2021 ANNUAL REPORT

Balta Group nv

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01
STRATEGIC REPORT

Cyrille Ragoucy, CEO

MESSAGE FROM THE CEO

2021 was a year of recovery from the COVID-19 disruptions experienced the year before. We emerged stronger from the crisis with increased sales and significantly improved Adjusted Operating Profit. Our manufacturing and distribution activities went back to normal levels, while we continued to focus on the safety and well-being of our employees.

In 2021 we saw commodity prices rising continuously, to levels that the industry has not seen before. Raw materials, energy and transportation cost increased significantly. In order to mitigate the impact, we took swift action and increased prices across all divisions, most markets and customer groups. We expect more cost inflation impacts in 2022, which will require further actions.

We have launched a new transformation and profitability improvement program that will leverage further our NEXT program, which ended this year surpassing its ambitious targets from 3 years ago. The new program is called BEYOND and will focus on sustainability through innovative products and production, lean strategies in production and procurement and emphasising agility through digital initiatives, such as e-commerce.

On November 28th, the company entered into a binding agreement to sell its Rugs, Residential polypropylene and Non-Woven businesses to Victoria PLC. The Transaction will allow the Continuing Operations to focus on developing its Commercial businesses in Europe and the United States under the main brands modulyss and Bentley, as well as its premium European Residential polyamide (Residential PA) business (ITC). These businesses are yet to fully recover from the effects of pandemic restrictions. The Continuing Operations have a stronger cash flow and balance sheet, as well as a reduced risk profile. A higher average EBITDA margin and better cash conversion will enable more investment in sustainability and growth through innovation, manufacturing optimization and more agile digital solutions. Being more focused and less complex is also expected to improve overall efficiency. Furthermore, the impact of currency fluctuations and international transport costs will be significantly reduced in the Continuing Operations.

Cyrille Ragoucy

CEO BALTA GROUP

Balta, Marlene

FINANCIAL REVIEW

FINANCIAL REVIEW CONTINUING OPERATIONS
Balta delivered full year 2021 consolidated Revenue of € 276.8m for the Continuing Operations, up 7.1% versus 2020, and consolidated Adjusted EBITDA of € 43.1m, up 13.3%. The consolidated Adjusted EBITDA margin of 15.6% was up from 14.7%, reflecting margin improvements in our Commercial and Residential divisions. The significant cost impact, that started in the course of 2021, from raw materials, energy and transportation, were addressed early with the implementation of price increases.

FINANCIAL REVIEW CONTINUING OPERATIONS BY DIVISION
Commercial
Full year Revenue for 2021 increased by 4% to € 198.1m (€ 190.5m 2020). The Commercial markets were less severely hit by the first lock downs in 2020 than the retail oriented businesses, but have been experiencing a slower rebound. The US and Europe were able to slightly increase sales as restrictions on indoor construction sites eased and projects started up again towards the later part of 2021, but are still awaiting the return to pre-COVID-19 levels.

Full year Adjusted EBITDA for 2021 increased to € 32.4m or 16.3% (€ 30.7m or 16.1% in 2020). The division was able to maintain margins thanks to the swift implementation of price increases to address cost inflation and to the strong results from NEXT initiatives.

Fourth quarter Revenue for 2021 of € 56.2m increased from € 45.5m in 2020 or +23.5%. Adjusted EBITDA margin for Q4 2021 reduced to 16.7% from the unusually high 21.1% in Q4 2020 due to strongly increased cost of raw materials, energy and transport. We continue to manage our cost structure very closely, while fixed costs have returned to a more normal pre-COVID-19 level. NEXT has continued to deliver cost reductions, helping to offset cost inflation, and will be followed by BEYOND.

Residential PA
Full year Revenue for 2021 increased by 15.9% to € 78.7m (€ 67.9m 2020). The growth in sales is mostly driven by the increased price levels and a move to higher value products.

Full year Adjusted EBITDA of € 10.7m was up 45.0% (€ 7.4m 2020) with an Adjusted EBITDA margin of 13.6%, a significant improvement versus 10.9% in

2020. The early implementation of price increases, fixed costs remaining on prior year level and margin enhancements from NEXT initiatives, contributed to the increase in EBITDA margin against the backdrop of cost inflation.

Fourth quarter Revenue for 2021 was € 20.6m, which represents a YOY decrease of -2.1% (Q4 2020 Revenue of € 21.1m) driven by lower volumes. Adjusted EBITDA margin for Q4 2021 of 11.9% was down from a very strong 15.7% in Q4 2020, due to the significant cost inflation. A reduction of fixed costs and improvements from NEXT initiatives helped to partially offset these impacts.

FINANCIAL REVIEW DISCONTINUED OPERATIONS

For our Discontinued Operations full year Revenue for 2021 was € 357.5m, an increase of 17.8% over 2020 (€ 303.5m in 2020). Most of this increase came from our Rugs division, which was able to increase share of wallet with existing customers, ship more products directly to North America and grow their e-commerce business.

Full year Adjusted EBITDA for 2021 grew 46.7% to € 43.9m (vs a highly COVID-19-impacted 2020 result of € 29.9m) with Adjusted EBITDA margin of 12.3%, up from 9.9% in 2020. The margin improvement was supported by the volume increase in Rugs across all major regions, a sizable price increase and only a moderate increase in fixed costs.

Fourth quarter Revenue for 2021 of € 87.8m was up 3.9% (€ 84.5m Q4 2020), mainly due to the successful implementation of price increases. Adjusted EBITDA margin for Q4 2021 was 11.4%, which represents a reduction from the very strong 17.8% we reported in Q4 2020. The gross margin dropped despite favourable sales pricing due to the significant raw material, energy and transport cost inflation. Fixed costs were in line with Q4 2020.

OTHER FINANCIAL ITEMS REVIEW

Non-Recurring Items below Adjusted EBITDA for Continuing Operations

The net impact of non-recurring items on 2021 net result was negative € 6.0m (€ 0.17 per share), as compared to negative € 7.8m (€ 0.22 per share) in 2020. The expense in the current period is mainly driven by the one-off cost related to the extension of our Senior Secured Notes during Q1 2021.

Net Financing Costs for Continuing Operations

The net financing cost of € 28.3m (€ 25.5m 2020), primarily represents the interest expense on external borrowings. This increase is mainly driven by a one-off recognition of the remaining capitalized expenses on former Senior Secured Notes (€ 2.5m) in the P&L, which became necessary in line with the notes re-financing in Q1 2021.

Taxation for Continuing Operations

The Group reported a tax expense for 2021 of € 8.2m (€ 4.5m 2020) based on an overall loss before tax of € 8.4m (loss before tax of € 12.4m for 2020). The tax expense is mainly driven by both de-recognition of deferred tax assets after the Disposal and by the non-recognition of a deferred tax asset for exceptional costs.

Earnings per share for Continuing Operations

Loss per share of € 0.46 in 2021 compared to loss per share of € 0.47 in 2020.

Earnings per share for Discontinued Operations

Loss per share of € 3.14 in 2021 compared to profit per share of € 0.12 in 2020. Largely driven by the impairment loss of € 127m resulting from the Discontinued Operations and the application of IFRS 5.

Dividend

Our focus remains on deleveraging and investing into the business further, the Board will not propose a dividend for the year.

Balta, Poppy

NEXT

At the end of 2018, we launched our holistic, three-year transformation and earnings enhancement programme called **NEXT**.

Today, we are pleased to report that the programme has been a resounding success, surpassing the initial ambitious targets of three years ago. Through the efficient implementation of Commercial Excellence, Procurement Excellence and Lean strategies in our 8 plants and Procurement department, we managed to drive our top-line growth and improve our margins.

Commercial

Balta home, Cocoon

Here are some of the key initiatives that contributed to our commercial success:

- Our e-commerce channel, both in the US and Europe, has delivered double-digit year-on-year growth in revenue and profitability. Leveraging our digital assets and logistic expertise, and striking up new and exciting partnerships along the way, we have laid the foundation for the NEXT chapter of growth.

- Our direct route-to-market venture in Commercial Tiles, which focused on high-growth segments such as multifamily, education, and government, has proven a key contributor to our strong commercial results. Additional drivers of this sustained growth were the development of targeted products such as our EliteFlex™ platform, the hiring of new sales representatives in selected US regions, and the active deployment of our digital marketing assets.

Bentley, Teleport – St. David's Surgical Institute for Learning Austin, Texas

- We continued to launch our New Generation Rugs, a range of eco-friendly and innovative products that have significantly contributed to our growth and reputation as a sustainable business. These high-quality, single-polymer rugs consist of 100% polypropylene or polyester, making them fully recyclable and machine-washable for added convenience.

Balta carpets, Natural Embrace

- We invested in the development and marketing of a growing number of premium broadloom ranges that distinguish themselves through their distinctive looks and outstanding performance, with markedly increased introduction rates and rotation.

Balta home, New Generation Touch

Lean

Balta home US warehouse Savannah, Georgia, US

Bentley latex line

- A string of Lean actions and initiatives in our plants have delivered € 6m worth of incremental benefits compared to last year.

- The Rugs business unit ran a major operation that boosted the efficiency in our US warehouses, delivering significant labour cost savings while expanding our logistic e-commerce capabilities – a key strategic factor in the fast-paced development of our outlets and channels.

- A host of initiatives at the level of our plant production processes focused on end-to-end waste minimisation, resulting in a sweeping reduction of our energy consumption and use of raw materials.

- Production and process optimisation initiatives were conducive to our Lean success. One example was the application of thermoplastics in the carpet tile production line at Bentley, which produced significant gains.

Sint-Baafs-Vijve, automatic packing line

- Additional investments were made in the automation of labour-intensive activities, such as the introduction of a packing robot in the Balta Rugs plant in Sint-Baafs-Vijve, combining better ergonomics with greater efficiency.

PA granulates

Procurement

- In 2021, the ripple effects of the COVID-19-pandemic continue to cause a perfect storm for many global industries. Faced with shortages of raw materials and components on the international market, the delays in container shipping and road transport, and the disrupted operations of key ports and logistic hubs, we had to continually battle against the odds. This difficult situation was exacerbated by the steep rise in fuel and energy prices as of Q3 2021, which necessitated (temporary) changes in our product portfolio, more flexible arrangements with suppliers, and ad hoc reductions in production capacity to ensure continued profitability.

  Despite these difficult and volatile challenges, the fluctuating market demands, and several suppliers declaring force majeure, the Procurement team managed to prevent the complete shut-down of many of our manufacturing lines, while securing transport flow continuity in line with requested business volumes – which was no mean feat.

- Next to strategic allocations, we focused on increased agility to protect our business operations along the value chain, as well as strengthening ties with our suppliers.

- Various efficiency initiatives were launched to safeguard supply and help mitigate raw material price hikes.

  A case in point is our PA 6 Granulate Quality Pyramid, outlining high/medium/lower quality tiers based on in-depth and ongoing value analysis and value engineering to match market requirements with the available supply options. This highly complex, cross-functional synergy required the combined and sustained efforts of Production, Quality Control, R&D and Procurement, as well as the rigorous testing of new suppliers' grades. The implementation of the Quality Pyramid enabled us to create more leverage, reduce supplier dependency risks, and reinforce key partnerships across the board.

What is next for NEXT?

Continuing the strong legacy of our NEXT-programme, we have outlined a 4-year roadmap called BEYOND, which consists of three courses of action:

- Increased focus on Sustainability through Innovative products and production processes
- Incremental drive for Efficiency through Lean strategies and Procurement
- Emphasis on Agility through Digital initiatives such as e-commerce

SUSTAINABILITY THROUGH INNOVATION

EFFICIENCY

AGILITY GOING DIGITAL

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

How we do it?

Responsible sourcing

Lean manufacturing in a safe & healthy environment

TO PROVIDE OUR

PRODUCTS

RUGS

BROADLOOM

CARPET TILES

YARNS

LVT

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

How we do it?

Sharing expertise & knowhow to create a positive impact on society

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

State-of-the-art weaving looms

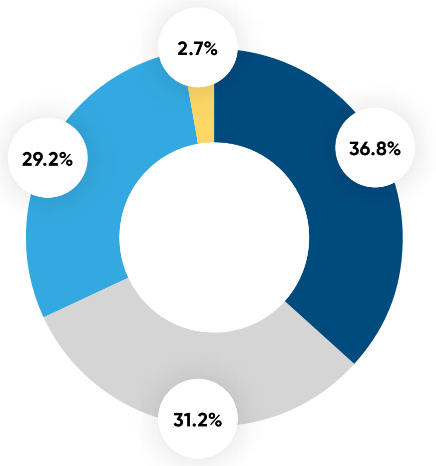
THE GROUP AT A GLANCE

Balta is a leading producer of high-quality textile floor coverings. Representing a consolidated revenue of € 634m and the passion and commitment of 4,029 employees, our products are manufactured in 8 production facilities and sold to 136 countries worldwide. Since June 2017, Balta Group NV has been a public company listed on Euronext Brussels.

On 29 November 2021, Balta Group has announced that it has entered into a binding agreement to sell its Rugs, Residential polypropylene and Non-Woven businesses, together with the Balta brand, to Victoria PLC (the 'transaction').

The transaction concluded, on 4 April 2022, will allow the continuing Group to focus on developing its commercial businesses in Europe and the United States under the main brands arc edition, Bentley and modulyss, as well as its premium European Residential polyamide business, ITC. For the purposes of this 2021 annual report, we will cover both the continuing and discontinued parts of the business.

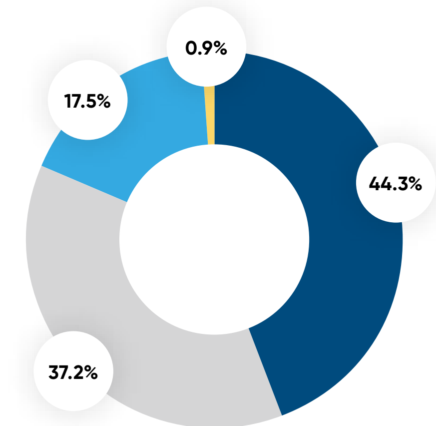
We refer to the Financial Report for further information.



Revenue 2021 per segment

Total Revenue € 634.3m

- Rugs
- Residential
- Commercial
- Non-woven



Adjusted EBITDA 2021 per segment

Total Adjusted EBITDA € 87.0m

- Rugs
- Residential
- Commercial
- Non-woven

SEGMENTS

Rugs

woven and tufted area rugs,
sold under the Balta home brand.

Residential

wall-to-wall carpet and carpet tiles
for domestic use, through the brands
Balta carpets, Balta carpet tiles and ITC.

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, and France. We also have a strong presence in Central and Eastern Europe.

Rugs

Balta home, Re_duce

Balta home

Segment position (1)
Market leader in Europe, no. 2 worldwide and a key player 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, 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-standing relationships.

Brands
Line A®, Berclon®, Papilio®

Websites
www.balta-home.com
www.baltarugs.com

(1) Management estimate

Cradle to Cradle certified 'Silver'

Papilio, Solo Collection

Balta home, Woven, 100% Indoor & outdoor rugs

Balta home is a global player in machine-made rugs for indoor and outdoor use. It has state-of-the-art production facilities in Belgium and Turkey, as well as distribution centers in the United States, delivering diverse and high-quality product ranges to discerning customers around the world.

With a strong focus on sustainability, market-oriented trends, and leading-edge technologies, and leveraging its in-house creativity and renowned expertise, Balta home drives for sustained excellence by producing rug collections that add real value for clients and end-consumers alike. All our machine-made products are Oeko-Tex® certified.

The Papilio® brand, finally, incorporates our handmade rug collections, representing the pinnacle of craftsmanship and innovative aesthetics. The Papilio rugs are designed in Belgium in close collaboration with our customers, and diligently handcrafted in different countries around the world, such as India and China.

RE_GENERATION rugs

Balta home prides itself on sustainable product design through continuous innovation, the linchpin of our sustainability programme. In 2020, we created the RE_GENERATION line, turning trash into treasure: from plastic bottles to cotton scraps and bits of old leather, they have all been re_vived, re_cycled and re_invented as wholly original Balta home rug collections. With unrivaled plushness, timeless designs, rich colors and high-tech constructions, these re_purposed rugs are sure to re_boost every indoor and outdoor living space, with utter re_spect for the environment.

A QA-CER-certificate, issued by the Belgian Quality Association, endorses the stated recycled content of our machine-made products in Belgium.

NEW GENERATION rugs

While researching and developing new products, Balta home not only aims to reuse post- and pre-consumer waste, but also to create single-material products that are much easier to recycle. Our New Generation rugs, which were launched in 2015, have become the embodiment of this commitment. The rugs can be machine-washed and tumble-dried, making them practical and durable, while the use of a single material (polypropylene or polyester) means they can be fully and easily recycled. Sustainable, sensible, and stylish to boot, the New Generation rugs are sure to complement any interior design.

Cradle to Cradle Certified® Silver

Cradle to Cradle Certified® is the global standard for products that are safe, circular, and responsibly made. Balta home is very proud to be the first rug producer in the world to receive the Cradle to Cradle Certified® accreditation for machine-made area rugs. In September 2021, a wide range of Balta home rugs were awarded the Cradle to Cradle Certified® Silver level: this includes all products under the category 'New Generation Rugs 100% PP' and 'Machine-made 100% PP rugs'. The Cradle to Cradle Certified® label demonstrates our transparency and our ongoing commitment to making a positive impact on people and the planet through our product development and business activities. We are very proud to have reached this new milestone in our 'circular journey'.

Balta carpets, Marilyn

Residential

Balta carpet tiles, Graphite

Balta carpets

Segment position [(1)]
Leader in Europe with top positions in the United Kingdom, Germany, and Central Eastern Europe

Production plants
Sint-Baafs-Vijve and Tielt, Belgium (broadloom)
Zele, Belgium (carpet tiles)

Distribution centres
Sint-Baafs-Vijve and Tielt, Belgium

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

Brands
Balta carpets, Balta carpet tiles, ITC

Website
www.balta-carpets.com

(1) Management estimate

Balta carpets produces residential carpet tiles, as well as tufted, woven and non-woven broadloom carpets for the residential, commercial and event markets. Our collections, color patterns, and technical features always meet the demand of the customer, whatever their project or event: we deliver any volume of cutting-edge carpet solutions across the board, from entry-level products to premium applications.

Balta carpets has a strong pedigree in broadloom carpets, and a reputation for delivering excellence. In Europe, we are the market leader in terms of volume, boasting a polypropylene production that is second to none. This has also cemented our position in the UK, one of the largest residential markets in the world. On the European continent, finally, our polyamide broadloom carpets are a preferred option in premium residential projects that value aesthetics and performance.

Connecting carpet and comfort
Ever ready to embrace new styles and trends, Balta carpets has introduced novel products and collections that can extend the indoors to the outdoors, offering increased softness and organic forms that lend themselves well to carpeting, and a next-gen secondary backing that incorporates recycled yarn for enhanced sustainability.

Flooring for the environment
Now more than ever, Balta is dedicated to producing environmentally-friendly products that meet the increasingly stringent demands and growing awareness of more sustainable lifestyles. That is why we have invested considerably in the increased and innovative use of recycled materials in our carpeting. A green case in point is Looper back, our brand-new secondary backing, which is constructed from 100% recycled polypropylene, creating a perpetual forward cycle that lets nothing go to waste.

ITC, Sprinkle

Balta carpet tiles, Diva

modulyss, Heritage collection, Dune

Commercial

In its state-of-the-art production plant in Zele (BE), modulyss designs and procures high-quality carpet tiles for the international commercial markets. The company is active in Europe, the United States (through Bentley Mills), Asia-Pacific, Latin America, and the Middle East. Its core mission is to inspire its customers, capturing their imagination with unique and creative carpet tiles.

Sustainable and sound

At modulyss, our customers' sense of wellbeing has always being a key factor. That is why we take into consideration important factors such as spatial planning, acoustics, and underfoot comfort, while designing products that offer a smarter and more sustainable choice. It is no surprise, then, that we currently have 219 Cradle to Cradle Certified® products on sale. One such solution is our Cradle to Cradle Certified® Gold-level ecoBack, which closes the loop on our carpet tiles: completely free of PVC and bitumen, and fully recyclable, the new carpet backing incorporates a polyolefin-based layer that contains at least 75% recycled materials. Going the extra mile, we also thought of the people who fit and install our ecoBack products: thanks to their low weight and high flexibility, the tiles are a breeze to cut, handle and put into place, ensuring a smooth and safe installation.

The story behind the product

In terms of its product design, modulyss distinguishes itself by focusing on the power of stories. Collection groups such as Handcraft, DSGN and First, the brand prides itself on developing ideas and narratives that help designers conceptualise and coordinate their creative projects, giving voice to their unique vision or style. In 2021, for example, modulyss launched the Heritage collection, which is made up of 5 complimentary carpet tile designs (Cobbles, Haze, Dune, Meadow and Polder) that were inspired by the archetypal landscapes of Flanders. 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.

modulyss

Segment position (1)
No. 3 in Europe

Production plant and distribution centre
Zele, Belgium

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

Brands
modulyss®

Website
www.modulyss.com

(1) Management estimate

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

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

For more than 40 years, Bentley has been synonymous with style, service, quality and partnership, the driving forces behind its iconic brand. Backed by an industry-leading design team recognised for their consistent innovation, Bentley is a leading producer of premium carpet tiles and broadloom for commercial interiors.

Great growth
Bentley has long been the preferred brand of specifiers, architects, designers, and end-users. Its successes have been fuelled by unwavering support from the professional design community, its sharp focus on sustainability, and a comprehensive product portfolio that caters to the discerning customer. Bentley's impressive growth has also been accelerated by significant investments in its highly efficient production facilities, which received the Gold rating from the U.S. Green Building Council, showcasing the company's Leadership in Energy and Environmental Design (LEED).

Bentley has continued to expand its horizons with the commercial launch of its loose-lay Luxury Vinyl Tiles (LVT), which gives us a new edge in the competitive marketplace for hard surface flooring.

Partnering with sister brand modulyss in joint R&D and marketing projects, finally, Bentley continues to push the envelope in premium flooring solutions, delivering award-winning products that redefine quality and style.

Arc edition produces innovative and high-quality wall-to-wall carpet solutions for commercial environments. The brand invites flooring professionals, architects, designers, and specifiers to take full advantage of the creative potential of our high-performance flooring, which offers a perfectly balanced mix of function and form. Through our Service Collection, arc edition provides a wide choice of in-stock products suitable for use in demanding commercial environments, as well as bespoke Chromojet-printed carpets with the freedom to transform any space or room into a real statement piece.

Bentley, Multiplay and Redacted

Non-Woven

Captiqs Event

Captiqs Automotive

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 foremost European producer of technical and residential nonwovens, made from virgin and recycled polypropylene and polyester staple fibres. Captiqs offers durable, breathable, and bonded non-woven solutions for a wide spectrum of applications such as automotive and construction, events, insulation, linings, carpet backing, advertising banners, and much more. Through its innovative and dynamic approach, Captiqs is able to produce high-quality non-wovens to meet our customers' most exacting needs.

Our polypropylene-related business is vertically integrated to allow full control at every stage of the production process, from raw material to finished non-wovens. All of our operations are compliant with both the ISO 9001 and ISO 14001 management systems.

(1) Management estimate

BALTA GROUP IN NUMBERS

Financial

€ 634m
REVENUE 2021

Adjusted EBITDA Margin
13.7%

Adjusted EBITDA
€ 87m

Renewable energy

61,125
Solar panels on 5 factory roofs in Belgium

= 10.8 GWh/year
= The electricity consumption of 3,000 Belgian households

-2,561 mio kg
CO_2 per year

Worldwide

8
PLANTS
in the world

2
DISTRIBUTION CENTRES

136
COUNTRIES WE SELL INTO

1,003,100 m²
TOTAL MANUFACTURING FOOTPRINT

= 200 Football pitches

People

4,029
EMPLOYEES WORLDWIDE

50+
NUMBER OF NATIONALITIES

BALTA GROUP WORLDWIDE

Our strong international presence is highlighted by the more than 50 nationalities working at 10 sites worldwide, on 3 different continents.

HIGHLIGHTS 2021

January

February

BALTA FLEET ADOPTS ELECTRIC CARS TO DRIVE SUSTAINABLE

Aligning its strategy with that of the EU Green Deal, Balta continues to chart a more sustainable course on the roadmap to a greener future. In a forward-looking bid to reduce emissions, we struck up a collaboration with Top Motors and D'Ieteren Electric (EDI) to acquire six of the latest generation Volkswagen ID3s. These fully electric cars were introduced into our corporate fleet on 15 January, turning a new page for the company.

THE NEXT STEP: IMPLEMENTING A PACKING ROBOT

A major Lean-milestone in the NEXT project is our automatic boxing line, which has been fully operational in the Balta home plant in Sint-Baafs-Vijve since February. Doing away with the time-consuming manual packing methods of yesterday, the boxing line has proved a smart and expeditious way to prep our products for shipping: not only does the system save time and energy, it also increases capacity and workplace comfort, making it a more sustainable packing solution all-round.

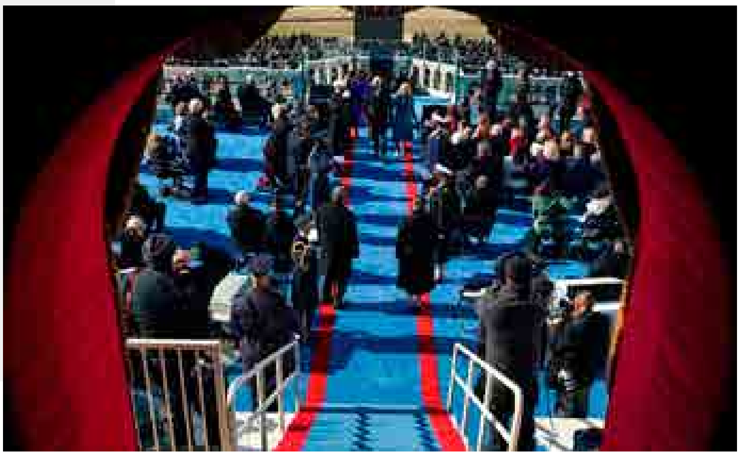
#QUARTERTILES: SCALING DOWN THE MODULYSS SAMPLES

modulyss has quite literally reduced its footprint by limiting the size of its samples, cutting back the surface area by an impressive 75%. Without compromising feel or impression for the discerning customer, the company has made these quarter-size samples standard on selected collections, while offering them as a smaller and more eco-friendly option across its entire range. The downsizing operation has made a big impact, yielding a 14.6% reduction in the company's CO_2 emissions.

Bentley similarly introduced smaller samples as standard across their range: the 9" x 11" samples reduce carbon emissions by up to 60% for every sample that is shipped.

ROLLING OUT THE RED-AND-BLUE CARPET FOR THE 46TH PRESIDENT

On 20 January, Joe Biden was sworn in as the 46th President of the United States, standing on a striking red-and-blue carpet, cascading from the inaugural platform towards the cheering crowds gathered on Capitol Hill. This is the fifth time that Bentley Mills has had the great honour of decking the proverbial halls for a Presidential Inauguration ceremony.



MODULYSS' REVAMPED WEBSITE GOES LIVE

In April, modulyss launched its new and improved website, which offers the best of many worlds: clean and responsive design, fast and easy navigation, and an immersive user experience that marries the inspiration and functionality the brand has become known for. The colourful Stories section, moreover, allows designers and architects to connect with exciting news and our latest and greatest trends, while users will love the intuitive menus and content-rich features.

