LSF9 Balta Issuer S.à r.l.

2020 QUARTERLY Report

Senior Secured Notes
due 2022

Q1 2020 -
Period ended March 31, 2020

balta

LSF9 Balta Issuer S.à r. l.

Registered office:
15, Boulevard Friedrich Wilhelm Raiffeisen,
L-2411 Luxembourg
R.C.S. Luxembourg: B 198084

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1. Key Figures

(€ thousands)	Q1 2020	Q1 2019
Results		
Revenue	**159.720**	**183.532**
Adjusted EBITDA	**17.049**	**17.374**
Adjusted EBITDA Margin	**10,7%**	**9,5%**
Integration and restructuring expenses	(849)	(841)
EBITDA	16.200	16.533
Depreciation / amortisation	(9.957)	(9.647)
Operating profit / (loss) for the period	6.243	6.886
Net finance expenses	(6.014)	(5.972)
Income tax benefit / (expense)	32	555
Profit/(loss) for the period	**260**	**1.469**
Cash flow		
Cash at beginning of period	19.241	26.853
Net cash flow from operating activities	3.218	11.222
Net cash flow from investing activities	(7.203)	(5.476)
Net cash flow from financing activities	65.110	(11.782)
Cash at end of period	80.366	20.816

Financial position

In relation to Balta's financing agreements, the documentation provides for the effect of changes in accounting standards to be neutralized. As such, the application of IFRS 16 has no consequence for the Group's financing.

(€ thousands)	Q1 2020	Q1 2019
Net debt [1]	**281.215**	**263.683**
Leverage	**4,3**	**3,6**

Note 1: IFRS 16 effect is excluded from the leverage comparison (see glossary)

2. Management discussion and analysis of the results

2.1. Group Financial Highlights

- Q1 consolidated Revenue €159.7m (-13.0% YoY), Adjusted EBITDA €17.1m (-2.2% YoY), Adjusted EBITDA margin 10.7% (up from 9.5% in Q1 2019)
  - Organic revenue growth -13.6% and FX +0.6%
  - Revenue growth by division: Rugs -25.0%, Commercial +2.0%, Residential -14.3%
- Strong improvement in Adjusted EBITDA for the two first months of the year with +15.7% YoY growth thanks to our NEXT initiatives. Adjusted EBITDA margin for the same period increased from 8.5% to 10.2%
- The positive impact from our NEXT initiatives remains visible in the full first quarter margin improvement despite the revenue decline, that was mainly driven by the impact of the Coronavirus outbreak (COVID-19) on March sales
- Q1 Adjusted EBITDA includes €2.5m of costs associated with property taxes for the full year (similar to last year)
- Net Debt increased by €13.0m vs. Q4 2019 due to a working capital increase due to seasonal patterns as well as COVID-19 (reported Net Debt Q1 2020 of €326.6m includes €45.4m IFRS16 impact)
- Leverage is up to 4.3x from 4.0x at the end of Q4 2019, excluding the impact of IFRS16

2.2. Business Update

- Following a strong start in the first two months of the year, the impact of COVID-19 has been felt from March 2020, with falling orders across all business lines. Balta has taken swift and decisive measures to mitigate the situation.
- NEXT, the three year program designed to deliver significant improvement in earnings, delivered strong improvements visible in the first two months of 2020. The Group believes the benefits from NEXT will resume, albeit with some delays, once demand and production return towards normal levels.
- Rugs performance was lower compared to an exceptionally strong first quarter in 2019 combined with lower than expected sales in parts of Europe, and saw the first impacts from COVID-19 starting mid-March in most regions.
- Commercial improved year on year, driven by the continued growth of our US business and improved margins due to Next initiatives. In Europe, the market environment remains challenging.
- Residential revenue was lower year on year, due to the exceptional pre-Brexit stocking by UK customers in the first quarter of 2019. Trading in our key Continental European markets remained subdued in the first quarter. However, margins and EBITDA improved due to NEXT initiatives.
- As precautionary measures due to the uncertainty around the duration of the COVID-19 disruptions, Balta has drawn down the Revolving Credit Facilities in US and Europe of €72.7m in March, resulting in cash at the end of Q1 of €80.4m, and has successfully reached an agreement with the majority of its European SSRCF banks to provide additional covenant flexibility for the impact of COVID-19 through the second quarter of 2021.

