BELYSSE™

2022
Annual Report

itc modulyss® arc edition® BENTLEY®

Table of contents

01 STRATEGIC REPORT 3

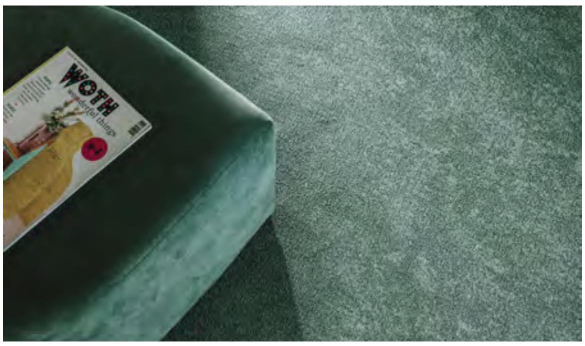
Message from the CEO	4
Financial Review	5
BEYOND	7
Belysse Group sustainable business model	9
The group at a glance	11
Segments	12
Belysse Group in numbers	15
Belysse Group worldwide	16
Highlights 2022	17

02 SUSTAINABILITY REPORT 19

Introduction	20
2022 Achievements	22
Ambitions by 2030	23
Stakeholder Engagement	25
Materiality Analysis	27
People	29
Planet	43
Business Ethics	55
How we contribute to the UN's goals	59
People & Planet - Risks & Opportunities	61
GRI content index	64

03 CORPORATE GOVERNANCE 66

Corporate Governance	67
Remuneration Policy	95
Summary of Main Risks	101



04 FINANCIAL STATEMENTS 104

Financial Statements	105
Audit Report	161
Glossary	168
Investor Relations	169

01 Strategic Report

Cyrille Ragoucy, CEO

Message from the CEO

Cyrille Ragoucy, CEO and Chairman of the Board of Belysse Group NV said,

“2022 was an eventful year with the creation of the Belysse Group after the sale of Balta’s traditional Rugs, Residential polypropylene (PP) and Non-Woven businesses. The new Group is now focused on developing its Commercial businesses in both the United States and Europe under the main brands Bentley and modulyss, as well as its premium European Residential polyamide (Residential PA) business (ITC). In a stabilized economic environment, the Belysse Group will be able to generate a stronger cash flow with a reduced risk profile. Being more focused and less complex will enable more investment in sustainability and growth through innovation, manufacturing optimization and more agile digital solutions.

The divestment and ensuing split of our European operations brought operational challenges during the year, in particular in supply chain, finance and IT, which were successfully addressed.

Europe also faced unprecedented cost inflation in materials, energy, transportation and payroll cost. Multiple price increases had to be implemented in response, although with a time lag. Demand started slowing down after summer in our European Residential business. The team is focused on reversing the resulting margin pressure by adequate commercial actions as well as optimization and globalization of procurement and supply chain.

In our US Division, Bentley Mills delivered an excellent performance recovering to almost pre-Covid levels by seeing a more benign market and penetrating additional end markets. We were also able to pass on inflation thanks to our strong market position leading to significant sales and EBITDA growth.

2022 was also the first year of our new transformation plan, called BEYOND. It focuses on sustainability through innovative products and production, lean strategies in production and procurement, and agility through digital initiatives.

I would like to thank all the Belysse team members for their dedication, their enthusiasm and their professionalism in making Belysse a success story.”

Financial Review

Review Continuing Operations by Division

United States

Full year Revenue for 2022 increased by 32.8% to €177.8m (€133.8m 2021). Sales volumes went up by 7% with higher price levels as well as favorable FX translation which also contributed to the significant growth.

Full year Adjusted EBITDA for 2022 of €33.2m was up 28.6% (€25.8m 2021) with an Adjusted EBITDA margin of 18.7% (19.3% in 2021) reflecting the volume growth while offsetting increased input costs with swift implementation of price increases in combination with BEYOND initiatives.

Fourth quarter Revenue for 2022 of €45.7m increased from €37.8m in 2021 or +20.9%. Adjusted EBITDA margin for Q4 2022 reduced to 16.4% from 20.8% in Q4 2021 mainly due to temporarily higher priced stock being used in production, which had been purchased more expensively during the transition to new yarn suppliers.

Europe

Full year Revenue for 2022 increased by 11.6% to €159.6m (€143.0m 2021). The revenue increase is mainly driven by the several price increases that were implemented and the trading of some PP products to end-customers in specific markets[2]. Full year Adjusted EBITDA was €2.3m (€17.2m 2021) with an Adjusted EBITDA margin of 1.4%. This low performance was largely driven by the very high input and transformation costs with timing delays in passing on this cost inflation to the customers, and by lower volumes, especially in the Residential business line in the second half of 2022.

Fourth quarter Revenue for 2022 was €36.3m, which represents a YOY decrease of -6.7% (Q4 2021 Revenue of €38.9m) driven by lower volumes due to a general demand decrease in Residential. Adjusted EBITDA in Q4 2022 was €0.1m, down from €4.0m in Q4 2021.

2. These were not recorded in the division's prior year's comparator

Financial review

Other Financial Items Review

Non-Recurring Items below Adjusted EBITDA for Continuing Operations

The net impact of non-recurring items on 2022 net result was negative €1.4m (€0.04 per share), as compared to negative €6.0m (€0.17 per share) in 2021. The expense in the current period is mainly driven by the one-off cost for attracting and retaining employees to Belysse Group after the Transaction.

Net Financing Costs for Continuing Operations

The net financing cost of €19.7m (€28.3m 2021), primarily represents the interest expense on external borrowings. This decrease is mainly driven by the lower financing cost of the group since the debt repayments after the Divestment.

Taxation for Continuing Operations

The group reported a tax expense for 2022 of €9.0m (€8.2m 2021) based on an overall loss before tax of €4.3m for the Continuing Operations (loss before tax of €8.4m for 2021). The tax expense is mainly driven by both de-recognition of deferred tax assets, triggered by future prospects and a change in tax legislation, and from taxing the strong results of our US division.

Earnings per share for Continuing Operations

Loss per share of €0.40 in 2022 compared to loss per share of €0.46 in 2021.

Earnings per share for Discontinued Operations

Loss per share of €1.57 in 2022 compared to loss per share of €3.14 in 2021. The loss is caused by the mandatory recycling of currency translation adjustments (CTA) of the discontinued operations at the moment of loss of control which are recycled over the income statement (€56.5m or €1.57 per share).

Dividend

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

BEYOND

As a reminder, our 4-year roadmap starting in 2022 called BEYOND 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

Total CO2 emission per m^2 produced has been reduced by 22% compared to the 2018 baseline. Especially in 2022, strong progress was made with a 15% consumption reduction per m^2 in gas and 10% in electricity vs. 2021, beneficial for sustainability and also from a cost perspective given the exceptionally high energy prices.

Certified recycled content in our commercial carpet tiles saw a particularly strong upsurge in Europe, with recycled content growing from 30% in 2018 to 52% this year. Commercial tiles in the US was impacted by an industry-wide lower supply availability of recycled materials, resulting in a temporary decrease in recycled content from 29% in 2021 to 24%, while the investigation of potential alternatives is ongoing.

Modulyss launched in September its first collection that is entirely cradle-to-cradle Gold Certified® called Artcore.

ITC brought 6 new collections Elna, Liv, Tove, Katherine, Bliss and Feliz in November with recycled polyamide and polyester yarns, in the spirit of enhancing circularity.

Strong focus is also given to designing our products from the start for easier recyclability, in light of our current product recovery & recycling programs, as well as initiating broader future recycling partnerships

BEYOND

Efficiency

Lean savings for 2022 amounted to €2.7m, driven by more than 40 improvement initiatives, vs. an initial plan to deliver €1.9m in this first year of BEYOND.

All 3 plants delivered results significantly above plan, with strong contributions in particular from material, energy and labor efficiency initiatives.

Agility

On the digital front, 2022 revolved mainly around the IT split in Europe following the separation and sale of the traditional Balta businesses.

In Europe on a more operational level, we have commenced working to upgrade our Supply Chain, with a view to enhance delivery performance to our customers, by implementing shorter production runs to increase responsiveness and service levels, at the same time lowering our stock levels.

Continuous complexity reduction has helped us to rationalize the number of SKUs (Stock Keeping Unit with a specific backing, quality and dimension) in the European Residential and Commercial business by 21% vs. 2021.

Belysse Group sustainable business model

EMPLOYEES

SUPPLIERS

CUSTOMERS

WE DRAW ON

RESOURCES

INTERNAL
PEOPLE
KNOWHOW
MANUFACTURING

EXTERNAL
MATERIALS
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

BROADLOOM

CARPET TILES

How we do it?

Servicing our customers as their trusted partner

Belysse Group sustainable business model

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'

The group at a glance

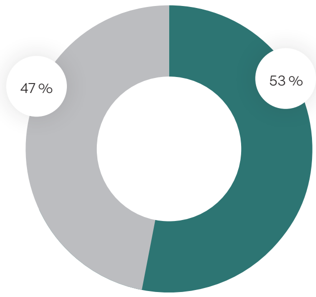
Belysse group is a leading producer of textile floor coverings with a strong legacy in soft flooring. We create, develop and produce sustainable flooring solutions for commercial and residential applications across the globe. Under premium brands ITC, modulyss, arc edition and Bentley.

Representing a consolidated revenue of €337m focusing 90% on North-America and Europe under the premium brands Bentley (US), modulyss, arc edition and ITC (Europe). Belysse employs nearly 1300 people and operates three manufacturing sites in Belgium (Tielt and Zele) and the United States (Los Angeles).

In 2022 the Balta brand was sold to Victoria PLC, together with Rugs, Residential polypropylene and Non-Woven businesses. From then on, the group's main focus lies on developing its commercial and premium residential businesses in Europe and the US, under mother brand Belysse.

Belysse's history spans almost 6 decades. Sixty years of textile innovation, filled with important milestones. From product launches to important corporate evolutions.

Since June 2017, Belysse Group NV has been a public company listed on Euronext Brussels.

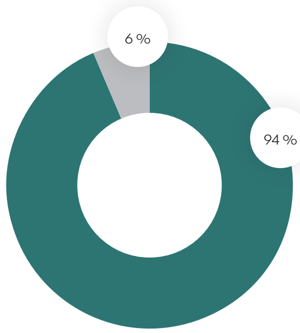


Revenue 2022
per segment

US: € 177,8m
Europe: € 159,6m

Total Revenue € 337,4m

- US
- Europe



Adjusted EBITDA 2022
per segment

US: € 33,2m
Europe: € 2,3m

Total Adjusted EBITDA € 35,5m

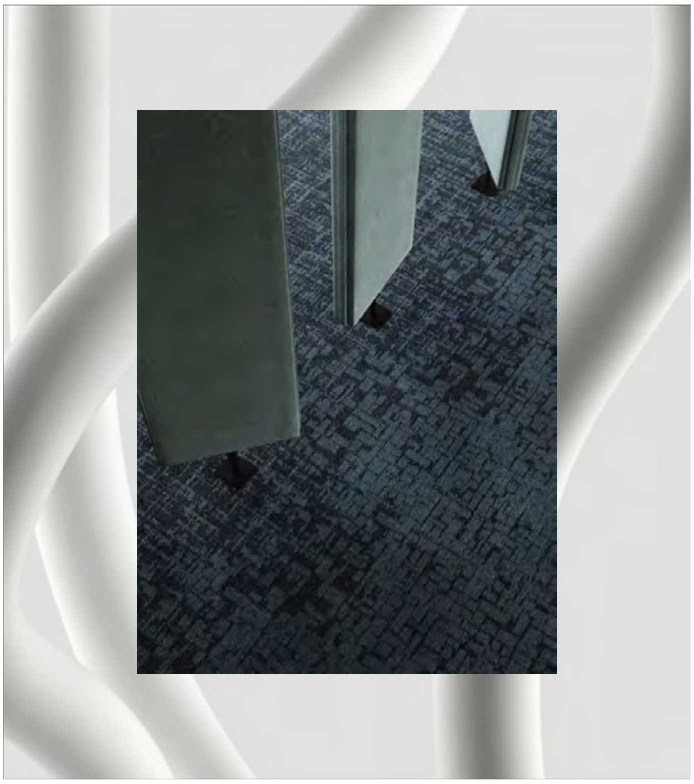
- US
- Europe

Segments

 Europe	 United States
arc edition modulyss itc	BENTLEY

Segments

Europe

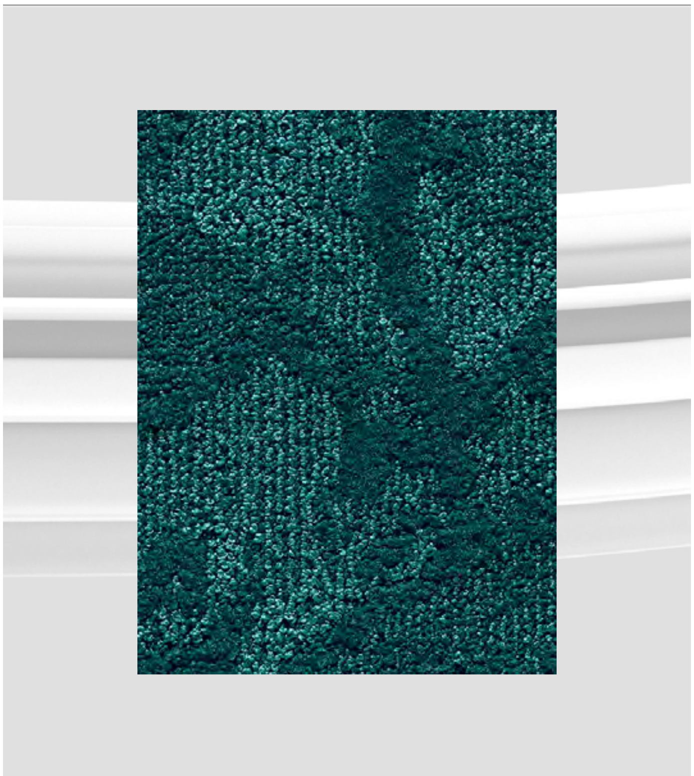


modulyss

modulyss® delivers the highest quality to the most discerning clients: since 2010, they have been designing and manufacturing carpet tiles for the international, commercial market. Always pushing forward and with an eye for creativity, functionality and sustainability. The result? Modular flooring that matches the distinctive character of a space.

itc

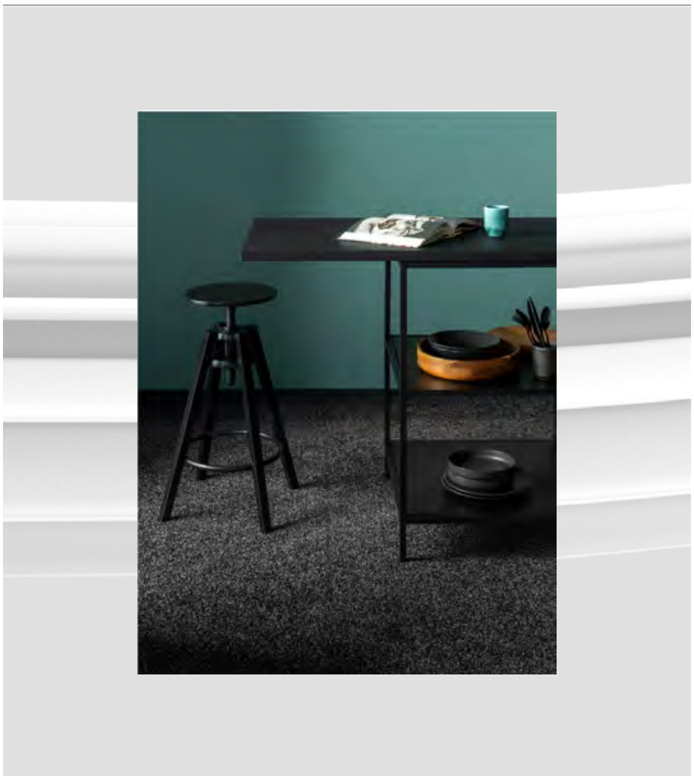
Inspiring, comfortable and sustainable flooring solutions? Look no further! ITC has the perfect product for any residential application. Tufted broadloom carpets and tufted carpet tiles that turn any space into a beautiful and comfortable haven. The softest way to go.



Segments

arc edition

arc edition transforms rooms worldwide. Whether they have been designed for hospitality, leisure or office, arc edition's wall-to-wall carpet flooring solutions combine passion, creativity and technical know-how. Custom-made solutions that fit your requirements, whatever they may be.



United States

BENTLEY

California-based Bentley Mills Inc. has been at the forefront of carpet design for over 40 years. Their broadloom, carpet tile and area rug products can be found in the most stylish interiors across the globe. Timeless. Luxurious. And sustainable. Because Bentley Mills Inc. takes its social responsibility to heart, earning them top-industry certifications such as the Cradle to Cradle and NSF® 140.

Belysse Group in numbers

Financial

€337.4m
REVENUE 2022

Adjusted EBITDA Margin	Adjusted EBITDA
10,5%	€35.5m

Renewable energy

18,269
Solar panels on our roofs in Belgium

= 3.87GWh/year
= Solar energy consumed in 2022

-294 tonnes
CO_2 emissions/year avoided

Worldwide

3
PLANTS
in the world

100
COUNTRIES WE SELL INTO

258,781 m²
TOTAL MANUFACTURING FOOTPRINT

= 50 Football pitches

People

+/-1,300
EMPLOYEES WORLDWIDE

40+
NUMBER OF NATIONALITIES

Belysse Group worldwide

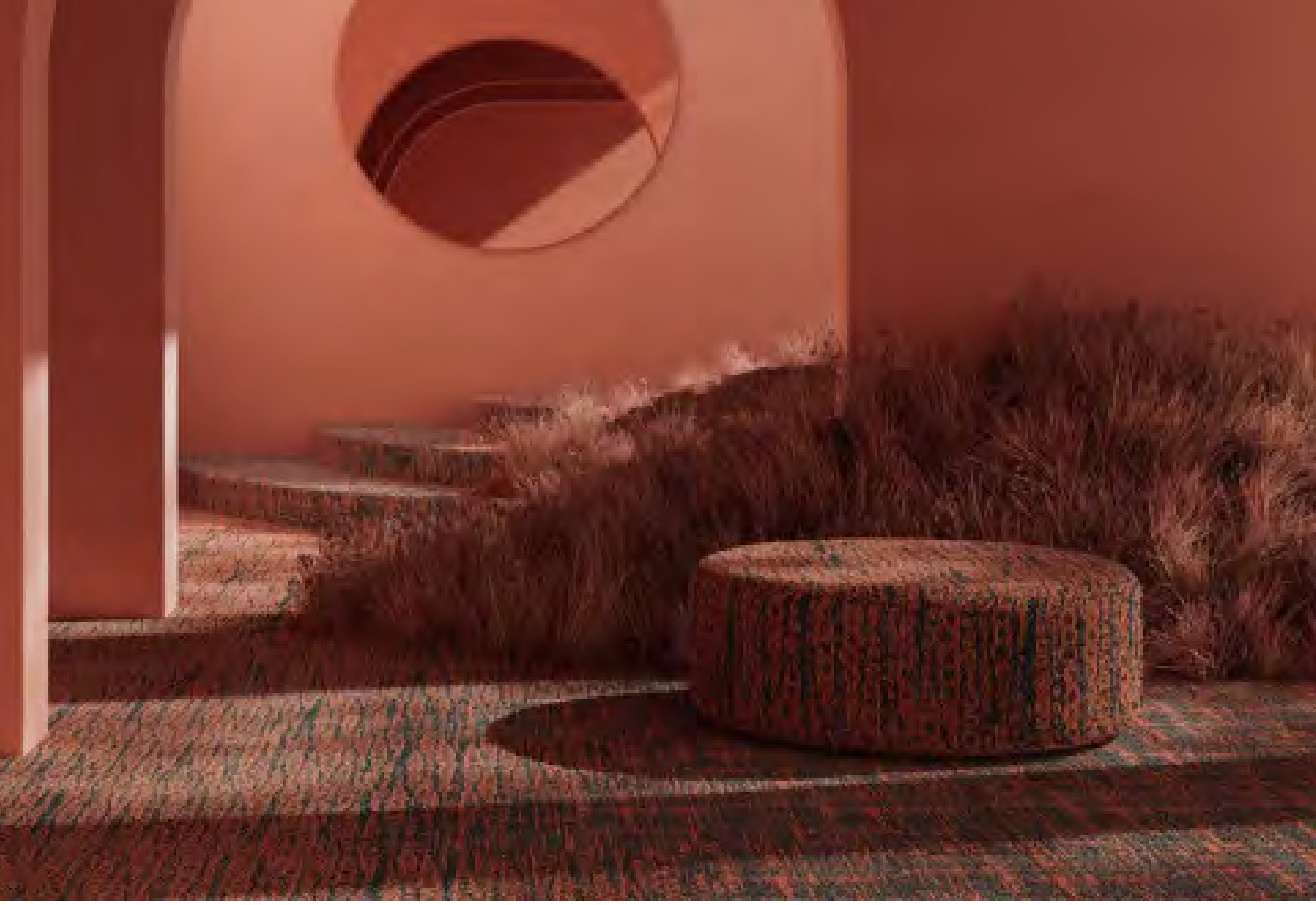
Belysse is active in both Europe and the USA. Belgium houses our headquarters (Waregem), and two production plants (Zele and Tielt), whereas the US has 1 production plant (Los Angeles).

But it is not only our facilities that can be found across the globe! Our products too are appreciated internationally. And that is why we stay close to the A&D community on both sides of the Atlantic. With modulyss showrooms in London, Paris and Ghent and Bentley Mills ones in New York, Boston, Chicago, Atlanta, Washington DC, Los Angeles and San Francisco.

Highlights 2022

Europe

- Strong increase in revenue (+11,5%) YoY but a steep drop in EBITDA to €2.3m due to permanent pressure from high cost inflation, which could not be fully passed on, combined with lower market demand in Residential in the second semester.
- James Neuling joined Belysse as MD Europe in October 2022, combined with several other management changes following the sale of the Rugs and Residential PP business.
- Belysse joined the first edition of the Flanders Flooring Days as an organizing partner. Visitors and guests from more than 55 countries were introduced to this completely new concept in the floor covering sector.
- Modulyss continued its journey towards making products suited for a circular economy, as the new backing platform 'comfortBack^{eco}' has been added to its Cradle to Cradle Certified® product portfolio. Again, modulyss has proven to develop products that meet the highest standards: comfortBack^{eco} is certified at the Gold level with a Platinum score for Material Health.
- Launch of first full cradle-to-cradle Gold Certified® collection Artcore (all products, in both backing types are Gold Certified).
- Launch of a unique and luxurious carpet - the HAVEN range. Haven carpets are refined and elegant, designed "better", for functionality and endurance, as well as comfort. A Haven carpet is crafted with an environmentally friendly polyamide yarn under the 'Ympact' quality label by Belysse
- Launch 6 new collections with recycled polyamide and polyester yarns (Elna, Liv, Tove, Katherine, Bliss and Feliz).
- On October 17, 2022 modulyss organized the first SuSaday with sessions on Sustainability and Safety



Artcore flooring by modulyss

United States

Strong increase in both revenue (+32,8%) and EBITDA (+28,6%) YoY to €177.8m and €33.2m respectively thanks to successful growth in various end markets and adequate commercial action to absorb cost inflation.

- Strong cashflow from operations despite a temporary increase in working capital due to change of our main yarn supplier, by up-stocking yarn inventory for the transition.
- Increase of manufacturing capacity with a new Colorpoint machine.
- Jay Brown, formerly manufacturing director, has been promoted to President in June 2022 succeeding the retiring Jim Harley.

02 Sustainability Report

Introduction

At Belysse, we realize that a company like ours has an impact. A social impact, an environmental impact and an economic impact. We consider it therefore as our responsibility to take care of our people, to make products that create value for our customers without harming the environment, and by doing so ensure profitability for our shareholders.

In 2022 we took the Divestment as an opportunity to sharpen this sense of responsibility even more, as we consider Sustainability as a key contributor to leverage growth. In our 'BEYOND' program, our 4-year strategic roadmap, it is described as 'Increased focus on sustainability through innovative products and production processes'.

After two years that had been largely marked by the COVID-19 pandemic, 2022 could be described as the year of the Divestment. Despite this significant change of the group structure, we continue our journey on the 2025 Roadmap to realize our social and environmental ambitions for 2030, which remain unchanged.

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 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.

Due to the Divestment, Belysse's group structure has significantly changed in 2022.

In accordance with the previous Annual Reports, we continue to report data for a period of three years. The data for the two previous years, 2020 and 2021 are kept unchanged; they reflect the group structure as it was composed at that moment, unless otherwise indicated. We try to reflect any relevant changes, not related to the Divestment, in the body of the text as they might not always show from the data.

EU Taxonomy

We have carefully examined if Belysse's activities (NACE 13.93) fall within the scope of the EU Taxonomy Climate Delegated Act. Some of these activities do contribute to the environmental objectives set out in the delegated act, but they occur in the supporting company processes and are non-commercial in nature. For this reason, we confirm that they are taxonomy-non-eligible and that Belysse therefore is 0% aligned. Our economic activities are not considered in the current list of economic activities contributing substantially to environmental objectives as defined by the Green Deal.

In interpreting the provisions of Art. 8 Delegated Act, all publicly available statements of the European legislator until 28 January 2022 were taken into account. Please note that the "Draft Commission notice on the interpretation of certain legal provisions of the Taxonomy Regulation Article 8 Disclosures Delegated Act on the reporting of eligible economic activities and assets" published by the European Commission on 2 February (commonly referred to as FAQs) has not yet been taken into account.

	Total (in EUR)	Proportion of Taxonomy-eligible economic activities (in %)	Proportion of Taxonomy non-eligible economic activities (in %)
Net Turnover	337,430,472	0%	100%
Capex	11,906,225	0%	100%
Opex	5,866,315	0%	100%

Introduction

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

People

We are an integrated soft floorcovering manufacturer with 1,273 employees, so people are naturally at the heart of our business, and of our success. We believe that we must create a positive and collaborative working environment where employees' personal development is promoted, to reach our objectives. By strong and transparent communication about our values and our strategic goals, everyone across the organisation can 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 continuously increasing our adoption of digital tools.

In 2022, we have been focusing more on Employer Branding for Belysse. The announcement of this new company name has been taken as an opportunity to strengthen the team spirit of the 'people from Belysse'.

Planet

Being headquartered in Europe, two of our three 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. Belysse fully supports the shift from a linear to a circular economy and is fully aware of its responsibilities in this transition.

After the Divestment, we have reassessed the milestones that were set in 2018. Based on our progress so far and the plans we have laid out for the coming years, we don't see the need to reformulate our goals. Even more so, as we observe the trend of international, national and regional targets getting tightened, we are confident that we can achieve them. Our goals are discussed in detail in the following sections of this Report.

At Belysse, we adopt a pragmatic approach. We communicate about our achievements and future plans in facts and figures, rather than reverting to promises and slogans. With these achievements, we aim to maintain our position in the market as provider of high quality and eco-friendly soft flooring solutions.

Business Ethics

Belysse 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 2022, this commitment was converted into a clear focus on the antitrust and GDPR legislation, as well as on cyber security.

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.

2022 Achievements

Health and Safety
-42% reduction in accident severity rate.

Co2 emission rate
22% reduction compared to 2018 baseline

Sustainable products
Modulyss has 331 products over 2 backing platforms Cradle-to-Cradle certified at the Gold or Silver level, for a total of 662 certified products.

Bentley Mills has 130 products over 5 backing platforms Cradle-to-Cradle certified at the Silver level, for a total of 650 certified products.