BALTA HOME CELEBRATES SUMMER SEASON 2021/2022

Balta home is continually dedicated to the development of new and exciting products to add value, style, and comfort to homes and home offices around the world. The launch of the Summer Season 2021/2022 introduced customers to a new range of collections, colours and designs, both in our showrooms and through our virtual displays online. The Season novelties include eco-friendly and feature-rich rugs, being recyclable, UV-stabilized, non-shedding, stain-resistant, foldable, and lightweight. Sustainable and smart, these eye-catchers elevate the room while adding real value to online selling and compact storage.

'BLEND INTO YOUR JOB', OUR EMPLOYER BRANDING CAMPAIGN

Inspired by the creativity and commitment of our work-force, Balta kick-started a new recruitment campaign called 'Blend into your job', which expresses the value and joy of working in a job you are passionate about, and deeply invested in. The campaign's striking visuals show Balta employees reclining on assorted rugs, with outfits to match the underlying colours and prints, thereby blurring the boundaries between company and employee, as well as the end product and the people who make it happen every day.

One RE_DUCE rug of 160x230cm contains 92 recycled plastic bottles of 0.5 liter

April

July

August

NEW MODULYSS SHOWROOM OPENS DOORS

On the fashionable Dok Noord site in Ghent, modulyss traded in its pop-up showroom for a more permanent location. The new urban space, located on the first floor of an industrial conversion, boasts a light and breezy showroom with three dedicated product displays featuring the latest collections, as well as a Mix&Match area for customers to get creative in.

HIGHLIGHTS 2021

September

CAR-FREE DAY: RETHINKING OUR COMMUTE

During the COVID-19-pandemic, many people (re)discovered the joy of walking and biking and the health benefits associated with physical activity. To support the global shift to more sustainable modes of travel and transportation, Balta organised a Car-Free Day on 23 September, encouraging its employees to leave their cars at home and travel to work on foot, by bike, or through COVID-safe carpooling.

BALTA CARPETS, THREE TIMES A WINNER

In 2021, Balta carpets won three prestigious industry awards in the UK, demonstrating the company's innovation, know-how and market leadership in key areas of textile flooring: the Flooring Innovation Award, the Manufacturing Award and the Supplier Award. These accolades also bolster our ambition to grow as an efficient and sustainable business, while turning spaces into real places to work and live in.

BALTA HOME CRADLE TO CRADLE CERTIFIED® SILVER

Marking a new milestone in its circular journey, Balta home is proud to be the first rug producer worldwide to achieve a Cradle to Cradle Certified® accreditation for machine-made area rugs. A wide range of Balta home's rugs have been awarded the Cradle to Cradle Certified® Silver level. This certification showcases our transparency and commitment to making a positive impact on people and the planet across our product development and business activities.

LAUNCHING THE HERITAGE COLLECTION, BY MODULYSS

In September, modulyss proudly presented its Heritage Collection: a series of carpet tiles that are shaped by, and deeply rooted in, the diverse and storied landscapes of Flanders. On a creative journey from rugged coast to fertile polder, along cobblestones and rivers and the indelible impressions of our history and cultures, our designers were able to distil 5 beautifully tactile composite designs that echo the quintessential countryside our company (and identity) are inextricably linked with: Cobbles, Haze, Dune, Meadow and Polder.

BALTA SAFETY DAYS

In October, the company organised the Balta Safety Days for all employees at all sites worldwide. Health and Safety in the work-place, whether it be the office or production floor, has always been a top priority for Balta, which firmly believes in Vision Zero. During the event, which included a customised online game, Safety Walks, pres-entations and discussions, risk assessments, toolboxes and even a bit of theatre, we were able to reach 75% of our workforce, garnering a lot of enthusiasm and support.

BALTA HOME HAS OFFICIALLY LANDED ON THE US FURNITURE MARKET

Underlining its sustained customer focus on the furniture market, Balta home opened its second US showroom at the world-famous High Point Market in North Carolina. During the Fall edition of the largest and most exciting home furnishings trade show on earth, which attracts 75,000 people and covers an area of more than 10 million square feet, Balta premiered its showroom at this strategic location with more than 500 sample products on display.

ART AND CULTURE BROADEN THE VIEW

With the launch of its Daytripper Collection, Bentley evokes the look and feel of museums and galleries, rekindling the emotions of the creative and artistic experiences we so sorely missed last year. At NeoCon 2021, we invited everyone to take a trip down memory lane, revisit their childhood and reflect on the 'daytrip' that inspired them most. As part of our showroom experience, we partnered with Create Now's Cultural Journeys programme, which gives at-risk youths the opportunity to visit cultural venues in Los Angeles.

October

November

December

RESHAPING THE FUTURE: INTENTION TO SELL RUGS, RESIDENTIAL PP AND NON-WOVEN BUSINESS

In November, an agreement was reached with Victoria PLC, a manu-facturer and distributor of flooring products headquartered in the UK, to divest our Rugs, Residential polypropylene and Non-Woven businesses, together with the Balta brand.

This transaction will allow the remaining Group, forming a strong listed group under a new to be announced company name, to focus on developing its commercial businesses in Europe and the United States under the main brands modulyss, arc edition and Bentley, as well as its premium European Residential polyamide (Residential PA) business (ITC). We refer to the Financial Report for more details.

VICTORIA PLC

MODULYSS FIRST TO RECEIVE ISO 50001 CERTIFICATION

modulyss was the first company in the Group to obtain the ISO 50001 certificate for its site in Zele. This certification confirms modulyss' unwavering efforts as a responsible and energy-efficient business, while pointing up its commitment to the future optimisation of its energy use.

Balta Group nv

Energy park, Balta Sint-Baafs-Vijve

02 SUSTAINABILITY REPORT

Bentley, Off the Chain

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.

While the COVID-19 pandemic has had a significant impact on Balta's business as usual, it has not kept us from our social and economic responsibilities, and we are planning important sustainability actions for the long term. Our in-house Sustainability Committee, which was set up in 2020, outlined a 2025 Roadmap that will guide us forward and expedite our environmental ambitions for 2030. Within this framework of transition, we want to remain ahead of the curve and make the necessary investments to further decrease our carbon footprint. We are also in the process of defining our contribution to the sustainability targets set out by the European Union, the Paris Agreement and the UN Framework Convention on Climate Change.

Governance

The Balta Sustainability 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.

A reinforced organisational structure is put in place to realise more robust data collection and to communicate internally on monthly sustainability KPIs.

Reporting principles

This report has been prepared in accordance with the Global Reporting Initiative Standards (GRI Core option). For defining report content we considered our activities, impacts, and the substantive expectations and interests of our stakeholders. We are convinced that the quality of the disclosed information enables our stakeholders to make sound and reasonable assessments of our organization, and to take appropriate actions.

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. All information reported in this section of the Annual Report is including the in 2022 discontinued (Rugs, Residential PP & non-woven) operations.

	Total (in EUR)	Proportion of Taxonomy-eligible economic activities (in %)	Proportion of Taxonomy non-eligible economic activities (in %)
Net Turnover	634,293,972	0%	100%
Capex	29,100,000	0%	100%
Opex	16,128,374.09	0%	100%

The OPEX amount in the table above contains all direct non-capitalised costs that relate to research and development, building renovation measures, short-term lease, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment that are necessary to ensure the continued and effective functioning of such assets.

EU Taxonomy

We have carefully examined if Balta's activities (NACE 13.93) fall within the scope of the EU Taxonomy Climate Delegated Act, and confirm that they are taxonomy-non-eligible. They are not considered in the current list of economic activities contributing substantially to environmental objectives as defined by the Green Deal.

Our environmental objectives and contributions to mitigate climate change are outlined further in this section of the annual report. Balta is striving to provide information on the sustainability of its business practices in the most transparent and forthright manner possible.

modulyss, &-collection

PEOPLE

We are an integrated soft floor covering manufacturer with nearly 4,000 employees, so people are naturally at the heart of our business, and of our success. 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 their achievement.

As staunch promotors of physical and mental wellbeing in the workplace, Health & Safety remains our top priority. We have worked incessantly to raise safety awareness and promote safety leadership, investing in prevention campaigns and rigorous training, and making maximum use of digital tools.

Also in 2021, faced with the social and economic restrictions of the COVID-19 pandemic, we installed a new Telework Policy, covering all aspects of this new way of 'hybrid working'. The policy gives our white-collar workers a surer footing, more flexibility, and the opportunity to create a better work-life balance, without compromising the focus and productivity the company is known for.

PLANET

Being headquartered in Europe, most of Balta's manufacturing plants fall under the purview of EU policies and the associated EU Sustainable Finance Action Plan. The European Green Deal aims to make Europe climate-neutral by 2050. Balta fully supports the shift from a linear to a circular economy and is fully aware of its responsibilities in this transition.

At this point in time, we see no need to redefine the ambitious milestones that were set in 2018, although some international, national and regional targets have been tightened in recent times. Rather than reformulate our goals, we will assess our progress in light of the plans we have laid out, and chart our course of action accordingly. Opting for a cautious and pragmatic approach, not wanting to revert to hollow promises and slogans, and encouraged by the similarly realistic objectives set by our peers in the European carpet business, we are confident we can make a significant and structural contribution that reflects our market leadership as a driver of eco-friendly innovation.
In doing so, we hope to sustain our track record for quality and efficiency, while paving the way towards a brighter and greener future.

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

PROSPERITY

Balta is dedicated to running its business under the applicable laws, as well as the highest standards of integrity and ethical practices. That is why we are making continuous efforts to raise awareness for our legal compliance programme. In 2021, this commitment was converted into a clear focus on the antitrust and GDPR legislation.

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.

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

2021 ACHIEVEMENTS

HEALTH AND SAFETY

-52%

reduction in accident severity rate

SUSTAINABLE PRODUCTS

208

product lines Cradle-to-Cradle (C2C) certified, Platinum, Gold and Silver

EQUAL OPPORTUNITIES

28%

women in top leadership positions at Balta (BLT)

RECYCLED CONTENT

50.2% in non-wovens

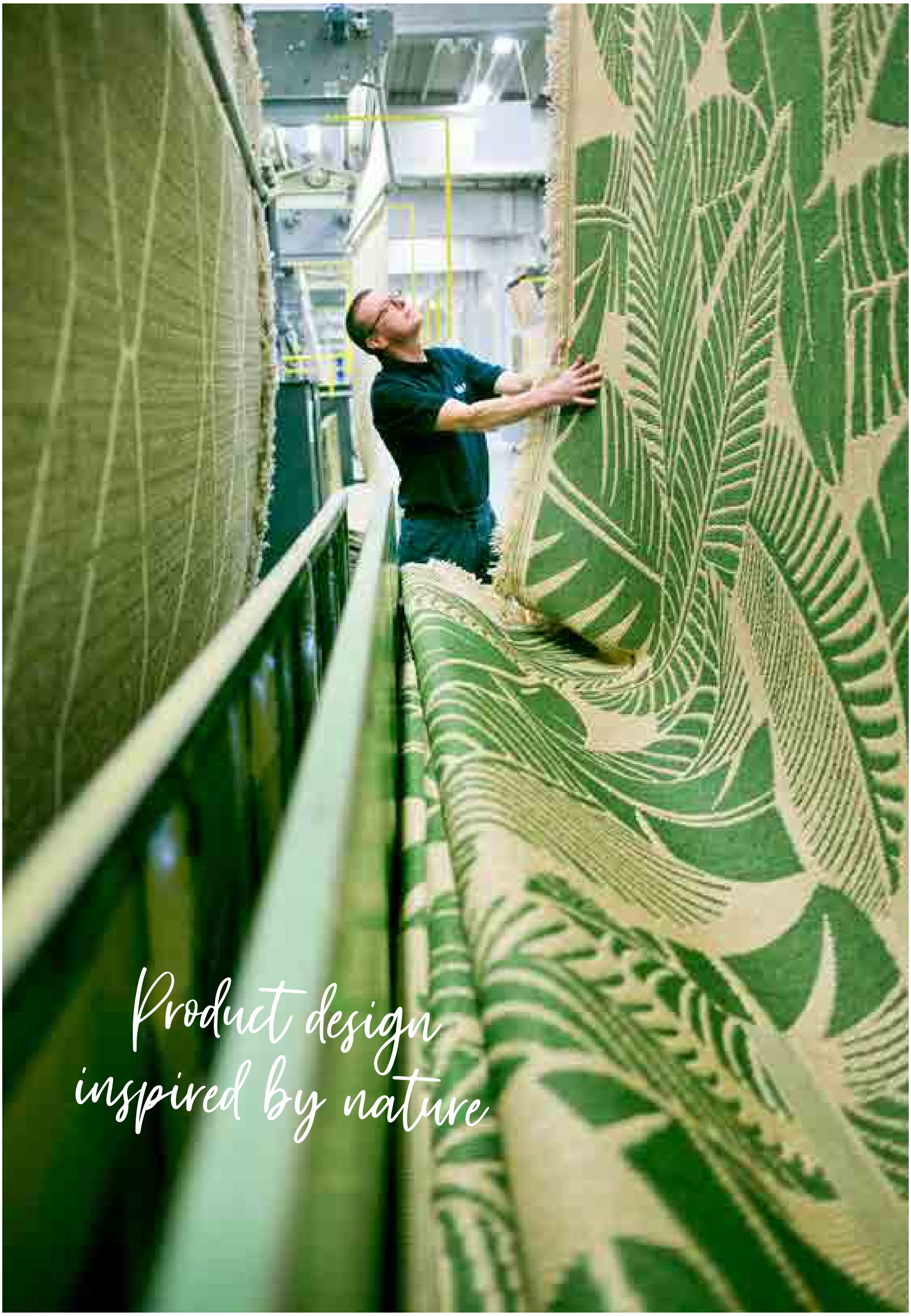
32.3% in carpet tiles

ENERGY CONSUMPTION RATE

-10% reduction compared to 2018 baseline

WATER CONSUMPTION RATE

-10% compared to 2018 baseline


Product design
inspired by nature

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 CO_2/m^2
- Scope 1 and 2 emissions

100%

recycled production waste

- Waste coming from production lines (e.g. scrap, excess, residue)
- Material recycling on-site or by external partners

2025 SUSTAINABILITY ROADMAP

In 2018, the Group laid out its sustainability ambitions for 2030. In 2021, taking into consideration the outcome of our materiality assessment of 2020, the Management Committee decided to hone and prioritise some key sustainability targets for Balta. The resulting 2025 roadmap is centred around those aspects where Balta is confident it can make the biggest impact on climate, people and environment.

Fixing our efforts and attention on these focal points does not imply a departure from the targets we formulated for 2030, far from it. By putting key milestones into sharper focus, we wanted to consolidate our sustainable strategies in a clearly defined investment programme for the short and intermediate term. In practice, this means doubling down on binding engagements in areas that require considerable investment. It also enables us to closely monitor and accurately report our progress to all stakeholders concerned, providing consistently robust, transparent, and up-to-date data that will help facilitate our actions moving forward.

Reducing our CO_2 emissions
In our plants, offices and facilities around the world, the reduction of greenhouse gas emissions remains an important priority. Balta also wants to accelerate its efforts in this field: having benchmarked its clean energy coefficient against those of its competitors, it has become apparent that we are not taking full advantage of the opportunities in renewable energy. That is why we are now targeting a 20% increase in energy efficiency across all our sites by 2025, taking the 2018 targets as our baseline. The first major step in this initiative is supplying 100% green electricity to our Sint-Baafs-Vijve plant in 2022.

kg CO_2/m^2	2022	2023	2024	2025
Versus 2018 baseline	-15%	-15%	-17%	-20%

Lowering our water consumption
Our facilities with polyamide dyeing and printing technologies are highly dependent on water, which is an integral part of the production process. In our Group, the major consumer of water is the Tielt plant, which accounts for 63% of our total water consumption, and Bentley, which takes up 19%. To lower our water consumption and achieve a 20% reduction by 2025, we plan to build a process water recovery installation that will work alongside the water purification units we have currently installed. In 2022, a pilot project is scheduled to start on our site in Tielt, which will be designed and developed in compliance with the recently announced IPPC directives for Textiles that come into effect in 2026. The new water recovery system, together with a host of other efficiency measures and technological interventions, will allow us to save a significant volume of process water and put us on the path to success.

l/m^2	2022	2023	2024	2025
Versus 2018 baseline	-11%	-12%	-19%	-20%

Increasing the recycled content in our products
A product's recycled content is the proportion (by mass) of recycled pre- and post-consumer waste materials contained within. To markedly increase this content, we will have to source and purchase more recycled materials, always taking into consideration the unique make-up and diverse applications of our highly technical product lines: used yarns and backings can differ significantly depending on the end users' needs and demands, and may require new or alternative designs. In light of this, the Management Committee has decided on setting targets per division, based on ambitious but realistic prognoses.

% recycled content – evolution per BU						
BU	**2021**	**2022**	**2023**	**2024**	**2025**	**How?**
Broadloom – PP	3%	3%	4%	4%	5%	Increase backing rPP, recycled filler
Broadloom – PA	3%	3%	4%	4%	5%	Aquafil PA6, rPET yarns, rPET or rPP backing, recycled filler
Home	1%	2%	4%	6%	8%	rPET and rPP felt backings, rPET yarns, investment rPP and rPET extrusion for weft yarns (2023)
Captiqs	40%	43%	45%	48%	50%	Steady increase of recycled content
modulyss [1]	38%	40%	45%	50%	55%	Yarns, backing materials
Bentley	30%	35%	40%	45%	50%	Yarns, backing materials

(1) modulyss: only for its own collections

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. Building on the existing classification, and benchmarking it against the sector, a simplified but exhaustive list of stakeholders was defined after a brainstorm session, which addressed the following questions:

- Who has a direct stake in our performance and success? (e.g. investors, employees, suppliers)
- Who has a broader relationship with us, our operations and the impact of our operations? (e.g. regulators, civil society, local authorities, local suppliers)
- Who are the 'hard to reach' or 'seldom heard' people (e.g. vulnerable groups within local communities, neighbouring towns) that are directly or indirectly impacted by us?
- To whom are we accountable? And who is accountable to us?
- To whom are we responsible?
- Who has legitimate expectations about our company, what we do, the way we do it, and the impact this has?
- Are those stakeholder groups likely to change over time?
- Are there any 'quiet' or vulnerable groups we have forgotten?

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)

We also took into consideration the important fact that the biggest influence on our activities is exerted by external stakeholders, i.e. customers, capital markets, lawmakers and regulators. Customers define the look and feel of our product, which is sensitive to fashions and trends. Bondholders, analysts and investors closely monitor the financial performance of the Group, and need to be considered in most of our strategic decisions. The European Union, finally, dictates the level and pace of sustainable operations, which are then translated into national laws.

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

Membership of associations

MATERIALITY ANALYSIS

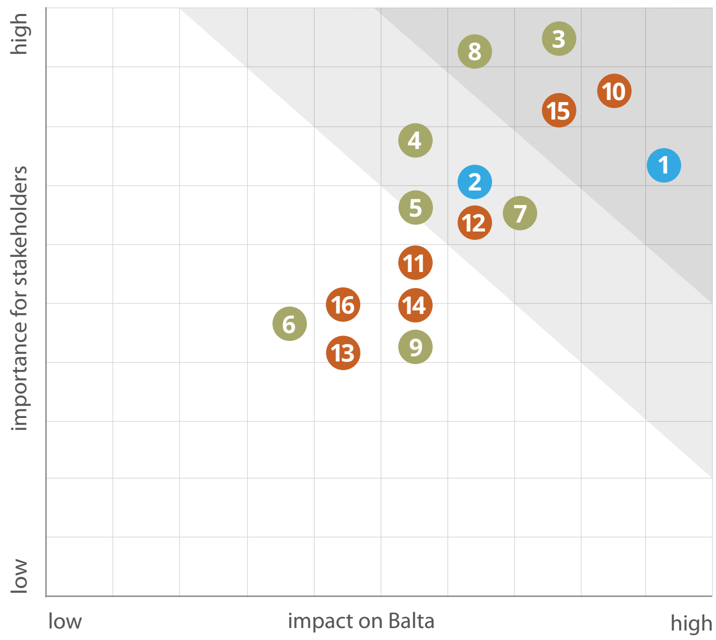
Materiality is about identifying and addressing what matters most to Balta and to our most important stakeholders, what we have the largest impact on and what has the largest impact on us. In other words, aspects with a high materiality score are aspects that should be given high priority.

In 2020, we conducted a formal materiality analysis to identify key topics that merit inclusion in the 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 environental 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. 66.

2. Occupational health and safety
Healthy and safe working conditions involve the prevention of physical and mental harm, as well as the promotion of our workers' health. See p. 49.

3. Economic performance
Demonstrate that the continuity of the business is guaranteed, so that the sustainability ambitions can be realised. See p. 131.

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. 55.

5. Environmental compliance
A license to operate, strictly organised at Balta. See p. 77.

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. 81.

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. 72.

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. 75.

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. 60.

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. 74.

PEOPLE

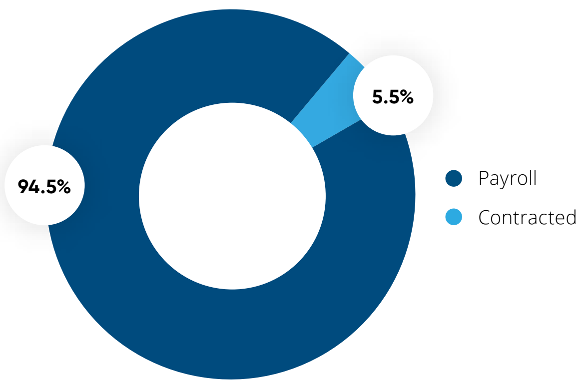
In 2021, the COVID-19 pandemic firmly kept the world in its grip. At Balta also and inevitably, it had a huge impact on our business and the wellbeing of our employees, which has always been of paramount importance. Throughout this most turbulent year, Balta Group took all necessary measures and precautions to ensure the safety and comfort of its people and comply with governmental guidelines.

The continuing crisis has also been a long learning process, across the company ranks: we had to adapt to a highly volatile situation, redefining best practices and implementing new regulations on the fly. Rising to the challenge, and deeply committed to the health and safety of our employees, we introduced a new way of working for our white-collar staff, the so-called 'hybrid working'.

At the end of 2021, Balta employed 4,029 people (total headcount), an increase of 1.8% 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 our headquarters are located.

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

Countries	Number of employees
Belgium	2,663
Turkey	801
US	513
Rest of Europe	49
Rest of the world	3



85% of contracted personnel work in Belgium. Balta has a flexible layer of 5.5% contracted personnel to cope with fluctuating product demand. Women represent 27.6% of the contracted personnel, which is lower than the 35.8% of women on the payroll.

WELLBEING

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.

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.

Hybrid working

In the past two years, the COVID-19 restrictions have turned the trend of teleworking into a fact of modern business life. Working from home can pose its practical challenges, but it can be rewarding too, as many employers have learned from experience: with the right commitment and support, even in these most difficult of times, it can make employees feel freer, be more productive, and enjoy a better work-life balance. At Balta, we created a framework to facilitate this new and agile way of 'hybrid working'.

A renewed **Balta Telework Policy** was approved by the Management Committee in 2021. The policy is in full compliance with the Belgian Collective Labour Agreement (CAO 85) and the Law of 5 March 2017 on Workable and Agile Work, covering structural and occasional telework for employees working at our Belgian sites. Telework, which became possible on 1 October, is voluntary for both employees and managers. After approval of a request, the agreements between Balta and the concerned employee, such as the share of telework, are formalised in an addendum to their contract.

Every teleworker receives the necessary IT equipment (toolkit) to perform their duties from home and is asked to fill out a health and safety checklist. The checklist is intended to make our employees aware of the health and safety concerns of working remotely, in a different environment, for longer periods of time. It includes the following sections:

1. Arrangements with Balta
2. Workspace at home
3. Incident and accident risks
4. Working conditions at home
5. Mental health

Extra attention was given to the health hazards associated with the prolonged use of display screen equipment (DSE), emphasising good posture and adequate breaks away from the computer screen to ensure optimal comfort and safety.

With the hybrid working scheme in place, our managers had to supervise and direct their staff from afar, which requires a particular set of talents and skills. Not being able to see and physically interact with their team members, makes it more difficult to readily assess the many factors that make up a successful project or job, having to rely on output alone. To strengthen the connection between executives and employees, and to ensure continuity, Balta organised specialised training sessions for its managers and department heads.

These focused on the subject of ‘remote’ leadership, and asked our supervisors to be extra vigilant of the mental wellbeing of their employees. Teleworkers sometimes feel that they lack adequate feedback, recognition, and support. This sense of isolation and insecurity might make them question their output, forcing them to work longer hours, causing unwanted stress. At Balta, we want to do everything we can to prevent this vicious circle from happening.

Risk analysis of the psychosocial workload
At the end of 2019, we launched an employee wellbeing survey (SENSOR) at our Belgian sites to identify the work aspects we need to improve. The action plans we developed subsequently 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 revealed 8 recurring and more widely shared concerns, which were identified as possible targets for remediation. After evaluation, we decided on three priority items:

- Delivering clear and varied communication to everyone;
- Offering opportunities for growth;
- Optimising our labour organisation.

To tackle these topics, five project groups were set up, coordinated by the HR Business partners of the different divisions. The projects covered (internal) communications, labour organisation on the central and site levels, job rotation for blue-collar workers, and growth opportunities for white-collar staff. Since its inception, several actions and outreach programmes have been implemented and evaluated, most visibly in the field of internal communications with the introduction of new HR software and the launch of the Balta Connect App.

The Balta Connect App
Keeping nearly 4,000 employees connected and engaged can be quite the challenge, even in the best of times. During the socially distanced COVID-19 pandemic, however, the importance of feeling connected took on a new dimension: conducive to business as ever, but now also crucial to wellbeing, our sense of unity, and access to support.

To keep everyone involved and in touch, we streamlined our in-house communications and developed the Balta Connect app, a new digital platform to access, share and connect. The new application will act as a central hub for company information, upcoming events, news and other relevant topics. Since its launch in October, more than 1,100 employees have signed up.

Health & safety on top of mind

OCCUPATIONAL HEALTH AND SAFETY

A proactive priority

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. 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 the 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 several 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 are 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.

Going digital

In 2021, we rolled out our pilot project for the digitalisation of work processes at our head office and three sites in Belgium. The project involved new software, which is also available as a smartphone app, designed to encourage and facilitate the reporting of unsafe working conditions, as well as on-site inspections and the organisation of safety walks. The system also includes an online dashboard for the managers, allowing them to track KPIs.

After careful evaluation, the application was submitted to and approved by the Management Committee. It will be deployed at all Balta Group sites in 2022. In the first stage, only a part of the software will be implemented:

- Reporting of incidents and accident investigation;
- Workplace inspections and walkarounds;
- KPI reporting and creation of dashboards.

Focus areas

Also in 2021, Balta zeroed in on two focal points of its Health and Safety policy and culture: promoting **safety leadership** and increasing **safety awareness**. A reference document was distributed along the company lines detailing the skills expected of a successful safety leader, accompanied by a picking list of potential safety leadership actions. We also scheduled on-site training sessions for our line managers, to be provided by the insurance company, but these had to be postponed to early 2022 due to COVID-19 restrictions.

At the beginning of the year, similarly, Balta launched a company-wide prevention campaign called **Stop.Think. Act!**, designed to instil more safety awareness.

