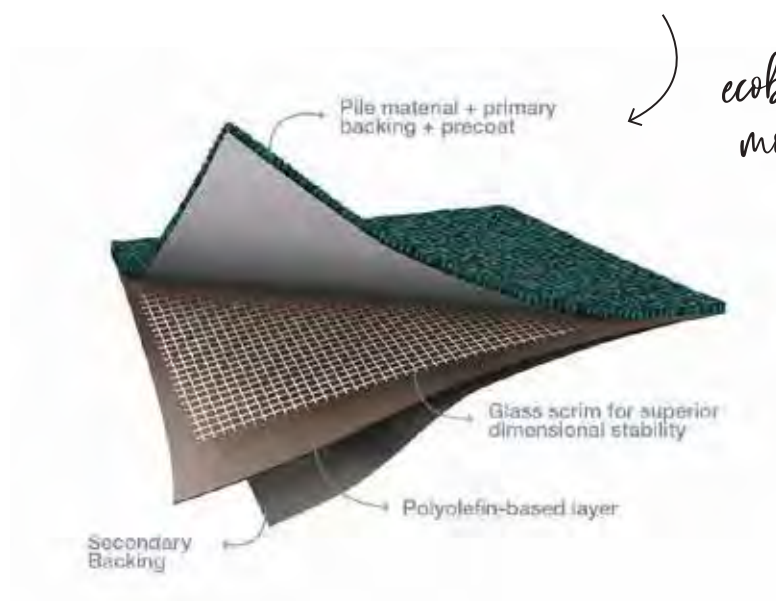
A product is assigned an achievement level (Basic, Bronze, Silver, Gold, Platinum) for each category. A product's lowest category of achievement also represents its overall certification level. The standard encourages continuous improvement over time by awarding the certification on the basis of ascending levels of achievement and requires certification renewal every two years.

In June 2020, **modulyss** received **Cradle to Cradle Certified® Gold** for 9 of its collections, covering 28 products. In the 'material health' category, they achieved a **Platinum** score, underlining the products' exceptional safety to humans and the environment.

The modulyss Cradle to Cradle Certified® Gold carpet tiles are made with 100% regenerated solution-dyed PA6 yarn (ECONYL®) and feature a new backing with circularity in mind. This PVC and bitumen-free backing, called **ecoBack**, has a minimum of 75% recycled content and can be disassembled and recycled at the end of the carpet's lifetime. In addition, all Cradle to Cradle Certified® products are CO₂-neutral thanks to the CO2RE initiative, which offsets any remaining greenhouse gas emissions by supporting climate projects.

In August 2020, modulyss was awarded **Cradle to Cradle Certified® Silver** on an additional 99 products of identical composition as the one above. Our **recyclable ecoBack** backing also received **Cradle to Cradle Certified® Gold**.

Also in August 2020, Bentley received **Cradle to Cradle Certified® Silver** for 4 of their collections, covering 7 products.





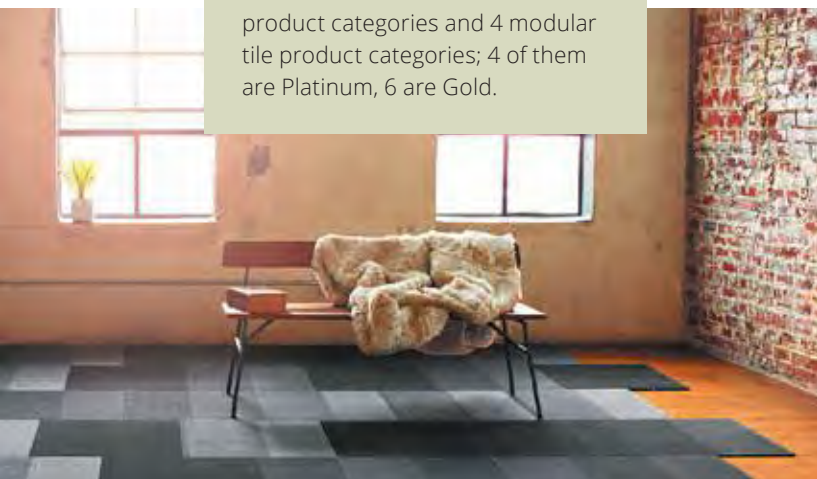
In the US, we have chosen to comply with the requirements of the NSF/ANSI 140 Sustainability Assessment standard for Carpet. This national standard was developed by NSF International and the Carpet and Rug Institute (CRI), through a consensus-based public process by a multi-stakeholder group of American manufacturers, suppliers, regulatory agencies, customers, end-users, academia and other industry participants.

Based on life-cycle assessment principles, certification of commercial carpet products involves established requirements, performance criteria and quantifiable metrics in six key areas:

- Public health and environment
- Energy and energy efficiency
- Bio-based, recycled content materials or environmentally preferable materials
- Product manufacturing
- Reclamation and end-of-life management
- Innovation

Certification is based on point totals to achieve Silver, Gold or Platinum.

Bentley successfully completed the NSF/ANSI 140 Audit and holds a **certification** for 6 broadloom product categories and 4 modular tile product categories; 4 of them are Platinum, 6 are Gold.



QA-CER RECYCLED CONTENT



QA-CER Recycled Content is an international, independent, third-party **system and/or product certification** based on ISO 9001 principles, including the chain of custody. It goes beyond ISO 14021 and identifies all possible waste streams that can be recycled, making it a comprehensive system.

Companies that have obtained QA-CER Recycled Content certification have proven to **independent expert auditors** that they have a production control system that can determine the recycled content of their products. These companies need to prove this capability on a regular basis to the auditors.

There are **three levels of certification**:

- Level 1: a system certification for the management of recycled materials and their applications.
- Level 2: a product certification, based on the same requirements as level 1, for companies willing to guarantee the technical specifications of their products and the recycled materials, as well as of the final products. The company needs to clearly define the products being covered by the certificate and have the testing done by an accredited organisation.
- Level 3: a product certification, based on the same requirements as level 2, but with extra monitoring of eco-parameters for the product and the recycled materials. The company needs to demonstrate that it monitors all environmental compliance indicators (e.g. no products from the REACH or RoHS lists).

In January 2020, **Balta home**, with its Belgian sites in Sint-Baafs-Vijve, Waregem and Avelgem, received **Level 2 QA-CER recycled content certification** for all rugs designed, manufactured and sold. This certification was issued by BQA, an independent certification body, and is valid for three years.



LOW-IMPACT MANUFACTURING

At Balta, our activities in the production of floor coverings impact the environment through the consumption of petrochemical-based polymers, the use of non-renewable energy and the output of emissions, contributing to our overall carbon footprint. Over the past few 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.

CO₂ EMISSIONS FROM PRODUCTION

This year, we fine-tuned our calculation of GHG emissions (scope 1 and 2) at our production sites, so we can report in a transparent manner on the progress made towards our ambition for 2030: 30% reduction of CO₂ emissions versus the 2018 baseline. Scope 1 — direct emissions — covers our use of natural gas (extrusion activities and heating of facilities). Scope 2 — indirect emissions — covers our electricity consumption.

To ensure robust reporting, we take into account the variable conversion factors for electricity in the countries we operate in:

- www.nucleairforum.be/elektriciteitsproductie-en-co2-uitstoot-in-belgie
- www.epa.gov/energy/greenhouse-gas-equivalencies-calculator
- www.epa.gov/egrid/power-profiler#/CAMX
- www.epa.gov/egrid/power-profiler#/SRSO
- www.epa.gov/energy/greenhouse-gas-equivalencies-calculator-revision-history
- www.epa.gov/egrid

In previous reports, CO₂ emissions were calculated with a fixed conversion rate of 400 kg CO₂/MWh.

	2018	2019	2020
1,000 m ² production volumes	140,134	136,431	108,377
Ton CO ₂ direct emissions	43,501	40,740	31,969
Ton CO ₂ indirect emissions	60,847	52,284	44,722
Total CO ₂	104,348	93,023	76,691
kg CO ₂ per m ² produced carpet	0.74	0.68	0.71
Gain versus 2018 baseline			-5.0%

The gain compared to the 2018 baseline is largely due to the electricity generation mix in Belgium. Elia, the official administrator of the network, declared that in 2020 only 39.1% came from nuclear power plants, compared to 48.7% in 2019 and 31.2% in 2018, our baseline year. The good news is that in 2020, 18.6% already comes from renewable sources (off-/onshore wind and solar energy). The bad news is that this is increasing our indirect emissions, as less nuclear power is mostly compensated for by gas power plants.

This adverse effect, together with the disrupted production in 2020, interfered with an efficient use of energy, and explains the setback in 2020 compared to 2019.

At the same time, we avoided CO₂ through:

	2018	2019	2020
Solar panels	2,679	1,998	1,959
Purchase of green electricity	902	674	602
Total ton CO ₂ avoided	3,581	2,672	2,561

61,125 solar panels installed at five factory sites in Belgium produced 10.8 GWh in 2020. This amounts to the electricity needs of 3,000 households in Belgium (with an average consumption of 3,500 kWh/year according to Flemish government figures). In 2020, modulyss purchased 3.381 MWh of green electricity to comply with the requirements for Cradle to Cradle Certified® products. Bentley is investigating whether the installation of solar panels is a viable option, or if other green energy sourcing is possible.

ENERGY CONSUMPTION

Using energy more efficiently and opting for renewable energy sources is essential for combatting climate change and for lowering an organisation's overall environmental footprint.

We have an Energy Manager at group level, and energy teams have been set up for each Balta production site. 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 are preparing for an ISO 50001 certification in 2021 for the Belgian sites, which will demonstrate our systematic approach to all stakeholders.

Balta takes part in Belgium's Voluntary Energy Management Covenant, founded by the Flemish Government in 2013, and has renewed its commitment until 2022. 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%.

*Our approach
to energy efficiency*

1 IMPROVE OUR PRODUCTION AND UTILITY PROCESSES TO MAKE THEM MORE ENERGY-FRIENDLY

2 INSTALL RENEWABLE ENERGY PRODUCTION AT OUR SITES (E.G. SOLAR PANELS)

3 PURCHASE GREEN ENERGY

The COVID-19 pandemic has seriously impacted the execution of the 2020 plan. The supervisory commission, fully aware of the impact, is indicating that participants should follow the path of economic pardon. However, progress still has been made, and by the end of 2020, several new studies were initiated. Below is a non-exhaustive list of some of these projects:

- In Sint-Baafs-Vijve and Sint-Eloois-Vijve, the extrusion departments reduced their consumption of compressed air, optimised their cooling processes, and improved the extraction of air.
- In Tielt, the heat-set department was optimised, with water savings as an added bonus.
- In Avelgem and Oudenaarde, proper insulation measures were taken, to limit heat losses to the environment.

In total, these projects help us save over 1,000 MWh of electricity and over 700 MWh of natural gas every year.

In Uşak, a major energy-saving project was the installation of reverse osmosis to purify the influent of the steam boilers, reducing the need for flushing and thereby limiting energy loss. This will save more than 425 MWh of natural gas consumption on an annual basis.

SUSTAINABLE MOBILITY

Although our emissions come primarily from the energy consumption in our factories, we see opportunities for reducing our CO₂ footprint in other areas as well:

- Research into shifting transport modes to greener alternatives and the utilisation of inland waterways connected to the strategic port of Antwerp for inbound materials and outbound finished goods.
- Introducing a greener fleet by opening the company car policy to electric and hybrid vehicles.



*River terminal
Wielsbeke (RTW)*



We encountered difficulties at the beginning of 2020 in using the River Terminal Wielsbeke (RTW). First, the terminal faced capacity issues, and later on, the COVID-19 pandemic made normal use almost impossible. This route will be resumed in 2021, when the situation normalises.

In order to make the new fleet policy more visible, Balta ordered its first contingent of electrical pool cars for the Belgian sites. The delivery was scheduled for January 2021. We will keep on promoting more sustainable means of transport.

Over the course of the pandemic, we've all rediscovered the benefits of walking and biking. On Car Free Day, 17 September, we encouraged our employees to choose a mode of transport other than their cars for commuting to work. A total of 175 employees registered for this 2020 edition of Car Free Day.



PROJECT 'DROUGHT TEST GARDENS'

Balta Oudenaarde is leading an initiative developed by the Flemish Government involving so-called 'drought test gardens', where at least three companies collaborate in an innovative project to mitigate water scarcity in certain periods.

An innovative project to mitigate water scarcity



WATER USAGE

Our production processes, particularly dyeing and printing, rely heavily on water. Scarcity of water is a worldwide issue, aggravated by global warming, but there will be more and more local issues as well. Balta seeks ways to contribute to less consumption of freshwater resources and to augment the reuse of process waters.

In 2020, Balta joined the **Smart WaterUse Project** as a member of the Accompanying Group. This project aims to identify and mitigate the water risks within the industry sectors of (sea)food, aquaculture, textiles and tourism. This initiative is set up under the auspices of the Flemish Agency of Innovation and Entrepreneurship and Flanders' Food.

Our ambition is to have a 30% reduction in water consumption by 2030 compared to the 2018 baseline. To achieve this goal, we will focus primarily on our factory in Tielt, which consumes about two thirds of the total water consumption of the Balta Group. We finished initial studies to look for the best technical and economically viable solutions, to reuse process waters on-site. Priority was given to filtering effluent water from the local water purification installation. The next step is to install several pilot installations for a certain period, to be able to validate our findings and to evaluate the effects of the continuous concentration of salts in the cycle. This is planned for 2021.

Our ambition...

30% reduction in water consumption by 2030 to the 2018 baseline



In 2020, the Tielt water purification installation underwent a major refurbishment. Structures were reinforced and recoated to remedy apparent structural damage and to ensure continuity of operations. Production processes have not been impacted, and the impact on the quality of water effluent during the execution of works was limited in time and severity.

	2018	2019	2020
1,000 m ² production volumes	140,134	136,431	108,377
Water consumption in m ³	623,363	548,878	458,317
Water consumption rate l/m ²	4.45	4.02	4.23
Gain versus 2018 baseline			-4,9%

In 2019, we saw the impact of closing the colouring activity in Oudenaarde, which had a further positive impact throughout 2020. Bentley also showed good results. Specific water consumption at the Tielt and Sint-Baafs-Vijve sites was higher due to disturbed production processes as a result of forced plant shutdowns and ad-hoc production.

	Water source	m ³
Abstracted	Deep groundwater	0
	Shallow groundwater	212,586
	Rain water	61,299
Supplied	Drinking water	13,006
	Gray water	171,427

For ten years, Balta has had an agreement with the local water company in Tielt to purchase grey water, sourced from surface waters in the neighbourhood. This agreement, under the supervision of the Flemish government, allows Balta to stop pumping up deep groundwater. A new contract has to be negotiated.

Since there is no further need to keep the water purification installation in Oudenaarde, Balta has chosen to refurbish the water storage basin of 12,000 m³ as a collector of rainwater. Besides the internal consumption of about 1,500 m³ for production, sanitary facilities and cleaning, and the reserved capacity of 1,000 m³ for extinguishing water, the rest of the water will be made available to the surrounding farmers, free of charge.

REDUCTION OF PRODUCTION WASTE AND MATERIAL RECOVERY

Since 2012, we have ensured that zero waste from production has gone to landfills across all our manufacturing sites. Today, we are focusing on internal recovery of non-used materials at our production lines (scrap, remnants, excess), the so-called **carpet waste**.

We have a clear ambition for all carpet waste to be fully recycled in-house or externally by 2030. We will work towards this by reviewing and optimising manufacturing processes, re-evaluating waste streams and re-engineering products. There are also opportunities in cooperation with a broader range of external recycling partners.

Our ambition...

By 2030 all carpet waste will be fully recycled in-house or externally



At modulyss, the carpet tile waste generated during the cutting process has been incorporated into the secondary backing of products for a couple of years now. This **Back2Back** tile backing contains up to 10% carpet tile waste.

In our Residential plant at Sint-Baafs-Vijve in Belgium, we rolled out in-house regranulation of PP (polypropylene) residual yarn. The investment was fully operational in June 2020.

The regranulated 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. Moreover, the recycling of production residues improves our environmental footprint. We estimate we will reuse 1,000 tons of production residues per year at this plant. We are now exploring the potential for further PP (polypropylene) waste reduction.

There are no water effluents considered in our reported waste figures.

In 2020, 73.7% of waste was diverted from disposal, the same percentage as in 2019.

Type of Waste	End-of-life	2018	2019	2020
Non-contaminated carped waste (external)	Recycling	14,086	13,188	10,203
Metal	Recycling	783	610	438
Other (A-grade waste wood, plastic foil, ...)	Recycling	1,741	1,953	1,596
Paper & cardboard	Recycling	4,345	4,357	3,660
B-grade waste wood	Incineration with recovery of energy	138	183	110
Other (contaminated carped waste, latex waste, hazardous, ...)	Co-incineration	5,501	5,891	4,762
Silt waste	Co-incineration	1,187	1,099	806
TOTAL IN KG		27,781	27,280	21,574

ENVIRONMENTAL COMPLIANCE

ENVIRONMENTAL COMPLIANCE AT BALTA

In the production of carpets, rugs and non-wovens for technical applications, our activities impact the environment in many ways, as explained in detail in the above paragraphs. Only by identifying our objectives and monitoring the effectiveness of reducing our impact can we achieve positive action. This is why we have adopted the ISO 14001 methodology for our European plants, as a way of documenting key environmental metrics of production. Demonstrating legal compliance is a major part of this certification process.

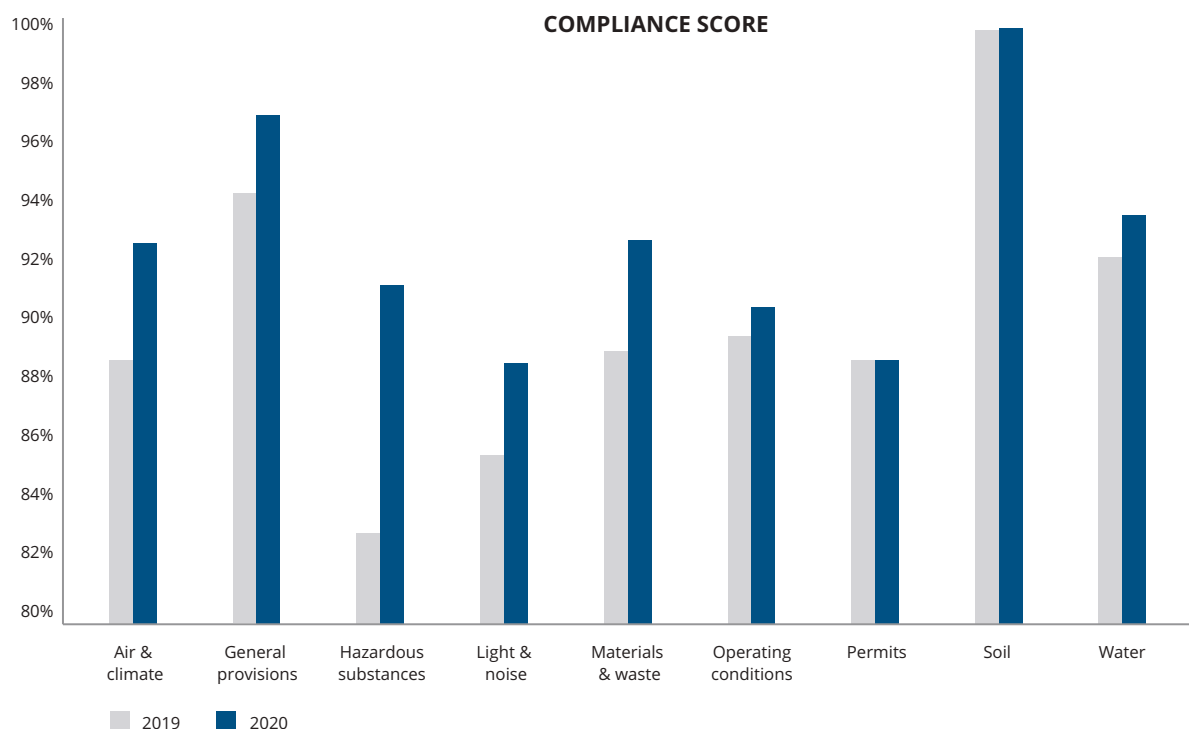
Balta fully complies with the EU REACH regulation (Registration, Evaluation, Authorisation and Restriction of Chemicals). This EU regulation was adopted to improve the protection of human health and the environment against the risks posed by chemicals. To comply with this regulation, Balta has set up a centrally managed survey system of all raw materials and products before they enter production, and has strict quality controls in place in the field of product compliance.