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

"Our first quarter results were in line with management's expectations until mid-March. We saw a 15.7% increase in Adjusted EBITDA in the first two months of 2020 compared to the same period in 2019, driven by strong margin improvement from NEXT initiatives. From mid-March, our revenues and Adjusted EBITDA were impacted by a significant slowdown due to COVID-19 lockdown measures, particularly in Europe. Revenues decreased by more than 29% during March 2020 compared to the same period in 2019, as a result of a decrease in orders from customers. The management team has focused on protecting the health and safety of our employees, while adapting our cost base to the lower activity, including temporary production shutdowns as well as fixed cost reductions, and ensuring the continuity of our service to customers. We are also now planning for when we return towards more normal activity levels and are confident that Balta will be able to resume NEXT improvements once the situation normalises, albeit with delays."

3. Operating review per segment

3.1. Revenue and Adjusted EBITDA per segment

(€million, unless otherwise mentioned)	Q1 2020	Q1 2019	% Change	o/w organic growth	o/w FX
Rugs	49.2	65.5	(25.0)%		
Commercial	56.8	55.7	2.0%		
Residential	47.0	54.9	(14.3)%		
Non-Woven	6.7	7.4	(9.5)%		
Consolidated Revenue	**159.7**	**183.5**	**(13.0)%**	**(13.6)%**	**0.6%**
Rugs	4.3	6.2	(31.1)%		
Commercial	8.2	7.7	5.7%		
Residential	4.1	3.3	25.3%		
Non-Woven	0.5	0.3	109.2%		
Consolidated Adjusted EBITDA	**17.1**	**17.5**	**(2.2)%**	**(3.2)%**	**1.0%**
Rugs	8.7%	9.5%			
Commercial	14.4%	13.9%			
Residential	8.7%	6.0%			
Non-Woven	8.0%	3.4%			
Consolidated Adjusted EBITDA Margin	**10.7%**	**9.5%**			

Note: the segment table has been copied from the press release issued by Balta Group NV, where EBITDA is €0.04m higher than at LSF9 Balta Issuer level due to a markup on management services provided at level of Balta Group NV and then charged to LSF9 Balta Issuer and subsidiaries.

3.2. Rugs

Our Rugs division realized revenue of €49.2m, down 25.0% versus the first quarter of 2019. Sales were lower by comparison with an exceptionally strong first quarter 2019 in parts of Europe. In North America, we benefited from the patio outdoor door sales pushed from the last quarter of 2019 and had good direct shipment business, however we were negatively impacted by the fixed costs we incurred for the ramp up in e-commerce. As of March, we saw a sharp decline in orders for the division due to COVID-19.

Adjusted EBITDA in Q1 was €4.3m, down from €6.2m in the same period last year. The Adjusted EBITDA margin decreased from 9.5% to 8.7%. The negative volume impact is only partly compensated for by better mix, currency upside, lower raw material prices and NEXT savings.

3.3. Commercial

Our Commercial division realized revenue of €56.8m, up 2.0% versus the first quarter of 2019. Our US business consolidated its organic growth, previously spurred by share gains in the office segment and growth in new targeted segments from NEXT initiatives, resulting in increased gross margins. In Europe, after a good start to the year driven by our Direct Route to Market via architects and designers, we experienced a decline in orders due to COVID-19 as of mid-March.

Adjusted EBITDA in Q1 was €8.2m, up from €7.7m in the same period last year with Adjusted EBITDA margin increasing from 13.9% to 14.4%. Our US business, and also now our European business, achieved strong margin improvement from NEXT initiatives.

3.4. Residential

Our Residential division realized revenue of €47.0m, down 14.3% versus the first quarter of 2019. Our UK sales were lower than last year, driven by the exceptional pre-Brexit stocking benefit in the first quarter of 2019. In Continental Europe, whilst trading continued to be subdued, we succeeded in increasing the prices of our products. We continued to grow our export sales and our share of higher margin products grew to 39% of Q1 2020 Residential Revenue.