Many (preventable) accidents on the job happen when people are in a hurry, or when they fall victim to routine. That is why Balta urges its staff and workers to pause, reflect and take safe and calculated action in any given situation. The most important task at hand is always safety, a fact that bears reminding.

In October, the Group organised its annual **Safety Days**, reaching out to all its employees around the globe. The Safety Days are the pinnacle of our Management's commitment to creating a safe and healthy environment for our people to work and thrive in, whether it be the office or production floor. Using interactive events and digital tools to spread the message, we were able to really engage our workforce. The star of the show was undoubtedly Play-it-Safe, a custom-made online game designed in collaboration with PLAY IT. The game also featured prominently in our safety sessions, where small groups of employees were invited to discuss the subject and reflect on the risks and responsibilities associated with their particular jobs. Thanks to the tireless efforts of our local staff, almost 90% of our personnel participated in the event.

In 2021, we also pursued our comprehensive **Job Safety Analyses** (JSAs) for our Belgian production plants, in partnership with our external Health & Safety provider. 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. To prioritise our efforts, Balta uses the Fine & Kinney method for ranking the risks.

The SENSOR survey, quoted earlier, reveals that **ergonomics** is a key health and safety concern in all areas of work: at a desk, behind a computer, or operating heavy or specialised machinery, workers are vulnerable to bad posture and the inherent strains of their day-to-day environments. To spotlight these risks and their potential remedies, we will launch a new initiative in 2022 that is specifically tailored to the issue of ergonomics. We will also take part in the 2022 prevention campaign of the European Agency for Safety and Health at Work (OSHA), aptly called **'Healthy Workplaces Lighten the Load'**.

By the end of 2022, finally, we intend to have most of our in-house management systems **ISO 45001 Occupational Health and Safety** certified. Balta Turkey (Uşak) already received the first certificate at the end of 2021. These credentials will be the official culmination of our ongoing efforts to show to our stakeholders and the world that the Balta Group is wholly committed to safety.

Work-related incidents

The results of our approach were already visible in the number of lost-time accidents (LTAs) recorded in 2020 and we continued to make progress in 2021. An LTA is an accident that results in an employee not performing his or 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.

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 drop of 8% in the LTAFR in 2021: from 11.6 to 10.7. This is again a very positive result, especially when taking into consideration the continuing disruptive effects of the COVID-19 pandemic. We did see a rise in the number of accidents with contracted personnel (temporary workforce), where the LTAFR almost doubled. Immediate and appropriate action was taken, but the issue merits further attention and scrutiny in 2022.

	2019	2020	2021	Δ
Fatalities	0	0	0	
LTA	103	61	62	
Recordables	157	116	120	
Working hours	6,188,781	5,279,506	5,816,261	
LTAFR	16.6	11.6	10.7	-8%
LTASR (own)	0.49	0.55	0.26	-52%

More significant by comparison was the drop in the lost-time accident severity rate (LTASR). We still have a lot of smaller accidents, but they are significantly less severe. The LTASR represents the number of lost workdays per 1,000 working hours.

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 we continued the positive trend in 2021, Balta's management does not accept the current level and wants to lower the LTAFR even further.

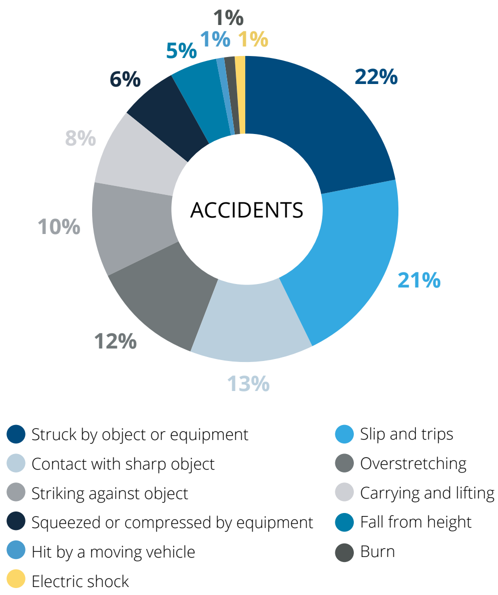
In order to achieve this, we will continue to focus on safety leadership and improving safety awareness. In 2022 a series of training sessions are scheduled for all members of the operational management. These courses will be given in collaboration with experts from our insurance company.

We defined the new quarterly Group-wide prevention campaigns for 2022 around the following topics:

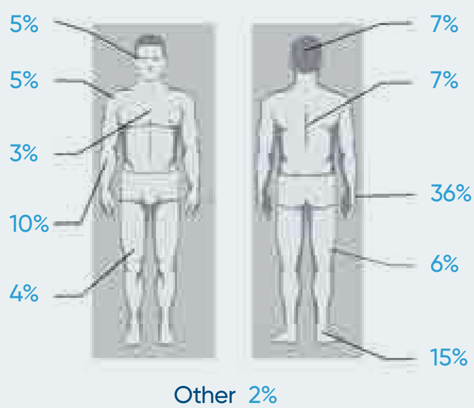
- Fire safety
- Safe machine operating
- Reporting incidents and dangerous situations
- Housekeeping.

In 2021, the most common causes of accidents were being struck by an object or piece of equipment, followed by slips and trips and contact with a sharp object. Compared to last year, we saw a steep drop in accidents involving personnel being squeezed or compressed by equipment (from 25% to 5%) or hit by a moving vehicle (from 5% to 1%). These types of accidents generally cause serious injuries, which we managed to avoid throughout the year.

Causes of LTAs during 2021



The body parts most affected by accidents are still hands, legs and feet, which account for 57% of injuries. Unfortunately, we saw an increase in head, face and eye injuries compared to 2020. We will tackle this issue during next year's prevention campaign on safe machine operating, as mentioned above.



Affected body parts in 2021 (LTAs)

Turning the trend: 500 days without LTAs for Balta Oudenaarde

In June, Balta Oudenaarde reached 500 days without lost time accidents (LTAs) among its own employees, which is a great achievement and important safety milestone considering the slew of mishaps that befell the site in Oudenaarde in recent years. The remarkable reversal of fortune is the result, first and foremost, of Balta's company-wide efforts to double down on Health and Safety.
For Oudenaarde specifically, a comprehensive safety plan was put into effect with the support of dedicated workgroups and our H&S services. Key in all phases of this ambitious project was the joint and proactive drive for heightened employee awareness of the risks and responsibilities in the workplace, requiring in-depth training and a global change in mentality. As one team, and one Balta, and with the help of our Prevention Advisor and Manager of Operations, Balta Oudenaarde was able to take this motivation, move forward and turn its safety figures around.

How we got our H&S record back on track:

- Global awareness campaign, highlighting Stop.Think.Act!;
- Our 12-step safety plan: a new safety topic for each month, with rigorous training;
- The fielding of safety coaches, providing hands-on guidance and tutoring;
- The installation of Safety Corners to host toolboxes, all-hands and meetings;
- The introduction of our local dynamic mascot SAM, promoting the idea 'Safety A Mindset';
- The suggestion box, allowing employees to raise the red flag on risk and hazards;
- The organisation of specific actions, to address relevant issues and concerns.

We elaborated Golden Hygiene Rules

HEALTH

COVID-19 Precautions: keen to protect, quick to respond

Since its outbreak in 2020, we have been focusing on the fight against the spread of COVID-19. As the pandemic hit in early March 2020, Balta's Management immediately put a crisis management team in place. This was soon replaced by a regular meeting of the CoronaSafe Working Group, chaired by the SSHEQ Director. This working group reports to the Management Committee frequently on the status and progress made. Local hygiene coordinators are appointed at all sites.

Our main mission is 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 make 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 follow the guidelines of the World Health Organisation.

We regularly update our **Golden Hygiene Rules**, containing – next to the rules – a set of guidelines that need to be implemented. Risk analyses against these guidelines were performed at every site, and gaps were identified. Workplaces were made safe by installing the necessary physical separation materials, and by providing extra sanitary facilities and cleaning materials.

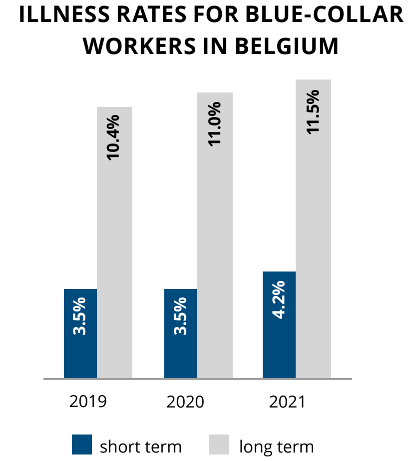
Circulation plans are put in place at all our sites. The close monitoring of **ventilation** and CO_2 levels has become in key factor in combatting the spread of COVID-19. To ensure the optimal circulation of fresh air, we purchased the necessary equipment and invited outside experts to take reference measurements around our sites.

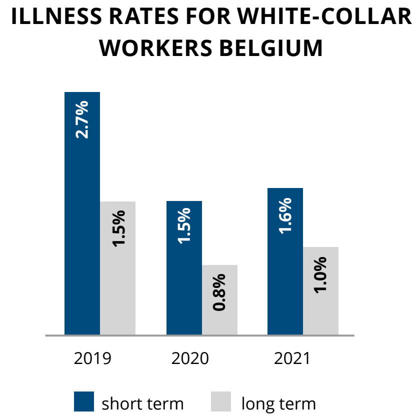
We also emphasised the importance of **limiting social contacts** inside and outside the Group. Teleworking was introduced on a large scale wherever possible, virtual meetings can be organised and are used as much as possible, and for any remaining physical meetings, the number of attendees is limited (according to the available space).

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 make use of the extranet by setting up a Balta COVID-19 website for our employees and analyse the hits to see if we succeeded in reaching them. Managers are instructed to stay in touch with every single member of their teams when they were forced to stay at home.

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.

Thanks to these stringent and proactive safety measures, there were **no reports of outbreaks** at Balta sites in 2021.





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 that causes the sick leave, but other external factors which influence the mental well-being of the employee (at work or at home).

The 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).

In line with national trends, the illness rates for blue-collar workers at our Belgian sites have gradually increased. For long-term absenteeism, we see the catch-up effect of our aging population. Our short-term absenteeism, meanwhile, sits slightly above the national benchmark of 4.1% *(source: Attentia)*. The increase of the latter was undoubtedly influenced by the COVID-19 pandemic, and was also felt among the younger workforce.

Our white-collar workers in Belgium present a different picture: absenteeism was almost status quo with last year and firmly below the national benchmark. Here, we see a thoroughly engaged workforce, in line with the outcome of our SENSOR well-being survey (see p. 48).

Short-term absenteeism in Turkey (for both white-collar and blue-collar workers) continues to fall and is now at 1.6%. Illness rates, moreover, have steadily declined for 3 consecutive years from the 5% we recorded in 2019. This is great news and a powerful testament to the power of local HR initiatives.

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, and to help reduce noise. They need to be easy to clean and maintain, so they will keep their hygienic performance. When carpets and rugs are regularly and properly cleaned, they can help combat allergies, trapping dust particles that would otherwise be dispersed around the room, as is the case with hard flooring.

Transparent marketing and labelling of products mean 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

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 and modulyss 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 (TS 16516).

- 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.

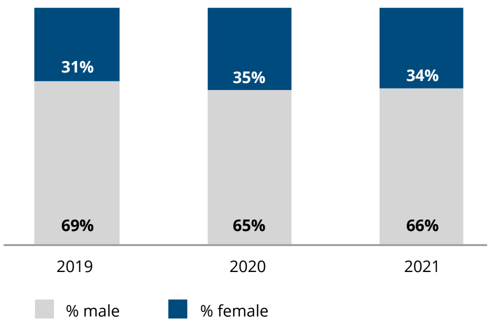
- Balta Carpets carries various collections that are made from solution-dyed PP (polypropylene) and PA (polyamide), which are easily cleaned and allow for effortless stain removal. Its biggest-volume collections include Elements, Eternity, Canvas and Nature.

- As of June 2020, modulyss received **Cradle to Cradle Certified® Gold** for 15 of their collections, covering 46 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 almost 50 nationalities across 10 main locations in 3 continents. Balta employees have diverse cultural backgrounds across a wide range of ages. Whilst we embrace diversity at Balta, it would be fair to say that we still face challenges in many areas of the organisation. We have already successfully raised the bar in the Extended Balta Leadership Team (EBLT), where we now have 16% non-Belgian members, more than tripling last year's 5%.

GENDER (AT 31 DECEMBER)



Overall, our workforce was composed of 34% female versus 66% male workers at the end of 2021. The percentage of women has not significantly changed since last year. If we only consider our white-collar workers, however, the figure goes up significantly to no less than 45%.

Targets and ambition

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. In 2021, we already made great strides in bringing change to many levels of management. We will continue to actively promote this ambition to all stakeholders. Frequent communication about the status and progress, both internally and externally, will be part of that.

At the end of 2021, the ratios were as follows:

- Our **Board of Directors** currently includes 22% women. We keep working to achieve the legal requirement to have at least one third of Directors of a different gender than the rest of the Board by 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** was reorganised and is now composed of 4 male members and 1 female member (20%).

- The **Balta Leadership Top** (BLT) has 28% female members (8 women out of 29 senior managers), which is twice as many as last year. The BLT is composed of the Management Committee plus all senior managers reporting directly to a member of the Management Committee.

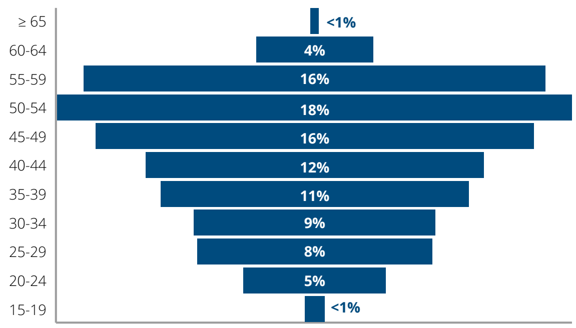
- The **Extended Balta Leadership Team** (EBLT) currently has 25% female managers (32 women to 96 men). The EBLT is the middle management of the Group and is composed of all grade 6 managers and above.

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 and extended and formalised in 2021. In addition to the implementation of more flexible working hours, we created a framework to facilitate a new and agile way of 'hybrid working'.

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 40 to 45% of worked time executed remotely. As mentioned before, teleworking will become more institutionalised at Balta.

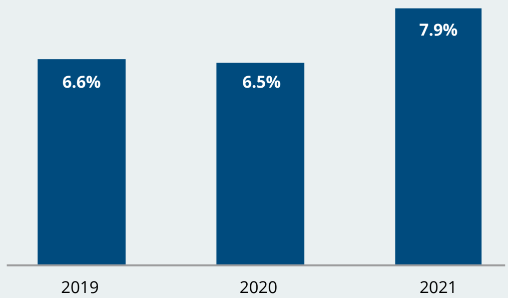
Creating a lasting attraction and the drive to thrive
One of our biggest challenges is attracting young workers. If we look at the age pyramid below, which includes the 2,802 employees who make up our Belgian contingent and white-collar workforce in the US and Turkey, we see that more than 20% is older than 55. This figure represents a wealth of valuable know-how and experience that will have to be replaced in the short and medium term, blue and white collars combined.

AGE PYRAMID BELGIUM BLUE COLLARS
Excl. blue collars US and Turkey, and all of Bentley



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 in 2020. In 2021, we prepared to roll out the project to our sites in Sint-Baafs-Vijve and Oudenaarde, where the results should be visible in 2022. The renovation of the office buildings in Sint-Baafs-Vijve has also begun, starting with the renewal of the entrance in late 2021.

ATTRITION RATE
Excl. blue collars US and Turkey, and all of Bentley



A more detailed analysis shows that the attrition rate for white-collar workers in Belgium is again very high at 10.8% compared to 8.8% in 2020, despite Balta's best and ongoing efforts to the contrary. The pillars of our strategy to attract and retain talent are:

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

Today, less than 20% of our 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.

The formal talent review has been repeated via a new HR software mpleo, starting top-down from EBLT, later to be expanded to all employees. This approach has again led to personal development plans throughout the organisation and a list of internal recruitment possibilities. We increased our number of high potentials and tackled the problem cases. There were no problem cases identified for 2021. Starting a young high potentials programme (Early Entry) is the next step.

Through the talent review we managed to identify the retention risk in the organisation, which is very high among our EBLT members (50%). This could be linked to the news about the sale of part our businesses.

International Women's Day, Turkey

On 8 March, Balta Turkey celebrated International Women's Day, which spotlights gender equality and the many empowering achievements of women around the world. All female employees received a candlelight to brighten their day and illuminate our shared vision of a fair and level playing field, without stigma or stereotype.

BALTA, A PLACE OF OPPORTUNITY AND GROWTH

Official recognition as an inclusive employer
In 2021, our company focus on inclusion and diversity in the workplace was recognised by Sterpunt Inclusive Entrepreneurship, a non-profit umbrella organisation that works to bring more inclusivity to the Belgian job market. Sterpunt awarded Balta with their Reference Certificate, which demonstrates our commitment to breaking down barriers and providing equal opportunities to all, regardless of gender, background or creed.

Balta was also nominated to receive official recognition from Cobot, the sectoral training partner for Textiles in Flanders, for its efforts to provide language training, IT training for digital illiterate co-workers and basic education to new candidates who might not have the necessary skills to start as an employee. Balta is reaching out to them to become full members of the Balta family.

Balta and TEO: Fostering talent and passion
In today's job market, technically skilled profiles are few and far between, but there is a lot of untapped potential out there, waiting in the wings, ready to be discovered. To locate and mobilise these hidden talents, Balta took part in the tried and tested TEO programme, which looks beyond resumes and industry experience to harness the power of personal motivation, combined with the willingness to learn and grow. Thanks to TEO, we were able to find new would-be operators, providing them with the necessary training, tools and support to develop their technical smarts and give them a leg up to get started in the company.

Blend into your Job, our new recruitment campaign
To attract new talent and showcase our company as a great place to work and thrive, we launched a new employer branding campaign called 'Blend into your Job'. Looking at the men and women behind the Balta brand for inspiration, we used striking portraits to display their joy, passion and dedication as they 'blend into their jobs', happily posing or reclining on various carpets and rugs, wearing outfits to match the carpet colours or prints. The visuals were used on a dedicated landing page and various marketing materials, and proved a great success.

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 2021, the confidential advisors in Belgium saw the annual number of interventions go up from 4 to 15. Some of these cases could be directly attributed to the strain the COVID-19 pandemic has placed on the mental wellbeing of our own and external personnel. One case involved a request for the intervention of the external safety advisor specialised in psychosocial aspects. After appropriate mediation between the parties involved, all cases were resolved with a positive outcome. There were no cases registered in Turkey, and the US.

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 Organisation's Declaration on Fundamental Principles and Rights at Work. We have 58% of the total employees covered by collective bargaining agreements, which is a legal requirement in Belgium (blue collars and part of white collars). 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.

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.

At the start of 2021, we sent our new **Supplier Code of Conduct** to the majority of our suppliers (as per the 80/20 rule), supported by 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.

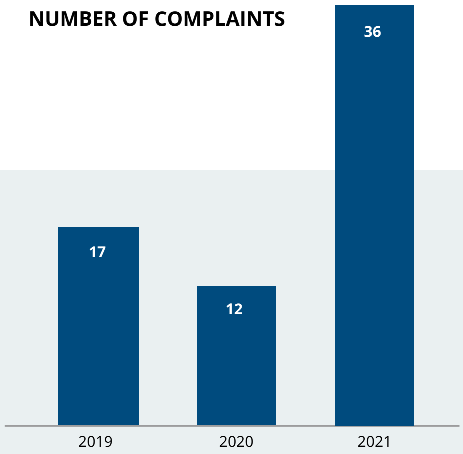
The code stipulates that suppliers must ensure that their own suppliers, contractors and other business partners participating in the delivery of products, components, materials and services to Balta Group comply with certain minimum requirements. Balta reserves the right to audit compliance with this 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 dedicated mailbox.

We received some 150 replies, which equates to a response rate of nearly 95%. The overwhelming majority of these have been very positive, which confirms our confidence in the current supply chain. Responses were either formulated using Balta's template or through a supplier presentation, and therefore in full compliance with our demands. We reviewed and analysed the feedback, but did not find any cause or indication to raise a red flag.

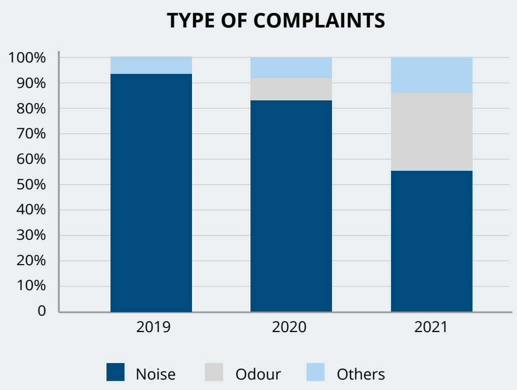
Due to the ongoing COVID-19 pandemic, we were unable to conduct our regular on-site audits. We are determined, however, to resume these efforts in 2022, as soon as the travel restrictions are lifted. The goal is to have all high-risk suppliers audited, many of whom are located in low-wage countries.

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. Contrary to the trend of recent years, in which the number of complaints has steadily fallen, we saw a noticeable uptick in complaints for our site at Sint-Baafs-Vijve.



If we look at the nature of the reports received, most are linked to noise nuisance, followed by odour complaints. The totals above 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.

In Sint-Baafs-Vijve, working in close rapport with the neighbourhood and the local authorities, we provided substantial and additional noise remediation, which was concluded in December 2021. Measuring results by an accredited expert at the end of 2021 indicated remediation was successful in most areas. We will resolve the remaining part in 2022. Also in 2022, we will continue to investigate the source of the seasonal odour complaints we have received, and propose appropriate solutions.

In Tielt, following our 2019 investments in state-of-the-art noise screens, we saw a steady decline in noise complaints. In 2021 we also put in place measures and controls to address the 'honking' sounds our aluminium silos make when they are filled with plastic granules. The culprits were the flow pulsations, whose raised tempo can give rise to a loud and repetitive noise not unlike that of a foghorn, which can be understandably upsetting.

The COVID-19 pandemic may have had some impact on the number of reports received in the last two years. 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.

GIVING BACK TO THE COMMUNITY

Neighbourhood Clean-up
Being a leading producer of maintenance-friendly carpets, Balta likes to keep things fresh and tidy. To extend the favour, we organised our annual Neighbourhood Clean-up, which is also a great team-building and outreach event. At Sint-Baafs-Vijve, some 77 colleagues from different departments rolled up their sleeves and ventured out into the neighbourhood to collect trash.

Bentley and LA Food Bank spread Christmas cheer
In the spirit of the Holidays, Bentley Mills donated 40,000 Christmas meals to the Los Angeles Regional Food Bank, which has been 'Fighting Hunger and Giving Hope' since 1973, distributing food and essentials to people and families in need. By reaching out to the less privileged in the greater LA community, Bentley lived up to its reputation as a locally engaged and socially responsible company.

SOCIAL RESPONSIBILITY

The Balta Group cares. That is why we strive to make a positive and lasting impact on people, especially those who need it most. In 2021, a year that showed the world just how important solidary is, we put our shared sense of social responsibility into numerous partnerships and actions that touched many lives around the world.

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 called Collected Smiles. Balta is donating its out-of-use smartphones and tablets.

Collaboration with Aarova
In 2021, 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 and in labelling.

modulyss helps flood victims
In July, the east and south of Belgium suffered devastating floods, which left a trail of unprecedented destruction in their wake. In the aftermath of the disaster, countless people found themselves without a home or even the most basic comforts. To show solidarity and rebuild the homes in these stricken communities, modulyss donated 2,000 m² of carpet tiles, showing that an little kindness can go a long way.

Bentley Mills' Daytripper Collection: the power of art
Great art soothes the soul: it exerts a social and cultural aura that resonates with all of us, asking us to look at things in a different light, thereby revealing a deeper truth about ourselves and the world we live in. Bentley's Daytripper Collection revisits the pre-pandemic times of free and unfettered access to art exhibitions, pop-ups and museums, rekindling the feeling of being swept away for hours on end.

To share this creative experience and the boundless opportunities it represents, we partnered up with Create Now, the non-profit behind the Cultural Journeys programme, which gives disadvantaged youths the chance to visit and experience cultural venues in LA. At NeoCon 2021, similarly, we invited visitors to day-trip down memory lane and relive their favourite and most inspirational childhood memory. In both 'daytrips' into the imagination, literally or figuratively, it was all about (re)connecting with the healing and transformative power of art.

Jobbing for charity: a YOUCA Action Day at Balta
Youth for Change and Action (YOUCA) is a Belgian non-profit that gives high-school students a chance to gain some real-life experience working at a company for a day. The money they earn goes to various youth projects and social charities around the world, which Balta fully endorses. During the YOUCA Action Day, six young potentials got a taste of how Balta does business – they did a great job, and we hope to see them again as future employees!

PLANET

According to the Ellen MacArthur Foundation [1], 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

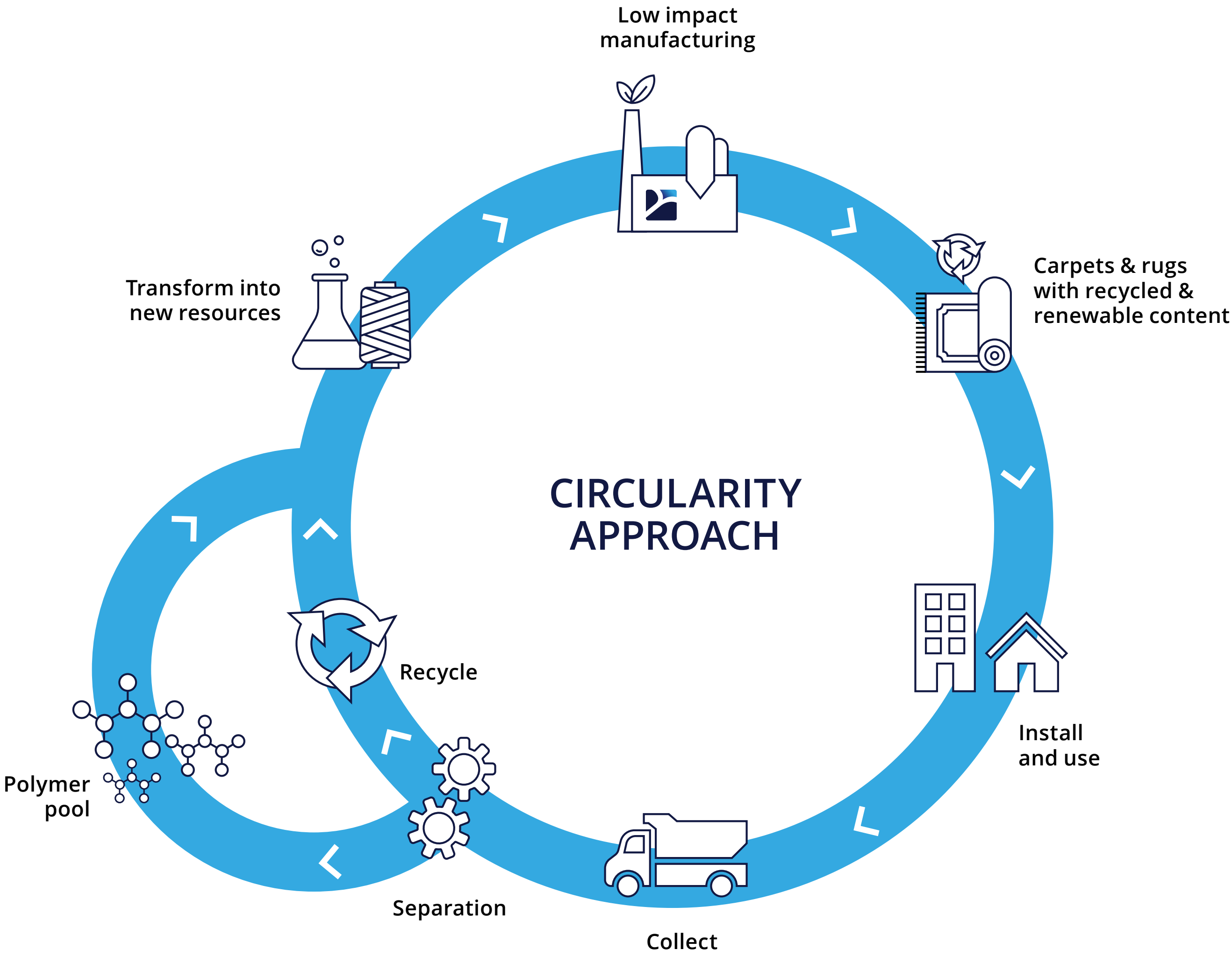
In the European Green Deal, announced in 2020, the Circular Economy Action Plan (CEAP) and the EU Industrial Strategy, the textile industry was designated a priority sector. In this context, the EU has put forward a comprehensive Textiles Strategy that is set to lead the way towards the carbon-neutral and circular economy of the future. 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. See also Risks and opportunities (p. 88)

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. 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.