In the United States, the LEED Green Building Rating System is the accepted benchmark for the design, construction and operation of high-performance green buildings. Maximising operational efficiency while minimising environmental impacts, the LEED-EB certification considers water efficiency, energy efficiency, whole-building cleaning and maintenance, indoor air quality (IAQ), recycling programmes and facilities, exterior maintenance programmes and system upgrades to meet energy, water, IAQ and lighting performance standards.

Our Belgian and Turkish production sites are ISO 14001 third-party certified. Bentley, with manufacturing in California (US), provides information to their customers on how our products can contribute to credit points for LEED Certifications. Prospective and existing customers have access to a free calculator on the website.

back2back





In order to obtain an objective basis for the future **monitoring of environmental compliance** for the Belgian sites, Balta Group asked a specialised consultancy firm to carry out audits in 2019 and 2020. External audits were carried out for each of the sites, with the auditor awarding a score for the different relevant environmental topics. This allowed the management to see if progress had been made.

Audit topics included: management, screening of the environmental permits, checking the environmental permit conditions, evaluation of water usage and discharge, and checking atmospheric emissions. Each audit included an extensive tour of the site. An administrative audit was carried out, and compliance with environmental regulations was checked on the factory floor.

Each category was scored on a scale from 0 (no or very few management measures for the relevant legislation) to 3 (full management measures have been introduced). The graph above shows the average score per topic for both 2019 and 2020. The level of compliance for each of the different topics was assessed as good. Furthermore, the impact of the measures taken is clearly visible, as for most topics a clear progression was noted.

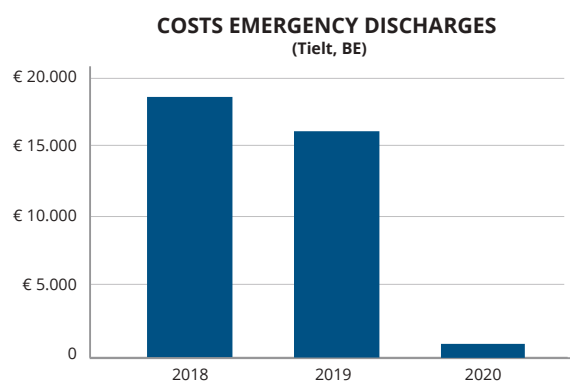
The result of this audit confirms — similar to audits by customers or certification bodies — that the Group is achieving a high level of compliance and that continuous improvement is being achieved.

In 2021, the Group plans to install a robust compliance management system, supported by new software.

The number of official warnings and official reports due to non-compliance with environmental laws and regulations is low. Both the Turkish and US sites have not received any in the last three years. The Belgian sites received two official warnings in 2018 and one official report. In 2019, the numbers were comparable (three official warnings and one report). None of these resulted in fines or litigation.

Most of these warnings were related to issues with the wastewater treatment in Tielt, where an emergency discharge of partially treated (or untreated) wastewater towards the municipal wastewater plant was deemed necessary a few times. These emergency discharges incurred additional costs. Though these are not fines, they can be considered as non-compliance with environmental regulations (more specifically the effluent standards for discharge into wastewater). In 2019 and 2020, Balta Group invested in the optimisation and modification of the wastewater plant. This helped to reduce the costs from these emergency discharges considerably.

In 2020, no official warnings or reports were received, although several plants were subject to inspections by the authorities.



SUPPLIER ENVIRONMENTAL ASSESSMENT

Balta is expected to take the necessary steps to prevent and mitigate negative environmental impacts in the supply chain. Due to the nature of our activities, we are most liable for the sourcing of raw materials or semi-finished products.

Balta has finalised its Supplier Code of Conduct, as already mentioned in this report on p. 58. This code covers such aspects as compliance with applicable laws and regulations, adherence to health and safety standards, and limiting environmental impact and climate change. Balta reserves the right to audit compliance with this code on-site, either through its own personnel or by a contracted third party.

In 2020, we surveyed all our PP suppliers, 13 in total, on the use of phthalates in PP catalysts. Exposure to phthalates is a point of concern, because these substances are linked to reduced fertility, reproductive toxicity and testicular toxicity in animal studies. Because they are not chemically bonded to the host plastics, phthalates can be released from carpets and rugs by relatively gentle means, for example by heating or by extraction with organic solvents.

We required the suppliers concerned to provide us with a declaration and analysis of results, confirming that either:

- the supplied polypropylene products are completely phthalate-free, without any phthalates being added or used during the production process; or
- the final product complies with the contamination limit of 100 mg/kg for each type of phthalate used during the production process. The final product only contains contamination by phthalates due to the use of a phthalate-containing catalyst.

98.9% of our sourced PP granulate is produced phthalate-free. The other 1.1% of our sourced PP granulate has a phthalate concentration of less than 1 ppm. We will continue to mitigate this risk and strive for completely phthalate-free sourcing.



PROSPERITY

The way we achieve our results is just as important as the results themselves, and this is an important measure of the Group's success. Our commitment to doing business the right way means acting with integrity towards all our stakeholders and being a reliable and responsible partner towards them.

That is why we have developed and maintain different policies in accordance with the latest applicable regulations and recommendations. Our policies provide the framework within which our employees have the freedom to act and operate, in line with the highest standards of integrity and ethical practices.

The COVID-19 pandemic impacted the predefined compliance strategy for 2020 significantly. During the lockdown, new projects were put on hold and training was postponed. After the lockdown, focus was given to the implementation of a whistleblowing policy and the roll-out of group-wide antitrust training.

The Group's values were defined, but the related update to our Code of Conduct was delayed.

BUILDING AN ETHICS AND COMPLIANCE CULTURE

An effective compliance programme must be built on a solid foundation of ethics and integrity that is fully endorsed by senior management. But compliance standards require more than support from the top. Balta's compliance officer has a direct reporting line to the company's Audit Committee and Board of Directors. Under their supervision, Balta has invested in creating a structured, Group-wide compliance programme over the past few years, with the goal to further develop and stimulate a culture in which ethical conduct and compliance with policies and applicable regulations are at the core of how we do business.

To strengthen the compliance culture, we can rely on the expertise and knowledge of a dedicated legal counsel, who manages the programme on a day-to-day basis. Balta's compliance strategy consists of establishing sufficient standards and controls, developing an annual training programme, conducting annual risk assessments and establishing a regular monitoring system to identify problems and address them. This is done in close coordination with the internal audit service, accounts payable, the different business units and other business functions.

As we do not want a check-the-box compliance programme, we are gradually putting structures in place around our compliance programme. We believe that the building blocks are present to embed this culture in the DNA of our organisation, but recognise that, despite our best efforts, there is still a long path ahead and we may encounter obstacles. Another potential risk remains the gap between the various international locations and how this impacts compliance. It will be essential to continue working towards a global compliance programme aligned with local legislation, monitored and adhered to by every one of our collaborators worldwide.

Through the implementation of a clear whistleblowing policy with strongly enforced non-retaliation, we aim to encourage a culture where wrongdoing can be addressed quickly and before any regulatory action or reputation damage.

The new Code of Conduct defining desired behaviour is an important building block in establishing a strong culture of integrity. In 2020, the process for this new Code of Conduct was initiated. Starting from the clarification of our mission, vision and values, and from the existing policies and procedures, the code summarises the standards of professional conduct. It reflects the foundations of our compliance programme and will serve as a reference for our employees to support day-to-day decision making. Updating and completing this Code of Conduct will be a priority in 2021, as will be its implementation through effective communication and training for all staff.



INCREASING AWARENESS

We will continue to invest in the education of our employees on ethical and lawful behaviour. That is why we signed a long term agreement with a third-party provider for e-learning. In the coming years, refresher training sessions will be organised on topics such as antitrust, GDPR, trade compliance and anti-bribery.

By reaching out to new employees at an early stage, we emphasise the importance of compliance, while raising awareness and getting them acquainted with the ethical culture and the upcoming training. Compliance training has therefore been included in the onboarding process for all new hires. At the beginning of 2021, we introduced a new digital HR onboarding tool that will allow us to collect and file signed compliance certificates in an automated way. This helps us to ensure that every new employee acknowledges and accepts compliance with our policies.

In a multilingual environment, it is essential for all employees to have a good grasp of the policies. To enhance the native understanding by most employees, we have translated key policies in additional languages.

Full deployment and awareness training about our new Code of Conduct will be carried out in 2021. The goal is for every individual working at Balta Group to understand the Code of Conduct and to apply its principles in their daily work. All targeted employees will be required to complete a mandatory training related to the Code of Conduct. In general, all existing and new employees are expected to sign off on their compliance with the Code of Conduct and all policies in place.

INCREASED AWARENESS ON CYBER SECURITY AND DATA PROTECTION

In the changing environment of the last couple of years, data protection and cyber security have been among the highest priorities at Balta Group. Continuous efforts are being made to improve the protection of our security system and of personal data.

Cyber security

Continuous improvements are made to increase the protection of our network, servers and hardware against cyber security risks. In 2021, we will continue to focus on this, considering the worldwide increase in cyber security risks.

In October 2020, a mandatory cyber security training was organised for an initial group of office workers, consisting of three parts: phishing, password security and safe web browsing. This initial target group of 574 employees was asked to follow the online training, ending in a mandatory graded quiz. The online training was spread out over three months, from October to December 2020, and was successfully completed by 93% of the target group. From January to March 2021, a new group of 213 employees was asked to follow the mandatory cyber security training, including new employees who started between October and December 2020.

Data protection

Continued efforts are made to ensure GDPR compliance throughout the entire organisation. In addition to the group-wide GDPR e-course training conducted in 2019, a new training cycle was organised in 2020 for our European staff. This training focused on employees who were not able to complete the e-course training in 2019 and on all new employees. This target group, consisting of 66 employees in total, received the GDPR training via an online programme, ending in a mandatory graded quiz. The training was successfully completed by 100% of the target group.

In late 2020, dedicated GDPR workshops were prepared for departments that handle personal data most frequently, i.e. technical, IT, marketing, sales and HR. The workshops were specifically created to address the risks, questions and needs of these departments, providing practical advice on how to deal with personal data in a GDPR-compliant way in their daily work. Live trainings, encouraging interaction with all participants, were conducted in the first quarter of 2021.

INCREASING AWARENESS OF ANTITRUST

In October 2020, we launched a Group-wide awareness programme and training on antitrust risks. All white-collar employees were reminded of the general principles and importance of our antitrust policy, during sessions held in their native language whenever possible. A target group of 359 employees was selected to take part in a mandatory antitrust e-course. Unlike the live courses conducted in 2017, 2018 and 2019, we opted for an electronic course that was carefully selected to serve the needs of the business and fit in with the Balta culture. By the end of January 2021, the training was successfully completed by 98% of the target group. Based on the results of the risk assessment conducted in 2020, yearly refresher trainings in antitrust will be part of our compliance programme.

We can report that there were no pending or completed legal actions during the reporting period regarding anti-competitive behaviour, nor any violations of antitrust or monopoly legislation in which the organisation was identified as a participant.

INCREASING AWARENESS OF MEASURES TO COMBAT FRAUD, CORRUPTION AND BRIBERY

In 2019, several measures were put in place to combat fraud, corruption and bribery, such as a Spend Approval Policy, a Capital Expenditure and a Lease Approval Policy, a Global Travel and Expense Policy, and a Delegation of Authority (DOA) Policy. In 2020, we focussed on the further implementation of these policies.

At the beginning of 2020, all employees concerned were given access to the 'Mobile Expense' tool, in accordance with our Spend Approval Policy and the Global Travel and Expense Policy. This tool allows easier approval and monitoring of expenses. As a result, new internal control mechanisms were put in place, which proved their effectiveness in 2020.

The DOA Policy, determining who should be consulted and who should approve a business decision before it is taken, also received an update in 2020. DOA rules were systematically embedded in the Group's Enterprise Resource Planning (ERP) system. This resulted in a more transparent and automated process flow, mitigating the risks of unauthorised actions being taken.

In addition, the DOA Policy was updated to a Delegation of Authority and Signing (DOAS) Policy in order to further align it to the needs and requirements of the business. In addition to defining the decision-making roles and responsibilities, it now also clarifies the signing authorities. Also, this is an enforced measure that will further increase Balta's internal controls. In 2021, we will further invest in awareness training and the correct implementation of this DOAS Policy.

The adequate reinforcement of internal control mechanisms is an ongoing activity that needs close monitoring. We recognise that the exposure to fraud and corruption varies across the Group, depending on the nature and location of the business. In the past, we identified the use of third parties and intermediaries, such as commercial agents, as a risk. In 2020, we included these target groups in our communication and training programmes, and we will continue to do so in the future.

PROMOTING A 'SPEAK UP' CULTURE

Balta wants to actively promote a genuine 'speak up' culture where ethical questions or dilemmas can be raised without fear of retaliation. Employees can use several channels to raise their questions, concerns and/or issues. The first points of contact are the direct supervisors, the members of the dedicated HR team, or the trained confidential advisors (in Belgium). In addition, every employee can reach out to the Compliance Officer.

Since mid-October 2020, employees can communicate their concerns through the whistleblowing mailbox, and they can do so anonymously, if they wish. This whistleblowing mailbox is managed by an external and independent organisation, ensuring that all information is treated in a confidential manner.

A first screening of the questions or concerns submitted to the whistleblowing mailbox is done by Balta's Compliance Officer, after which the question or concern is assigned to an investigation team, composed of different experts depending on the subject matter. A dedicated team then decides on the remedial actions that need to be taken and prepares a response to the whistleblower. On a regular basis, all cases reported via the whistleblowing mailbox are reported to the chairman of the Audit Committee.

The new policy and mailbox were deployed group-wide through an extensive awareness campaign in several languages. Although it was still in its early stages, few reports were submitted via the mailbox during the last months of 2020, and they were addressed immediately.

The campaigns to raise awareness of this mailbox will continue. Records will be kept of all questions and concerns raised via the whistleblowing mailbox:

Matters addressed via the whistleblowing mailbox from mid-October 2020 up to 31 December 2020	
Pending	1
Done	2
Deleted	0





HOW WE CONTRIBUTE TO THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

The 2030 agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals (SDGs), which are an urgent call for action by all countries – developed and developing – in a global partnership. They recognise that ending poverty and other deprivations must go hand in hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests.

Most of our ambitions, like the SDGs, feed into a 2030 agenda.





Target 3.9: By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution, and contamination.

Our product designs focus on emissions from low volatile

organic compounds (VOC), with a target of zero for harmful chemicals. Our entire Balta home collection is Oeko-Tex® certified, which includes the strict criteria of the Greenpeace Detox regulations. See p. 52.



Target 8.8: Protect labour rights and promote safe and secure working environments for all workers, including migrant workers — in particular women migrants — and those in precarious employment.

Safety is our number one priority, and 'One Balta for Safety' is a strategic project. In our facilities in Belgium, we employ a large contingent of cross-border workers from the North of France. We do not differentiate between employees and have correct labour agreements for all. We are also investing in safe working conditions for all. See p. 47.



Target 6.3: By 2030, improve water quality by reducing pollution, eliminating dumping and minimising the release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.

All Balta wastewater is treated, and we are always looking to improve the quality of our effluent. In 2020, we carried out a major investment in the Tielt water purification installation, and we are planning a new major investment in Sint-Baafs-Vijve in 2021. See p. 71.

Target 6.4: By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.

We have set a clear ambition to reduce water usage for our operations by 30% by 2030. Furthermore, our initiative in Oudenaarde will collect about 10,000 m³ of rainwater per year, for use by neighbouring farmers, who are facing more and longer drought periods due to global warming. See p. 70.



Target 12.5: By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

Balta has a clear ambition to fully recycle all waste generated during production by 2030. At modulyss,

the carpet tile waste generated during the cutting process has been incorporated into the secondary backing of our products for a couple of years now. In our Residential plant in Sint-Baafs-Vijve, we rolled out in-house regranulation of PP yarn waste. More initiatives will be taken in the coming years. See p. 72.

Target 12.6: Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.

Balta has already been reporting on sustainability for several years and will gradually upgrade its reporting, according to GRI standards, to be fully transparent on all material topics.



PEOPLE AND PLANET RISKS AND OPPORTUNITIES

STAKEHOLDER MANAGEMENT OPPORTUNITIES

Balta is convinced that a re-energised stakeholder engagement will prove to be very valuable. As announced, we plan to further redesign our stakeholder engagement in 2021, by executing a **stakeholder mapping process**.

Balta needs to develop new methods of engagement, to increase the involvement and participation of its stakeholders. This can be done through advisory panels, focus groups or online engagement tools. However, in certain areas of our business, we will need to seek strong partnerships and set up joint projects. If we want to “close the circle” (see p. 63) and make the shift to a circular economy a reality, we need to find partners in the global waste sector and in the chemical industry. A first round of exploratory talks was held in 2020.

In the near future, the carpets and rugs sector will be confronted with more stringent legislation on Extended Producer Responsibility (EPR). Balta will engage with national and international sector federations in order to develop a shared vision and position.

Engagement with our internal stakeholders, in particular with our employees, will be one of the most important challenges in the short term. In Belgium, we have to renew a considerable population of ageing blue-collar employees, and we are faced with challenging retention rates. Our policies and remediation actions are outlined on p. 55. In order to prevent these challenges from becoming operational risks, Balta is taking action in increasing communication and dialogue using the internet, video calls, CCTV and social media.

IMPACT OF CLIMATE CHANGE ON RESOURCES

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

Jute is used as the primary backing for our woven wall-to-wall carpets and 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 several years now, we have been using partially recycled polymer-based weft yarns to minimise this risk. We will continue to investigate suitable alternatives that are less susceptible to climate change.



IMPACT OF CLIMATE CHANGE ON MANUFACTURING AND PRODUCTS

While we 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 US, 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.

WATER SCARCITY

All of our production plants are above sea level, so there is currently little risk from rising sea levels caused by global warming. However, our production processes — particularly dyeing and printing — rely heavily on water. The region of Flanders, Belgium, has one of the lowest water reserves per capita. This is caused by the combination of a high population density and a rather low presence of surface and ground water. Climate change is already disrupting this fragile balance.

Information on drought and the awareness around it is still limited today, but the economic consequences of drought could be considerably bigger than from any other climate effect. As indicated on p. 71, we will make further investments in water recycling or process changes with lower water consumption for our Belgian production sites. We are also working actively with the Flemish Government on optimising water consumption.

There are no water shortages expected in the US or Turkey, but given our commitment to taking positive actions towards tackling the climate crisis, after successful implementation in Belgium, we will investigate the possibility of implementing similar changes to reduce water consumption in Turkey.

REDUCTION OF CO₂ EMISSIONS

In Belgium, Balta falls under the EU ETS Directive. ETS stands for (CO₂) Emissions Trading System. The revised EU ETS Directive, covering 2021 – 2030, provides predictable, robust and fair rules to address the risk of carbon leakage. The system of free allocation will be prolonged for another decade and has been revised to focus on sectors that are most at risk of relocating their production outside the EU. To increase the pace of emission cuts, the overall number of emission allowances will decline at an annual rate of 2.2% from 2021 onwards, compared to 1.74% currently.

Indirect emissions

Since 1 January 2021, the EU changed its modalities to compensate companies for indirect emissions. Our production of yarns will no longer be on the list of applicable activities, despite efforts from trade organisations.

