

LSF9 Balta Issuer S.à r.l.

# 2017

## ANNUAL report

Senior Secured Notes  
due 2022

Annual report  
ended December 31 2017



LSF9 Balta Issuer S.à r. l.

Registered office: 5, rue Guillaume Kroll,  
L-1882 Luxembourg  
R.C.S. Luxembourg: B 198084

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## IMPORTANT NOTICE

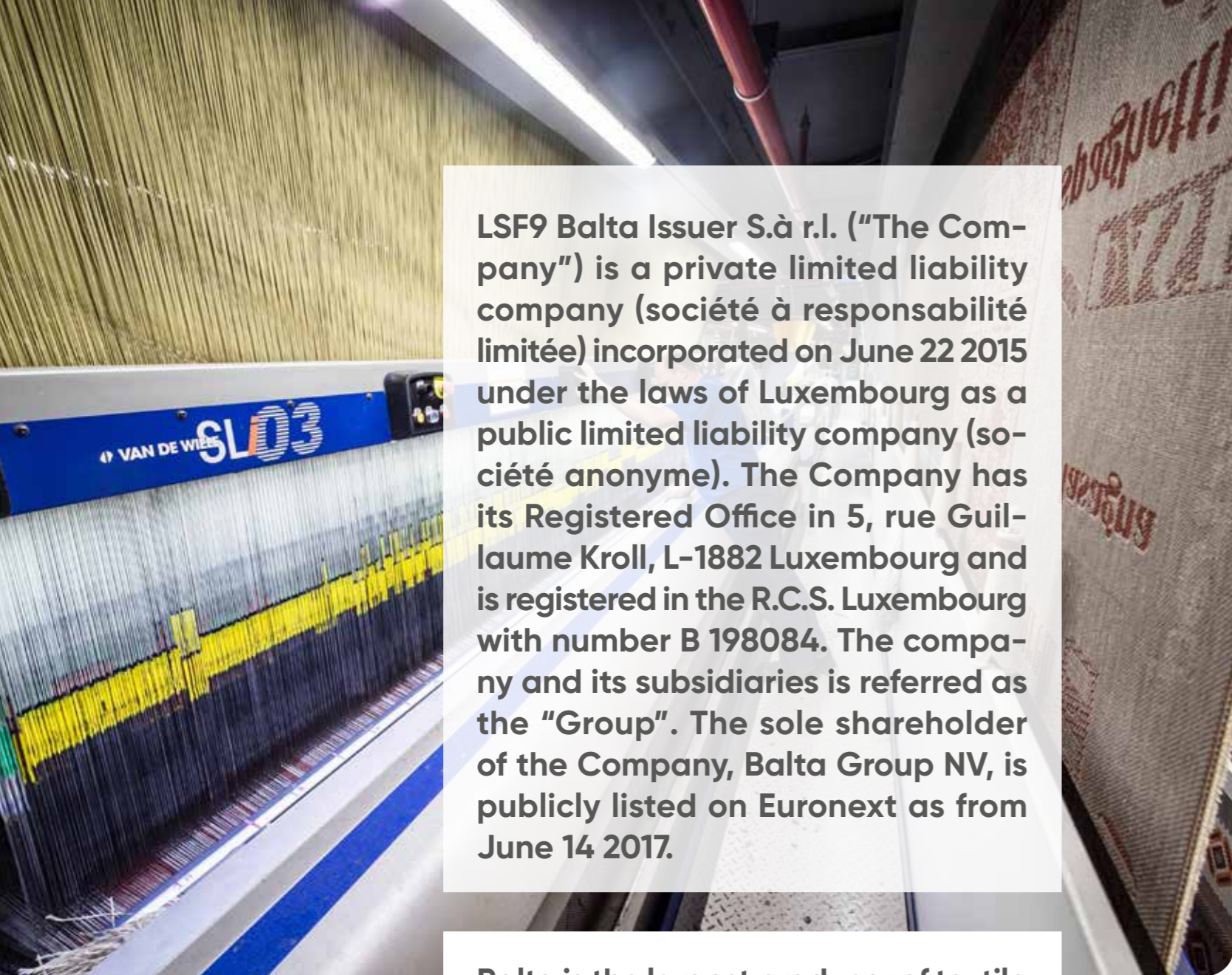
In this report, the terms "Group," "we," "us" and "our" refer to the Company and its subsidiaries.

This report is not being made, and this report has not been approved, by an authorized person for the purposes of section 21 of the Financial Services and Markets Act 2000, as amended (the "FSMA"). This report is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order"), (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order or (iv) any other person to whom it may otherwise lawfully be communicated without contravention of Section 21 of the FSMA (all such persons in (i), (ii), (iii) and (iv) above together being referred to as "relevant persons"). The securities referred to herein are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this report or any of its contents. Stabilization in respect of the Senior Secured Notes may be conducted in accordance with applicable laws.

This report may contain "forward looking statements" within the meaning of the U.S. federal securities laws and the securities laws of certain other jurisdictions. In some cases, these forward looking statements can be identified by the use of forward looking terminology, including the words "aims," "anticipates," "believes," "continue," "could," "estimates," "expects," "forecasts," "future," "guidance," "intends," "may," "ongoing," "plans," "potential," "predicts," "projects," "seek," "should," "target," "will," "would" or, in each case, their negative or other variations or comparable terminology or by discussions of strategies, plans, objectives, targets, goals, investments, future events, beliefs or intentions. These forward looking statements are based on

plans, estimates and projections as they are currently available to our management. Such forward looking statements are not guarantees of future performance and are subject to, or are based on, a number of factors, assumptions and uncertainties that could cause actual results to differ materially from those described in the forward looking statements. Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward looking statements. Any forward looking statements are only made as at the date hereof and, except to the extent required by applicable law or regulation, we undertake no obligation to publicly update or publicly revise any forward looking statement, whether as a result of new information, future events or otherwise.

The financial information herein includes certain non-IFRS measures that we use to evaluate our economic and financial performance. These measures include, among others EBITDA, EBITDA Margin, Adjusted EBITDA, Adjusted EBITDA Margin and Operating Profit Before Exceptional Items. We present non-IFRS measures because we believe that they and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity and are intended to assist in the analysis of our operating results, profitability and ability to service debt. EBITDA and Adjusted EBITDA are not measures of financial performance under IFRS and should not be considered in isolation or as an alternative to any other measures of performance derived in accordance with IFRS. You are encouraged to evaluate these adjustments and the reasons we consider them appropriate for supplemental analysis. In evaluating Adjusted EBITDA, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in this presentation. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.



Modern face-fo-face weaving looms in Balta Waregem

LSF9 Balta Issuer S.à r.l. ("The Company") is a private limited liability company (société à responsabilité limitée) incorporated on June 22 2015 under the laws of Luxembourg as a public limited liability company (société anonyme). The Company has its Registered Office in 5, rue Guillaume Kroll, L-1882 Luxembourg and is registered in the R.C.S. Luxembourg with number B 198084. The company and its subsidiaries is referred as the "Group". The sole shareholder of the Company, Balta Group NV, is publicly listed on Euronext as from June 14 2017.

Balta is the largest producer of textile floor coverings in Europe. With a consolidated revenue of €689m (PF<sup>1</sup> 2017), its products are exported to more than 130 countries worldwide. In June 2017, Balta Group became a public company listed on Euronext Brussels

# THE GROUP at a glance



## REPORTING SEGMENTS

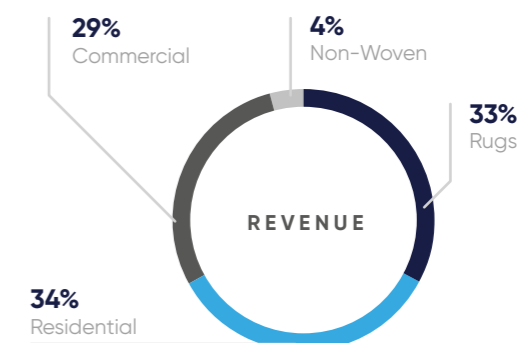


Balta has four distinct reporting segments:

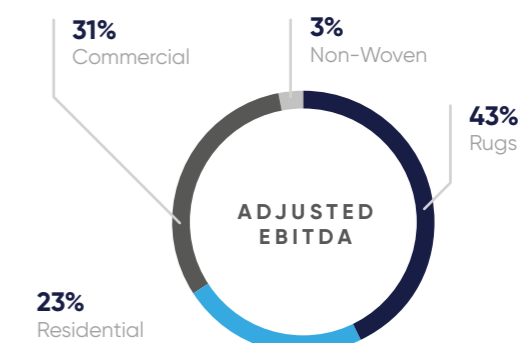
- **rugs:** woven and tufted area rugs, known under the brand Balta home.
- **residential:** wall-to-wall carpet and carpet tiles for private use, with the brands Balta carpets, ITC and Balta carpet tiles.
- **commercial:** wall-to-wall carpet and carpet tiles for commercial use with the brands, modulyss, Bentley and Arc Edition.
- **non-woven:** needle felt, carpet backing and technical non-wovens under the Captiqs brand.

Our traditional core markets include the United States, the United Kingdom, Germany, France, and an important presence in Central and Eastern Europe.

PF<sup>1</sup> Revenue 2017 per reporting segment



PF<sup>1</sup> Adjusted EBITDA 2017 per reporting segment



<sup>1</sup> see Glossary on page 112 for the definition of Pro Forma.