Adjusted EBITDA in Q1 was €4.1m, up from €3.3m in the same period last year. Adjusted EBITDA margin in Residential grew to 8.7% from 6.0% benefiting, despite lower revenue, from favorable raw material prices and the margin impact from our NEXT initiatives.

4. Other financial items review

4.1. Integration and Restructuring Expenses

Non-recurring expenses over the first three months of 2020 amounted to €0.8m, similar to the €0.8m in the same period last year. The expense in the current period is mainly driven by one-off costs related to the previously announced holistic NEXT program.

4.2. Net financing expenses

Net finance expenses for the first three months of 2020 are equal to €6.0m, in line with the same period last year.

4.3. Taxation

Income taxes represents a benefit of less than €0.1m for the three months of 2020, as compared to an income tax benefit of €0.6m in the same period last year. The tax result for the period is driven by a deferred tax benefit (€1.0m) offset with an income taxes expense of €1.0m for the period.

4.4. Earnings per share

Net earnings per share for the first three months of 2020 were €0.00 versus €0.01 in the same period last year. The decrease is fully explained by the decrease in net result of the year.

4.5. Cashflow and net debt

Net debt at the end of March 2020 is equal to €326.6m versus €313.7m at the end of December 2019. The increase is driven by a working capital increase due to seasonal patterns as well as COVID-19 (reported Net Debt Q1 2020 of €326.6m includes €45.4m IFRS16 impact).

5. Risk Factors

There are no material changes related to the risks and uncertainties for the Group as explained in the section “Summary of main risks” of the 2019 annual report.

6. Consolidated Interim Financial Statements

6.1. Consolidated Statement of Comprehensive Income

(€ thousands)	Q1 2020	Q1 2019
I. CONSOLIDATED INCOME STATEMENT		
Revenue	159.720	183.532
Raw material expenses	(73.569)	(87.517)
Changes in inventories	6.635	438
Employee benefit expenses	(43.938)	(44.125)
Other income	846	1.107
Other expenses	(32.646)	(36.062)
Depreciation/ amortization	(9.957)	(9.647)
Adjusted Operating Profit [1]	**7.092**	**7.726**
Gains on asset disposals	-	-
Integration and restructuring expenses	(849)	(841)
Operating profit / (loss) [1]	**6.243**	**6.886**
Finance income	301	2
Finance expenses	(6.315)	(5.974)
Net finance expenses	**(6.014)**	**(5.972)**
Profit / (loss) before income taxes	**229**	**914**
Income tax benefit / (expense)	32	555
Profit / (loss) for the period from continuing operations	**260**	**1.469**
Profit/ (loss) for the period from discontinued operations	-	
Profit/(loss) for the period	**260**	**1.469**
Attributable to:		
Equity holders	260	1.469
Non-controlling interest	-	-
II. CONSOLIDATED OTHER COMPREHENSIVE INCOME		
Items in other comprehensive income that may be subsequently reclassified to P&L		
Exchange differences on translating foreign operations	(2.662)	(3.251)
Changes in fair value of hedging instruments qualifying for cash flow hedge accounting	832	(769)
Changes in deferred taxes	-	-
Items in other comprehensive income that will not be reclassified to P&L		
Changes in deferred taxes	(116)	508
Changes in employee defined benefit obligations	430	(1.212)
Other comprehensive income for the period, net of tax	**(1.516)**	**(4.723)**
Total comprehensive income for the period	**(1.256)**	**(3.254)**
Basic and diluted earnings per share from continuing operations attributable to the ordinary equity holders of the company	**0,00**	**0,01**

(1) Adjusted Operating Profit / Operating profit/(loss) are non-GAAP measures.
Adjusted EBITDA is calculated as Adjusted Operating Profit (Loss) adjusted for depreciation and amortization charges.

The accompanying notes form an integral part of these consolidated condensed interim financial statements.

