Press Release

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Balta 2021 First Half Results

Group Highlights

- H1 consolidated Revenue of €318.3m (+19.5% YoY)
  - Organic revenue improved by 21.7%, while FX reduced revenue by 2.2%
  - Revenue growth by division: Rugs +48.0%, Residential +27.0%, Commercial -7.4%
- H1 Adjusted EBITDA improved significantly to €44.2m (+142.2% YoY) with an Adjusted EBITDA margin of 13.9% (6.9% in H1 2020)
  - Rugs +€20.1m YoY
  - Residential +€4.9m YoY
  - Commercial +€1.1m YoY
- While the magnitude of the improvement versus H1 2020 was influenced by the extraordinary impact of COVID-19 on Q2 2020, H1 2021 Adjusted EBITDA was also 18.6% stronger than in H1 2019.
- Net Debt increased slightly by 0.7% to €294.9m at H1 2021 compared to Q1 2021. Driven by the strong Adjusted EBITDA results, Leverage[1] at Q2 2021 decreased to 3.0x (from 4.0x at Q1 2021).
- Total available liquidity amounted to €98.3m at Q2 2021, comprising cash of €87.5m and €10.8m headroom under revolving credit facilities.

Business Update

- As of H1 2021, we have recorded four consecutive quarters of significant YoY revenue and margin recovery and growth since COVID-19 impacted our business.
- The improvements in H1 2021 versus prior year are based on stronger volumes, better prices and product mix, the lower cost of raw material purchased in H2 2020, as well as our NEXT initiatives. They were achieved despite adverse exchange rates and a normalisation of fixed expenses as temporary economical unemployment and other cost reduction measures expired.
- The recovery has been pronounced in and driven by our consumer-oriented Rugs and Residential divisions. Our Commercial and Non-Woven divisions are still due to normalize to pre-COVID-19 levels although, in the meantime, we have advanced their strategic positioning. For example, Modulyss has been awarded "Cradle to Cradle" Certified™ Gold and Silver certificates for an additional 51 sustainable products, bringing the total to 178.

[1] Excluding IFRS 16 impact

- Our NEXT program continued to deliver strong results in H1 2021, contributing a material part of our margin improvement. Operational NEXT savings added another €4m of Adjusted EBITDA in H1 2021 versus 2020. Top-line NEXT initiatives realized €32m of incremental revenue in H1 2021 versus 2020. Overall, NEXT results are ahead of target.

Cyrille Ragoucy, CEO and Chairman of the Board of Balta said,

"Trading in the second quarter of 2021 added to the strong cycle over the last 12 months. Balta achieved healthy margin growth in the first half of 2021, supported by strong volume recovery, especially in the Rugs and Residential divisions. Commercial's revenues remained stable, but below pre-COVID-19 levels, as corporates are still investing cautiously and are yet to recover.

Our H1 2021 Adjusted EBITDA ended well above H1 2020 (and was also up against H1 2019), reflecting the strong volume performance. In addition, we benefited from the lower cost of raw materials purchased in H2 2020 as well as from our NEXT program, notwithstanding the impact of negative currency translation and certain remaining COVID-19 restrictions.

The recovery from COVID-19 doesn't come without challenges. Next to focussing on volume recovery, Balta has implemented price increases across all divisions in response to the sharp raw material and transportation cost increases during H1 2021. These price increases have already started to benefit Q2 2021 results, while – for accounting reasons – the cost increases will mainly impact H2 2021. We remain vigilant to ensure we continue to respond appropriately to the global macroeconomic uncertainties."

H1 2021 Revenue and Adjusted EBITDA per Division

(€ million, unless otherwise mentioned)	H1 2021	H1 2020	% Change	o/w organic growth	o/w FX
Rugs	124.8	84.3	48.0%		
Commercial	93.1	100.5	(7.4)%		
Residential	92.4	72.8	27.0%		
Non-Woven	8.0	8.8	(8.7)%		
Consolidated Revenue	**318.3**	**266.4**	**19.5%**	**21.7%**	**(2.2)%**
Rugs	21.1	1.0	1912.6%		
Commercial	15.1	13.9	8.2%		
Residential	8.0	3.1	158.1%		
Non-Woven	0.1	0.2	(64.2)%		
Consolidated Adjusted EBITDA	**44.2**	**18.3**	**142.2%**	**148.4%**	**(6.2)%**
Rugs	16.9%	1.2%			
Commercial	16.2%	13.9%			
Residential	8.6%	4.2%			
Non-Woven	0.9%	2.3%			
Consolidated Adjusted EBITDA Margin	**13.9%**	**6.9%**			

Q2 2021 Revenue and Adjusted EBITDA per Division

(€ million, unless otherwise mentioned)	Q2 2021	Q2 2020	% Change	o/w organic growth	o/w FX
Rugs	64.9	35.2	84.5%		
Commercial	47.3	43.6	8.4%		
Residential	49.3	25.8	91.2%		
Non-Woven	4.2	2.1	105.0%		
Consolidated Revenue	**165.7**	**106.7**	**55.4%**	**58.2%**	**(2.9)%**
Rugs	9.9	(3.2)	(407.4)%		
Commercial	8.6	5.8	49.9%		
Residential	4.2	(1.0)	(511.7)%		
Non-Woven	0.3	(0.3)	(190.0)%		
Consolidated Adjusted EBITDA	**23.0**	**1.2**	**1866.0%**	**1925.7%**	**(59.7)%**
Rugs	15.3%	(9.2)%			
Commercial	18.2%	13.2%			
Residential	8.5%	(3.9)%			
Non-Woven	7.1%	(16.3)%			
Consolidated Adjusted EBITDA Margin	**13.9%**	**1.1%**			

Rugs

Our Rugs division realized H1 2021 revenue of €124.8m, up 48.0% versus the first half of 2020 when COVID-19 significantly affected the results. There have been significant gains in direct shipments and continued growth in e-commerce volumes.