Yarn processing at Balta Tielt



Outdoor rug by Balta home

## RUGS

### Balta home

*Market position:* N° 1 in Europe, N° 2 worldwide and a market leader in the outdoor rugs segment in the United States.

*Production plants:* 3 in Belgium (Avelgem, Sint-Baafs-Vijve & Waregem) and 2 in Turkey (Uşak).

*Distribution centres:* 2 in Belgium (Avelgem & Sint-Baafs-Vijve), 1 in Turkey (Uşak) and 1 in the USA (Rome, Georgia).

*Distribution channels:* major international retailers (such as home improvement, furniture, specialist, discount and DIY stores) and wholesalers, with whom we have long-lasting relationships.

*Brands:* Line A®, Berclon®

[www.balta-home.com](http://www.balta-home.com)

Balta home is a global player in machine-woven and tufted rugs for indoor and outdoor use, exporting to more than 100 countries worldwide. Rugs serve a home decoration purpose and as such we believe the rugs market to be a non-cyclical, consumer and lifestyle driven market. An experienced development team is continuously developing new market-oriented collections, designs and colours to meet the requirements of all our customers. At Balta home, we are experts in creating rugs in all kinds of

different colours, designs and constructions: from flat-woven via low-pile to high-pile plush rugs, from soft, washable indoor to sustainable, reversible outdoor rugs. From the idea, via the production of raw materials, to the finished products; at Balta, every step of the development and production process takes place in-house. This vertical integration enables us to control our high quality standards during every step of the production process. Balta home, with highly automated state-of-the-art production and distribution facilities in Belgium, Turkey and the USA, is well known throughout the world for its creativity, know-how, innovation, quality, service delivery and its broad product range.

## RESIDENTIAL

### Balta carpets & ITC

*Market position:* market leader in Europe with top positions in the UK (Balta carpets), Germany and CEE (ITC).

*Production plants:* Sint-Baafs-Vijve, Tielt and Oudenaarde<sup>2</sup> in Belgium.

*Distribution centres:* Sint-Baafs-Vijve and Tielt in Belgium.

*Distribution channels:* major retailers and wholesalers, such as specialized carpet, home improvement and furniture chains, DIY stores,

independent retailers and carpet fitters.

*Brands Balta carpets:* Stainsafe®, Leonis®, X-Tron®, Made in Heaven®, Woolmaster®

*Brands ITC:* Satino®, Imprel®, Odyssey®, Wild Luxury®, Amaize®

[www.balta-carpets.com](http://www.balta-carpets.com) and

[www.itccarpets.com](http://www.itccarpets.com)

Balta carpets is the European market leader in the production of tufted and woven broadloom carpet in polypropylene. The market as such is predominantly renovation-driven and to a lesser extent driven by new-build. Key market is the United Kingdom, one of the largest residential carpet markets globally, with a strong traditional preference for carpets as a flooring solution, where we believe we are market leader by volume.

ITC is the European market leader in the production of tufted broadloom polyamide carpet. ITC produces high-quality products for premium residential applications in which creativity, design, appearance, durability and resistance to wear are important. All quality and safety aspects are certified by independent bodies such as PRODIS, GUT and TUV.

<sup>2</sup> November 2017: Balta announced its intention to move residential carpet tufting from Oudenaarde to Sint-Baafs-Vijve and Tielt, and the integration of the Sint-Niklaas warehouse in existing sites.

**Balta carpet tiles**

*Production plant & distribution centre: Zele in Belgium*

*Distribution channels: major retailers and wholesalers, such as specialized carpet, home improvement and furniture chains, DIY stores, independent retailers and carpet fitters.*

*Brand: LCT First® (Luxury Carpet Tiles)*

With balta carpet tiles, we can offer a wide range of multi-functional carpet tiles for use in homes. This modular application is clearly on the rise due to its advantages of being easy to transport, fit and replace. Unique laying patterns and exciting combinations are made possible through these carpet tiles.

**COMMERCIAL modulyss**

*Market position: N° 3 in Europe.*

*Production plant & distribution centre: Zele in Belgium.*

*Distribution channels: architects, designers, contractors and distributors (offices, education, health care and hospitality).*

*Brands: modulyss®, LCT Pro®*

*www.modulyss-pureair100.com*

*www.modulyss.com*

modulyss designs and manufactures modular carpet tiles for the international contract market and targets architects and designers looking for high-quality and trend-setting floor coverings. Thanks to the sophisticated manufacturing process, modulyss carpet tiles exceed the limits of performance and design, putting them in a class of their own. In 2017 modulyss invested in a completely new automatic tile-cutting and packaging line doubling capacity. Modulyss carpet tiles are available in a variety of colours, structures and patterns. With their endless creative possibilities, modulyss carpet tiles are the ideal solution to give a floor style and exclusivity. The market as such is mainly renovation-driven and to a lesser extent driven by new-build.

**Bentley**

*Market position: a market leader in the premium US commercial segment.*

*Production plant & distribution centre: Los Angeles in the USA.*

*Distribution channels: architects, designers and contractors (offices, education, health care and hospitality).*

*Brand: Bentley®*

*www.bentleymills.com*



Style. Service. Quality. Partnership. For more than 30 years, these tenets have been the driving forces behind Bentley, California's largest carpet design and manufacturing company. Backed by an industry-leading design team recognized for consistent innovation and with a proven new product success track record, Bentley is a leading producer of award-winning, premium carpet tile and broadloom for commercial interiors. It is an iconic brand, chosen by specifiers, architects, designers and end users. Its success is driven by long-term support of the design community, a focus on sustainability and a broad global platform for its end-user clients. Bentley's impressive growth path is fuelled by significant investments in its highly efficient LEED (Leadership in Energy and Environmental Design) Gold production facilities.

This is Bentley. A visionary carpet manufacturing vanguard, Bentley began pushing back boundaries in 1979, setting new standards for the flooring industry. Steeped in our Los Angeles' (California) heritage and frontrunners in style and culture, we employ conscious sensibilities. At the core of our company is our commitment to establish and maintain distinctive, long-term relationships with our partners and to make products inspiring our customers.

**Arc Edition**

*Market position: one of the market leaders in Europe, with a top position in CEE.*

*Production plant & distribution centre: Tielt in Belgium.*

*Distribution channels: commercial customers (including offices, education, health care and hospitality), specialized retail groups and wholesale.*

*Brand: arc edition®*

*www.arcedition.com*

Arc edition defines innovative high-quality broadloom carpet for commercial environments, enabling flooring professionals, architects, designers and specifiers to explore the creative potential of performance flooring. This brand provides a wide choice of in-stock textile floor-coverings suitable for use in demanding commercial environments with the service collection, as well as the freedom and unlimited potential of tailor made bespoke, chromojet-printed, carpet creations.

**NON-WOVEN****Captiqs**

*Market position: European mid-level player.*

*Production plant: Oudenaarde in Belgium.*

*Distribution centre: Sint-Niklaas<sup>2</sup> in Belgium.*

*Distribution channels: specialized B2B converters, event organizers and traditional distributors.*

*Brand: Captiqs®*

*www.captiqs.com*

Captiqs offers durable, non-woven solutions for a wide variety of applications such as automotive, buildings, events, insulation, lining, carpet backing and advertising banners. Through innovation and a dynamic approach, we produce needle-punched, breathable, bonded and calendered non-wovens perfectly meeting our customers' needs.

<sup>2</sup> see footnote page 15



**4,053**

Total number of employees (31/12/17)

**40**

Number of nationalities



**130+**

countries we sell into

**70,000**

rugs / working day

more than **1.5 million**  
boxes of carpet tiles/year.



**752,000 m<sup>2</sup>**

Total manufacturing footprint = 150 football pitches



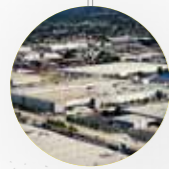
**€689 m**

Pro Forma revenue 2017

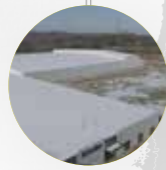


Balta Avelgem

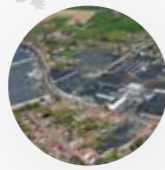
Solar panels on the factory roof of Balta Sint-Baafs-Vijve



**USA**  
LOS ANGELES, CA



**USA**  
ROME, GA



**BELGIUM**  
SINT-BAAFS-VIJVE  
(head office)



AVELGEM



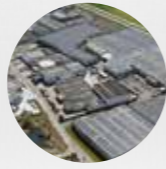
OUDENAARDE



ST-NIKLAAS



TIELT



WAREGEM



ZELE



**TURKEY**  
UŞAK



**61,150**

Solar panels on 5 factory roofs in Belgium

**33.7 ha**

Factory roof

**67**

Football fields



**12.8 million kWh per year**

The electricity consumption of 4,600 Belgian families



**-4.75 million kg**

CO<sub>2</sub> per year

# SECTION I:

## Management Report

**We are pleased to report to you on the consolidated operations of LSF9 Balta Issuer S.à r.l. ("The company" or "Balta Issuer") and its subsidiaries ("the Group") with respect to the period ended on December 31 2017.**

### I.1. HISTORY OF THE COMPANY

LSF9 Balta Issuer S.à r.l. ("The Company") is a private limited liability company (société à responsabilité limitée) incorporated on June 22 2015 under the laws of Luxembourg as a public limited liability company (société anonyme). The Company has its Registered Office in 5, rue Guillaume Kroll, L-1882 Luxembourg and is registered in the R.C.S. Luxembourg with number B 198084. The Company was established for the principal purpose of financing the acquisition of Balta Finance, including the repayment of existing indebtedness and payment of fees and expenses for the purpose of facilitating the acquisition.