(1) www.ellenmacarthurfoundation.org/explore/the-circular-economy-in-detail



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 tonnes 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.

One important 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, so to speak.

Our other main objective is to design and engineer innovative products that can be more easily processed and recycled and in doing so, greatly extend their life-cycles. Most of our products, however, pose a technical challenge as they are made of complex composite materials that require painstaking separation prior to recycling. To counter this problem, we have tested several promising mechanical, solvent-based and water-based separation techniques to isolate single-polymer fractions, which are ideally suited to recycling. An economically viable solution for separation, however, has yet to be developed.

For this reason, we have edged our bets and shifted our focus to 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 Balta Home division, similarly, leveraged its know-how to develop a single-polymer, granulate-based product, creating a new (and green) generation of rugs. By using innovative chemical reprocessing techniques, Balta is able to maximise the potential of its vertically integrated, in-house yarn production processes. In addition to this first and successful trial, we are developing another new technology for the production of single-polymer products.

To foster a more circular industry, the Management Committee has established high ambitions for Balta. By 2030, 50% of our collections will have certified recycled or renewable content. In each business unit ('BU'), and for every product, the recycled content percentages will be monitored using a mass balance approach, with weight-to-weight percentages. By 2030, 30% of our rugs will be single-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 2021, the percentage of (mass based) recycled content yielded the following figures:

BU	% Recycled content	Target 2021
Broadloom – PP	3.1%	3.0%
Broadloom – PA	3.3%	3.0%
Home	2.5%	1.0%
Captiqs	50.2%	40.0%
modulyss [1]	35.1%	38.0%
Bentley	29.5%	30.0%

(1) modulyss: only for its own collections

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. See Roadmap p. 40.

- In 2021 modulyss faced supply problems of recycled lime. That prevented the target from being achieved, but still progress was made from 31.6% recycled content in 2020.
- In Rugs, our sustainable products with a minimum content of 40% recycled material or single-material rugs already account for 22% of the division's revenues. At the moment, we have 26 sustainable collections.
- In Captiqs, projects are ongoing to eliminate the use of latex and to create fully recyclable exhibition carpets. The use of specific environmentally friendly top-layer coatings for nonwovens 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.
- In 2022, we will investigate the possibility of purchasing bio-based PA (polyamide) granulates.

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%.

CRADLE TO CRADLE® PRINCIPLES

In its circular, low-impact approach to product R&D, Balta adheres to the principles of the Cradle to Cradle® (C2C) certification programme, which is organised by the Cradle to Cradle® Products Innovation Institute. This accreditation is a prestigious, globally recognised hallmark for safer and more sustainable products that drive the vision of a new and circular economy. It is Balta's intention to increase the number of Cradle to Cradle Certified® product lines every year.

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.

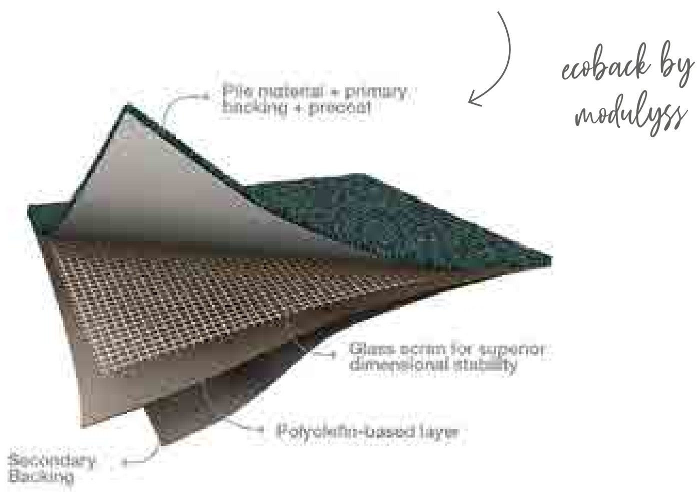
A product is assigned an achievement level (Basic, Bronze, Silver, Gold, Platinum) for each category. A product's lowest category of achievement also represents its overall certification level. The standard encourages continuous improvement over time by awarding the certification on the basis of ascending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

In June 2020, **modulyss** was the first Balta division to receive a **Cradle to Cradle Gold-level Certification®** for 28 of its products. That number has since grown to 46, with an additional 173 products in the modulyss catalogue earning **C2C Silver**-level certification. The recyclable carpet tile backings ecoBack and comfortBackeco, moreover, earned the coveted Platinum score in the 'material health' category, which celebrates products that are exceptionally safe for 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 CO_2-neutral thanks to the CO2RE initiative, which offsets any remaining greenhouse gas emissions by supporting climate projects.

In November, **Balta Home** received **Silver-level Cradle to Cradle Certification®** for its New Generation and Woven rug collection, representing a total of 28 products.

As early as August 2020, finally, **Bentley** became **Cradle to Cradle Certified® (Silver)** for four of its collections, covering 7 products.



In the US, Balta has 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.

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.

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 attained Platinum level and 5 reached Gold.

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 2021, the QA-CER Recycled Content programme entered the fold of PolyCert Europe, an overarching technical platform that harmonises existing certification schemes for converters of polymeric materials in Europe. The main objective of PolyCert Europe is to provide uniform and dependable quality certification processes that faithfully verify the recycled content of converted products.

In January 2020, Balta Home, with its Belgian sites in Sint-Baafs-Vijve, Waregem and Avelgem, received Level 2 QA-CER recycled content certification. In August 2021, Balta Industries NV obtained the QA-CER Level 2 certificate for its development, production and sale of wall-to-wall carpet and needlefelt products at Sint-Baafs-Vijve, Tielt and Oudenaarde. These certifications are issued by BQA, an independent certification body, and remain valid for three years.

In 2022, in line with its strategies, Balta aims to secure certification for the entire Group, including modulyss and our activities in Turkey.

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.

CDP DISCLOSER 2021

Balta discloses its climate change and water security impact through CDP (the Carbon Disclosure Project), a global non-profit that runs the world's leading environmental disclosure platform. CDP, which is co-funded by the European Union, encourages companies and governments to reduce their greenhouse gas emissions, safeguard water resources and protect our forests.

In 2021, over 13,000 companies – representing more than 64% of the world's total market capitalisation – disclosed their environmental data through the CDP. More than 1,100 cities, states and regional governments have done the same, making CDP the leading platform for detailed information on the ways in which businesses and governments are driving environmental change.

David Lammers, Deputy Director Corporate Engagement, CDP Europe:

'The scientific consensus on the need for urgent action on climate change has never been clearer. And ambition this decade will determine how well we can protect our natural resources and avoid the worst effects of global climate change. As policy and corporate stakeholders continue to develop strategies for environmental protection and a low-carbon transition, the availability of reliable and comparable data will remain of vital importance. By disclosing to CDP in 2021, Balta has demonstrated a commitment to corporate environmental transparency and made an important contribution to an economy that works for both people and planet.'

CO_2 EMISSIONS FROM PRODUCTION

Each year, we disclose our GHG emissions (scope 1 and 2) for our production sites, so we can report transparently on the progress made towards our ambition for 2030: 30% reduction of CO_2 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.

This year, we fine-tuned our calculation of emissions from various sources of electricity. We took into account the CO_2 emissions from solar energy production and the 'green' electricity purchased at the modulyss site. This has led to a minor change in the 2018 baseline for the tonnage of CO_2 from indirect emissions: 104,703 instead of the previously reported 104,348 (which equates to a difference of 0.3%).

MWh Electricity sources	2018	2020	2021	%
Grid	198,857	156,327	179,534	87.9%
CHP	10,664	9,050	9,226	4.5%
Solar	13,139	10,760	12,010	5.9%
Green	4,356	3,381	3,524	1.7%

As reported before, we take into account the variable conversion factors for electricity of the grid in the countries we operate in:

- www.nucleairforum.be/elektriciteitsproductie-en-co2-uitstoot-in-belgie
- www.vreg.be/nl/controleren-hoe-groen-uw-stroom-groencheck
- 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

	2018	2020	2021
1,000 m^2 production volumes	140,134	108,370	119,439
Ton CO_2 direct emissions	43,501	31,969	36,118
Ton CO_2 indirect emissions	61,202	45,013	44,070
Total CO_2	104,703	76,982	80,188
kg CO_2 per m^2 produced carpet	0.75	0.71	0.67
Gain versus 2018 baseline			**-10.1%**

The gain compared to the 2018 baseline is largely due to the electricity generation mix in Belgium. Elia, the official administrator of the network, stated that 52.5% of electricity came from nuclear power plants in 2021, compared to 31.2% in 2018 (our baseline year). At some of our sites, we are starting to see the impact of our efforts and investments in energy efficiency. In Sint-Baafs-Vijve and Turkey the energy consumption rates fell by 13% and 4% respectively, and Sint-Eloois-Vijve recorded an impressive decrease of 25%. Having less disruptions in our production process (compared to 2020) has certainly helped as well.

At the same time, we avoided CO_2 through:

	2018	2019	2020
Solar	2,196	1,585	1,033
Purchase of green electricity	902	602	363
Total ton CO_2 avoided	3,098	2,187	1,395

61,125 solar panels installed at five factory sites in Belgium produced 12.1 GWh in 2021. This amounts to the electricity needs of 3,450 Belgian households (with an average consumption of 3,500 kWh/year according to Flemish Government figures). In 2021, modulyss purchased 3.524 MWh of green electricity to comply with the requirements for Cradle to Cradle Certified® products.

From 2022 onwards, moreover, Balta will run its Sint-Baafs-Vijve site on 100% green electricity. This is the first milestone in our 2025 Roadmap (see p. 40) to reduce our plant CO_2 emissions.

Bentley is investigating whether the installation of solar panels is a viable option, or if other green energy sourcing is possible.

Balta Turkey examined the possibility to install a battery of solar panels on top of its buildings. Unfortunately, after elaborated studies in collaboration with an expert engineering agency, it became clear that this installation will exceed the maximum load-bearing capacity of the roofs.

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

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.

In late 2021, we obtained **ISO 50001 certification** for modulyss. The certification audit for our Turkish sites is scheduled to proceed in April 2022. The Group goal in 2022 is to become ISO 50001 certified for all remaining Belgian sites, demonstrating our systematic approach to our stakeholders. ISO 50001 Certification is the international gold standard in energy management systems, requiring certified organisations to implement and endorse viable practices for proficient use and utilisation of energy.

Balta also 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%.

At our Belgian sites, Balta is currently in the process of updating its software for energy management and monitoring. The new system breaks down and visualises the energy flows and consumption values of our myriad processes, assigns them to the relevant consumers or cost centres, and identifies how and why changes have occurred. This data allows us to keep close track of our efficiency measures, optimise our energy procurement, and compare performance across plants and locations in a smart, scalable and future-proof way.

The COVID-19 pandemic, however, has inevitably disrupted the execution of the 2020 and 2021 plans. Due to the global turmoil in the transport and shipping business, the delivery of electronic components suffered serious delays. However, we still managed to make some progress. Below is a non-exhaustive list of some of these projects:

- In Sint-Baafs-Vijve we installed a smaller, more efficient steam boiler and introduced LED lighting to the latex department. We also concluded a study into the costs and benefits of next-gen compressors.
- In Tielt, we optimised utility boiler No. 4 by refurbishing it with an economiser and flue gas condenser. In the heat-set department, we installed new, energy-efficient lighting.
- In Avelgem we realised a comprehensive relighting project.

In total, these projects help us save more than 270 MWh of electricity and more than 2,250 MWh of natural gas each year.

In Uşak (Turkey), finally, 1,200 fluorescent lights were replaced with modern LEDs. In 2022, the lighting will be renewed in all of the site's buildings. Also in 2022, the plant is scheduled to replace its screw compressors and electric motors with turbochargers and high-efficiency models respectively.

SUSTAINABLE MOBILITY

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

For instance, we continue to look at possibilities for greener modes of travel and transportation, and how we can take full logistic advantage of the inland waterways that connect to the strategic hub of Antwerp – a vital conduit for both raw materials and finished goods. These initiatives are fully aligned with the latest publication in 2021 of the Climate agreement of the Flemish government 2021-2030 *(https://energiesparen.be/vlaams-energie-en-klimaatplan-2021-2030).*

In early September 2021, Balta reverted to a barge to ship import containers from the port of Antwerp to the sites in Sint-Baafs-Vijve, using the river terminal in Wielsbeke (RTW). Moving from road to water, and avoiding the notorious congestion on Antwerp's ring road, we were able to cut down the usual 208-km round trip to a mere 6 km stretch, thereby greatly reducing the journey's footprint.

When fully operational, the new, more eco-friendly barge transport will save 200 tonnes CO_2 per year. It is also ideally suited for the export of our end-products, connecting us to the port of Antwerp and the international markets beyond.

We also took our first major step towards a greener corporate fleet. With the Belgian and Flemish governments incentivising businesses to go hybrid or electric, and in line with our company policies and commitment, we premiered six electric cars and installed 20 charging points at our plant in Sint-Baafs-Vijve. Anyone buying a new car or delivery van from 2029 onwards will only be able to buy an electric car.

In addition, we continue to actively promote sustainable commuting among our staff, a collective drive that will help to reduce emissions.

CAR FREE DAY

Car Free Day

Car Free Day has become something of a Balta tradition: each year, the staff of our Flemish sites are invited to leave their cars at home, and travel to work using alternative modes of transportation. On 23 September, some 200 employees biked, walked, carpooled or took the train to work: a 14% increase in the level of participation compared to the previous year. All participants received a healthy snack pack, and warm company congratulations for choosing to travel in a greener, healthier and more sustainable way, thereby championing this important modal shift.

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 fresh-water resources and to augment the reuse of process waters. Balta does not have facilities located in areas with water stress, nor consumes water originating from those areas.

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. In 2021 we organised a test run for the project's water barometer, a tool that maps the water balance of a given site.

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. Due to COVID-19 pandemic, the execution of this pilot project had to be delayed until 2022.

Our ambition...

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

In 2020 and 2021, the Tielt water purification installation underwent major refurbishments. 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.

For the sake of accuracy and disclosure, we have included the volumes of our distribution centres in the US (Savannah and Rome) in our report, although they only account for 0.4% of our total water consumption. This did not alter the baseline, and has only a slight negative impact on the water consumption rate. Collecting this data is only a matter of reading the meters: all of the water entry and exit points at our storage facilities are equipped with calibrated measuring equipment.

	2018	2020	2021
1,000 m² production volumes	140,134	108,370	119,439
Water consumption in m³	623,530	459,964	477,128
Water consumption rate l/m²	4.45	4.24	3.99
Gain versus 2018 baseline		**-4.6%**	**-10.3%**

In 2019, we saw the impact of shutting down our colouring activities in Oudenaarde, a positive effect that continued in 2020. This year our production lines suffered fewer interruptions, which allowed us to return to the levels of 2019.

The most impressive reduction was achieved by Bentley, which managed to halve its water consumption rate from 22.36 in 2018 to 11.26 in 2021.

2021	Water source	m³
Abstracted	Deep groundwater	0
	Shallow groundwater	237,203
	Rain water	59,847
Supplied	Drinking water	19,824
	Grey water	160,254

Balta Tielt also renewed its agreement with the local supplier to purchase grey water, sourced from surface waters in the area. This contract, concluded under the supervision of the Flemish Government, no longer requires Balta to pump up deep groundwater. The new agreement will expire at the end of 2023.

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. Preparation of the works is ongoing, and the building application will be submitted in early 2022.

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

Because of the nature of our products and product lines, we cannot rely on one-size-fits-all solutions. That is why we take pointed on-site actions and initiatives, under the guidance from local management, and supported by R&D and SHE staff.

At modulyss, the carpet tile waste generated during the cutting processes 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 2021, the environmental permit for the modulyss site in Zele was renewed, which allows us to store and process 2,850 tonnes of non-hazardous waste per year. On site, post-consumer carpet tiles are first run through an edge shredder, and then reprocessed into filling material that is used in the backing of new products, restarting the cycle. Carpet tiles that are too far gone, too dirty, or otherwise disqualified from recycling are directly transported from the client's premises to a licensed processor.

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 tonnes of production residues per year at this plant. We are now exploring the potential for further PP (polypropylene) waste reduction.

Our reported waste figures do not take into account water effluents. In 2021, 80% of the waste was diverted from disposal, which is a clear improvement compared to the previous years (73.7%). This means that we have succeeded in lowering the volumes of contaminated and hazardous waste for three years in a row.

Waste data is retrieved from invoices and certificates from waste collectors. 80.0% of our waste is generated on the sites in Belgium, where keeping a waste register (type and weight) is a legal requirement. Waste streams are identified per standardised EURAL code. We have similar registers in the US and Turkey (which accounts for 19% of the waste).

Type of Waste	End-of-life	2019	2020	2021
Non-contaminated carped waste (external)	Recycling	13,188	10,203	10,899
Metal	Recycling	610	438	558
Other (A-grade waste wood, plastic foil, ...)	Recycling	1,953	1,596	1,711
Paper & cardboard	Recycling	4,357	3,660	4,035
B-grade waste wood	Incineration with recovery of energy	183	110	134
Other (contaminated carped waste, latex waste, hazardous, ...)	Co-incineration	5,891	4,762	5,193
Silt waste	Co-incineration	1,099	806	872
TOTAL IN TONNES		**27,280**	**21,574**	**21,513**

ENVIRONMENTAL COMPLIANCE

ENVIRONMENTAL COMPLIANCE AT BALTA

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.

The environmental permit for the modulyss site in Zele covers a period of 20 years and is set to expire on 25 April 2022. In 2021, we submitted the application for a new permit, which solicited no objections from the surrounding area. On 2 September, the East Flanders Provincial Executive granted an open-ended environmental permit for the modulyss site, including provisions for the recycling of post-consumer carpet tiles into new products.

In 2021, a lot of media attention was paid to PFOS and PFAS contaminations around certain industrial sites in Flanders. A soil test of the grounds in Zele similarly revealed historical, mixed-use pollution. Because the contamination could be traced back to a former user of the property, the Public Waste Agency of Flanders (OVAM) exempted modulyss NV from the obligation to carry out a descriptive soil investigation, as well as any soil remediation for PFAS pollution.

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 we can achieve positive action. Therefore 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.

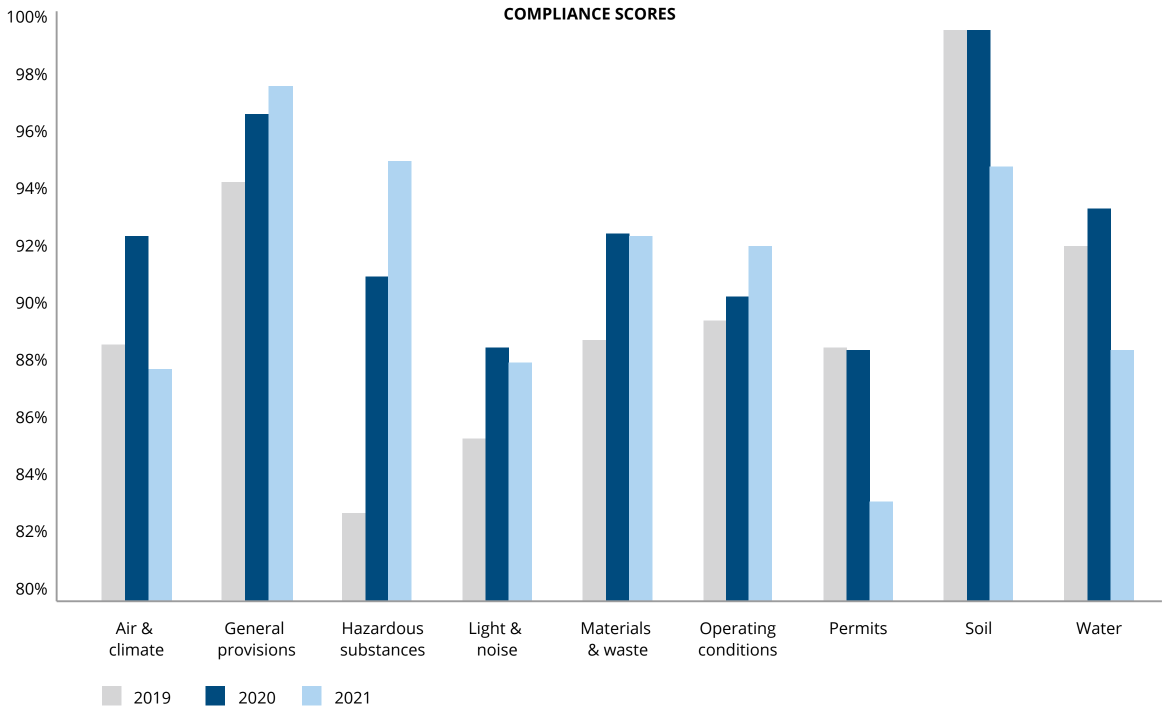
In the United States, the LEED Green Building Rating System is the accepted benchmark for the design, construction and operation of high-performance green buildings. Maximising operational efficiency while minimising environmental impacts, the LEED-EB certification considers water efficiency, energy 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.

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. In 2021, the Group Environmental Manager took charge of the matter, applying the same methodology. External audits are carried out on each of the sites, with the auditor awarding a score for the different relevant environmental topics. This allows the management to see if progress has been made.

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

back2back



Each category is 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 the period 2019-2021. The level of compliance for each of the different topics was assessed as good.

Certain corrective actions taken in response to comments from previous audits that had not yet been fully completed, have resulted in a slight drop in certain scores. For most parameters, however, the improvement is substantial. All in all, the overall score across all domains has remained virtually status quo (91.9% vs. 92.9%). The results mirror the data and conclusions of external audits conducted by customers and certification organisations, and show that Balta Belgium, through its commitment and tireless monitoring, attains a high level of compliance.

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 reports in the last years.

In Belgium, Avelgem was the only site to receive an official warning and official report in 2021, one in each case. The warning was issued after a review of the site's annual groundwater analysis revealed that only the boreholes had been taken into consideration, with no record of the monitoring well. This oversight was immediately corrected. The official report pertained to the plant exceeding the official water discharge limits on different occasions. This referred to concentrations of iron and arsine that originate in the groundwater we pump up at the site. We are working out a solution in close collaboration with the authorities.

At our other Belgian sites, environmental inspectors sampled disposed wastewater to verify its contents, but no further irregularities were found.

In Tielt, finally, we had no emergency discharges of partially treated or untreated wastewater towards the municipal wastewater treatment plant.

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. 61. 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.

In 2021, we can confirm that **99.1% of our sourced PP granulate is produced without phthalates**. The other 0.9% 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.

We have developed and continue to develop a suite of different policies and procedures, which are kept under close scrutiny and always up-to-date. These policies are the operational translation of the latest applicable regulations and recommendations and include the Group's ethical principles and standards of integrity. They provide guidance and clarity for all stakeholders and employees acting within and/or cooperating with the companies that comprise the Balta Group.

In early 2021, we assessed the most pressing legal and compliance risks for the Balta Group, taking into consideration key variables such as impact and likelihood of occurrence. The resulting risk heat map showed that non-compliance with current antitrust and GDPR regulations is the main challenge facing the Group today. As a result, we have continued to focus on these domains in our 2021 compliance programme.

BUILDING AN ETHICS AND COMPLIANCE CULTURE

An effective compliance programme requires a solid foundation. Ours consists of five cornerstones, dedicated to protecting and preserving Balta's ethical and legal compliance, upholding our integrity and reputation.

Leadership
Balta's compliance programme is fully endorsed by the Board of Directors and the Management Committee. Their commitment to reinforce the Group's strategy of compliance has been a driving force behind our ambition to put in place procedures and internal controls to maintain the highest ethical standards in compliance with all relevant policies and regulations. As such, compliance has become an integral part of our company culture, and a watchword in the way we conduct our business.

In 2021, the first version of the bi-annual compliance report was presented to the Management Committee. Based upon the proactive advice and suggested action points included, the Management Committee is more actively involved and co-decides the compliance actions to be taken. The report and the Management Committee's conclusions were shared with Balta's Audit Committee.

Risk assessment
We conduct regular risk assessments and have established a robust and proactive monitoring system to detect and address issues. On the basis of their data and conclusions, the Group's compliance focus and/or strategy may change and result in internal policy updates.

Standards and controls
Over the past years, Balta has greatly invested in creating a structured, Group-wide compliance programme. The programme includes policies and tools to identify, assess and tackle the main compliance risks. Our policies are reviewed annually and on an ad hoc basis, e.g. when the applicable legislation is changed. In addition, internal controls are gradually being integrated into all operational processes in close coordination with the internal audit service, accounts payable, the different business units and other relevant functions.

Training and communication
Compliance is at the very heart of our company culture: it is fundamental to our day-to-day business, informing our vision, activities, conduct, and even the way we think. To put this outlook front and centre, we run a yearly compliance training programme for our staff, including e-courses and live training sessions for specific target groups. As part of their onboarding, moreover, newcomers receive a special introductory course to familiarise them with Balta's compliance culture. We also added contractors and outside agents to the onboarding programme to make sure they are fully aware of Balta's policies and ethical standards.

Oversight (monitoring – auditing – response)
At Balta, we have checks and balances in place to detect and remediate compliance issues as quickly as possible. A dedicated legal counsel, who reports to Balta's Compliance Officer, manages Balta's compliance programme on a day-to-day basis. Reaching beyond our in-house protocols, we continue to work towards a strong and global framework of compliance – in line with local legislation, monitored from all sides, and adhered to by our partners and collaborators around the world.

In 2021, our global whistleblowing line proved an effective and accessible tool for employees to report or escalate wrongdoings or other compliance issues, allowing us to take quick and decisive action and nip potential problems in the bud. By lowering the threshold and giving our people the discrete opportunity (and responsibility) to blow the whistle on issues arising in the workplace, we are also able to prevent regulatory actions and reputational damage.