6.2. Consolidated Statement of Financial Position

(€ thousands)	31 March 2020	31 December 2019
Property, plant and equipment	335.409	337.594
(Of which IFRS 16 related right-of-use assets)	*40.975*	*42.072*
Land and buildings	185.553	186.173
Plant and machinery	137.392	138.807
Other fixtures and fittings, tools and equipment	12.464	12.614
Goodwill	197.804	195.991
Intangible assets	10.463	10.357
Deferred income tax assets	10.031	10.680
Trade and other receivables	1.158	1.121
Total non-current assets	**554.864**	**555.742**
Inventories	165.431	152.948
Derivative financial instruments	850	3
Trade and other receivables	59.572	58.966
Current income tax assets	134	259
Cash and cash equivalents	80.366	19.241
Total current assets	**306.353**	**231.417**
Total assets	**861.217**	**787.159**
Share capital	137.848	137.848
Share premium	155.486	155.486
Other comprehensive income	(38.628)	(37.112)
Retained earnings	15.343	15.115
Other reserves	(14.283)	(14.283)
Total equity	**255.766**	**257.055**
Senior Secured Notes	231.745	232.001
Senior Term Loan Facility	-	-
Bank and Other Borrowings	86.183	48.963
Of which IFRS 16 related lease liabilities	*37.263*	*37.318*
Deferred income tax liabilities	39.448	41.004
Provisions for other liabilities and charges	2.862	2.729
Employee benefit obligations	3.706	4.106
Total non-current liabilities	**363.944**	**328.802**
Senior Secured Notes	(1.210)	3.425
Senior Term Loan Facility	-	34.927
Bank and Other Borrowings	85.117	8.680
Of which IFRS 16 related lease liabilities	*8.109*	*7.357*
Provisions for other liabilities and charges	57	164
Derivative financial instruments	-	413
Other payroll and social related payables	33.692	36.928
Trade and other payables	119.561	112.072
Income tax liabilities	4.290	4.694
Total current liabilities	**241.507**	**201.302**
Total liabilities	**605.451**	**530.104**
Total equity and liabilities	**861.217**	**787.159**

The accompanying notes form an integral part of these consolidated condensed interim financial statements.

6.3. Consolidated Statement of Cash Flows

(€ thousands)	Q1 2020	Q1 2019
I. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit / (loss) for the period	**260**	**1.469**
Adjustments for:		
Income tax expense/(income)	(32)	(555)
Finance income	(301)	(2)
Financial expense	6.315	5.974
Depreciation, amortisation (incl. depreciation of IFRS 16 right-of-use assets)	9.957	9.647
(Gain)/loss on disposal of non-current assets	39	(62)
Movement in provisions and deferred revenue	(107)	(619)
Fair value of derivatives	(428)	92
Cash generated before changes in working capital	**15.703**	**15.944**
Changes in working capital:		
Inventories	(13.591)	(840)
Trade receivables	1.572	(7.080)
Trade payables	7.625	9.740
Other working capital	(5.256)	(5.084)
Cash generated after changes in working capital	**6.054**	**12.680**
Net income tax (paid)	(2.836)	(1.458)
Net cash generated / (used) by operating activities	**3.218**	**11.222**
II. CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(6.703)	(7.247)
Acquisition of intangibles	(500)	(179)
Proceeds from non-current assets	-	1.950
Acquisition of subsidiary	-	-
Net cash used by investing activities	**(7.203)**	**(5.476)**
IIII. CASH FLOW FROM FINANCING ACTIVITIES		
Interest and other finance charges paid, net	(10.782)	(9.744)
Proceeds from capital increase	-	-
Capital increase expenses (net)	-	-
Proceeds from borrowings with third parties	114.372	-
Proceeds from capital contribution	-	-
Repayments of Senior Secured Notes	(35.000)	-
Repayments of borrowings with third parties (incl. IFRS 16 lease liabilities)	(3.481)	(2.038)
Net cash generated / (used) by financing activities	**65.110**	**(11.782)**
NET INCREASE/ (DECREASE) IN CASH AND BANK OVERDRAFTS	**61.124**	**(6.036)**
Cash, cash equivalents and bank overdrafts at the beginning of the period	19.241	26.853
Cash, cash equivalents and bank overdrafts at the end of the period	80.366	20.816

The accompanying notes form an integral part of these consolidated condensed interim financial statements.