On June 14 2017, The Company's corporate form changed from S.A. (société anonyme) to S.à r.l. (société à responsabilité limitée). All references to LSF9 Balta Issuer S.A. have been replaced by LSF9 Balta Issuer S.à r.l. in this document.

On June 14 2015, LSF9 Balta Investments S.à r.l., a subsidiary of the Company, entered into a sale and purchase agreement to purchase from Balta Luxembourg S.à r.l. (the "Seller") all of the issued and outstanding share capital of Balta Finance S.à r.l. ("Balta Finance"), the former parent entity of the Balta Group and its subsidiaries, and certain intercompany loans between Balta Finance (as borrower) and the Seller (as lender). The closing of the acquisition of Balta Finance was reached on August 11 2015 ("completion Date")

The Balta Group was founded in 1964 in Belgium. In more than 50 years since its foundation, it has grown into one of the largest European soft-flooring companies, producing rugs, residential broadloom, commercial broadloom and carpet tiles and non-woven fabrics for the European and international markets.

On March 22 2017, the Group acquired 98.39% of the Bentley Group of companies, a leader in premium commercial tiles and broadloom carpets for commercial interiors in the US market. On May 31 2017, the Group acquired the remaining shares of Bentley and gained a 100% control over Bentley as of that moment.

LSF9 Balta Issuer S.à r.l. was a wholly-owned subsidiary of LSF9 Balta Midco S.à r.l., which was in turn controlled indirectly by Lone Star Fund IX.

On May 30 2017, LSF9 Balta Midco S.à r.l. through intermediate holdings, contributed the Group in a newly Belgian created company Balta Group NV which became the sole shareholder of the Company. The new Parent company, Balta Group NV, is publicly listed on Euronext as from June 14 2017.

### I.2. HIGHLIGHTS AND KEY FIGURES

In 2017 Balta delivered group Consolidated Revenue of €661.3m, up 18.6% and Adjusted EBITDA of €84.4m up 3.7%, both versus last year. EBITDA margin of 12.8% was down 183bps, reflecting the impact to earnings from currency movements and raw material inflation which was not sufficiently offset by pricing and other compensating actions in the financial year. These results include the contribution from the Bentley Group of companies which was consolidated into the Group's results as from March 22 2017.

On a Pro Forma basis, including Bentley for both the current and prior year, full year revenue grew 3.1% (organic 4.6%) to €689.0m and Adjusted EBITDA declined 10.3% (organic -3.9%) to €87.4m.

€m	2017	2016	Growth	
			Consolidated	Organic <sup>(2)</sup>
Revenue	661.3	557.7	18.6%	4.5%
Adjusted EBITDA <sup>(1)</sup>	84.4	81.4	3.7%	(5.8)%
Adjusted EBITDA Margin	12.8%	14.6%	(183) bps	
Adjusted Operating Profit <sup>(1)</sup>	51.9	52.7	(1.5)%	
Operating Profit	30.8	49.2	(37.4)%	
Profit (loss) for the period	(2.9)	25.3	(111.4)%	

(1) Adjusted EBITDA and Adjusted Operating Profit: adjustments include impact of purchase price allocation and integration and restructuring expenses.

(2) Organic growth is defined as growth at constant currency and excluding M&A

The net loss for the period in 2017 includes a net €19.7m impact from non-recurring items, comprised of €18.2m integration and restructuring expenses, €9.3m incremental finance expenses, €1.8m net impact of purchase price accounting and offset by €9.6m of net tax benefits. In the absence of such events, the normalized profit for the period would have been €16.8m. Similarly, the profit for the period in 2016 includes a net non-recurring benefit of €8.3m resulting in a normalized net profit of €17.0m.

Net debt at the end of December 2017 is equal to €253.6m, €14.9m lower versus the end of 2016. Leverage has decreased from 3.3x Adjusted EBITDA at the end of 2016 to 2.9x Adjusted EBITDA at the end of 2017. The reduction in net debt has been achieved by reducing gross debt.

(€ million)	December 31 2017			December 31 2016		
	Non-current	Current	Total	Non-current	Current	Total
Senior Secured Notes	228.1	3.4	231.6	279.3	4.2	283.5
Senior Term Loan Facility	34.8	(.1)	34.7	-	-	-
Bank and other borrowings	13.3	2.4	15.7	15.4	2.5	17.9
Less: Cash and cash equivalents	-	(37.2)	(37.2)	-	(46.0)	(46.0)
Adjusted for capitalized financing fees	7.0	1.9	8.9	10.7	2.4	13.1
<b>Net debt</b>	<b>283.2</b>	<b>(29.6)</b>	<b>253.6</b>	<b>305.4</b>	<b>(36.9)</b>	<b>268.5</b>
Adjusted EBITDA <sup>(1)</sup>			87.4			81.4
<b>Leverage</b>			<b>2.9</b>			<b>3.3</b>

(1) Leverage on December 31 2017 is determined as the ratio of net debt to pro forma Adjusted EBITDA.

As further disclosed, a portion of the primary proceeds of the IPO of Balta Group NV which were subsequently contributed in LSF9 Balta Issuer S.à r.l. were used to redeem €21.2m of the Senior Secured Notes. An additional €33.9m of Senior Secured Notes were repaid in the course of the third quarter and replaced with a €35m Senior Term Loan Facility at a margin of 1.4%, reducing annual interest expenses by €2.1m. Following these transactions, gross debt at the end of 2017 is equal to €290.8m (excluding capitalized financing fees), of which €240.3m Senior Secured Notes, €35.0m Senior Term Loan Facility and €15.5m of finance leases.

### I.3. BUSINESS REVIEW

(€ million, unless otherwise stated)	2017	2016	% change	Organic growth	FX	M&A
Rugs	228.3	214.5	6.4%	8.1%	(1.7)%	0.0%
Commercial	171.7	80.1	114.5%	8.0%	(1.0)%	107.6%
Residential	234.8	236.8	(0.8)%	0.6%	(1.4)%	0.0%
Non-Woven	26.5	26.3	0.6%	0.6%	0.0%	0.0%
<b>Consolidated Revenue</b>	<b>661.3</b>	<b>557.7</b>	<b>18.6%</b>	<b>4.5%</b>	<b>(1.4)%</b>	<b>15.4%</b>
Pro Forma Adjustment Bentley	27.7	110.7				
<b>Pro Forma Revenue</b>	<b>689.0</b>	<b>668.4</b>	<b>3.1%</b>	<b>4.6%</b>	<b>(1.5)%</b>	
Rugs	37.6	38.0	(0.8)%	0.3%	(1.3)%	0.0%
Commercial	23.9	12.1	98.3%	(7.9)%	(5.5)%	111.9%
Residential	20.2	28.4	(28.7)%	(12.6)%	(16.2)%	0.0%
Non-Woven	2.6	2.9	(10.1)%	(9.9)%	0.0%	0.0%
<b>Consolidated Adjusted EBITDA</b>	<b>84.4</b>	<b>81.4</b>	<b>3.8%</b>	<b>(5.8)%</b>	<b>(7.1)%</b>	<b>16.6%</b>
Pro Forma Adjustment Bentley	2.9	16.0				
<b>Pro Forma Adjusted EBITDA</b>	<b>87.4</b>	<b>97.4</b>	<b>(10.3)%</b>	<b>(3.9)%</b>	<b>(6.4)%</b>	
Rugs	16.5%	17.7%				
Commercial	13.9%	15.1%				
Residential	8.6%	12.0%				
Non-Woven	9.9%	11.1%				
<b>Geconsolideerde Adjusted EBITDA marge</b>	<b>12.8%</b>	<b>14.6%</b>				
Pro Forma Adjustment Bentley	10.5%	14.5%				
<b>Pro Forma Adjusted EBITDA Marge</b>	<b>12.7%</b>	<b>14.6%</b>				

Note: Revenue and Adjusted EBITDA Bentley in Q1 2017 and YTD 2016 are not included in the consolidated figures but are included in the pro forma figures.

#### Rugs

The Rugs division achieved full year organic revenue growth of 8.1%, spread across all three regions of Europe, North America and Rest of the World.

The very strong first half year organic growth of 12.9% was supported by a successful programme of new product developments launched with customers. We saw continued organic growth during the third quarter of 8.7%.

In the fourth quarter, organic revenue was down 2.4%. Some orders moved to January and we had a reduction in orders for our outdoor rugs collections with two US home improvement customers, which will impact revenue in the first half of 2018. A weakening US dollar to Euro, negatively impacted our Consolidated Revenue by 3.4%, leading to a decline of 5.9%.

During 2017, we have invested to strengthen our position for future growth by increasing our US sales and distribution infrastructure. This includes a new warehouse to better support existing customers and increase our reach to new customers and channels for both indoor and outdoor rugs. As a result we have increased our full year fixed costs by €1.7m.

Full year Consolidated Adjusted EBITDA declined by €0.4m to €37.6m with margins at 16.5% (Q4 margin 14.7%). The margin reduction from 17.7% in 2016, reflects the time delay between higher raw material prices and the actions required to compensate, including price increases. Full year EBITDA was impacted negatively by 1.3% from currency movements, which were higher in quarter four at 2.5%.

## Commercial

Full year Consolidated Revenue increased by 114.5% to €171.7m, driven by the acquisition of Bentley at the end of quarter one 2017 and the 8.0% organic growth of our European Commercial business. Quarter four organic revenue was up 14.8%, reflecting the return of full supply in our European tile business.