Balta's resolve to draw up a global Code of Conduct outlining the moral and ethical behaviour we expect from our employees remains strong. This had to be put temporary on hold, however, in light of the COVID-19 pandemic and the imminent reorganisation of the company structure.

INCREASING AWARENESS

We will continue to invest in the education of our employees on ethical and lawful behaviour. That is why we have signed a long-term agreement with a third-party e-learning provider. We also regularly organise refresher courses on relevant topics such as antitrust, GDPR, data privacy, trade compliance and anti-bribery laws.

All new hires are introduced to Balta's compliance policies through a compliance introduction course that has been made part of the onboarding process. By engaging our employees at such an early stage, we want to highlight the importance of compliance within our company culture and ranks, acquainting newcomers with our standards and practices before asking them to sign a certificate of compliance.

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

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 2022, we will continue to focus on this subject, considering the worldwide increase in cyber-security risks.

In the fourth quarter of 2020 and in the first quarter of 2021, we organised a mandatory online training programme on cyber-security. 749 employees in the EU, Turkey and Balta US took part (all of whom have a Balta email-address and internet access). The course covered three topics: phishing, password security and safe web browsing. The completion rates for the different training parts were encouraging: 94% for phishing, 93% for password security, and 93% for safe web browsing. The training will become a fixture for new employees, with sessions being repeated every business quarter. In 2021, we also sent other (non-mandatory) cyber-security training videos to our employees, covering a variety of topics, such as working remotely, social engineering, removable media, mobile security and physical security.

Data protection and data privacy

Balta continues its efforts to ensure full GDPR compliance throughout its entire organisation.

In 2021, we have focused on identifying and resolving gaps concerning privacy and data protection. In this ongoing process, and throughout 2021, we have been working on the development of departmental action plans for data retention and deletion, as well as structural solutions to limit the internal circulation of personal information. We also raised awareness of the importance of obtaining consent prior to processing personal data (including the adequate recording of this consent).

In addition, we also organised several deep-dive GDPR training sessions, both live and online.

In Q1 and Q3 of 2021, for instance, our HR, Marketing, Technical, IT and Sales departments received hands-on GDPR training, inspired by interviews conducted with their respective GDPR-supervisors. During these virtual sessions, specific GDPR concerns were analysed and discussed, laying the foundation for concrete GDPR action plans.

In September 2021, finally, we launched two online e-courses on GDPR and Data Privacy, targeting 160 participants from e-Commerce, ICT, Legal, Finance, Marketing and HR. The GDPR e-course provided in-depth training on GDPR regulations, as well as specific rules and procedures for processing sensitive data in high-risk departments. The training was successfully completed by 97% of the target group. The Data Privacy e-course, which engaged 403 staff from then other departments, consisted of a more general training, teaching participants how to process and protect personal data and confidential information. 93% of participants successfully completed the course.

INCREASING AWARENESS OF ANTITRUST

Balta's company-wide heatmap revealed that antitrust issues pose a potential material risk for the Group, due to a number of factors, such as the high number of competitors located in a small geographical area, employee turnover in the business, antitrust sanctions imposed on several industry players, etc. We continue to put a strong focus on increasing the awareness, among employees and collaborators alike, of the paramount importance of compliance with all applicable antitrust regulations.

As described below, we mainly create and increase this awareness by regularly organising antitrust training sessions, awareness programs and refreshers, specifically targeting employees of high-risk departments (i.e. employees who come in contact with competitors or have other roles with critical exposure to the competition). Balta's compliance department reviews Balta's approach and strategy on a regular basis.

Since the start of our compliance programme in 2018, we have organised annual antitrust training sessions, mainly targeting the departments that are most at risk. In the second half of 2020, we launched an antitrust awareness programme, which was completed in 2021 with a success rate of 98%.

Also in 2021, an updated (and personalised) antitrust refresher was set up for Sales, Procurement, After-sales and General Management, which are most vulnerable to compliance risks. Going forward, we will use a digital HR tool to send antitrust questionnaires to our sales teams, to pick up on potential antitrust issues in a proactive manner.

So far, we have noticed that the awareness of antitrust regulations continues to rise across the company ranks: in addition to the encouraging data from our training sessions, which show that our employees acknowledge and value the importance of this topic, our compliance department received a lot of positive feedback and additional queries.

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, BRIBERY AND MONEY LAUNDERING

Since the introduction of our Anti-Fraud, Anti-Corruption and Anti-Money Laundering policies, which outline the measures to combat fraud, corruption and bribery, no substantial risks and/or gaps have been identified. Company-wide compliance with these policies is closely and continuously monitored by Balta's finance department, which also oversees our internal safeguards and controls.

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. These target groups are now included in our communication and training programmes, and they will remain so in the future.

The Delegation of Authority and Signing (DOAS) Policy (previously the DOA Policy), which determines who should be consulted, who should approve a business decision before it is taken and who has the authority to sign the accompanying documents, was updated in 2021.

In 2022, we will remain laser-focused on combatting fraud, corruption and bribery, raising awareness every step of the way. In Q1, for instance, we will roll out new e-course training courses on relevant topics such as Anti-Bribery and Corruption (including Gifts and Entertainment) and Anti-Money Laundering.

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 – on matters of social integrity – the trained confidential advisors (in Belgium). In addition, every employee can reach out to the Compliance Officer.

Since October 2020, employees can use our digital Whistleblowing tool to anonymously report predefined types of wrongdoing and impropriety, as specified in Balta's whistleblowing policy. These reports are sent to a dedicated mailbox that is managed by an external and independent organisation, ensuring all information is treated in a fair and confidential manner. Records are kept of all questions and concerns.

In a next stage, the submitted reports are put to the discretion of Balta's Compliance Officer and, currently, the HR Director (in the temporary absence of an Internal Audit Director). If and when a disclosure falls within the purview of Balta's policy, it is promptly assigned to an investigation team, composed of different (internal and/or external) experts, depending on the subject matter.

A dedicated group of people then decides on the remedial actions that need to be taken and prepares a response to the whistle-blower. On a regular basis, the incidents reported through the whistleblowing tool are presented to the Audit Committee. In 2021, we devised and implemented an internal protocol for handling such cases, called the 'Whistleblowing flowchart'. All 2021 disclosures were swiftly addressed.

The whistleblowing policy and concomitant tool were deployed across the Balta Group, and introduced by a company-wide awareness campaign in different languages, which was reprised in 2021. In the future, we will continue to promote our speak-up culture through a variety of actions and communications.

During the course of 2021, 9 incidents were taken care of and none are pending. No incidents reports have been deleted.

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.

SUSTAINABLE DEVELOPMENT GOALS

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

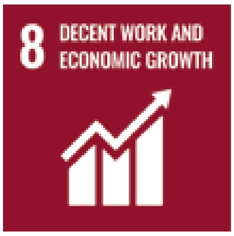
Our product designs focus on emissions from low volatile organic compounds (VOC), with a target of zero for harmful chemicals. Our entire Balta Home collection is Oeko-Tex® certified, which includes the strict criteria of the Greenpeace Detox regulations. See p. 56

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 and 2021, we made a significant investment in the Tielt water purification installation, and we are also planning a process water recovery project that will be piloted in 2022. See p. 75

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. 75



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. 49

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. 75

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. We also disclose our climate change and water security impacts through the CDP (Carbon Disclosure Project). See p. 70

PEOPLE AND PLANET RISKS AND OPPORTUNITIES

EU STRATEGY FOR TEXTILES

The EU Strategy for (sustainable) Textiles (EST) holds a historical opportunity for our business. The comprehensive framework, which is set to be adopted by the European Commission in Q1 of 2022, puts forward new conditions and incentives that will boost the competitiveness, sustainability and resilience of the European textile industry. The strategy addresses the socio-economic and environmental impact of our sector, considering its strengths and vulnerabilities after a long period of restructuring and delocalisation.

Charting a new and greener course, the EST will also ensure coherence and synergy with the European Green Deal, the Circular Economy Action Plan, the EU Industrial Strategy and the Chemicals Strategy for Sustainability.

The initiative promotes sustainable investments and innovation, across the board: in new business models and manufacturing processes, more efficient materials and designs, increased capacities and skills, and smarter infrastructure and logistics. It also supports cutting-edge (digital) technologies to develop a new generation of textiles, curb the release of microplastics, and drive circular production in an ambitious bid to reinvigorate the market and pave the way to a sustainable and climate-neutral economy.

To step up reuse and recycling and promote green public procurement in its member states, the EST engages both the industrial ecosystem and the various stakeholders involved (i.e. science and R&D, consumer associations, investment companies, governments, civil society, etc.). This structural partnership will accelerate the transition and effect better monitoring systems once the framework is in place. Following the preparatory work and recommendations of the Sustainable Product Initiative, the EST will also propose sector-specific and horizontal actions, along the entire value chain and across European markets, to expedite sustainable production and design, build know-how and expertise, remove harmful substances, improve the sourcing and recycling of materials, and promote more eco-friendly lifestyles.

EXTENDED PRODUCER RESPONSIBILITY (EPR)

The EST also incurs an extended producer responsibility (EPR) in the promotion of sustainable textiles and the treatment and disposal of post-consumer waste in accordance with the hierarchy established in the waste framework directive. This responsibility anticipates a legal obligation to organise a separate collection of (waste) textiles by 2025.

Balta continues to collaborate with national and international sector federations to develop a shared vision/position on this matter. Together with our peers in the European Carpet and Rug Association (ECRA), we believe that a successful EPR should stimulate and incentivise innovative product design, creating secure revenue streams to build and maintain the proper infrastructure for the collection, separation and disposal of waste. In this scenario of reciprocation and shared responsibility, rewards and penalties would be given for effective and non-effective applications respectively. This way, the fees that are associated with the scheme are not simply a way to recover collection and recycling costs, but rather a meaningful subsidy for best practices and circular innovations.

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 that 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

The European Climate Law ratifies the ambitious goals set out in the European Green Deal, which strives to make Europe's economy and society climate-neutral by 2050. The law also sets the intermediate target of reducing net greenhouse gas emissions by at least 55% in 2030, compared to the levels recorded in 1990. To achieve net-zero emissions across the European Union, it puts the collective focus on cutting emissions, investing in green technologies and protecting the natural environment.

The Fit for 55 package, announced by the EU Commission in July, consists of a series of legislative proposals to ensure a fair, competitive and green transition towards 2030 and beyond. While it remains open to amendments and revisions along the way, the package reinforces eight existing pieces of legislation while presenting five new initiatives across a wide range of political and economic domains: climate, energy and fuels, transport, buildings, land use and forestry.

Balta's activities will most certainly be affected by these target proposals, once they pass into legislation. The revised **Effort Sharing Regulation** (ESR) will empower Member States to take national action to reduce emissions in the buildings, transport, agriculture, waste and small industry sectors. The current proposal wants to accomplish a global 40% reduction in emissions from these sectors by 2030, compared to the situation in 2005. In addition, the updated **Renewable Energy Directive** proposes to increase the binding target for renewables in the EU energy mix from 32% to 40%. The supply and consumption of energy account for 75% of the EU's total emissions, making the radical transformation of our energy systems the most pressing concern in the realisation of our climate ambitions.

While we need to reduce our carbon footprint to comply with the European Green Deal and the governmental regulations on emissions in Belgium (federal and regional), Turkey and the US, we must also be fully aware of all 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 groundwater. 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. 74, 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 CO_2 EMISSIONS

In Belgium, Balta falls under the EU ETS Directive. ETS stands for (CO_2) 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 the previous 1.74%.

Indirect emissions

Since 1 January 2021, the EU changed its modalities to compensate companies for indirect emissions. Our production of yarns is no longer 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 tonnes of CO_2. Per tonne of CO_2, one has to hand in one EUA (European Union Allowance) or emission right.

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 is no longer recognised. This represents 19% of our consumption in Tielt (2018 figures).

Everything considered, 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.

In the meantime, we have executed, planned or investigated mitigating actions:

- We succeeded in reducing the installed capacity for the combustion of fossil fuel to less than 20 MW for both Oudenaarde and Sint-Baafs-Vijve, so these sites no longer fall under the directive. Only Tielt remains in the system mentioned above.
- Lowering CO_2 emissions from heating (work) spaces.
- Lowering CO_2 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. 72. The development of mono-polymer products and production processes that reduce emissions are considered opportunities.

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Balta Group nv

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 occasionally 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 of 31 December 2021 represented by 35,943,396 shares without nominal value. Each share carries one vote. No capital movements took place in 2021.

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 2021, the Company received a transparency declaration from Prime AIFM Lux S.A. on 27 September 2021, stating that by virtue of an acquisition of shares on 17 September 2021, it holds at that date 1,798,185 shares of the Company, representing 5.00% of the voting rights.

Shareholder structure

The following table shows the shareholder structure on 31 December 2021 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:

Shareholders		Shares
	Number	%
LSF9 Balta Holdco S.à r.l.	19,408,879	54.00%
Farringdon Capital Management	1,804,095	5.02%
Prime AIFM Lux S.A.	1,798,185	5.00%
Management	383,245	1.07%
Public	12,548,992	34.91%

No acquisitions or disposals of shares by persons discharging managerial responsibilities ('PDMR') have been notified in the course of 2021.

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 several 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 in the context of the COVID-19 pandemic, the Board of Directors strongly recommended the shareholders not to be physically present at the Annual Shareholders' Meeting in 2021. The shareholders were advised to participate in the Annual Shareholders' Meeting by granting a proxy or by completing a voting form. The shareholders were given the possibility to attend the Annual Shareholders' Meeting online via a livestream in the language of their choice (Dutch or English).

Annual General Shareholders' Meeting

The Company's Annual General Shareholders' Meeting ('Shareholders' Meeting') took place on 26 May 2021.

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 2020 and the consolidated annual accounts relating to the financial year ending on 31 December 2020.

Shareholders approved the remuneration report relating to the financial year ending on 31 December 2020 as well as the remuneration policy. They further approved the statutory annual accounts relating to the financial year ending on 31 December 2020, including the allocation of the results as proposed by the Board of Directors. Both the directors and the statutory auditor (PwC, Bedrijfsrevisoren BV, represented by Mr Peter Opsomer, with registered seat at Woluwedal 18, 1932 Sint-Stevens-Woluwe), were discharged of liability regarding the execution of their mandates during the financial year ending on 31 December 2020.

Shareholders approved the reappointment of:

- Mr Cyrille Ragoucy as executive director;
- Mr Michael Kolbeck, Mr Neal Morar, Mrs Hannah Strong, Mr Jeremy Fryzuk and Mr Patrick Lebreton as non-executive directors;
- Mrs Sarah Hedger and Accelium BV, represented by its permanent representative Mr Nicolas Vanden Abeele, as independent directors. Both independent directors comply with the criteria of independence set forth in article 7:87 of the Belgian Companies and Associations Code.

All directors were re-appointed for a four-year period, until the annual general meeting resolving on the annual accounts of the financial year ending on 31 December 2024.These mandates are remunerated as described in the annual remuneration report and in accordance with the remuneration policy.

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 those 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 2021, 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., if 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, considering the nomination rights described above.

On 31 December 2021, the Board of Directors was composed as follows:

Name	Position	Director since	Mandate expires
Cyrille Ragoucy	Chairman of the Board and CEO	2017	2025
Michael Kolbeck	Non-Executive Director and chairman of the Remuneration and Nomination Committee	2017	2025
Accelium BV, represented by Nicolas Vanden Abeele	Independent Director	2017	2025
Sarah Hedger (1)	Independent Director	2017	2025
Itzhak Wiesenfeld	Independent Director	2019	2023
Neal Morar	Non-Executive Director	2018	2025
Hannah Strong	Non-Executive Director	2017	2025
Jeremy Fryzuk	Non-Executive Director and chairman of the Audit Committee	2017	2025
Patrick Lebreton	Non-Executive Director	2017	2025

(1) On 31 December 2021, Mrs Sarah Hedger stepped down as a non-executive independent director (see below)

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

Mr Cyrille Ragoucy has more than 30 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.

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

Mr 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.à 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.

Mr Nicolas Vanden Abeele is currently CEO of Ascom, a global leading player in medtech and healthcare ICT solutions. He is a seasoned global leader with over 25 years of multi-market and deep commercial, financial and operational expertise. Nicolas brings a valuable track record in sales acceleration, business transformation and operational excellence in a variety of leadership roles. Prior to Ascom, he served 4,5 years as a member of the Executive Committee and divisional head of Barco, a global leader in visualisation solutions, and 6 years with the Etex Group, as a member of the Executive Committee, where he headed the Insulation and Building Materials Division. Prior to Etex, he held various global executive positions in the technology industry with Nokia/Alcatel-Lucent, with postings also in the Americas and Asia, and in strategy consulting with Arthur Andersen.

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).

Mrs 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.

Mr 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. EMEA had a revenue of € 2bn and 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 in Israel. 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 competitive, multi-channel market environment.

Mr Wiesenfeld is currently the chairman of ACRE, a global integrated security business, headquartered in Dallas, Texas, and iLOQ, a fast-growing digital locks company, based in Finland. He is also a board member at FläktGroup, a leading European air management solutions company. Mr Wiesenfeld is also a Senior Industry Expert, supporting private equity firms with M&A deals.

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

Mr 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 20 years.

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

Mrs Hannah Strong is Senior 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.

Mr 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.

Mr 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 a non-executive Director of McCarthy and Stones, a UK retirement home builder and operator, and of Edilans S.à r.l., the leading French roofing solutions 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 2021
On 31 December 2021, Mrs Sarah Hedger stepped down as a non-executive independent director.

As of 1 January 2022, Mrs Vanessa Temple joined the Board of Directors as a non-executive independent director by way of co-optation and for the remainder of the mandate of Mrs Sarah Hedger. On 31 January 2022 Mrs Temple was appointed as a member of the Audit Committee.

Mrs Temple has been a member of ING's Climate Risk team since Q1 2021. Previously, for 6 years, she led ING's corporate sector teams for Belgium, Luxembourg & the Nordics, after having led its Belgian capital structuring & advisory team. Prior to these leadership positions, she worked for many years as an originator for various debt products: complex financing, and acquisition & leveraged finance and bonds for large & mid-sized corporates. In the early stages of her career, she spent 3 years working for ING in Singapore, as a corporate relationship manager. Mrs Temple has been working for ING for over 20 years.

Functioning of the Board of Directors
In principle, the Board of Directors meets at least five times a year. Additional meetings may be called with appropriate notice at any time to address specific business needs. In total, the Board met on twelve (12) occasions. All Directors were present (or were represented) at these meetings.

Major matters reviewed and discussed by the Board of Directors in 2021 were:

- Financial and overall performance of the Group;
- Continuous monitoring of the cashflow situation, the purchase action plan and follow-up of the impact of COVID-19;
- Implementation, actions, outcome and follow-up of health & safety initiatives;
- 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;
- Approval of the acquisition by Victoria of the Balta Home Residential Broadloom PP and Captiqs businesses;
- 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 2021 budget and the amendment of the RCF;
- On a recommendation from the Remuneration and Nomination Committee, approval of the 2020 bonus and the 2021 bonus methodology for members of the Management Committee, as well as the appointment of a new director;
- Follow-up of specific projects and approval of relevant documents related to these projects;
- Approval of corporate strategy (liquidations, share transfers, …).

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.

Directors' attendance at Board and Committee meetings

	Board of Directors	Audit Committee	Remuneration and Nomination Committee
Cyrille Ragoucy	12/12		
Michael Kolbeck	12/12		4/4
Accelium BV, represented by Nicolas Vanden Abeele	12/12	6/6	4/4
Sarah Hedger	12/12	6/6	4/4
Itzhak Wiesenfeld	12/12		4/4
Neal Morar	12/12		
Hannah Strong	12/12		
Jeremy Fryzuk	12/12	6/6	
Patrick Lebreton	12/12		

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 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 2021. 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 2022, we will continue to work towards making our workforce reflect the international stage on which we operate more closely.

Balta is actively trying to attract and promote women to managerial positions through our recruitment campaigns and our internal talent management process. A great deal of actions in promoting an optimal work-life balance were promoted for men and women. This way, we encourage all our employees and managers to move to this new way of working.

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.

During 2021, the Audit Committee consisted of three members, all being non-executive directors and a majority of them being independent directors.

On 31 December 2021 Mrs Sarah Hedger stepped down as a non-executive independent director. She was also no longer a member of the Audit Committee as from that date.

By decision of the Board of 31 January 2022 Mrs Temple was appointed as a new member of the Audit Committee.

In the course of 2021, the Audit Committee met six (6) 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, the compliance approach and related policies, the 2021 budget and the approval of non-audit services, and the amendment of the RCF.

Name	Position	Director since	Mandate expires
Jeremy Fryzuk	Non-Executive Director and chairman of the Audit Committee	2017	2025
Accelium BV, represented by Nicolas Vanden Abeele	Independent Director	2017	2025
Sarah Hedger	Independent Director	2017	2025

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.

During 2021, 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	2025
Accelium BV, represented by Nicolas Vanden Abeele	Member and Independent Director	2017	2025
Sarah Hedger	Member and Independent Director	2018	2025
Itzhak Wiesenfeld	Member and Independent Director	2019	2023

On 31 December 2021 Mrs Sarah Hedger stepped down as a non-executive independent director. She was also no longer a member of the Remuneration and Nomination Committee.

In 2021 the Remuneration and Nomination Committee met four (4) 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 2020 bonus for members of the Management Committee and the general management, compensation and benefit packages for members of the Management Committee, the remuneration report, remuneration policy 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 changed in 2021 and consists of the following members on 31 December 2021:

Name	Position
Cyrille Ragoucy	Chief Executive Officer
Jan-Christian Werner	Chief Financial Officer
Marc Dessein BV, represented by Marc Dessein	Managing Director Balta home
Jim Harley	President Bentley Mills Inc
Mieke Buckens	Group HR Director
Emmanuel Rigaux	Managing Director Commercial and Residential Europe

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

Mr Jan-Christian Werner was appointed Chief Financial Officer of Balta in 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.

Mr Emmanuel Rigaux is Managing Director for the Commercial and Residential Europe Business Unit, which includes modulyss, Balta carpets and Captiqs. He started his new role on 7 October 2021. He started his career with the Boston Consulting Group and spent 20 years in the Lafarge (then Holcim Group) in operational positions in the US, Europe and Africa. His last position in Holcim was as CEO of LHMA, a pan-African Joint Venture with Al-Mada, a leading private equity based in Casablanca. Mr Rigaux joined Balta in 2019 as Chief Transformation Officer to design and lead the NEXT program.

Mr 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.

Mr 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.

Mrs Mieke Buckens joined Balta in September 2021 as Human Resources Director. Mrs Buckens holds a Master's degree in Law and has a wealth of HR management experience as she worked for leading global companies. She has previously served in international HR executive roles at TUI, Barry Callebaut and Deceuninck.

Mr Kris Willaert (Group HR Director) left Balta on 15 October 2021 and was replaced by Mrs. Mieke Buckens.
Mr Kris Willaert joined Balta on 3 June 2019 as Group HR Director. He 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.

Mr Oliver Forberich (Managing Director Balta carpets, ITC and arc edition) and **Quercum BV**, represented by **Mr Stefan Claeys** (Managing Director modulyss) left Balta on 22 November 2021.

Mr 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.

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

Statutory auditor
The audit of the statutory and consolidated financial statements of the Company are 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 2021, the remuneration paid to the statutory auditor for auditing activities amounted to € 605,000. Remuneration paid for other assignments outside the audit mandate were € 285,000 and € 64,000 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 of 31 December 2021 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.

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 2021 – 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

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 in distributable share premium), (ii) through conversion of reserves, whether available or unavailable for distribution, and issuance premiums, with or without issuance of new shares with or without voting rights. The Board of Directors can also use this authorisation for the issuance of convertible bonds, 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 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 2021, the Board of Directors did not make use of its mandate to increase Balta's capital as stated in article 6 of the articles of association.

Acquisition of own shares

According to 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 2021, 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 was 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).

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).

Sale-and-leaseback
On 1 April 2014, a subsidiary of the Company, Balta Oudenaarde NV, entered into a sale-and-leaseback agreement with four banks, containing a change of control clause. In case of a change of control there is a full or partial immediate repayment.

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 in accordance with article 7:151 of the Belgian Code on Companies and Associations.

Factoring Agreement
On 7 September 2012, several subsidiaries of the Company entered into a Commercial Finance Agreement with ING. At several occasions, this Agreement was amended. The last time on 10 June 2021. According to the applicable general terms, the outstanding sums are immediately due in case of a change of control, if such a change would not be in the interest of the bank.

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 ('PSUs') 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 2018 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.

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.

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 the 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 9 March 2021

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: (i) the approval of the 2020 bonus for the members of the Management Committee and (ii) approval of the 2021 compensation and benefits packages for the members of the Management Committee.

The conflict results from the fact that Mr Ragoucy is both director of the Company and member of the Management Committee.

In observance of article 7:96 of the Belgian Code on Companies and Associations, the Board acknowledged that the approval of the 2020 bonus for the members of the Management Committee and approval of the 2021 compensation & benefits packages for members of the Management Committee would have the following financial consequences for the company: the 2020 bonus pay out amounts to € 218,000. The fixed annual remuneration for 2021 amounts to € 700,000 gross. Subject to satisfying all performance objectives set by the Board of Directors, the target variable fee for 2021 may be a maximum of € 560,000 gross.

In accordance with article 7:96 BCCA, Mr Ragoucy refrained from taking part in the deliberations and from voting on those resolutions. The Board noted that Mr Ragoucy did not participate in the deliberation and decision making on the approval.

The Board noted that the quorum was met notwithstanding that Mr Ragoucy did not participate in the deliberation nor in the voting on any item giving rise to the conflict of interests.

Notwithstanding the aforementioned conflict of interest, each director, by signing the minutes, confirmed approval of any documents, events, transactions mentioned therein, to be in the corporate interest.

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 2021. 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 follow 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;

7) the variable remuneration awarded to members of the Management Committee for 2021 was based upon Group (and divisional) financial targets and not on individual targets. Initially individual targets were set (such as plant safety walks), however due to COVID-19 pandemic measures, these individual targets were replaced by alternative Company objectives. This will be reviewed annually;

8) no specific provisions on the recovery of or withholding of payment of variable remuneration are inserted in the contracts with Management Committee members. The customary triggers included in claw-back provisions, such as fraud or gross misconduct, can be addressed in other ways such as dismissal (for cause), recovery on the basis of civil law, exclusion from D&O insurance coverage and others. In addition, the number of situations that could give rise to a claw-back is very limited, as grants of variable remuneration will be based on audited financial information.

REMUNERATION REPORT

Introduction

The remuneration report is structured in a way to be transparent 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 2021 was in line with Balta's remuneration policy, as amended and approved by the Shareholders' Meeting of 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.

During the financial year 2021, Balta did not deviate from the principles laid down in its remuneration policy.

Remuneration of directors

In accordance with the Company's remuneration principles, as decided by the Shareholders' Meeting dated 26 May 2021, 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 2021:

- 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.

The actual remuneration granted to the directors in 2021

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	-	€ 40,000	€ 10,000	€ 10,000	€ 60,000
Sarah Hedger Independent director	-	€ 40,000	€ 10,000	€ 10,000	€ 60,000
Itzhak Wiesenfeld Independent director	-	€ 40,000	-	€ 10,000	€ 50,000
Neal Morar Non-executive director	-	-	-	-	-
Hannah Strong Non-executive director	-	-	-	-	-
Patrick Lebreton Non-executive director	-	-	-	-	-
Total	-	€ 120,000	€ 20,000	€ 30,000	€ 170,000

No other benefits were paid to the members of the Board of Directors for their director's mandate. A total of € 170,000 gross was granted.