6.4. Consolidated Statement of Changes in Equity

(€ thousands)	Share capital	Share premium	Other comprehensive income	Retained earnings	Other reserves	Total	Non-controlling interest	Total equity
Balance at 31 December 2018	**137.848**	**155.486**	**(33.386)**	**6.286**	**(14.283)**	**251.951**	**-**	**251.951**
Adoption of accounting policies				(1.530)		(1.530)		(1.530)
Balance 1 January 2019	**137.848**	**155.486**	**(33.386)**	**4.756**	**(14.283)**	**250.421**	**-**	**250.421**
Profit / (loss) for the period				10.360		10.360	-	10.360
Equity-settled share-based payment plans	-	-	-	-	-	-	-	-
<u>Other comprehensive income</u>								
Exchange differences on translating foreign operations	-	-	(2.133)	-	-	(2.133)		(2.133)
Changes in fair value of hedging instruments qualifying for cash flow hedge accounting	-	-	(245)	-	-	(245)	-	(245)
Cumulative changes in deferred taxes	-	-	393	-	-	393	-	393
Cumulative changes in employee defined benefit obligations	-	-	(1.740)	-	-	(1.740)	-	(1.740)
Total comprehensive income for the period	**-**	**-**	**(3.725)**	**10.360**	**-**	**6.634**	**-**	**6.634**
Balance at 31 December 2019	**137.848**	**155.486**	**(37.111)**	**15.116**	**(14.283)**	**257.056**	**-**	**257.056**
Balance 1 January 2020	**137.848**	**155.486**	**(37.111)**	**15.116**	**(14.283)**	**257.056**	**-**	**257.056**
Profit / (loss) for the period	-	-	-	260	-	260	-	260
Equity-settled share-based payment plans	-	-	-	(33)	-	(33)	-	(33)
<u>Other comprehensive income</u>								
Exchange differences on translating foreign operations	-	-	(2.662)	-	-	(2.662)	-	(2.662)
Changes in fair value of hedging instruments qualifying for cash flow hedge accounting	-	-	832	-	-	832	-	832
Cumulative changes in deferred taxes	-	-	(117)	-	-	(117)	-	(117)
Cumulative changes in employee defined benefit obligations	-	-	430	-	-	430	-	430
Total comprehensive income for the period	**-**	**-**	**(1.517)**	**228**	**-**	**(1.290)**	**-**	**(1.290)**
Balance at 31 March 2020	**137.848**	**155.486**	**(38.628)**	**15.342**	**(14.283)**	**255.766**	**-**	**255.766**

The accompanying notes form an integral part of these consolidated condensed interim financial statements.

6.5. Selected Explanatory Notes to the Condensed Consolidated Interim Financial Statements

6.5.1. Significant Accounting Policies

These consolidated condensed interim financial statements for the three months ended March 31, 2020 have been prepared in accordance with IAS 34 *Interim financial reporting*. They do not include all the notes of the type normally included in an annual report. Accordingly, this report is to be read in conjunction with the annual report for the year ended December 31, 2019 and any public announcements made by Balta Group during the interim reporting period.

The amounts in this document are presented in thousands of euro, unless otherwise stated. Rounding adjustments have been made in calculating some of the financial information included in these consolidated condensed interim financial statements.

The accounting policies are consistent with those of the previous financial year and corresponding interim period, except for the adoption of new and amended standards as set out below.

New and amended standards adopted by the Group

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

- Amendments to Refences to the Conceptual Framework in IFRS Standards (effective 1 January 2020).
- Amendments to the guidance of IFRS 3 Business Combinations, that revises the definition of a business (effective 1 January 2020).
- Amendments to the definition of material in IAS 1 and IAS 8 (effective 1 January 2020).
- Amendments to IFRS 9, IAS 39 and IFRS 7 (effective 1 January 2020).
- IFRS 17 insurance contracts, (effective 1 January 2022).

6.5.2. Segment Reporting

Segment information is presented in respect of the Company's business segments. The performances of the segments is reviewed by the chief operating decision maker, which is the Management Committee.