In the US, whilst integrating the Bentley business within the Balta group we have continued to take market share, enabled by our increased investment in sales resource. The acquisition has allowed us to reach a wider pool of customers in North America using Bentley's customer relationships and a differentiated product portfolio including both Balta's modulyss products and Bentleys own premium tile range. In quarter four we won a national US retailer account for modulyss tiles, which provides Balta with a platform to grow revenue and profit in a new channel.

Also in Europe, we have continued to invest in our commercial sales resource, and with the start-up issues we experienced in 2017 now resolved, the return will start being delivered in 2018.

Consolidated full year Adjusted EBITDA increased by 98.3% to €23.9m although organic EBITDA was lower by 7.9%. Quarter four organic EBITDA was lower by 38.4% due to negative product mix including the lower margins of our new customer in the US, and the incremental costs associated with resupplying our European customer base following the resolution of the supply issues.

## Residential

Full year Consolidated Revenue of €234.8m, declined by 0.8%, with organic growth of 0.6% impacted by negative currency of 1.4%. The performance reflected a challenging residential market environment in continental Europe and stable total volumes in the UK. Quarter four revenue was a consolidated growth of 1.6%, with organic growth of 2.4% outweighing the negative currency impact of 0.8%.

Residential EBITDA margins continued to be under pressure with quarter four at 7.3% (full year: 8.6%). The drivers of this are the continued adverse effects of currency movements and raw material inflation which have not been fully offset with price increases.

Full year organic EBITDA reduction of 12.6% combined with a negative currency impact of 16.2% resulted in a consolidated Adjusted EBITDA of €20.2m, down €8.2m versus the prior year.

The strategy to grow sales of higher margin new broadloom products led to sales increasing by a third compared to last year, currently representing about 20% of Residential sales versus 15% a year ago and 7% two years ago.

The benefits from the optimization of the Residential operational footprint are ahead of schedule and will deliver the full run rate benefits of €8.3m EBITDA in FY19, resulting in a recurring cash-flow improvement of €9.9m with exceptional one off costs of €12.4m. As a result of the progress we have made, we now expect to finish the move ahead of schedule and expect the benefits to commence early in the second half of the 2018 financial year.

## I.4. FINANCIAL REVIEW

(€ thousands)	2017				2016		
	Adjusted	Non-recurring	PPA	Reported	Adjusted	Non-recurring	Reported
Revenue	661,320	-	-	661,320	557,685	-	557,685
Raw material expenses	(310,391)	-	-	(310,391)	(259,472)	-	(259,472)
Changes in inventories	(351)	-	(3,008)	(3,359)	6,055	-	6,055
Employee benefit expenses	(151,343)	-	10	(151,334)	(130,054)	-	(130,054)
Other income	7,132	-	-	7,132	8,171	-	8,171
Other expenses	(122,010)	-	96	(121,914)	(101,017)	-	(101,017)
<b>Adjusted EBITDA</b>	<b>84,357</b>	<b>-</b>	<b>(2,902)</b>	<b>81,454</b>	<b>81,367</b>	<b>-</b>	<b>81,367</b>
Depreciation/amortization	(32,469)	-	(30)	(32,499)	(28,666)	-	(28,666)
<b>Adjusted Operating Profit <sup>1</sup></b>	<b>51,887</b>	<b>-</b>	<b>(2,933)</b>	<b>48,954</b>	<b>52,701</b>	<b>-</b>	<b>52,701</b>
Gains on asset disposals	-	-	-	-	-	1,610	1,610
Integration and restructuring expenses	-	(18,175)	-	(18,175)	-	(5,128)	(5,128)
<b>Operating profit / (loss)</b>	<b>51,887</b>	<b>(18,175)</b>	<b>(2,933)</b>	<b>30,779</b>	<b>52,701</b>	<b>(3,518)</b>	<b>49,183</b>
Finance income	41	-	-	41	57	-	57
Finance expenses	(28,019)	(9,307)	-	(37,327)	(28,608)	-	(28,608)
<b>Net finance expenses</b>	<b>(27,978)</b>	<b>(9,307)</b>	<b>-</b>	<b>(37,285)</b>	<b>(28,552)</b>	<b>-</b>	<b>(28,552)</b>
<b>Profit / (loss) before income taxes</b>	<b>23,909</b>	<b>(27,482)</b>	<b>(2,933)</b>	<b>(6,506)</b>	<b>24,150</b>	<b>(3,518)</b>	<b>20,632</b>
Income tax benefit / (expense)	(7,104)	9,577	1,149	3,622	(7,142)	11,855	4,713
<b>Profit / (loss) for the period from continuing operations</b>	<b>16,805</b>	<b>(17,905)</b>	<b>(1,784)</b>	<b>(2,884)</b>	<b>17,007</b>	<b>8,338</b>	<b>25,345</b>

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

### Non-Recurring Items

2017 was characterized by several one off events with a material impact on our P&L. The impact of these events on 2017 profit for the period is equal to a net expense of €19.7m. In contrast, the profit realized in 2016 was characterized by a net benefit of €8.3m, mainly as a result of the one-off recognition of deferred tax assets (€10.8m).

The non-recurring events of 2017 are:

- Purchase price accounting adjustments following the acquisition of Bentley in March 2017. These adjustments have an impact of €2.9m on EBITDA and €1.8m on the profit for the year
- Integration and restructuring expenses of €18.2m impacting EBITDA, of which €8.2m is in connection with the optimization of the Residential operational footprint and €7.6m is related to strategic advisory services which mainly relate to costs which have been incurred in connection with the capital reorganization. The expected total one off cost for the Residential optimization is €12.4m

- Finance expenses of €9.3m relating to (i) expenses of €5.4m in connection with the debt financed acquisition of Bentley, which was fully repaid in June 2017 from the IPO proceeds, and (ii) expenses in connection with the partial early redemption of the Senior Secured Notes (€3.9m)
- €9.6m tax benefit relating to events that are not reflective of Balta's normal business operations, including the re-measurement of deferred tax assets and liabilities following changes in tax legislation.

### Net Financing Costs

The net finance expense amounted to €28.0m, excluding €9.3m of financing expenses which related to the previous capital structure and one-off financing fees which are non-recurring. In addition, the full year financing cost does not reflect the run rate benefit of the repayment of €21.2m Senior Secured Notes in June 2017 using the proceeds of the capital increase and the refinancing of €35m of Senior Secured Notes executed in September 2017. These two

transactions have reduced our run rate finance expenses to approximately €23m.

#### Taxation

The reported income tax expense of the year is a credit of €3.6m which includes two items totaling €9.6m which we have treated as non-recurring.

Firstly, we have recognized a positive effect of €10.4m linked to tax reforms, of which €9.0m is linked to the Belgian tax reform which has been substantially enacted on December 22 2017. The highlight of the corporate tax reform is the reduction of the corporate tax rate from 33.99% to 29.58% in 2018 (including crisis contribution, lowered from 3% to 2%) and to 25% as from 2020 (abolishment of crisis contribution). As a consequence, deferred tax assets and liabilities have been adjusted to reflect the new tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

Secondly, the deferred tax assets relating to tax credits and loss carryforwards have been adjusted to reflect changes in the probability that these can be used in the future.

When normalizing for all exceptional events of 2017, the Adjusted Effective Tax Rate is equal to approximately 30%. Following the enactment of the tax reform in Belgium, and based on the same scope of activity and financing structure, we anticipate that our future effective tax rate will be between 25% and 27% on a like for like basis.

#### Business combination accounting

In connection with our acquisition of Bentley Mills, accounting rules require us to adjust various balance sheet accounts, including inventory, to fair value at the time of acquisition. The fair value adjustment is mainly related to inventory and represents a one-off, non-recurring, expense of €2.9m on the operational result of 2017. The after-tax impact of business combination accounting on the net result of 2017 is equal to €1.8m.

Following the completion of the purchase price

allocation, goodwill in connection with the Bentley acquisition has been reduced from €81.3m to €74.3m and annual depreciation charges will increase as from 2018 by an estimated €0.4m.

#### Financial risk management

The Group is exposed to a variety of financial risks, including market risk (mainly foreign exchange rate risk and commodity price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial and commodity markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group's financial risk management is described in Note 29 of the consolidated financial statements.

### 1.5. OTHER REVIEW

#### Company's likely future development

##### OUR STRATEGY

Our vision is to bring beautiful design at affordable prices to the mid-segment mass markets. As a manufacturer with extensive vertical integration, we leverage our innovation capabilities and operational excellence, to target large segments with attractive margin opportunities. Also, our Bentley brand caters to the top end of the US commercial market. We see ourselves as the preferred partner to our customers, providing leading innovation and great customer service.

In the Rugs division, our goal is to be the global innovation and design leader in machine-made rugs. In Commercial, Balta is the growing challenger in the North American and European commercial carpet and tiles segment. Finally in Residential, we aim to be the leading carpet manufacturer in Europe.

The execution of these goals is based on a three pillar strategy:

- strengthen our leading position across core segments
- continue to focus on Operational Excellence
- selectively seek complementary acquisition opportunities

#### 2018 PRIORITIES

We have laid out our six key priorities for delivering improved performance with much of the benefits being realised in the second half of 2018 and the full run rate in 2019.