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 based on 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 2021, the CEO received a fixed annual fee of € 700,000 (gross) and the other members of the Management Committee received a total fixed annual fee of € 2,764,970 (gross), severance payments included.

(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 2021 to 31 December 2021.

For the CEO, the CFO, the Group HR Director and the CTO, the STIP for 2021 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, 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.

The Remuneration and Nomination Committee evaluated achievement against the 2021 performance objectives for each member of the Management Committee and proposed their short-term variable remuneration component to the Board of Directors.

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 2021, 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 could 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 had 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. Since the minimum hurdle was not reached, there was no vesting in 2021.

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.

In 2021 no LTIP was implemented.

(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 2021, the total remuneration of the CEO was as follows:

- Base salary (gross remuneration): € 700,000
- Variable remuneration (relating to performance in 2021, paid out in 2022): € 780,752
- Pension: nil
- Other compensation components (company car, fuel card and smartphone): € 12,720
- No PSUs were granted in 2021.

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 2021, the total remuneration of the other Management Committee members was as follows:

- Base salary (gross remuneration – severance payments included): € 2,764,970
- Variable remuneration (relating to performance in 2021, paid out in 2022): € 957,057
- Pension: € 74,851
- Other compensation components (car, insurance, lunch vouchers, representation allowances): € 104,549
- No PSUs were granted in 2021.

Overview LTIP

Main conditions of LTIP					Information regarding the financial year	
In 2021 no LTIP was implemented.						
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)	€ 700,000	€ 780,752	€ 0	€ 0	€ 12,720	€ 1,493,472	48% fixed 52% variable
Other members of the Management Committee (total)	€ 2,764,970	€ 957,057	€ 0	€ 74,851	€ 104,549	€ 3,901,472	75% fixed 25% variable

CHANGES TO THE REMUNERATION POLICY SINCE THE END OF 2021

No changes have been made to the remuneration policy since the end of 2021.

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

During 2021, no changes were made for the following specific termination provisions of the enumerated Management Committee members.
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 non-performed period.

Other than in certain cases of termination for breach of contract, Mr Marc Dessein is entitled to a notice period of eighteen (18) months and a termination fee equal to the relevant portion of his fixed and variable fee paid out in the preceding calendar year for early termination of the notice period.

Mr Dessein is subject to a 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 Kris Willaert was 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 his fees for the non-performed period.

Other than in the case of termination in certain events of breach of contract, Mr Stefan Claeys was 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.

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

Other than in the case of termination in certain events of breach of contract, Mrs Mieke Buckens is entitled to a minimum notice period of thirty (30) calendar days or a termination fee equal to the proportion of the fixed fee that she would be entitled to during these 30 calendar days.

Unlike the previous termination provisions, for the following Management Committee members some changes were made to their provisions during 2021.

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

	FY 2017 [1]	FY 2018	FY 2019	FY 2020	FY 2021
Board of Directors and Management Committee remuneration					
Board of Directors members' total remuneration	€ 124,584	€ 216,022	€ 162,930	€ 154,462	€ 170,000
CEO's total remuneration	€ 584,000	€ 776,490	€ 990,664	€ 867,141	€ 1,493.472
Management Committee members' total remuneration	€ 1,708,496	€ 1,353,114	€ 2,230,675	€ 2,536,733	€ 3,901,427
Company performance					
Group Adjusted EBITDA	€ 84,381,000	€ 72,352,000	€ 74,356,000	€ 67,990,000	€ 87,800,000
Average remuneration (on a full-time equivalent basis) for employees					
Employees of the Company [2]	€ 584,000	€ 776,490	€ 990,664	€ 867,141	€ 1,493,472

(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.

Since the addendum signed on 17 March 2021 Mr Oliver Forberich was entitled to a notice period of twelve (12 months) as an exception and in case of termination of the employment contract by the employer before 31 December 2021 directly resulting from a divestment or reorganisation of the Residential division. 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 non-performed period.

Since the agreement effective as from 7 October 2021 Mr Emmanuel Rigaux was entitled to a notice period of twelve (12 months), as an exception and in case of termination of the employment contract by the employer before 31 December 2021 directly resulting from a divestment or reorganisation. 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 non-performed period.

In accordance with the terminations provisions as set forth here-above severance payments were made to Mr Oliver Forberich and Mr Stefan Claeys for an aggregate amount equal to € 610,478. These severance payments are included in the total renumeration.

Clawback provision regarding members of the Management Committee

There are no clawback provisions. No specific provisions on the recovery of or withholding of payment of variable remuneration are inserted in the contracts with Management Committee Members. The customary triggers included in claw-back provisions, such as fraud or gross misconduct, can be addressed in other ways such as dismissal (for cause), recovery on the basis of civil law, exclusion from D&O insurance coverage and others. In addition, the number of situations that could give rise to a claw-back is very limited, as grants of variable remuneration will be based on audited financial information.

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 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 considers 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 2021.

In 2021, 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 2021 approved the remuneration report for financial year 2020 with a majority of 87.6%. The remuneration policy was approved with a majority of 87.6%.

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, Delegation Of Authority and Signing (DOAS) policy, the economic sanctions policy, the privacy and data protection policies (GDPR) (including the data breach policy, data protection policy, the privacy policy for collaborators, the privacy policy for recruitment and selection), the whistleblowing 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 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 and has further rolled out the awareness to all Balta employees in 2021. Cases which are reported in the whistleblowing tool and which fall within the scope of the policy 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 are managed through the ERP system for the majority of the subsidiaries. This not only offers extensive functionality with regard to internal reporting and communication, but also the ability to manage and audit access rights and authorization management on a centralised basis. During 2021, a number of additional reporting tools have been rolled out within the Group which further enable more instant in depth and automated reporting.

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. These checklists ensure 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 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. 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.

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, 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 targets 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 Renumeration 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 (6) 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 (6) 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 (18) 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 was approved by the Shareholders' Meeting of 26 May 2021 and aims to implement the remuneration practices in a formal remuneration policy in accordance with the 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 materialize.

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 2021, our top three customers accounted for 17.9 % 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 2021 revenues, mainly resulting from our Residential business, the Group was exposed to the consequences of the United Kingdom's exit from the European Union (Brexit). The Group is translating the impact of the

Brexit-deal into practical measures and will continue to do so going forward. Management has also performed a number of assessments on our logistics flows and adapted some processes accordingly.

In October 2020, we expanded to EU AEOF (Authorized Economic Operator), a certification for full authorization (combining AEOS and AEOC), which certifies us to securely organize and protect our supply chains from threats. The Belgian customs authorities have audited all of our production sites in Belgium. AEOF has been part our plan to mitigate risks when exporting to the UK and is applicable for export to all non-EU countries.

These certifications 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 (C-TPAT), a US Customs and Border Protection (CBP) voluntary private-public partnership program. C-TPAT ensures that goods in the supply chain are legitimate and legal from manufacturer 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 minimize the potential risk for Balta when trading internationally.

Since the UK ceased to be a member of the EU as of 1 January 2021, Balta has further aligned with the requirements of the Common Foreign and Security Policy (CFSP). This is the organized, agreed foreign policy of the EU which encompasses security and defense 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.

SUPPLIER RISK

A major supplier has informed Bentley Mills of its plans to cease production of Nylon 6.6 carpet fiber by July of 2022. Some product ranges and collections are impacted by this decision.

Management has assessed the impact of this decision on the net realizable value of inventory and the proper actions have been taken to mitigate the risks for the existing and future business. Per 31 December 2021, these actions will be put into effect when deemed necessary.

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 2021, raw material expenses represented 47,3% 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 26 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 cybercrime-related incidents, which require us to maintain adequate cyber security. Any failure to do so may adversely affect our operations.

Organizations are increasingly investing in digital transformation. Key technologies such as intelligent automation, artificial intelligence, low code application development, and 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 26 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.

BEYOND PROGRAMME

As a successor to our transformational programme called 'NEXT', we are launching the 'BEYOND' programme. This programme is designed to deliver a significant improvement in earnings over a four-year period. The key initiatives focus on sustainability through innovative products and processes, increasing cost competitiveness through Lean initiatives and Procurement savings and agility through digital initiatives such as e-commerce. While our BEYOND initiatives are essential to reinforce our competitive position and drive margin improvement, 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 and 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. Balta also has a Sustainability Committee that monitors 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 Group nv

Balta home, Mira

04 FINANCIAL STATEMENTS

1. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 31 DECEMBER

(€ thousands)	Note	2021	2020(2)
I. CONSOLIDATED INCOME STATEMENT			
Revenue	NOTE 4	276,814	258,356
Raw material expenses		(114,514)	(96,232)
Changes in inventories	NOTE 15	9,655	(4,373)
Employee benefit expenses	NOTE 6	(83,069)	(75,047)
Other income	NOTE 7	1,041	1,158
Other expenses	NOTE 7	(46,850)	(45,817)
Depreciation / amortisation	NOTE 8	(17,143)	(17,227)
Adjusted Operating Profit (1)		**25,935**	**20,817**
Integration and restructuring expenses	NOTE 9	(5,993)	(7,770)
Operating profit / (loss)		**19,941**	**13,048**
Finance expenses	NOTE 10	(28,294)	(25,493)
Net finance expenses		**(28,294)**	**(25,493)**
Profit / (loss) before income taxes		**(8,353)**	**(12,446)**
Income tax benefit / (expense)	NOTE 11	(8,173)	(4,540)
Profit / (loss) for the period from continuing operations		**(16,526)**	**(16,986)**
Profit / (loss) for the period from discontinued operations	NOTE 39	(112,712)	4,401
Profit / (loss) for the period		**(129,238)**	**(12,585)**
Attributable to:			
Equity holders		(129,238)	(12,585)
Non-controlling interest		-	-
II. CONSOLIDATED OTHER COMPREHENSIVE INCOME			
Items in other comprehensive income that may be subsequently reclassified to P&L			
Exchange differences on translating foreign operations		8,804	(10,335)
Changes in fair value of hedging instruments qualifying for cash flow hedge accounting		(117)	116
Items in other comprehensive income that will not be reclassified to P&L			
Changes in deferred taxes		(17)	(4)
Changes in employee defined benefit obligations		125	167
Other comprehensive income for the period, net of tax, for continuing operations		**8,796**	**(10,056)**
Total comprehensive income from discontinued operations		(10,049)	(10,870)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(130,491)**	**(33,511)**
Basic and diluted earnings per share from continuing operations attributable to the ordinary equity holders of the company	NOTE 34	**(0.46)**	**(0.47)**

(1) Adjusted Operating Profit / Operating profit / (loss) are non-GAAP measures as defined in Note 1.25.
(2) Restated for the impact of the Discontinued Operations in accordance with IFRS 5.

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

2. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER

(€ thousands)	NOTE	2021	2020
Property, plant and equipment		105,943	312,288
Of which IFRS 16 related right-of-use assets (excluding sale-and-leaseback)		*28,892*	*34,030*
Land and buildings	NOTE 13	52,390	170,545
Plant and machinery	NOTE 13	47,134	131,624
Other fixtures and fittings, tools and equipment	NOTE 13	6,420	10,118
Goodwill	NOTE 5	101,110	189,952
Other intangible assets	NOTE 12	6,424	9,466
Deferred income tax assets	NOTE 14	5,027	8,739
Trade and other receivables	NOTE 16	537	815
Total non-current assets		**219,041**	**521,260**
Inventory	NOTE 15	62,812	125,072
Trade and other receivables	NOTE 16	23,745	50,608
Current income tax assets		9	334
Cash and cash equivalents	NOTE 17	51,394	106,289
Assets from discontinued operations	NOTE 39	329,983	-
Total current assets		**467,943**	**282,303**
TOTAL ASSETS		**686,984**	**803,563**
Share capital	NOTE 18	252,950	252,950
Share premium	NOTE 18	65,660	65,660
Other comprehensive income	NOTE 19	(4,836)	(13,632)
Retained earnings	NOTE 20	(15,140)	1,373
Elements of comprehensive income from discontinued operations		(162,767)	(40,006)
Other reserves		(39,876)	(39,876)
Total equity		**95,991**	**226,469**
Senior Secured Notes	NOTE 21	233,744	233,936
Bank and Other Borrowings	NOTE 22	43,687	74,513
Of which IFRS 16 related lease liabilities (excluding sale-and-leaseback)		*25,620*	*29,515*
Deferred income tax liabilities	NOTE 14	8,459	38,404
Provisions for other liabilities and charges	NOTE 29	2,025	2,487
Employee benefit obligations	NOTE 27	762	3,643
Total non-current liabilities		**288,678**	**352,982**
Senior Secured Notes	NOTE 21	6,714	3,425
Bank and Other Borrowings	NOTE 22	60,393	73,981
Of which IFRS 16 related lease liabilities (excluding sale-and-leaseback)		*5,514*	*6,846*
Derivative financial instruments	NOTE 25	(0)	103
Other payroll and social related payables	NOTE 28	14,638	33,904
Trade and other payables	NOTE 30	42,729	109,678
Income tax liabilities		622	3,021
Liabilities from discontinued operations	NOTE 39	177,218	-
Total current liabilities		**302,314**	**224,112**
Total liabilities		**590,992**	**577,094**
TOTAL EQUITY AND LIABILITIES		**686,984**	**803,563**

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	2021	2020 (1)
I. CASH FLOW FROM OPERATING ACTIVITIES			
Net profit / (loss) from the period for continuing operations		**(16,526)**	**(16,986)**
Adjustments for:			
Income tax expense / (income)	NOTE 11	8,173	4,540
Finance income		-	(0)
Financial expenses	NOTE 10	28,294	25,493
Depreciation / amortisation	NOTE 8	17,143	17,227
(Gain) / loss on disposal of non-current assets		(59)	(32)
Movement in provisions		565	1,288
Fair value of derivatives		(117)	116
Expense recognised in respect of equity-settled share-based payments		13	34
Cash generated before changes in working capital		**37,487**	**31,682**
Changes in working capital:			
Inventories	NOTE 15	(16,799)	5,740
Trade receivables	NOTE 16	(2,418)	5,696
Trade payables	NOTE 30	5,533	(2,629)
Other working capital		1,782	(5,712)
Cash generated after changes in working capital		**25,586**	**34,777**
Net income tax (paid)		(5,407)	(4,706)
Net cash generated / (used) by operating activities		**20,180**	**30,071**
II. CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition and disposal of property, plant and equipment	NOTE 13	(10,585)	(10,168)
Acquisition of intangibles	NOTE 12	(456)	(559)
Proceeds from non-current assets		72	32
Net cash used by investing activities		**(10,969)**	**(10,695)**
III. CASH FLOW FROM FINANCING ACTIVITIES			
Interest and other finance charges paid, net		(24,732)	(21,544)
Proceeds from borrowings with third parties	NOTE 24	-	95,873
Repayments of Senior Secured Notes		(243)	-
Repayments of borrowings with third parties	NOTE 24	(17,704)	(49,309)
Net cash generated / (used) by financing activities		**(42,679)**	**25,019**
NET INCREASE/ (DECREASE) IN CASH AND BANK OVERDRAFTS		**(33,469)**	**44,395**
Cash, cash equivalents and bank overdrafts at the beginning of the period for continuing operations		104,440	17,186
Exchange gains/(losses) on cash and cash equivalents		1,916	(2,477)
Financing and cash transactions between continued and discontinued operations		(21,494)	45,336
Cash, cash equivalents and bank overdrafts at the end of the period from continuing operations	NOTE 17	51,393	104,440
Cash from discontinued operations	NOTE 39	3,909	1,849

(1) Restated for the impact of the Discontinued Operations in accordance with IFRS 5.

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	Total	Elements of comprehensive income from discontinued operations	Total equity
Balance 31 December 2019	**252,950**	**65,660**	**(3,576)**	**18,344**	**(39,876)**	**293,502**	**(33,537)**	**259,965**
Profit / (loss) for the period	-	-	-	(16,986)	-	(16,986)	4,401	(12,585)
Other comprehensive income								
Exchange differences on translating foreign operations	-	-	(10,335)	-	-	(10,335)	(10,951)	(21,287)
Changes in fair value of hedging instruments qualifying for cash flow hedge accounting	-	-	116	-	-	116	-	116
Cumulative changes in deferred taxes	-	-	(4)	-	-	(4)	(41)	(45)
Cumulative changes in employee defined benefit obligations	-	-	167	-	-	167	122	290
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**-**	**-**	**(10,056)**	**(16,986)**	**-**	**(27,041)**	**(6,469)**	**(33,511)**
Equity-settled share-based payment plans	-	-	-	15	-	15	-	15
Balance at 31 December 2020	**252,950**	**65,660**	**(13,632)**	**1,373**	**(39,876)**	**266,475**	**(40,006)**	**226,469**

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

(€ thousands)	Share capital	Share premium	Other comprehensive income	Retained earnings	Other reserves [1]	Total	Elements of comprehensive income from discontinued operations	Total equity
Balance 31 December 2020	**252,950**	**65,660**	**(13,632)**	**1,373**	**(39,876)**	**266,475**	**(40,006)**	**226,469**
Profit / (loss) for the period	-	-	-	(16,526)	-	(16,526)	(112,712)	(129,238)
Other comprehensive income								
Exchange differences on translating foreign operations	-	-	8,804	-	-	8,804	(10,375)	(1,571)
Changes in fair value of hedging instruments qualifying for cash flow hedge accounting	-	-	(117)	-	-	(117)	-	(117)
Cumulative changes in deferred taxes	-	-	(17)	-	-	(17)	(116)	(133)
Cumulative changes in employee defined benefit obligations	-	-	125	-	-	125	442	568
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**-**	**-**	**8,796**	**(16,526)**	**-**	**(7,730)**	**(122,761)**	**(130,491)**
Equity-settled share-based payment plans	-	-	-	13	-	13	-	13
Balance at 31 December 2021	**252,950**	**65,660**	**(4,836)**	**(15,140)**	**(39,876)**	**258,759**	**(162,767)**	**95,991**

(1) 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'), regis-tered 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 2021.

The Financial Statements of the Company for the period 1 January 2021 to 31 December 2021 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 2020 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 **amendments** to standards **are mandatory** for the first time for the financial year beginning 1 January 2021 and have **been endorsed by the European Union**:

- **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.
- **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.

The following **new standards and amendments** have been issued, are **not mandatory** for the first time for the financial year beginning 1 January 2021 but have **been endorsed by the European Union**:

- **Amendments to IFRS 16 Leases COVID-19-Related Rent Concessions beyond 30 June 2021 (effective 01/04/2021, with early application permitted).** The amendments extend, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. In particular, the amendment permits a lessee to apply the practical expedient regarding COVID-19-related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022 (rather than only payments originally due on or before 30 June 2021). The amendment is effective for annual reporting periods beginning on or after 1 April 2021 (earlier application permitted, including in financial statements not yet authorised for issue at the date the amendment is issued).

- **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 1 January 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 2018-2020** 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.

The following **amendments** have been issued, but are **not mandatory** for the first time for the financial year beginning 1 January 2021 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 01/01/2023)**, 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. 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 IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies (effective 1 January 2023).** The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies. The IAS 1 amendment requires companies to disclose their material accounting policy information rather than their significant accounting policies. Further, the amendment to IAS 1 clarifies that immaterial accounting policy information need not be disclosed. To support this amendment, the Board also amended IFRS Practice Statement 2, 'Making Materiality Judgements', to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted (subject to any local endorsement process).
- **Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (effective 1 January 2023).** The amendment to IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted (subject to any local endorsement process).
- **Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective 1 January 2023).** The amendments clarify how companies account for deferred tax on transactions such as leases and

decommissioning obligations. The main change in the amendments is an exemption from the initial recognition exemption of IAS 12.15(b) and IAS 12.24. Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Early adoption is permitted.

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.

IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations) does not specify the treatment for the elimination of intercompany transaction between the discontinued and continuing operations. As an accounting policy Balta Group opts to eliminate intercompany transactions within the income statement between the discontinued and continuing operations. In line with the required elimination of all intercompany balances for the BS presentation (IFRS 10).

Segment reporting

Note 4 provides the Group's segment information, in line with IFRS 8. The Group will operate its remaining business through 2 segments, which are organised by product and sales channel. The Residential PA segment designs, manufactures and distributes branded broadloom carpets (ITC brand) 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.

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. Please note that because of the announced binding agreement to sell our Rugs, Residential polypropylene and Non-Woven businesses (see Note 39), we simplified our reporting structure in 2021 resulting in only 2 reporting segments.

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 2021		31 December 2020	
	Closing	Average	Closing	Average
USD	1.1326	1.1827	1.2271	1.1422
TRY	14.6823	10.4408	9.0079	8.0140
GBP	0.8403	0.8596	0.8990	0.8897

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 recognised in the Statement of comprehensive income within 'Finance income' and 'Finance expenses'.

Goodwill and fair value adjustments arising from 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:

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

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 capitalised 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 capitalised 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 costs
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 that 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 is 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 derecognition 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. SSENIOR SECURED NOTES, BANK AND OTHER BORROWINGS

Senior Secured Notes and 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. DERECOGNITION 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 derecognition 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 derecognised 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 derecognition 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 percent 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 the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the Statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred income tax is provided on temporary differences arising from 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, 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 2021 and 31 December 2020) 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 2021 this gap was 35 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, paid by their former employer, on top of the unemployment allowances paid by social security. This benefit is generally paid until the 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 recognised 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 model 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 relation 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 reasonable 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 neutralised. 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 agreements.

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 IFRS 16.

Adjusted Earnings per share is defined as profit / (loss) for the period 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) 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 changes 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 and (ii) 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) bank and other borrowings adjusted for capitalised financing fees and (iii) 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 IFRS 16 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 using forecasted 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 its 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 for the continuing operations amounts to € 2.7m for 2021 compared to € 2.8m last year while it amounts to € 5.9m for the discontinued operations in both 2021 and 2020.

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. Were 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 with 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: the 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. In addition to this generalised 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.

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 reconciles the reported information and the non-GAAP measures as presented in these Financial Statements.

(€ thousands)	2021	2020 (2)
Revenue	276,814	258,356
Raw material expenses	(114,514)	(96,232)
Changes in inventories	9,655	(4,373)
Employee benefit expenses	(83,069)	(75,047)
Other income	1,041	1,158
Other expenses	(46,850)	(45,817)
Adjusted EBITDA (1)	**43,078**	**38,044**
Depreciation/amortisation	(17,143)	(17,227)
Adjusted Operating Profit (1)	**25,935**	**20,817**
Integration and restructuring expenses	(5,993)	(7,770)
Operating profit / (loss)	**19,941**	**13,048**
Finance income	-	-
Finance expenses	(28,294)	(25,493)
Net finance expenses	**(28,294)**	**(25,493)**
Profit / (loss) before income taxes	**(8,353)**	**(12,446)**
Income tax benefit / (expense)	(8,173)	(4,540)
Profit / (loss) for the period from continuing operations	**(16,526)**	**(16,986)**
Profit / (loss) for the period from discontinued operations	(112,712)	4,401
Profit / (loss) for the period	**(129,238)**	**(12,585)**

(1) Adjusted Operating Profit and Adjusted EBITDA are non-GAAP measures as defined in Note 1.25.
(2) Restated for the impact of the Discontinued Operations in accordance with IFRS 5.

Several non-recurring items had a material impact on our 2021 net income of the continuing operations. The impact of these events amounts to a net expense of € 6.0m (€ 0.17 per share), as compared to € 7.8m (€ 0.22 per share) in 2020. The 2021 expense is mainly driven by the one-off cost related to the extension of our Senior Secured Notes during Q1 2021.

NOTE 4 SEGMENT REPORTING

Segment information is presented in respect of the Group's business segments as defined earlier. The performance of the segments is reviewed by the Group's chief operational decision-making body, which is the Management Committee. Please note that because of the announced binding agreement to sell our Rugs, Residential polypropylene and Non-Woven businesses (see Note 39), we simplified our reporting structure in 2021 resulting in only 2 reporting segments.

(€ thousands)	2021	2020 (2)
Revenue by segment for continuing operations	**276,815**	**258,356**
Commercial	198,098	190,461
Residential PA	78,716	67,895
Discontinued Operations	**357,480**	**303,477**
Revenue by geography for continuing operations	**276,815**	**258,356**
Europe	115,222	108,852
North America	139,064	132,707
Rest of World	22,529	16,796
Discontinued Operations	**357,480**	**303,477**
Adjusted EBITDA by segment (1) for continuing operations	**43,078**	**38,044**
Commercial	32,364	30,654
Residential PA	10,714	7,391
Discontinued Operations	**43,919**	**29,946**
Net Capital expenditure by segment for continuing operations	**10,969**	**10,695**
Commercial	6,245	5,424
Residential PA	4,724	5,271
Discontinued Operations	**18,014**	**15,499**
Net inventory by segment for continuing operations	**62,812**	**46,153**
Commercial	38,748	31,545
Residential PA	24,064	14,608
Discontinued Operations	**114,987**	**78,919**
Trade receivables by segment for continuing operations	**23,961**	**19,053**
Commercial	18,808	16,009
Residential PA	5,153	3,044
Discontinued Operations	**25,556**	**23,279**

(1) We refer to Note 1.25 where we provide a glossary of the non-GAAP measures.
(2) Restated for the impact of the Discontinued Operations in accordance with IFRS 5.

Given the international sales footprint of the Group, 98% of revenue is realised outside Belgium for the continuing operations, with sales in Belgium being equal to around € 4.6m in 2021 (2020: € 3.8m).

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.

We have no customers that represent more than 10% of total sales for continuing operations.

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 (€ 70.7m). The Rugs business is part of the discontinued operations and is tested separately in the accordance with IFRS 5. We refer to Note 39 for more information. Whilst no goodwill has been allocated to Residential PA, 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 2021. The assets and liabilities comprising the CGU for the continuing operations have not changed significantly since the most recent valuation and were not significantly impacted by the announcement of the Disposal in November (see Note 39).

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 2021, the Group has been able to demonstrate that the recoverable amount exceeds the carrying amount and hence the goodwill is not impaired for the continued operations. 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 1% for Commercial Europe and Commercial US (2020: 1%) and an after-tax discount rate of 8.2% (2020: 7.9%).

The 'value in use' is mainly driven by the terminal value which is particularly sensitive to changes in the assumptions on the terminal value growth rate and discount rate. Discount rates are based on the weighted average cost of capital. 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
Commercial Europe	0.6%	8.5%
Commercial US	(16.5%)	16.2%

Movements compared to the prior year for the continuing operations relate solely to changes in exchange rate while the goodwill allocated to the discontinued operations was written down in accordance with IFRS 5 (we refer to Note 39 for more information).

NOTE 6 EMPLOYEE BENEFIT EXPENSES

The following table sets forth employee benefit expenses for the years ended 31 December 2021 and 2020:

(€ thousands)	2021	2020
Total employee benefit expenses for continuing operations	**83,069**	**75,047**
Wages and salaries	58,494	53,523
Social security costs	16,117	13,873
Pension costs	1,999	1,977
Other employee benefit expenses	6,459	5,673
Total discontinued operations	**83,593**	**75,634**

Employee benefit expenses increased due to fact that last year we used the 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 in combination with salary and wage indexation. The total amounts to € 83.1m for the continuing operations, compared to € 75.0m as at 31 December 2020.

The average number of employees in 2021 and 2020 were 1,158 and 1,137 respectively (both in full-time equivalents) for the continuing business. Part-time employees are included on a proportionate basis.