Direct emissions

These costs are based on the real consumption of fossil fuel — in the case of Balta, natural gas and petrol. The emissions are calculated in tons of CO₂. Per ton of CO₂, one has to hand in one EUA (European Union Allowance) or emission right. For Balta, the factories in Oudenaarde, Sint-Baafs-Vijve and Tielt fall under the directive, each having an installed burning capacity for fossil fuel exceeding 20 MW.

For 2021 – 2030, free emission rights are only given to production processes with NACE code 2060 (production of synthetic fibres and yarns) and 1330 (inward processing of textiles). Heating of spaces will no longer be recognised. This represents 19% of our consumption in Tielt and 8% in Sint-Baafs-Vijve (2018 figures).

With everything taken into account, we can use our free emission rights until 2023 to compensate for our real emissions. From that point onwards, we will have to purchase emission rights. Mitigating actions are currently being executed and investigated:

- Reducing the installed burning capacity for fossil fuel to less than 20 MW for Oudenaarde, so this site will no longer fall under the directive.
- Lowering CO₂ emissions from heating (work) spaces.
- Lowering CO₂ emissions from production machinery (e.g. high-efficiency steam boilers).
- Switching to (green) electricity instead of natural gas.



Our general approach and our ambitions in terms of energy efficiency are outlined on p. 68. The development of mono-polymer products and production processes that reduce emissions are considered opportunities.



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03 CORPORATE GOVERNANCE



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 Code on Companies and Associations" or "BCCA"), Balta relies on the Belgian Code on Corporate Governance of 9 May 2019 (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 corporate governance section of our investor relations website www.baltainvestors.com.

The Company follows the rules provided by the Belgian Corporate Governance Code of 2020, except as explicitly stated otherwise and justified in the Corporate Governance Statement.

CAPITAL AND SHAREHOLDERS STRUCTURE

Capital and capital evolution

The capital of the Company amounts to € 260,589,621 as at 31 December 2020 represented by 35,943,396 shares without nominal value. Each share carries one vote. No capital movements took place in 2020.

Shareholder evolution

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 2020, the Company received a transparency declaration from Farrington Capital Management on 6 November 2020, stating that by virtue of an acquisition of shares on 4 November 2020, it holds at that date 1,804,095 shares of the Company, representing 5.02% of the voting rights.

Shareholder structure

The following table shows the shareholder structure on 31 December 2020 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.	19,408,879	54.00%
Farringdon Capital Management	1,804,095	5.02%

The following acquisitions of shares by persons discharging managerial responsibilities ("PDMR") have been notified in the course of 2020:

Name	Date	Number of shares
Emmanuel Rigaux	11 March 2020	20,000

Mr Rigaux acquired the shares on Euronext.

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' Meetings

Due to the measures and recommendations made by public authorities in Europe and Belgium and the Royal Decree no. 4 of 9 April 2020 on Shareholders' Meetings and Board Meetings in the context of the COVID-19 pandemic, the Board of Directors decided to hold the Annual and the Extraordinary Shareholders' Meetings for 2020 behind closed doors without the physical presence of shareholders.

As a consequence shareholders could only participate in the Extraordinary and General Meetings by means of granting a proxy or by completing a voting form.

Annual General Shareholders' Meeting

The Company's third Annual General Shareholders' Meeting ("Shareholders' Meeting") took place on 26 May 2020.

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 2019 and the consolidated annual accounts relating to the financial year ending on 31 December 2019.

Shareholders approved the remuneration report relating to the financial year ending on 31 December 2019. They further approved the statutory annual accounts relating to the financial year ending on 31 December 2019, 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 2019. In accordance with article 7:151 of the Belgian Code on Companies and Associations, the shareholders also approved the clauses in the sale-and-leaseback agreement dated 20 December 2019 that foresaw the partial or full prepayment to the involved financial institutions in the event of a change of control over the Company and in the Company's long term incentive plan, allowing for accelerated PSU vesting in the event of the closing of a public takeover bid on all shares of the Company.

The mandate for the statutory auditor expired after the Annual General Shareholders' Meeting and as a consequence the shareholders approved the reappointment of PwC Bedrijfsrevisoren BV, represented by Mr Peter Opsomer, statutory auditor, with registered seat at Woluwedal 18, 1932 Sint-Stevens-Woluwe, as statutory auditor for a further three-year term. The term of office shall terminate at the end of the General Meeting of Shareholders called to rule on the annual accounts for the financial year that will be closed on 31 December 2022.

Extraordinary Shareholders' Meeting

After the Annual General Shareholders' Meeting the Extraordinary Shareholders' Meeting was held before the notary public. Within the framework of the BCCA and renewal of certain authorisations an update to the Company's articles of association had to be made.

The shareholders acknowledged the special report of the Board of Directors drafted in accordance with article 7:199 of the Belgian Code on Companies and Associations with respect to the renewal of the authorisation regarding the authorised capital and approved the renewal of this authorisation. The authorisations regarding the acquisition and divestment of own shares, including acquisition by subsidiaries and including avoidance of serious and imminent harm in accordance with articles 7:215 and 7:218 of the Belgian Code on Companies and Associations, and in accordance with the amendment of article 16 of the Company's articles of association, were also approved by shareholders.

The timeframe in which a convening notice should be sent was altered to two business days prior to the meeting by approval of shareholders. They also approved the amendment of the date and hour of the annual meeting to the fourth Wednesday of May at 11 am and the possibility to hold Shareholders' Meetings via conference call, videoconference or in any other way that allows the shareholders to deliberate without being physically present.

New text was included to align the Company's articles of association with the Belgian Code on Companies and Associations and the above resolutions were approved. The new text indicating the proposed amendments was made available to the shareholders on the Company's website: www.baltainvestors.com.

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 ("MAR"). The Dealing Code restricts transactions of Balta securities by members of the Board and the Management Committee, senior management and certain other persons during closed and prohibited periods. The Dealing Code also contains rules concerning the disclosure of intended and executed transactions by leading managers and their closely associated persons through a notification to the Company and to the FSMA. The General Counsel is the Compliance Officer for the purposes of the Balta Dealing Code.

THE BOARD AND COMMITTEES

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

Board of Directors

Mandate of the Board

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

In particular, the Board of Directors is responsible for:

- defining the general policy 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

The BCCA proposes different governance models. The Company has chosen monism, meaning a single Board of Directors. This governance model aligns with the existing model and is the most suitable for our organisation. The CEO chairs the Management Committee and the Board of Directors. The CEO is a vital link between different management levels and the Board of Directors, and is best placed to connect the supervision of the business. That is the main reason we did not adopt a dualism governance model (with a Supervisory Board and Management Board). This model does not allow that individuals are a member of both Boards.

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

On 31 December 2020, the Board consisted of nine members, comprising three independent non-executive directors. The CEO is the only executive member of the Board of 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.

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 2020, 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 BV, 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 being appointed to his post at Hudson in January 2017, he was a Managing Director at Lone Star Germany Acquisitions GmbH. He currently also serves as Board Member of Xella International S.A., a leading European building materials company, and of LSF11 Skyscraper Investments S.a r.l., the main entity at the head of the MBCC Group, a leading supplier of innovative construction chemicals and solutions, and of Dynamic Bulk LLC, a shipping company, and is an observer of the Board of LSF10 Edilians Investments S.à 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 Committee 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 12 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 on 1 February 2019. She was also appointed a non-executive director of OSB Group PLC on 28 February 2020, which replaced OneSavings Bank plc as the listed holding company of the same group on 30 November 2020.

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 30 years' experience in senior management positions. For 12 years he was the EMEA CEO at ASSA ABLOY, the global leader in door opening solutions, which had a revenue of € 2 billion, 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 optimisation of manufacturing footprint, digitisation 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 fastgrowing 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 2020

There were no changes to the composition of the Board of Directors in 2020.

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. During the COVID-19 crisis, the Board met frequently in 2020. In total, the Board met on sixteen (16) occasions.

Major matters reviewed and discussed by the Board of Directors in 2020 were:

- Financial and overall performance of the Group;
- Continuous monitoring of the cashflow situation, the purchase action plan and actions to mitigate the impact of COVID-19;
- Changing the articles of association in line with the new BCCA;
- 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 programme NEXT;
- General strategic, financial and operational matters for 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, the refinancing business plan, the 2020 budget and the amendment and extension of the RCF;
- On a recommendation from the Remuneration and Nomination Committee, approval of the 2019 bonus and the 2020 bonus methodology for members of the Management Committee and the 2020 long term incentive plan.

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 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 fully equal opportunities regardless of gender, race or cultural background given the nature of our operations. In 2020, the Management Committee launched a new ambition, to have at least 40% women in all layers of Balta Group's top management by 2030. This would reflect the partition of gender in the whole of our organisation. Increasing gender diversity both in the workplace and in the leadership teams are critical success factors in making better decisions

Directors' attendance at Board and Committee meetings

	Board of Directors	Audit Committee	Remuneration and Nomination Committee
Cyrille Ragoucy	16/16		
Michael Kolbeck	16/16		5/5
Accelium BV, represented by Nicolas Vanden Abeele	16/16	8/8	5/5
Sarah Hedger	16/16	8/8	5/5
Itzhak Wiesenfeld	16/16		5/5
Neal Morar	16/16		
Hannah Strong	16/16		
Jeremy Fryzuk	16/16	7/8	
Patrick Lebreton	16/16		

and developing more innovative business solutions. A demonstrated focus on gender equality enables an organisation to attract and retain the best talent. It also ensures that all employees within the organisation have access to equal opportunities in developing their careers in a workplace free of bias.

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 over 50 nationalities across 10 locations. This is reflected in the Management Committee, composed of diverse American, Belgian, French and German 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 2020. 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 2021, we will continue to work towards making our workforce reflect the international stage on which we operate more closely.

Audit Committee

In accordance with the stipulations in book 7, title 4, chapter 1 of the Belgian Code on Companies and Associations and provision 5.2 of the Corporate Governance Code, the Board of Directors of Balta has established an Audit Committee.

On 31 December 2020, the Audit Committee consisted of three members, all being non-executive directors and a majority of them being independent directors.

In the course of 2020, the Audit Committee met eight times.

As required by the Belgian Code on Companies and Associations, 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, updates in internal audit and internal control, the budget, the approval of non-audit services, the reappointment of the statutory auditor in the subsidiaries and the amendment and extension of the European RCF and SSNs.

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

Remuneration and Nomination Committee

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

On 31 December 2020, the Remuneration and Nomination Committee consisted of four members, all being non-executive directors and a majority of them being independent directors:

Name	Position	Director since	Mandate expires
Michael Kolbeck	Chairman and Non-Executive Director	2017	2021
Accelium BV, 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 2020 the Remuneration and Nomination Committee met five 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 (e.g. 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 2019 bonus for members of the Management Committee, the compensation and benefit packages for members of the Management Committee, the recruitment and remuneration of senior management, the 2020 long term incentive plan, the 2020 bonus methodology for members of the Management Committee, the remuneration report, and talent and succession planning at management level.

Chief Executive Officer

Mr Ragoucy was appointed as CEO by the Board of Directors and reports directly to it. The CEO has direct operational responsibility for the Company and oversees the organisation and day-to-day management of the Company and its subsidiaries.

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

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

Management Committee

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

The Management Committee exercises the duties assigned to it by the CEO, under the ultimate supervision of the Board of Directors.

The composition of the Company's Management Committee did not change in 2020 and consists of the following members on 31 December 2020:

Name	Position
Cyrille Ragoucy	Chief Executive Officer
Jan-Christian Werner	Chief Financial Officer
Marc Dessein BV, represented by Marc Dessein	Managing Director Balta home
Oliver Forberich	Managing Director Balta carpets, ITC and arc edition
Quercum BV, 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 Cyril 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 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 Claeyss joined Balta on 23 April 2019, as Managing Director modulyss. Stefan worked at Beaulieu from 2012 until he joined Balta 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 35 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 15 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, with the responsibility of leading the NEXT programme. Mr Rigaux previously held leadership positions in the

construction industry in the US, in Europe as well as in Africa, and also led several large M&A transactions. 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 current mandate of PricewaterhouseCoopers Bedrijfsrevisoren BV will expire at the Annual General Shareholders' Meeting that will be asked to approve the annual accounts for the financial year ended on 31 December 2022.

Article 3:71 of the Belgian Code on Companies and Associations 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 € 12m for, respectively, tasks concerning the legal audit of annual accounts within the meaning of article 3:55 of the Belgian Code on Companies and Associations 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 2020, the remuneration paid to the statutory auditor for auditing activities amounted to € 581,000. Remuneration paid for other assignments outside the audit mandate was € 44,000 and € 80,000 for tax related services.

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 2020 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 Code on Companies and Associations (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 2020 – 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 Code on Companies and Associations.

Authorised capital and acquisition of own shares **Authorised capital**

The renewal of this authorisation was approved by the annual Shareholders' Meeting held in 2020 and as a consequence article 6 of the articles of association was amended.

According to article 6 of the articles of association, the Board of Directors may increase the capital of the Company once or several times by a (cumulated) amount of maximum 100% of the amount of the capital.

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 Official State Gazette of the amendment to the articles of association approved by the Extraordinary Shareholders' Meeting of 26 May 2020.

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 effected (i) by means of a contribution in cash or in kind (where appropriate including a indistributable 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, subscription rights or bonds to which subscription rights 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 shareholders in the interests of the Company, subject to the limitations and in accordance with the conditions provided for by the Belgian Code on Companies and Associations. 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 forms, 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 Code on Companies and Associations. The powers hereby conferred on the Board of Directors remain in effect for a period of three years from the date of publication in the Annexes to the Belgian Official State Gazette of the authorisation of the Extraordinary Shareholders' Meeting of 26 May 2020. 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 2020, the Board of Directors did not make use of its mandate to increase Balta's capital as stated in article 6 of the articles of association.

Acquisition of own shares

The renewal of the authorisation was approved by the annual Shareholders' Meeting held in 2020 and as a consequence article 16 of the articles of association was amended.

According to article 16 of its articles of association, the Company may, without any prior authorisation of the Shareholders' Meeting, in accordance with articles 7:215 ff. of the Belgian Code on Companies and Associations and within the limits set out in these provisions, acquire, on or outside a regulated market maximum 20% of its own shares 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 publication in the Annexes to the Official Belgian State Gazette of the authorisation of the Extraordinary Shareholders' Meeting of 26 May 2020.

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 Code on Companies and Associations. If the acquisition is made by the Company outside a regulated market, even from a subsidiary, the Company shall comply with article 7:215 §1 4° of the Belgian Code on Companies and Associations.

The Board of Directors is authorised, subject to compliance with the provisions of the Belgian Code on Companies and Associations, to acquire and to divest 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 in the Annexes to the Official Belgian State Gazette of the authorisation of the Extraordinary Shareholders' Meeting of 26 May 2020.

In accordance with article 7:218 of the Belgian Code on Companies and Associations the Board of Directors is authorised to divest itself of part of or all the Company's shares at any time and at a price it determines, on or outside the stock market or in the framework of its remuneration policy to members of the personnel of the Company. This 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 Code on Companies and Associations. By authorisation of the Extraordinary Shareholders' Meeting of 26 May 2020 the Board of Directors is, in accordance with article 7:218, §1, 4° of the Belgian Code on Companies and Associations, explicitly authorised to divest its own shares, in favour of persons who are not part of the personnel of the Company.

In the course of 2020, the Board of Directors did not make use of its mandate to acquire its own shares as stated in article 16 of the articles of association.

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. On 8 March 2021,

an amend and extend agreement closed and the maturity date of the replacement Senior Secured Notes issued was extended until 31 December 2024.

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 € 61,000,000 of committed financing at 31 December 2020.

On 9 October 2020 the Company signed agreements with each of its lenders under its existing European Super Senior Revolving Credit Facility to amend and extend the maturity date for this facility to 30 June 2024.

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 required 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 Code on Companies and Associations, the PSU vesting is accelerated in the event of a change of control or the closing of a public takeover bid for the Company.

One-off PSU package CEO

Mr Ragoucy was 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 of the Company (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 for the Company was approved by the Shareholders' Meeting of 28 May 2019, in accordance with article 7:151 of the Belgian Code on Companies and Associations.

Sale-and-leaseback

On 20 December 2019, the Company entered into a sale-and-leaseback agreement with three banks. If 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 was approved by the general Shareholders' Meeting of 26 May 2020 for approval in accordance with article 7:151 of the Belgian Code on Companies and Associations.

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 for the Company was approved by the Shareholders' Meeting of 26 May 2020, in accordance with article 7:151 of the Belgian Code on Companies and Associations.

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 Code on Companies and Associations 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 24 January 2020:

Before the deliberation started, Mr Cyrille Ragoucy declared a conflict of interest, as defined in article 7:96 of the Belgian Code on Companies and Associations ("BCCA"), 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 resolution to be adopted envisages the approval of the compensation and benefits packages of the members of the Management Committee.

In accordance with article 7:96 BCCA, Mr Cyrille Ragoucy refrained from taking part in the deliberations and from voting on the resolution. 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 a Managing Director/CEO role with uncertain duration and limited benefits/notice period.

The fixed annual remuneration amounts to € 700,000 gross. Subject to satisfying all the performance objectives set by the Board of Directors, the target variable fee may be a maximum of € 560,000 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 7:96 of the Belgian Code on Companies and Associations.

Relevant section of the minutes of the Board of Directors of 5 March 2020:

Before the deliberation started, Mr Cyrille Ragoucy declared a conflict of interest, as defined in article 7:96 of the Belgian Code on Companies and Associations ("BCCA"), concerning the following items on the agenda: the approval of the 2019 bonus for the members of the Management Committee and the general management, approval of the 2020 bonus methodology for the members of the Management Committee and the general management and the approval of the 2020 LTIP.

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 the 2019 bonus pay-out, the approval of the methodology for the 2020 bonus and the 2020 LTIP. He is entitled to the 2019 and 2020 bonus, and as member of the Management Committee he is an eligible as beneficiary of the 2020 LTIP.

In accordance with article 7:96 BCCA, Mr Ragoucy refrained from taking part in the deliberations and from voting on those resolutions.

Variable remuneration encourages the contribution of the Managing Director/CEO to the strategy of the Company. The implementation of the LTIP is in the interest of the Company as it is intended to facilitate the recruiting and retaining personnel of outstanding ability.

The Board is of the opinion that variable remuneration and the LTIP are in accordance with market practice and justifiable for a Managing Director/CEO role.

The number of shares to be granted under the 2020 LTIP and the variable fee to be paid by the Company will depend on the share price reaching a defined target and on the performance criteria as set out in the bonus scheme being met.

Each of the other directors stated that he/she did not have any direct or indirect conflicting interest of a patrimonial nature in respect of a resolution or operation upon which the Board of directors will decide during this meeting or as referred to under article 7:96 BCCA.

Compliance with the 2020 Belgian Code on Corporate Governance

Balta is committed to high standards of corporate governance and to the 2020 Corporate Governance Code as a reference code for the financial year ending 31 December 2020. 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 2020 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., that the Board of Directors is well-balanced and that non-executive directors have complimentary skills and experience;

4) the chairman of the Board and the CEO are the same individual. The Board of Directors appointed its chairman as CEO. Following his mandate as interim CEO, during which he was instrumental in developing and starting to implement the NEXT programme, the Board of Directors requested that Mr Ragoucy assumed 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 of Directors is convinced that Mr Ragoucy is best placed to continue to drive and deliver the implementation of the Company's transformation programme;

5) the non-executive directors of the Board of Directors are not remunerated in shares, which are held until one year after they leave the Board of Directors and at least three years after the moment of the award. As the remuneration policy of the Company entails that the directors appointed upon nomination by LSF9 Balta Holdco S.à r.l. are not remunerated, they are also not entitled to shares. Their personal interests are aligned with the long term interests of the Company. Also the non-executive independent directors are not remunerated in shares, because the Company feels that they are sufficiently oriented to the creation of long term value for the Company and in this way they maintain their independent status. This will be reviewed annually;

6) the members of the Management Committee are not remunerated in shares. To ensure the personal interests of the Management Committee are aligned with the interests of long term shareholders, other mechanisms were put in place, i.e. LTIP and variable remuneration; and

7) the variable remuneration awarded to members of the Management Committee for 2020 was based upon Group (and divisional) financial targets and not on individual targets. Initially individual targets were set (such as plant safety tour walks), however due to COVID-19 pandemic measures, these individual targets were replaced by alternative Company objectives. This will be reviewed annually.