##### Grow profitable revenue

1. Continue to grow rugs sales in North America, by increasing our channel penetration and broadening our channel reach, underpinned by our 2017 investment in sales and distribution infrastructure, with benefits beginning in the second half of 2018
2. Continue sales growth in the Commercial division, leveraging the increased capacity of our new automated commercial manufacturing line in Europe and our 2017 investment in increasing our sales force, both in Europe and the US. Acceleration of the cross selling of modulyss products through Bentley's sales force, with new end market opportunities in national accounts
3. Further improve the Residential product mix by growing sales of higher margin products and by capturing the right value for our products and services through a strategic pricing excellence project that we have recently launched.

##### Deliver increased level of cost savings

4. Deliver the full benefits of the restructuring of the operational footprint in Residential of €8.3m EBITDA in 2019, commencing early in the second half of 2018
5. Execute the already started expanded Operational Excellence programme, delivering an increased run rate of cost savings from the second half of 2018
6. Execute the planned operational and procurement synergies between our European and US Commercial business.

#### 2018 OUTLOOK

Following the adverse raw material and FX movements, we expect the trends of the second half of 2017 to continue in the first half of 2018. Due to the strong comparative in the first half of 2017 and the timing effect of gains and losses in customers' 'share of wallet', we expect the Rugs division to have mid-teens revenue decline in the first half of 2018; followed by a return to growth in the second half of the year. Together with our growing Commercial division, both in Europe and the US, we are confident that the measures and actions we are taking will deliver a significantly stronger second half run rate.

As a result, with external factors remaining unchanged, we expect 2018 EBITDA to be between €82m and €87m.

Balta is a strong business with a track record of generating revenue growth at good margins, in which we have confidence this will continue.

#### Environmental and personnel matters

In 2017, the Group employed an average of 3,714 employees (expressed in full-time equivalents) compared to 3,238 per 2016. All efforts are undertaken to ensure that all health and safety measures are in compliance with legal requirements, that appropriate training and career development opportunities are identified and that consultation with employees or their representatives continues at all levels when decisions are taken that are likely to affect employee's interests.

#### Research and development

One of the competitive advantages of our business is our long history of creativity and innovation. We aim to leverage our research and development to continually optimize our production capacity and provide designs that appeal to our customers. We closely monitor trends in product design and innovation through continuous testing and analysis, with a focus on anticipating our customers' preferences and market developments. The Group incurred €7.0m of research and development expenses during the 12 months ended in December 31

2017 compared to the €5.5m of research and development expenses during the 12 months ended in December 31 2016 which are included in the income statement as other expenses.

#### Prospects and information regarding circumstances that could material affect the development of the Group

Our potential for future business success and operating profitability must be considered in light of the risks, uncertainties, expenses and difficulties typically encountered by recently organized or combined companies. If we fail to address these risks, uncertainties and difficulties or to manage these expenses adequately, our business, financial condition and operating results may be materially adversely affected and may differ materially from your expectations based on the historical and pro forma financial information provided in this Annual Report.

#### Acquisition of own shares

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.

#### Events after reporting date

We are not aware of any significant events since December 31 2017 which could be considered as having a material influence on the financial position, financial performance and cash flows of the Company.

#### Discharge

The Board of Managers requests the Partners of the Group to approve the consolidated financial statements as attached hereto and to grant discharge to the Board of Managers and to the statutory auditors for the exercise of their mandate during the last financial year.

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS). These Group consolidated financial statements were authorized for issue by the Board of Managers on April 17 2018. 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 this Financial Statements.

#### Board of Managers

The Board of Managers of LSF9 Balta Issuer S.à r.l. is as follows:

#### Kairos Management BVBA, represented by Tom Debusschere

Manager  
Start of mandate: June 16 2017

#### Tom Gysens BVBA, represented by Tom Gysens

Manager  
Start of mandate: June 16 2017

#### Jean-Philippe Kuhn

Manager  
Start of mandate: June 16 2017

#### Sara Speed

Manager  
Start of mandate: October 31 2017

#### Philippe Jusseau

Manager  
Start of mandate: June 22 2015  
End of Mandate: June 16 2017

#### Patrick Steinhauser

Manager

Start of mandate: June 22 2015  
End of mandate: June 16 2017

#### Luca Destito

Manager  
Start of mandate: April 26 2016  
End of mandate: June 16 2017

#### Michael Kolbeck

Manager  
Start of mandate: April 26 2016  
End of mandate: June 16 2017

#### João Carlos Fernandes da Silva Loureiro

Manager  
Start of mandate: February 10 2017  
End of mandate: June 16 2017

#### Delphine André

Manager  
Start of mandate: June 16 2017  
End of mandate: October 31 2017

#### Statutory auditors

The statutory auditors are PricewaterhouseCoopers Société Coopérative, 2, Rue Gerhard Mercator, B.P. 1443, L-1014 Luxembourg.

# SECTION II: Consolidated Financial Statements

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

(€ thousands)	Note	For the year ended December 31	
		2017	2016
<b>I. CONSOLIDATED INCOME STATEMENT</b>			
Revenue	Note 4	661,320	557,685
Raw material expenses		(310,391)	(259,472)
Changes in inventories	Note 16	(3,359)	6,055
Employee benefit expenses	Note 7	(151,334)	(130,054)
Other income	Note 8	7,132	8,171
Other expenses	Note 8	(121,914)	(101,017)
Depreciation / amortization	Note 9	(32,499)	(28,666)
<b>Adjusted Operating Profit <sup>1</sup></b>		<b>48,954</b>	<b>52,701</b>
Gains on asset disposals		-	1,610
Integration and restructuring expenses	Note 10	(18,175)	(5,128)
<b>Operating profit / (loss) <sup>1</sup></b>		<b>30,779</b>	<b>49,183</b>
Finance income		41	57
Finance expenses	Note 11	(37,327)	(28,608)
<b>Net finance expenses</b>		<b>(37,285)</b>	<b>(28,552)</b>
<b>Profit / (loss) before income taxes</b>		<b>(6,506)</b>	<b>20,632</b>
Income tax benefit / (expense)	Note 12	3,622	4,713
<b>Profit / (loss) for the period from continuing operations</b>		<b>(2,884)</b>	<b>25,345</b>
Profit / (loss) for the period from discontinued operations		-	-
<b>Profit / (loss) for the period</b>		<b>(2,884)</b>	<b>25,345</b>
Attributable to:			
Equity holders		(2,919)	-
Non-controlling interest		34	-
<b>II. CONSOLIDATED OTHER COMPREHENSIVE INCOME</b>			
<i>Items in other comprehensive income that may be subsequently reclassified to P&amp;L</i>			
Exchange differences on translating foreign operations		(13,522)	(8,013)
Changes in fair value of hedging instruments qualifying for cash flow hedge accounting		123	(116)
<i>Items in other comprehensive income that will not be reclassified to P&amp;L</i>			
Changes in deferred taxes		(457)	285
Changes in employee defined benefit obligations		1,005	(882)
<b>Other comprehensive income for the period, net of tax</b>		<b>(12,850)</b>	<b>(8,727)</b>
<b>Total comprehensive income for the period</b>		<b>(15,735)</b>	<b>16,618</b>
<b>Basic and diluted earnings per share from continuing operations attributable to the ordinary equity holders of the company</b>	Note 35	<b>(0.02)</b>	<b>1.48</b>

(1) Adjusted Operating Profit / Operating profit/(loss) are non-GAAP measures as defined in Note 1.25 and include impact purchase price accounting in statement above.

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

## II.2. Consolidated statement of financial position as at December 31

(€ thousands)	Note	For the year ended December 31	
		2017	2016
Property, plant and equipment			
Land and buildings	Note 14	162,103	169,203
Plant and machinery	Note 14	130,977	115,016
Other fixtures and fittings, tools and equipment	Note 14	18,080	15,019
Goodwill	Note 6	198,814	124,673
Intangible assets	Note 13	12,218	2,376
Deferred income tax asset	Note 15	4,160	18,950
Trade and other receivables	Note 17	1,165	138
<b>Total non-current assets</b>		<b>527,517</b>	<b>445,375</b>
Inventories	Note 16	147,868	135,320
Derivative financial instruments	Note 28	-	46
Trade and other receivables	Note 17	62,760	54,930
Current income tax assets		3,914	34
Cash and cash equivalents	Note 18	37,182	45,988
<b>Total current assets</b>		<b>251,723</b>	<b>236,318</b>
<b>Total assets</b>		<b>779,240</b>	<b>681,693</b>
Share capital	Note 19	137,848	171
Share premium	Note 19	155,486	1,260
Preferred Equity Certificates	Note 22	-	138,600
Other comprehensive income	Note 20	(19,913)	(7,063)
Retained earnings	Note 21	433	3,351
Other reserves		(14,283)	-
<b>Total equity</b>		<b>259,571</b>	<b>136,319</b>
Senior Secured Notes	Note 23	228,130	279,277
Senior Term Loan Facility	Note 24	34,782	-
Bank and Other Borrowings	Note 25	13,310	15,388
Deferred income tax liabilities	Note 15	54,471	69,775
Provisions for other liabilities and charges	Note 32	2,335	-
Employee benefit obligations	Note 30	4,127	5,079
<b>Total non-current liabilities</b>		<b>337,156</b>	<b>369,519</b>
Senior Secured Notes	Note 23	3,425	4,234
Senior Term Loan Facility	Note 24	(108)	-
Bank and Other Borrowings	Note 25	2,361	2,614
Provisions for other liabilities and charges	Note 32	7,316	64
Derivative financial instruments	Note 28	2	162
Other payroll and social related payables	Note 31	33,359	31,246
Trade and other payables	Note 33	132,414	131,562
Income tax liabilities		3,745	5,974
Dividends Payable		-	-
<b>Total current liabilities</b>		<b>182,514</b>	<b>175,856</b>
<b>Total liabilities</b>		<b>519,668</b>	<b>545,374</b>
<b>Total equity and liabilities</b>		<b>779,240</b>	<b>681,693</b>