Equal opportunities
28% women in top leadership positions at Belysse Europe (BLT)

33% women in top leadership positions at Bentley (vice president and higher)

Recycled content
51.9% in modulyss carpet tiles and 24.5% in Bentley products (carpet tiles and broadloom)

Ambitions by 2030

In 2020, the Management Committee expanded the group's 2018 sustainability ambitions and made them more specific, in order to cover all essential domains on terms of both People and Planet. Also clear KPI's have been set to make the sustainability ambitions measurable. 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% reduction of water consumption
- Compared to the 2018 baseline
- Liter/m^2

Increase the recycled content in our products
- Minimum 50% for modulyss and Bentley Mills products
- Minimum 5% for ITC broadloom carpets

At least 40% women in all layers of Belysse's Group top management
- Management Committee, BLT and EBLT

30% reduction of GHG emissions
- Compared to 2018 baseline
- Scope 1 and scope 2

100% recycling of production waste
- Waste coming from production lines (e.g. scrap, excess, residue)
- On-site or by external partners

Ambitions by 2030

The three milestones by which we believe we can make the biggest impact on the environment, listed below, have been put in sharper focus, with an additional intermediate target for 2025. By doing so, we can consolidate our sustainability strategies in a clearly defined investment programme for the short and intermediate term.

Reducing our CO2 emissions
In our plants, offices and facilities around the world, the reduction of greenhouse gas emissions remains an important priority. Belysse 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 the most relevant opportunity for us to take advantage of is that of supplying green electricity for our plants in the US and Tielt.

Ton CO_2/m^2		
2018	2025	2030
1,18	-28%	-30%

Lowering our water consumption
Our factories in Tielt and the US, where we have polyamide dyeing and printing technologies, are highly dependent on water, which is an integral part of the production process. To lower our water consumption and achieve a 22% 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, the research for such an installation on our site in Tielt has started, 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 water / m^2		
2018	2025	2030
17,3	-22%	-30%

Increasing the recycled or renewable content in our products
A product's recycled or renewable content is the proportion (by mass) of recycled pre- and post-consumer waste materials or renewable materials contained within. To markedly increase this content, we will have to source and purchase more recycled or renewable 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 brand, based on ambitious but realistic prognoses.

Brand	Target 2025
Bentley Mills	50%
Modulyss*	50%
ITC	5%

modulyss: only for its own collections*

Stakeholder Engagement

At Belysse, 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.

Did you know...
Engagement is an umbrella term used to cover the full range of an organisation's efforts to understand and involve stakeholders in its activities and decisions.

(source: youmatter.world)

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, neighboring 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?

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.

After the Divestment, we re-evaluated the stakeholder mapping. We concluded that the stakeholders, consulted for the 2020 materiality analysis, remain the important stakeholders for Belysse. We adhere therefore to the outcome of the existing materiality analysis.

Membership of associations

Stakeholder Engagement

STAKEHOLDER	ROUTES OF ENGAGEMENT
INTERNAL STAKEHOLDERS	
Employees	SENSOR well-being survey, sustainability e-survey, internal communications
Board	Meetings, sustainability e-survey
Belysse Leadership Top (BLT)	Sustainability e-survey, workshops, intranet website, video calls, internal communications
Extended Belysse 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

Materiality Analysis

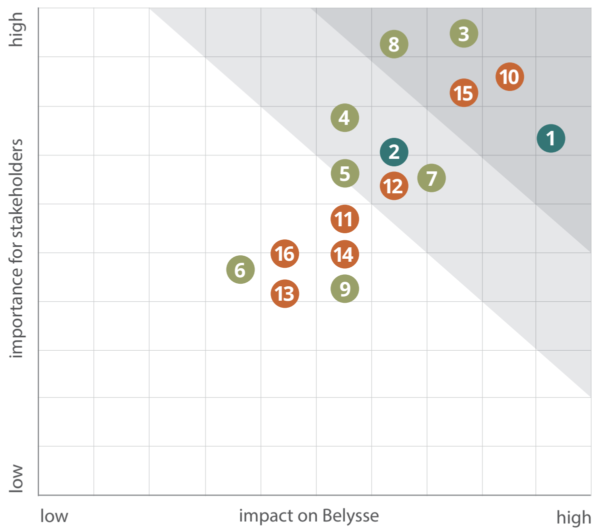
Materiality is about identifying and addressing what matters most to Belysse and to our most important stakeholders, what we have the largest impact on and what has the largest impact on us. In other words, aspects with a high materiality score are aspects that should be given high priority.

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

Materiality Analysis



Prosperity

1. Economic performance
2. Business ethics

Planet

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

People

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

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

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

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.

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

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.

5. Environmental compliance
A license to operate, strictly organised at Belysse.

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.

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.

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.

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.

5. Water usage
Scarcity of water is a worldwide issue, aggravated by global warming. How can Belysse contribute to less consumption of freshwater resources and augment the reuse of its process waters?

People

The Divestment was without doubt the main event in 2022. It had a large impact on all aspects of the business, including also our employees. A change process of this kind has the potential to negatively impact employees' wellbeing because of the perceived uncertainty it entails. To anticipate this, we did major efforts to communicate frequently, coherently and transparently. A working group has been set up, that developed a communication toolkit, containing uniform guidelines on what and how to communicate.

The employees working in central services were most affected by the Divestment. As they were not assigned to a production site, they had to decide either to move to the Victoria Group, or to join the Belysse team. We took a number of additional measures for these employees, like for example individual sessions that were organized with each of them to support them in taking the decision.

Next to the split, the COVID-19 pandemic still impacted our business and the wellbeing of our employees in 2022, in particular in the first quarter of the year. Belysse continued to ensure the safety and comfort of its people and comply with governmental guidelines at all times. The crisis has been a learning process, and after almost two years, we can look back at some successful adaptations such as the new hybrid way of working, which has meanwhile become a new standard for the way of working.

At the end of 2022, Belysse employed 1273 people (total headcount), a decrease of -68% compared to last year. This is largely attributable to the Divestment, 5 out of 8 production sites have been sold. Belysse now has two production facilities located in Belgium and one in the United States. The headquarters are still located in Belgium.

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

Countries	Number of employees
Belgium	777
US	461
Rest of Europe	32
Rest of World	3

Belysse has a flexible layer of 4% contracted personnel to cope with fluctuating product demand. Of that contracted personnel, 98% works in Belgium.

People

An integrated Wellbeing, Health and Safety strategy

VISION ZERO
Safety.Health. Wellbeing.

Belysse 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.

Well-being

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.

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 Belysse, we created a framework to facilitate this new and agile way of "hybrid working".

The Belysse Telework policy has been approved by the Management Committee in 2021. Telework is voluntary for both employees and managers. After approval of a request, the agreements between Belysse and the concerned employee, such as the share of telework, are formalised in an addendum to their contract. Compared to other companies in Belgium, our telework policy is one of the most flexible, and it was well received by our employees: 21.61% of the working hours were performed at home in 2021. In 2022, we saw this number decline to 15.70% (-5.9%). The decline occurred mainly in the departments where physical presence is needed, such as Production, Maintenance or Transport. The trend to come back to the office more often was however also observed in most other departments.

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 eight 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 work on the first priority item, clear and varied communication for everyone, we have relaunched the communication app after the Divestment, which we named 'Team Belysse'. Since its launch in April 2022, approximately 50% of our employees have installed this app on their smartphone, and the number is still increasing as a result of ongoing efforts to promote it. In the future, we plan to use this app not only for Employer Branding communication, but also to promote digitisation towards our blue collar workforce. For example, they will be able to request holidays or follow up on their holiday balance via the Team Belysse app.

In parallel with relaunching the app, we have set up a communication plan in which the topics, frequency, target audience and other parameters of our communication are planned upfront. The communication plan is built around our four pillars 'Educate, Engage, Entertain and Empower'.

Regarding the second priority item, offering opportunities for growth, new training programs have been put together to start in 2023. They include trainings of IT skills, in line with our efforts to increase digitization of the company processes.

Lastly, to optimise the labour organisation, several actions have been initiated and will be further implanted in 2023. These include periodic tours on the Belgian production plants to increase cross-departmental interaction, renovation of the social areas and modernisation of the older offices. For the offices at all of our Belgian locations, we have invested in sit-stand desks, a major step forward to supporting ergonomic working conditions. Some other small adjustments to the work stations to improve ergonomics have also been made.

People

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, Belysse'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. Because of the decreasing infection grade in Belgium, we could further reduce the frequency of meetings since March to the vigilance phase. As of May 2022, the follow up on COVID-19 precautions has become the responsibility of the HSE Committee or the HR department.

For every stage of the pandemic, we have followed the national guidelines and implemented an action plan accordingly. At all times, we made sure to abide by the local government regulations. Also in 2022, no outbreaks of COVID-19 have been reported for Belysse. We did report an increase in the number of cases, which we relate to more people working at the office again and the easing of the local COVID-19 regulations.

Another illness-related precautionary measure that was repeated this year, is the voluntary flue vaccination campaign. 110 of our Belgian employees have been vaccinated in November.

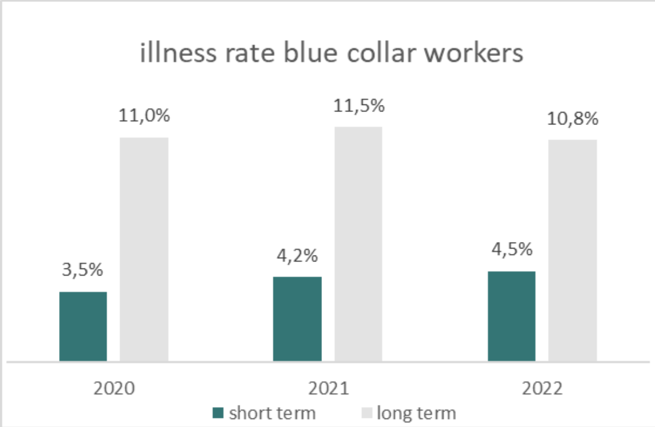
Illness rates

Illness rates are an indicator for 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).

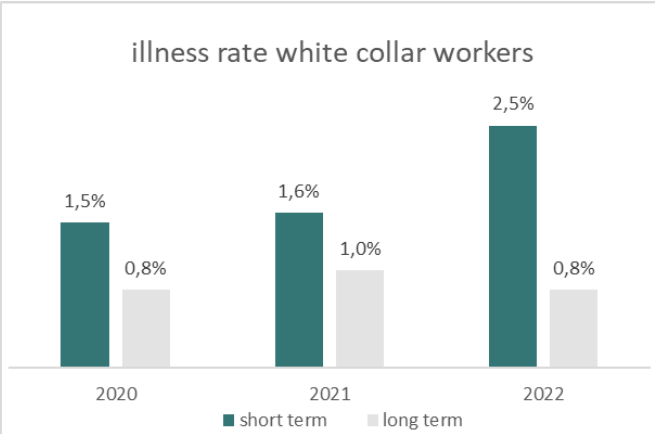
The illness rate is calculated as the total number of sick days per 100 available employee days. Absenteeism caused by a lost-time accident is included; maternity leave is not. We differentiate between short-term absenteeism (less than a month) and long-term absenteeism (longer than a month).

Compared to last year, we see a decrease in illness rates for blue-collar workers at our Belgian sites. Despite the overall decrease, blue-collar short-term absenteeism reveals an increase, whereas long-term absenteeism decreased for the second year in row to 10.8%, slightly below the level of 2020.

We expect this trend to continue, as new legislation entered into force at the end of 2022 that aims to promote reintegration of long-term sick people.



A different trend is observed for our white-collar workers in Belgium; the illness rate has increased mainly due to higher short-term absenteeism. This increase is in line with the national trend in Belgium. Again, the easing of the hygiene measure to prevent COVID-19 infections, resulting in mild health complaints, has been cited as the main reason for this increase (source: Securex). For the coming year, the increase is expected to continue as legislation has been altered since November this year. Employees do not need to show a fit note anymore for the absence of 1 day, for up to 3 working days a year.



People

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. Belysse's Board and Management Committee clearly state that safety remains our number one priority.

Balta started the 'One Balta for safety' programme in 2018. Also after the Divestment, this safety programme will continue to be our guideline within the HSE department.

The program 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;

The overall management of this programme is secured in the monthly HSE committee meetings. Also, two new working groups have been initiated. The first working group will focus on aligning all HSE procedures at group level. In the second working group, the HSE and procurement departments will further refine together the criteria related to safety for selecting suppliers of services, machines, and raw materials.

Over the last several years, we started to build a network of 'safety coaches' on the production site in Zele. 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 receive appropriate training, and are key to the participation of our on-site workforce. During the COVID-19 pandemic, the safety coach network in Tielt had been sized down to the department heads. Before expanding the network again, we first focused in 2022 on strengthening the HSE team for this site.

Belysse 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 2022, we embraced digitalisation of work processes at our production site in Zele. We implemented the use of a software app that facilitates the reporting of unsafe working conditions, on-site inspections and the organisation of safety walks. As the system is available as a smartphone app, we provided additional smartphones for our production department heads and safety coaches to encourage the use of the app. Furthermore, the system includes a dashboard for the managers, in which they can easily follow-up on actions and performance.

Since its implementation in June 2022, we have used the app for:

- Reporting of incidents and accident investigation;
- Workplace inspections and walkarounds;
- KPI reporting and creation of dashboards;
- Start up and shut down of machines (checklist);

In 2023, we aim to enlarge the user group of this app to the foremen, and to use it also for trainings and toolbox meetings.

After successful implementation in Zele, a working group has already been set up to introduce the app on the production plant in Tielt as well. At first instance, we tested the reporting of incidents, investigations and workplace inspections.

We continue to collaborate with the supplier of the app with the aim to further digitize our HSE department.

People

Focus areas

Safety Leadership and Safety Awareness are key to establish safe working places. Promoting Safety Leadership at all levels of the organization, and continuously increasing Safety Awareness are therefore high on the safety agenda.

Many (preventable) accidents on the job happen when people are in a hurry, or when they fall victim to routine. That is why Belysse 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.

Last year in October, the group organised its annual Safety Days, reaching out to all its employees around the globe. Due to the economic condition, it was not possible to organize a safety day globally this year. Alternative actions have therefore been set up.

On the production site in Zele, we organized a 'SUSA'day, Sustainability and Safety Day, for the blue-collar workers.

The purpose of this SUSA day was to inform and increase awareness. This was achieved by organizing 7 workshops throughout the day. In small groups, all workers participated in each of the workshops, which were:

- Personal Protective Equipment;
- General Safety Measures;
- Safety in transport (on site and external);
- Tips to reduce energy consumption;
- Waste sorting;
- SDG game;
- 5S on the work floor;

We paid specific attention to widen the scope of these workshops to include both information that is relevant for our workers' job in the factory, and some tips that can help them in non-professional situations.

Thanks to the enthusiasm of our local staff, 85% of the workers participated in this event.

At the production site in Tielt, a safety quiz has been set up. All safety topics that had been highlighted throughout the year were included in this quiz, including Personal Protective Equipment, Internal Safety Rules, Ergonomics or sorting waste. The quiz had to be answered on paper. 260 employees (47%) took part in the quiz.

In Bentley Mills, monthly safety awareness days are organized, which involve interaction with all employees and departments on any relevant incidents or safety training of that month. In addition, employees are encouraged and motivated with incentives such as Bentley swag and gift cards for their participation.

We have postponed our plan to have our Belgian production sites ISO 45001 certified, due to other priorities following from the Divestment. In 2023, we intend to obtain the certification for the production site in Zele. The production site in Tielt will follow later.

Work-related incidents

The results of our safety approach directly reflect in the number of lost-time accidents (LTAs). 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 the company.

Brand	2020	2021	2022
Fatalities	0	0	0
Lost Time Accidents (LTA)	61	63	17
Recordables	116	121	99
Working hours	5.279.506	5.816.261	1.790.097
LTA Frequency Rate	11,6	10,8	9,4
LTA Severity Rate	0,55	0,26	0,15

LTA's are an absolute number, the decrease in 2022 is therefore largely influenced by the Divestment. Two relative indicators however, the Lost-time accident frequency rate (LTAFR) and Lost-time accident severity rate (LTASR), confirm the safety progress that has been made over the last year.

People

Our main indicator for safety is the lost-time accident frequency rate (LTAFR), which is the number of LTAs per million hours worked, including the accidents with contracted personnel. We recorded a drop of -13% in the LTAFR in 2022: from 10,8 to 9,4. We did see a rise in the number of accidents with contracted personnel (temporary workforce + contracted workers). This topic will be addressed in the newly initiated working group with the purchase department. This working group will redefine the requirements towards contractors regarding safety and environmental issues, and propose measures to control and follow-up compliance thereof.

Again, a significant drop in the lost-time accident severity rate (LTASR) is reported. 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. The drop in LTASR means that the severity of injuries is continuing to decrease and our employees are coming back to work faster.

In 2020, the Management Committee launched the ambition to reduce the LTAFR to less than 1 by 2030, taking into account our own employees, contracted personnel and contractors working at Belysse sites. Although we continued the positive trend in 2021, Belysse'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 have been organised for all members of the operational management for the production site in Zele. These courses were given in collaboration with experts from our insurance company. In 2023, the same training sessions will be given in Tielt.

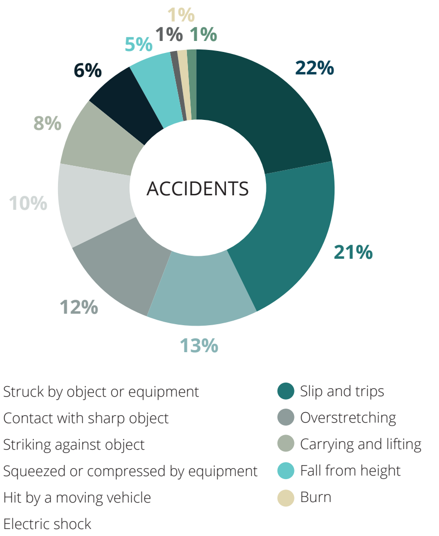
In 2023, we will start the GAP analyses towards ISO 45001 certification in Zele. This analysis will again increase safety awareness.

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

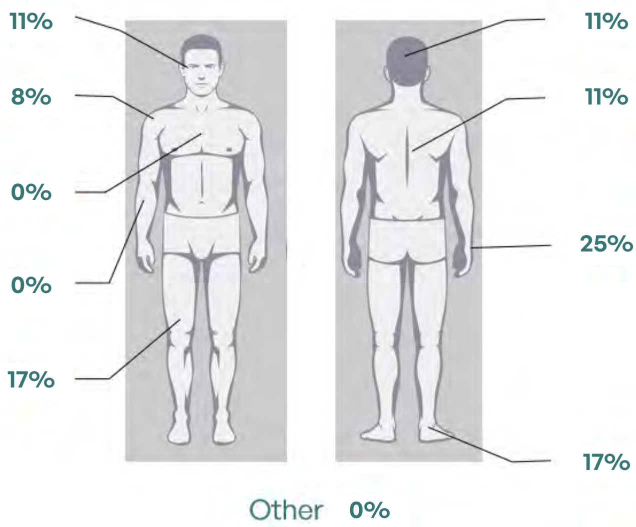
- Cleanliness and tidiness
- Fire safety
- Housekeeping
- Safe machine operating

In Tielt, we added a bi-weekly campaign around operational safety. Themes addressed were burns and fire, slipping and impact hazards, LOTOTO (Lock Out, Tag Out, Try Out) using equipment and correct PPE, internal traffic and safety for life.

The three most common causes of accidents remain the same in 2022: slips and trips (25%), contact with a sharp object (19%) and being struck by an object or piece of equipment (17%). We did see an increase in accidents resulting from carrying and lifting compared to last year, from 8% in 2021 to 17% in 2022.



The body parts most affected by accidents are still hands, legs and feet, which account for about 59% of all injuries.



People

A strong HSE team is the precondition for a safe and healthy workplace, which is why we welcomed two new HSE colleagues in 2022.

In September, Chloe joined Dieter's team in Zele as HSE Assistant.

What she loves about the job?

Chloe: "The variety of it! Giving trainings, risk analyses, administrative or very practical on the workplace. It's always different."

What is she most proud of since starting at modulyss?

Chloe: "In the short months that I have been here, there is still one project that I look back on with great pleasure. Last October, we organised our first SusaDay. A first within the company. This gave me the opportunity to help organise and also coach one of the sessions. In the end, it was a very instructive day both for myself and for other colleagues."

Dieter confirms: "Every achievement we can make as a team together with operations, maintenance and other departments creates a warm feeling. Thinking constructively together towards safe, but also qualitative and productive solutions makes it pleasant to work at Belysse. In Tielt, we had two weekly HSE campaigns with a quiz at the end of 2022, so that we could test the knowledge of all employees. In Zele, besides the SusaDay, we also put our departmental managers and safety coaches to work with workplace inspections that we linked to certain site safety issues."

And what's the teams' biggest wish for the coming year?

Chloe: "A difficult question! My job, of course, is to keep other people's workplaces as safe and healthy as possible. So my biggest wish is to minimise unsafe situations and workplace accidents.

Dieter: "As the HSE department, we wish to continue striving for a safe, healthy and sustainable working environment every year. This year, we will strive for this again through tours, risk reporting approaches, HSE campaigns and specific training days."

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 carpet tiles are used in a wide range of 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 carpet tiles 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.

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

People

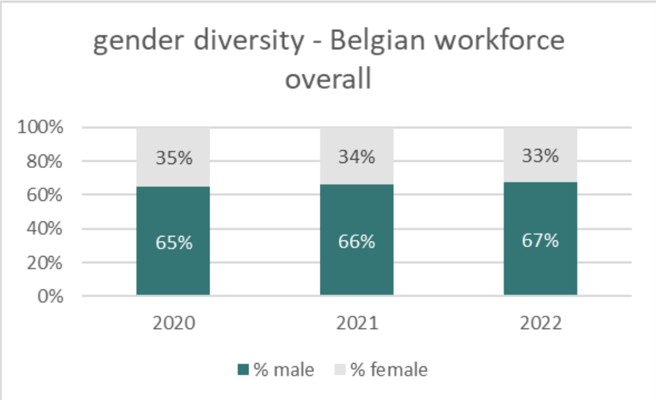
A list of our initiatives:

- All Belysse 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 (TC 16516).
- We develop many of our collections with solution dyed yarns. Products from these collections are easily cleaned and allow for effortless stain removal. Also, solution dyed yarns have better colour preservation in sunlit areas.
- In 2022, modulyss launched a 100% Cradle to Cradle Certified® Gold collection group: Artcore. Modulyss now has 22 carpet tile collections certified at the Cradle to Cradle Certified® Gold level, covering 158 different products. In the 'material health' category, these products achieved a Platinum score, underlining the products' exceptional safety to humans and the environment.
- At ITC, most of the PA carpets have been positively assessed by TÜV Nord for not having allergy inducing properties. These products carry the certificate 'suited for people with allergies'.
- At Bentley, all of our products (130 products over 9 backing platforms) have a Red List Approved Declare Label from International Living Future Institute (ILFI). Declare screens a product's ingredients directly against the Living Building Challenge (LBC) Red List, saving project teams from the arduous task of vetting products by hand. The LBC Red List contains the "worst in class" materials, chemicals and elements known to pose serious risks to human health and the greater ecosystem that are prevalent in the building products industry.
- Bentley also has Health Product Declarations (HPDs) on 4 backing platforms. The HPD Open Standard is a standardized specification for the accurate, reliable, and consistent reporting of product contents and associated health information for products used in the built environment. HPDs are harmonized with programs such as International Living Future Institute, Cradle-to-Cradle Product Innovation Institute, Clean Production Action, BIFMA, LEED, WELL and many others.

People

Diversity and equal opportunity

Being a global business headquartered in Belgium, we operate in several different languages and employ more than 40 nationalities across 3 main locations on 2 continents. Belysse employees have diverse cultural backgrounds across a wide range of ages.



Overall, our Belgian workforce was composed of 33% female versus 67% male workers in 2022. 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 44%.

Gender diversity

In 2020, the Management Committee launched a new ambition to have at least 40% women in all layers of Belysse 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.

The Divestment has inevitably led to a change in many levels of the management, but most significant in the higher management positions. Nevertheless, we adhere to the ambition as it was set in 2020 and continue to promote this to all stakeholders.

At the end of 2022, the ratios were as follows:

- Our Board of Directors currently includes 33% women, an increase of +11% compared to 2021. We have now achieved the legal requirement to have at least one third of Directors of a different gender than the rest of the Board. 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 Belysse.
- The Belysse Europe Management Committee is now composed of 80% male members and 20% female members.
- The Belysse Europe Leadership Top (BLT) has 28% female members, equal to 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 Belysse Europe Leadership Team (EBLT) currently has 26% female managers (24 women to 70 men). The EBLT is the middle management of the group.
- At Bentley Mills, women represent 33% of the top leadership positions.

Belysse is actively trying to attract and promote women to managerial positions through our recruitment campaigns. Nevertheless, we keep on recruiting based on people's capacity, not only on gender. We strive to be neutral in our recruitment communication and not to distinguish between male or female during the recruitment process.

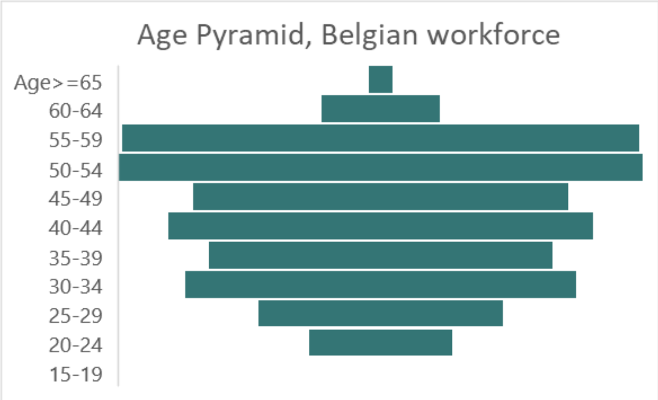
Age diversity

Attracting new workers has been a challenge over the past years. After the peak of the COVID-19 pandemic, people seemed to be more open to changing jobs, but this has been halted again with the rising insecurity due to inflation, high energy prices and the Ukrainian war.

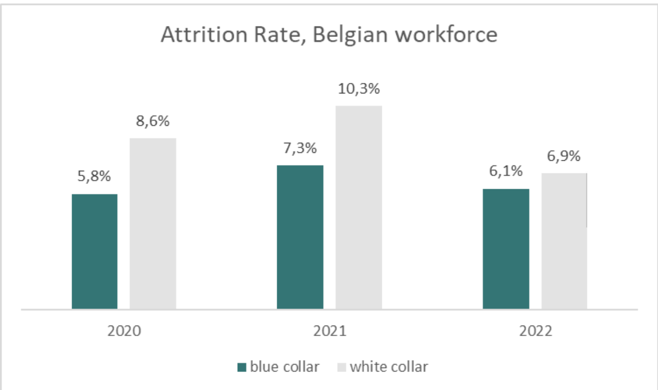
The challenge of finding new workers shows also in the age pyramid. If we look at the age pyramid below, which includes the 777 employees who make up our Belgian contingent, we see that more than 20% is older than 55. This figure represents a wealth of valuable know-how and experience that will have to be replaced in the short and medium term, blue and white-collars combined.

People

We have started several initiatives in 2022 to create a more inviting workplace. Old offices have been renovated, sanitary spaces have been upgraded, and more flex desks have been provided to allow for flexible working. We have launched an Employer Branding campaign as well to spotlight our current employees and attract new employees. More actions are still planned for 2023.



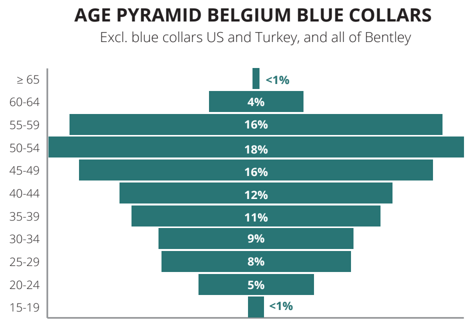
At the same time, we are looking to keep both our experienced workforce and newcomers to the group as long as possible. Our attrition rate —the rate at which employees voluntarily leave the firm — has decreased from 7.9% to 6.39%. The intention is to lower it to 5% (the level achieved in 2015).