REMUNERATION REPORT

Introduction

The remuneration report for financial year 2020 has been restructured in order to further increase its transparency and to comply with the latest rules, regulations and guidance on the (standardised) presentation of the remuneration report, including the Shareholder Rights Directive and the related Belgian Implementation Act.

The remuneration paid to the members of the Board of Directors and the Management Committee in 2020 was in line with Balta's remuneration policy, as approved by the Shareholders' Meeting of 30 May 2017. During the financial year 2020, Balta did not deviate from the principles laid down in this remuneration policy.

In compliance with the new legislation, Balta will submit a new remuneration policy for the members of its Board of Directors and Management Committee, applicable as from 1 January 2021, to a vote at its Shareholders' Meeting on 26 May 2021. This remuneration policy continues the existing practices, while updating certain principles to better promote the long term interests of the Company and the alignment of all stakeholders. Balta will publish its new remuneration policy (together with the results of the vote) on its website after the Shareholders' Meeting.

Remuneration of directors

In accordance with the Company's remuneration principles, as decided by the Shareholders' Meeting dated 30 May 2017, only the independent directors of the Board of Directors are entitled to a (fixed) remuneration for their director's mandate. No director's remuneration was paid to the directors appointed upon nomination by LSF9 Balta Holdco S.à r.l.

The remuneration of the independent members of the Board of Directors was as follows in 2020:

- Annual independent director's fee of € 40,000 gross;
- Additional annual fee for each Committee membership of € 10,000 gross; and
- Additional annual fee for the chairman of the Board of Directors of € 70,000 gross.

The remuneration of the chairman of the Board of Directors is capped at € 120,000 gross. Since the chairman of the Board of Directors has been mandated as CEO of the Company, he is no longer remunerated for his director's mandate.

No other benefits were paid to the members of the Board of Directors for their director's mandate.

The actual remuneration granted to the directors in 2020:

Name / position	Chairmanship	Independent directorship	AC membership	RNC membership	Total
Cyrille Ragoucy CEO Chairman of the Board of Directors	-	-	-	-	-
Michael Kolbeck Non-executive director Chairman of the Remuneration and Nomination Committee	-	-	-	-	-
Jeremy Fryzuk Non-executive director Chairman of the Audit Committee	-	-	-	-	-
Accelium BV, represented by Nicolas Vanden Abeele Independent director	-	€ 36,344	€ 9,086	€ 9,086	€ 54,516
Sarah Hedger Independent director	-	€ 36,344	€ 9,086	€ 9,086	€ 54,516
Itzhak Wiesenfeld Independent director	-	€ 36,344	-	€ 9,086	€ 45,430
Neal Morar Non-executive director	-	-	-	-	-
Hannah Strong Non-executive director	-	-	-	-	-
Patrick Lebreton Non-executive director	-	-	-	-	-
Total	-	€ 109,032	€ 18,172	€ 27,258	€ 154,462

Due to COVID-19 and the impact thereof on the economy, the members of the Board of Directors and CEO decided to reduce their fixed fee with 50% during the period of 25 March 2020 until 31 May 2020.

Remuneration granted to the CEO and other members of the Management Committee

The remuneration for the members of the Management Committee was reviewed by the Board of Directors on 9 March 2021 on the basis of recommendations from the Remuneration and Nomination Committee of 4 March 2021.

In line with the Company's remuneration principles, as decided by the Shareholders' Meeting dated 30 May 2017, the remuneration of the members of the Management Committee included (i) a fixed annual fee, (ii) a variable annual fee (short term incentive plan ("STIP")), (iii) a long term incentive plan ("LTIP"), (iv) pension contributions, and (v) various other benefits.

(i) Fixed annual fee

For the financial year 2020, the CEO received a fixed annual fee of € 636,021 (gross) and the other members of the Management Committee received a total fixed annual fee of € 2,052,863.33 (gross).

(ii) Short term incentive plan ("STIP")

The short term incentive plan rewards the realisation of key financial performance indicators with targets recommended by the Remuneration and Nomination Committee and approved by the Board of Directors for the period from 1 January 2020 to 31 December 2020.

For the CEO, the CFO, the Group HR Director and the CTO, the STIP for 2020 was based on Group financial targets: 70% on Group Adjusted EBITDA and 30% on Group Seasonality Adjusted Net Debt. For the Managing Directors of the divisions (excluding Bentley), the STIP was based on the realisation of Group and divisional financial targets: 25% on Group Adjusted EBITDA, 50% on Divisional Adjusted EBITDA and 25% on Divisional Working Capital. For the Managing Director of Bentley the STIP was based on the realisation of Group and divisional financial targets and non-financial KPIs: 25% on Group Adjusted EBITDA, 25% on Divisional Adjusted EBITDA, 20% on Divisional Working Capital and 30% on non-financial KPIs.

The Remuneration and Nomination Committee evaluated achievement against the 2020 performance objectives for each member of the Management Committee and proposed their short term variable

remuneration component to the Board of Directors. For Managing Directors of the divisions, discretion was applied to the proportion of STIP based on Divisional Working Capital. This is appropriate as strict application of the Working Capital formula led to an anomalous outcome due to the impact of the COVID-19 pandemic on monthly working capital flows in the year. The reduction of divisional working capital was a critical component in reducing the Group's Net Debt and was already reflected in the 100% achievement of the 30% Net Debt component for other members of the STIP. The Working Capital component of the STIP has therefore been set at 100% for Managing Directors of the divisions as well.

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 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 variable remuneration is not spread over time.

In 2020, the target STIP was 80% of fixed annual remuneration for the CEO and, on average, 46% of annual fixed remuneration for other members of the Management Committee.

(iii) Long term incentive plan ("LTIP")

In 2018, the Board of Directors decided to implement annual Long Term Incentive Plans ("LTIPs") to create alignment between manager's and shareholders' interests. These LTIPs consist of Performance Share Units ("PSUs").

The PSUs in the 2018 LTIP 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, a similar LTIP was 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, and was 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 that 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 Code on Companies and Associations. The 2019 LTIP was awarded to the CEO and to the other members of the Management Committee.

For the same purposes, a 2020 LTIP was also implemented. 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 for the Company was approved by the Shareholders' Meeting on 26 May 2020, in accordance with article 7:151 of the Belgian Code on Companies and Associations. The 2020 LTIP was awarded to the members of the Management Committee, except to the CEO.

(iv) Pension contributions

Members of the Management Committee can be entitled to affiliation with a Group insurance scheme.

(v) Other benefits

Members of the Management Committee can be entitled to a Company car or car allowance, lunch vouchers and fixed expenses.

(vi) Overall remuneration awarded to the CEO as a member of the Management Committee

For the year ended 31 December 2020, the total remuneration of the CEO was as follows:

- Base salary (gross remuneration): € 636,021
- Variable remuneration (relating to performance in 2020, paid out in 2021): € 218,400
- Pension: nil
- Other compensation components (company car, fuel card and smartphone): € 12,720
- Within the framework of the 2020 LTIP, no PSUs were granted in 2020.

Upon his appointment as CEO, Mr Ragoucy was compensated for (a) 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. Therefore he was awarded a one-off package consisting of PSUs, which would vest subject to a significant increase in the Company's share price (i.e. to a minimum share price of € 13).

(vii) Remuneration awarded to the other Management Committee members

For the year ended 31 December 2020, the total remuneration of the other Management Committee members was as follows:

- Base salary (gross remuneration): € 1,994,765
- Variable remuneration (relating to performance in 2020, paid out in 2021): € 413,147
- Pension: € 41,922
- Other compensation components (car, insurance, lunch vouchers, representation allowances): € 86,900
- Within the framework of the 2020 LTIP, 84,500 PSUs were granted in 2020.

Overview LTIP

Main conditions of LTIP						Information regarding the financial year
Beneficiaries	Plan	Performance period	Award date	Vesting date	PSU awarded	Shares vested
Members of the Management Committee	2020	11/09/2020 – 11/08/2023	11/09/2020	11/08/2023	84,500	0
	2019	Period 1: 05/16/2019 – 05/15/2021 Period 2: 05/16/2019 – 05/15/2022	16/05/2019	Vesting date 1: 05/15/2021 Vesting date 2: 05/15/2022	343,500	0
	2018	07/01/2018 – 06/30/2021	07/01/2018	06/30/2021	46,666	0

Overview remuneration

Name and position	Fixed annual fee	STIP	LTIP	Pension contributions	Various other benefits	Total remuneration	% of fixed and variable
Cyrille Ragoucy (CEO)	€ 636,021	€ 218,400	€ 0	€ 0	€ 12,720	€ 867,141	75% fixed, 25% variable
Other members of the Management Committee (total)	€ 1,994,765	€ 413,147	84,500 PSUs	€ 41,922	€ 86,900	€ 2,536,733	84% fixed, 16% variable

Due to COVID-19 and the impact thereof on the economy, the members of the Management Committee decided to reduce their fixed fee with 40% during the period of 25 March 2020 until 31 May 2020.

Changes to the remuneration policy since the end of 2020

No changes have been made to the remuneration policy since the end of 2020.

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

No changes were made to the termination provisions and no severance payments were made to Management Committee members leaving during 2020.

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 nonperformed 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 noncompetition 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 December 2021 directly resulting from a divestment or reorganisation of the Residential 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.

Clawback provision regarding members of the Management Committee

There are no clawback provisions.

Compliance with remuneration policy, long term objectives and sustainability

Remuneration is aligned with current market practice and targets a market median position for the total salary package. The remuneration and remuneration system rewards individual performance. Short term variable pay incentivises actions and results in line with annual Company targets. Long term commitment to the Company is stimulated through a share-based long term incentive plan, that takes into account the share price performance of the Company. Balta's remuneration rewards its employees fairly and appropriately regardless of gender, nationality or beliefs, and will solely be based on function and performance.

Derogations and deviations from the remuneration policy

There were no derogations or deviations in 2020, except for the calculation of the 25% of the STIP based on Divisional Working Capital as mentioned above.

Comparative information on change of remuneration and Company performance, and ratio

	FY 2017 ⁽¹⁾	FY 2018	FY 2019	FY 2020
Board of Directors and Management Committee remuneration				
Board of Directors members' total remuneration	€ 124,584	€ 216,022	€ 162,930	€ 154,462
CEO's total remuneration	€ 584,000	€ 776,490	€ 990,664	€ 867,141
Management Committee members' total remuneration	€ 1,708,496	€ 1,353,114	€ 2,230,675	€ 2,536,733
Company performance				
Group Adjusted EBITDA	€ 84,381,000	€ 72,352,000	€ 74,356,000	€ 67,990,000
Average remuneration (on a full time equivalent basis) for employees				
Employees of the Company ⁽²⁾	€ 584,000	€ 776,490	€ 990,664	€ 867,141

(1) As Balta Group NV was incorporated in 2017, only data as from 2017 can be mentioned.

(2) Only one individual has an employment agreement with Balta Group NV.

In 2020, the ratio between the highest remunerated executive and the least remunerated employee (on a full time equivalent basis) within the Company was 1.

Information on shareholder vote

The Shareholders' Meeting on 26 May 2020 approved the remuneration report for financial year 2019 with a majority of 93.2%.



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RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

Introduction

Balta operates a risk management and control framework in accordance with the Belgian Code on Companies and Associations 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: the line management is the first body responsible for assessing emerging risks continuously and implementing controls in response to these risks.
- Second line of defence: oversight functions such as Finance, Controlling, Safety Health Environment and 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 verify whether the first line of defence is properly designed, in place, and operating as intended.
- 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.

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.

Balta is a company with an open culture, striving to uphold the outmost business ethics. As unethical behaviour might take place in most organisations, having an open corporate culture is not always enough to eliminate such unethical behaviour. For this reason, Balta has implemented a speak-up procedure, policy and tool in 2020. Cases which are reported in the tool are anonymously managed by a dedicated investigation team. General and discrete reporting on whistleblowing cases is provided to the Audit Committee.

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 Balta's key processes and systems to ensure that the risk responses and

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 from budgets and previous reference periods are carefully analysed and explained. Great importance is attached to the security of all data stored in computer systems.

Information and communication

Balta recognises the importance of timely, complete and accurate communication and information, top-down as well as bottom-up. The Group 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 in which all reporting dates are set out 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. The aim is 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.



REMUNERATION POLICY

SCOPE

The Board of Directors has drawn up the remuneration policy in accordance with article 7:89/1 of the Belgian Code of Companies and Associations (the "BCCA") and the Belgian Code of Corporate Governance 2020 (the "Corporate Governance Code"). It sets out the remuneration principles as regards the members of the Board of Directors and the Management Committee.

The Board of Directors adopted the remuneration policy on 9 March 2021, upon proposal of the Remuneration and Nomination Committee. Subject to the approval by the Shareholders' Meeting of 26 May 2021, the remuneration policy is applicable within Balta as from 1 January 2021 and replaces the former remuneration policy, which was approved at the Shareholders' Meeting of 30 May 2017.

Remuneration to the members of the Board of Directors and the Management Committee will be paid in accordance with the remuneration policy. If the Shareholders' Meeting does not approve the remuneration policy, Balta shall continue to pay remuneration in accordance with its existing remuneration practices/the previous (approved) remuneration policy and the Board of Directors shall submit a revised policy for approval at the following Shareholders' Meeting.

In the event of a material change to the policy and in any case at least every four (4) years, the Board of Directors shall submit a (revised) remuneration policy, adopted upon proposal of the Remuneration and Nomination Committee, to the Shareholders' Meeting. Non-material changes to the policy will be made without shareholder approval being required.

BALTA'S VISION ON REMUNERATION

Balta's remuneration philosophy is to ensure that all employees are rewarded fairly and appropriately for their contribution.

The overall remuneration policies and practices are governed by the following principles:

- Remuneration needs to be aligned with the current market practices and target a market median positioning of the total salary package.
- The remuneration needs to reward individual performance.
- Short-term variable pay needs to incentivise actions and results in line with the yearly company targets.
- Long-term commitment to the Company is stimulated through a share-based long-term incentive plan, that takes into account the stock performance of the Company.
- Balta's remuneration will reward its employees fairly and appropriately regardless of gender, nationality and beliefs. It will solely be based on function and performance.

Balta's overall remuneration policies and practices are regularly assessed and updated, in order to promote the Company's sustainability and the successful implementation of its strategy, so as to continue creating value for all stakeholders including customers, shareholders and employees.

MEMBERS OF THE BOARD OF DIRECTORS

DECISION-MAKING PROCESS AND MEASURES TO AVOID OR MANAGE CONFLICTS OF INTEREST

The Shareholders' Meeting determines the remuneration of the members of the Board of Directors upon proposal of the Board of Directors. The Board of Directors adopts its proposal upon proposal of the Remuneration and Nomination Committee.

The remuneration of non-executive directors is determined taking into account their role as ordinary Board of Directors' members, and specific roles as Chairman of the Board of Directors, Chairman or member of Board of Directors' committees, as well as their resulting responsibilities and commitment to develop the Company. The remuneration system is intended to attract and retain individuals who have the necessary experience and competencies for this role.

The Shareholders' Meeting is solely competent for the remuneration of members of the Board of Directors. This exclusive competence ensures that there are no conflicts of interest in this area.

In order to ensure the independence of the Board of Directors in its supervisory function over the Management Committee, and to avoid short-term pay-outs that jeopardise Balta's long-term vision, non-executive directors are not entitled to performance-related remuneration such as bonuses, stock related long-term incentive schemes, fringe benefits or pension benefits.

REMUNERATION COMPONENTS

Since its approval by the Shareholders' Meeting of 30 May 2017, the remuneration awarded to the independent directors consists of the following fixed elements:

- Director fee for independent directors
- Additional fee for committee membership (per committee)
- Additional fee applicable to the chairman of the Board of Directors

These are paid monthly.

The amount of the remuneration is set according to market practice. Salary surveys are conducted every two years in order to ensure remuneration levels are

aligned with market practices. Remuneration of the Board members can be reviewed every two years.

The independent directors do not receive any variable remuneration, shares, stock options or other rights to acquire shares (or other share-based remuneration), or other bonuses or benefits.

APPOINTMENT, DISMISSAL AND EVALUATION OF THE DIRECTORS

The directors have a self-employed status and are appointed by the Shareholders' Meeting for a maximum period of four years (in accordance with the provisions of the articles of association of the Company and the BCCA).

The Shareholders' Meeting can dismiss a director without any notice period or severance payment, without any justification, and by a simple majority vote. However, the Shareholders' Meeting is free to grant a notice period or severance payment upon dismissal.

At the end of each director's term, the Remuneration and Nomination Committee also evaluates the director's presence at the Board of Directors or committee meetings, his/her commitment and his/her constructive involvement in discussions and decision-making. This evaluation is taken into account by the Remuneration and Nomination Committee when formulating its recommendations with respect to (re) appointments and remuneration to the Board.

MEMBERS OF THE MANAGEMENT COMMITTEE

DECISION-MAKING PROCESS AND MEASURES TO AVOID OR MANAGE CONFLICTS OF INTEREST

The Board of Directors determines the remuneration of the members of the Management Committee upon proposal of the Remuneration and Nomination Committee.

The Remuneration and Nomination Committee determines – with the assistance of specialist members of staff – proposals in respect of the remuneration of the CEO and the other members of the Management Committee taking into account prevailing legislation, the Corporate Governance Code, the profile of the individual in terms of skills and professional experience as well as market practices and trends.

In setting remuneration levels, appropriate market benchmarks are taken 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 the values and strategy.

Based on the advice obtained from the Remuneration and Nomination Committee, the Board of Directors determines the remuneration to be granted to the CEO and the other 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.

The CEO does not participate in the deliberations and votes within the Board of Directors as regards to his own remuneration. The CEO and the Group HR Director are not members of the Remuneration and Nomination Committee, but are invited to attend its meetings, unless the discussions within the Remuneration and Nomination Committee relate to their own remuneration. Reference is also made to the conflict-of-interest rules laid down in Article 7:96 of the BCCA.

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, which will report to the Board of Directors.

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.

REMUNERATION COMPONENTS

The remuneration that can be awarded to the members of the Management Committee consists of the following elements:

- Fixed remuneration
- Short-term variable remuneration
- One-off bonuses
- Long-term plan
- Other benefits

FIXED REMUNERATION

The fixed remuneration consists of a fixed annual fee in cash, granted independently of Balta's results.

The fixed annual fee is determined 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. Balta aims to pay its managers at market median. In order to correctly benchmark, the Remuneration and Nomination Committee conducts at least every two years a salary study through an external company.

Salary reviews are conducted every year. All managers are eligible, but not automatically entitled, to merit increases based on their performance and position at market.

SHORT-TERM VARIABLE REMUNERATION

The short-term variable remuneration consists of a Short-Term Incentive Plan ("STIP"), paid in cash.

The aim of the STIP is to create a high-performance culture through a cash bonus linked to performance against annual targets with due regard to preventing excessive risk taking. The 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 set by the Board of Directors upon recommendation of the Remuneration and Nomination Committee. These are based only on the realisation of group or divisional financial targets. For the members of the Management Committee these targets are based on three financial indicators, aligned with the yearly objectives. They can be group performance indicators or divisional indicators. These key performance indicators are approved by the Board on proposal of the Remuneration Committee once a year.

These key financial performance indicators create a close link between the interests of, on the one hand, the members of the Management Committee and, on the other hand, the Company and its shareholders. The recognition of performance at both divisional and group level contributes to the long-term interest and sustainability of the Company and the successful achievement of its strategy.