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

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

(€ thousands)	Note	For the year ended December 31	
		2017	2016
<b>I. CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Net profit / (loss) for the period</b>		<b>(2,884)</b>	<b>25,345</b>
Adjustments for:			
Reclass of capital increase expenses to cashflow from financing activities (gross)		7,119	-
Income tax expense/(income)	Note 12	(3,622)	(4,713)
Finance income		(41)	(57)
Financial expense	Note 11	37,327	28,608
Depreciation, amortization	Note 9	32,500	28,666
Movement in provisions		7,252	-
(Gain) / loss on disposal of non-current assets		(58)	(1,610)
Fair value of derivatives		8	786
Non-cash impact of purchase price allocation	Note 5	2,902	-
<b>Cash generated before changes in working capital</b>		<b>80,503</b>	<b>77,025</b>
Changes in working capital:			
Inventories	Note 16	(4,280)	(5,883)
Trade receivables	Note 17	1,747	(8,433)
Trade payables	Note 33	(13,556)	10,485
Other working capital		1,545	(5,459)
<b>Cash generated after changes in working capital</b>		<b>65,960</b>	<b>67,735</b>
Net income tax (paid)		(5,344)	(1,478)
<b>Net cash generated / (used) by operating activities</b>		<b>60,617</b>	<b>66,257</b>
<b>II. CASH FLOW FROM INVESTING ACTIVITIES</b>			
Acquisition & disposal of property, plant and equipment	Note 14	(38,261)	(36,483)
Acquisition of intangibles	Note 13	(1,673)	(1,494)
Proceeds from non-current assets		912	2,408
Acquisition of subsidiary	Note 5	(68,752)	-
<b>Net cash used by investing activities</b>		<b>(107,776)</b>	<b>(35,569)</b>
<b>III. CASH FLOW FROM FINANCING ACTIVITIES</b>			
Interest and other finance charges paid, net		(32,388)	(27,814)
Proceeds from borrowings with third parties	Note 25	110,000	-
Proceeds from capital increase	Note 19	137,677	-
Capital increase expenses (net)		(6,292)	-
Repayments of borrowings with third parties	Note 19, 25	(171,987)	(2,349)
Proceeds from contribution in kind		1,343	-
<b>Net cash generated / (used) by financing activities</b>		<b>38,354</b>	<b>(30,163)</b>
<b>NET INCREASE/ (DECREASE) IN CASH AND BANK OVERDRAFTS</b>		<b>(8,806)</b>	<b>526</b>
Cash, cash equivalents and bank overdrafts at the beginning of the period		45,988	45,462
Cash, cash equivalents and bank overdrafts at the end of the period	Note 18	37,182	45,988

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

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

(€ thousands)	Share capital	Share premium	Preferred Equity Certificates	Other comprehensive income	Retained earnings	Other reserves	Total	Non-controlling interest	Total equity
<b>Balance at January 1 2016</b>	<b>171</b>	<b>1,260</b>	<b>-</b>	<b>1,664</b>	<b>(21,995)</b>	<b>-</b>	<b>(18,900)</b>	<b>-</b>	<b>(18,900)</b>
Recognition of PECs as equity instrument	-	-	138,600	-	-	-	138,600	-	138,600
Profit / (loss) for the period	-	-	-	-	25,345	-	25,345	-	25,345
<b>Other comprehensive income</b>									
Exchange differences on translating foreign operations	-	-	-	(8,013)	-	-	(8,013)	-	(8,013)
Changes in fair value of hedging instruments qualifying for cash flow hedge accounting	-	-	-	(116)	-	-	(116)	-	(116)
Cumulative changes in deferred taxes	-	-	-	285	-	-	285	-	285
Cumulative changes in employee defined benefit obligations	-	-	-	(882)	-	-	(882)	-	(882)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(8,727)</b>	<b>25,345</b>	<b>-</b>	<b>16,618</b>	<b>-</b>	<b>16,618</b>
<b>Balance at December 31 2016</b>	<b>171</b>	<b>1,260</b>	<b>138,600</b>	<b>(7,063)</b>	<b>3,351</b>	<b>-</b>	<b>136,319</b>	<b>-</b>	<b>136,319</b>

(€ thousands)	Share capital	Share premium	Preferred Equity Certificates	Other comprehensive income	Retained earnings	Other reserves	Total	Non-controlling interest	Total equity
<b>Balance at January 1 2017</b>	<b>171</b>	<b>1,260</b>	<b>138,600</b>	<b>(7,063)</b>	<b>3,351</b>	<b>-</b>	<b>136,319</b>	<b>-</b>	<b>136,319</b>
Profit / (loss) for the period	-	-	-	-	(2,919)	-	(2,919)	34	(2,884)
<b>Other comprehensive income</b>									
Exchange differences on translating foreign operations	-	-	-	(13,522)	-	-	(13,522)	-	(13,522)
Changes in fair value of hedging instruments qualifying for cash flow hedge accounting	-	-	-	123	-	-	123	-	123
Cumulative changes in deferred taxes	-	-	-	(457)	-	-	(457)	-	(457)
Cumulative changes in employee defined benefit obligations	-	-	-	1,005	-	-	1,005	-	1,005
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(12,850)</b>	<b>(2,919)</b>	<b>-</b>	<b>(15,769)</b>	<b>34</b>	<b>(15,735)</b>
Contribution of PEC's into equity	-	152,883	(138,600)	-	-	(14,283)	-	-	-
Capital contribution Bentley Management Buy-out	-	1,343	-	-	-	-	1,343	(34)	1,309
Capital contribution in cash	137,677	-	-	-	-	-	137,677	-	137,677
<b>Total transactions with the owners</b>	<b>137,677</b>	<b>154,226</b>	<b>(138,600)</b>	<b>-</b>	<b>-</b>	<b>(14,283)</b>	<b>139,020</b>	<b>(34)</b>	<b>138,986</b>
<b>Balance at December 31 2017</b>	<b>137,848</b>	<b>155,486</b>	<b>-</b>	<b>(19,913)</b>	<b>433</b>	<b>(14,283)</b>	<b>259,571</b>	<b>-</b>	<b>259,571</b>

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

## II.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 to the year presented, unless otherwise stated.

#### Note 1.1. Basis of preparation

##### Basis of preparation

These consolidated financial statements of LSF9 Balta Issuer S.à r.l. ("the Company" or "Balta Issuer"), registered at 5, Rue Guillaume Kroll, L-1882 Luxembourg (R.C.S. Luxembourg: B 198084) and its subsidiaries ("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 December 31 2017.

The financial statements of the Company for the period January 1 2017 to December 31 2017 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

These consolidated financial statements are presented in Euro, 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 Euro, 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 in the foreseeable future.

Any events and/or transactions significant to an understanding of the changes since December 31 2016 have been included in these notes to the consolidated financial statements and mainly relate to the capital reorganization of the Group in 2017 and relate to the acquisition of the Bentley Mills Group of companies which was completed on March 22 2017.

The equity of the Group was reorganised in view of the IPO of the parent company (Balta Group NV) which occurred in the course of 2017. In preparation of this IPO, Balta

Group NV (parent company), which was established by the same partners as those of LSF9 Balta Issuer S.à r.l., was incorporated on March 1 2017 for the purpose of acquiring LSF9 Balta Issuer S.à r.l. and its subsidiaries. The acquisition of LSF9 Balta Issuer S.à r.l. by Balta Group NV occurred on May 30 2017 through a contribution in kind in the Share Capital of Balta Group NV. We refer to note 19 for more information.

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.

#### New standards and amendments to standards

The following interpretations and amendments to standards are mandatory for the first time for the financial year beginning January 1 2017 and have been endorsed by the European Union. These have not had a material impact on the 2017 financial statements of the Company.

- Amendments to IAS 7 Statement of Cash Flows-Disclosure Initiative, effective for annual periods beginning on or after January 1 2017. These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved. We refer to Note 27 for disclosure.

- Amendments to IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses, effective January 1 2017. These amendments make clear how to account for deferred tax assets related to debt instruments measured at fair value.

The following interpretations and amendments to standards are mandatory for the first time for the financial year beginning January 1 2017 (however not yet subjected to EU endorsement). These have not had an impact on the 2017 financial statements of the Company:

- Annual improvements Cycle – 2014-2016, effective January 1 2017. The amendment impacts the standard:

IFRS 12 'Disclosure of interests in other entities regarding clarification of the scope of the standard'.

The following new standards and amendments to standards have been issued, but are not mandatory for the financial year beginning January 1 2017 and have been endorsed by the European Union:

- IFRS 16 'Leases'. This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. 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. The impact of changes in IFRS 16 will be further analysed in the course of 2018.