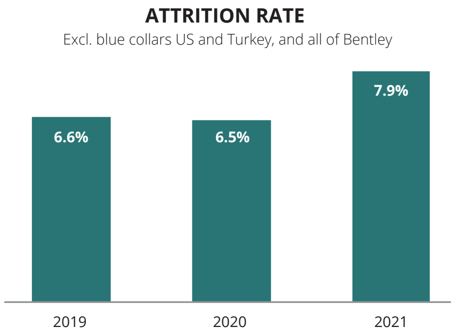
A more detailed analysis shows that the attrition rate for white-collar workers in Belgium is decreased again to 6.9%, below the level of 2020. This decrease is the result of our strategy to attract and retain talent. The four pillars of this strategy are:

- Identifying internal talent
- Maximising and building internal talent
- Promoting internal mobility
- Continuing our efforts in terms of Employer Branding

The age distribution observed at Bentley Mills is similar to that of Belysse Europe. Employees with ages of 45 and older dominate over younger employees.



In contrast to Belysse Europe however, the attrition rate for blue-collar workers is much higher compared to that for white-collar workers, meaning that blue-collar workers leave the company relatively easy.



The formal talent review has been repeated also in 2022, starting top-down from EBLT. It has not yet been expanded to other employees. This approach has again identified the high potentials in the organisation.

Also, we promote career opportunities by drafting 'Personal Development Plans' (POP), in which 12 employees were enrolled in 2022. The Personal Development Plan contains actions on the short, medium and long term to grow specific competences. The 12 enrolled employees are personally monitored and will have higher chances for an internal promotion.

People

Belysse, 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 Cobot, the sectoral training partner for Textiles in Flanders, and Sterpunt Inclusive Entrepreneurship, a non-profit umbrella organisation that works to bring more inclusivity to the Belgian job market. Following the nomination by Cobot, Sterpunt awarded Belysse with their Reference Certificate, which demonstrates our commitment to breaking down barriers and providing equal opportunities to all, regardless of gender, background or creed.

Language courses

For several years already, we organize language courses for non-Dutch speaking employees. With these courses, we aim to promote both inclusiveness between colleagues, and opportunities for growth within the organization. The language courses are organized either for groups of employees, either as individual trainings to ensure rapid progression.

Finding Young Talent

To find young technical talents, Belysse has taken part in 6 job fairs at secondary schools in Belgium, and we actively promote internships in the different departments. In 2022, we welcomed 6 students in the departments R&D, HR, maintenance and HSE. Also, a group of students followed the operations for two days in light of their graduation project.

Finally, Belysse has started a collaboration with the employment agency 'Randstad Youth' to offer attractive side job for students.

The people from Belysse

After the Divestment, it still took a few months before the new company name could be announced. Together with that name, the new Employer Branding campaign 'The people from Belysse' was launched to rapidly establish employer brand recognition and affiliation, to maximize employee retention in competitive environment and to support short and long term recruitment

The campaign will strengthen our Employee Value Proposition:

- GROW: we help you grow, we believe in our employees as the heart of the organisation and we invest in a sustainable career and growth opportunities for all our talent
- OPEN: we are open and transparent, we are transparent and believe in open dialogue, we believe in our employees. They have a voice and we listen to them. We are approachable and honest in our abilities.
- LOVING: we care about the people from Belysse, We care about the comfort of our people, we are flexible and try to meet the personal needs and requirements of our employees.
- DEVOTED: we are committed to say what we do and do what we say. We are a reliable employer. We are strongly committed to the safety and well-being of our people. We do not make empty promises.

Non-discrimination

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)

Belysse 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 Belysse workplace to be a mirror that reflects the societies we operate in.

As outlined earlier in this Annual Report, Belysse 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 indicated that Belysse 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.

Belysse 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

People

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 the US.

The confidential advisors in Belgium had 4 interventions in 2022, compared to 15 cases (for the larger group structure) last year. In two cases, they had to mediate between employees in a conflict. The two other cases were conversations. All four cases have been closed.

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. Belysse 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. After the Divestment, we have 61.4% of workers covered by collective bargaining agreements. 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.

Belysse 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 Belysse 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 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 Belysse Group comply with certain minimum requirements. Belysse 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 Belysse'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 Belysse'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.

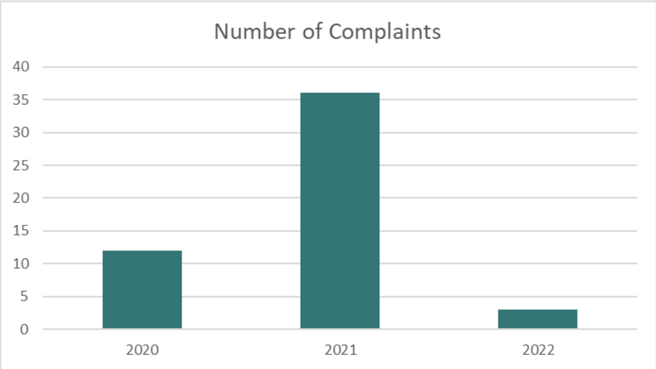
After the Divestment, the initial Supplier Code of Conduct has been updated and is available for all our suppliers on our website.

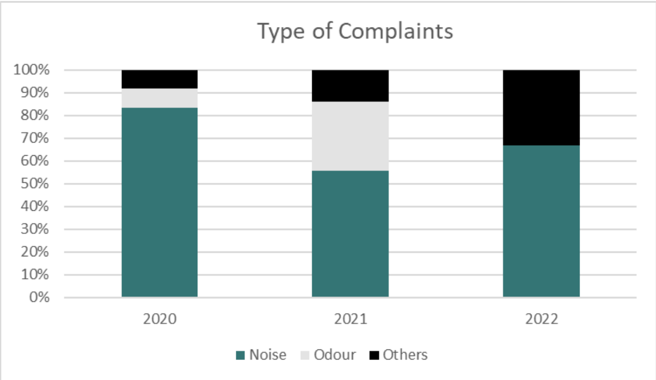
Since October 2020, all new suppliers have been requested to sign the Supplier Code of Conduct, which nearly all of them have done.

For all non-European and non-US suppliers, we conduct on-site audits. In 2022, a number of prospect suppliers in Turkey has been audited. Visits to prospect suppliers in other non-European and non-US countries are already planned for 2023 as well.

People

Local communities





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

All complaints and remarks are registered at the plant level, causes are determined and — if needed — a task force is appointed to provide long-term solutions. The number of complaints significantly dropped after the Divestment, to only three complaints in 2022.

Despite our 2019 investments in state-of-the-art noise screens for the production site in Tielt, two of the three reports were still linked to noise nuisance. Both of these complaints have been addressed immediately.

Giving back to the community

Bentley and LA Food Bank, Delhaven Community and Red Cross

In the spirit of the Holidays, Bentley Mills donated $5,000 for 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. Delhaven Community Center is another long term partner Bentley Mills works with. They are a non-profit social service agency providing over 25 programs for at risk children, youth, and adults. We provided 1,000 cupcakes for Delhaven Halloween event and toy drive for Christmas. Also, we host two blood drives a year to help the community. 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.

People

Social responsibility

Belysse 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 solidarity is, we put our shared sense of social responsibility into numerous partnerships and actions that touched many lives around the world.

Support Action Victims of Ukrainian War

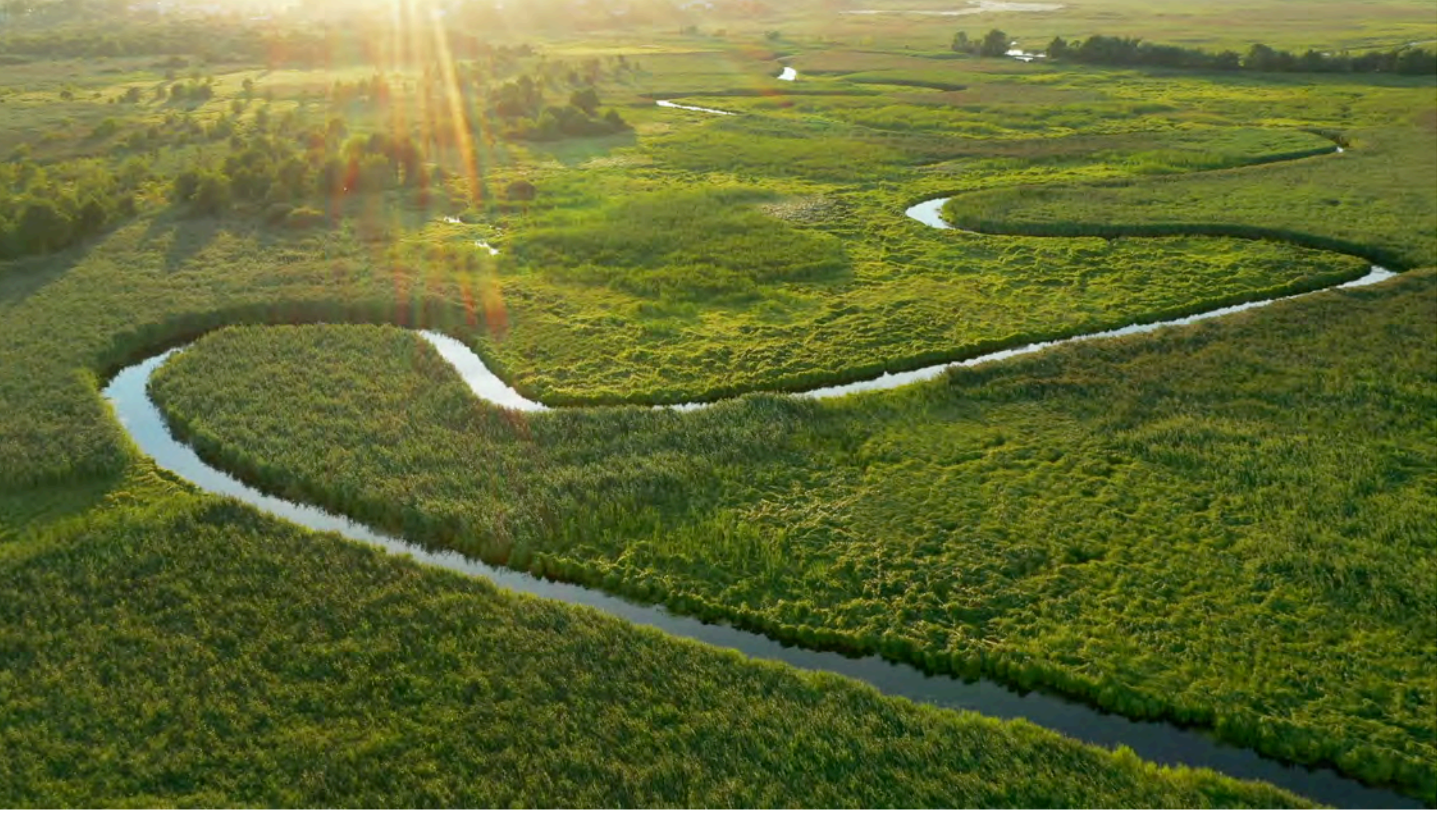
Modulyss participated in a collection campaign, organised by the town Zele. We activated our employees to participate by providing them with all information about the campaign and when and how they could donate.

Bentley Mills: Youth Cinema Project

Bentley Mills donated $5,000 to the Youth Cinema Project program. This programme offers the unique opportunity for young people from underserved neighbourhoods to learn from industry professionals and develop their filmmaking skills. Their projects will serve as a testament to their dedication and hard work and raise awareness of closing the achievement gap. By providing a platform for the Youth Cinema Project to spread its message, Bentley Mills strives to promote its mission and ensure that all young people have access to the benefits of this transformative programme.

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 Belysse fully endorses. During the YOUCA Action Day 2022, five young potentials got a taste of how Belysse does business – they did a great job, and we hope to see them again as future employees!



Planet

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

Realising the importance of shifting from a linear to a circular economy, Belysse wants to play a leading role in this regard.

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, two of our three 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 Section).

Bentley Mills, located in California, is affected by stringent water and air regulations. It's not affected by the 'Climate Bill' legislation, as its annual revenue is below $1 billion.

Belysse'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.

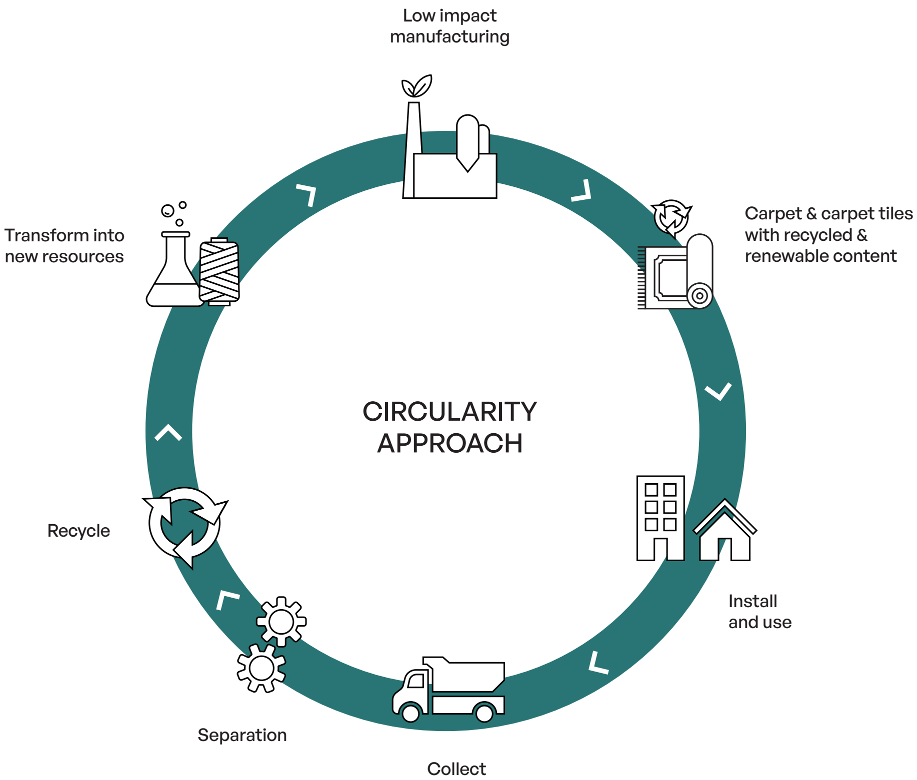
After the Divestment, the Belysse value proposition has been redefined. Innovation and Sustainability have become even more important for our company:

- We trust in craftsmanship and expertise.
- We aim to bring comfort to everyday life.
- We breathe creativity and inspiration.
- We put the customer at the core of everything we do.
- We constantly adapt, reinventing our definition of 'the best'.
- We are dedicated to making a difference. Constantly striving for a more sustainable world.

In order to close the loop, we need to look beyond only the product that we deliver to the market. Life Cycle Assessments, scientific analyses that measure the impact of our products in every stage of their 'life', clearly show that our carpets and carpet tiles also have an impact resulting from their end-of-life processing and their use phase. Also, in order to keep products and materials in the loop, solutions have to be developed to recover our carpet and carpet tiles at the end of their useful life.

Planet

The three life stages on which we focus our Sustainability strategy are



1. Circular Product Design

We constantly innovate our products to reduce their environmental impact, measured as the Carbon Footprint of our products.

The amount and type of raw materials we use in our products highly impact this Carbon Footprint. Therefore, we strive to reduce of overall use of raw materials by reducing waste in the production process and decreasing the product weight, while we increase the recycled or renewable content in our products.

As our manufacturing processes are energy-intensive, they also contribute to our product's Carbon Footprint. Besides the continuous efforts to reduce the energy and water consumption of the operational processes, we develop new techniques to manufacture our products. For example, we are exploring alternative processes to the energy-intensive precoating process. Also, we introduced more wall-to-wall carpet collections with solution dyed yarns, for which less energy and water is needed in the manufacturing process compared to dyed or printed carpets.

Circular product design is not led by reducing the Carbon Footprint only. Equally important is the recyclability of our products. We have already taken our first steps two years ago, when modulyss launched the recyclable ecoBack carpet tile backing. Enabling product disassembly and recycling now is a key criterium in every new innovation.

2. Product Lifetime Extension

Product lifetime extension is a major component of the transition towards a more circular economy, as it reduces waste and saves resources.

Belysse makes high quality products that last longer. We broaden our offer of easy-to-clean products with high colour fastness. Also, even many of our residential wall-to-wall products comply with the requirements for the commercial use class 31 or 32, for which requirements are stricter than those for domestic use.

3. End-of-Life: closing the loop

Ellen MacArthur's butterfly model proposes different strategies to keep materials and products in the loop. Reuse and Recycling are most relevant for our products.

To reuse or recycle the materials in our end-of-life products, they have to be collected first. Belysse's carpets and carpet tiles are sold worldwide and have long lifetimes. It would not be feasible for us to organise reverse logistics on our own, hence creating partnerships with other operators is critical. In 2022, we have launched 3 pilot projects for the collection, sorting and reuse of carpet tiles with partners in our neighbouring countries. In parallel, we have been testing different methods for the disassembly of carpet and carpet tiles into their different components, which is a condition for high value cycling. Tests have also been initiated with an industrial partner for the chemical recycling of the very valuable Polyamide 6 fraction.

Planet

Circular Product Design

To foster a more circular industry, the Management Committee has established high ambitions for Belysse. By 2030, our modulyss and Bentley Mills collections will have a minimum of 50% certified recycled or renewable content and ITC collections will have a minimum of 5% recycled content. The recycled content percentages will be monitored using a mass balance approach, with weight-to-weight percentages.

As the focus on sustainable products is increasing, so is the demand for recycled raw materials . More and more it becomes a challenge to source recycled raw materials that meet the expectations in terms of traceability and material health. The additional cost for these materials remains to be substantial as well.

Various collections have already been developed that allow our customers 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 former Balta Group in 2020. The proportion of recycled material, relative to the total raw material consumption was determined (weight/weight percentages). These raw materials include recycled yarns, backing materials based on post-industrial or post-consumer streams, and fibers made with a proportion of recycled granulate.

In 2022, the percentage of (mass based) recycled content yielded the following figures:

Brand	2021	2022	Target 2025
Bentley Mills	29,5%	24,5%	50%
Modulyss*	35,1%	51,9%	50%
ITC	3,3%	2,2%	5%

modulyss: only for its own collections*

- In 2022, due to scarcity of recycled raw materials, Bentley Mills was forced to replace some of their materials by virgin alternatives.
- In 2021 modulyss was faced with supply problems of recycled lime (filler material). This issue did not occur again 2022, and modulyss has been actively screening alternative suppliers as well to avoid similar problems in the future.
- Sustainability was a big topic at the ITC Season Launch in November.
    - Products ‘Bliss’ and ‘Feliz’ contain 100% recycled Polyester yarns.
    - Product ‘Katherine’ is made with econyl yarn.
    - The HAVEN collection (3 products) uses a yarn that is internally produced from granules containing allocated recycled feedstock. It’s the first time that we are able to produce ourselves a Polyamide 6 (PA6) yarn containing (allocated) recycled feedstock. The term ‘allocated recycled feedstock’ refers to mass balance approach that is used to define the recycled content percentage of the chemical recycling method used to produce the granulate.
- We expect to see the positive impact of these new collections on the recycled content of ITC products only in 2023, as first orders have been received only in late December and January 2023.
- We launched a project in collaboration with a Belgian Innovation company to explore our playing field for introducing renewable content in our products. This company has mapped out the different types of materials that are available, the feasibility on short, medium and long term, and the risks related to these materials, such as availability, readiness of the technologies and Intellectual Property Rights.

Planet

Ympact, the Belysse quality label for our sustainable yarns
Ympact is the Belysse quality label for sustainable yarns. It's the next step towards a greener, eco-friendly future. The Ympact quality label is allocated to the various innovative types of yarns and used to put a whole new spin on sustainability;

Currently the yarns that have the Ympact label are the 100% recycled Polyester yarn used in the two broadloom collections 'Bliss' and 'Feliz', the 100% regenerated PA6 econyl and our internally produced PA6 yarn with 35% allocated recycled feedstock.

Bentley's Premium fibers guarantee the best possible appearance over the life of the product
Bentley PremiumTM is selected from the highest quality nylon available. We set the standard for yarn performance and the inclusion of recycled content, based on the demanding needs of commercial installations, exclusively.

Bentley PremiumTM Nylon is a high-performance yarn system designed to recover over

and over again, resisting soiling, remaining resilient, and retaining texture and color even under the most challenging conditions. Bentley PremiumTM Nylon never includes topical soil and stain inhibitors or antimicrobial coatings, chemicals that can be harmful to people and the environment.

We remain convinced the success of our installations depends on our commitment to manufacturing excellence, front to back.

Next to increasing the recycled or renewable content in our products, our other main objective is to design and engineer innovative products that can more easily be processed and recycled and in doing so, greatly extend their lifecycles. 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 separation techniques to disassembly our products and isolate single-polymer fractions, which are ideally suited to recycling.

Since the last quarter of 2022, we have significantly increased our product re-engineering initiatives to accelerate the development of a multi-layer product that can be disassembled and recycled, and has a less energy-intensive production process. We have broadened again the horizon of our research, talking with many potential partners about different types of technologies. With the resulting list of promising solutions, we start running trials in 2023. Our priority will be the broadloom carpets, but we will keep the carpet tiles in mind to find a solution that can be rolled out to these products as well in a second phase.

Planet

Cradle to Cradle® Principles

In its circular, low-impact approach to product R&D, Belysse 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 Belysse'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
- Product Circularity
- Clean Air & Climate Protection
- Water and Soil 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 2021, the Cradle to Cradle Institute launched a new version of their standard, version 4.0. The bar has been raised significantly compared to the previous version. All certified products must meet the requirement of the new standard after a transition period of 3 years. For the 2022 modulyss recertifications, we started this transition already gradually: two of the five categories have been assessed following version 4.0.

In June 2020, modulyss was the first division to receive a Cradle to Cradle Gold-level Certification® for 28 of its products. With the launch of the Artcore collection, a 100% Cradle to Cradle Gold Certified collection, that number has grown to an impressive 158 products in 2022. An additional 173 products in the modulyss catalogue earned the C2C Silver-level certification. The recyclable carpet tile backings ecoBack and comfortBack^eco, 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 CO2-neutral thanks to the CO2RE initiative, which offsets any remaining greenhouse gas emissions by supporting climate projects.

As early as 2013, Bentley Mills became Cradle to Cradle Certified® (Silver) for 181 products on two backing platforms for a total of 362 products. In 2022, they obtained the Silver certification for 3 additional backing platforms, resulting in 650 certified products.

C2C certification level	Bentley Mills	modulyss	ITC
number of products C2C certified			
bronze	0	0	2
silver	130	173	0
gold	0	158	0
number of backing platforms C2C			
bronze	0	0	1
silver	5	0	0
gold	0	2	0
total	650	662	2

Planet

In the US, Belysse 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.

Bentley successfully completed the NSF/ANSI 140 Audit and holds a certification for 6 broadloom product categories and 43 modular tile product categories: three of them attained Platinum level, the others reached Gold.

QA-CER recycled content

QA-CER Recycled Content is an international, independent third-party and/or product certification system based on ISO 9001 principles, including chain of custody. The QA-CER Recycled Content certification process audits systems in terms of their recycling processes and the use of recycled materials. Both the recycled content and the quality of the final product are assessed, supporting the principle of sustainability.

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.

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 August 2021, Belysse obtained the QA-CER Level 2 certificate for its development, production and sale of wall-to-wall carpets in Tielt which expired due to the Divestment. In 2023, we plan to renew the certificate in Tielt and obtain it as well for our carpet tile product plant in Zele. QA-CER certifications are issued by BQA, an independent certification body, and remain valid for three years.

Environmental Product Declarations

Environmental Product Declarations (EPDs) transparently report the results of a Life Cycle Analysis (LCA). In such an LCA, the environmental impact of a product is measured for minimum 12 impact categories, for each stage of the product's life. Examples of impact categories are the Global Warming Potential (Embodied Carbon), Use or non-renewable energy, hazardous waste disposed and others. The life stages run from the raw material extraction and production, over transport and installation to end-of-life waste processing or disposal.

Many of our commercial customers request EPDs as an objective measure to compare different products. Internally, we use EPDs to estimate to environmental benefit of our product improvement plans.

We have product-specific EPDs for every carpet tile collection, for all 4 backing platforms at modulyss and on 5 backing platforms for Bentley Mills. For the broadloom carpet, Bentley has six backing platforms with 3rd party certified EPDs. For ITC co broadloom carpet, we rely on generic EPDs provided by the European Carpet and Rug Association (ECRA).

Planet

CO2 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 CO2 emissions versus the 2018 baseline. Reported Scope 1 emissions, the direct emissions, cover our use of natural gas (extrusion activities and heating of facilities). The reported Scope 2 emissions, the indirect emissions, cover our electricity consumption.

After the Divestment, we recalculated the 2018 baseline, by excluding the production sites that have been sold from the calculation. This allows us to accurately measure our actual progress towards achieving the reduction target.

For our detailed calculation of emission, we take into account the CO2 emissions from solar energy production and the various sources of 'green' electricity purchased at the modulyss site.

The table below show our energy consumption for the past three years, only for the Belgian production sites in Zele and Tielt, and Bentley Mills in the US.

Bentley Mills buys green electricity since 2022, by which Belysse's use of renewable electricity (solar + green) has almost doubled compared to the previous year.

MWh Electricity sources	2020	2021	2022
Grid	39.608	43.693	30.688
Solar	3.796	3.641	3.872
Green	3.381	3.524	9.391
% Solar + Green	**15,3%**	**14,1%**	**30,2%**

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/egrid/power-profiler#/CAMX

www.epa.gov/egrid

CO_2 emission	2018	2020	2021	2022
1,000m² production volumes	26.112	21.133	20.783	19.670
Ton CO_2 direct emissions	20.300	15.482	17.095	13.736
Ton CO_2 indirect emissions	10.733	7.282	6.388	4.433
Total Ton CO_2	31.033	22.764	23.483	18.169
kg CO_2 per m^2 produced carpet	1,188	1,077	1,130	0,924
gain versus 2018 Baseline		**-9,4%**	**-4,9%**	**-22,3%**

*A worst-case emission scenario was adopted for the purchased green electricity as the exact electricity mix FY 2022 has not yet been published by our electricity provider.

Planet

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 47.3% of electricity came from nuclear power plants in 2022 compared to 31.2% in 2018 (our baseline year) and that the production of wind and solar energy continued to increase. Also affecting the gain versus the 2018 baseline is the higher share of solar electricity in our energy mix, as the annual production of our solar panels is relatively constant since 2021, while the production volume has decreased.

Our ongoing efforts to reduce energy consumption at our production sites have further decreased the CO2 emissions in 2022. This year in particular, we have run energy campaigns at our plants to increase awareness of amongst our employees. Even more attention has been paid to avoid standby consumption, for example by fine tuning the shut-down plans in the factories.

In parallel with the reduction of our energy consumption, we avoided CO2:

Avoided CO_2 emissions (ton CO_2)	2018	2020	2021	2022
solar panels	532	455	234	294
Purchase of green electricity	905	547	348	289
Total ton CO_2 avoided	**1.437**	**1.002**	**581**	**583**

The 18,200 solar panels on our production sites in Tielt and Zele generated 4 GWh in 2022. This amounts to the electricity needs of 1,150 Belgian households (with an average consumption of 3,500 kWh/year according to Flemish Government figures).

Bentley is investigating whether the installation of solar panels is a viable option.

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 for Belysse Europe, and energy teams have been set up for our two Belgian production sites. 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.