The performance against the targets (and resulting pay-outs) are assessed annually by the Board of Directors upon recommendation of the Remuneration and

Nomination Committee, supported by the controlling and finance department.

The annual potential of the STIP for the members of the Management Committee at target amounts to up to 70% of their respective annual fixed remuneration, with a minimum of as low as 0% in the case of under-performance and a maximum of up to 170% in the case of overperformance.

For the CEO, the annual potential of the STIP at target can amount up to 100% of his annual fixed remuneration, with a minimum of as low as 0% in the case of under-performance and a maximum of up to 200% in the case of overperformance.

ONE-OFF BONUSES

The Board of Directors may, in exceptional or specific circumstances and upon recommendation of the Remuneration and Nomination Committee, grant one-off bonuses to one or more members of the Management Committee for special performance.

The one-off bonuses may amount to up to 100% of the annual fixed remuneration of the member of the Management Committee concerned.

LONG-TERM PLAN

The long-term plan ("LTIP") consists of a remuneration in Performance Share Units ("PSUs").

The PSUs vest to relevant members of the Management Committee who still provide services to the Company on the third anniversary of their award and are converted into shares if the Company's share price reaches certain defined targets with a certain minimum hurdle. The shares received are not subject to any lock-up arrangements.

As approved by the Shareholders' Meeting of 16 June 2017 in accordance with article 7:151 of the BCCA, the PSU vesting is accelerated in the event of a change of control or the closing of a public takeover bid for the Company.

The LTIP aims to create alignment between the managers' and shareholders' interests. It is also intended to facilitate recruiting and retaining personnel of outstanding ability. The LTIP thus contributes to the Company's business strategy and long-term interests.

Based on a yearly submission, members of the Management Committee are eligible but not automatically entitled to a grant of PSUs under the LTIP. On proposal of

the Remuneration and Nomination Committee, the Board of Directors will decide on the terms and modalities of the LTIP and approve the list of beneficiaries.

The Board of Directors, on proposal of the Remuneration Committee, will approve the threshold price, the accelerator and the vesting date once a year.

The value of the PSUs granted under the LTIP, at the time of grant, may amount to up to 100% of the annual fixed remuneration of the member of the Management Committee concerned.

OTHER BENEFITS

Members of the Management Committee can receive other benefits, such as the affiliation to a group insurance scheme, company car, fuel card, smartphone, lunch vouchers and representation allowances. These benefits are benchmarked regularly and adapted according to local standard practices.

The group insurance scheme includes defined contribution in pension plan, guaranteed income insurance and life insurance.

These other benefits may amount to up to 10% of the annual fixed remuneration of the member of the Management Committee concerned.

CONTRACTUAL ARRANGEMENTS WITH THE MEMBERS OF THE MANAGEMENT COMMITTEE

The rights and obligations related to the function of CEO are formalised in a management agreement of indefinite duration. Other than in the case of termination in certain events of breach of contract, the CEO is entitled to a notice period of six months (or a termination fee equal to the proportion of the fixed remuneration he would be entitled to during the severance period).

The members of the Management Committee work for the Company under an employment or management agreement of indefinite duration. Other than in the case of termination in certain events of breach of contract, they are entitled to a notice period of six months (or a termination fee equal to the proportion of the fixed remuneration they would be entitled to during the severance period).

Due to historical reasons, one Management Committee member is entitled to a severance period of eighteen months.

DEROGATIONS FROM THE REMUNERATION POLICY

Balta shall pay remuneration to the members of the Board of Directors and the Management Committee only in accordance with the remuneration policy.

However, the Board of Directors may, in exceptional circumstances and upon proposal of the Remuneration and Nomination Committee, temporarily derogate from the remuneration policy. Exceptional circumstances shall cover only situations in which the derogation from the remuneration policy is necessary to serve the long-term interests and sustainability of Balta as a whole or to assure its viability.

Derogations are allowed with respect to all elements of the remuneration policy.

When resolving on derogations from the remuneration policy, the Board of Directors must comply with the decision-making procedure set out above.

The Board of Directors shall explain any derogations in the remuneration report of the relevant financial year.

NO SIGNIFICANT CHANGES TO THE CURRENT POLICY

This remuneration policy aims to incorporate the current remuneration policy as approved by the Shareholders' Meeting of 30 May 2017 and the current remuneration practices in a formal remuneration policy in accordance with the new requirements of Article 7:89/1 of the Belgian Code of Companies and Associations.





SUMMARY OF MAIN RISKS

At Balta, risk management is an inherent part of doing business. The summary below, though not exhaustive, provides an overview of the main risks we were able to identify. While we take mitigating actions, we cannot guarantee that such risks will not materialise.

MARKET COMPETITION

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

The key to our competitiveness is our ability to identify and respond to rapidly changing consumer preferences which require us to frequently renew our designs and product mixes, and to continuously innovate.

There is a clear upward trend in digital acceleration. In order to capture growing online demand and reduce cost-to-serve, we need to engage with customers, secure online presence, deploy new digital sales channels and build adequate e-commerce capabilities.

CUSTOMER DEPENDENCY

Our main customers consist of large retailers and wholesalers with a substantial buying power. In 2020, our top three customers accounted for 14% of our

revenue. We strive to successfully retain our key customers as they represent an important part of our sales. Moreover, we are dependent on our customers' continued success in their own markets.

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

Product demand depends significantly on consumer confidence and factors impacting both the residential and commercial renovation as well as the construction markets.

With production and distribution facilities in Belgium, Turkey and the United States, and sales in over 136 countries, we are exposed to geopolitical risk on both the demand and supply side.

As the United Kingdom represents 16% of our 2020 revenues, mainly resulting from our Residential business, the Group is exposed to the consequences of the United Kingdom's exit from the European Union (Brexit). Therefore Management assessed scenarios to be prepared for changes in our logistical flows. We concluded an in-depth assessment of the Brexit readiness of our logistics partners. The Group will continue to translate the impact of the Brexit-deal into practical measures.

In October 2020, we expanded to EU AEOF (Authorised Economic Operator), a certification for full authorisation (combining AEOS and AEOC), which certifies us to securely organise and protect our supply chains from threats. The Belgian customs authorities have audited all of our production sites in Belgium. AEOF is part of our plan to mitigate risks in post-Brexit export to the UK and is applicable for export to all non-EU countries. This will help to secure the continuation of a premium worldwide delivery service.

To be in possession of this certificate allows membership of the Custom Trade Partnership Against Terrorism (CTPAT), a US Customs and Border Protection (CBP) voluntary private-public partnership programme. CTPAT ensures that goods in the supply chain are legitimate and legal from manufacturer through to end-users. While it was originally set up to protect supply chains in the US from terrorist activity and illegal trade, it does minimise the potential risk for Balta when trading internationally.

Since the UK ceased to be a member of the EU as of 1 January 2021, it is Balta's plan to align with the requirements of the Common Foreign and Security Policy (CFSP). This is the organised, agreed foreign policy of the EU which encompasses security and defence diplomacy and actions. CFSP only deals with a specific part of the EU's external relations. Its domains include Trade and Commercial Policy as well as other areas such as funding to third countries. We will generally trade with the UK under CFSP status.

Additionally, measures have been taken to help protect the revenue stream from a potential devaluation of the Pound sterling by combining pricing mechanisms and hedging contracts.

Increased import duties or sanctions against the import of particular goods in certain countries could pose barriers to the success of our business.

LEGAL AND COMPLIANCE

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

Insufficient precautions or awareness regarding safeguarding confidential matters in our highly competitive market may lead to competitive disadvantages, loss of business intelligence and reputation damage.

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 efforts 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.

The COVID-19 outbreak came as an unprecedented event which disrupted our way of life and caused increased stress and anxiety for employees everywhere. The Company has explored options on how to provide additional physical and emotional support to its employees during this period of uncertainty. By focusing on delivering effective communication only, we addressed the impact of agile and remote working.

RAW MATERIALS AND SUPPLY CHAIN

We use large quantities of raw materials for which we depend on a limited number of suppliers. Most of these suppliers are large companies and can exert substantial supplier power. We have long-standing relationships with our key suppliers.

In 2020, raw material expenses represented 41,7% of our revenues. The key raw materials used were polypropylene, yarn, latex and polyamide. Together they represented approximately 70% of our total raw material expenses.

Raw material prices can be volatile and depend on factors that are often beyond our control. This includes, but is 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 both attracting new and retaining existing customers.

Disruptions at our manufacturing or distribution facilities may occur and could result in temporary shortfalls in production, late or incomplete deliveries or an increase in 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 a timely delivery of our products.

IT

Failure of our IT platform could hamper our ability to process orders on time. With the use of our IT platform, we manage our operations (including sales, customer service, logistics and administration). We have a complex and heterogeneous application landscape that consists of certain systems from prior acquisitions that

have only been partially integrated, which could trigger operational risks.

Businesses are also contending with increasing cyber-crime-related incidents, which require us to maintain adequate cyber security. Any failure to do so may adversely affect our operations.

Organisations are increasingly investing in digital transformation. Key technologies such as intelligent automation, artificial intelligence, low code application development, technological decision may guard businesses against future disruptions. Falling behind on these trends could lead to an increased vulnerability to disruptions and a disadvantage in competitiveness.

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 the euro. Key currencies include Pound sterling, US dollar and Turkish lira. The fluctuation of these currencies versus the euro may impact our results. Additionally, 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 or cost 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 operational result if we would be unable to meet these. More details on this 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.

In March 2021, Balta received strong support for its February 2021 exchange offer (the "Exchange Offer") on its 7.75% Senior Secured Notes due September 2022 ("Existing Notes"). Eligible holders of Existing Notes validly tendered 99.22% of aggregate principal amount, to exchange the Existing Notes for new Senior Secured Notes with a maturity of 31 December, 2024. Consents were received to (i) substantially remove all covenants, other obligations and certain events of default under the indenture of the Existing Notes, (ii) amend the existing indenture and the Existing Notes such that (A) all guarantors are released from their obligations under the existing guarantees, (B) all liens in collateral granted for the benefit of the existing noteholders are released, (C) the interest rate applicable to the Existing Notes is reduced to 3.00% per annum and (D) the maturity date of the Existing Notes is extended to 31 December, 2030. Consequently, the maturity of our € 61m European super Senior Secured Notes Revolving Credit Facility automatically extended to 30 June 2024. The Exchange Offer substantially improved Balta's debt maturity profile and will enable Balta to further execute its strategy. We continue to monitor the markets closely to identify the best possible window for future refinancing of our debt, at the right time and under the right terms and conditions.

Reference is made to the risk factors referred to in Note 27 of the section financial risk management in the Financial Statements.

NEXT PROGRAMME

As a result of the strategic and operational review, we launched the transformational programme called "NEXT". This programme is 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. While our NEXT commercial initiatives are essential for addressing pricing, entering new and existing markets and increasing service levels, we may be delayed or fall below our expectations on the anticipated improvements in earnings.

SUSTAINABILITY

Customer expectations on delivering sustainable products are increasingly demanding and challenging. The risk of not meeting new technology, sustainability requirements and missing out on market developments may lead to competitive disadvantages as well as significant loss of share. Failing to integrate sustainability as a part of the Group strategy can affect future competitiveness, long term value creation and Group longevity.

In the near future, the carpets and rugs industry will be confronted with more stringent legislation about Extended Producer Responsibility (EPR). In order to implement these new regulations Balta will need to engage with national and international sector federations. In 2020, Balta incorporated a Sustainability Committee as a next step towards more effective management of sustainability within the Group.

Global warming or the effect of climate change has resulted in new material climate-related risks (physical and transition risks, mobility and transport, sourcing raw materials, etc.) which may have significant impacts on our reputation, access to finance, cost of complying with new regulations, business profitability and long term resilience.

COVID-19

Pandemics such as COVID-19 have the capacity to severely impact the Group's earnings by interrupting supply chains, reducing demand and disrupting the workforce. The Group addressed short-term COVID-19 risks by securing financial stability, achieving a lower and more agile cost structure, adapting operations, engaging with customers and increasing resilience. There is no doubt that the pandemic has caused permanent changes in the way individuals live, the way the government serves citizens and how businesses operate. Making it possible to face mid- and long-term risks, the Group also closely screens changes in the global economy, technology evolution, shifts in societal norms and consumer behaviour, and reframes the enterprise so it is ready for the new value-based economy.



Balta home, Mira



04 FINANCIAL REPORT

1. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 31 DECEMBER

(€ thousands)	Note	2020	2019
I. CONSOLIDATED INCOME STATEMENT			
Revenue	NOTE 4	561,833	671,151
Raw material expenses		(234,327)	(317,006)
Changes in inventories	NOTE 15	(15,860)	(278)
Employee benefit expenses	NOTE 6	(150,681)	(167,301)
Other income	NOTE 7	5,698	3,455
Other expenses	NOTE 7	(98,672)	(115,666)
Depreciation / amortisation	NOTE 8	(40,038)	(39,602)
Adjusted Operating Profit⁽¹⁾		27,953	34,754
Integration and restructuring expenses	NOTE 9	(7,770)	(6,641)
Operating profit / (loss)		20,183	28,114
Finance income		-	205
Finance expenses	NOTE 10	(29,213)	(25,357)
Net finance expenses		(29,213)	(25,152)
Profit / (loss) before income taxes		(9,030)	2,961
Income tax benefit / (expense)	NOTE 11	(3,555)	7,440
Profit / (loss) for the period from continuing operations		(12,585)	10,401
Profit / (loss) for the period from discontinued operations		-	-
Profit / (loss) for the period		(12,585)	10,401
<i>Attributable to:</i>			
Equity holders		(12,585)	10,401
II. CONSOLIDATED OTHER COMPREHENSIVE INCOME			
<i>Items in other comprehensive income that may be subsequently reclassified to P&L</i>			
Exchange differences on translating foreign operations		(21,287)	(2,133)
Changes in fair value of hedging instruments qualifying for cash flow hedge accounting		116	(245)
<i>Items in other comprehensive income that will not be reclassified to P&L</i>			
Changes in deferred taxes		(45)	393
Changes in employee defined benefit obligations		290	(1,740)
Other comprehensive income for the period, net of tax		(20,926)	(3,725)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(33,511)	6,676
Basic and diluted earnings per share from continuing operations attributable to the ordinary equity holders of the company	NOTE 34	(0.35)	0.29

(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.

2. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER

(€ thousands)	NOTE	2020	2019
Property, plant and equipment		312,288	337,594
<i>Of which IFRS 16 related right-of-use assets (excluding sale-and-leaseback)</i>		34,030	42,072
Land and buildings	NOTE 13	170,545	186,173
Plant and machinery	NOTE 13	131,624	138,807
Other fixtures and fittings, tools and equipment	NOTE 13	10,118	12,614
Goodwill	NOTE 5	189,952	195,991
Other intangible assets	NOTE 12	9,466	10,357
Deferred income tax assets	NOTE 14	8,739	11,191
Trade and other receivables	NOTE 16	815	1,121
Total non-current assets		521,260	556,253
Inventory	NOTE 15	125,072	152,948
Derivative financial instruments	NOTE 26	-	3
Trade and other receivables	NOTE 16	50,608	58,379
Current income tax assets		334	908
Cash and cash equivalents	NOTE 17	106,289	19,241
Total current assets		282,303	231,479
TOTAL ASSETS		803,563	787,732
Share capital	NOTE 18	252,950	252,950
Share premium	NOTE 18	65,660	65,660
Other comprehensive income	NOTE 19	(58,039)	(37,113)
Retained earnings	NOTE 20	5,774	18,343
Other reserves		(39,876)	(39,876)
Total equity		226,469	259,964
Senior Secured Notes	NOTE 21	233,936	232,001
Bank and Other Borrowings	NOTE 23	74,513	48,963
<i>Of which IFRS 16 related lease liabilities (excluding sale-and-leaseback)</i>		29,515	37,318
Deferred income tax liabilities	NOTE 14	38,404	41,004
Provisions for other liabilities and charges	NOTE 30	2,487	2,729
Employee benefit obligations	NOTE 28	3,643	4,106
Total non-current liabilities		352,982	328,802
Senior Secured Notes	NOTE 21	3,425	3,425
Senior Term Loan Facility	NOTE 22	-	34,927
Bank and Other Borrowings	NOTE 23	73,981	8,680
<i>Of which IFRS 16 related lease liabilities (excluding sale-and-leaseback)</i>		6,846	7,357
Provisions for other liabilities and charges	NOTE 30	-	164
Derivative financial instruments	NOTE 26	103	413
Other payroll and social related payables	NOTE 29	33,904	36,995
Trade and other payables	NOTE 31	109,678	109,019
Income tax liabilities		3,021	5,343
Total current liabilities		224,112	198,966
Total liabilities		577,094	527,768
TOTAL EQUITY AND LIABILITIES		803,563	787,732

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

3. CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 31 DECEMBER

(€ thousands)	Note	2020	2019
I. CASH FLOW FROM OPERATING ACTIVITIES			
Net profit / (loss) for the period		(12,585)	10,401
<i>Adjustments for:</i>			
Income tax expense / (income)	NOTE 11	3,555	(7,440)
Finance income		(0)	(205)
Financial expenses	NOTE 10	29,213	25,357
Depreciation/amortisation	NOTE 8	40,038	39,602
(Gain) / loss on disposal of non-current assets		(43)	(1)
Movement in provisions		4,290	(1,001)
Fair value of derivatives		(190)	229
Expense recognised in respect of equity-settled share-based payments		34	15
Cash generated before changes in working capital		64,312	66,959
<i>Changes in working capital:</i>			
Inventories	NOTE 15	24,102	156
Trade receivables	NOTE 16	5,985	976
Trade payables	NOTE 31	1,497	(10,178)
Other working capital		(11,161)	(812)
Cash generated after changes in working capital		84,735	57,101
Net income tax (paid)		(5,141)	(7,848)
Net cash generated / (used) by operating activities		79,595	49,253
II. CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition and disposal of property, plant and equipment	NOTE 13	(23,757)	(28,704)
Acquisition of intangibles	NOTE 12	(2,481)	(1,034)
Proceeds from non-current assets		43	2,342
Net cash used by investing activities		(26,195)	(27,396)
III. CASH FLOW FROM FINANCING ACTIVITIES			
Interest and other finance charges paid, net		(24,082)	(20,846)
Proceeds from borrowings with third parties	NOTE 25	113,873	-
Repayments of borrowings with third parties	NOTE 25	(53,456)	(8,624)
Net cash generated / (used) by financing activities		36,335	(29,469)
NET INCREASE/ (DECREASE) IN CASH AND BANK OVERDRAFTS		89,735	(7,612)
Cash, cash equivalents and bank overdrafts at the beginning of the period		19,241	26,853
Exchange gains/(losses) on cash and cash equivalents		(2,687)	-
Cash, cash equivalents and bank overdrafts at the end of the period	NOTE 17	106,289	19,241

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

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 ⁽²⁾	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

⁽²⁾ Other reserves were created as a result of certain pre IPO transactions. Refer to the 2017 annual report for more information

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

(€ thousands)	Share capital	Share premium	Other comprehensive income	Retained earnings	Other reserves ⁽²⁾	Total	Non-controlling interest	Total equity
Balance 31 December 2019	252,950	65,660	(37,113)	18,344	(39,876)	259,965	-	259,965
Profit / (loss) for the period	-	-	-	(12,585)	-	(12,585)	-	(12,585)
Equity-settled share-based payment plans	-	-	-	34	-	34	-	34
Other comprehensive income								
Exchange differences on translating foreign operations	-	-	(21,287)	-	-	(21,287)	-	(21,287)
Changes in fair value of hedging instruments qualifying for cash flow hedge accounting	-	-	116	(19)	-	97	-	97
Cumulative changes in deferred taxes	-	-	(45)	-	-	(45)	-	(45)
Cumulative changes in employee defined benefit obligations	-	-	290	-	-	290	-	290
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-	-	(20,926)	(12,570)	-	(33,496)	-	(33,496)
Balance at 31 December 2020	252,950	65,660	(58,039)	5,774	(39,876)	226,469	-	226,469

⁽²⁾ Other reserves were created as a result of certain pre IPO transactions. Refer to the 2017 annual report for more information

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

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 in the years 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 2020.