- IFRS 9 'Financial instruments', effective for annual periods beginning on or after January 1 2018. The standard addresses the classification, measurement, de-recognition of financial assets and financial liabilities and general hedge accounting. On the classification and measurement the Group's current assessment did not indicate any material impact. IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables either on a 12-month or lifetime basis. While the Group has not yet undertaken a detailed assessment of how its provisions would be affected by the new model, it may result in an earlier recognition of credit losses. Nevertheless the Group does not expect any material impact since it uses credit insurances as a means to transfer credit risk related to trade receivables and the historical default rates for 2016 and 2017 are not exceeding 0.1% for 2016 and 2017. Moreover there are no significant receivables due for more than 3 months for which no provision has been set up. The Group is currently only applying limited cash flow hedging for expected cash flows. No significant changes are expected under IFRS 9 for the current cash flow hedge documentation and accounting treatment.

- IFRS 15 'Revenue from contracts with customers'. Companies using IFRS will be required to apply the revenue standard for annual periods beginning on or after January 1 2018. IFRS 15 specifies how and when revenue is recognized and is prescribing relevant disclosures. The standard supersedes IAS 18 Revenue, IAS 11 Construction Contracts and a number of revenue related interpretations. The new standard provides a single, principles-based five-step model to be applied to all contracts with customers. Furthermore, it provides new guidance on whether revenue should be recognized at a point in time or over time.

The revenue is currently recognized when the goods are delivered which is the point in time at which the customer accepts the goods and the related legal title, i.e. when risks and rewards of the ownership are transferred. Revenue is only recognized at this moment and provide that the other requirements are also met, such as, no continuing management involvement with goods, the ability to reliably measure revenue and costs and a sufficiently probable recovery of the consideration. Under IFRS 15, revenue will be recognized when a customer obtains control of the goods. Based on the initial assessment, the Group did not identify material differences between the transfer of control and the current transfer of risk and rewards. As such, at this stage the Group does not anticipate material differences in the timing of revenue recognition for the sale of products. Volume discounts and rebates are currently accrued over the year based on the sales realized per customer and taking into account the expected yearly volumes per customer. There are no other significant incremental contract costs. Consequently the Group does not expect any material impact under IFRS 15. In general, the Group does not have any material contracts that include separate performance obligations nor any special transactions such as consignment, bill and hold arrangements, warranty programs, upfront payments or any third party involvement.

- Amendments to IFRS 15 'Revenue from contracts with customers' – Clarifications (effective January 1 2018). These amendments comprise clarification guidance on identifying performance obligations, accounting for licenses of intellectual property and the principle versus agent assessment.

The following new standards, amendments and interpretation to standards have been issued, but are not mandatory

for the financial year beginning January 1 2017 and have not been endorsed by the European Union:

- IFRS 17 'Insurance contracts' (effective January 1 2021). This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. The Group doesn't expect any material impact of this change in standard on the financial statements.
- Amendments to IFRS 2 'Share-based payments' (effective January 1 2018): The amendment clarifies the measurement basis for cash-settled payments and the accounting for modifications that change an award from cash settled to equity settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay the amount to the tax authorities. Note 41 Share based payments for more information.
- IFRIC 22 'Foreign currency transactions and advance consideration' (effective January 1 2018). This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice. This IFRIC will not result in any material impact on the financial statements of the Group.
- IFRIC 23 'Uncertainty over income tax treatments' (effective January 1 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 income tax treatments under IAS 12.

#### 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 recognizes 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 recognized for non-controlling interest over the net recognized amount (generally at fair value) of the identifiable assets acquired and liabilities assumed is recognized as goodwill. Negative goodwill is recognized immediately in the income statement.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated on consolidation. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred in which case the asset is impaired through the income statement. Accounting policies of subsidiaries are changed where necessary to ensure consistency with the policies adopted by the Group.

#### Segment reporting

Note 4 provides the Group's segment information, in line with IFRS 8. The Group operates its business through four segments, which are organized by product and sales channel. The Rugs segment designs, manufactures and distributes a broad range of machine-made rugs to major retailers (such as home improvement, furniture, specialist, discount and DIY stores) and wholesalers. The Residential segment designs, manufactures and distributes branded broadloom carpets (*Balta Broadloom* and *ITC* brands) and tiles to major retailers and wholesalers. The Commercial segment designs, manufactures and distributes modular carpet tiles mainly for offices and public projects through the Group's *modulys* brand in Europe (Commercial Europe), the *Bentley* Brand in the US (Commercial US) and broadloom carpets mainly for the hospitality sector through its *arc edition* brand to architects, designers, contractors and distributors. Finally, the Non-Woven segment designs, manufactures and distributes soft flooring for events such as fairs and expositions and specialized fabrics for insulation, lining, cars, carpet backing and banners through its *Captiqs* brand.

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

#### Note 1.3. Foreign currency translation

##### Functional and presentation currency

Items included in the financial statements of each of the Group's 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 Euro, which is the Group's functional and the Group's presentational currency. All amounts are stated in thousands of Euro 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 recognized 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 companies that do not qualify as a net investment in a foreign operation are presented in income statement within "Finance income and expense". All other foreign exchange gains and losses are presented in the income statement within "Other income" or "Other expenses" which is part of the operating profit.

The principal exchange rates that have been used to prepare these financial statements are as follows:

	December 31 2017		December 31 2016	
	Closing	Average	Closing	Average
USD	1.1993	1.1297	1.0541	1.1069
TRY	4.5155	4.1159	3.7099	3.3375
GBP	0.8872	0.8767	0.8562	0.8195

As the Bentley group of companies was only acquired as from March 22 2017, the income statement was included in the financial statements using the average USD/EUR rate from March 22 2017 to December 31 2017. The Business combination was included using the closing rate per March 31 2017. As a result the figures of the Bentley Mills group are included using the following rates.

	December 31 2017		March 31 2017
	Closing	Average	Closing
USD	1.1993	1.1519	1.0691

##### Group companies

The results and financial position of all the Group's entities (none of which has 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 income statement 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 recognized 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 recognized in the income statement as part of the gain or loss on sale.

Foreign exchange gains and losses that relate to borrowings and transactions between group companies in a different currency compared to the functional currency, are presented in the income statement within "Finance income and expense", if these borrowings do not qualify as a net investment in a foreign operation.

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 recognized under IAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

Subsequent costs are included in the asset's carrying amount or recognized 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 derecognized. All other repairs and maintenance are charged to the income statement 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

Cars are depreciated to a residual value of 20% of the initial cost.

Spare parts purchased for particular items of plant are capitalized and depreciated over the useful life not exceeding 4 years. Samples of products are capitalized and depreciated over 2-3 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 recognized within "Other income" or "Other expenses" in the income statement.

#### **Note 1.5. Goodwill**

Goodwill on acquisitions of subsidiaries is allocated to those 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 recognized at fair value at the acquisition date. The fair market value is determined on the basis of 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 amortization. Amortization 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.

##### **Internally generated software and other development cost**

Costs associated with maintaining computer software programs are recognized 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 recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product 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 product during its development can be reliably measured.

Directly attributable costs that are capitalized 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 recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Computer software development costs recognized as assets are amortized over their estimated useful lives, which in general is equal to 4 years.

#### **Note 1.7. Impairment of assets**

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are 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 recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. These values are generally determined based on discounted cash flow calculations. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

#### **Note 1.8. Derivative financial instruments**

Derivatives are initially recognized 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 income statement within "Other income" or "Other expenses" to the extent that they relate to operating activities and within "Finance income" or "Finance costs" 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 recognized in the income statement in the same period or periods during which the hedged forecast transaction affects the income statement. In case of the hedge of a forecast sales transaction, this coincides with the date upon which the revenue and trade receivable is recognized.

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 recognized

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 recognized 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 realizable value. These net realizable value adjustments 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 labor, other direct costs and related production overheads (based on normal operating capacity). Net realizable 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 the lower of cost versus net realizable 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. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less bad debt allowance.

Trade receivables are reviewed on a continuing basis. A bad debt allowance is recorded when collectability of the receivable is questionable. The bad debt allowance covers the net estimated risk for the Group and is calculated by taking into account the coverage expected to be received from credit insurance.

**Note 1.11. Cash and cash equivalents**

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

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement 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 recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Supplier finance arrangements are recognized 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 IAS 39 (we refer to de-recognition of financial assets and liabilities Note 1.17).

**Note 1.15. Financial liabilities measured at fair value through profit or loss**

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 and Bank and other borrowings**

Senior Secured Notes, Bank and other borrowings are recognized initially at fair value, net of transaction costs incurred. They are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized 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 derecognized 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; or
- 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 IAS 39 de-recognition criteria are not met, the receivables continue to be recognized in the statement

of financial position, while the proceeds received by the Group under any financing/factoring arrangements are recognized as a financial liability.

A financial liability is de-recognized 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 recognized in the income statement.

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 recognized in the income statement, except to the extent that it relates to items recognized in "Other comprehensive income" or directly in equity. In this case the tax is also recognized in "Other comprehensive income" or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company's subsidiaries 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 on the basis of 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 recognized, 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 realized or the deferred income tax liability is settled.

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

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.

#### Note 1.19. Provisions

Provisions for restructuring expenses, legal claims, service warranties and make good obligations are recognized 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 recognized 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 recognized 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 recognized as interest expense.

#### Note 1.20. Employee benefits

##### Pension obligations

IAS 19 distinguishes 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 companies 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 2<sup>nd</sup> pillar pension plans (so-called "Law Vandebroucke"), all Belgian Defined Contribution plans have to be considered under IFRS as Defined Benefit plans. Law Vandebroucke 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% per December 31 2017 and per December 31 2016) applies for the years after 2015 on future contributions and also on the accumulated past contributions as from December 31 2015 if the financing organization does not guarantee a certain result on contributions until retirement age. If the organization 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 double AA corporate bonds and single A financial bonds. At December 31 2017 this gap was 25 basis points.