Our production site in Zele obtained the ISO 50001 certification at the end of 2021. 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. The group goal is to become ISO 50001 certified for all Belgian sites by the end of 2024.

The production site in Tielt takes part in Belgium's Voluntary Energy Management Covenant, founded by the Flemish Government in 2013. The previous period of the covenant ended in 2022, and Belysse has already confirmed to take part in the new period, starting in 2023, as well. 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%.

At our Belgian sites, Belysse 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 project progresses slower than anticipated because delays in the electronic components needed the accurately monitor our energy use. Also, we are to place additional energy monitors to be able to study detailed energy flows when we implement the software.

In 2022, many projects have been set up to reduce our energy consumption, including

- The cabling process at the factory in Tielt has been optimized by adjusting the speed of the machines, which results in a decreased energy consumption of 1,160 MWh.
- By better controlling conveyer belts in our factory in Tielt, we could realize a significant energy reduction.
- The old lightning of two production halls in Tielt and one in Zele has been replaced by LED lights.
- Temperature settings of the heating systems have been adjusted.
- We improved the insulation around the pipelines for thermal oil to prevent heath losses.

Planet

Sustainable mobility

In 2022, we continued on our path towards a greener corporate fleet. After the successful evaluation of the pilot project with six electric cars, it was possible since 2022 for any employee at Belysse Europe buying a new car to choose also from a number of electric car options. Approximately 60% of the European employees ordering a new car in 2022, have chosen for an electric vehicle.

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

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. Belysse seeks ways to contribute to less consumption of freshwater resources and to augment the reuse of process waters.

In 2020, former 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. For this target as well, we have recalculated the 2018 baseline to include only the Belgian Production sites in Zele and to achieve this goal, we will focus primarily on our factory in Tielt, which consumes almost 85% of the total water consumption of the Belysse 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. To decide which of the available purification technologies will be best suited for our factory, we need to have better insight in the required capacity of the purification installation, and the quality level of the water after purification. To answer these questions, we will

1. map out all water flows in the factory
2. define and implement water reduction measures
3. relate the desired quality of the water to our different processes
4. study the possibilities to reuse water in the production and after water treatment.

Step 1, mapping out all water flows in the factory, has been initiated.

Water consumption	2018	2020	2021	2022
1,000m² production on volumes	26,112	21,133	20,783	19,670
water consumption in m³	452,630	358,842	346,966	345,650
water consumption on rate l / m³	17,33	16,98	16,69	17,57
gain versus 2018 Baseline		**-2.0%**	**-3.7%**	**-1.4%**

An impressive reduction of the water consumption was achieved by Bentley, which managed to halve its water consumption rate from 22.36 in 2018 to 11.26 already in 2021, and realized another reduction to 7.60 in 2022. This reduction was offset however by an increased water consumption rate in the factory in Tielt. Made-to-order production, with smaller run sizes and more frequent production halts are the main reason for this increase. The amount of water needed for one dye lot relates to the size of the dye vessels, that are dimensioned for large run sizes.

In Zele, the basin for collection of rain water has been taken out of service for cleaning and renovation works. This also contributes to the increased water consumption rate, as grey water had to be purchased instead.

Water Sources 2022	m³
deep groundwater (abstracted)	-
shallow groundwater (abstracted)	216,467
Rainwater (abstracted)	42,326
Drinking water (Supplied)	2,365
Grey water (Supplied)	84,493

Belysse Tielt 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 Belysse to pump up deep groundwater. The new agreement will expire at the end of 2023.

The industrial site 'Tielt-North', on which our factory is located, is one of the demo cases of the project 'WaterProof', initiated by the Flemish government. It is one of the major trajectories within the 'Blue Deal' program. Throughout the coming years, actions are planned to prevent loss of water from alternative sources such as rain water, purified industrial waste water and drainage water. For example, a large water basin to capture rain water, from which we will be able to source water, will be installed close to our factory.

Planet

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 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 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 HSE 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. With this permit, we have the option to collect used carpet tiles, but our priority so far has been to process all of our internal cutting waste and rejected carpet tiles.

In 2022, 43.5% of the waste was recycled (energetic valorisation not included), which is a strong decrease compared to the previous year (75.8% in 2021). The types of waste that occur at the production sites that remain after the Divestment are significantly different than before. The volume of waste from the yarn extrusion process, a pure waste fraction that can easily be recycled, has become much smaller in proportion to hard to recycle waste streams such as the multi-layer broadloom carpets produced by ITC and Bentley Mills and the bituminous carpet tiles produced by modulyss. With the ongoing projects to develop recyclable products, we expect the recycling rate to increase again in the coming years.

Waste type (all production sites)	2020	2021	2022
total waste (ton)	20,331	21,972	7,531
recycled waste (ton)	15,459	16,645	3,278
recycled waste (%)	76.0%	75.8%	43.5%

Waste data is retrieved from invoices and certificates from waste collectors. Almost 70% of our waste is generated on the sites in Belgium, where keeping a waste register (type and weight) is a legal requirement. Our reported waste figures do not take into account water effluents. Waste streams are identified per standardised EURAL code.

Types of waste (Belgian plants)	2022
non-contaminated carpet waste	1,925
Other A-grade waste wood, plastic, foil, ...	60
Paper & cardboard	512
B-grade Wood	84
Other (contaminated carpet waste, latex waste)	2,506
% waste recycled	**49.1%**

Planet

Environmental compliance

Environmental compliance at Belysse

Belysse 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, Belysse 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 ITC site in Tielt expires in February 2025, hence the case should be submitted in February 2024. In order to submit in time, we will already take some major steps in compiling the case in 2023.

In the production of carpets and carpet tiles, our activities impact the environment in many ways, as explained in detail in the above paragraphs. Only by identifying our objectives and monitoring the effectiveness of reducing our impact can we achieve positive action. 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. Our Belgian production sites are ISO 14001 third-party certified.

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.

Bentley and modulyss both supplying to the project market, provide information to their customers on how our products can contribute to credit points for LEED Certifications.

In order to obtain an objective basis for the future monitoring of environmental compliance for the Belgian sites, Belysse asked a specialized external consultancy company to carry out a compliance audit.

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.

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 2020-2022. The level of compliance for each of the different topics was assessed as good.

The overall score across all domains has significantly increased from 91.2% to 97.3%. This is partly related to the Divestment, as some of the plants with lower scores have been sold. Nevertheless, continuous improvement actions keep ongoing on the remaining sites in Tielt and Zele. The results show that Belysse 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 Belgian and US sites have not received any reports in the last year.

Planet

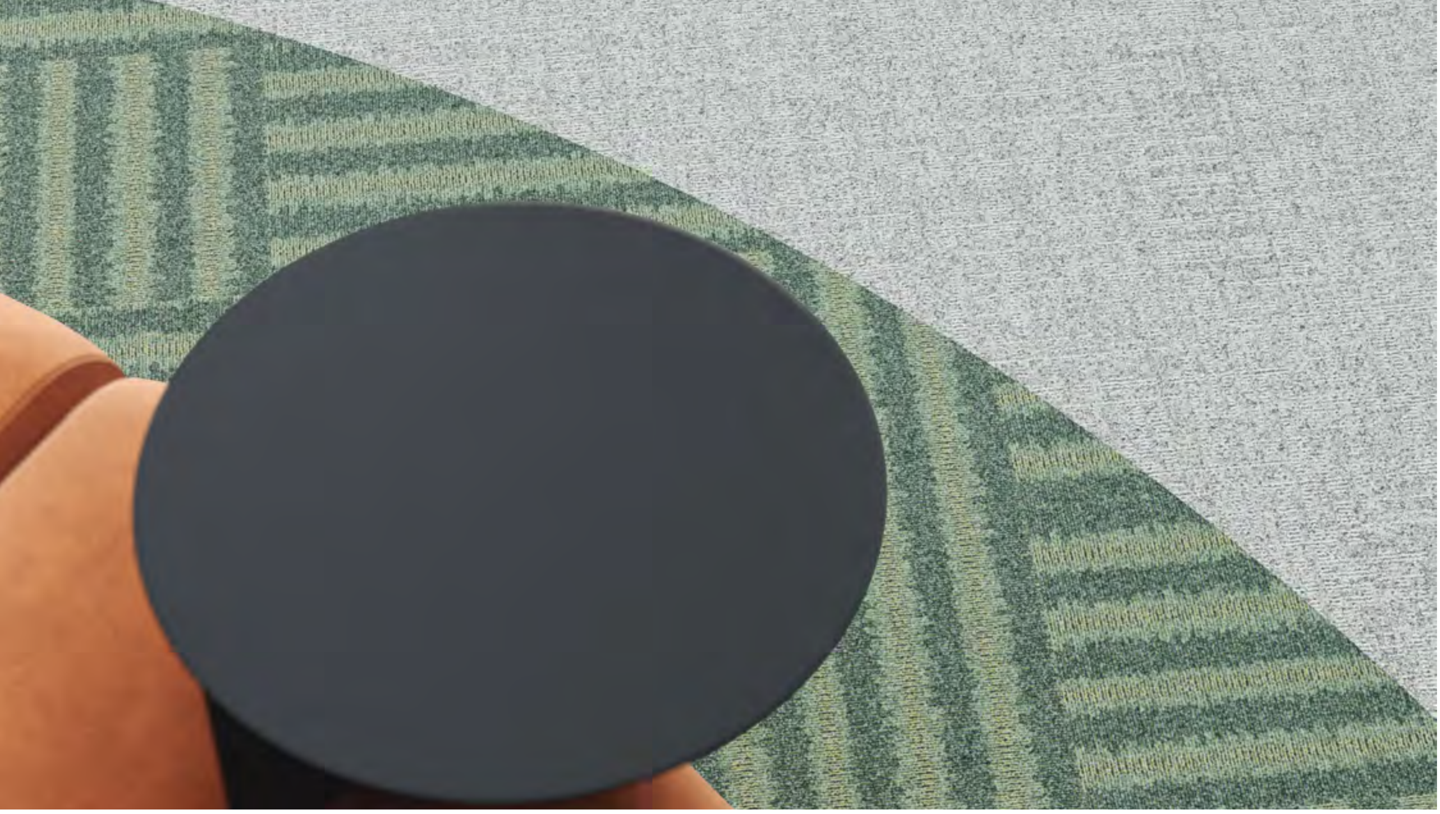
In the US, Bentley is required to adhere to the most robust California regulations. Bentley is fully compliant with the South Coast Air Quality Management District (SCAQMD) and Los Angeles Sanitation District regulations, and had no violations in 2022. By adhering to these regulations, Bentley has demonstrated its commitment to minimizing its impact on the environment and public health. Bentley has obtained the necessary permits and followed emissions standards and audits to ensure that its emissions are within the allowed limits. The LA Sanitation District regulates wastewater management for the city of Los Angeles and surrounding areas, and Bentley has complied with the district's regulations regarding wastewater treatment and disposal. In 2022, the LA Sanitation District recognized Bentley's commitment to compliance by awarding it the "Certificate of Recognition for Compliance, year 2021" for full compliance with the wastewater discharge requirements.

Supplier environmental assessment

Belysse 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.

Belysse has finalised its Supplier Code of Conduct, as already mentioned in this report on p. 32. 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. Belysse reserves the right to audit compliance with this code on-site, either through its own personnel or by a contracted third party.

For modulyss, we will take the assessment of suppliers even one step further in 2023. The new version of the Cradle to Cradle® standard raises the bar, as mentioned before in this Annual Report. We will need to carry out a risk assessment for our suppliers based on their water footprint and Social Fairness aspects. On site audits will have to be conducted either by ourselves (low risk suppliers) or by an external certified auditor (high risk suppliers). The entire risk assessment and evaluation will have to be finalized by the end of 2024.



Business Ethics

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 Belysse Group.

Following the completion of the Divestment, we assessed the most pressing legal and compliance risks for the Belysse Group its new form. We took key variables such as impact and likelihood of occurrence into consideration. The conclusion was that non-compliance with current antitrust, GDPR and economic sanctions regulations and awareness about cyber security issues are the main challenge facing the group today. As a result, we have focused on these domains in our 2022 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 Belysse's ethical and legal compliance, upholding our integrity and reputation.

Leadership

Belysse'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 each Belysse's Audit Committee meeting, an update on the compliance action points taken and to be taken is presented. Following its regular contacts and discussions with the Compliance Officer, the Management Committee is actively involved and co-decides the compliance actions to be taken.

Business Ethics

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, Belysse 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 finance department, 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 Belysse's compliance culture. We also added external consultants and agents to the onboarding programme to make sure they are fully aware of Belysse's policies and ethical standards.

Oversight (monitoring – auditing - response)
At Belysse, we have checks and balances in place to detect and remediate compliance issues as quickly as possible. Belysse's Compliance Officer and a dedicated legal counsel, together, manage Belysse'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 2022, we further focused on creating awareness about our global whistleblowing line as 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. Belysse furthermore invested in a restricted and denied party screening tool, helping the company to enhance compliance with the applicable of watch lists from around the world. The online and dynamic (i.e. automatic rescreening on a daily basis) system allows Belysse to easily screen customers, vendors, and anyone else the company or its subsidiaries do business with, and instantaneously receive results that are accurate and easy-to-interpret.

Belysse resolved to draw up a global Code of Conduct outlining the moral and ethical behaviour we expect from our employees remains strong. This will be put in place in accounting year 2023, taken into consideration the revised company and organisational structure.

Business Ethics

Increasing awareness

We continue to invest in the education of our employees on ethical and lawful behaviour. That is why we have an 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, anti-bribery laws and cyber security.

All new hires are introduced to Belysse'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.

Increased awareness on cyber-security and data protection

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

Cyber-security

In the fourth quarter of 2022, we organised a mandatory online compliance course on cyber-security. Globally, 369 employees took part. The course covered the following topics: phishing, secure social media, protect the workplace, secure out of office and business email compromise. The completion rate for the cyber security training was 92%.

In 2023, we will continue to focus on this subject, considering the worldwide increase in cyber-security risks.

Data protection and data privacy

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

Following the Divestment, we evaluated our GDPR compliance programme and installed a new procedure for monitoring the execution and filing of data processing agreements with external parties. This assessment was performed by the legal department and involved input from HR, Finance and IT. These departments will continue to exchange necessary input to keep Belysse's GDPR registers up-to-date, under the guidance of the legal department.

We updated all GDPR and privacy related policies to reflect new jurisprudence and conform to the company's new structure following the Divestment.

In addition, we also organised a GDPR and Data Privacy training session in the fourth quarter of 2022.

This online e-course on GDPR and Data Privacy was mandatory for all white-collars. This e-course provided in-depth training on GDPR regulations and guidelines on dealing and protecting personal data. The training was successfully completed by 92% of the target group, being 369 employees.

The legal department serves as a single point of contact for GDPR and privacy related questions and all requests are addressed with the utmost diligence and care. The company is committed to supporting the legal department by providing the necessary budget for in depth refresher courses.Increasing awareness of antitrust

Increasing awareness of antitrust

Belysse's risk assessment after the closing of the Divestment revealed that antitrust issues continue to 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). Belysse's legal department and Compliance Officer reviews Belysse'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.

As in 2021, also in 2022, an online antitrust e-course was set up for all white-collar employees, incorporating the following topics: what is antitrust, dealing with competitors, dealing with customers, communication and document creation, and trade associations Questions arising out of this training are addressed by the legal department, as well as monitoring of engagement in the training.

Business Ethics

In 2022, the company's legal department also organised a mandatory live training on antitrust legislation for all sales teams, which resulted in the receipt of valuable input and interesting queries from the sales employees, proving that the awareness of antitrust regulations is present with the most relevant functions. The course material of the training sessions is published on the company's intranet, meaning that it remains at the disposal of all employees at any time.

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 Belysse'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 , 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 2022 in accordance with the organisation of the group after the Divestment.

In 2023, we will remain laser-focused on combatting fraud, corruption and bribery, raising awareness every step of the way. In Q2, for instance, we will roll out new e-course training courses on Anti-Bribery and Corruption and Anti-Money Laundering.

Promoting a speak-up culture

Belysse 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 Belysse'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 Belysse's Compliance Officer and the HR Director. If and when a disclosure falls within the purview of Belysse'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. All 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'.

The whistleblowing policy and concomitant tool were deployed across the Belysse Group, and introduced by a company-wide awareness campaign in different languages, which was reprised in 2021 and in 2022. In the future, we will continue to promote our speak-up culture through a variety of actions and communications.

During the course of 2022, no incidents were reported.

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.

SDG 6 - CLEAN WATER AND SANITATION

We not only invest in improving the quality of our wastewater, but also aim to reduce our water usage (-30% by 2030).

SDG 12 - RESPONSIBLE CONSUMPTION AND PRODUCTION

By recycling and reusing materials wherever we can, we aim to reduce our production waste by 2030. This has already resulted in a recyclable carpet tile backing and we are working on a broadloom version as well.
And we get creative with waste as well: some of our cutting waste ends up in new product backings.

SDG 7 - AFFORDABLE AND CLEAN ENERGY

As our production requires a considerable amount of energy, we continuously work at optimising our processes. By purchasing green energy and by producing our own, through the solar panels at our production sites. Our production site in Zele has already received an ISO 50001 certification, which we hope to obtain for our other Belgian site as well.

How we contribute to the United Nations' Sustainable Development Goals

SDG 3 - GOOD HEALTH AND WELL-BEING
We strive for zero accidents among our own staff and expect the same from our stakeholders. We do everything to ensure consumer safety through recognised certifications and labels. Our products contain low volumes of volatile organic compounds (VOCs), and we aim for zero harmful chemicals.

SDG 5 - GENDER EQUALITY
We take equal opportunities to heart, aiming to employ at least 40% of women in our top management by 2030.

SDG 8 - DECENT WORK AND ECONOMIC GROWTH
We pride ourselves on working with employees from all over the world and make sure everyone is treated equally, fairly and with respect.

SDG 16 - ETHICAL BUSINESS CONDUCT
Integrity in the way we achieve results means a lot to us. And that implies ethical business practices, which comply with the most rigorous regulations and recommendations. Our policies, training and awareness-generating activities including advice and instructions on ethical, lawful and mindful behaviour regarding cyber security and data protection, antitrust and measures to fight fraud, corruption and bribery.

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 was 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 also ensures 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 also proposes 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.

People and Planet Risks and Opportunities

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.

As of January 1, 2023, 'La REP PMCB', the French EPR legislation will enter into force. All entities who place construction products on the French market (manufacturers and first importers) are obliged to report the marketed volumes and pay an 'eco-contribution' for their products to the French Government. Not having any production facilities in France, Belysse is not subject to this legislation. Nevertheless, we have adhered to French eco-organisms to be able to provide better service to our French customers.

France is the first European country to implement a legislative EPR system. Our other neighbouring countries are expected to follow soon.

- The Netherlands has already taken concrete steps towards an EPR system for other textile products, like apparel items. It is expected that more complex textile products, like carpets, will follow soon after.
- Discussion on an EPR scheme are ongoing in the UK as well. It is however not yet clear how carpets will be classified. Coming from the industry, there is a strong lobby against adding carpets to the waste category 'Bulky Household waste'.
- An EPR system for matrasses exists in Belgium since 2021. It is expected that a similar system will be set up for textile floor coverings as well. Belysse is part of the consortium 'Living Lab Carpet'. This is a VLAIO-funded project in which new methods for end-of-life collections, processing and reuse or recycling of textile floor coverings, will be developed. One of the deliverables of this project is a recommendation for a Belgian EPR system.
- In the U.S., California was the first state to establish EPR legislation in 2010. It is an industry-designed and managed state-wide carpet stewardship program. This program follows producer responsibility principles to ensure that discarded carpets become a resource for new products in a manner that is sustainably funded and adheres to the waste management hierarchy. Bentley participates in this program through the Carpet America Recovery Effort (CARE) to achieve state goals.

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. So evidently, the protection of our planet is of primary concern.

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 packages, 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.

Belysse'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) 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.

People and Planet Risks and Opportunities

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. 45, we will make further investments in water recycling or process changes with lower water consumption, focusing on our production site in Tielt. We are also working actively with the Flemish Government on optimising water consumption.

Reduction of CO2 emissions

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

- Lowering CO2 emissions from heating (work) spaces.
- Lowering CO2 emissions from standby consumption
- Lowering CO2 emissions from production machinery (e.g. optimizations).
- Switching to (green) electricity instead of natural gas.

Our general approach and our ambitions in terms of energy efficiency are outlined on p. 50. The development of monopolymer products and production processes that reduce emissions are considered opportunities.

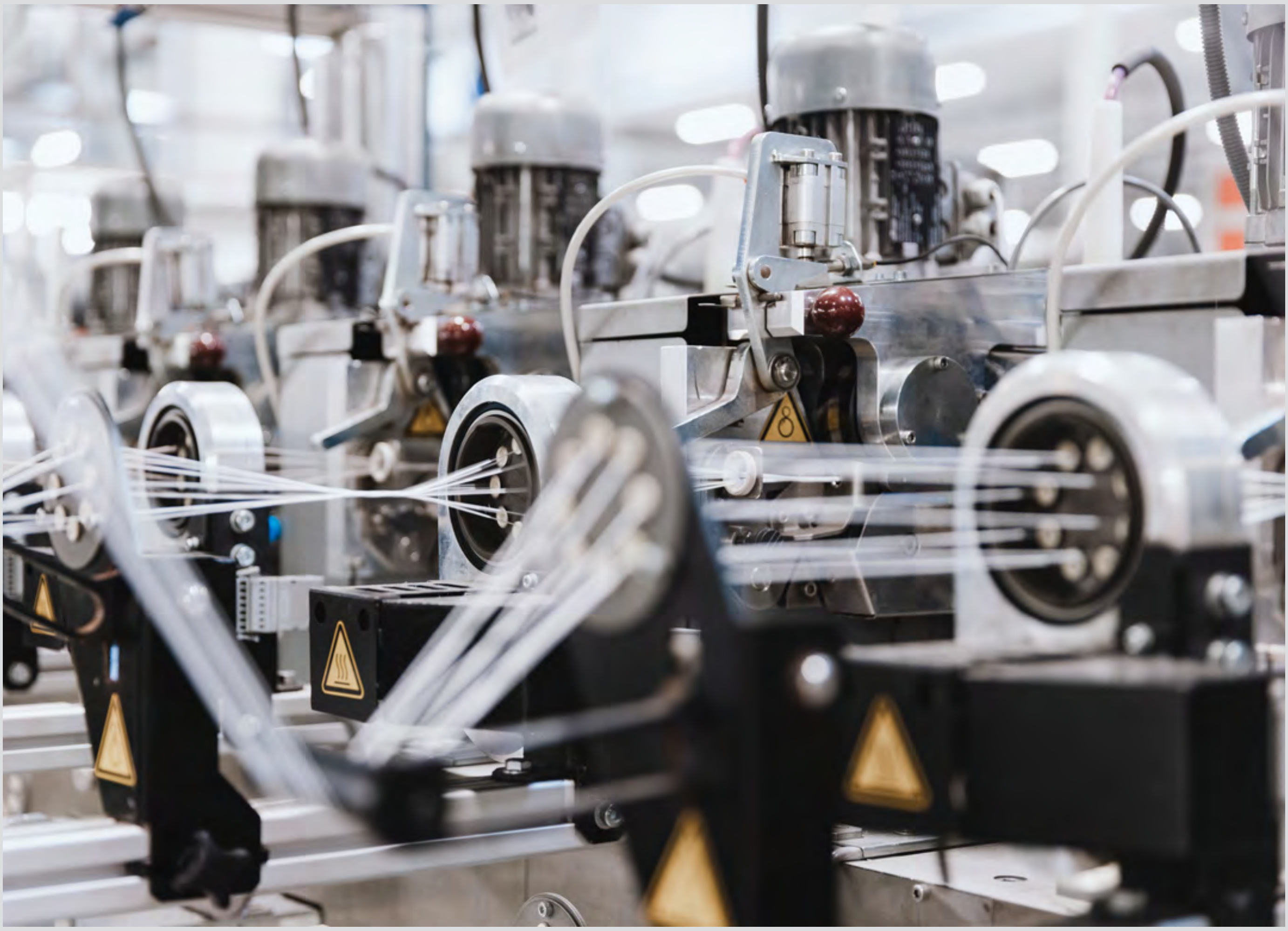
GRI content index

GRI ref.	Disclosure	Page report
ORGANISATIONAL PROFILE		
102-1	Name of the organisation	67
102-2	Activities, brands, products and services	11 - 14
102-3	Location of headquarters	16
102-4	Location of operations	16
102-5	Ownership and legal form	67 and next
102-6	Markets served	16
102-7	Scale of the organisation	11; 15
102-8	Information on employees and other workers	29 and next
102-9	Supply chain	9; 40; 54; 101 - 102
102-10	Significant changes to the organisation and its supply chain	67 and next; 101 - 102
102-11	Precautionary principle or approach	53
102-12	External initiatives	42
102-13	Membership of associations	25
STRATEGY		
102-14	Statement from senior decision-maker	4
ETHICS AND INTEGRITY		
102-16	Values, principles, standards and norms of behaviour	55 and next
GOVERNANCE		
102-18	Governance structure	67 and next
STAKEHOLDER ENGAGEMENT		
102-40	List of stakeholder groups	26
102-41	Collective bargaining agreements	40
102-42	Identifying and selecting stakeholders	25
102-43	Approach to stakeholder engagement	26
102-44	Key topics and concerns raised	27 - 28
REPORTING PRACTICE		
102-45	Entities included in the consolidated financial statements	155
102-46	Defining report content and topic boundaries	20; 27 - 28
102-47	List of material topics	28
102-48	Restatements of information	49; 51; 52
102-49	Changes in reporting	20

GRI content index

GRI ref.	Disclosure	Page report
102-50	Reporting period	1
102-51	Date of most recent report	1; 168
102-52	Reporting cycle	168
102-53	Contact point for questions regarding the report	168
102-54	Claims of reporting in accordance with the GRI Standards	20
102-55	GRI content index	64 - 65
102-56	External assurance	165
MATERIAL TOPICS — TOPIC-SPECIFIC DISCLOSURES		
201-1	Direct economic value generated and distributed	105 - 109
205-2	Communication and training about anti-corruption policies and procedures	58
206-1	Legal actions for anti-competitive behaviour, antitrust and monopoly practices	58
301-2	Recycled input materials used	46
302-3	Energy intensity	49 - 50
302-4	Reduction of energy consumption	49 - 50
303-1	Interactions with water as a shared resource	51
303-5	Water consumption	51
305-1	Direct (Scope 1) GHG emissions	49 - 50
305-2	Energy indirect (Scope 2) GHG emissions	49 - 50
305-4	GHG emissions intensity	49 - 50
305-5	Reduction of GHG emissions	49 - 50
306-3	Waste generated	52
306-4	Waste diverted from disposal	52
306-5	Waste directed to disposal	52
307-1	Non-compliance with environmental laws and regulations	53 - 54
308-2	Negative environmental impacts in the supply chain and actions taken	54
403-9	Work-related injuries	33 - 34
405-1	Diversity of governance bodies and employees	37 - 38
406-1	Incidents of discrimination and corrective actions taken	39 - 40
413-2	Operations with significant actual and potential negative impacts on local communities	41
416-1	Assessment of the health and safety impacts of product and service categories	35 - 36
417-1	Requirements for product and service information and labelling	35 - 36

03 Corporate Governance



Corporate Governance

This chapter provides information on Belysse Group NV's (hereinafter also referred to as 'Belysse' 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'), Belysse 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 2022. It is available for download on the Corporate Governance section of our corporate website via www.belysse.com/en/about-us/corporate-governance.

The company follows the rules provided by the Belgian Corporate Governance Code of 2020, except as explicitly stated otherwise and justified in this 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 2022 represented by 35,943,396 shares without nominal value. Each share carries one vote. No capital movements took place in 2022.