The Financial Statements of the Company for the period 1 January 2020 to 31 December 2020 comprise the Company and its subsidiaries (together referred to as "the Group" and individually as "Group entities").

These Consolidated Financial Statements are presented in EUR, 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 EUR, 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 for the foreseeable future, that is at least the next 12 months.

Any events and/or transactions significant to an understanding of the changes since 31 December 2019 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 of new standards

The below listed new standards, amendments and interpretations to standards have been issued. The Group intends to adopt these standards and interpretations if applicable and considered to be significant, when they become effective and mandatory.

The following **new standards and amendments** to standards **are mandatory** for the first time for the financial year beginning 1 January 2020 and have **been endorsed by the European Union**:

- **Amendments to References to the Conceptual Framework in IFRS Standards** (effective 1 January 2020). The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance—in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.
- **Amendments to the definition of material in IAS 1 and IAS 8** (effective 1 January 2020). The amendments clarify the definition of material and make IFRSs more consistent. The amendment clarifies that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information. It also states that an entity assesses materiality in the context of the financial statements as a whole. The amendment also clarifies the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need. The amendments are not expected to have a significant impact on the preparation of financial statements.
- **Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform** (effective 1 January 2020). The amendments require qualitative and quantitative disclosures to enable users of financial statements to understand how an entity's hedging relationships are affected by the uncertainty arising from interest rate benchmark reform.

- **Amendments to the guidance of IFRS 3 Business Combinations**, that revises the definition of a business (effective 1 January 2020). The new guidance provides a framework to evaluate when an input and a substantive process are present (including for early stage companies that have not generated outputs). To be a business without outputs, there will now need to be an organised workforce. The changes to the definition of a business will likely result in more acquisitions being accounted for as asset acquisitions across all industries, particularly real estate, pharmaceutical, and oil and gas. Application of the changes would also affect the accounting for disposal transactions.

The following **new amendments** have been issued, is **not mandatory** for the first time for the financial year beginning 1 January 2020 but have **been endorsed by the European Union**:

- **Amendment to IFRS 16 Leases Covid 19-Related Rent Concessions** (effective 01/06/2020, with early application permitted). If certain conditions are met, the Amendment would permit lessees, as a practical expedient, not to assess whether particular covid-19-related rent concessions are lease modifications. Instead, lessees that apply the practical expedient would account for those rent concessions as if they were not lease modifications.
- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2** (effective 01/01/2021). These amendments address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments are effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.

The following **new standards and amendments** have been issued, but are **not mandatory** for the first time for the financial year beginning 1 January 2020 and have **not been endorsed by the European Union**:

- **Amendments to IAS 1 'Presentation of Financial Statements: Classification of Liabilities as current or non-current'** (effective 1 January 2022), affect only the presentation of liabilities in the statement of financial position — not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those

items. The IASB has issued an exposure draft to defer the effective date to 1 January 2023. They:

- clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

- **Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements** (effective 01/01/2022). The package of amendments includes narrow-scope amendments to three Standards as well as the Board's Annual Improvements, which are changes that clarify the wording or correct minor consequences, oversights or conflicts between requirements in the Standards.

- **Amendments to IFRS 3 Business Combinations** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- **Amendments to IAS 16 Property, Plant and Equipment** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- **Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets** specify which costs a company includes when assessing whether a contract will be loss-making.
- **Annual Improvements** make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.

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 EUR, which is the Group's functional and the Group's presentational currency. All amounts are stated in thousands of EUR 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 the Consolidated statement of comprehensive income within "Finance income" and "Finance expenses". All other foreign exchange gains and losses are presented in the Consolidated statement of comprehensive income within "Other income" or "Other expenses" which are part of the operating profit.

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

	31 December 2020		31 December 2019	
	Closing	Average	Closing	Average
USD	1.2271	1.1422	1.1234	1.1195
TRY	9.0079	8.0140	6.6506	6.3481
GBP	0.8990	0.8897	0.8508	0.8778

Group entities

The results and financial position of Group entities (none of which have 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 Statement of comprehensive income 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 Statement of comprehensive income 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 Statement of comprehensive income 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 "Other comprehensive income" before they vest. At vesting date the results are recognized in the Statement of comprehensive income 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 Statement of comprehensive income 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:

<i>Industrial and administrative buildings</i>	
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

Owned 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 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 Statement of comprehensive income.

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 based on 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 which is for the current trademarks 10 years.

Software and licenses

Cost associated with acquiring software are capitalized at their cost price and are subsequently amortised over their estimated useful life using the straight line method, or over the term of the contract, if this is shorter. The useful life is usually estimated at 5 years.

Expenditure for acquired licenses are capitalized at their cost price and are subsequently amortised over their estimated useful life using the straight line method, or over the term of the contract, if this is shorter. The useful life is usually estimated at 5 years.

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 between 3-5 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 Statement of comprehensive income 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 Statement of comprehensive income in the same period or periods during which the hedged forecast transaction affects the Statement of comprehensive income. 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. Net realisable values 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 a 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 a 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 ability to pay (based on geographical region and type of customer such as retail, wholesale or construction & building, and delinquency status). The provision matrix is based on forecasted default rates published by Moody's, 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, and reflecting additional risk factors not yet included in the ECL model.

NOTE 1.11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, deposits held on call with banks, other short term highly liquid investments and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in 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 Statement of comprehensive income within "Other income" over the period necessary to match them with the costs that they are intended to compensate against.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the Statement of comprehensive income 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 in 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;
- 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 Statement of comprehensive income.

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 Statement of comprehensive income, 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 based on 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 based on 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 substantively 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.

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 assessed 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.

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 between 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% at 31 December 2020 and 31 December 2019) 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 AA rated corporate bonds and single A rated corporate bonds. At 31 December 2020 this gap was 25 basis points.

Other post-employment obligations

The Group does not have other post-employment obligations.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group 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 potential 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, 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.

Short term employee benefits

These include wages, salaries and social security contributions, paid annual leave and sick leave, bonuses and non-monetary benefits, and are taken as an expense in the relevant period. All company managers are eligible for bonuses that are based on indicators including personal performance and key financial targets. The amount of the bonus is recognized as an expense, based on an estimation made at the end of the reporting 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 applies IFRS 9 in relationship to the impairment losses on trade receivables (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 has 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 “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 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 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 the Statement of comprehensive income).

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 liabilities. 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 would 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.

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.

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.

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 / amortisation 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 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.

Leverage is defined as the ratio of Net Debt to Adjusted EBITDA (excluding IFRS16 as per financing documentation, except for sale-and-leaseback transactions).

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 'cannibalisation 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 (e.g. maintenance).

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;
- 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 5.

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 between taxpayers 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.

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 assessed 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 total IFRIC 23 provision amounts to € 8.7m for 2020 compared to € 8.9m last year.

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. The Group included the following parameters: probability of default and the 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 forecasted default rates published by Moody's, adjusted by scalar factors to reflect differences in the Group's view of current and expected economic conditions and historical conditions. The use of forecasted default rates was implemented in March 2020 which was a change compared to last years' calculation where we used historical observed default rates. Balta has revisited the assumptions used in the expected credit loss (ECL) model to reflect updated macro-economic assumptions in light of COVID-19. This adjustment has resulted in slightly increased bad debt accruals rates (approximately €1.2m), which negatively impact the results of 2020, although we do not see the negative impacts at this point.

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 Statement of Financial Position, "Other payables". 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. Refer to revenue recognition, Note 1.21.

Brexit

Brexit did not have a significant impact on the 2020 financial statements given the negotiated deal at the end of 2020 between the EU and the UK. Balta Group prepared throughout 2019 and 2020 to ensure smooth supply for its UK customers. The Group adjusted its IT and logistics flows to facilitate compliance when crossing the border. Further to the terms of the negotiated deal, Balta Group is not subject to import duties for the majority of its products. In the last quarter of 2020, we recorded some extra pre-Brexit orders which will reduce orders in the first of quarter of 2021.

NOTE 3 RECONCILIATION OF NON-GAAP MEASURES

The table below shows the impact of non-recurring items on the Combined statement of comprehensive income for the period and provides a reconciliation between the reported information and the non-GAAP measures as presented in these Financial Statements.

(€ thousands)	2020	2019
Revenue	561,833	671,151
Raw material expenses	(234,327)	(317,006)
Changes in inventories	(15,860)	(278)
Employee benefit expenses	(150,681)	(167,301)
Other income	5,698	3,455
Other expenses	(98,672)	(115,666)
Adjusted EBITDA⁽¹⁾	67,990	74,356
Depreciation/amortisation	(40,038)	(39,602)
Adjusted Operating Profit⁽¹⁾	27,953	34,754
Integration and restructuring expenses	(7,770)	(6,641)
Operating profit / (loss)	20,183	28,114
Finance income	-	205
Finance expenses	(29,213)	(25,357)
Net finance expenses	(29,213)	(25,152)
Profit / (loss) before income taxes	(9,030)	2,961
Income tax benefit / (expense)	(3,555)	7,440
Profit / (loss) for the period from continuing operations	(12,585)	10,401

(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 2020 net income. The impact of these events amounts to a net expense of € 7.8m (€ 0.22 per share), as compared to € 6.6m (€ 0.18 per share) in 2019. The 2020 expense was mainly for advisory fees related to the NEXT programme in the first half of the year (€ 2.2m) and for amending and extending our financing (€ 4.0m).

NOTE 4 SEGMENT REPORTING

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

(€ thousands)	2020	2019
Revenue by segment	561,833	671,151
Rugs	182,867	213,029
Commercial	190,461	235,593
Residential	171,185	194,394
Non-Woven	17,320	28,136
Revenue by geography	561,833	671,151
Europe	322,670	414,211
North America	205,384	215,288
Rest of World	33,779	41,653
Adjusted EBITDA by segment ⁽¹⁾	67,990	74,356
Rugs	17,497	16,775
Commercial	30,654	40,453
Residential	18,977	15,058
Non-Woven	863	2,070
Net Capital expenditure by segment	26,195	27,396
Rugs	8,407	9,820
Commercial	6,273	7,746
Residential	11,019	9,227
Non-Woven	495	604
Net inventory by segment	125,072	152,948
Rugs	53,621	70,301
Commercial	31,545	37,144
Residential	36,132	41,473
Non-Woven	3,774	4,030
Trade receivables by segment	42,333	50,192
Rugs	12,101	15,011
Commercial	16,009	22,826
Residential	13,595	11,594
Non-Woven	627	760

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

Given the international sales footprint of the Group, 99% of revenue is realised outside Belgium, with sales in Belgium being equal to around € 7.9m in 2020 (2019: € 12.5m).

All revenue mentioned in the table above reflects the revenue related to contracts with customers, recognised in accordance with IFRS 15. The Group has recognised this 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 (€ 65.3m). Whilst no goodwill has been allocated to Residential, the assets of this CGU have been tested for impairment using the same approach as the impairment testing for goodwill.

The impairment testing has been performed as at 30 September 2020. The assets and liabilities comprising the CGU have not changed significantly since the most recent valuation.

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 as at 30 September 2020, 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 five-year period. Estimates beyond this five-year period are calculated using 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 (2019: 2%), 1% for Commercial Europe and Commercial US (2019: 1%) and an after-tax discount rate of 7.9% (2019: 7.8%).

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 weighted 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 value these two assumptions need to be independently in order to reduce the "value in use" to the carrying amount.

Sensitivity analysis per CGU	Minimal growth rate	Maximum discount rate
Rugs	1.1%	8.6%
Commercial Europe	(5.2%)	11.7%
Commercial US	(24.0%)	17.9%

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 2020 and 2019:

(€ thousands)	2020	2019
Total employee benefit expenses	150,681	167,301
Wages and salaries	107,464	119,761
Social security costs	27,855	31,495
Pension costs	3,970	4,108
Other employee benefit expenses	11,391	11,937

Employee benefit expenses decreased due to an overall decrease in the workforce in combination with using available government unemployment support programmes in Belgium, the UK, France and Germany for the vast majority of our workforce in those countries mainly during the period March to May 2020. The total amounts to €150.7m, compared to €167.3m as at 31 December 2019.

The average number of employees in 2020 and 2019 was respectively 3,843 and 3,915 (both in full time equivalents). Part-time employees are included on a proportionate basis.

equivalents). Part-time employees are included on a proportionate basis.

	2020	2019
Average number of total employees	3,843	3,915
Average number of employees - blue collar	3,006	3,105
Average number of employees - white collar	837	811

NOTE 7 OTHER INCOME AND EXPENSES

(€ thousands)	2020	2019
Other income	5,698	3,455
Foreign exchange gains	1,930	689
Rental income from solar rooftop installations	1,323	1,342
Sales of energy certificates	27	88
Grants	1,742	488
Gain on sale of fixed assets	43	1
Other	633	848
Other expenses	98,672	115,666
Services and other goods	60,096	69,346
Selling expenses	31,695	41,317
Foreign exchange losses	1,626	1,696
Real estate tax	3,398	3,209
Other	1,857	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 € 17.0m to € 98.7m for the year ended 31 December 2020 from € 115.7m for the year ended 31 December 2019. 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 main reason for the decrease is the impact of COVID-19 and cost saving measures which led to lower energy cost, travel expenses and marketing related expenses.

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

The Group incurred € 8.1m of research and development expenses during the 12 months ended 31 December 2020 (2019: € 8.7m). 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 depreciation and amortisation can be summarised as follows:

(€ thousands)	2020	2019
Depreciation/amortisation	40,038	39,602
Amortisation of intangible assets	2,710	2,248
Depreciation property, plant and equipment	38,722	38,749
Release deferred revenue sale-and-leaseback	(1,395)	(1,395)

Depreciation / amortisation amounts to € 40.0m, an increase of € 0.4m compared to 2019.

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 Statement of comprehensive income is € 1.4m, with the balance of deferred income equal to € 7.3m as at 31 December 2020 (€ 8.8m at the end of 2019).

NOTE 9 INTEGRATION AND RESTRUCTURING EXPENSES

The total integration and restructuring expenses incurred in 2020 amount to € 7.8m (2019: € 6.6m). This comprises various items which are considered by management as non-recurring or unusual by nature.

(€ thousands)	2020	2019
Integration and restructuring expenses	7,770	6,641
Corporate restructuring	3,958	60
Strategic advisory services	2,178	6,778
Other	1,633	(197)

The 2020 expense was mainly for advisory fees related to the NEXT programme in the first half of the year (€ 2.2m) and for amending and extending our financing (€ 4.0m).

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

NOTE 10 FINANCE EXPENSES

(€ thousands)	2020	2019
TOTAL FINANCE EXPENSES	29,213	25,357
Interest expense on Senior Secured Notes	20,140	20,140
Interest expense on Senior Term Loan Facility (€ 35m)	120	635
Interest expense on Lease liabilities	3,409	2,417
Interest expense on Bank borrowings	1,981	312
Foreign exchange result on interco transactions	1,911	140
Other finance costs	1,653	1,713

The net finance expense amounted to € 29.2m in 2020, and primarily contains the interest related to external borrowings (Senior Secured Notes, [Super Senior] Revolving Credit Facility and Leasing obligations). Refer to Notes 21 until 24 for a description of these facilities. The net cost increased compared to 2019 as the European and US revolving credit facilities were fully drawn as a precaution against the potential impact of COVID-19 and due to the FX translation impact.

Other finance costs mainly relate to factoring, commitment fees and other bank related charges. The effective interest expense for the Senior Secured Notes comprises cash interest of € 18.2m and the amortisation of capitalised financing fees of € 1.9m which are in line with the previous year.

NOTE 11 INCOME TAX BENEFIT / EXPENSE

(€ thousands)	2020	2019
Income tax benefit / (expense)	(3,555)	7,440
Current tax	(3,193)	(6,088)
Deferred tax	(362)	13,528
Income tax benefit / (expense)	(3,555)	7,440
Income tax calculated at Belgian tax rate (25%)	2,254	(900)
Rate differential due to transactions with foreign entities	(60)	191
Disallowed expenses	(2,517)	(660)
Tax losses for which no deferred tax asset is recognised	(2,236)	(3,131)
Taxation of untaxed reserves	(1,071)	-
Utilization and recognition of previously not recognised tax assets	-	12,485
Other	75	(546)

Income taxes represented a 'benefit' in 2019, driven by the net positive deferred tax income, while it is a 'cost' in 2020.

The Group reported a tax expense for 2020 of € 3.6m (tax income of € 7.4m for 2019) based on a loss before tax of € 9.0m (profit before tax of € 3.0m for 2019). The tax expense is mainly driven by non-recognition of deferred tax assets, non-deductible costs and taxation of previously untaxed Belgian reserves.

NOTE 12 OTHER INTANGIBLE ASSETS

(€ thousands)	Trademark	Software and licences	Internally generated intangible assets	Total
Opening net book value at 1 January 2019	8,407	1,666	1,326	11,399
Additions	-	254	780	1,034
Amortisation charge	(1,039)	(539)	(670)	(2,248)
Exchange differences	162	3	8	172
Closing net book value at 31 December 2019	7,530	1,384	1,443	10,357
Cost or fair value	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 at 31 December 2019	7,530	1,384	1,443	10,357
Opening net book value at 1 January 2020	7,530	1,384	1,443	10,357
Additions	-	727	1,759	2,486
Disposals	-	(5)	-	(5)
Amortisation charge	(951)	(896)	(864)	(2,710)
Exchange differences	(636)	(24)	-	(661)
Closing net book value at 31 December 2020	5,943	1,186	2,338	9,466
Cost or fair value	9,508	6,646	10,864	27,018
Accumulated amortisation, impairment and other adjustments	(3,565)	(5,460)	(8,526)	(17,551)
Closing net book value at 31 December 2020	5,943	1,186	2,338	9,466

The trademark of € 5.9m 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 € 2.7m (2019: € 2.2m) is included in the line "Depreciation, amortisation and impairment" in the Statement of comprehensive income.

NOTE 13 PROPERTY, PLANT AND EQUIPMENT

(€ thousands)	Land and buildings	Plant and machinery	Other Equipment	Total
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)
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 fair value	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
Opening net book value at 1 January 2020	186,173	138,807	12,614	337,594
Additions	1,074	16,304	8,558	25,936
Disposals	(1,475)	(108)	(140)	(1,723)
Transfers	(414)	926	(512)	-
Depreciation charge	(10,055)	(18,519)	(10,010)	(38,583)
Exchange differences	(4,757)	(5,786)	(393)	(10,935)
Closing net book value at 31 December 2020	170,546	131,624	10,118	312,288
Cost or fair value	266,590	527,136	37,200	830,925
Accumulated depreciation, impairment and other adjustments	(96,044)	(395,512)	(27,081)	(518,637)
Closing net book value at 31 December 2020	170,546	131,624	10,118	312,288

In 2020, a total of € 25.9m (2019: € 80.4m) has been added. The main investments in 2020 were in plant, machinery and other equipment.

The total depreciation expense of € 38.6m (2019: € 38.7m) has been charged to "Depreciation and amortisation" in the Statement of comprehensive income.

(€ thousands)	Right-of-use assets	Owned PP&E	Total PP&E
As at 31 December 2019	53,325	284,269	337,594
Additions	2,010	23,926	25,936
Disposals	(1,368)	(355)	(1,723)
Depreciations	(8,722)	(29,861)	(38,583)
Transfer	48,138	(48,138)	-
FX impact	(2,731)	(8,204)	(10,935)
As at 31 December 2020	90,651	221,637	312,288

(€ thousands)	31 December 2020	31 December 2019
Right-of-use assets - Land and Buildings	85,749	47,897
Cost - Capitalised leases	138,694	62,605
Accumulated depreciation	(52,945)	(14,708)
Right-of-use assets - Plant and machinery	4,902	5,428
Cost - Capitalised leases	7,230	6,525
Accumulated depreciation	(2,328)	(1,096)
Right-of-used assets - Total leased Property, Plant & Equipment	90,651	53,325
Cost - Capitalised leases	145,924	69,130
Accumulated depreciation	(55,272)	(15,804)

The main driver behind the transfer of € 48.1m from owned Property, Plant and Equipment towards right-of-use assets is the sale-and-leaseback transaction involving two of the Group's five owned production plants in Belgium in early 2020 (refer to Note 24).