(€ thousands)	Q1 2020	Previous reported figures (1)
Revenue by segment	**159.720**	**183.532**
Rugs	49.156	65.505
Commercial	56.824	55.722
Residential	47.007	54.868
Non-Woven	6.733	7.437
Revenue by geography	**159.720**	**183.532**
Europe	90.187	114.922
North America	60.457	57.814
Rest of World	9.077	10.796
Adjusted EBITDA by segment [1]	**17.049**	**17.374**
Rugs	4.275	6.177
Commercial	8.153	7.704
Residential	4.085	3.237
Non-Woven	535	256
Net capital expenditure by segment	**7.203**	**5.476**
Rugs	2.467	2.779
Commercial	1.830	1.164
Residential	2.762	1.426
Non-Woven	144	107
Net inventory by segment	**165.431**	**152.948**
Rugs	72.929	70.301
Commercial	39.218	37.144
Residential	48.772	41.473
Non-Woven	4.512	4.030
Trade receivables by segment	**46.279**	**50.191**
Rugs	13.841	15.011
Commercial	21.046	22.826
Residential	10.690	11.594
Non-Woven	701	760

Note 1: For Revenue, Adjusted EBITDA and Capital Expenditure, the previous reporting period refers to 31 March 2019. The previous reported period for Net Inventory and Trade Receivables refers to 31 December 2019.

6.5.3. Integration and Restructuring Expenses

The following table sets forth integration and restructuring expenses for the period ended March 31, 2020 and 2019. This comprises various items which are considered by management as non-recurring or unusual by nature.

(€ thousands)	Q1 2020	Q1 2019
Integration and restructuring expenses	**849**	**841**
Corporate restructuring	-	41
Business restructuring	820	930
Other	29	(130)

Integration and restructuring expenses over the first three months of 2020 amounted to €0.8m, as compared to €0.8m in the same period last year. The integration and restructuring expense of 2020 is mainly driven by the one-off cost related to the NEXT program.

6.5.4. Goodwill

The goodwill increased by €1.8m from €196.0m as of December 31, 2019 to €197.8m as of March 31, 2020. The increase in goodwill reflects the changes in foreign exchange rate from the US dollar to euro from the date of acquisition of Bentley. The related foreign exchange fluctuations are presented in other comprehensive income. The Group considers that the assumptions used in 2019 to test the goodwill for impairment remain valid in all respects.

6.5.5. Net Debt Reconciliation

The following table reconciles the net cash flow to 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**	**Senior Term Loan Facility due after 1 year**	**Senior Term Loan Facility due within 1 year**	**Lease liabilities due after 1 year**	**Lease liabilities due within 1 year**	**Super Senior RCF**	**Bentley RCF**	**Total gross financial debt**	**Cash and Cash equivalents**	**Total net financial debt**
Net debt as at 31 December 2019	**(234.900)**	**(5.360)**	**-**	**(35.019)**	**(48.963)**	**(8.680)**	**-**	**-**	**(332.922)**	**19.241**	**(313.681)**
Changes in acccounting policies	-	-	-	-	-	-	-	-	-	-	-
Net debt as at 1 January 2020	**(234.900)**	**(5.360)**	**-**	**(35.019)**	**(48.963)**	**(8.680)**	**-**	**-**	**(332.922)**	**19.241**	**(313.681)**
Cashflows	-	4.551	-	-	-	-	-	-	**4.551**	61.125	**65.676**
Proceeds of borrowings with third parties	-	-	-	-	(38.008)	(3.992)	(55.944)	(16.429)	**(114.373)**	-	**(114.373)**
Business combinations	-	-	-	-	-	-	-	-	**-**	-	**-**
Foreign exchange adjustments	-	-	-	-	-	-	-	-	**-**	-	**-**
Repayments of borrowings with third parties	-		-	35.019	-	3.481	-	-	**38.500**	-	**38.500**
Other non- cash movements	-	-	-	-	787	(3.552)	-	-	**(2.765)**	-	**(2.765)**
Net debt as at 31 March 2020	**(234.900)**	**(809)**	**-**	**-**	**(86.183)**	**(12.744)**	**(55.944)**	**(16.429)**	**(407.009)**	**80.366**	**(326.643)**

The net debt at the end of Q1 2020 amounts to €326.6m, which is an increase of €13.0m compared to Q4 2019. The table above does not include the movements in capitalized financing fees, or the interest paid.