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 2022, the company received several transparency notifications from UBS Group AG, stating that by virtue of an acquisition, respectively a disposal of financial instruments, its total indirect holdings in voting rights of the company, held directly by controlled undertakings, crossed, respectively fell below, the threshold of 5%. According to the most recent notification of 29 November 2022, total indirect holdings of UBS Group AG in voting rights of the company, held directly by controlled undertakings, fell below the 5% threshold.

Corporate Governance

Shareholder structure

The following table shows the shareholder structure on 31 December 2022 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:

No acquisitions or disposals of shares by persons discharging managerial responsibilities ('PDMR') have been notified in the course of 2022.

Shareholders	Shares	
	Number	%
LSF9 Belysse Holdco S.à r.l.	19,408,879	54.00 %
Farringdon Capital Management	2,234,400	6.22 %
Prime AIFM Lux S.A.	2,041,700	5.68 %
Management	28,000	0.08 %
Public	12,230,417	34.03 %

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.

Annual General Shareholders' Meeting

The company's Annual General Shareholders' Meeting ('Shareholders' Meeting') took place on 25 May 2022.

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 2021 and the consolidated annual accounts relating to the financial year ending on 31 December 2021.

Shareholders approved the remuneration report relating to the financial year ending on 31 December 2021. They further approved the statutory annual accounts relating to the financial year ending on 31 December 2021, 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 2021.

The shareholders also acknowledged the resignation of Mrs Sarah Hedger, as independent director of the company, with effect as of 31 December 2021 at 23h59m59 and her full discharge for the execution of her mandate until 31 December 2021 at 23h59m59.

Upon a proposal by the company's Board of Directors and based on the advice of the company's Remuneration and Nomination Committee, the shareholders confirmed the co-optation by the Board of Directors of Mrs Vanessa Temple as independent director of the company, with effect as of 1 January 2022 at 00h00m01 for the remainder of the mandate of Mrs Sarah Hedger, being until the annual Shareholders' Meeting resolving on the annual accounts of the financial year ending on 31 December 2024.

This mandate is remunerated as described in the annual remuneration report and in accordance with the remuneration policy.

Corporate Governance

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 Belysse 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 Secretary of the Board of Directors is the Compliance Officer for the purposes of the Belysse Dealing Code.

The board and committees

Belysse 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 to be a member of both Boards.

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

On 31 December 2022, 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 Belysse 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.

Corporate Governance

On 31 December 2022, 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
Vanessa Temple	Independent Director	2022	2025
Itzhak Wiesenfeld	Independent Director	2019	2023
Neal Morar	Non-Executive Director and chairman of the Audit Committee	2018	2025
Hannah Strong	Non-Executive Director	2017	2025
Flora Siegert	Non-Executive Director	2022	2025
Patrick Lebreton	Non-Executive Director	2017	2025

Corporate Governance

Mr Hannes D'Hoop 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 Belysse, 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 CEO of Ascom (since 2022), 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 as a member of the Executive Committee and divisional head of Barco, a global leader in visualisation solutions (from 2017 until 2021), and with the Etex Group (from 2011 until 2017), 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 Vanessa Temple has been ESG Lead for ING Belgium since April 2022. Between Q1 2021 and Q1 2022, she was a member of ING Group's Climate Risk team. Previously, she led ING's Belgian capital structuring & advisory team, followed by a position as head of ING's corporate sector teams for Belgium, Luxembourg & the Nordics. Before stepping into these leadership positions, she worked as an originator for various debt products, including complex financing, acquisition & leveraged finance, and bonds for large & mid-sized corporates. In the early stages of her career, she was a Corporate Relationships Manager for ING Singapore, for 3 years.

Mrs Temple holds a Master's degree in Business Engineering (Leuven School of Management, Belgium).

Corporate Governance

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.

Ms Flora Siegert is a legal counsel at Lone Star Capital Investments S.à r.l., a Belysse investor. Prior to her current position, she was a corporate and financing associate at Elvinger Hoss Prussen and she worked in the M&A department of Canal+, a subsidiary of the Vivendi Group.

She currently also serves as a board member in several multinational corporations:

- MB Solutions Investments S.à r.l., the main entity at the head of the MBCC Group, a leading supplier of innovative construction chemicals and solutions
- LSF11 Folio Lux S.à r.l., the entity at the head of XSYS, a leading provider of consumables and equipment to the flexographic printed packaging industry
- LSF11 Magpie Topco S.à r.l., an investor in Manuchar NV, a leading chemicals and commodities distributor in emerging markets

Ms Siegert holds Master's degrees in Global Business Law and Governance (Columbia Law School New York, US), Business Law (Sorbonne University Paris, France) and in Law and Economics (Paris Institute of Political Studies, France).

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.

Corporate Governance

Evolution in composition during 2022

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, being until the annual Shareholders' Meeting resolving on the annual accounts of the financial year ending on 31 December 2024. The co-optation was confirmed by the shareholders during the latest Shareholders' Meeting. On 31 January 2022 Mrs Temple was appointed as a member of the Audit Committee.

With effect as of 26 October 2022 at 23h59m59, Mr Jeremy Fryzuk resigned as member of the Board of Directors and chairman of the Audit Committee. Upon recommendation of the Remuneration and Nomination Committee, the Board decided to co-opt Ms Flora Siegert as of 27 October 2022 at 00h00m01 for the remainder of the term of Mr Fryzuk's mandate, being until the annual Shareholders' Meeting resolving on the annual accounts of the financial year ending on 31 December 2024.

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 six occasions. All Directors were present (or were represented) at these meetings.

Major matters reviewed and discussed by the Board of Directors in 2022 were:

- Financial and overall performance of the group;
- Continuous monitoring of the cashflow situation, the procurement action plan and follow-up of the evolution of the market circumstances and the effects of the pricing implementation;
- Implementation, actions, outcome and follow-up of health & safety initiatives;
- Presentation and detailed follow-up of the progress made with the company's four-year sustainability, innovation, efficiency & agility program BEYOND;
- General strategic, financial and operational matters for the business;
- Follow-up on the implementation process of the Divestment and the organization of the group after the closing of the Divestment (e.g., but not limited to: SAP-separation, name change and rebranding, organizational chart, compliance program,...);
- 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 2022 budget, the amendment of the RCF, the amendment of the terms of the Senior Secured Notes due 2024 and the indenture governing these notes;
- On a recommendation from the Remuneration and Nomination Committee, approval of the 2021 bonus and the 2022 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.

Corporate Governance

Directors' attendance at Board and Committee meetings

	Board of Directors	Audit Committee	Remuneration and Nomination Committee
Cyrille Ragoucy	6/6		
Michael Kolbeck	6/6		4/4
Accelium BV, represented by Nicolas Vanden Abeele	6/6	5/5	
Vanessa Temple	6/6	5/5	4/4
Itzhak Wiesenfeld	6/6	5/5	4/4
Neal Morar	6/6	1/1	
Hannah Strong	6/6		
Jeremy Fryzuk	5/5	4/4	
Patrick Lebreton	6/6		
Flora Siegert	1/1		

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. Currently, one-third of our board members is female, meaning that the aforementioned requirement is met. 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 Belysse 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.

Belysse 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 40 nationalities across 4 main locations on 2 continents. This is reflected in the Management Committee, composed of diverse nationalities: Australian, Belgian, French and US.

It is our strong belief that employing the right people for the right roles encourages a balanced workplace and this has been reflected in the quasi status quo in gender balance at the end of 2022.

Belysse 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.

Corporate Governance

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 Belysse has established an Audit Committee.

During 2022, the Audit Committee consisted of three members, all being non-executive directors and a majority of them being independent directors.

By decision of the Board of 31 January 2022 Mrs Vanessa Temple, non-executive independent director, was appointed as a new member of the Audit Committee.

On 26 October 2022 Mr Jeremy Fryzuk stepped down as a non-executive director. He was also no longer the chairman of the Audit Committee as from that date.

By decision of the Board of 26 October 2022 Mr Neal Morar, non-executive director, was appointed as a new member of the Audit Committee. By decision of the Audit Committee on 13 December 2022, Mr Morar was appointed as new chairman of the Audit Committee.

In the course of 2022, the Audit Committee met five times.

As required by the Belgian Code on Companies and Associations, Mr Neal Morar, 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 he reported on the outcome of the audit and presented the global audit plan.

In addition to its statutory powers and its power under the Corporate Governance Charter, the Audit Committee considered the following main subjects: the quarterly financial statements, the compliance approach and related policies, the 2022 budget and the approval of non-audit services, the amendment of the RCF, the amendment of the terms of the Senior Secured Notes due 2024 and the indenture governing these notes, review of the closing accounts in relation to the Divestment.

Name	Position	Director since	Mandate expires
Neal Morar	Non-Executive Director and chairman of the Audit Committee	2018	2025
Accelium BV, represented by Nicolas Vanden Abeele	Independent Director	2017	2025
Vanessa Temple	Independent Director	2022	2025

Corporate Governance

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 2022, 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
Vanessa Temple	Member and Independent Director	2022	2025
Itzhak Wiesenfeld	Member and Independent Director	2019	2023

In 2022 the Remuneration and Nomination Committee met four times.

The CEO and the 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 2021 bonus for members of the Management Committee and the general management, the 2022 compensation and benefit packages for members of the Management Committee, the 2022 LTIP, the Belysse organisation after the closing of the Transaction, the remuneration report, remuneration policy and retention plan for the key managers of European BU, HR challenges and talent assessment.

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 2022 and consists of the following members on 31 December 2022:

Name	Position
Cyrille Ragoucy	Chief Executive Officer
ANMIRU BV, represented by Andy Rogiest	Chief Financial Office
EQIDNA BV, represented by James Neuling	Managing Director Europe
Jay Brown	President Bentley Mills Inc
Charlotte Veys	HR Director

Corporate Governance

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

Mr Andy Rogiest (representative of ANMIRU BV) was appointed Chief Financial Officer of Belysse in early June 2022. He has extensive experience in corporate finance and joined us from Belgian healthcare innovator Home Health Products, where he was COO. Before, he held several senior functions in finance, strategy and operations at Imperial Meat Products, Ontex and PSA HNN.

Mr Rogiest holds Masters degrees in Applied Economics (Ghent University, Belgium) and Finance (Vlerick Business School, Belgium).

Mr James Neuling (representative of EQIDNA BV) joined Belysse in October 2022 as Managing Director Europe. He is a seasoned and dynamic executive who brings vast experience from a number of industries where he held senior positions including Vice-President at Beaulieu Flooring Solutions, and Managing Director at Rio Tinto Alcan International, Mondi Group and at Scapa Group. Prior to joining Belysse, James Neuling managed the divestment of Nortek HVAC to Madison, a major player in the heating, ventilation, and air conditioning industry.

Mr Neuling holds a Bachelor's degree in Electrical & Electronic Engineering (University of Adelaide, Australia), a Graduate Diploma in Marketing (Thames Business School, Singapore) and a Master of Business Administration (IMD Business School, Switzerland).

Ms Charlotte Veys Charlotte Veys started her career at Belysse in 2010. Before becoming HR Director in March 2022, she held various other HR functions at Belysse Group and was the company's Compensation & Benefits manager.

Ms Veys holds a Master's degree in Psychology (Catholic University Leuven, Belgium).

Mr Jay Brown is a seasoned industry executive, with 33 years operations and sales experience. He joined Bentley Mills in 2020, as Vice President of Operations. In May 2022, he took the helm as President and COO. Before arriving at Bentley, he held various leadership positions at Interface, a global leader in modular flooring, and at Multi Packaging Solutions (MPS).

Mr Brown holds a Bachelor's degree in Science (Auburn, US) and a Juris Doctorate from Faulkner University (US).

Mr Jan-Christian Werner (Chief Financial Officer) left Belysse in June 2022 and was replaced by Mr Andy Rogiest. Mr Werner joined Belysse in 2019. Before joining Belysse, 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 (Managing Director for the Commercial and Residential Europe Business Unit) left Belysse in June 2022. Mr Rigaux joined Belysse in 2019 as Chief Transformation Officer to design and lead the NEXT program. 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 Marc Dessein (Managing Director of the Rugs division) left Belysse in April 2022. He has worked for Belysse since 1992. From 1993 until 2006, he was General Manager of the Wool-Heatset Rugs Business Unit of Belysse and prior to that Export Sales manager. From 1985 to 1992 he held sales and management positions at Pfizer, Radar and Sun International.

Corporate Governance

Mr Jim Harley retired from his position in Bentley in May 2022. He was 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.

Ms Mieke Buckens (Group HR Director) left Belysse in April 2022 and was replaced by Ms Charlotte Veys. Mrs Mieke Buckens joined Belysse in October 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.

Statutory auditor

The audit of the statutory and consolidated financial statements of the company is entrusted to the statutory auditor appointed at the Shareholders' Meeting, for renewable terms of three years. The current statutory auditor is PricewaterhouseCoopers Bedrijfsrevisoren BV, with its registered office at Culligaanlaan 5, 1831 Machelen, 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 2022, the remuneration paid to the statutory auditor for auditing activities amounted to € 566,800. Remuneration paid for other assignments outside the audit mandate were € 144,400 and € 44,000 for tax related services.

Corporate Governance

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 2022 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

Belysse 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 Belysse 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 2022 – 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.

Corporate Governance

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.

Corporate Governance

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 increase 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 2022, the Board of Directors did not make use of its mandate to increase the company'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 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 2022, 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.

Corporate Governance

Material agreements to which Belysse or certain of its subsidiaries is a party containing change of control provisions

Senior Secured Notes

On 3 August 2015, LSF9 Belysse Issuer S.à r.l. (the 'Issuer') issued € 290,000,000 in aggregate principal amount of 7.75% Senior Secured Notes due 2022 (the "2022 Notes") of which € 234,900,000 remained outstanding after the partial redemptions in 2017. On 8 March 2021, the Issuer completed an amend and extend exchange offer, pursuant to which € 232,818,300 in aggregate principal amount of the 2022 Notes exchanged into Senior Secured Notes due 2024 (the "2024 Notes"), with an extended maturity date of 31 December 2024, € 243,000 in aggregate principal amount of the 2022 Notes opted to exit for cash consideration. An aggregate principal amount of € 1,838,700 of the remaining 2022 Notes saw their maturity extended to 31 December 2030.

Upon the occurrence of a change of control, the indenture governing the 2024 Notes (the "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.

On 4 April 2022, the Issuer completed a tender offer and consent solicitation in respect of its then outstanding € 234,027,888 in aggregate principal amount of the Senior Secured Notes, along with a concurrent private placement of the Senior Secured Notes to an existing noteholder. More than 90% of the holders of the principal amount of the Notes participated in the tender offer and consent solicitation, following which an aggregate principal amount of € 130 million of the Senior Secured Notes remained outstanding, including the Senior Secured Notes issued in the private placement.

Pursuant to the tender offer and consent solicitation, the Issuer also made certain amendments to the Indenture, including decreasing the redemption price of the Senior Secured Notes during the period on or after 15 March 2023 to (but excluding) the date of redemption, to 100% of the principal amount thereof plus accrued and unpaid interest and Additional Amounts.

Revolving Credit Facility

On 3 August 2015, the Issuer and LSF9 Belysse 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).

Per 4 April 2022, the € 61m European Super Senior Revolving Credit Facility was repaid and replaced by a € 45m Super Senior Revolving Credit Facility with maturity date in June 2024.

Sale-and-leaseback

On 20 December 2019, the company entered into a sale-and-leaseback agreement with three banks. If a third party gains control over the company, the banks are entitled to terminate the agreement at their own discretion. This change of control clause was approved by the general Shareholders' Meeting of 26 May 2020 in accordance with article 7:151 of the Belgian Code on Companies and Associations.

On 31 March 2022, this sale-and-leaseback agreement was split as part of a partial demerger in the framework of the Divestment and remained in place with the company solely in relation to the Tielt property.

Corporate Governance

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 in March 2022. 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.

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 Belysse 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.

2022 Long Term Incentive Plan
On 15 June 2022, the Board of Directors approved a new long-term incentive plan (the '2022 LTIP'). The PSUs granted under the 2022 LTIP will vest to relevant managers that still provide services to the Belysse 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.

Corporate Governance

Conflicts of interest

Directors' conflicts of interest

Articles 7:96 and 7:97 of the Belgian Code on Companies and Associations provides for a special procedure if a director of the company, save for certain exempted decisions or transactions, directly or indirectly has a personal financial interest that conflicts with a decision or transaction that falls within the Board of Directors' powers. The director concerned must inform the other directors before any decision of the Board of Directors is taken and the statutory auditor must also be notified. For listed companies, the director thus conflicted may not participate in the deliberation or vote on the conflicting decision or transaction.

Relevant section of the minutes of the Board of Directors of 24 February 2022

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 2021 bonus for the members of the Management Committee and the general management and (ii) approval of the 2022 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 2021 bonus for the members of the Management Committee and the general management and approval of the 2021 compensation & benefits packages for members of the Management Committee would have the following financial consequences for the company: the 2021 bonus pay out amounts to € 780,752 gross. The fixed annual remuneration for 2022 amounts to € 700,000 gross. Subject to satisfying all performance objectives set by the Board of Directors, the target variable fee for 2022 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 interest.

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.

Corporate Governance

Compliance with the 2020 Belgian Code on Corporate Governance

Belysse 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 2022. 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. The current Long Term Incentive Plans (2020 LTIP and 2022 LTIP) include a vesting period of three years after the date of reward of the PSUs, with the sole exception of an accelerated PSU vesting in the event of the closing of a public takeover bid for the company. The Board considers that the vesting of the Performance Share Units to the relevant managers that still provide services to the Belysse Group on the third anniversary of their award fosters a sustainable and long-term commitment of these managers to shareholder value creation that addresses the goal of Principle 7.11 of the Corporate Governance Code;
2. the group of directors appointed at the nomination of LSF9 Belysse 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 Belysse 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 Belysse Holdco S.à r.l., that the Board of Directors is well-balanced and that non-executive directors have complimentary skills and experience;
3. 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 program, 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 program;
4. 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 Belysse 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;
5. 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;
6. the variable remuneration awarded to members of the Management Committee for 2022 was based upon Group (and divisional) financial targets and not on individual targets (with exception to the HR director). This will be reviewed annually;
7. no specific provisions on the recovery of or with- holding 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.

Corporate Governance

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 2022 was in line with Belysse'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 2022, Belysse did not deviate from the principles laid down in its remuneration policy.

Remuneration of directors

In accordance with the company's remuneration prin- ciples, 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 Belysse Holdco S.à r.l.

The remuneration of the independent members of the Board of Directors was as follows in 2022:

- 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.

Corporate Governance

The actual remuneration granted to the directors in 2022

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	–	–	–	–	–
Flora Siegert Non-executive director	–	–	–	–	–
Accelium BV, represented by Nicolas Vanden Abeele Independent director	–	€ 40,000	€ 10,000	€ 10,000	€ 60,000
Vanessa Temple Independent director	–	€ 40,000	€ 10,000	–	€ 50,000
Itzhak Wiesenfeld Independent director	–	€ 40,000	–	€ 10,000	€ 50,000
Neal Morar Non-executive director Chairman of the Audit Committee	–	–	–	–	–
Hannah Strong Non-executive director	–	–	–	–	–
Patrick Lebreton Non-executive director	–	–	–	–	–
Total	**-**	**€ 120,000**	**€ 20,000**	**€ 20,000**	**€ 160,000**

No other benefits were paid to the members of the Board of Directors for their director's mandate.
A total of € 160,000 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 24 February 2022 based on recommendations from the Remuneration and Nomination Committee of 22 February 2022.

In line with the company's remuneration principles, as decided by the Shareholders' Meeting dated 26 May 2021, 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 2022, 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 € 1,402,823 (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 2022 to 31 December 2022.

For the CEO and the CFO, the STIP for 2022 was based on Group financial targets: 70% on Group Adjusted EBITDA and 30% on Group Seasonality Adjusted Net Debt. For the HR Director, the STIP for 2022 was based on Group financial targets: 50% on Group Adjusted EBITDA, 20% on Group Seasonality Adjusted Net Debt and 30% on KPI.

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 2022 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 2022, the target STIP was 80% of fixed annual remuneration for the CEO and, on average, 38% 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 Belysse 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.

Since the minimum hurdle was not reached, there was no vesting in 2022.

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 Belysse 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.

For the same purposes as the previous LTIPs, a 2022 LTIP was implemented. The PSUs granted under the 2022 LTIP will vest to relevant managers that still provide services to the Belysse 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 2022 LTIP was awarded to the members of the Management Committee, except to the CEO.

(iv) Pension contributions

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

(v) Other benefits

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

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

For the year ended 31 December 2022, the total remuneration of the CEO was as follows:

- Base salary (gross remuneration): € 700,000
- Variable remuneration (relating to performance in 2022, paid out in 2023): € 883,288
- Pension: nil
- Other compensation components (company car, fuel card and smartphone): € 12,720
- No PSUs were granted in 2022.

(vii) Remuneration awarded to the other Management Committee members

For the year ended 31 December 2022, the total remuneration of the other Management Committee members was as follows:

- Base salary (gross remuneration – severance payments included): € 1,403,823
- Variable remuneration (relating to performance in 2022, paid out in 2023): € 582,686
- Pension: € 20,902
- Other compensation components (car, insurance, lunch vouchers, representation allowances): € 80,237
- Within the framework of the 2022 LTIP, 52,205 PSUs were granted in 2022.

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	2022	01/07/2022 - 01/07/2025	01/07/2022	01/07/2025	52,205	0
	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	Various other benefits	Total remuneration	% of fixed and variable
Cyrille Ragoucy (CEO)	€ 700,000	€ 883,288	€ 0	€ 0	€ 12,720	€ 1,596,008	44,6% fixed 55,4% variable
Other members of the Management Committee (total)	€ 1,403,823	€ 582,686	€ 33,889	€ 20,902	€ 80,237	€ 2,120,537	71% fixed 29% variable

Corporate Governance

Changes to the remuneration policy since the end of 2022

No changes have been made to the remuneration policy since the end of 2022.

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

During 2022, 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 and a termination fee equal to the relevant portion of his fixed fee for early termination of the notice period.

Ms Charlotte Veys is entitled to the notice period applicable in accordance with Belgian employment law.

Other than in the case of termination in certain events of breach of contract, Mr James Neuling is entitled to a notice period of two (2) weeks in case of termination within the first three (3) months of the contract, of 1 (one) month in case of termination between the fourth and the sixth month, of 3 (three) months in case of termination between the sixth and the twelfth month or of 6 (six) months in case of termination of the contract by the company directly resulting from the closing of a voluntary or mandatory public takeover bid on all shares of the company, of 6 (six) months in case of termination as from the twelfth month of the contract.

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

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

	FY 2017(1)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Board of Directors members' total remuneration	€ 124,584	€ 216,022	€ 162,930	€ 154,462	€ 170,000	€ 160,000
CEO's total remuneration	€ 584,000	€ 776,490	€ 990,664	€ 867,141	€ 1,493.472	€ 1,596,008
Management Committee members' total remuneration	€ 1,708,496	€ 1,353,114	€ 2,230,675	€ 2,536,733	€ 3,901,427	€ 2,120,537
Company performance						
Group Adjusted EBITDA	€ 84,381,000	€ 72,352,000	€ 74,356,000	€ 67,990,000	€ 87,800,000	€ 35,500,000
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	€ 1,596,008

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

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

Corporate Governance

Since the addendum signed on 30 March 2022, Mr Jan-Christian Werner was entitled to a notice period of seven (7) months in case the contract was ended by the employer, except for termination for intentional gross misconduct. 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 his last contract, Mr Emmanuel Rigaux was entitled to a notice period of six (6) months or twelve (12) months in case of termination of the contract by the company before 31 December 2022 directly resulting from a divestment or a reorganisation. If the company 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 case the contract is terminated by Mr Emmanuel Rigaux, a notice period of six (6) months is applicable. If Mr Emmanuel Rigaux does not perform his duties for the entire notice period, the company 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 a severance payment was made to Mr Jan-Christian Werner and a severance payment was made by Mr Emmanuel Rigaux for an aggregate amount equal to € 39,739. The severance payment made to Mr Jan-Christian Werner is included in the total remuneration.

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. Belysse'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 2022.

In 2022, 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 25 May 2022 approved the remuneration report for financial year 2022 with a majority of 86.5%.

Corporate Governance

Risk management and internal control framework

Introduction

Belysse operates a risk management and control framework in accordance with the Belgian Code on Companies and Associations and the Corporate Governance Code. Belysse 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 Belysse'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

Belysse 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: 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.

There is no internal audit (director) as the current control environment is considered to provide sufficient security within the area of risk and control.

Policies, procedures and processes

Corporate culture is sustained by the implementation of different company-wide policies, procedures and processes such as , 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. Belysse 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, Belysse has implemented a speak-up procedure, policy and tool in 2020 and has further rolled out the awareness to all Belysse employees in 2021 and 2022. Following the Divestment a relaunch of the tool was executed, followed by an awareness campaign. 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

Both Belysse Europe and Belysse Bentley divisions operate a centrally managed ERP platform. These systems embed the roles and responsibilities defined at Divisionslevel.
In both systems, the main flows are standardised, key internal controls are enforced and regular testing is carried out by the corporate finance department. The systems also allow detailed monitoring of activities and direct central access to data.

Corporate Governance

Control activities
Control measures are in place to minimise the effect of risk on Belysse's ability to achieve its objectives. These control activities are embedded in Belysse's key processes and systems to ensure that the risk responses and Belysse'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 Belysse Europe: 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 given to the security of all data stored in computer systems.

Information and communication
Belysse 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 each Division's 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 authorisation management on a centralised basis. During 2022, a number of additional reporting tools have been rolled out within the Belysse Europe division 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 Belysse employees are accountable for the timely identification and qualitative assessment of the risks within their area of responsibility. Belysse 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 ERP system and management information tools of each Division 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 Belysse 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 policy was approved at the Shareholders' Meeting of 26 May 2021. The remuneration policy is applicable within Belysse 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.

Belysse's vision on remuneration

Belysse'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.
- Belysse's remuneration will reward its employees fairly and appropriately regardless of gender, nationality and beliefs. It will solely be based on function and performance.

Belysse'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.

Remuneration Policy

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 Belysse'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.

Remuneration Policy

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 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 Belysse'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. Belysse 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.

Remuneration Policy

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 arebased only on the realisation of Group or divisional financial targets. For the members of the Management Committee these targets are based on three financial indicators, aligned with the yearly objectives. They can be Group performance indicators or divisional indicators. These key performance indicators are approved by the Board on proposal of the Remuneration Committee once a year.

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

The performance against the targets (and resulting pay-outs) are assessed annually by the Board of Directors upon recommendation of the Remuneration and Nomination Committee, supported by the controlling and finance department.

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

For the CEO, the annual potential of the STIP at target can amount up to 100% of his annual fixed remuneration, with a minimum of as low as 0% in the case of underperformance 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.

Remuneration Policy

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 and other than the exceptions included under the chapter 'Provisions concerning individual severance payments for Management Committee members / Termination provisions', 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).

Remuneration Policy

Derogations from the remuneration policy

Belysse 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 Belysse 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 Belysse, 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.

In the course of 2022 - 2023, a number of competitors (announced to) close(d) down (part of) their European operations, due to increased raw material, labour and energy costs.

Customer dependency

Our customer dependency has been significantly reduced since the transaction. In 2022, our top three customers accounted for less than 10% of our revenue.

General macro-economic and geopolitical events & trade regulations

Product demand depends significantly on consumer confidence, the economic environment and factors impacting both the residential and commercial renovation as well as the construction markets. With production and distribution facilities in Belgium and the United States, and sales in over 100 countries, we are exposed to geopolitical risk on both the demand and supply side.