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

Exchange differences (2020: € 10.9m and 2019: € 1.8m) 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 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)	2020	2019
Deferred tax assets:	8,739	11,191
Deferred tax assets to be reversed after more than 12 months	8,084	8,718
Deferred tax assets to be reversed within 12 months	654	2,473
Deferred tax liabilities:	(38,404)	(41,004)
Deferred tax liabilities to be reversed after more than 12 months	(34,120)	(37,074)
Deferred tax liabilities to be reversed within 12 months	(4,284)	(3,930)
Net deferred tax liabilities	(29,665)	(29,813)

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

(€ thousands)	2020	2019
At 1 January	(29,813)	(42,367)
Adoption of accounting policies	-	(1,530)
Exchange differences	554	163
Other comprehensive income	(45)	393
Income statement charge	(362)	13,528
At 31 December	(29,665)	(29,813)

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
At 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)
At 31 December 2019	28,156	1,476	28	1,350	1,195	2,462	1,684	1,452	37,802
At 1 January 2020	28,156	1,476	28	1,350	1,195	2,462	1,684	1,452	37,802
(Charged)/credited to the income statement	(6,799)	(236)	(28)	-	(78)	(1,126)	108	(40)	(8,199)
Exchange differences	(434)	-	-	-	(31)	(122)	(154)	(66)	(806)
Other comprehensive income	-	-	-	-	(45)	-	-	-	(45)
At 31 December 2020	20,923	1,239	0	1,350	1,041	1,214	1,638	1,346	28,752

In assessing the realizability 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 2020, 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 2020, total tax credits amounted to € 527.1m, resulting in a deferred tax asset of € 131.0m of which the Group only recognised € 20.9m at the end of 2020. As of 31 December 2019, total tax credits amounted to € 538.8m, resulting in a deferred tax asset of € 133.9m of which the Group only recognised € 28.2m.

The majority of the tax credits in 2019 and 2020 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 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)
At 1 January 2020	(62,344)	(1,762)	(2,404)	(1,104)	(67,614)
Charged/(credited) to the income statement	6,871	(204)	325	845	7,837
Exchange differences	1,510	108	(278)	20	1,360
At 31 December 2020	(53,963)	(1,859)	(2,357)	(239)	(58,417)

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 € 248.5m as of 31 December 2020 (as compared to € 261.4m as of 31 December 2019).

Adding up the gross amounts of deferred tax assets (€28.7m) and gross amount of deferred tax liabilities (€58.4m) results in a net deferred tax liability position at 31 December 2020 of €29.7m.

NOTE 15 INVENTORIES

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

(€ thousands)	2020	2019
TOTAL INVENTORIES	125,072	152,948
Raw materials and consumables	52,548	64,564
Work in progress	14,853	20,775
Finished goods	57,670	67,609

Inventories showed an overall decrease of € 27.8m due to strict working capital management. The movement in 'Work in progress' and 'finished goods' is detailed as follows:

(€ thousands)	2020	2019
At 1 January	88,384	88,747
Income statement	(15,860)	(364)
Of which: actual movements in inventory	(15,860)	(364)
At 31 December	72,524	88,384

The Group increased the provision for obsolete inventory in 2020 by € 2.9m compared to an increase of € 0.2m in 2019 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".

The sum of raw material expenses and changes in inventories recognised as expenses in 2020 amounts to € 250.2m as compared to € 317.3m in 2019.

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

NOTE 16 TRADE AND OTHER RECEIVABLES

(€ thousands)	2020	2019
TOTAL TRADE AND OTHER RECEIVABLES	51,423	59,499
Trade and other receivables (non-current)	815	1,121
Other amounts receivable	815	1,121
Trade and other receivables (current)	50,608	58,379
Net trade receivables	42,332	50,192
Trade receivables	46,623	52,930
Less: Bad debt allowance	(4,291)	(2,738)
Prepayments and accrued income	2,085	1,967
Other amounts receivable	6,191	6,220

The fair value of 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 excluding reserves which are still on the balance sheet.

Current trade and other receivables amount to € 51.4m as of 31 December 2020 and are € 8.1m lower than 31 December 2019. Mainly due to lower revenue in the final 2 months of the year compared to prior year.

As of 31 December 2020, net trade receivables that were past due amounted to € 2.4m (2019: € 3.4m).

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 for the Group's trade and other receivables are denominated in the following currencies:

(€ thousands)	2020	2019
TOTAL TRADE AND OTHER RECEIVABLES	51,423	59,499
EUR	18,639	24,248
USD	18,613	22,810
GBP	9,858	8,068
TRY	4,313	4,372

The Group is monitoring the recoverability of trade and other receivables on a case by case assessment. In addition, 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 forecasted default rates published by Moody's, adjusted by scalar factors

to reflect differences in the Group's view of current and expected economic conditions and historical conditions. The use of forecasted default rates was implemented in March 2020 which was a change in assumptions compared to last years' calculation when we used historical observed default rates. Balta has revisited the assumptions used in the expected credit loss (ECL) model, based on updated macro-economic assumptions in light of COVID-19. This has resulted in a slightly increased bad debt accruals rates (approximately € 1.2m), which negatively impacts the results for 2020, although we do not see an increase in our credit losses at this point.

(€ thousands)	Not due or less than 15 days past due	More than 15 days past due	Total
At 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
At 31 December 2020			
Expected loss rate	7.1%	48.9%	
Gross carrying amount - trade receivables	44,226	2,396	46,623
Loss allowance	3,120	1,171	4,291

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

(€ thousands)	2020	2019
At 1 January	(2,738)	(2,875)
Increase in loss allowance recognised in profit or loss during the year	(1,835)	(55)
Receivables written off during the year as uncollectible	222	182
Unused amounts reversed	3	13
Exchange difference	58	(4)
At 31 December	(4,291)	(2,738)

The creation and release of allowances for impaired receivables has been included in "Other income/ expenses" in the Statement of comprehensive income. 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 at 31 December 2020 the Group holds collateral (letters of credit and corporate or bank guarantees) for an amount of € 1.5m (2019: € 0.2m). The main reason for the increase compared to prior year is a bank guarantee used to fulfil custom duties at the UK border.

NOTE 17 CASH AND CASH EQUIVALENTS

(€ thousands)	2020	2019
TOTAL CASH AND CASH EQUIVALENTS	106,289	19,241
Cash at bank and on hands	83,243	11,734
Cash in subsidiaries outside the EU	23,046	7,507
Of which in countries with legal restrictions	580	837

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 pledged as security for the Senior Secured Notes and borrowings are described in Notes 21 and 23.

NOTE 18 SHARE CAPITAL AND SHARE PREMIUM

The legal issued share capital of the Group is € 252.9m divided into 35,943,396 ordinary shares without a nominal value. All shares issued by the Group are fully paid, as is a share premium of € 65.7m.

NOTE 19 OTHER COMPREHENSIVE INCOME

Components of "other comprehensive income" ("OCI") are items of income and expenses (including reclassification adjustments) that are not recognised in the Statement of comprehensive income as required or permitted by other IFRSs. The Group has other comprehensive income which mainly relates to re-measurement 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 OCI are summarised in the table below:

(€ thousands)	2020	2019
Items in OCI that may be subsequently reclassified to P&L	(58,102)	(36,931)
Cumulative translation reserves at 31 December	(58,066)	(36,780)
Cumulative translation reserves at beginning of the period	(36,780)	(34,647)
Exchange differences on translating foreign operations	(21,287)	(2,133)
Cumulative changes in fair value of hedging instruments at 31 December	(35)	(151)
Cumulative changes in fair value of hedging instruments at beginning of the period	(151)	94
Changes in fair value of hedging instruments during the period	116	(245)
Items in OCI that will not be reclassified to P&L	63	(180)
Changes in deferred tax at 31 December	(364)	(318)
Changes in deferred taxes at beginning of the period	(318)	(711)
Changes in deferred taxes during the period	(45)	393
Changes in employee defined benefit obligations at 31 December	427	137
Changes in employee defined benefit obligations at beginning of the period	137	1,877
Changes in employee defined benefit obligations during the period	290	(1,740)
TOTAL OTHER COMPREHENSIVE INCOME AT 31 DECEMBER	(58,039)	(37,113)

CASH FLOW HEDGE ACCOUNTING

The movement schedule below summarizes the amounts recorded in the cash flow hedge reserve and the portion that was recognised in the Statement of comprehensive income in relation to contracts that were settled in December 2020. The amounts recognised in the Statement of comprehensive income have been presented as "Other income" – see Note 7.

(€ thousands)	2020	2019
Cash flow hedge reserve, ending balance	(35)	(151)
Opening balance	(151)	94
Amounts recorded in the cash flow hedge reserve	309	(527)
Amounts recognized in the income statement	(193)	281

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 28 for further details.

The liability has been measured using a discount rate of 0.35% for 2020 and 0.5% for 2019.

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)	2020	2019
At 1 January	18,343	9,457
Adoption of accounting policies	-	(1,530)
Reclassified from OCI	(19)	-
Equity-settled share-based payment plans	34	15
Profit / (loss) for the year allocated to equity owners	(12,585)	10,401
At 31 December	5,774	18,343

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 Secured Debt Facilities and the restrictions which are imposed by law.

NOTE 21 SENIOR SECURED NOTES

(€ thousands)	2020	2019
TOTAL SENIOR SECURED NOTES	237,361	235,426
Non-Current portion	233,936	232,001
Of which: gross debt	234,900	234,900
Of which: capitalised financing fees	(964)	(2,899)
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 subsidiaries. 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. We refer to the subsequent events section (refer to note 40) for information on the exchange offer we launched at the beginning of February 2021 to extend the maturity of the Senior Secured Notes by two more years.

Interest on the Senior Secured Notes accrues at the rate of 7.75% per annum and is 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 through the Statement of comprehensive income over the term of the debt in accordance with the effective interest method. It follows that the amount of capitalised financing fees expensed during 2020 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 through the Statement of comprehensive income 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 which mainly relate to shares of the guarantors and certain intra-group loans and receivables of the guarantors. In 2020, additional securities were issued in favour of the noteholders and the European Super Senior Revolving Credit Facility banks with respect to the Belgium real estate property in Waregem and Sint-Baafs-Vijve. 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 European Super Senior Revolving Credit Facility (see Note 23) 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 European Super Senior Revolving Credit Facility and certain hedging obligations have been repaid in full. Any such proceeds will, after all obligations under the European 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 rateable basis.

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

NOTE 22 SENIOR TERM LOAN FACILITY

(€ thousands)	2020	2019
TOTAL SENIOR TERM LOAN FACILITY	-	34,927
Current portion	-	34,927
Of which: gross debt	-	35,000
Of which: accrued interests	-	19
Of which: capitalized financing fees	-	(92)

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

Similar to the European Super Senior Revolving Credit Facility (Note 23), the Group was subject to quarterly reporting requirements and an annual guarantor coverage test.

Interest on the Senior Term Loan Facility accrued at the rate of Euribor + 1.40% margin per annum and was 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 the Senior Term Loan Facility were included in the carrying amount and amortised into the Statement of comprehensive income over the term of the debt in accordance with the effective interest method.

On 21 January 2020, the Group announced the early redemption of the € 35.0m Senior Term Loan Facility after the closing of a € 42m long term sale-and-leaseback transaction (refer to Note 24).

NOTE 23 BANK AND OTHER BORROWINGS

The table below provides an overview of the bank and other borrowings that existed on 31 December 2020 and 31 December 2019:

(€ thousands)	2020	2019
TOTAL BANK AND OTHER BORROWINGS	148,493	57,643
Non-current portion	74,513	48,963
Other lease liabilities	29,515	37,788
Sale-and-leaseback liabilities	45,674	11,175
Of which: capitalised financing fees related to the sale-and-leaseback	(676)	-
Current portion	73,981	8,680
Other lease liabilities	6,846	7,469
Sale-and-leaseback liabilities	4,390	1,125
Of which: capitalised financing fees related to the sale-and-leaseback	(84)	-
Bentley RCF	7,342	-
Super Senior RCF	55,486	-
Commitment fees	-	86

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 (excluding IFRS 16 except for sale-and-leasebacks).

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 agreement providing for a € 40.0m European Super Senior Revolving Credit Facility; which was increased to € 45.0m in 2016, € 68.0m in 2017 and eventually lowered again to € 61.0m in January 2020.

On 18 July 2017, Balta renegotiated the agreement and obtained more favourable 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 European 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 European 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 European Super Senior Revolving Credit Facility. Amounts drawn under the European 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 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 European Super Senior Revolving Credit Facility is also guaranteed by each Guarantor. In 2020, additional securities were issued in favour of the noteholders and the European Super Senior Revolving Credit Facility banks with respect to the Belgium real estate property in Waregem and Sint-Baafs-Vijve. 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 the Senior Term Loan Facility banks will receive proceeds from the enforcement of the collateral only after indebtedness in respect of the European Super Senior Revolving Credit Facility and certain hedging obligations have been repaid in full.

As a precautionary measure, to address our short term liquidity and working capital needs, on 11 March 2020, we drew the full amount of € 56.0m under the European Super Senior Revolving Credit Facility.

On 9 October 2020, Balta signed agreements with each of its lenders under its existing European Super Senior Revolving Credit Facility to amend and extend the maturity date from 11 August 2021 to at least 30 June 2022. The maturity date would be further extended to a date no later than 30 June 2024, subject to a refinancing or an extension of the Senior Secured Notes due September 2022. We refer to the subsequent events section (Note 40) for more information on the latter. The amendment and extension were granted in return for a small increase in interest rate.

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. As a precautionary measure, to address our short term liquidity and working capital needs, on 11 March 2020, we drew the full \$18.0m under the Revolving Credit Facility. During Q4 2020, we repaid half of the outstanding amount. We confirm that we have complied with all covenants over the reporting period.

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 its normal course of business at face value less certain reserves and fees. The credit 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 have been transferred, the trade receivables assigned to the

factoring companies have been derecognised from the Statement of financial position.

In 2020 the Group continues to recognise a portion of the receivables to the extent of its continuing involvement, in accordance with IFRS 9 (€ 23.3m).

The Group is also party to an Accounts Receivables Purchase Agreement with a financial institution, in the framework of a supply chain financing programme 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 receivable are derecognised at the moment the cash is received.

NOTE 24 LEASES

The lease liabilities have increased from € 57.6m as of 31 December 2019 to € 85.7m as of 31 December 2020. At the end of 2020, the corresponding lease liability related to IFRS 16 (excluding sale-and-leaseback) amounts to € 36.2m.

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 9 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 2020.

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 2020:

(€ thousands)	IFRS 16 excl sale & lease back	Sale & lease back	Total
At 31 December 2019	45,257	12,342	57,599
Additions	1,665	42,000	43,665
Disposals	(1,263)	-	(1,263)
Capitalization of financing fees	-	(760)	(760)
Accretion of interest	2,007	1,416	3,422
Payments	(8,586)	(5,694)	(14,231)
Exchange impact	(2,718)	-	(2,767)
At 31 December 2020	36,362	49,304	85,665
Current lease liability	6,846	4,306	11,152
Non-current lease liability	29,515	44,998	74,513
TOTAL LEASE LIABILITY	36,362	49,304	85,665

(€ thousands)	2020	2019
TOTAL PRESENT VALUE OF LEASE LIABILITIES (EXCLUDING CAPITALISED FINANCING FEES)	86,425	57,599
No later than 1 year	10,581	8,680
Later than 1 year and no later than 5 years	44,067	33,611
Later than 5 years	31,777	15,308

The Group uses foresight 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 are considered in this analysis. Variable lease payments are not included in the measurement of lease liabilities.

On 21 January 2020, the Group announced the closing of a € 42m long term sale-and-leaseback 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.

NOTE 25 NET DEBT RECONCILIATIONS

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

(€ thousands)	Liabilities from financing activities								Cash and Cash equivalents	Total net financial debt
	Senior Secured Notes due after 1 year	Senior Secured Notes due within 1 year	Senior Term Loan Facility due within 1 year	Lease liabilities due after 1 year	Lease liabilities due within 1 year	Super Senior RCF	Bentley RCF	Total gross financial debt		
Net debt at 31 December 2019	(234,900)	(5,360)	(35,019)	(48,963)	(8,680)	-	-	(332,922)	19,241	(313,681)
Cashflows	-	-	-	-	-	-	-	-	89,735	89,735
Proceeds of borrowings with third parties	-	-	-	(38,008)	(3,992)	(55,442)	(16,429)	(113,872)	-	(113,872)
Foreign exchange adjustments	-	-	-	2,767	-	-	1,761	4,528	(2,687)	1,841
Repayments of borrowings with third parties	-	-	35,019	-	11,102	-	7,334	53,456	-	53,456
Other non-cash movements	-	-	-	9,015	(9,666)	(44)	(8)	(703)	-	(703)
Net debt at 31 December 2020	(234,900)	(5,360)	-	(75,189)	(11,236)	(55,486)	(7,342)	(389,514)	106,289	(283,225)

The table above does not include the movements in capitalised financing fees, or the interest paid (see Note 21, 22 and Note 24).

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	2020	2020	2019	2019
		Carrying amount	Fair value	Carrying amount	Fair value
Assets as per statement of financial positions		157,712	157,712	78,743	78,743
Loans and receivables		157,712	157,712	78,740	78,740
Trade and other receivables		51,423	51,423	59,499	59,499
Cash and cash equivalents	LEVEL 1	106,289	106,289	19,241	19,241
Assets at fair value through OCI		-	-	3	3
Foreign exchange derivative financial instruments	LEVEL 2	-	-	3	3
Liabilities as per statement of financial positions		495,635	482,350	437,427	423,465
Financial liabilities measured at amortised cost		495,532	482,247	437,015	423,053
Senior Secured Notes	LEVEL 1	237,361	224,076	235,426	221,464
Senior Term Loan Facility	LEVEL 2	-	-	34,927	34,927
Bank and other borrowings	LEVEL 2	148,493	148,493	57,643	57,643
Trade and other payables		109,678	109,678	109,019	109,019
Financial liabilities measured at fair value through OCI		103	103	413	413
Foreign exchange derivative financial instruments	LEVEL 2	103	103	413	413

Different valuation levels 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 values of the Senior Secured Notes and Senior Term Loan facility are based on a Level 1 estimate. The fair values of all other financial instruments, with the exception of cash- and cash equivalents, have been determined using Level 2 estimates. The fair values 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 programme 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 EUR.

Our Consolidated Financial Statements are prepared in EUR. 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 EUR. 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 statement of comprehensive income, which is reported in EUR, 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 EUR 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 EUR, our sales volumes may increase as we become more competitive in non-Eurozone markets. In contrast, a long term strengthening of the EUR 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 2020 Net exposure	17,573	7,597	19,845	3,019	48,034
Trade and other receivables	18,639	9,858	18,613	4,313	51,423
Cash and cash equivalents	76,283	3,616	26,213	176	106,289
Trade and other payables	(77,349)	(5,877)	(24,980)	(1,471)	(109,678)

(€ 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)	(109,019)

The following table presents the sensitivity analysis of the year-end Statement of financial position in GBP, USD and TRY if the EUR were to weaken by 10%.