	2021	2020
Average number of total employees for continuing operations	**1,158**	**1,137**
Average number of employees – blue collar	801	780
Average number of employees – white collar	357	357
Total average number of employees discontinued operations	**2,673**	**2,706**

NOTE 7 OTHER INCOME AND EXPENSES

(€ thousands)	2021	2020
Other income for continuing operations	**1,041**	**1,158**
Foreign exchange gains	6	3
Rental income from solar rooftop installations	631	641
Sales of energy certificates	14	4
Grants	43	476
Gain on sale of fixed assets	59	32
Other	289	1
Total discontinued operations	**2,235**	**4,540**

Other expenses for continuing operations	**46,850**	**45,817**
Services and other goods	20,001	20,157
Selling expenses	26,638	23,584
Foreign exchange losses	284	306
Real estate tax	710	934
Other	(783)	836
Total discontinued operations	**68,766**	**52,855**

Other income from continuing operations largely comprises a gain in relation to rental payments received from third parties who lease the space to install solar panels.

Some costs can be recharged to external parties for which the income was presented under 'Other income'.

Other expenses for the continuing operations increased by € 1.0m to € 46.8m for the year ended 31 December 2021 from € 45.8m for the year ended 31 December 2020. The main component of other expenses is services and other goods which mainly include electricity and gas, maintenance and repair and interim blue collars. Selling expenses mainly include freight and commissions. The credit amount on 'other' within the 'Other expenses' mainly relates to a reversal of IFRS 9 provision (we refer to Note 16 for more info).

The costs of research and development are also included in 'Other expenses'.

The continuing operations incurred € 4.9m of research and development expenses during the 12 months ended 31 December 2021 (2020: € 4.4m). 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 optimise 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)	2021	2020
Depreciation/amortisation for continuing operations	**17,143**	**17,227**
Amortisation of intangible assets	1,441	1,550
Depreciation property, plant and equipment	15,702	15,677
Total discontinued operations	**21,755**	**22,810**

Depreciation/amortisation amounts to € 17.1m for the continuing operations, a decrease of € 0.1m compared to 2020.

NOTE 9 INTEGRATION AND RESTRUCTURING EXPENSES

The total integration and restructuring expenses incurred in 2021 amount to € 6.0m (2020: € 7.8m). This comprises various items that are considered by management as non-recurring or unusual by nature.

(€ thousands)	2021	2020
Integration and restructuring expenses	**5,994**	**7,770**
Corporate restructuring	5,929	3,958
Strategic advisory services	-	2,178
Other	64	1,633
Total discontinued operations	**5,843**	**-**

The 2021 expense for the continuing operations is mainly driven by the one-off cost related to the extension of our Senior Secured Notes during Q1 2021 whereas 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 10 FINANCE EXPENSES

(€ thousands)	2021	2020
TOTAL FINANCE EXPENSES	**28,294**	**25,494**
Interest expense on Senior Secured Notes	23,313	20,140
Interest expense on Senior Term Loan Facility (€ 35m)	-	120
Interest expense on Lease liabilities	1,688	1,831
Interest expense on Bank borrowings	2,178	1,981
Foreign exchange result on intercompany transactions	30	436
Other finance costs	1,086	987
Total discontinued operations	**3,711**	**3,720**

The net finance expense for the continuing operations amounts to € 28.3m in 2021, 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 23 for a description of these facilities. The net cost increased compared to 2020 due to a one-off recognition of the remaining capitalised expenses on former Senior Secured Notes of € 2.5m in the Statement of comprehensive income, which became necessary in line with the notes re-financing in Q1 2021. On top of that, an amount of € 1.7m of financing costs has been capitalised with regards to the revised Senior Secured Notes (see Note 21).

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, PIK interest of € 1.8m and the amortisation of capitalised financing fees of € 3.4m which includes the one-off recognitions as explained in the previous paragraph.

NOTE 11 INCOME TAX BENEFIT / EXPENSE

(€ thousands)	2021	2020
Income tax benefit / (expense) for continuing operations	**(8,173)**	**(4,540)**
Current tax	(3,767)	(3,433)
Deferred tax	(4,405)	(1,107)
Total discontinued operations	**3,129**	**985**

Income tax benefit / (expense) for continuing operations	**(8,173)**	**(4,540)**
Income tax calculated at Belgian tax rate (25%)	2,090	3,111
Rate differential due to transactions with foreign entities	(56)	(181)
Disallowed expenses	(3,003)	(2,310)
Tax losses for which no deferred tax asset is recognised	(1,866)	(4,352)
Taxation of untaxed reserves	(265)	(535)
Reversal of previously recognized tax assets	(5,249)	-
Other	177	(274)
Total discontinued operations	**3,129**	**985**

The continuing operations reported a tax expense for 2021 of € 8.2m (tax expense of € 4.5m for 2020) based on a loss before tax of € 8.4m (2020: loss of € 12.4m). The tax expense is mainly driven by both derecognition of deferred tax assets after the Disposal and by the non-recognition of a deferred tax asset for exceptional costs.

NOTE 12 OTHER INTANGIBLE ASSETS

(€ thousands)	Trademark	Software and licences	Internally generated intangible assets	Total
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 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 31 December 2020	**5,943**	**1,186**	**2,338**	**9,466**
Opening net book value at 1 January 2021	**5,943**	**1,186**	**2,338**	**9,466**
Discontinued operations in opening balance	-	(1,042)	(1,454)	(2,497)
Additions	-	43	413	456
Disposals	-	-	(79)	(79)
Amortisation charge	(1,042)	(15)	(384)	(1,441)
Exchange differences	508	11	-	519
Closing net book value at 31 December 2021	**5,408**	**183**	**834**	**6,425**
Cost or fair value	10,301	1,203	3,088	14,593
Accumulated amortisation, impairment and other adjustments	(4,893)	(1,020)	(2,254)	(8,168)
Closing net book value at 31 December 2021 for continuing operations	**5,408**	**183**	**834**	**6,425**
Closing net book value at 31 December 2021 for discontinued operations	**-**	**-**	**-**	**-**

The trademark of € 5.4m relates to the acquisition of Bentley. The intangible assets were to set to zero for the discontinued operations as part of application of IFRS 5 (we refer to Note 39 for more info).

The total amortisation expense for the continuing operations of € 1.4m (2020: € 1.5m) 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 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**
Opening net book value at 1 January 2021	**170,546**	**131,624**	**10,118**	**312,288**
Discontinued operations in opening balance	(126,245)	(85,746)	(4,152)	(216,143)
Additions	12,576	6,168	5,792	24,536
Disposals	(56)	(235)	(225)	(515)
Transfers	256	240	(496)	-
Depreciation charge	(5,051)	(5,838)	(4,813)	(15,702)
Exchange differences	363	921	195	1,479
Closing net book value at 31 December 2021	**52,390**	**47,134**	**6,420**	**105,943**
Cost or fair value	87,681	175,241	14,890	277,812
Accumulated depreciation, impairment and other adjustments	(35,291)	(128,107)	(8,471)	(171,869)
Closing net book value at 31 December 2021 for continuing operations	**52,390**	**47,134**	**6,420**	**105,943**
Closing net book value at 31 December 2021 for discontinued operations	**119,012**	**56,604**	**1,832**	**177,448**

In 2021, a total of € 24.5m has been added for the continuing operations. The main investments in 2021 were in land and other buildings. We refer to note 39 for more info on the assets of the discontinued operations and the application of IFRS 5.

The total depreciation expense for the continuing operations of € 15.7m (2020: € 15.7m) 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 2020	**90,651**	**221,637**	**312,288**
Discontinued operations in opening balance sheet	(41,070)	(175,073)	(216,143)
Additions	13,025	11,511	24,536
Disposals	(56)	(459)	(515)
Depreciations	(10,766)	(4,936)	(15,702)
FX impact	1,030	448	1,479
As at 31 December 2021	**52,815**	**53,128**	**105,943**

(€ thousands)	2021	2020
Right-of-use assets – Land and Buildings	**50,108**	**85,749**
Cost – Capitalised leases	80,271	138,694
Accumulated depreciation	(30,163)	(52,945)
Total Discontinued operations	**39,107**	
Right-of-use assets – Plant and machinery	**2,707**	**4,902**
Cost – Capitalised leases	4,559	7,230
Accumulated depreciation	(1,852)	(2,328)
Total Discontinued operations	**1,963**	
Right-of-used assets – Total leased Property, Plant & Equipment	**52,815**	**90,651**
Cost – Capitalised leases	84,830	145,924
Accumulated depreciation	(32,015)	(55,272)
Total Discontinued operations	**41,070**	

The Group's assets which are pledged as security for the borrowings are described in Notes 21 and 22.

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)	2021	2020
Total Deferred tax assets for continuing operations	**5,027**	**8,739**
Deferred tax assets to be reversed after more than 12 months	4,651	8,084
Deferred tax assets to be reversed within 12 months	376	654
Total discontinued operations	**2,852**	
Total Deferred tax liabilities for continuing operations	**(8,459)**	**(38,404)**
Deferred tax liabilities to be reversed after more than 12 months	(7,515)	(34,120)
Deferred tax liabilities to be reversed within 12 months	(944)	(4,284)
Total discontinued operations	**(28,707)**	
Net deferred tax liabilities	**(3,432)**	**(29,665)**

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

(€ thousands)	2021	2020
At 1 January	**(29,665)**	**(29,813)**
Discontinued operations in opening balance	30,792	-
Exchange differences	(137)	554
Other comprehensive income	(17)	(45)
Income statement charge	(4,405)	(362)
At 31 December	**(3,432)**	**(29,665)**

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 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)
Adoption of accounting policy	-	-	-	-	-	-	-	-	-
At 31 December 2020	**20,923**	**1,239**	**0**	**1,350**	**1,041**	**1,214**	**1,638**	**1,346**	**28,752**
At 1 January 2021	**20,923**	**1,239**	**0**	**1,350**	**1,041**	**1,214**	**1,638**	**1,346**	**28,752**
Discontinued operations in opening balance	(13,164)	(1,239)	(0)	(1,350)	(882)	(996)	1	(1,808)	(19,438)
(Charged)/credited to the income statement	(398)	-	-	-	3	67	(275)	1,563	960
Exchange differences	-	-	-	-	-	25	119	-	144
Other comprehensive income	-	-	-	-	(17)	-	-	-	(17)
Other movement	-	-	-	-	-	-	-	-	-
At 31 December 2021	**7,360**	**0**	**(0)**	**-**	**144**	**310**	**1,483**	**1,102**	**10,400**

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 on 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 on 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 2021, 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 2021, total tax credits amounted to € 364.9m, resulting in a potential deferred tax asset of € 90.5m of which the continuing operations only recognised € 7.3m at the end of 2021. The majority of the tax credits in 2020 and 2021 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 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)**
At 1 January 2021	**(53,963)**	**(1,859)**	**(2,357)**	**(239)**	**(58,417)**
Discontinued operations in opening balance	47,491	556	2,110	73	50,231
Charged/(credited) to the income statement	(5,494)	122	32	25	(5,315)
Exchange differences	(271)	(81)	-	21	(330)
At 31 December 2021	**(12,236)**	**(1,262)**	**(214)**	**(120)**	**(13,832)**

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 € 215.8m as of 31 December 2021 for the continuing operations (as compared to € 200.1m as of 31 December 2020). Adding up the gross amounts of deferred tax assets (€ 4.7m) and the gross amount of deferred tax liabilities (€ 13.8m) results in a net deferred tax liability position at 31 December 2021 of € 3.4m.

NOTE 15 INVENTORIES

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

(€ thousands)	2021	2020
TOTAL INVENTORIES FOR CONTINUING OPERATIONS	**62,812**	**125,072**
Raw materials and consumables	25,327	52,548
Work in progress	13,175	14,853
Finished goods	24,310	57,670
Total Discontinued operations	**114,987**	

Inventories decreased from € 125.1m to € 62.8m. The decrease is mainly explained by the fact that in 2020 the inventory still contained € 78.9m of inventories linked to the discontinued operations while in 2021 these have been isolated. Without this isolation, inventory would have shown an increase mainly due to the increase in raw material prices.

The continuing operations increased the provision for obsolete inventory in 2021 by € 1.8m compared to an increase of € 0.9m in 2020 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 2021 amounts to € 104.9m for the continuing operations as compared to € 100.6m in 2020.

The Group's assets pledged as security for the Senior Secured Notes and borrowings are described in Notes 21 to 22.

NOTE 16 TRADE AND OTHER RECEIVABLES

(€ thousands)	2021	2020
TOTAL TRADE AND OTHER RECEIVABLES FOR CONTINUING OPERATIONS	**24,281**	**51,423**
Trade and other receivables (non-current) for continuing operations	**537**	**815**
Other amounts receivable	537	815
Total discontinued operations	**176**	
Trade and other receivables (current) for continuing operations	**23,745**	**50,608**
Net trade receivables	23,961	42,332
Trade receivables	24,631	46,623
Less: Bad debt allowance	(670)	(4,291)
Prepayments and accrued income	262	2,085
Other amounts receivable	(479)	6,191
Total discontinued operations	**30,408**	

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 that are still on the balance sheet.

Current trade and other receivables have decreased from € 50.1m per 31 December 2020 to € 23.7m as of 31 December 2021. This is mainly due to the separation of the discontinued operations in 2021, otherwise the current trade and other receivables would have shown an increase mainly caused by implemented price increases.

As of 31 December 2021, net trade receivables that were past due amounted to € 1.6m.

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)	2021	2020
TOTAL TRADE AND OTHER RECEIVABLES FOR CONTINUING OPERATIONS	**24,281**	**51,423**
EUR	8,803	18,639
USD	15,393	18,613
GBP	86	9,858
TRY	-	4,313
Total discontinued operations	**30,583**	

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 and 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.

(€ thousands)	Not due or less than 15 days past due	More than 15 days past due	Total
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**
At 31 December 2021 for continuing operations			
Expected loss rate	1.9%	28.4%	
Gross carrying amount – trade receivables	23,864	767	24,631
Loss allowance	**452**	**218**	**670**

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

(€ thousands)	2021	2020
At 1 January for continuing operations	**(4,291)**	**(2,738)**
Discontinued operations in opening balance	2,905	
Increase in loss allowance recognised in profit or loss during the year	(0)	(1,835)
Receivables written off during the year as uncollectible	24	222
Unused amounts reversed	751	3
FX difference	(58)	58
At 31 December for continuing operations	**(670)**	**(4,291)**

The movement in the loss allowance is mainly explained by fact that the discontinued operations were still included in the prior figures while they were separated in the current year. On top of that, we reversed around € 0.8m of loss allowance as a result of improved forecasted default rates published by Moody's. The creation and release of allowances for impaired receivables have 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 2021 the continuing operations hold no collateral (letters of credit and corporate or bank guarantees).

NOTE 17 CASH AND CASH EQUIVALENTS

(€ thousands)	2021	2020
TOTAL CASH AND CASH EQUIVALENTS	**51,394**	**106,289**
Cash at bank and on hands	36,801	83,243
Cash in subsidiaries outside the EU	14,593	23,046
Of which in countries with legal restrictions	-	580
Total discontinued operations	**3,909**	

The credit quality of the banks and financial institutions is disclosed in Note 26. The Group's assets pledged as security for the Senior Secured Notes and borrowings are described in Notes 21 and 22.

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 the 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)	2021	2020
Items in OCI that may be subsequently reclassified to P&L	**(6,807)**	**(15,494)**
Cumulative translation reserves as of 31 December	**(6,655)**	**(15,459)**
Cumulative translation reserves at beginning of the period	(15,459)	(36,780)
Discontinued operations in opening balance		31,656
Exchange differences on translating foreign operations	8,804	(10,335)
Cumulative changes in fair value of hedging instruments as of 31 December	**(152)**	**(35)**
Cumulative changes in fair value of hedging instruments at beginning of the period	(35)	(151)
Changes in fair value of hedging instruments during the period	(117)	116
Items in OCI that will not be reclassified to P&L	**1,972**	**1,863**
Changes in deferred tax at 31 December	**(967)**	**(950)**
Changes in deferred taxes at beginning of the period	(950)	(318)
Discontinued operations in opening balance		(627)
Changes in deferred taxes during the period	(17)	(4)
Changes in employee defined benefit obligations at 31 December	**2,938**	**2,813**
Changes in employee defined benefit obligations at beginning of the period	2,813	137
Discontinued operations in opening balance		2,509
Changes in employee defined benefit obligations during the period	125	167
TOTAL OTHER COMPREHENSIVE INCOME FOR CONTINUING OPERATIONS AT 31 DECEMBER	**(4,836)**	**(13,632)**
TOTAL OTHER COMPREHENSIVE INCOME FOR DISCONTINUED OPERATIONS AT 31 DECEMBER	**(54,456)**	**(44,408)**

CASH FLOW HEDGE ACCOUNTING

The movement schedule below summarises 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 2021. The amounts recognised in the Statement of comprehensive income have been presented as 'Other income' – see Note 7.

(€ thousands)	2021	2020
Cash flow hedge reserve, ending balance	**(152)**	**(35)**
Opening balance	(35)	(151)
Amounts recorded in the cash flow hedge reserve	(195)	309
Amounts recognised in the income statement	78	(193)

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 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 27 for further details.

The liability has been measured using a discount rate of 0.80% for 2021 and 0.35% for 2020.

DEFERRED TAXES

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

NOTE 20 RETAINED EARNINGS

(€ thousands)	2021	2020
At 1 January for continuing operations	**1,373**	**18,344**
Reclassified from OCI	-	(19)
Equity-settled share-based payment plans	13	34
Profit / (loss) for the year allocated to equity owners	(16,526)	(16,986)
At 31 December for continuing operations	**(15,140)**	**1,373**

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)	2021	2020
TOTAL SENIOR SECURED NOTES FOR CONTINUING OPERATIONS	**240,458**	**237,361**
Non-Current portion	**233,744**	**233,936**
Of which: gross debt	234,657	234,900
Of which: capitalised financing fees	(913)	(964)
Current portion	**6,714**	**3,425**
Of which: accrued interest	7,169	5,360
Of which: capitalised financing fees	(456)	(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.

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 the 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 with-drawn) € 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 was further extended to 30 June 2024. We refer to the subsequent paragraph (Note 40), for the offer that was launched in March 2022.

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. As part of the above-mentioned extension, a PIK interest of 1% per annum was added.

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 2021 is equal to € 3.4m. This amount is largely driven by the one-off recognition of the remaining capitalised expenses on former Senior Secured Notes due 2022 of € 2.5m in the Statement of comprehensive income, while an amount of € 1.7m of financing costs have been capitalised with regards to the revised Senior Secured Notes.

The current portion of the debt associated with the Senior Secured Notes relates to accrued interest payable at the next interest payment date, the PIK interest 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 22) 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 BANK AND OTHER BORROWINGS

The table below provides an overview of the bank and other borrowings that existed on 31 December 2021 and 31 December 2020:

(€ thousands)	2021	2020
TOTAL BANK AND OTHER BORROWINGS FOR CONTINUING OPERATIONS	**104,081**	**148,493**
Non-current portion	**43,687**	**74,513**
Other lease liabilities	25,620	29,515
Sale-and-leaseback liabilities	18,405	45,674
Of which: capitalised financing fees related to the sale-and-leaseback	(338)	(676)
Current portion for continuing operations	**60,393**	**73,981**
Other lease liabilities	5,467	6,846
Sale-and-leaseback liabilities	1,924	4,390
Of which: capitalised financing fees related to the sale-and-leaseback	(48)	(84)
Bentley RCF	7,960	7,342
Super Senior RCF	45,090	55,486
Total for discontinued operations	**39,413**	

In relation to Balta's financing agreements, the documentation provides for the effect of changes in accounting standards to be neutralised. 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.

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 was further extended to 30 June 2024 after the successful amendment and extension of the Senior Secured Notes as described in Note 21. We refer to Note 40 for more info on the subsequent events regarding the Super Senior Revolving Credit Facility.

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. In December 2021, the revolving credit facility was extended until June 2022 for an amount of $ 15.0m. We refer to Note 40 for more info on the subsequent events regarding this revolving credit facility.

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 2021 the continuing operations continue to recognise a portion of the receivables to the extent of its continuing involvement, in accordance with IFRS 9 (€ 7.5m).

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 23 LEASES

The lease liabilities have decreased from € 85.7m as of 31 December 2020 to € 51.0m as of 31 December 2021. This decrease is mainly caused by the isolation of the leases related to the discontinued operations for an amount of € 42.3m. At the end of 2021, the corresponding lease liability related to IFRS 16 (excluding sale-and-leaseback) amounts to € 31.0m.

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 4.7%.

The leasing agreements under IFRS 16 have a remaining term between 1 and 8 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 2021.

In relation to Balta's financing agreements, the documentation provides for the effect of changes in accounting standards to be neutralised. 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 2021:

(€ thousands)	IFRS 16 excl sale-and-leaseback	Sale-and-leaseback	Total
At 31 December 2020	**36,362**	**49,304**	**85,665**
Discontinued operations in opening balance	(14,768)	(27,555)	(42,324)
Additions	12,825	-	12,825
Financing fees	-	48	48
Accretion of interest	1,013	645	1,659
Payments	(6,363)	(2,445)	(8,808)
FX impact	1,965	-	1,965
At 31 December 2021	**31,033**	**19,998**	**51,030**
Current lease liability	5,412	1,931	7,343
Non-current lease liability	25,620	18,067	43,687
TOTAL LEASE LIABILITY	**31,033**	**19,998**	**51,030**

(€ thousands)	2021	2020
TOTAL PRESENT VALUE OF LEASE LIABILITIES (EXCLUDING CAPITALISED FINANCING FEES) FOR CONTINUING OPERATIONS	**51,417**	**86,425**
No later than 1 year	7,391	10,581
Later than 1 year and no later than 5 years	29,860	44,067
Later than 5 years	14,166	31,777
Total discontinued operations	**39,758**	

The Group uses foresight in determining the lease term where the contract contains options to extend or terminate the lease. Besides 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.

NOTE 24 NET DEBT RECONCILIATIONS

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

	Liabilities from financing activities		Cash and Cash equivalents						
(€ thousands)	Senior Secured Notes due after 1 year	Senior Secured Notes 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 continuing operations	Cash and Cash equivalents continuing operations	Total net financial debt continuing operations
Net debt at 31 December 2020	**(234,900)**	**(5,360)**	**(37,630)**	**(6,141)**	**(55,486)**	**(7,342)**	**(346,860)**	**104,440**	**(242,420)**
Cashflows	-	-	-	-	-	-	**-**	(54,962)	**(53,046)**
Repayments of borrowings with third parties	243	-	-	7,219	10,485	-	**17,947**	-	**17,947**
Other non-cash movements (includ. FX movements)	-	(1,809)	(6,396)	(8,415)	(89)	(618)	**(17,326)**	1,916	**(17,326)**
Net debt at 31 December 2021	**(234,657)**	**(7,169)**	**(44,026)**	**(7,336)**	**(45,090)**	**(7,960)**	**(346,239)**	**51,394**	**(294,845)**

The table above does not include the movements in capitalised financing fees, or the interest paid (see Notes 21 to 23). The amounts per 31 December 2020 were restated to separate the discontinued operations (detailed below).

	Cash and Cash equivalents		
(€ thousands)	Total gross financial debt discontinued operations	Cash and Cash equivalents discontinued operations	Total net financial debt discontinued operations
Net debt at 31 December 2020	**(42,654)**	**1,849**	**(40,805)**
Cashflows	**-**	1,837	**1,837**
Repayments of borrowings with third parties	**3,888**	-	**3,888**
Other non-cash movements	**(991)**	223	**(768)**
Net debt at 31 December 2021	**(39,758)**	**3,909**	**(35,848)**

NOTE 25 ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS

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

	Fair value hierarchy	2021	2021	2020	2020
(€ thousands)		Carrying amount	Fair value	Carrying amount	Fair value
Assets as per statement of financial positions		**75,675**	**75,675**	**157,712**	**157,712**
Loans and receivables		**75,675**	**75,675**	**157,712**	**157,712**
Trade and other receivables		24,281	24,281	51,423	51,423
Cash and cash equivalents	LEVEL 1	51,394	51,394	106,289	106,289
Assets at fair value through OCI		**-**	**-**	**-**	**-**
Foreign exchange derivative financial instruments	LEVEL 2	-	-	-	-
Liabilities as per statement of financial positions		**387,267**	**379,361**	**495,635**	**482,350**
Financial liabilities measured at amortised cost		**387,267**	**379,361**	**495,532**	**482,247**
Senior Secured Notes	LEVEL 1	240,458	232,551	237,361	224,076
Bank and other borrowings	LEVEL 2	104,081	104,081	148,493	148,493
Trade and other payables		42,729	42,729	109,678	109,678
Financial liabilities measured at fair value through OCI		**(0)**	**(0)**	**103**	**103**
Foreign exchange derivative financial instruments	LEVEL 2	(0)	(0)	103	103

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 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 26 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 U.S. dollar for the continuing operations. 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. 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.

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 USD. As a result, our Consolidated statement of comprehensive income, which is reported in EUR, are affected by currency exchange rate fluctuations.

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 2021 Net exposure for continuing operations	**12,441**	**3,385**	**17,120**	**0**	**32,946**
Trade and other receivables	8,803	86	15,393	-	24,281
Cash and cash equivalents	25,820	4,558	21,016	-	51,394
Trade and other payables	(22,182)	(1,259)	(19,288)	-	(42,729)
Total for discontinued operations	**(42,838)**	**(1,026)**	**(5,010)**	**1,109**	**(47,765)**

(€ 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)

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)	2021	2020
GBP denominated	**(1,601)**	**(1,292)**
Changes in fair value derivative financial instruments	(1,978)	(2,136)
Changes in carrying amount of monetary assets and liabilities	376	844
USD denominated	**1,902**	**2,205**
Changes in fair value derivative financial instruments	-	-
Changes in carrying amount of monetary assets and liabilities	1,902	2,205
TRY denominated	**-**	**335**
Changes in fair value derivative financial instruments	-	-
Changes in carrying amount of monetary assets and liabilities	-	335

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)	2021	2020
GBP denominated	**1,310**	**1,057**
Changes in fair value derivative financial instruments	1,618	1,747
Changes in carrying amount of monetary assets and liabilities	(308)	(691)
USD denominated	**(1,556)**	**(1,804)**
Changes in fair value derivative financial instruments	-	-
Changes in carrying amount of monetary assets and liabilities	(1,556)	(1,804)
TRY denominated	**-**	**(274)**
Changes in fair value derivative financial instruments	-	
Changes in carrying amount of monetary assets and liabilities	-	(274)

COMMODITY PRICE RISK

We are exposed to fluctuations in the price of the major raw materials used in the manufacturing process.

In 2021, mainly due to a combination of higher prices, raw material expenses represented 41.4% of the continuing operations revenue compared to 37.2% 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 € 5m lower (higher) for the continuing operations. 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 2021 or 2020.

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 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 Euro 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	**0**	**0**
Non-derivative floating rate financial liabilities	-	-

The impact is zero for the continuing operations as the relevant Euribor is below zero and floored at zero and thus an increase or decrease of 25 bps has no impact.

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.

Default rates did not exceed 1% for 2021 and 2020.

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)	2021	2020
TOTAL CASH AND BANK EQUIVALENTS FOR CONTINUING OPERATIONS	**51,394**	**106,289**
A rating	51,394	105,731
BB Rating	-	555
B Rating	-	2
Total discontinued operations	**3,909**	

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 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 2021 are the Senior Secured Notes (see Note 21), European Super Senior Revolving Credit Facility (see Note 22) and capital lease agreements (see Note 23).