The invasion of Russia in Ukraine and the resulting sanctions only had limited direct impact on our Group. The fierce inflation on the other hand did had an impact with a steep increase in almost all of our input costs. This is addressed by a constant review of our cost base and a pass-on to customers where needed. In our European businesses, we noticed a timing delay in incurring these cost and the pass-on to customers. The indirect effect of higher interest rates are limited as we are mostly financed as explained above with a fixed interest rate.

Supplier risk

By July 2022, Bentley Mills' main yarn supplier, ceased production of Nylon 6.6 carpet fibers. Apart from a temporary increase in working capital, some product ranges and collections were impacted by this decision.

The management has assessed the impact of this decision on the net realizable value of inventory and all proper actions to mitigate the risks for the existing and future business have been successfully executed, i.e. alternative yarn suppliers have been contracted and there was a transition to PA6-yarns.

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.

Summary of Main Risks

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.

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 the course of 2022, we extended our network of raw material suppliers.

In 2022, raw material expenses represented 48.1% 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.

In 2022, Europe faced unprecedented cost inflation in materials, energy, transportation and payroll cost. Multiple price increases had to be implemented in response, although with a time lag.

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 the 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 adequate cyber security.

Summary of Main Risks

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 and US dollar. 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 affec 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. On 4 April 2022, the Issuer completed a tender offer and consent solicitation in respect of its then outstanding €234,027,888 in aggregate principal amount of the Senior Secured Notes, along with a concurrent private placement of the Senior Secured Notes to an existing noteholder. More than 90% of the holders of the principal amount of the Notes participated in the tender offer and consent solicitation, resulting in a new financing for an aggregate principal amount of €130 million of the Senior Secured Notes due December 2024, including the Senior Secured Notes issued in the private placement and the amendments mentioned below.

Furthermore, the 61m European Super Senior Revolving Credit Facility was repaid and replaced by a €45m Super Senior Revolving Credit Facility. The Exchange Offer substantially improved Belysse' s debt maturity profile and will enable Belysse 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 26 of the section 'Financial Risk Management' in the Financial Statements.

BEYOND programma

As a successor to our transformational programme called 'NEXT', the 'BEYOND' programme was launched in 2022. 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 production processes, an incremental drive for Efficiency through Lean strategies and procurement and agility through digital initiatives. 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. As from January 1st 2023, Extended Producer Responsibility (EPR) legislation will be in force in France, affecting all construction materials including rugs and carpet tiles. It is expected that UK, The Netherlands and Belgium will follow in the years thereafter.

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. A significant trend observed this last year is the increased demand for low-carbon raw materials, resulting in lower availability and steep price increases.

04 Financial Statements

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

		For the year ended 31 december	
(€) thousands	**Note**	**2022**	**2021**
I. CONSOLIDATED INCOME STATEMENT			
Revenue	Note 4	337,430	276,814
Raw material expenses		(162,318)	(114,514)
Changes in inventories	Note 15	10,434	9,655
Employee benefit expenses	Note 6	(78,049)	(83,069)
Other income	Note 7	316	1,041
Other expenses	Note 7	(72,308)	(46,850)
Depreciation / amortisation	Note 8	(18,688)	(17,143)
Adjusted Operating Profit 1		**16,818**	**25,935**
Integration and restructuring expenses	Note 9	(1,445)	(5,993)
Operating profit / (loss)		**15,373**	**19,941**
Finance income		-	-
Finance expenses	Note 10	(19,650)	(28,294)
Net finance expenses		**(19,650)**	**(28,294)**
Profit / (loss) before income taxes		**(4,277)**	**(8,353)**
Income tax benefit / (expense)	Note 11	(9,010)	(8,173)
Profit / (loss) for the period from continuing operations		**(13,287)**	**(16,526)**
Profit / (loss) for the period from discontinued operations	Note 39	(54,459)	(112,712)
Profit / (loss) for the period		**(67,746)**	**(129,238)**
Attributable to:			
Equity holders		(67,746)	(129,238)
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		10,214	8,804
Changes in fair value of hedging instruments qualifying for cash flow hedge accounting		152	(117)
Items in other comprehensive income that will not be reclassified to P&L			
Changes in deferred taxes		268	(17)
Changes in employee defined benefit obligations		68	125
Other comprehensive income for the period, net of tax, for continuing operations		**10,702**	**8,796**
Total other comprehensive income from discontinued operations		54,456	(10,049)
Total comprehensive income for the period		**(2,587)**	**(130,491)**
Basic and diluted earnings per share from continuing operations attributable to the ordinary equity holders of the company	**Note 33**	**(0.37)**	**(0.46)**
Basic and diluted earnings per share from discontinued operations attributable to the ordinary equity holders of the company	**Note 33**	**(1.52)**	**(3.14)**
Basic and diluted earnings per share from continuing + discontinued operations attributable to the ordinary equity holders of the company	**Note 33**	**(1.88)**	**(3.60)**

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

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

2. Consolidated statement of financial position as at 31 December

		For the year ended 31 December	
(€ thousand)	**Note**	**2022**	**2021**
Property, plant and equipment		108,178	105,943
Of which IFRS 16 related right-of-use assets (excluding sale-and-leaseback)		29,388	28,892
Land and buildings	Note 13	51,245	52,390
Plant and machinery	Note 13	50,025	47,134
Other fixtures and fittings, tools and equipment	Note 13	6,908	6,420
Goodwill	Note 5	105,662	101,110
Other intangible assets	Note 12	5,432	6,424
Deferred income tax assets	Note 14	829	5,027
Trade and other receivables	Note 16	599	537
Total non-current assets		**220,700**	**219,041**
Inventory	Note 15	76,177	62,812
Trade and other receivables	Note 16	24,994	23,745
Current income tax assets		-	9
Cash and cash equivalents	Note 17	38,488	51,394
Assets from discontinued operations	Note 39	-	329,983
Total current assets		**139,660**	**467,943**
Total assets		**360,359**	**686,984**
Share capital	Note 18	252,950	252,950
Share premium	Note 18	65,660	65,660
Other comprehensive income	Note 19	5,866	(4,836)
Retained earnings	Note 20	(191,208)	(15,140)
Elements of comprehensive income from discontinued operations		-	(162,767)
Other reserves		(39,876)	(39,876)
Total equity		**93,392**	**95,991**
Senior Secured Notes	Note 21	130,745	233,744
Bank and Other Borrowings	Note 22	41,590	43,687
Of which IFRS 16 related lease liabilities (excluding sale-and-leaseback)	Note 23	25,577	25,620
Deferred income tax liabilities	Note 14	6,355	8,459
Provisions for other liabilities and charges	Note 29	2,176	2,025
Employee benefit obligations	Note 27	150	762
Total non-current liabilities		**181,015**	**288,678**
Senior Secured Notes	Note 21	1,611	6,714
Bank and Other Borrowings	Note 22	8,760	60,393
Of which IFRS 16 related lease liabilities (excluding sale-and-leaseback)	Note 23	6,872	5,514
Derivative financial instruments	Note 25	-	-
Other payroll and social related payables	Note 28	17,161	14,638
Trade and other payables	Note 30	57,201	42,729
Income tax liabilities		1,219	622
Liabilities from discontinued operations	Note 39	-	177,218
Total current liabilities		**85,952**	**302,314**
Total liabilities		**266,967**	**590,992**
Total equity and liabilities		**360,359**	**686,984**

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

		For the year ended 31 December	
(€ thousand)	**Note**	**2022**	**2021**
I. CASH FLOW FROM OPERATING ACTIVITIES			
Net profit / (loss) from the period for continuing operations		(13,287)	(16,526)
Adjustments for:			
Income tax expense / (income)	Note 11	9,010	8,173
Financial expenses	Note 10	19,650	28,294
Depreciation / amortisation	Note 8	18,688	17,143
(Gain) / loss on disposal of non-current assets		(2)	(59)
Movement in provisions		3,276	565
Expense recognised in respect of equity-settled share-based payments		(61)	13
Fair value of derivatives		125	(117)
Cash generated before changes in working capital		**37,399**	**37,487**
Changes in working capital:			
Inventories	Note 15	(14,507)	(16,799)
Trade receivables	Note 16	1,156	(2,418)
Trade payables	Note 30	10,534	5,533
Other working capital		(1,061)	1,782
Cash generated after changes in working capital		**33,522**	**25,586**
Net income tax (paid)		(5,641)	(5,407)
Net cash generated / (used) by operating activities		**27,880**	**20,180**
II. CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition and disposal of property, plant and equipment	Note 13	(11,778)	(10,585)
Acquisition of intangibles	Note 12	(128)	(456)
Proceeds from non-current assets	Note 39	163,700	72
Net cash used by investing activities		**151,794**	**(10,969)**
III. CASH FLOW FROM FINANCING ACTIVITIES			
Interest and other finance charges paid, net		(25,918)	(24,732)
Proceeds of Senior Secured Notes	Note 21	130,000	-
Repayments of Senior Secured Notes	Note 21	(232,818)	(243)
Repayments of borrowings with third parties	Note 22	(60,665)	(17,704)
Net cash generated / (used) by financing activities		**(189,402)**	**(42,679)**
NET INCREASE/ (DECREASE) IN CASH AND BANK OVERDRAFTS		**(9,728)**	**(33,469)**
Cash, cash equivalents and bank overdrafts at the beginning of the period for continuing operations		51,393	104,440
Exchange gains/(losses) on cash and cash equivalents		903	1,916
Financing and cash transactions between continued and discontinued operations		(4,081)	(21,494)
Cash, cash equivalents and bank overdrafts at the end of the period from continuing operations	Note 17	38,488	51,393
Cash from discontinued operations	Note 39	-	3,909

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

Financial Statements

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

(€ thousands)	Share capital	Share premium	Other comprehensive income	Retained earnings	Other reserves[2]	Total	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 other comprehensive income for the period	-	-	8,796	-	-	8,796	(10,049)	(1,253)
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**

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

Financial Statements

(€ thousands)	Share capital	Share premium	Other comprehensive income	Retained earnings	Other reserves[2]	Total	Elements of comprehensive income from discontinued operations	Total equity
Balance 31 December 2021	**252,950**	**65,660**	**(4,836)**	**(15,140)**	**(39,876)**	**258,759**	**(162,767)**	**95,991**
Profit / (loss) for the period	-	-	-	(13,287)	-	(13,287)	(54,459)	(67,746)
Other comprehensive income								
Exchange differences on translating foreign operations	-	-	10,214	-	-	10,214	54,863	65,077
Changes in fair value of hedging instruments qualifying for cash flow hedge accounting	-	-	152	-	-	152	-	152
Cumulative changes in deferred taxes	-	-	268	-	-	268	158	425
Cumulative changes in employee defined benefit obligations	-	-	68	-	-	68	(565)	(496)
Total other comprehensive income for the period	-	-	10,702	-	-	10,702	54,456	65,158
Total comprehensive income for the period	**-**	**-**	**10,702**	**(13,287)**	**-**	**(2,585)**	**(3)**	**(2,587)**
Change in scope[1]	-	-	-	(162,770)	-	(162,770)	162,770	-
Equity-settled share-based payment plans	-	-	-	(12)	-	(12)	-	(12)
Balance at 31 December 2022	**252,950**	**65,660**	**5,866**	**(191,208)**	**(39,876)**	**93,392**	**-**	**93,392**

1 Change in scope reflects the transfer of the elements of comprehensive income from discontinued operations to retained earnings of the group at completion date of the divestment without currency translation adjustments which are recycled over the income statement

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

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

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 Belysse Group NV ("the company"), registered at Franklin Rooseveltlaan 172-174, 8790 Waregem, Belgium (Registration number 0671.974.626) and its subsidiaries ("Belysse Group" or "the Group") 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 2022. The group was previously named as Balta Group NV, registered at Wakkensteenweg 2, 8710 Sint-Baafs-Vijve, Belgium (Registration number 0671.974.626) but was renamed in October 2022 to Belysse Group NV.

The Belysse Group NV is domiciled in Belgium under the legal form of a Naamloze Vennootschap ("NV"). Belgium was also the country of incorporation. Furthermore, Belgium is the principal place of business for the group. Belysse manufactures sustainable textile floor coverings for commercial and residential applications and commercializes its products focusing 90% on North-America and Europe under the premium brands Bentley (US), modulyss, arc edition and ITC (Europe). Belysse employs nearly 1300 people and operates three manufacturing sites in Belgium (Tielt and Zele) and the United States (Los Angeles). Since June 2017, Belysse Group has been listed on Euronext Brussels and is majority owned by LSF9 Belysse Holdco S.à r.l

On 4 April 2022, Belysse Group NV announced the completion of the sale of its Rugs, Residential polypropylene (PP) and Non-Woven businesses (the Discontinued Operations), together with the Balta brand, to Victoria PLC (the Transaction or the Divestment). We refer to Note 39 for more information.

Following the completion of the Transaction the management structure was changed to one management team for the United States and another separate management team for Europe, with significantly less central functions. Both management teams have the following main functions: production, procurement, HR, product development, supply chain and finance. The economic characteristics, the growth trends, supply chain evolutions and key value drivers differ significantly between Europe and US. In Europe, the two plants, Tielt and Zele, are operationally managed together under the same leadership, for resource allocation, capital expenditure, supply chain and manufacturing to produce carpet tiles and broadlooms for our European Commercial and Residential businesses (including exports to the rest of the world). Based on this analysis, our reporting followed the management of the company and is now Europe and United States (US) versus Commercial and Residential previously.

The consolidated financial statements of Belysse Group NV and its subsidiaries (collectively, the group) for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the directors on 20 April 2023.

The Financial Statements of the company for the period 1 January 2022 to 31 December 2022 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 2021 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.

Financial Statements

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 2022 and have been endorsed by the European Union:

- 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 new standard and amendments have been issued, are not mandatory for the first time for the financial year beginning 1 January 2022 but have been endorsed by the European Union:

- 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.

Financial Statements

The following amendments have been issued, but are not mandatory for the first time for the financial year beginning 1 January 2022 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 01/01/2024), 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.
  - Clarify how conditions with which an entity must comply within 12 months after the reporting period, such as covenants, affect the corresponding liability's classification.
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (effective 1 January 2024). The amendments explain how an entity accounts for a sale and leaseback after the date of the transaction, specifically where some or all the lease payments are variable lease payments that do not depend on an index or rate. They state that, in subsequently measuring the lease liability, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use it retains. Any gains and losses relating to the full or partial termination of a lease continue to be recognised when they occur as these relate to the right of use terminated and not the right of use retained.

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.

Financial Statements

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 Belysse 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 (IFRS10).

Segment reporting

On 4 April 2022, Belysse Group NV announced the completion of the sale of its Rugs, Residential polypropylene (PP) and Non-Woven businesses (the Discontinued Operations), together with the Balta brand, to Victoria PLC (the Transaction or the Divestment).

Following the completion of the Transaction the management structure has been changed to one management team for the United States and another separate management team for Europe, with significantly less central functions. Both management teams have the following main functions: production, procurement, HR, product development, supply chain and finance. The economic characteristics, the growth trends, supply chain evolutions and key value drivers differ significantly between Europe and US. In Europe, the two plants, Tielt and Zele, are operationally managed together under the same leadership, for resource allocation, capital expenditure, supply chain and manufacturing to produce carpet tiles and broadlooms for our European Commercial and Residential businesses (including exports to the rest of the world). Based on this analysis, our reporting followed the management of the company and is now Europe and United States (US) versus Commercial and Residential previously.

Note 4 provides the group's segment information, in line with IFRS 8. The group will operate thus its remaining business through 2 segments, which are organised by region. The Europe segment designs, manufactures and distributes branded broadloom carpets (ITC brand) and modular carpet tiles (modulyss brand). The US segment designs, manufactures and distributes modular carpet tiles mainly for offices and public projects through the group's Bentley brand in the US.

Operating segments are reported in a manner consistent with the internal reporting provided to the Board and the Management Committee. Items that are provided on a monthly basis to the Management Committee are revenues, Adjusted EBITDA, net inventory, accounts receivable and capital expenditure. The segment information provided in Note 4 has been selected on this basis. It follows that other items such as total assets and liabilities per segment are not reviewed internally and hence not disclosed. Interest income, interest expense and taxes are managed centrally and accordingly such items are not presented by segment as they are excluded from the measure of segment profitability.

Note 1.3. Foreign currency translation

Functional and presentation currency

Items included in the Financial Statements of each of the group entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Consolidated Financial Statements are presented in EUR, which is the group's functional and the group's presentational currency. All amounts are stated in thousands of EUR unless otherwise stated.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or date of valuation, in case of items that are re-measured at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to cash and cash equivalents and borrowings, including borrowings, payables and receivables between Group entities that do not qualify as a net investment in a foreign operation are presented in the Consolidated statement of comprehensive income within "Finance income" and "Finance expenses". All other foreign exchange gains and losses are presented in the Consolidated statement of comprehensive income within "Other income" or "Other expenses" which are part of the operating profit.

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

	31 December 2022		31 December 2021	
	Closing	**Average**	**Closing**	**Average**
USD	1.0666	1.053	1.1326	1.1827
TRY	19.9649	17.4088	14.6823	10.4408
GBP	0.8869	0.85276	0.8403	0.8596

Group entities

The results and financial position of Group entities (none of which have the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each Statement of financial position presented are translated at the closing or year-end rate;
- income and expenses for each Statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in "Other comprehensive income".

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments (if any), are taken to "Other comprehensive income". When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the Statement of comprehensive income as part of the gain or loss on sale.

Foreign exchange gains and losses that relate to borrowings and transactions between Group entities in a different currency compared to the functional currency, are presented in the Statement of comprehensive income within "Finance income" and "Finance expenses", if these borrowings do not qualify as a net investment in a foreign operation.

Foreign exchange gains and losses resulting from hedging instruments which are of a trading nature, are presented in "Other comprehensive income" before they vest. At vesting date the results are recognized in the Statement of comprehensive income within "Finance income" and "Finance expenses".

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Note 1.4. Property, plant and equipment

Property, plant and equipment are carried at acquisition cost less any accumulated depreciation and less any accumulated impairment loss. Cost of property, plant and equipment also includes the estimated cost of dismantling and removing the asset and restoring the site, to the extent that the provision is recognised under IAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Statement of comprehensive income during the financial period in which they are incurred.

Freehold land is not depreciated. Depreciation on other assets is calculated using the straight-line method, to allocate the costs over the estimated remaining useful lives, as follows:

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

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

Internally generated software and other development cost

Costs associated with maintaining computer software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of directly attributable overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which in general is between 3-5 years.

Note 1.7. Impairment of assets

Goodwill is not subject to amortisation and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use. These values are generally determined based on discounted cash flow calculations. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Financial Statements

Note 1.8. Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The group records all gains or losses resulting from changes in fair value of derivatives in the Statement of comprehensive income within “Other income” or “Other expenses” to the extent that they relate to operating activities and within “Finance income” or “Finance expenses” to the extent that they relate to the financing activities of the group.

Derivative financial instruments used to hedge the exposure to variability in future cash flows are designated as hedges under cash flow hedge accounting. The effective portion of changes in fair value as from the designation date of the cash flow hedge are recorded in the cash flow hedge reserve, part of “Other comprehensive income”. Amounts recorded in the cash flow hedge reserve will be recognised in the Statement of comprehensive income in the same period or periods during which the hedged forecast transaction affects the Statement of comprehensive income. In case of the hedge of a forecast sales transaction, this coincides with the date upon which the revenue and trade receivable is recognised.

When the underlying hedged transactions no longer meet the criteria for hedge accounting, the cumulative gain or loss on the hedging instrument that has been recognised in “Other comprehensive income” from the period when the hedge was effective shall be reclassified from equity to profit or loss as a reclassification adjustment.

When the underlying hedged transaction is no longer expected to occur, the cumulative gains or loss on the hedging instrument that has been recognised in “Other comprehensive income” from the period when the hedge was effective shall be reclassified from equity to profit or loss as a reclassification adjustment.

Note 1.9. Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable values are reviewed on a regular basis and updated to reflect the estimated selling price less selling expenses, based on historical data and expectations. Cost is determined using the first-in, first-out (“FIFO”) method. The cost of finished goods and work in progress comprises amongst other design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Based on a quantified methodology, provisions against the carrying value of inventories are recorded taking qualitative aspects into account including a lower of cost versus net realisable value assessment. These provisions are reviewed by management.

Note 1.10. Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less bad debt allowance. Trade receivables are reviewed on a continuing basis, if collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

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

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

Note 1.11. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held on call with banks, other short-term highly liquid investments and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the Statement of financial position.

Note 1.12. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 1.13. Government grants

Government grants are recognised at their fair value when there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the Statement of comprehensive income within "Other income" over the period necessary to match them with the costs that they are intended to compensate against.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the Statement of comprehensive income on a straight-line basis over the expected useful lives of the related assets.

Note 1.14. Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

Supplier finance arrangements are recognised as a financial liability unless the original trade payable is extinguished or its terms are significantly modified to the extent that it qualifies for de-recognition under IFRS 9 (we refer to de-recognition of financial assets and liabilities in Note 1.17).

Note 1.15. Classification liability or equity

Some instruments that have the legal form of a liability are, in substance, equity. A financial instrument is classified as a financial liability or an equity instrument depending on the substance of the arrangement rather than the legal form. Liabilities arise when the issuer is contractually obligated to deliver cash or another financial asset to the holder. An instrument is an equity instrument only if the issuer has no such obligation, i.e. it has an unconditional right to avoid settlement in cash or another financial asset. The ability to defer payment is not enough to achieve equity classification, unless payment can be deferred indefinitely. Generally an obligation for the entity to deliver its own shares is not a financial liability because an entity's own shares are not considered its financial assets. An exception to this is where an entity is obliged to deliver a variable number of its own equity instruments.

Note 1.16. Senior Secured Notes, bank and other borrowings

Senior Secured Notes 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. De-recognition of financial assets and liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass through" arrangement;
- the group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where IFRS 9 de-recognition criteria are not met, the receivables continue to be recognised in the Statement of financial position, while the proceeds received by the group under any financing/factoring arrangements are recognised as a financial liability.

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or when the existing liability is transferred to a different lender and the group obtains a legal release from the initial lender, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective amounts is recognised in the Statement of comprehensive income.

The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least ten per cent different from the discounted present value of the remaining cash flows of the original financial liability.

Note 1.18. Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except to the extent that it relates to items recognised in “Other comprehensive income” or directly in “Equity”. In this case the tax is also recognised in “Other comprehensive income” or directly in “Equity”, respectively.

The current income tax charge is calculated based on the tax laws enacted or substantively enacted at the Statement of financial position date in the countries where the group entities operate and generate taxable income. In line with paragraph 46 of IAS 12 ‘income taxes’, management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate based on amounts expected to be paid to the tax authorities. This evaluation is made for tax periods open for audit by the competent authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the Statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. Deferred tax is not discounted.

IFRIC 23 ‘Uncertainty over income tax treatments’. 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. The group 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.

Financial Statements

Note 1.20. Employee benefits

Pension obligations

IAS 19 distinguishes between two types of post-employment benefit plans:

Defined contribution plans (DC plans) are post-employment benefit plans under which an enterprise pays fixed contributions into a separate entity (a fund or group insurance contract) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current or prior periods;

Defined benefit plans (DB plans) are post-employment benefit plans other than defined contribution plans.

Group entities operate one defined benefit plan for a group of managers and various pension schemes funded through payments to insurance companies. Because of the Belgian legislation applicable to 2nd pillar pension plans (so-called "Law Vandenbroucke"), all Belgian defined contribution plans have to be considered under IFRS as defined benefit plans. Law Vandenbroucke states that in the context of defined contribution plans, the employers must guarantee a minimum return of 3.75% on employee contributions and 3.25% on employer contributions. However, shortly before year-end 2015, a change in the Belgian Law was enacted resulting in a decrease of the guaranteed return from 3.25% to a minimum interest rate defined based upon the Belgian 10-year interest rate but within the range 1.75% - 3.25%. The new rate (1.75% at 31 December 2022 and 31 December 2021) 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 2022 this gap was 125 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 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.

Financial Statements

Bonus plans
Bonuses received by company employees and management are based on pre-defined Group and individual target achievement. The estimated amount of the bonus is recognised as an expense in the period the bonus is earned.

Share based payments
An equity-settled share-based payment transaction is a transaction in which the group receives services as consideration for its own shares (or share options). The fair value of the services received in exchange for the grant of the shares (or share options) measured by reference to the grant date fair value of the shares (or share options), is recognised as an expense over the vesting period.

When share-based payment plans are cash-settled: the goods or services acquired and the liability are measured at the fair value of the liability. Until the liability is settled, the fair value of the liability is re-measured at the end of each reporting period and at the date of settlement with any changes in fair value recognised in profit and loss for the period.

Short-term employee benefits
These include wages, salaries and social security contributions, paid annual leave and sick leave, bonuses and non-monetary benefits, and are taken as an expense in the relevant period. All company managers are eligible for bonuses that are based on indicators including personal performance and key financial targets. The amount of the bonus is recognized as an expense, based on an estimation made at the end of the reporting period.

Note 1.21. Revenue recognition

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

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

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

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

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

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

Interest income
Interest income is recognised using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables are recognised using the original effective interest rate.

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

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

Note 1.22. Leases
The group leases certain property, plant and equipment.

IFRS 16 “Leases” (effective 1 January 2019). As of 1 January 2019, the group changed its accounting policies to adopt IFRS 16. IFRS 16 has replaced IAS 17 Leases, and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a lease (on-balance sheet) and an operating lease (off-balance sheet). IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a right-of-use asset for virtually all lease contracts. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

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

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

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

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

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

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

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

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 Belysse 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 less (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).

BEYOND key assumptions and BEYOND impacts are to be understood versus a baseline of prior year, i.e. 2021:

- Impacts shown for the Efficiency initiatives are the anticipated gross impacts before cost inflation
- Impacts for 2022 are calculated using actual volumes; FX exchange rates are assumed stable over the period
- Lean savings are P&L impacts (excluding Capex savings or cost avoidance) and affect either COGS (e.g. raw materials consumption or costs, labor, energy costs) or fixed expenses (e.g. maintenance)

Note 2. Critical accounting estimates and judgements

The amounts presented in the Financial Statements involve the use of estimates and assumptions about the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions will seldom equal the related actual results. The estimates and assumptions that could have an impact on the Financial Statements are discussed below.

Goodwill

The amount of goodwill initially recognised as a result of a business combination is dependent on the allocation of the purchase price to the fair value of the identifiable assets acquired and the liabilities assumed. The determination of the fair value of the assets and liabilities is based, to a considerable extent, on management's judgement. Allocation of the purchase price affects the results of the group as finite life intangible assets are amortised, whereas indefinite life intangible assets, including goodwill, are not amortised and could result in differing amortisation charges based on the allocation to indefinite life and finite life intangible assets.

Impairment testing

IFRS requires management to undertake an annual test for impairment of indefinite life assets and, for finite life assets, to test for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of:

- growth in Adjusted EBITDA, calculated as adjusted operating profit before depreciation and amortisation;
- timing and quantum of future capital expenditure;
- long-term growth rates;
- the selection of discount rates to reflect the risks involved.

Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect the group's impairment evaluation and hence results. The group's review includes the key assumptions related to sensitivity in the cash flow projections. Further details are provided in Note 5.

Income taxes

The group operates in various tax jurisdictions and therefore has to determine tax positions under respective local tax laws and tax authorities' views which can be complex and subject to different interpretations between taxpayers and local tax authorities. The group incurs costs centrally which are allocated to subsidiaries in different jurisdictions and which exposes the group to inherent tax risks, as is the case for all companies operating in an international context. Based on these tax risks, management performed a detailed assessment for uncertain tax positions which resulted in provisions recorded for these uncertainties, in line with IFRIC 23.

IFRIC 23 'Uncertainty over income tax treatments' (effective 1 January 2019). This interpretation clarifies the accounting for uncertainties in income taxes. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over whether tax assessed by a Group will be accepted by the tax authority. It is applied to both current and deferred tax where there is uncertainty over a Group's tax position. The group 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 €4.0m for 2022 compared to €2.7m last year.