Adjusted EBITDA in H1 2021 was €21.1m at a healthy margin of 16.9%, representing not only a sharp recovery from the depressed levels in H1 2020 due to COVID-19, but also the best first half result since IPO. In addition to the impact of higher volumes, Adjusted EBITDA further improved due to price increases, a better product mix, lower raw material costs and margin improvements from NEXT operational initiatives.

Commercial

Our Commercial division realized H1 2021 revenue of €93.1m, down 7.4% versus the first half of 2020, of which 5.8% is related to unfavourable FX. Volumes are still to recover to pre-COVID-19 levels, as companies and other organisations remain cautious about new projects.

Adjusted EBITDA in H1 2021 was €15.1m, up from €13.9m in H1 2020. Adjusted EBITDA margin increased from 13.9% in H1 2020 to 16.2% in H1 2021 thanks to NEXT initiatives and additional fixed cost savings in the US.

Residential

Our Residential division realized H1 2021 revenue of €92.4m, up 27.0% versus the first half of 2020 which was affected by COVID-19 restrictions. In the UK, H1 2021 benefited from the reopening of retail outlets and the associated pre-stocking effects. Continental Europe's trading environment improved year-on-year, with a good performance in Benelux, France and Scandinavia, while still somewhat subdued by the slower reopening of retail outlets in Germany, Austria, Switzerland, and Central and Eastern Europe. We continued to grow in our 'export' markets.

Adjusted EBITDA in H1 2021 was €8.0m, up from €3.1m in H1 2020. It was also above H1 2019. Adjusted EBITDA margin grew from 4.2% in H1 2020 to 8.6% in H1 2021 thanks to strong volume recovery, NEXT operational initiatives, and the focus on higher margin products.

Other Financial Items Review

Integration and Restructuring Expenses: Non-recurring expenses for integration and restructuring over the first six months of 2021 amounted to €11.0m, as compared to €2.6m in the same period last year. The expense in the current period is mainly driven by the one-off cost of extending the senior secured notes as well as non-recurring fees for advisory services.

Net Financing Costs: Net finance expenses for the first six months of 2021 are €15.7m, as compared to €13.7m in the same period last year. This increase is mainly driven by the one-off recognition in P&L of the remaining capitalized expenses on the refinanced senior secured notes due September 2022.

Taxation: There is an income tax expense of €1.6m for the six months ended 30 June 2021, as compared to an income tax benefit of €1.1m in the same period last year. The H1 2021 net expense results from taxing the strong year on year improvements in pre-tax results, partially offset by the recognition of the extended term of the senior secured notes in deferred tax assets. The normalized effective tax rate of the Group is around 25%.

Earnings per share: The first six months of 2021 resulted in a loss of €0.09 per share, compared to a loss of €0.47 per share for the same period last year.

Cashflow and Net debt: Net Debt at the end of June 2021 was €294.9m, versus €283.2m at the end of December 2020. The increase in Net Debt was driven by seasonal working capital patterns as well as the impact of the one-off cost of extending the senior secured notes (reported Net Debt H1 2021 of €294.9m includes €34.6m of IFRS16 impact).

Glossary: Alternative Performance Measures

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

Organic Growth is defined as growth excluding (i) FX impact, which comprises the translation of key foreign entities, (ii) M&A impact and (iii) the impact of IFRS16.

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

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

Gross Debt is defined as (i) Senior Secured Notes adjusted for the financing fees included in the carrying amount and (ii) Bank and other borrowings adjusted for capitalized financing fees.

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

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 ‘cannibalization effects’ or the current macro-economic uncertainty.
- Impacts shown for the Margin initiatives are the anticipated gross impacts before cost inflation.
- Impacts are calculated using 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).

Earnings call

The H1 2021 Results will be presented on 27 August 2021 at 10.00 am CET via a webcast, by the Chairman of the Board and CEO Cyrille Ragoucy and CFO Jan-Christian Werner. Dial-in details and the results presentation will be available on www.baltainvestors.com

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About Balta

Balta is a leading manufacturer of textile floor coverings, selling to over 130 countries worldwide. The Balta divisions are Balta Rugs (Balta home), Balta Residential Carpets & Tiles (under the brands Balta carpets, ITC and Balta carpet tiles), Balta Commercial Carpets & Tiles (under the brands modulyss, arc edition and Bentley), and Balta Non-Woven (under the brand Captiqs). Balta employs nearly 4,000 people in 10 manufacturing sites and distribution centres in Belgium, Turkey and the United States.

Important notice

Certain financial data included in this press release are "non-IFRS financial measures." These non-IFRS financial measures may not be comparable to similarly titled measures presented by other entities, nor should they be construed as an alternative to other financial measures determined in accordance with International Financial Reporting Standards. Although Balta believes these non-IFRS financial measures provide useful information to users in measuring the financial performance and condition of its business, users are cautioned not to place undue reliance on any non-IFRS financial measures or any ratios included in this presentation.

This press release may include projections and other "forward-looking" statements. Any such projections or statements reflect the current views of the issuer about further events and financial performance. No assurances can be given that such events or performance will occur as projected and actual results may differ materially from these projections.

Rounding adjustments have been made in calculating some of the financial information included in this press release. As a result, figures shown as totals may not be exact arithmetic aggregations of the figures that precede them.

Next scheduled announcement

Balta intends to publish its Q3 2021 results on 29 October 2021.