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 2021.

(€ 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 2021 FOR CONTINUING OPERATIONS	**(108,824)**	**(12,849)**	**(240,322)**	**(22,395)**	**(15,966)**
Senior Secured Notes	(9,096)	(9,142)	(232,857)	-	(1,800)
Bentley RCF	(7,960)	-	-	-	-
Super Senior RCF	(45,090)	-	-	-	-
Lease liabilities	(3,696)	(3,696)	(7,465)	(22,395)	(14,166)
Trade and other payables	(42,729)	-	-	-	-
Gross settled derivative financial instruments – outflows	(14,051)	(1,033)	-	-	-
Gross settled derivative financial instruments – inflows	13,799	1,021	-	-	-

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.

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 2021. The leverage at the end of the year was 3.6x. The $ 18m revolving credit facility at BPS Parent Inc. includes a local leverage and fixed charge coverage covenant, providing ample headroom.

The following table reflects all contractually fixed pay-offs for settlement, repayments and interest resulting from recognised financial liabilities. The amounts disclosed are undiscounted net cash outflows, based on the market conditions existing at 31 December 2020.

(€ 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	-	-	-

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:

	2021	2021	2020	2020
	Moody's	S&P	Moody's	S&P
Long-term issue rating Senior Secured Notes	Caa1	B-	Caa1	B-
Corporate rating	B3	B-	B3	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. In the course of 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.

In March 2021, Moody's affirmed the B3 corporate family rating (CFR) of LSF9 Balta Issuer S.à r.l. (Balta) and B3-PD probability of default rating (PDR). At the same time Moody's assigned a Caa1 rating to the new guaranteed senior secured notes due 2024. The Caa1 rating on the existing senior secured notes will be withdrawn. The outlook was changed to stable from negative after Balta successfully managed to extend the maturity dates of its Senior Secured Notes and the European Senior Secured Revolving Credit Facility to 2024.

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 with a negative outlook. 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.

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 22 for further details.

NOTE 27 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 0.80% and 0.35% in 2021 and 2020, 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)	2021	2020
TOTAL EMPLOYEE BENEFIT OBLIGATIONS FOR CONTINUING OPERATIONS	**863**	**3,950**
Pension plans	530	3,070
Provisions early retirement pension	333	880
Discontinued operations	**2,645**	
TOTAL EMPLOYEE BENEFIT OBLIGATIONS FOR CONTINUING OPERATIONS	**863**	**3,950**
Non current	762	3,643
Current	101	307
Discontinued operations	**2,645**	

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 the 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.

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 has 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:

	2021	2020
Discount rate BE	0.80%	0.35%
Retirement age	65 years	65 years
Mortality	MR/FR-5	MR/FR-5

For the year ended 31 December 2021, the defined benefit obligation, taking into account the tax effect, amounts to € 7.3m (2020: € 7.8m) and the offset by plan assets of € 6.2m (2020: € 6.7m).

NOTE 28 OTHER PAYROLL AND SOCIAL RELATED PAYABLES

(€ thousands)	2021	2020
TOTAL OTHER PAYROLL AND SOCIAL RELATED PAYABLES FOR CONTINUING OPERATIONS	**14,638**	**33,904**
Holiday pay	5,460	15,912
Social security taxes	1,922	3,876
Salaries and wages payable	5,903	9,311
Early retirement provision	101	307
Group insurance	(0)	2
Withholding taxes	561	1,088
Other	692	3,409
Discontinued operations	**22,993**	

Other payroll and social related payables decreased from € 33.9m as of 31 December 2020 to € 14.6m as of 31 December 2021. The decrease can mainly be explained by the isolation of the discontinued operations.

NOTE 29 PROVISIONS FOR OTHER LIABILITIES AND CHARGES

(€ thousands)	Asset retirement obligation	Warranty	Total
At 1 January 2021 for continuing operations	**970**	**1,517**	**2,487**
Discontinued operations in opening balance	-	-	**-**
Unused amounts reversed	(154)	-	**(154)**
Exchange differences	68	88	**156**
Amounts used	-	(464)	**(464)**
At 31 December 2021 for continuing operations	**884**	**1,141**	**2,025**

(€ thousands)	2021
Non-current	2,025
Current	-
	2,025

The provision for other liabilities and charges decreased by € 0.5m to € 2.0m for the year ended 31 December 2021.

NOTE 30 TRADE AND OTHER PAYABLES

(€ thousands)	2021	2020
Trade and other payables	**42,729**	**109,678**
Trade payables	35,857	82,890
Accrued charges and deferred income	6,484	26,050
Other payables	388	739
Total discontinued operations	**82,257**	

Trade payables as of 31 December 2021 of € 35.9m include the amounts for outstanding invoices (€ 28.5m, as compared to € 67.9m as of 31 December 2020) and invoices to be received in relation to goods and services received during the current period (€ 7.4m, as compared to € 15.0m as of 31 December 2020). The main reason for the decrease is the fact that in the 2020 numbers the discontinued operations were still included while they have been separated in the 2021 numbers.

Accrued charges and deferred income mainly relate to accrued charges for customer discounts (€ 3.2m, as compared to € 13.6m as of 31 December 2020) and various other costs.

NOTE 31 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 32 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 2021, € 1.0m has been received in this framework, compared to € 1.5m in 2020.
- Investment grants: the Group was granted € 0.1m in 2020 for the development of alternative polyolefins for bitumen of which it received € 0.05m in 2021.

NOTE 33 EARNINGS PER SHARE

BASIC AND DILUTED EARNINGS PER SHARE

(€ thousands)	2021	2020
BASIC AND DILUTED EARNINGS PER SHARE		
Net result from continuing operations	**(16,526)**	**(16,986)**
Percentage of net result from continuing operations attributable to holders of ordinary and diluted shares	100%	100%
Net result from continuing operations attributable to holders of ordinary and diluted shares	(16,526)	(16,986)
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) from continuing operations	**(0.46)**	**(0.47)**
Net result from discontinued operations attributable to holders of ordinary shares	(112,712)	4,401
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) from discontinued operations	**(3.14)**	**0.12**
Net result per share attributable to holders of ordinary and diluted shares (in Euro) from continuing and discontinued operations	**(3.60)**	**(0.35)**

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 2021 and 2020 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)	2021	2020
ADJUSTED EARNINGS PER SHARE (1)		
Net result from continuing operations	**(16,526)**	**(16,986)**
Normalisation adjustments:	11,875	10,714
Adjusted Net Result from continuing operations	**(4,650)**	**(6,272)**
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	(4,650)	(6,272)
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) from continuing operations	**(0.13)**	**(0.17)**
Net result from discontinued operations	(112,712)	4,401
Normalisation adjustments:	125,815	0
Adjusted Net Result from discontinued operations	**13,104**	**4,401**
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) from discontinued operations	**0.36**	**0.12**
Net result per share attributable to holders of ordinary and diluted shares (in Euro) from continuing and discontinued operations	**0.24**	**(0.05)**

(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 continuing operations for 2021 includes the net of tax impact of the € 6.0m non-recurring expenses for integration and restructuring (see note 9) and non-recurring tax effects amounting to € 7.4m (see Note 11). In the absence of such events, the normalised loss for the period would have been € 4.7m. Similarly, the continuing profit for 2020 includes a net of tax impact non-recurring expense of € 7.7m and non-recurring tax effects amounting to € 4.9m (see Note 11), resulting in a normalized loss of € 6.3m.

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 34 DIVIDENDS PER SHARE

Our focus remains on deleveraging and investing in the business further, the Board will not propose a dividend for the year.

NOTE 35 COMMITMENTS

ENERGY

Our fixed price purchase commitments for electricity and gas, for deliveries in 2022 and 2023, are equal to € 3.2m as of 31 December 2021 for the continuing operations compared to an amount of € 4.2m as of 31 December 2020 for the full Balta Group.

CAPITAL EXPENDITURES

As of 31 December 2021, € 5.2m capital commitments are outstanding for the continuing operations compared to € 3.6m as of 31 December 2020.

NOTE 36 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.

	2021		2020	
	% of interest	% of control	% of interest	% of control
Continuing operations				
Belgium				
Balta NV [(1)]	100%	100%	100%	100%
modulyss NV	100%	100%	100%	100%
Balfid BV (liquidated in 2021)	0%	0%	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%
USA				
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%
Discontinued operations				
Belgium				
Balta Industries NV [(2)]	100%	100%	100%	100%
Balta Oudenaarde NV	95%	100%	95%	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%
United Kingdom				
Balta Floorcovering UK	100%	100%	100%	100%

(1) Part of the activities (including some headquarter staff) will be carved into the newly created entity named Balta Services BV and will be sold to Victoria PLC.
(2) The Residential PA activities will be carved into the newly created entity named ITC Co and the latter will not be sold to Victoria PLC.

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 37 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 2020 and 2021 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)	2021	2020
TOTAL KEY MANAGEMENT COMPENSATION	**3,445**	**3,580**
Short-term employee benefits	3,229	3,404
Long-term employee benefits	0	0
Board compensation	170	154
Share-based payments	46	22
Total Discontinued operations	**2,166**	

Refer to the 'Corporate Governance Report' for information with respect to the remuneration of Directors and members of the Group's Management Committee.

There were no other transactions with related parties.

NOTE 38 FEES PAID TO THE GROUP'S AUDITORS

(€ thousands)	2021	2020
Audit services	**605**	**581**
Audit of the Group pursuant to legislation	605	581
Non-audit services	**349**	**124**
Tax services	64	80
Other services	285	44
TOTAL FEES PAID TO THE GROUP'S AUDITOR	**954**	**705**

NOTE 39 DISCONTINUED OPERATIONS

On 28 November 2021, Balta entered into a binding agreement to sell its Rugs, Residential polypropylene and Non-Woven businesses, together with the Balta brand (the 'Disposal' or the Discontinued Operations), to Victoria PLC. Management has analysed whether criteria were met to present these businesses as discontinued operations. These criteria have been realised in November 2021.

As a result, discontinued operations are shown as one line item in the financial statements as detailed below. The discontinued balance sheet items are presented at lower of the fair value less cost-to-sell and the carrying amount, in accordance with IFRS 5. This resulted in a write-off of the goodwill for the full amount of goodwill that was allocated to our Rugs business (€ 94.3m). On top of that, we incurred an additional write-off on intangible and tangible assets for an amount of € 32.4m including a € 6.0m reversal of deferred tax liabilities triggered by the write-off.

Intercompany transactions between the continuing and discontinued operations have been eliminated.

(€ thousands)	For the year ended 31 December 2021
ASSETS AND LIABILITIES OF THE DISCONTINUED OPERATIONS	
Property, plant and equipment	177,448
Of which IFRS 16 related right-of-use assets (excluding sale-and-leaseback)	12,985
Land and buildings	119,012
Plant and machinery	56,604
Other fixtures and fittings, tools and equipment	1,832
Other intangible assets	0
Deferred income tax assets	2,852
Trade and other receivables	176
Total non-current assets	**180,475**
Inventory	114,987
Trade and other receivables	30,408
Current income tax assets	204
Cash and cash equivalents	3,909
Total current assets	**149,509**
TOTAL ASSETS	**329,983**
Bank and Other Borrowings	33,305
Of which IFRS 16 related lease liabilities (excluding sale-and-leaseback)	10,879
Deferred income tax liabilities	28,707
Employee benefit obligations	2,422
Total non-current liabilities	**64,434**
Bank and Other Borrowings	6,108
Of which IFRS 16 related lease liabilities (excluding sale-and-leaseback)	3,579
Derivative financial instruments	298
Other payroll and social related payables	22,993
Trade and other payables	82,257
Income tax liabilities	1,128
Total current liabilities	**112,784**
TOTAL LIABILITIES	**177,218**

	For the year ended 31 December	
(€ thousands)	2021	2020
I. CONSOLIDATED INCOME STATEMENT		
Revenue	357,480	303,477
Raw material expenses	(185,324)	(138,095)
Changes in inventories	21,898	(11,487)
Employee benefit expenses	(83,593)	(75,634)
Other income	2,235	4,540
Other expenses	(68,766)	(52,855)
Depreciation / amortisation	(21,755)	(22,810)
Adjusted Operating Profit (1)	**22,175**	**7,135**
Integration and restructuring expenses	(5,843)	-
Selling cost to incur	(1,728)	-
Impairment and write off	(126,735)	-
Operating profit / (loss)	**(112,130)**	**7,135**
Net finance expenses	**(3,711)**	**(3,720)**
Profit / (loss) before income taxes	**(115,841)**	**3,415**
Income tax benefit / (expense)	3,129	985
Profit / (loss) for the period from discontinued operations	**(112,712)**	**4,401**
Basic and diluted earnings per share from discontinued operations attributable to the ordinary equity holders of the company	**(3.14)**	**0.12**

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

		For the year ended 31 December	
(€ thousands)	Note	2021	2020
CONDENSED CASHFLOW STATEMENT OF DISCONTINUED OPERATIONS			
Net cash generated / (used) by operating activities		**4,484**	**49,524**
Net cash used by investing activities		**(18,014)**	**(15,499)**
Net cash generated / (used) by financing activities		**(6,126)**	**11,316**
NET INCREASE/ (DECREASE) IN CASH AND BANK OVERDRAFTS		**(19,657)**	**45,340**
Cash, cash equivalents and bank overdrafts at the beginning of the period		1,849	2,055
Exchange gains/(losses) on cash and cash equivalents		223	(210)
Financing and cash transactions between continued and discontinued operations		21,494	(45,336)
Cash, cash equivalents and bank overdrafts at the end of the period	NOTE 17	3,909	1,849

NOTE 40 EVENTS AFTER THE REPORTING PERIOD

Balta Group NV was pleased to announce that it has completed the sale of its Rugs, Residential polypropylene (Residential PP) and Non-Woven businesses, together with the Balta brand, to Victoria PLC (the Transaction, the Divested Businesses) on 4 April 2022. With the closing of the transaction, Balta Group NV has also settled the tender offer for its senior secured notes and refinanced other debt facilities (see below). Post completion, the Group has outstanding senior secured notes of € 132m, a sale-and-leaseback facility of € 20m and an undrawn RCF facility of € 45m.

In preparation of and conditioned upon completion of the Disposal discussed above, LSF9 Balta Issuer S.à r.l announced on 3 March 2022 that it was offering to purchase for cash any and all of its € 234,027,888 Senior Secured Notes due 2024 (the 'Notes'), exchange any and all of the Notes for new Senior Secured Notes (the 'New Notes') and soliciting consents (the 'Consent Solicitation') to vote in favour of certain amendments to the terms of the Notes and the indenture governing the Notes (the 'Proposed Amendments') from holders of the Notes ('Noteholders'). More than 90% of the holders of the principal amount of the Notes participated in the Tender Offer and/or Exchange Offer and so the Notes will remain outstanding as a single tranche as amended by the Proposed Amendments, for an amount of € 130m due in 2024.

The Proposed Amendments, amended the Indenture to decrease the redemption price of the Notes during the period on or after March 15 2023 to (but excluding) the date of redemption, to 100% of the principal amount thereof plus accrued and unpaid interest and Additional Amounts.

Next to that, the € 61m European Super Senior Revolving Credit Facility was repaid and replaced by an undrawn € 45m Super Senior Revolving Credit Facility to be used by the full remaining continuing operations. Finally, the $ 18.0m revolving credit facility was also repaid in full and was terminated as the Bentley Group is now allowed to draw under the € 45m Super Senior Revolving Credit Facility.

Following the events in Ukraine that started in the first quarter of 2022, several economic sanctions against Russia were taken by both Europe and the US. The direct impact on the Balta Group was limited as we have no direct sourcing from Russia (nor Ukraine) and sales into Russia is only a negligible part of the group sales. New sales towards Russia are put on hold until further notice. The indirect impacts in terms of raw material prices, general inflation, interest rates are assessed on a daily basis and proportional measures are implemented.

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 2021 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 website 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 2021 give a true and fair view on the financial position and results of the Company in accordance with all legal and regulatory dispositions.

(€ thousands)	2021	2020
Fixed assets	292,170	468,927
Financial assets	292,170	468,927
TOTAL NON-CURRENT ASSETS	**292,170**	**468,927**
Amounts receivable within one year	3,699	3,061
Cash and cash equivalents	38	-
TOTAL CURRENT ASSETS	**3,737**	**3,061**
TOTAL ASSETS	**295,907**	**471,988**
Share capital	260,590	260,590
Share premium	65,660	65,660
Other reserves	147,125	147,125
Retained earnings	(178,564)	(1,923)
TOTAL EQUITY	**294,810**	**471,452**
Trade and other payables	1,096	536
TOTAL CURRENT LIABILITIES	**1,096**	**536**
TOTAL EQUITY AND LIABILITIES	**295,907**	**471,988**

(€ thousands)	Period ended 31 December 2021	Period ended 31 December 2020
Other income	3,098	1,951
Other expenses	(2,981)	(1,824)
Operating profit / (loss)	**117**	**128**
Finance income	-	1
Finance expenses	(1)	(2)
Non-recurring financial charges	(176,757)	-
Profit / (loss) for the period before taxes	**(176,641)**	**127**
Income tax benefit/ (expense)	(0)	(0)
Profit / (loss) for the period after taxes	**(176,641)**	**126**

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 2021
21 April 2022

STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING OF BALTA GROUP NV ON THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2021

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 and the proposal formulated by the works' council. 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 Company's consolidated accounts for 5 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 2021, 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 '000 686,984 and a loss for the period (Equity holders) of EUR '000 129,238.

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 2021, 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 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 judgement, 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) 101,110, 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.

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 2,7 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 2021. 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.

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 2021 amounts to EUR 3,2 million as disclosed in Note 30.

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 2021. We have agreed the amounts

to underlying customer agreements, recalculated the accrual and performed a retrospective analysis of the accruals per 31 December 2020. Our audit has also included review of credit notes and other adjustments to trade receivables after 31 December 2021. 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 work did not identify findings that are significant for the financial statements as a whole.

DISCONTINUED OPERATIONS RUGS, RESIDENTIAL POLYPROPYLENE AND NON-WOVEN BUSINESS

Key audit matter

On 28 November 2021 Balta Group entered into a binding agreeement ('SPA') to sell its Rugs, Residential polypropylene and Non-Woven business, together with the Balta brand to Victoria PLC. The business generated revenues of EUR 357,5 million for the year ending 31 December 2021 and represents disposed net asset of EUR 152,8 million after an impairment loss of EUR 126,7 million as of 31 December 2021. The transaction was expected to be closed during the first half year of 2022. Based on these considerations, management determined the criteria of IFRS 5 were met and the activities should be presented as discontinued operations at 31 December 2021. We considered the accounting treatment in the financial statements of this event as a key audit matter because:

- The size and complexity of the transaction including management's judgement applied to identify the discontinued assets, liabilities and operations partly carved out from legal companies active in other continuing activities at Balta Group;
- The appropriate application of IFRS 5, in particular the classification in accordance with the requirements of IFRS and the measurement of the assets and liabilities at the lower of fair value less costs to sell or their carrying amounts.

The discontinued assets and liabilities, the consolidated income statement and the consolidated cash flows from discontinued operations are disclosed in *Note 39 Discontinued operations* of the consolidated accounts.

How our audit addressed the key audit matter

We read and reviewed the executed agreements and minutes of boards of directors to evaluate and determine the appropriate treatment of the transaction in accordance with the requirements of IFRS 5. Moreover, we held meetings and performed inquiries with management to obtain an understanding of the disposal process as well as of the executed agreements.

We performed procedures to verify completeness and accuracy of the assets, liabilities and results presented as discontinued operations, including measurement in accordance with IFRS 5. Our procedures include but are not restricted to:

- Reconciling the reclassified assets, liabilities and results to the business unit reporting available in the entity's financial reporting system;
- Validating assumptions taken on carved out assets, liabilities and net results as part of the discontinued operations from legal companies also active in other continuing activities at Balta Group based on audit evidence obtained;
- Reviewing and challenging management's preliminary estimate of the disposal loss resulting in an impairment;
- Evaluating the adequacy of the disclosure (Note 39) of this disposal in the consolidated accounts.

We agree with management's position that the IFRS 5 criteria were met as of 31 December 2021. We found the methodologies and the assumptions applied in respect of the reclassified assets, liabilities and results of the discontinued operations and the preliminary estimate of the disposal loss to be in line with our expectations and the SPA. We consider the disclosure on the discontinued operations as appropriate.

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 financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated accounts of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Responsibilities of the board of directors
The board of directors is responsible for the preparation and the content of the directors' report on the consolidated accounts and the other information included in the annual 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 annual 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 directors' report is consistent with the consolidated accounts for the year under audit and 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 on the consolidated accounts is materially misstated or contains information which is inadequately disclosed or otherwise misleading. In light of the procedures we have performed, there are no material misstatements we have to report to you.

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.

European Uniform Electronic Format ('ESEF')
In accordance with the standard on the draft verification of the compliance of the financial statements with the European Uniform Electronic Format (hereinafter 'ESEF'), we must verify whether the ESEF format is in accordance with the regulatory technical standards established by the European Delegate Regulation No. 2019/815 of 17 December 2018 (hereinafter: 'Delegated Regulation').

The board of directors is responsible for the preparation, in accordance with ESEF requirements, of the consolidated financial statements in the form of an electronic file in ESEF format (hereinafter 'digital consolidated financial statements') included in the annual financial report.

Our responsibility is to obtain sufficient appropriate evidence to conclude that the format and marking language of the digital consolidated financial statements comply in all material respects with the ESEF requirements under the Delegated Regulation.

The digital consolidated financial statements have not yet been submitted to us at the date of this report.

If, in our audit of the digital consolidated financial statements, we determine that there is a material misstatement, we will be required to report the matter to the board of directors and request the latter to make any necessary changes. If this does not happen, we will be forced to adjust this report due to the fact that the format of and the marking of information in the digital consolidated financial statements included in the annual financial statements report of Balta Group NV conform in all material respects with the ESEF requirements under the Delegated Regulation.

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, 21 April 2022

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 2021, 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 IFRS 16.

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 IFRS 16 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 2021, 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%
Prime AIFM Lux S.A.	1,798,185	5.00%
Management	383,245	1.07%
Public	12,548,992	34.91%
Total	**35,943,396**	**100.00%**

SHARE PERFORMANCE

Balta shares are listed on Euronext Brussels. The calendar year ended with a share price of € 2.95, 34% above the share price of € 2.20 at the end of 2020.

ANALYST COVERAGE

Balta was covered by two analysts as of 31 December 2021. Details are available in the Investor Relations section of our investors website (www.baltainvestors.com).

FINANCIAL CALENDAR (2)

25 February 2022
2021 Full Year Results

13 May 2022
First Quarter Results

25 May 2022
Annual General Meeting

26 August 2022
Half Year Results

27 October 2022
Third Quarter Results

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(1) At the time of the declaration
(2) Dates are provisional

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STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING, IN ACCORDANCE WITH ARTICLE 4 OF THE TRANSPARENCY DIRECTIVE, REGARDING THE COMPLIANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS IN THE FORM OF AN ELECTRONIC FILE OF BALTA GROUP NV AS AT 31 DECEMBER 2021 WITH THE ESEF REQUIREMENTS AND TAXONOMY UNDER THE DELEGATED REGULATION (EU) 2019/815

Mission

In accordance with Article 4 of the Transparency Directive, the statutory auditors' mission is to report on the compliance of the form and the XBRL marking language of the digital consolidated financial statements in the form of an electronic file (hereinafter "digital consolidated financial statements") in accordance with the ESEF requirements and taxonomy (ESEF Regulatory Technical Standard, "ESEF RTS") referred to in the European Delegated Regulation nr. 2019/815 of 17 December 2018 applicable to the digital consolidated financial statements as at 31 December 2021.

The Board of Directors responsibility

The board of directors is responsible for the preparation of the digital consolidated financial statements included in the annual financial report in accordance with the ESEF requirements applicable to the digital consolidated financial statements as at 31 December 2021.

This responsibility includes the selection and application of the most appropriate methods to prepare the digital consolidated financial statements. In addition, the responsibility of the board of directors includes designing, implementing and maintaining systems and processes relevant to the preparation of the digital consolidated financial statements that are free from material misstatement resulting from of fraud or errors. The board of directors should verify that the digital consolidated financial statements are consistent with the user-readable consolidated financial statements.

Statutory Auditor's responsibility

Our responsibility is to express a conclusion as to whether the form and the marking language XBRL of the digital consolidated financial statements of Balta Group NV per 31 December 2021 complies in all material respects with the ESEF technical regulatory standards based on the work we perform.

We conducted our work in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised) "Assurance Engagements other than Audits or Reviews of Historical Financial Information". This standard requires that we comply with ethical requirements and that we plan and perform the engagement to obtain reasonable assurance about whether nothing has come to our attention that causes us to believe that the digital consolidated financial statements are, in all materiality, in that respect would not have been prepared in accordance with the ESEF technical regulatory standards applied by the Company.

The selection of the procedures performed depends on our judgment and assessment of the risk of material misstatement in the digital consolidated financial statements and in the statements of the board of directors. The entirety of the work performed by us consisted of, among other things, the following procedures:

- Verify if the digital consolidated financial statements are prepared in accordance with article 3 of the Transparency Directive;
- Obtain an understanding of the processes of the Company's practice in the XBRL marking language of its digital consolidated financial statements and of the controls relevant to the certification, 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 controls to provide reasonable assurance about whether the XBRL marking language of the digital consolidated financial statements complies in all material respects with the ESEF regulatory technical standards;
- Obtaining sufficient appropriate audit evidence about the effective operation of controls relevant to the XBRL marking language of the digital consolidated financial statements of Balta Group NV per 31 December 2021;
- Reconciliation of the marked data with the audited consolidated financial statements of Balta Group NV per 31 December 2021;
- Assessing the completeness and fairness of the marking language of the digital consolidated financial statements prepared by the Company;
- Assessing the appropriateness of the Company's use of the XBRL elements of the ESEF taxonomy and assessing the creation of the extension taxonomy.

Our independence and quality control

We have complied with the independence requirements and other ethical requirements of the legislation and regulations in force in Belgium that apply in the context of our assignment. These are founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our audit firm applies International Standard on Quality Control (ISQC) n°1 and maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

Our Conclusion

Based on the work we have performed, we believe that the format of and marking of information in the digital consolidated financial statements included in the annual financial report of Balta Group NV per 31 December 2021 comply in all material respects with the ESEF requirements under the Delegated Regulation.

We do not express an audit opinion, a review conclusion or any other assurance conclusion on the consolidated financial statements themselves in this report. Our audit opinion on the Group's consolidated financial statements is set out in the statutory auditor's report dated 21 April 2022.

Other matter

The consolidated financial statements of Balta Group NV (the "Company") and its subsidiaries (jointly "the Group") have been prepared by the board of directors of the Company on 21 April 2022 and has been subject to a statutory audit. Our statutory auditor's report (signed on 21 April 2022) includes an unqualified opinion on the true and fair view of the Group's equity and consolidated financial position as of 31 December 2021, as well as its consolidated results and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Ghent, 29 April 2022

De commissaris
PwC Bedrijfsrevisoren BV/Reviseurs d'Entreprises SRL
Represented by

Peter Opsomer

Peter Opsomer
Bedrijfsrevisor / Réviseur d'Entreprises