The group has tax credits in respect of losses carried forward and Dividend Received Deduction (relief for dividend payments by qualifying EU subsidiaries to qualifying EU parent companies, to avoid double taxation of dividend income). These tax credits can be used to offset against future taxable profits. The valuation of this asset depends on a number of judgemental assumptions regarding the future taxable profits of different Group subsidiaries in different jurisdictions and on the outcome of tax planning strategies. These estimates are made prudently based on current knowledge and reasonable long-term projections. Where circumstances to change, and the final tax outcome would be different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Trade receivables

In applying IFRS 9, the group makes significant judgements in determining the realisable value in respect to trade receivables. The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the lifetime expected credit losses, the group has established a provision matrix. The group included the following parameters: probability of default and the exposure at default (including estimated coverage by credit insurance). In order to approximate these parameters, the trade receivables have been categorised based on common characteristics (mainly geographical area, type of customer and the days past due). The provision matrix is based on forecasted default rates published by Moody's, adjusted by scalar factors to reflect differences in the group's view of current and expected economic conditions and historical conditions. In addition to this generalized approach, the group included individually managed exposures on a case by case basis, if not covered by the ECL model.

Customer rebates

The group also needs to make some judgements in determining accruals for customer rebates as presented in the Statement of Financial Position, "Other payables" . When estimating the rebates payable, the group uses all available information, including historical and forecast results and takes into consideration the type of customer, the type of transaction and the specifics of each arrangement. Refer to revenue recognition, Note 1.21.

Note 3. Reconciliation of non-GAAP measures

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

(€ thousands)	2022	2021
Revenue	337,430	276,814
Raw material expenses	(162,318)	(114,514)
Changes in inventories	10,434	9,655
Employee benefit expenses	(78,049)	(83,069)
Other income	316	1,041
Other expenses	(72,308)	(46,850)
Adjusted EBITDA [1]	**35,506**	**43,078**
Depreciation/amortisation	(18,688)	(17,143)
Adjusted Operating Profit 1	**16,818**	**25,935**
Integration and restructuring expenses	(1,445)	(5,993)
Operating profit / (loss)	**15,373**	**19,941**
Finance income	-	-
Finance expenses	(19,650)	(28,294)
Net finance expenses	**(19,650)**	**(28,294)**
Profit / (loss) before income taxes	**(4,277)**	**(8,353)**
Income tax benefit / (expense)	(9,010)	(8,173)
Profit / (loss) for the period from continuing operations	**(13,287)**	**(16,526)**
Profit / (loss) for the period from discontinued operations	(54,459)	(112,712)
Profit / (loss) for the period	**(67,746)**	**(129,238)**

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

Several non-recurring items had a material impact on our 2022 net income of the continuing operations. The impact of these events amounts to a net expense of €1.4m (€0.04 per share), as compared to €6.0m (€0.17 per share) in 2021 for the continuing operations. The expense in the current period is mainly driven by the one-off cost for attracting and retaining employees to Belysse Group after the Transaction.

Financial Statements

Note 4. Segment reporting

Segment information is presented in respect of the group's business segments as defined earlier. The performance of the segments are reviewed by the group's chief operational decision making body, which is the Management Committee. Following the completion of the Transaction the management structure has been changed to one management team for the United States and another separate management team for Europe, with significantly less central functions. Both management teams have the following main functions: production, procurement, HR, product development, supply chain and finance. The economic characteristics, the growth trends, supply chain evolutions and key value drivers differ significantly in Europe and US. In Europe, the two plants, Tielt and Zele, are operationally managed together under the same leadership, for resource allocation, capital expenditure, supply chain and manufacturing to produce carpet tiles and broadlooms for our European Commercial and Residential businesses (including exports to the rest of the world). Based on this analysis, our reporting followed the management of the company and is now Europe and United States (US) versus Commercial and Residential previously.

(€ thousands)	2022	2021
Revenue by segment for continuing operations	**337,430**	**276,815**
Europe	159,641	142,985
US	177,789	133,830
Discontinued Operations	**96,729**	**357,480**
Revenue by geography for continuing operations	**337,430**	**276,815**
Europe	133,435	115,222
North America	182,310	139,064
Rest of World	21,686	22,529
Discontinued Operations	**96,729**	**357,480**
Adjusted EBITDA by segment (1) for continuing operations	**35,506**	**43,078**
Europe	2,265	17,232
US	33,241	25,845

(€ thousands)	2022	2021
Discontinued Operations	**7,140**	**43,919**
Net Capital expenditure by segment for continuing operations	**11,906**	**10,969**
Europe	6,966	7,635
US	4,941	3,334
Discontinued Operations	**5,209**	**18,014**
Net inventory by segment for continuing operations	**76,177**	**62,812**
Europe	47,333	40,966
US	28,844	21,846
Discontinued Operations	**-**	**114,987**
Trade receivables by segment for continuing operations	**24,994**	**23,961**
Europe	7,915	7,518
US	17,079	16,443
Discontinued Operations	**-**	**25,556**

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

Given the international sales footprint of the group, 96% of revenue is realised outside Belgium for the continuing operations, with sales in Belgium being equal to around €14.5m in 2022 (2021: €4.6m).

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 in line with our segments. After the divestment there are 2 geographical segments, Europe and US. In the US there is one cash generating unit. Also in Europe all the assets should be grouped together to identify the smallest group of assets generating cash inflows independent of the cash inflows from other assets since the two production plants are operationally completely connected with each other to produce tiles and broadloom for both residential and commercial businesses. Decisions on resource allocation and capex towards both of the European plants are taken for the business as a whole. The European management level is fully centralised and comprises following main functions: production, procurement, HR, product development, supply chain and finance. There is one key manager responsible for both plants in Europe and it is impossible to split assets to allocate them to the residential and commercial business separately since they are fully incorporated

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 and after the write-down of the goodwill on our sold Rugs business (€94.3m) amounts to €105.7m and was allocated to Europe (€30.4m), whilst the goodwill arising from the acquisition of Bentley has been allocated to US (€75.3m). The Rugs business is part of the discontinued operations and has been written down in accordance with IFRS 5 in 2021. We refer to Note 39 of the 2021 annual report for more information.

The impairment testing has been performed as at 31 December 2022.

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 31 December 2022, 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 Europe and 2% US (2021: 1% and 1% respectively) and an after-tax discount rate of 10.0% (2021: 8.2%).

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
Europe	0.0%	10.7%
US	(13.4)%	16.9%

Movements compared to prior year for the continuing operations relate solely to changes in exchange rate.

Financial Statements

Note 6. Employee benefit expenses

The following table sets forth employee benefit expenses for the years ended 31 December 2022 and 2021:

(€ thousands)	2022	2021
Total employee benefit expenses for continuing operations	**78,049**	**83,069**
Wages and salaries	55,786	58,494
Social security costs	11,846	16,117
Pension costs	3,488	1,999
Other employee benefit expenses	6,929	6,459
Total discontinued operations	**25,763**	**83,593**

Employee benefit expenses decreased due to a decrease in FTE (see below) in combination with a less expensive corporate structure after the Transaction. The total amounts to €78.0m for the continuing operations, compared to €83.0m as at 31 December 2021.

The average number of employees in 2022 and 2021 was respectively 1,139 and 1,158 (both in full time equivalents) for the continuing business. Part-time employees are included on a proportionate basis.

	2022	2021
Average number of total employees for continuing operations	**1,139**	**1,158**
Average number of employees blue collar	785	801
Average number of employees white collar	354	357
Total average number of employees discontinued operations	**2,372**	**2,673**

Note 7. Other income and expenses

(€ thousands)	2022	2021
Other income for continuing operations	**316**	**1,041**
Foreign exchange gains	(64)	6
Rental income from solar rooftop installations	308	631
Sales of energy certificates	(10)	14
Grants	16	43
Gain on sale of fixed assets	2	59
Other	64	289
Total discontinued operations	**1,879**	**2,235**
Other expenses for continuing operations	**72,308**	**46,850**
Services and other goods	44,143	20,001
Selling expenses	26,957	26,638
Foreign exchange losses	(92)	284
Real estate tax	1,126	710
Other	174	(783)
Total discontinued operations	**20,455**	**68,766**

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.

Other expenses for the continuing operations increased by €25.5m to €72.3m for the year ended 31 December 2022 from €46.8m for the year ended 31 December 2021. The main component of other expenses is services and other goods which mainly includes electricity and gas, maintenance and repair and interim blue collars. Selling expenses mainly include freight and commissions. The increase in other expenses is mainly related to increase in energy, maintenance and transportation cost.

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

The continuing operations incurred €6.1m of research and development expenses during the 12 months ended 31 December 2022 (2021: €4.9m). One of the competitive advantages of our business is our long history of creativity and innovation. The group aims to leverage research and development to continually optimize the production capacity and provide designs that appeal to our customers. Trends in product design and innovation are closely monitored through continuous testing and analysis, with a focus on anticipating customers’ preferences and market developments.

Financial Statements

Note 8. Depreciation / amortisation

The components of depreciation and amortisation can be summarised as follows:

(€ thousands)	2022	2021
Depreciation/amortisation for continuing operations	**18,688**	**17,143**
Amortisation of intangible assets	1,516	1,441
Depreciation property, plant and equipment	17,172	15,702
Total discontinued operations	**-**	**21,755**

Depreciation / amortisation amounts to €18.7m for the continuing operations, an increase of €1.5m compared to 2021.

Note 9. Integration and restructuring expenses

The total integration and restructuring expenses incurred in 2022 amount to €1.4m (2021: €6.0m). This comprises various items which are considered by management as non-recurring or unusual by nature.

(€ thousands)	2022	2021
Integration and restructuring expenses	**1,445**	**5,993**
Corporate restructuring	1,445	5,929
Other	-	64
Total discontinued operations	**5,302**	**5,843**

The expense in the current period is mainly driven by the one-off cost for attracting and retaining employees to Belysse Group after the Transaction. 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.

Note 10. Finance expenses

(€ thousands)	2022	2021
Total finance expenses continued operations	**19,650**	**28,294**
Interest expense on Senior Secured Notes	16,688	23,313
Interest expense on Lease liabilities	1,809	1,688
Interest expense on Bank borrowings	877	2,178
Foreign exchange result on interco transactions	(216)	30
Other finance costs	493	1,086
Total discontinued operations	**58,161**	**3,711**

The net finance expense for the continuing operations amounts to €19.7m in 2022, 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 decreased compared to 2021 due to the lower financing cost of the group caused by the debt repayments after the Divestment. The 2022 contains a one-off recognition of the remaining capitalized expenses on former Senior Secured Notes of €1.3m in the Statement of comprehensive income, which became necessary in line with the notes re-financing on the 4 April 2022 due to the Transaction. On top of that an amount of €5.1m of financing costs have been capitalized with regards to the revised Senior Senor 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 €12.2m, PIK interest of €1.6m and the amortisation of capitalised financing fees of €2.8m which includes the one-off recognitions as explained in the previous paragraph.

Note 11. Income tax benefit / expense

(€ thousands)	2022	2021
Income tax benefit / (expense) for continuing operations	**(9,010)**	**(8,173)**
Current tax	(6,791)	(3,767)
Deferred tax	(2,219)	(4,405)
Total discontinued operations	**851**	**3,129**
Income tax benefit / (expense) for continuing operations	**(9,010)**	**(8,173)**
Income tax calculated at Belgian tax rate (25%)	1,069	2,090
Rate differential due to transactions with foreign entities	(487)	(56)
Disallowed expenses	(2,583)	(3,003)
Tax losses for which no deferred tax asset is recognized	(1,690)	(1,866)
Taxation of untaxed reserves	(83)	(265)
Reversal of previously recognized tax assets	(4,474)	(5,249)
Other	(762)	177
Total discontinued operations	**851**	**3,129**

The continuing operations reported a tax expense for 2022 of €9.0m (tax expense of €8.2m for 2021) based on a loss before tax of €4.3m (2021: loss of €8.4m). The tax expense is mainly driven by both de-recognition of deferred tax assets, triggered by future prospects in tax base and structure and a change in tax legislation, and from taxing the strong results of our US division.

Financial Statements

Note 12. Other intangible assets

(€ thousands)	Trademark	Software and licences	Internally generated intangible assets	Total
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 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	**-**	**-**	**-**	**-**
Opening net book value at 1 January 2022	**5,408**	**183**	**834**	**6,425**
Additions	-	121	7	128
Disposals	-	-	-	-
Transfers	-	29	-	29
Amortisation charge	(1,094)	(38)	(384)	(1,516)
Exchange differences	335	31	-	366
Closing net book value at 31 December 2022	**4,649**	**326**	**457**	**5,432**
Cost or fair value	10,939	1,438	3,085	15,462
Accumulated amortisation, impairment and other adjustments	(6,290)	(1,112)	(2,628)	(10,030)
Closing net book value at 31 December 2022 for continuing operations	**4,649**	**326**	**457**	**5,432**

The trademark of €4.6m relates to the acquisition of Bentley.

The total amortisation expense for the continuing operations of €1.5m (2021: €1.4m) 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 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**
Opening net book value at 1 January 2022	**52,390**	**47,134**	**6,420**	**105,943**
Additions	2,600	8,105	6,942	17,647
Disposals	-	(69)	(124)	(193)
Transfers	1,158	318	(1,505)	(29)
Depreciation charge	(5,780)	(6,549)	(4,843)	(17,172)
Exchange differences	877	1,088	18	1,983
Closing net book value at 31 December 2022	**51,245**	**50,025**	**6,908**	**108,178**
Cost or fair value	91,053	164,082	15,155	270,290
Accumulated depreciation, impairment and other adjustments	(39,808)	(114,057)	(8,247)	(162,112)
Closing net book value at 31 December 2022 for continuing operations	**51,245**	**50,025**	**6,908**	**108,178**

In 2022, a total of €17.6m has been added for the continuing operations. The main investments in 2022 were in plant and machinery and other equipment.

The total depreciation expense for the continuing operations of €17.1m (2021: €15.7m) has been charged to “Depreciation and amortisation” in the Statement of comprehensive income.

Financial Statements

(€ thousands)	Right-of-use assets	Owned PP&E	Total PP&E
As at 31 December 2021	**52,815**	**53,128**	**105,943**
Discontinued operations in opening balance sheet	-	-	-
Additions	5,789	11,858	17,647
Disposals	(23)	(170)	(193)
Depreciations	(7,405)	(9,768)	(17,172)
Transfer		(29)	(29)
FX impact	1,485	498	1,983
As at 31 December 2022	**52,662**	**55,516**	**108,178**

(€ thousands)	2022	2021
Right-of-use assets - Land and Buildings	**47,728**	**50,108**
Cost - Capitalised leases	82,185	80,271
Accumulated depreciation	(34,457)	(30,163)
Total Discontinued operations	**-**	**39,107**
Right-of-use assets - Plant and machinery	**4,934**	**2,707**
Cost - Capitalised leases	8,174	4,559
Accumulated depreciation	(3,240)	(1,852)
Total Discontinued operations	**-**	**1,963**
Right-of-used assets - Total leased Property, Plant & Equipment	**52,662**	**52,815**
Cost - Capitalised leases	90,359	84,830
Accumulated depreciation	(37,697)	(32,015)
Total Discontinued operations	**-**	**41,070**

The group's assets which are pledged as security for the borrowings are described in Note 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)	2022	2021
Total Deferred tax assets for continuing operations	**829**	**5,027**
Deferred tax assets to be reversed after more than 12 months	767	4,651
Deferred tax assets to be reversed within 12 months	62	376
Total discontinued operations	**-**	**2,852**
Total Deferred tax liabilities for continuing operations	**(6,355)**	**(8,459)**
Deferred tax liabilities to be reversed after more than 12 months	(5,646)	(7,515)
Deferred tax liabilities to be reversed within 12 months	(709)	(944)
Total discontinued operations	**-**	**(28,707)**
Net deferred tax liabilities	**(5,526)**	**(3,432)**

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

(€ thousands)	2022	2021
At 1 January	**(3,432)**	**(29,665)**
Discontinued operations in opening balance	-	30,792
Exchange differences	(144)	(137)
Other comprehensive income	268	(17)
Income statement charge	(2,219)	(4,405)
At 31 December	**(5,526)**	**(3,432)**

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 2021	**20,923**	**1,239**	**-**	**1,350**	**1,041**	**1,214**	**1,638**	**1,346**	**28,752**
Discontinued operations in opening balance	(13,164)	(1,239)	-	(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)
At 31 December 2021	**7,360**	**-**	**-**	**-**	**144**	**310**	**1,483**	**1,102**	**10,400**
At 1 January 2022	**7,360**	**-**	**-**	**-**	**144**	**310**	**1,483**	**1,102**	**10,400**
(Charged)/ credited to the income statement	(3,328)	-	-	-	(380)	484	(118)	242	(3,101)
Exchange differences	-	-	-	-	-	190	327	-	517
Other comprehensive income	-	-	-	-	268	-	-	-	268
At 31 December 2022	**4,032**	**-**	**-**	**-**	**33**	**984**	**1,692**	**1,344**	**8,084**

In assessing the realisability of deferred tax assets, management considers the extent to which it is probable that the deferred tax asset will be realised. The ultimate realisation of deferred tax assets is dependent upon the generation of future taxable profits during the periods in which those temporary differences and tax loss carry forwards become deductible. Management considers the expected reversal of deferred tax liabilities and projected future taxable income in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is probable the group will realise the benefits of these deductible differences. As of 31 December 2022, 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 2022, total tax credits amounted to €395.7m, resulting in a potential deferred tax asset of €98.5m of which we only recognised €4.0m at the end of 2022. The majority of the tax credits 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 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)**
At 1 January 2022	**(12,236)**	**(1,262)**	**(214)**	**(120)**	**(13,832)**
Charged/(credited) to the income statement	721	835	(562)	(112)	882
Exchange differences	(705)	(76)	-	121	(660)
At 31 December 2022	**(12,220)**	**(503)**	**(775)**	**(111)**	**(13,610)**

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 €51.6m as of 31 December 2022 for the continuing operations (as compared to €215.8m as of 31 December 2021). Adding up the gross amounts of deferred tax assets of €8.1m and gross amount of deferred tax liabilities (€13.6m) results in a net deferred tax liability position at 31 December 2022 of €5.5m.

Note 15. Inventories

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

(€ thousands)	2022	2021
Total inventories for continuing operations	**76,177**	**62,812**
Raw materials and consumables	38,197	25,327
Work in progress	17,557	13,175
Finished goods	20,424	24,310
Total Discontinued operations	**-**	**114,987**

Inventories increased from €62.8m to €76.2m. The increase is mainly explained by the high increase in input prices during 2022.

The continuing operations increased the provision for obsolete inventory in 2022 by €2.9m compared to an increase of €1.8m in 2021 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 2022 amounts to €151.9m for the continuing operations as compared to €104.9m in 2021.

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)	2022	2021
Total Trade and other receivables for continuing operations	**25,593**	**24,281**
Trade and other receivables (non-current) for continuing operations	**599**	**537**
Other amounts receivable	599	537
Total discontinued operations	**-**	**176**
Trade and other receivables (current) for continuing operations	**24,994**	**23,745**
Net trade receivables	23,208	23,961
Trade receivables	23,960	24,631
Less: Bad debt allowance	(752)	(670)
Prepayments and accrued income	1,311	262
Other amounts receivable	475	(479)
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 which are still on the balance sheet.

Current trade and other receivables have increased from €23.7m per 31 December 2021 to €25.0m as of 31 December 2022.

As of 31 December 2022, net trade receivables that were past due amounted to €2.0m (as compared to €1.6m as of 31 December 2021).

The group uses credit insurance in Europe 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)	2022	2021
Total trade and other receivables for continuing operations	**25,593**	**24,281**
EUR	7,429	8,803
USD	18,065	15,393
GBP	99	86
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, 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.

At 31 December 2021 for continuing operations	Not due or less than 15 days past due	More than 15 days past due	Total
Expected loss rate	1.9%	28.4%	
Gross carrying amount - trade receivables	23,864	767	24,631
Loss allowance	**452**	**218**	**670**
At 31 December 2022 for continuing operations	**Not due or less than 15 days past due**	**More than 15 days past due**	**Total**
Expected loss rate	2.8%	9.0%	
Gross carrying amount - trade receivables	22,832	1,128	23,960
Loss allowance	**650**	**102**	**752**

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

(€ thousands)	2022	2021
At 1 January for continuing operations	**(670)**	**(4,291)**
Discontinued operations in opening balance	-	2,905
Increase in loss allowance recognised in profit or loss during the year	(295)	-
Receivables written off during the year as uncollectible	60	24
Unused amounts reversed	175	751
FX difference	(21)	(58)
At 31 December for continuing operations	**(752)**	**(670)**

The creation and release of allowances for impaired receivables has been included in "Other income/expenses" in the Statement of comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. As at 31 December 2022 the continuing operations holds no collateral (letters of credit and corporate or bank guarantees).

Note 17. Cash and cash equivalents

(€ thousands)	2022	2021
Total cash and cash equivalents	**38,488**	**51,394**
Cash at bank and on hands	24,009	36,801
Cash in subsidiaries outside the EU	14,479	14,593
Of which in countries with legal restrictions	-	-
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 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)	2022	2021
Items in OCI that may be subsequently reclassified to P&L	**3,559**	**(6,807)**
Cumulative translation reserves as of 31 December	**3,559**	**(6,655)**
Cumulative translation reserves at beginning of the period	(6,655)	(15,459)
Exchange differences on translating foreign operations	10,214	8,804
Cumulative changes in fair value of hedging instruments as of 31 December	**-**	**(152)**
Cumulative changes in fair value of hedging instruments at beginning of the period	(152)	(35)
Changes in fair value of hedging instruments during the period	152	(117)
Items in OCI that will not be reclassified to P&L	**2,307**	**1,972**
Changes in deferred tax at 31 December	**(699)**	**(967)**
Changes in deferred taxes at beginning of the period	(967)	(950)
Changes in deferred taxes during the period	268	(17)
Changes in employee defined benefit obligations at 31 December	**3,007**	**2,938**
Changes in employee defined benefit obligations at beginning of the period	2,938	2,813
Changes in employee defined benefit obligations during the period	68	125
Total other comprehensive income for continuing operations at 31 December	**5,866**	**(4,836)**
Total other comprehensive income for discontinued operations at 31 December	**-**	**(54,456)**

Cash flow hedge accounting

The movement schedule below summarizes the amounts recorded in the cash flow hedge reserve and the portion that was recognised in the Statement of comprehensive income in relation to contracts that were settled in December 2022. The amounts recognised in the Statement of comprehensive income have been presented as "Other income" – see Note 7. We have no open instruments per end of December 2022 because of the smaller exposure of the group to GBP.

(€ thousands)	2022	2021
Cash flow hedge reserve, ending balance	**0**	**(152)**
Opening balance	(152)	(35)
Amounts recorded in the cash flow hedge reserve	152	(195)
Amounts recognized in the income statement	-	78

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 3.5% for 2022 and 0.80% for 2021.

Deferred Taxes

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

Note 20. Retained earnings

At 1 January for continuing operations	**(15,140)**	**1,373**
Change in scope[1]	(162,770)	-
Equity-settled share-based payment plans	(12)	13
Profit / (loss) continued for the year allocated to equity owners	(13,287)	(16,526)
At 31 December	**(191,208)**	**(15,140)**

1 Change in scope reflects the transfer of the elements of comprehensive income from discontinued operations to retained earnings of the group at completion date of the divestment without currency translation adjustments which are recycled over the income statement

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)	2022	2021
Total Senior Secured Notes for continuing operations	**132,355**	**240,458**
Non-Current portion	**130,745**	**233,744**
Of which: gross debt	132,489	234,657
Of which: capitalised financing fees	(1,744)	(913)
Current portion	**1,611**	**6,714**
Of which: accrued interest	3,355	7,169
Of which: capitalised financing fees	(1,744)	(456)

On 3 August 2015, LSF9 Belysse Issuer S.à r.l. (formerly 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 was 15 September 2022. In June, July and August 2017, the group performed a partial repayment of €55.1m in total.

The group announced on 2 February 2021 that it 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 Belysse Issuer S.à r.l (formerly LSF9 Balta Issuer S.à r.l. (the “Issuer”), to tender their Existing Notes in an exchange offer (the “Exchange Offer”) for new Senior Secured Notes with a maturity of 31 December 2024 (the “New Notes”), to vote in favour of certain amendments to the terms of the Existing Notes and the indenture governing the Existing Notes (the “Existing Indenture”) by way of a consent solicitation (“Consent Solicitation”) and to support commencement of a scheme of arrangement under Part 26 of the UK Companies Act 2006 or an analogous legal process in the United Kingdom (the “Scheme”) (the “Scheme Solicitation”).

On 3 March 2021 the group announced that it has received sufficient support for the Exchange Offer to implement it without the need to apply a scheme of arrangement. Eligible holders of the Existing Notes had validly tendered (and not validly withdrawn) €233,061,300 in aggregate principal amount (representing 99.22%) to exchange their Existing Notes for new Senior Secured Notes with a maturity of 31 December 2024 (the “New Notes”) or cash and to vote in favour of certain amendments to the terms of the Existing Notes and the Existing Indenture by way of the Consent Solicitation. As a result, the €61m European Super Senior Revolving Credit Facility was further extended to 30 June 2024.

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.

On 4 April 2022, the Issuer completed a tender offer and consent solicitation in respect of its then outstanding €234,027,888 in aggregate principal amount of the Senior Secured Notes, along with a concurrent private placement of the Senior Secured Notes to an existing noteholder. More than 90% of the holders of the principal amount of the Notes participated in the tender offer and consent solicitation, resulting in a new financing for an aggregate principal amount of €130 million of the Senior Secured Notes due December 2024, including the Senior Secured Notes issued in the private placement and the amendments mentioned below.

Pursuant to the tender offer and consent solicitation, the Issuer also made certain amendments to the Indenture, including decreasing the redemption price of the Senior Secured 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.

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 2022 is equal to €2.8m. This amount is largely driven by the one-off recognition of the remaining capitalized expenses on former Senior Secured Notes due 2024 of €1.3m in the Statement of comprehensive income, while an amount of €5.1m of financing costs have been capitalized with regards to the revised Senior Secured Senor 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 that have been entered into in the past remain in place 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 retained 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 securities on the Belgium real estate property in Waregem and Sint-Baafs-Vijve have been released as part of the operation concluded at the 4 April 2022 while Bentley entered as guarantor.

The collateral also secures the 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 Super Senior Revolving Credit Facility and certain hedging obligations have been repaid in full. Any such proceeds will, after all obligations under the Super Senior Revolving Credit Facility and such hedging obligations have been repaid from such recoveries, be applied pro rata in repayment of all obligations under the Indenture and any other obligations that are permitted to be secured over the collateral under the Indenture on an equal and rateable basis.

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

Financial Statements

Note 22. Bank and other borrowings

The table below provides an overview of the bank and other borrowings that existed on 31 December 2022 and 31 December 2021:

(€ thousands)	2022	2021
Total Bank and other borrowings for continuing operations	**50,350**	**104,081**
Non-current portion for continuing operations	**41,590**	**43,687**
Other lease liabilities	25,577	25,620
Sale-and-leaseback liabilities	16,427	18,405
Of which: capitalised financing fees related to the sale-and-leaseback	(290)	(338)
Capitalised financing fees related to the SSRCF	(124)	-
Current portion for continuing operations	**8,760**	**60,393**
Other lease liabilities	6,872	5,467
Sale-and-leaseback liabilities	1,978	1,924
Of which: capitalised financing fees related to the sale-and-leaseback	(48)	(48)
Bentley RCF	-	7,960
Super Senior RCF (SSRCF)	82	45,090
Capitalised financing fees related to the SSRCF	(124)	-
Total for discontinued operations	**-**	**39,413**

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

Bank borrowings

On 3 August 2015, LSF9 Belysse Issuer S.à r.l. and LSF9 Belysse 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, the group 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, the group 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. Per 4 April 2022, €61m European Super Senior Revolving Credit Facility was repaid and replaced by a €45m Super Senior Revolving Credit Facility. The securities on the Belgium real estate property in Waregem and Sint-Baafs-Vijve have been released as part of the operation concluded at the 4 April 2022 while Bentley entered as guarantor.