On 21 January 2020, the Group announced the early redemption of the €35.0m Senior Term Loan Facility.

6.5.6. Related Party Transactions

The related party transactions with shareholders and parties related to the shareholders have not substantially changed in nature and impact compared to the year ended December 31, 2019 and hence no updated information is included in this interim report.

The remuneration of key management is determined on an annual basis, for which reason no further details are included in this interim report.

6.5.7. Commitments

There is no significant evolution to report in terms of commitments. Please refer to Note 38 'Commitments' in the IFRS Financial Statements of the 2019 annual report.

6.5.8. Events After the Statement of Financial Position Date

COVID-19 represents an unprecedented disruption to our business and the wide variations in potential outcomes present a material challenge to our business and industry. In response to the outbreak of the pandemic, governments in the markets in which we operate have implemented strict social distancing measures, including varying degrees of lockdowns and the closure of non-essential businesses, including the businesses of a number of our customers. These measures have resulted in a significant deterioration of macroeconomic conditions, with each of the markets in which we operate expected to see negative economic growth for 2020.

Balta formed an internal COVID-19 taskforce which coordinates our response across the group to protect the health and safety of our workforce and customers and to mitigate the effect of COVID-19 on our operations. We have implemented a number of measures to reduce our operating costs and manage our cash flows, including:

- Temporarily shutting down 6 of our 8 plants on a voluntary basis to reduce operating costs
- Senior staff taking voluntary reductions in pay, from 50% for the CEO and paid directors, 40% for the Management Committee to 30% for group-wide leadership. The reduced compensation will not be repaid
- The vast majority of staff put into temporary government unemployment support programs in Belgium, UK, France and Germany
- Fixed and variable cost saving measures, curtailing non-essential expenditure such as product launches and marketing
- Tight management of purchasing, inventory and other working capital
- Deferral of all non-essential capital expenditure

Other than voluntary closures, our plants are fully operational and have not yet been ordered to close by any government. We have maintained the flexibility to resume part of production at our facilities to satisfy demand and service customer orders. Balta looks forward to resuming full production once demand conditions permit.

As a precautionary measure to address our short-term liquidity and working capital needs, on 11 March 2020, we drew €72.7m under our revolving credit facilities. As of 31 March 2020, we held cash and cash equivalents of €80.4m.

In April 2020, we have successfully reached an agreement with our majority lending banks under the €61m Super Senior Revolving Credit Facility to adjust the covenant calculation for the impact of COVID-19 through the second quarter of 2021, which should provide additional flexibility in the covenant tests to account for disruption due to COVID-19. We had proactively approached our majority lending banks because, as a result of the decreasing EBITDA levels, we were facing the possibility of breaching our leverage covenant in subsequent quarters to Q1 2020, where the twelve month period being tested includes months that are impacted by the pandemic.

We are in regular contact with the governments in our key markets to determine the availability of, and our eligibility for, government support measures, including the availability of additional financing.

Balta Group is currently forecasting a ramp-up in production beginning in early June 2020 and, under this scenario, we are estimating that we would be producing at approximately 85% of capacity in the fourth quarter of 2020. We anticipate additional working capital requirements as we begin our production ramp-up. We have assumed that our customers will continue to pay according to invoice terms, and plan to continue to manage our cash flow conservatively for the duration of the crisis. Based on these assumptions, the Board of Directors of Balta Group is currently forecasting Balta Groups' existing cash on hand and cash flow to be sufficient for our business through the expected production ramp-up.

7. Glossary: Alternative Performance Measures

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

Organic Growth is defined as growth excluding (i) FX impact, which comprises the translation of key foreign entities, (ii) M&A impact and (iii) the impact of IFRS16. Note that as from 1 January 2019 onwards, the calculation of the FX impact changed, whereby transactional FX impacts are no longer taken into account under FX impact.

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

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

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

Adjusted Earnings per Share is defined as profit/(loss) for the period adjusted for (i) the impact of the purchase price allocation of changes in inventory, (ii) gains on assets disposals, (iii) integration and restructuring expenses, (iv) non-recurring finance expenses and (v) non-recurring tax effects divided by the number of shares of Balta Issuer S.à r.l.

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

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

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

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