(€ thousands)	2020	2019
GBP denominated	(1,292)	(3,107)
Changes in fair value derivative financial instruments	(2,136)	(3,459)
Changes in carrying amount of monetary assets and liabilities	844	352
USD denominated	2,205	1,130
Changes in carrying amount of monetary assets and liabilities	2,205	1,130
TRY denominated	335	366
Changes in carrying amount of monetary assets and liabilities	335	366

The following table presents the sensitivity analysis of the year-end Statement of financial position in GBP, USD and TRY in case the EUR were to strengthen by 10%:

(€ thousands)	2020	2019
GBP denominated	1,057	2,542
Changes in fair value derivative financial instruments	1,747	2,830
Changes in carrying amount of monetary assets and liabilities	(691)	(288)
USD denominated	(1,804)	(925)
Changes in carrying amount of monetary assets and liabilities	(1,804)	(925)
TRY denominated	(274)	(300)
Changes in carrying amount of monetary assets and liabilities	(274)	(300)

COMMODITY PRICE RISK

We are exposed to fluctuations in the price of the major raw materials used in the manufacturing process.

In 2020, due to a combination of lower prices and purchasing volumes, raw material expenses represented 41.7% of the Group's revenue compared to 47.2% 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.

If the commodity prices of our main raw materials had been 10% higher (lower), in the absence of any mitigating actions taken by management, adjusted EBITDA would have been approximately €11m lower (higher). This impact has been determined by multiplying the volumes of our main raw materials purchased on an annual basis by a 10% variance on the average purchase price for the year. The sensitivity calculation takes into account the typical time lag between purchasing raw materials 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 2020 or 2019.

INTEREST RATE RISK

Our interest rate risk principally relates to external indebtedness that bears interest at variable rates. Excluding IFRS 16 (except for sale-and-leasebacks), only the amounts that we borrow under the European Super Senior Revolving Credit Facility, our capital leases of buildings and the amounts 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 a 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	23	(36)
Non-derivative floating rate financial liabilities	23	(36)

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 credit 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. As a result of changing market conditions, Balta has taken the necessary actions to limit the credit risk as much as possible. Balta has revisited the assumptions used in the expected credit loss (ECL) model (refer to Note 16), based on updated macro-economic assumptions in light of COVID-19. This has resulted in slightly increased bad debt accruals rates (approximately € 1.2m), which negatively impact the results for 2020, although we do not see the negative impacts at this point.

Default rates did not exceed 1% for 2020 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)	2020	2019
TOTAL CASH AND BANK EQUIVALENTS	106,289	19,241
A rating	105,731	18,404
BB Rating	555	837
B Rating	2	-

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 the 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 2020 are the Senior Secured Notes, European Super Senior Revolving Credit Facility 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 2020. Please note this does not take into account the Exchange Offer we launched at the beginning of February 2021 to extend the maturity of the Senior Secured Notes by two more years. We refer to the subsequent events section (refer to Note 40).

(€ 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 AT 31 DECEMBER 2020	(187,881)	(15,287)	(244,777)	(33,791)	(34,055)
Senior Secured Notes	(9,102)	(9,102)	(234,900)	-	-
Bentley RCF	(7,342)	-	-	-	-
Super Senior RCF	(55,486)	-	-	-	-
Lease liabilities	(6,183)	(6,177)	(9,877)	(33,791)	(34,055)
Trade and other payables	(109,678)	-	-	-	-
Gross settled derivative financial instruments - outflows	(15,610)	(723)	-	-	-
Gross settled derivative financial instruments - inflows	15,521	716	-	-	-

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. We refer to the subsequent event section of this report (Note 40) for more information on the extended maturity of both our Senior Secured Notes and our European Super Senior Revolving Credit Facility.

In particular, the European Super Senior Revolving Credit Facility includes a springing Leverage covenant at 6.5x, however this is only tested at the end of a quarter and provided more than 30% of the European Super Senior Revolving Credit Facility is used at that time which was the case at the end of December 2020. The leverage at the end of the year was 4.2x. The \$18m revolving credit facility at BPS Parent Inc. includes a local leverage and fixed charge coverage covenant, providing ample headroom.

As a precautionary measure at the start of the COVID-19 pandemic, to address our short term liquidity and working capital needs, on 11 March 2020, we fully drew both the € 56.0m European Super Senior RCF and the \$18.0m Revolving Credit Facility.

The difference in total lease liabilities in the table above (€ 90.1m) versus the table shown in Note 24 (€ 86.4m) is because the € 90.1m is an undiscounted amount while the € 86.4m represents the net present value.

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 AT 31 DECEMBER 2019	(161,157)	(13,555)	(26,302)	(273,771)	(20,856)
Senior Secured Notes	(9,102)	(9,102)	(18,205)	(253,105)	-
Senior Term Loan Facility	(35,046)	-	-	-	-
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	-	-	-

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 as follows:

	2020	2020	2019	2019
	Moody's	S&P	Moody's	S&P
Long term issue rating Senior Secured Notes	Caa1	B-	B2	BB-
Corporate rating	B3	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 financial performance. During April 2020, Moody's decided to further downgrade the corporate rating to 'B3' and the Senior Secured Notes to 'Caa1' both with a negative outlook mainly referring to the uncertainties caused by the outbreak of COVID-19 and the challenges that Balta may face in refinancing its near-term debt maturities.

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 the €290m Senior Secured Notes and its 'BB-' long-term issue rating to the €68m European 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 financial performance, the corporate rating was reduced to 'B' and the long-term issue rating on the European Super Senior Revolving Credit Facility to 'BB-'.

In March 2020, S&P decided to further downgrade the ratings for the Senior Secured Notes and the Balta Group to 'B-' due to cash flow generation uncertainty and refinancing risks. We also refer to the subsequent event section for the latest update on our ratings (see Note 40).

CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern to provide returns for shareholders, 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 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 0.35% and 0.5% in 2020 and

2019, respectively. The annual pension cost, relating to the pension plan is disclosed in Note 6.

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

(€ thousands)	2020	2019
TOTAL EMPLOYEE BENEFIT OBLIGATIONS	3,950	4,533
Pension plans	3,070	3,333
Provisions early retirement pension	880	1,201
TOTAL EMPLOYEE BENEFIT OBLIGATIONS	3,950	4,533
Non current	3,643	4,106
Current	307	427

PENSION PLANS: OVERVIEW

Pension plans have been put in place for management and are 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 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 the relevant date.

Pension plans: main valuation assumptions

The main assumptions used to perform the valuation are described below:

	2020	2019
Discount rate BE	0.35%	0.50%
Discount rate TR	3.67%	4.57%
Retirement age	65 years	65 years
Mortality	MR/FR-5	MR/FR-5

For the year ended 31 December 2020, the defined benefit obligation, taking into account the tax effect, amounts to € 19.6m (2019: € 18.6m) and the offset by plan assets of € 16.9m (2019: € 15.9m).

NOTE 29 OTHER PAYROLL AND SOCIAL RELATED PAYABLES

(€ thousands)	2020	2019
TOTAL OTHER PAYROLL AND SOCIAL RELATED PAYABLES	33,904	36,995
Holiday pay	15,912	14,835
Social security taxes	3,876	6,233
Salaries and wages payable	9,311	11,082
Early retirement provision	307	427
Group insurance	2	68
Withholding taxes	1,088	1,470
Other	3,409	2,879

Other payroll and social related payables decreased from € 37.0m as of 31 December 2019 to € 33.9m as of 31 December 2020. The decrease can be explained due to an overall decrease in the workforce.

NOTE 30 PROVISIONS FOR OTHER LIABILITIES AND CHARGES

(€ thousands)	Asset retirement obligation	Restructuring	Warranty	Other	Total
At 1 January 2020	863	164	1,853	13	2,893
Additional provisions made and increases to existing provisions	155	-	-	-	155
Exchange differences	(48)	-	(170)	-	(218)
Amounts used	-	(164)	(166)	(13)	(343)
At 31 December 2020	970	-	1,517	-	2,487
Analysis of total provisions (€ thousands)					2020
Non-current					2,487
Current					-
					2,487

The provision for other liabilities and charges decreased by € 0.4m to € 2.5m for the year ended 31 December 2020.

NOTE 31 TRADE AND OTHER PAYABLES

(€ thousands)	2020	2019
Trade and other payables	109,678	109,019
Trade payables	82,890	80,687
Accrued charges and deferred income	26,050	27,661
Other payables	739	671

Trade payables as of 31 December 2020 of €109.7m include the amounts for outstanding invoices (€67.9m, as compared to €65.6m as of 31 December 2019) and invoices to be received in relation to goods and services received during the current period (€15.0m, as compared to €15.1m as of 31 December 2019).

Accrued charges and deferred income mainly relate to:

- Deferred revenue relating to the sale-and-leaseback of one of the facilities which is recognised in the Statement of comprehensive income over the leasing period of the facilities (€ 7.3m, as compared to € 8.7m as of 31 December 2019);
- Deferred revenue relating to advance payments on rental agreements (€ 2.1m, as compared to € 2.5m as of 31 December 2019);
- Accrued charges for customer discounts (€ 13.6m, as compared to € 13.3m as of 31 December 2019).

NOTE 32 SHARE BASED PAYMENTS

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". 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 government 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 2020, € 1.5m has been received in this framework, compared to € 0.4m in 2019.
- Investment grants: the Group was granted € 0.2m in 2019 for the development of alternative polyolefins for bitumen of which it received € 0.1m in 2020.

NOTE 34 EARNINGS PER SHARE

BASIC AND DILUTED EARNINGS PER SHARE

(€ thousands)	2020	2019
BASIC AND DILUTED EARNINGS PER SHARE		
Net result from continuing operations	(12,585)	10,401
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	(12,585)	10,401
Weighted average number of ordinary and diluted shares outstanding (in thousands)	35,943	35,943
Net result per share attributable to holders of ordinary and diluted shares (in Euro)	(0.35)	0.29

In accordance with IAS 33, basic earnings per share is 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 results for 2020 and 2019 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.

(€ thousands)	2020	2019
ADJUSTED EARNINGS PER SHARE ⁽¹⁾		
Net result from continuing operations	(12,585)	10,401
Normalisation adjustments:	9,134	(3,856)
Adjusted Net Result from continuing operations	(3,451)	6,545
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	(3,451)	6,545
Weighted average number of ordinary and diluted shares outstanding (in thousands)	35,943	35,943
Net result per share attributable to holders of ordinary and diluted shares (in Euro)	(0.10)	0.18

(1) We refer to the Note 1.25 in which we provide a glossary of the non-GAAP measures and Note 3.

The loss for 2020 includes the non-recognition of deferred tax assets and taxation of previously untaxed Belgian reserves (see Note 11), offset by the net of tax impact of the €7.7m non-recurring expenses for integration and restructuring. In the absence of such events, the normalized loss for the period would have been €3.5m. Similarly, the profit for 2019 includes a

net non-recurring expense of €6.6m (as in Note 3), resulting in a normalized net profit of €6.5m.

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

Given the uncertain COVID-19 environment, the investments in growth and cost saving initiatives resulting from our NEXT programme, combined with our Leverage exceeding 3.0x at year-end, the Board will not propose a dividend for 2020.

NOTE 36 COMMITMENTS

ENERGY

Our fixed price purchase commitments for electricity and gas, for deliveries in 2021 and 2022, are equal to € 4.2m as of 31 December 2020 compared to an amount of € 17.3m as of 31 December 2019.

CAPITAL EXPENDITURES

As of 31 December 2020, € 3.6m capital commitments are outstanding compared to € 2.1m as of 31 December 2019.

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.

	At 31 December 2020		At 31 December 2019	
	% of interest	% of control	% of interest	% of control
Belgium				
Balta NV	100%	100%	100%	100%
Balta Industries NV	100%	100%	100%	100%
Modulyss NV	100%	100%	100%	100%
Balta Oudenaarde NV	95%	100%	95%	100%
Balfid BV	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%	100%	100%

Balta Floorcovering UK, with company registration 11978782, a subsidiary of our company, is taking advantage of exemption from audit in accordance with section 479A of the Companies Act 2006 of the United Kingdom and is, therefore exempted from the requirement of this Act.

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. In 2018, a contract was signed with a related party of the main shareholder, the impact on the 2019 and 2020 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)	2020	2019
TOTAL KEY MANAGEMENT COMPENSATION	3,580	3,404
Short term employee benefits	3,404	3,221
Long term employee benefits	-	10
Board compensation	154	163
Termination benefits	-	-
Share-based payments	22	9

Refer to the 'Corporate Governance 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)	2020	2019
Other payables to related parties	-	(91)

The year-end balances mainly arose from current account positions as a result of payments which have been performed on behalf of Group entities. All these current accounts were settled.

NOTE 39 FEES PAID TO THE GROUP'S AUDITORS

(€ thousands)	2020	2019
Audit services	581	369
Audit of the Group pursuant to legislation	581	369
Non-audit services	124	147
Tax services	80	-
Other services	44	147
TOTAL FEES PAID TO THE GROUP'S AUDITOR	705	516

NOTE 40 EVENTS AFTER THE REPORTING PERIOD

Balta Group announced on 2 February 2021 that it has entered into an agreement with noteholders representing c. 52% of the aggregate principal amount of the 7.75% Senior Secured Notes due 2022 (the "Existing Notes") issued by LSF9 Balta Issuer S.à r.l (the "Issuer"), to tender their Existing Notes in an exchange offer (the "Exchange Offer") for new Senior Secured Notes with a maturity of 31 December 2024 (the "New Notes"), to vote in favour of certain amendments to the terms of the Existing Notes and the indenture governing the Existing Notes (the "Existing Indenture") by way of a consent solicitation ("Consent Solicitation") and to support commencement of a scheme of arrangement under Part 26 of the UK Companies Act 2006 or an analogous legal process in the United Kingdom (the "Scheme") (the "Scheme Solicitation").

On 3 March 2021 Balta Group was pleased to announce that it has received sufficient support for the Exchange Offer to implement it without the need to apply a scheme of arrangement. Eligible holders of the Existing Notes had validly tendered (and not validly withdrawn) € 233,061,300 in aggregate principal amount (representing 99.22%) to exchange their Existing Notes for new Senior Secured Notes with a maturity of 31 December 2024 (the "New Notes") or cash and to vote in favour of certain amendments to the terms of the Existing Notes and the Existing Indenture by way of the Consent Solicitation. As a result, the € 61m European Super Senior Revolving Credit Facility further extended to 30 June 2024.

On 22 February 2021, S&P revised the Company's outlook from negative to positive after Balta successfully managed to extend the maturity dates of its Senior Secured Notes and the European Senior Secured Revolving Credit Facility to 2024.

COVID-19 STATEMENT

Following a strong start in the first two months of 2020, the disruptive impact of COVID-19 began in March 2020. Balta took swift and decisive measures to protect its employees and other stakeholders, to reduce its operating costs and to manage its cash flows. In the second quarter, 6 of our 8 plants were temporarily shut down on a voluntary basis to manage costs, senior staff took voluntary reductions in pay, the vast majority of staff were put into temporary unemployment programmes and all non-essential expenditure was deferred. Despite the voluntary closures, we retained the flexibility to resume partial production at our facilities to satisfy demand and service customer orders. As a precautionary measure, to address our short term liquidity and working capital needs, revolving credit facilities were fully drawn and covenants renegotiated. In Q1 2021, we saw Q4 2020 trends broadly continue and we have a solid order book. We remain vigilant as new pandemic restrictions have been imposed in most of our markets and together with other market distortions, such as capacity constraints of raw material supplies and freight congestion, are leading to cost increases.

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 are still reducing our marketing costs as well as samples and other capital expenditure. Additionally, we are closely monitoring our accounts receivable and accounts payable to manage our cash inflows and outflows. Nevertheless, we were able to repay during Q4 2020 half of the outstanding amount of the \$18.0m Revolving Credit Facility leaving us with a further € 7.4m headroom to draw under the US Revolving Credit Facility. We have also assumed that our customers will continue to pay according to invoice terms (which was the case in 2020 and so far in 2021). Based on these assumptions and based on the currently available information and forecasts in combination with the extension of our Senior Secured Notes as discussed above, 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.

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 2020 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 2020 gives a true and fair view on the financial position and results of the company in accordance with all legal and regulatory dispositions.

(€ thousands)	2020	2019
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	3,061	3,313
Cash and cash equivalents	-	-
TOTAL CURRENT ASSETS	3,061	3,313
TOTAL ASSETS	471,988	472,241
Share capital	260,590	260,590
Share premium	65,660	65,660
Other reserves	147,125	147,125
Retained earnings	(1,923)	(2,049)
TOTAL EQUITY	471,452	471,325
TRADE AND OTHER PAYABLES	536	915
TOTAL CURRENT LIABILITIES	536	915
TOTAL EQUITY AND LIABILITIES	471,988	472,241

(€ thousands)	Period ended 31 December 2020	Period ended 31 December 2019
Other income	1,951	2,998
Other expenses	(1,824)	(2,907)
Operating profit / (loss)	128	91
Finance income	1	2
Finance expenses	(2)	(4)
Profit / (loss) for the period before taxes	127	89
Income tax benefit/ (expense)	(0)	(0)
Profit / (loss) for the period after taxes	126	89

The profit of the year has been allocated to the retained earnings awaiting shareholders' approval.

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 2020
23 April 2021

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 2020

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 meeting d.d. 26 May 2020, 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 meeting which will deliberate on the annual accounts for the year ended 31 December 2022. We have performed the statutory audit of the consolidated accounts of Balta Group NV for 4 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 2020, 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 accounts, 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) 803,563 and a loss for the year (Equity holders) of EUR (000) 12,585.

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 2020, 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.

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 key audit matter

Balta carries a significant amount of goodwill, amounting to EUR (000) 189,952 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 a total provision of EUR 8,7 million recorded for these uncertainties.

How our audit addressed the key audit matter

We have tested the completeness and accuracy of the amounts reported for current and deferred taxes, including the assessment of the uncertain tax positions and deferred taxes, based on the developments in 2020. 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 2020 amounts to EUR 13,6 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 2020. We have agreed the amounts to underlying customer agreements, recalculated the accrual and performed a retrospective analysis of the accruals per 31 December 2019. Our audit has also included review of credit notes and other adjustments to trade receivables after 31 December 2020. 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. Our responsibilities in respect of the use of the going concern basis of accounting by the board of directors are described below.

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 accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the 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 and the other information included in the report on the consolidated accounts.

Statutory auditor's responsibilities

In the context of our engagement 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 the other information included in the report on the consolidated accounts and to report on these matters.

Aspects related to the directors' report on the consolidated accounts and to the other information included in the annual 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 the reference framework Global Reporting Initiative (GRI) Standards. 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 Global Reporting Initiative (GRI) Standards as disclosed in the directors' report on 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 11 of the Regulation (EU) N° 537/2014.

Ghent, 23 April 2021

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



Peter Opsomer
Bedrijfsrevisor / Réviseur d'Entreprises

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 2020, 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 employed, as management believes that these 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.

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 / amortisation 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 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.

Leverage is defined as the ratio of Net Debt to Adjusted EBITDA (excluding IFRS16 as per financing documentation, except for sale-and-leaseback transactions).

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 'cannibalisation 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 (e.g. maintenance).

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 road-shows 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 as well as to our United States subsidiary, Bentley.

SHAREHOLDER STRUCTURE

The shareholder structure of Balta Group NV, based on the declarations received in the period up to 31 December 2020, is as follows:

Shareholder	Number of shares	% ¹
LSF9 Balta Holdco S.A.R.L.	19,408,879	54.00%
Farringdon Capital Management	1,804,095	5.02%
Management	363,245	1.01%
Public	14,367,177	39.97%
Total	35,943,396	100.00%

SHARE PERFORMANCE

Balta shares are listed on Euronext Brussels. The calendar year ended with a share price of € 2.20, 21% below the share price of € 2.80 at the end of 2019.

ANALYST COVERAGE

Balta was covered by three analysts as of 31 December 2020. Details are available in the Investor Relations section of our investors website (www.baltainvestors.com).

FINANCIAL CALENDAR²

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Annual General Meeting

27
August 2021

Half Year Results

29
October 2021

Third Quarter Results

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¹ at the time of the declaration

² dates are provisional

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