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 was 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 amount a maximum of $15.0m. As part of the transaction on the 4th April, the outstanding amount of $9.0m was repaid and the facility was closed.

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 2022 the continuing operations continue to recognise a portion of the receivables to the extent of its continuing involvement, in accordance with IFRS 9 (€5.0m). (2021: €7.5m)

Note 23. Leases

The lease liabilities have decreased from €51.0m as of 31 December 2021 to €50.5 as of 31 December 2022. At the end of 2022, the corresponding lease liability related to IFRS 16 (so excluding sale-and-leaseback) amounts to €32.4m.

The liability was measured at the present value of the remaining lease payments, discounted at a predetermined discount rate. The group 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 2.8%. While in the US, the incremental borrowing rate is between 3.4% and 6.9%.

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 31 December 2022.

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

Carrying amounts of lease liabilities and the movements in 2022:

(€ thousands)	IFRS 16 excl sale- and-leaseback	Sale- and-leaseback	Total
At 31 December 2021	**31,033**	**19,998**	**51,030**
Additions	5,704	-	5,704
Disposals	(29)	-	(29)
Financing fees	-	48	48
Accretion of interest	1,330	465	1,795
Payments	(6,449)	(2,445)	(8,894)
FX impact	860	-	860
At 31 December 2022	**32,449**	**18,066**	**50,515**
Current lease liability	6,872	1,930	8,801
Non-current lease liability	25,577	16,136	41,714
Total lease liability	**32,449**	**18,066**	**50,515**

(€ thousands)	2022	2021
Total present value of lease liabilities (excluding capitalized financing fees) for continuing operations	**50,854**	**51,417**
No later than 1 year	8,849	7,391
Later than 1 year and no later than 5 years	33,924	29,860
Later than 5 years	8,080	14,166
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. Beside the impact on the business, criteria such as penalties and leasehold improvements are considered in this analysis. Variable lease payments are not included in the measurement of lease liabilities.

Financial Statements

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 2021	**(234,657)**	**(7,169)**	**(44,026)**	**(7,336)**	**(45,090)**	**(7,960)**	**(346,239)**	**51,394**	**(294,845)**
Cashflows	-	-	-	-	-	-	-	(12,905)	(12,905)
Proceeds of borrowings with third parties	(130,000)	-	-	-	-	-	(130,000)	-	(130,000)
Repayments of borrowings with third parties	232,818	2,380	-	7,468	45,090	8,107	295,863	-	295,863
Other non-cash movements (includ. FX movements)	(650)	1,311	2,022	(8,981)	(82)	(147)	(6,528)	-	(6,528)
Net debt at 31 December 2022	**(132,489)**	**(3,479)**	**(42,004)**	**(8,849)**	**(82)**	**-**	**(186,903)**	**38,488**	**(148,415)**

The table above does not include the movements in capitalised financing fees, or the half yearly interest paid (see Note 21 to 23). The proceeds of the Transaction were used to refinance our Senior Secured Notes (including €2.4m of PIK interest paid per 4th of April) and our RCF. The non-cash movement of €0.7m relates to the semi-annual PIK interest that is added to the principal. The €1.3m non-cash movement is the net movement in accrued interest.

		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 2021	**(39,758)**	**3,909**	**(35,848)**
Cashflows	-	570	570
Change in scope	38,643	(4,480)	34,164
Repayments of borrowings with third parties	1,114	-	1,114
Net debt at 31 December 2022	**-**	**-**	**-**

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:

(€ thousands)	Fair value hierarchy	2022	2022	2021	2021
		Carrying amount	Fair value	Carrying amount	Fair value
Assets as per statement of financial positions		**64,082**	**64,082**	**75,675**	**75,675**
Loans and receivables		**64,082**	**64,082**	**75,675**	**75,675**
Trade and other receivables		25,593	25,593	24,281	24,281
Cash and cash equivalents	Level 1	38,488	38,488	51,394	51,394
Liabilities as per statement of financial positions		**239,907**	**229,309**	**387,268**	**379,361**
Financial liabilities measured at amortised cost		**239,907**	**229,309**	**387,268**	**379,361**
Senior Secured Notes	Level 1	132,355	121,758	240,458	232,551
Bank and other borrowings	Level 2	50,350	50,350	104,081	104,081
Trade and other payables		57,201	57,201	42,729	42,729
Financial liabilities measured at fair value through OCI		**-**	**-**	**-**	**-**
Foreign exchange derivative financial instruments	Level 2	-	-	-	-

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 no longer used to hedge certain risk exposures at Group level as the exposure to foreign currencies have been reduced.

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 2022 Net exposure for continuing operations	**(9,753)**	**1,993**	**14,640**	**-**	**6,880**
Trade and other receivables	7,429	99	18,065	-	25,593
Cash and cash equivalents	21,353	2,059	15,076	-	38,488
Trade and other payables	(38,535)	(165)	(18,502)	-	(57,201)
31 December 2021 Net exposure for continuing operations	**12,441**	**3,385**	**17,120**	**-**	**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)**

Financial Statements

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

(€ thousands)	2022	2021
GBP denominated	**221**	**(1,601)**
Changes in fair value derivative financial instruments	-	(1,978)
Changes in carrying amount of monetary assets and liabilities	221	376
USD denominated	**1,627**	**1,902**
Changes in fair value derivative financial instruments	-	-
Changes in carrying amount of monetary assets and liabilities	1,627	1,902

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

(€ thousands)	2022	2021
GBP denominated	**(181)**	**1,310**
Changes in fair value derivative financial instruments	-	1,618
Changes in carrying amount of monetary assets and liabilities	(181)	(308)
USD denominated	**(1,331)**	**(1,556)**
Changes in fair value derivative financial instruments	-	-
Changes in carrying amount of monetary assets and liabilities	(1,331)	(1,556)

Commodity price risk

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

In 2022, mainly due to a combination of higher prices, raw material expenses represented 48.1% of the continuing operations revenue compared to 41.4% 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 €9m 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 2022 or 2021.

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 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 € yield curve. The Super Senior Revolving Credit Facility is currently not drawn in cash so an increase in interest has no impact and the impact of 25 bps on the factoring is below 0.1 Mio.

	31 December 2022	
(€ thousands)	25 bps downward shift in EUR yield curve	25 bps upward shift in EUR yield curve
Total impact on interest expenses/income	**(50)**	**50**
Non-derivative floating rate financial liabilities	(50)	50

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 2022 and 2021.

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)	2022	2021
Total cash and bank equivalents for continuing operations	**38,488**	**51,394**
AA rating	20	-
A rating	38,468	51,394
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 2022 are the Senior Secured Notes (see Note 21), the 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 2022.

(€ 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 2022 for continuing operations	**(66,799)**	**(9,788)**	**(139,131)**	**(25,443)**	**(9,919)**
Senior Secured Notes	(5,090)	(5,364)	(130,650)	-	(1,839)
Super Senior RCF	(82)	-	-	-	-
Lease liabilities	(4,425)	(4,425)	(8,481)	(25,443)	(8,080)
Trade and other payables	(57,201)	-	-	-	-

Our external financing agreements include obligations, restrictions and covenants, which may have an adverse effect on our business, financial situation and results of operations if we are unable to meet these.

In particular, the Super Senior Revolving Credit Facility includes a springing Leverage covenant at 6.5x, however this is only tested at the end of a quarter and provided more than 30% of the Super Senior Revolving Credit Facility is used at that time which is not case at the end of December 2022. The leverage at the end of the year was 4.0x.

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	**(108,823)**	**(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	-	-	-

Financial Statements

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:

	2022	2022	2021	2021
	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 Belysse 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 of the Belysse Group, the ratings were upgraded to 'B1' to reflect the strengthening of the group's financial profile, increased transparency as a public company, strengthened corporate governance arrangements and enhanced access to equity capital markets. In November 2018, the rating was downgraded to 'B2' with a negative outlook on the back of financial performance. During April 2020, Moody's decided to further downgrade the corporate rating to 'B3' and the Senior Secured Notes to 'Caa1' both with a negative outlook mainly referring to the uncertainties caused by the outbreak of COVID-19 and the challenges that the group may face in refinancing its near-term debt maturities. In March 2021, Moody's affirmed the B3 corporate family rating (CFR) of LSF9 Belysse Issuer S.a r.l. 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 the group successfully managed to extend the maturity dates of it Senior Secured Notes and the European Senior Secured Revolving Credit Facility to 2024. In April 2022, Moody's affirmed the B3 corporate family rating (CFR) of LSF9 Belysse Issuer S.a r.l. and B3-PD probability of default rating (PDR). Concurrently, Moody's has affirmed the Caa1 rating of the remaining €130 million guaranteed senior secured notes due 2024 following the refinancing of the notes from proceeds of its Rugs, Residential polypropylene and Non-Woven business. The outlook on all ratings remains stable.

On 14 September 2015, S&P assigned its 'B' long-term corporate credit rating to LSF9 Belysse 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 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 the group successfully managed to extend the maturity dates of it Senior Secured Notes and the European Senior Secured Revolving Credit Facility to 2024. The rating was reaffirmed during 2022.

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.

Climate-related matters

The group has only limited exposure to extreme weather conditions such as droughts or floods.

Macro-economic environment

The invasion of Russia in Ukraine and the resulting sanctions only had limited direct impact on our Group. The fierce inflation on the other hand did had an impact with a steep increase in almost all of our input costs. This is addressed by a constant review of our cost base and a pass-on to customers where needed. In our European businesses, we noticed a timing delay in incurring these cost and the pass-on to customers. The indirect effect of higher interest rates are limited as we are mostly financed as explained above with a fixed interest rate.

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 3.50% and 0.80% in 2022 and 2021, 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)	2022	2021
Total employee benefit obligations for continuing operations	**165**	**863**
Pension plans	140	530
Provisions early retirement pension	25	333
Discontinued operations	**-**	**2,645**
Total employee benefit obligations for continuing operations	**165**	**863**
Non current	150	762
Current	15	101
Discontinued operations	**-**	**2645**

Pension plans: overview

Pension plans have been put in place for management and are financed through employer contributions which increase depending on seniority (base contribution of 3.75% of pensionable salary, increasing by 0.5% for every 5 years of service rendered within the group up to a maximum contribution rate of 5.75%). This plan also includes a "death in service" benefit amounting to twice pensionable salary. Several pension plans are in place for white collar workers and are financed through fixed employer contributions. In addition, as part of the bonus policy for members of management, a portion of the bonus is awarded via employer contributions to a pension plan scheme.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets.

Pension plans: valuation methodology

The pension and bonus plans described above have been classified as defined benefit. The valuation of the pension and bonus plans have been performed in accordance with IAS 19.

We refer to Note 1.20 concerning the valuation methodology which has been used. The liability is based on the difference between the present value of the "defined benefit obligation", taking into account the minimum return and a discount factor, less the fair value of any plan assets at the relevant date.

Pension plans: main valuation assumptions

The main assumptions used to perform the valuation are described below:

(€ thousands)	2022	2021
Discount rate BE	3.50%	0.80%
Retirement age	65 years	65 years
Mortality	MR/FR-5	MR/FR-5

For the year ended 31 December 2022, the defined benefit obligation, taking into account the tax effect, amounts to €2.1m (2021: €7.3m) and the offset by plan assets of €2.0m (2021: €6.2m).

Note 28. Other payroll and social related payables

(€ thousands)	2022	2021
Total other payroll and social related payables for continuing operations	**17,161**	**14,638**
Holiday pay	5,361	5,460
Social security taxes	2,341	1,922
Salaries and wages payable	7,308	5,903
Early retirement provision	15	101
Group insurance	30	-
Withholding taxes	1,186	561
Other	921	692
Discontinued operations	**-**	**22,993**

Other payroll and social related payables increased from €14.6m as of 31 December 2021 to €17.2m as of 31 December 2022. The increase can be mainly explained by inflation and postponed of social security taxes.

Note 29. Provisions for other liabilities and charges

(€ thousands)	Asset retirement obligation	Warranty	Total
At 1 January 2022 for continuing operations	**884**	**1,141**	**2,025**
Additions	90	-	90
Unused amounts reversed	-	(67)	(67)
Exchange differences	60	67	127
At 31 December 2022 for contuining operations	**1,034**	**1,141**	**2,176**

(€ thousands)	2022
Non-current	2,176
Current	-
	2,176

The provision for other liabilities and charges increased by €0.2m to €2.2m for the year ended 31 December 2022.

Note 30. Trade and other payables

(€ thousands)	2022	2021
Trade and other payables	**57,201**	**42,729**
Trade payables	47,349	35,857
Accrued charges and deferred income	7,764	6,484
Other payables	2,089	388
Total discontinued operations	**-**	**82,257**

Trade payables as of 31 December 2022 of €47.3m include the amounts for outstanding invoices (€37.5m, as compared to €28.5m as of 31 December 2021) and invoices to be received in relation to goods and services received during the current period (€5.9m, as compared to €7.4m as of 31 December 2021).

Accrued charges and deferred income mainly relate to accrued charges for customer discounts (€4.0m, as compared to €3.2m as of 31 December 2021) 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 amounts received during 2022 were below €0.1m.

Financial Statements

Note 33. Earnings per share

Basic and diluted earnings per share

	2022	2021
Basic and diluted earnings per share		
Net result from continuing operations	**(13,287)**	**(16,526)**
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	(13,287)	(16,526)
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	**(0.37)**	**(0.46)**
Net result from discontinued operations attributable to holders of ordinary shares	(54,459)	(112,712)
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	**(1.52)**	**(3.14)**
Net result per share attributable to holders of ordinary and diluted shares (in Euro) from continuing and discontinued operations	**(1.88)**	**(3.60)**

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 2022 and 2021 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.

	2022	2021
Adjusted earnings per share[1]		
Net result from continuing operations	(13,287)	(16,526)
Normalisation adjustments:	7,330	11,875
Adjusted Net Result from continuing operations	**(5,957)**	**(4,650)**
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	(5,957)	(4,650)
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	**(0.17)**	**(0.13)**
Net result from discontinued operations	(54,459)	(112,712)
Normalisation adjustments:	59,436	125,815
Adjusted Net Result from discontinued operations	**4,977**	**13,104**
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) discontinued operations	**0.14**	**0.36**
Net result per share attributable to holders of ordinary and diluted shares (in Euro) from continuing and discontinued operations	**(0.03)**	**0.24**

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 2022 includes the net of tax impact of the €1.4m non-recurring expenses for integration and restructuring (see note 9) and non-recurring tax effects amounting to €6.2m (see Note 11). In the absence of such events, the normalized loss for the period would have been €6.0m. Similarly, the continuing profit for 2021 includes a net of tax impact non-recurring expense of €6.0m and non-recurring tax effects amounting to €7.4m (see Note 11), resulting in a normalised loss of €4.7m.

The high normalisation amount for discontinued operations is mainly explained by the mandatory recycling of currency translation adjustments (CTA) of the discontinued operations at the moment of loss of control which are recycled over the income statement (€56.5m or €1.57 per share).

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 further investing into the business, 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 2023 and 2024, are equal to €5.2m as of 31 December 2022 for the continuing operations compared to an amount of €3.2m as of 31 December 2021.

Capital expenditures

As of 31 December 2022, €2.5m capital commitments are outstanding for the continuing operations compared to €5.2m as of 31 December 2021.

Note 36. List of consolidated companies

The subsidiaries and jointly controlled entities of Belysse Group NV, the group's percentage of interest and the group's percentage of control of the active companies are presented below.

	2022		2021	
	% of interest	% of control	% of interest	% of control
Continuing operations				
Belgium				
Belysse NV	100%	100%	100%	100%
ITC Co BV (founded in 2022)	100%	100%	0%	0%
Modulyss NV	100%	100%	100%	100%
Balfid BV (liquidated in 2021)	0%	0%	0%	0%
Luxembourg				
LSF9 Belysse Issuer S.à r.l.	100%	100%	100%	100%
Balfin Services S.à r.l. (liquidated in 2022)	0%	0%	100%	100%
LSF9 Belysse Luxembourg S.à r.l.	100%	100%	100%	100%
LSF9 Belysse 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%
United Kingdom				
Modulyss UK (founded in 2022)	100%	100%	0%	0%
Discontinued operations				
Belgium				
Balta Industries NV	0%	0%	100%	100%
Balta Oudenaarde NV	0%	0%	95%	100%
Turkey				
Balta Orient Tekstil Sanayi Ve Ticaret A.S.	0%	0%	100%	100%
Balta Floorcovering Yer Dös, emeleri San.ve Tic A.S.	0%	0%	100%	100%
USA				
Balta USA, Inc.	0%	0%	100%	100%
United Kingdom				
Balta Floorcovering UK	0%	0%	100%	100%

Modulyss UK, with company registration 13846074, a subsidiary of our Company, is taken 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 2021 and 2022 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.

Key management compensation		
(€ thousands)	**2022**	**2021**
Total key management compensation	**3,772**	**3,445**
Short-term employee benefits	3,569	3,229
Board compensation	160	170
Termination benefits	40	-
Share-based payments	3	46
Total Discontinued operations	**-**	**2,166**

Refer to the 'Corporate Governance Report' for information with respect to 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)	2022	2021
Audit services	**567**	**605**
Audit of the group pursuant to legislation	567	605
Non-audit services	**188**	**349**
Tax services	44	64
Other services	144	285
Total fees paid to the group's auditor	**755**	**954**

Note 39. Discontinued operations

On 4 April 2022, Belysse Group NV announced the completion of the sale of its Rugs, Residential polypropylene (PP) and Non-Woven businesses (the Discontinued Operations), together with the Balta brand, to Victoria PLC (the Transaction or the Divestment).

The result on the transaction and net result for the three months period ending 31 March 2022 for the Rugs, Residential polypropylene (PP) and Non-Woven business are included in result from discontinued operations. This also included the mandatory recycling of currency translation adjustments (CTA) of the discontinued operations at the moment of loss of control are recycled over the income statement (€56.5m or €1.57 per share). The full transaction price was paid.

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

Financial Statements

Assets and liabilities of the discontinued operations	For the period ended 31 March	For the year ended 31 December
(€ thousands)	**2022**	**2021**
Property, plant and equipment	182,268	177,448
Of which IFRS 16 related right-of-use assets (excluding sale-and-leaseback)	12,985	12,985
Land and buildings	119,217	119,012
Plant and machinery	59,290	56,604
Other fixtures and fittings, tools and equipment	3,762	1,832
Other intangible assets	336	-
Deferred income tax assets	2,133	2,852
Trade and other receivables	507	176
Total non-current assets	**185,243**	**180,475**
Inventory	116,887	114,987
Derivative financial instruments	9	-
Trade and other receivables	31,434	30,408
Current income tax assets	208	204
Cash and cash equivalents	4,480	3,909
Total current assets	**153,018**	**149,509**
Total assets	**338,261**	**329,983**
Bank and Other Borrowings	33,424	33,305
Of which IFRS 16 related lease liabilities (excluding sale-and-leaseback)	11,357	10,879
Deferred income tax liabilities	27,264	28,707
Employee benefit obligations	2,196	2,422
Total non-current liabilities	**62,884**	**64,434**
Bank and Other Borrowings	6,217	6,108
Of which IFRS 16 related lease liabilities (excluding sale-and-leaseback)	3,622	3,579
Derivative financial instruments	28	298
Other payroll and social related payables	22,507	22,993
Trade and other payables	83,658	82,257
Income tax liabilities	310	1,128
Total current liabilities	**112,719**	**112,784**
Total liabilities	**175,604**	**177,218**

Financial Statements

Assets and liabilities of the discontinued operations	For the period ended 31 March	For the year ended 31 December
(€ thousands)	**2022**	**2021**
Consdensed income statement of discontinued operations		
Revenue	96,729	357,480
Raw material expenses	(45,541)	(185,324)
Changes in inventories	291	21,898
Employee benefit expenses	(25,763)	(83,593)
Other income	1,879	2,235
Other expenses	(20,455)	(68,766)
Depreciation / amortisation	-	(21,755)
Adjusted Operating Profit 1	**7,140**	**22,175**
Integration and restructuring expenses	(5,302)	(5,843)
Gain on sale of the Disposal (2)	1,013	
Selling cost to incur	-	(1,728)
Impairment and write off	-	(126,735)
Operating profit / (loss)	**2,851**	**(112,130)**
Net finance expenses	**(58,161)**	**(3,711)**
Profit / (loss) before income taxes	**(55,310)**	**(115,841)**
Income tax benefit / (expense)	851	3,129
Profit / (loss) for the period from discontinued operations	**(54,459)**	**(112,712)**
Attributable to:		
Equity holders	(54,459)	(112,712)
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		
Changes in fair value of hedging instruments qualifying for cash flow hedge accounting	54,863	(10,375)
Items in other comprehensive income that will not be reclassified to P&L	-	-
Changes in deferred taxes	158	(116)
Changes in employee defined benefit obligations	(565)	442
Other comprehensive income for the period, net of tax, for continuining operations	**54,456**	**(10,049)**
Total comprehensive income for the period	**(3)**	**(122,761)**
Basic and diluted earnings per share from discontinued operations attributable to the ordinary equity holders of the company	**(1.52)**	**(3.14)**

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

(2) Details of the sale on the Disposal	
Total disposal consideration	163,671
Carrying amount of net assets sold	162,658
Gain on sale before reclassification of foreign currency translation reserve	**1,013**
Reclassification of foreign currency translation reserve	(56,496)
Loss of sale on the Disposal	**(55,482)**

	For the period ended 31 March	For the year ended 31 December
(€ thousands)	**2022**	**2021**
Condensed cashflow statement of discontinued operations		
Net cash generated / (used) by operating activities	**(1,501)**	**4,484**
Net cash used by investing activities	**(5,313)**	**(18,014)**
Net cash generated / (used) by financing activities	**(1,176)**	**(6,126)**
NET INCREASE/ (DECREASE) IN CASH AND BANK OVERDRAFTS	**(7,990)**	**(19,657)**
Cash, cash equivalents and bank overdrafts at the beginning of the period	3,909	1,849
Exchange gains/(losses) on cash and cash equivalents	-	223
Financing and cash transactions between continued and discontinued operations	4,081	21,494
Cash, cash equivalents and bank overdrafts at the end of the period	-	3,909

Note 40. Events after the reporting period

No subsequent events occurred which could have a significant impact on the financial statements of the group per December 31, 2022.

Financial Statements

6. Condensed version of Statutory Financial Statements Belysse Group NV

The statutory statement of financial position and the statutory statement of comprehensive income for the period ended 31 December 2022 of Belysse Group NV are given below in a condensed form.

The accounting principles used for the Statutory Financial Statements of Belysse 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 Belysse 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 www.belysse.com and can be requested free of charge.

The statutory auditor's report is unqualified and certifies that the non-Consolidated Financial Statements of Belysse Group NV for the year ended 31 December 2022 gives a true and fair view on the financial position and results of the company in accordance with all legal and regulatory dispositions.

(€ thousands)	2022	2021
Fixed assets	280,241	292,170
Financial assets	280,241	292,170
Total non-current assets	**280,241**	**292,170**
Amounts receivable within one year	3,535	3,699
Cash and cash equivalents	63	38
Total current assets	**3,598**	**3,737**
Total assets	**283,839**	**295,907**
Share capital	260,590	260,590
Share premium	65,660	65,660
Other reserves	147,125	147,125
Retained earnings	(190,447)	(178,564)
Total equity	**282,927**	**294,810**
Trade and other payables	912	1,096
Total current liabilities	**912**	**1,096**
Total equity and liabilities	**283,839**	**295,907**

(€ thousands)	Period ended 31 December 2022	Period ended 31 December 2021
Other income	5,196	3,098
Other expenses	(5,146)	(2,981)
Operating profit / (loss)	**50**	**117**
Finance income	5	-
Finance expenses	(9)	(1)
Non-recurring financial charges	(11,929)	(176,757)
Profit / (loss) for the period before taxes	**(11,883)**	**(176,641)**
Income tax benefit/ (expense)	-	-
Profit / (loss) for the period after taxes	**(11,883)**	**(176,641)**

The result of the year has been allocated to the retained earnings awaiting shareholders' approval.

STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING OF BELYSSE GROUP NV ON THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2022

We present to you our statutory auditor's report in the context of our statutory audit of the consolidated accounts of Belysse 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 Group's consolidated accounts for 6 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 2022, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, and which is characterised by a consolidated statement of financial position total of EUR '000 360,359 and a loss for the period (Equity holders) of EUR '000 67,746.

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 2022, 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.

<u>Valuation of the European goodwill and other European (in)tangible fixed assets</u>

Description of key audit matter

Belysse Group carries a significant amount of European goodwill, amounting to EUR 30,4 million, and other European (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 test was 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 test and the process through which it was 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 Belysse Group's valuation model. We have assessed the historical accuracy of management's estimates and evaluation of the business plan 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.

<u>Uncertain tax positions and recoverability deferred tax assets</u>

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 the recoverability of deferred taxes. Referring to Note 2, management performed a detailed assessment for uncertain tax positions which resulted in a total provision of EUR 4 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 the recoverability of deferred taxes, based on the developments in 2022. 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 other budgets, forecasts and tax laws.

We found the Companies' judgements in respect of the Group's position on uncertain tax items and the recoverability of deferred taxes to be consistent and in line with our expectations.

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 scepticism 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, the separate report on non-financial information 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, the separate report on non-financial information 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 and the other information included in the annual 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")

We have also verified, in accordance with the draft standard on the verification of the compliance of the financial statements with the European Uniform Electronic Format (hereinafter "ESEF"), the compliance of the ESEF format 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.

Since Belysse Group NV does not prepare digital consolidated financial statements in English we are unable to express an opinion on these. However, we refer to our report on the consolidated financial statements for the year ended 31 December 2022 in Dutch. This contains our opinion on the official Dutch version of the digital consolidated financial statements of Belysse Group NV which have been prepared in accordance 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, 20 April 2023

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

Peter Opsomer
Réviseur d'Entreprises / Bedrijfsrevisor

Financial Statements

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 2022, 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.

Financial Statements

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.

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 Belysse 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 less (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).

BEYOND key assumptions and **BEYOND impacts** are to be understood versus a baseline of prior year, i.e. 2021:

- Impacts shown for the Efficiency initiatives are the anticipated gross impacts before cost inflation
- Impacts for 2022 are calculated using actual volumes; FX exchange rates are assumed stable over the period
- Lean savings are P&L impacts (excluding Capex savings or cost avoidance) and affect either COGS (e.g. raw materials consumption or costs, labor, energy costs) or fixed expenses (e.g. maintenance)

Investor Relations

Overview

Our aim is to provide transparent, clear and timely information on Belysse'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 Belysse Group NV, based on the declarations received in the period up to 31 December 2022, is as follows:

Shareholder	Number of Shares	%
LSF9 Belysse Holdco S.à r.l.	19,408,879	54.00%
Farringdon Capital Management	2,234,400	6.22%
Prime AIFM Lux S.A.	2,041,700	5.68%
Management	28,000	0.08%
Public	12,230,417	34.03%
Total	**35,943,396**	**100%**

Share performance

Belysse shares are listed on Euronext Brussels.

The calendar year ended with a share price of € 1.14, 61% under the share price of € 2.95 at the end of 2021.

Financial calendar

3 March 2023
2022 Full Year Results

13 May 2023
First Quarter Results

24 May 2023
Annual General Meeting

25 August 2023
Half Year Results

26 October 2023
Third Quarter Results

Investor & Press contact

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BELYSSE™