##### Other post-employment obligations

The Group does not have other post-employment obligations.

##### Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes 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 recognizes 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 fulfill certain conditions, are eligible to receive supplementary unemployment allowance and paid by their former employer on top of the unemployment allowances paid by social security. This benefit is generally paid until normal retirement age, which is 65 years.

Within the Group, several former employees benefit from the system of "early retirement fee or pension", based on several Belgian Collective Labor 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 different possibilities 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. It has been determined as the present value of the best estimate of future cash flows. The discount rate used is based on the return on high quality corporate bonds (AA rated) of a maturity equivalent to the duration of the liabilities. The changes in pension liabilities are accounted for through other comprehensive income when the changes relate to a change in actuarial assumptions from one year to another.

##### Bonus plans

Bonuses received by company employees and management are based on pre-defined Group and individual target achievement. The estimated amount of the bonus is recognized 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 recognized 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 recognized in profit and loss for the period.

#### Note 1.21. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future

economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. 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.

#### Sales of goods

Sales of goods are recognized when the risks and rewards are transferred to the customers, in most cases when the goods are made available for collection at the Group's premises (factory, warehouse) on the date agreed upon with the customer and the customer accepted the goods in accordance with the sales contract.

Amounts billed to the customer in respect of transportation of product to the customer's premises are included in revenue. Associated transportation costs incurred by the Group are included in other expenses.

#### Interest income

Interest income is recognized 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 recognized using the original effective interest rate.

#### Dividend income

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

#### Note 1.22. Leases

The Group leases certain property, plant and equipment.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value

of the leased asset and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, purchase option (when there is reasonable certainty that the lessee will obtain ownership by the end of the lease term), are included in "Borrowings". The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the useful life of the asset or if there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

#### Note 1.23. Dividend distribution

Dividend distribution to the Company's partners is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's partners.

#### 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 are unaudited and 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.

Adjusted Operating Profit 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.

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 mainly on changes in inventory, (ii) gains on asset disposals, (iii) integration and restructuring expenses, (iv) non-recurring finance expenses and (v) non-recurring tax effects, divided by the number of shares of Balta Issuer S.à r.l..

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.

Leverage is defined as the ratio of Net Debt to Pro Forma Adjusted EBITDA.

Pro Forma Adjusted EBITDA is included, for illustrative purposes. The figure incorporates the acquisition effect of Bentley under the assumption that the transaction took place as of the start of the prior financial year. This information is intended to help investors to analyse and compare historical financial information. It is important to note that the acquisition of Bentley was completed on March 22 2017 and consolidated in the Group's results from the April 1 2017.

Adjusted Effective Tax Rate is defined as the ratio of income tax expenses, plus or minus the tax effect of integration and restructuring expenses, the tax effect of exceptional items within the finance charges, the tax effect attributable to the re-measurement of deferred tax assets and liabilities and the tax effect of the purchase price accounting adjustments, divided by earnings from continuing operations before income taxes plus integration and restructuring expenses plus exceptional finance expenses and excluding the impact of purchase price accounting adjustments.

## 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.

#### Determination of fair values in business combinations

The Group has applied estimates and judgements in order to determine the fair value of assets acquired and liabilities assumed by way of a business combination. The value of assets, liabilities and contingent liabilities recognized at the acquisition date are recognized at fair value. In determining the fair value, the Group has utilized valuation methodologies including discounted cash flow analysis. The Group's estimates are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable. These valuations require the use of management's assumptions, which would not reflect unanticipated events and circumstances that may occur. Any significant change in key assumptions may cause the acquisition accounting to be revised including the recognition of additional goodwill or a discount on acquisition. All significant changes in key assumptions have been considered when completing the fair value analysis of the assets and liabilities acquired from the Bentley group of companies.

#### Goodwill

The amount of goodwill initially recognized 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 amortized, whereas indefinite life intangible assets, including goodwill, are not amortized and could result in differing amortization 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 EBITDA, calculated as adjusted operating profit before depreciation and amortization;
- timing and quantum of future capital expenditure;
- long-term growth rates; and
- 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 6.

**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 of tax payers 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.

The Group has tax credits in respect of losses carried forward, Dividend Received Deduction (relief for dividend payments by qualifying EU subsidiaries to qualifying EU parent companies, to avoid double taxation of dividend income), and Notional Interest Deduction ("NID"). 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**

The Group makes significant judgements in determining the bad debt allowance with respect to trade receivables when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The assessment is performed on an individual basis in consideration of various factors such as historical experience, credit quality, age of the accounts receivables and economic conditions that may affect a customer's ability to pay.

The amount of the bad debt allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The estimated future cash flow is determined based upon the significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

**Customer rebates**

The Group also needs to make some judgements in determining accruals for customer rebates as presented in the "Other payables" section. 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. We also refer to revenue recognition, Note 1.21.

**Note 3. Reconciliation of non GAAP measures**

The table below shows the impact of the purchase price allocation and non-recurring items on profit/ (loss) of the period and provides a reconciliation between the reported information and the non-GAAP measures as presented in these financial statements.

(€ thousands)	2017		2016				
	Adjusted	Non-recurring	PPA <sup>1</sup>	Reported	Adjusted	Non-recurring	Reported
Revenue	661,320	-	-	661,320	557,685	-	557,685
Raw material expenses	(310,391)	-	-	(310,391)	(259,472)	-	(259,472)
Changes in inventories	(351)	-	(3,008)	(3,359)	6,055	-	6,055
Employee benefit expenses	(151,343)	-	10	(151,334)	(130,054)	-	(130,054)
Other income	7,132	-	-	7,132	8,171	-	8,171
Other expenses	(122,010)	-	96	(121,914)	(101,017)	-	(101,017)
<b>Adjusted EBITDA</b>	<b>84,357</b>	<b>-</b>	<b>(2,902)</b>	<b>81,454</b>	<b>81,367</b>	<b>-</b>	<b>81,367</b>
Depreciation/amortization	(32,469)	-	(30)	(32,499)	(28,666)	-	(28,666)
<b>Adjusted Operating Profit<sup>2</sup></b>	<b>51,887</b>	<b>-</b>	<b>(2,933)</b>	<b>48,954</b>	<b>52,701</b>	<b>-</b>	<b>52,701</b>
Gains on asset disposals	-	-	-	-	-	1,610	1,610
Integration and restructuring expenses	-	(18,175)	-	(18,175)	-	(5,128)	(5,128)
<b>Operating profit / (loss)</b>	<b>51,887</b>	<b>(18,175)</b>	<b>(2,933)</b>	<b>30,779</b>	<b>52,701</b>	<b>(3,518)</b>	<b>49,183</b>
Finance income	41	-	-	41	57	-	57
Finance expenses	(28,019)	(9,307)	-	(37,327)	(28,608)	-	(28,608)
<b>Net finance expenses</b>	<b>(27,978)</b>	<b>(9,307)</b>	<b>-</b>	<b>(37,285)</b>	<b>(28,552)</b>	<b>-</b>	<b>(28,552)</b>
<b>Profit / (loss) before income taxes</b>	<b>23,909</b>	<b>(27,482)</b>	<b>(2,933)</b>	<b>(6,506)</b>	<b>24,150</b>	<b>(3,518)</b>	<b>20,632</b>
Income tax benefit / (expense)	(7,104)	9,577	1,149	3,622	(7,142)	11,855	4,713
<b>Profit / (loss) for the period from continuing operations</b>	<b>16,805</b>	<b>(17,905)</b>	<b>(1,784)</b>	<b>(2,884)</b>	<b>17,007</b>	<b>8,338</b>	<b>25,345</b>

(1) Impact of purchase price accounting following the acquisition of Bentley group of companies.

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

The non-recurring events of 2017 are:

- Purchase price accounting adjustments following the acquisition of Bentley in March 2017. These adjustments have an impact of €2.9m on EBITDA and €1.8m on the profit for the year.
- Integration and restructuring expenses of €18.2m impacting EBITDA, of which €8.2m is in connection with the optimization of the Residential operational footprint and €7.6m is related to strategic advisory services which mainly relate to costs which have been incurred in connection with the capital reorganization. The expected total one off cost for the Residential optimization is €12.4m.
- Finance expenses of €9.3m relating to (i) expenses of €5.4m in connection with the debt financed acquisition of Bentley, which debt was fully repaid in June 2017 from the IPO proceeds, and (ii) expenses in connection with the partial early redemption of the Senior Secured Notes (€3.9m).
- €9.6m tax benefit relating to events that are not reflective of the Group's normal business operations, including the re-measurement of deferred tax assets and liabilities following changes in tax legislation.

## Note 4. Segment Reporting

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

(€ thousands)	2017	2016
<b>Revenue by segment</b>	<b>661,320</b>	<b>557,685</b>
Rugs	228,331	214,545
Commercial	171,683	80,050
Residential	234,818	236,758
Non-Woven	26,488	26,332
<b>Revenue by geography</b>	<b>661,320</b>	<b>557,685</b>
Europe	431,899	429,580
North America	170,506	73,843
Rest of World	58,915	54,262
<b>Adjusted EBITDA by segment <sup>(1)</sup></b>	<b>84,357</b>	<b>81,367</b>
Rugs	37,548	37,969
Commercial	23,924	12,067
Residential	20,258	28,411
Non-Woven	2,627	2,920
<b>Capital expenditure by segment</b>	<b>39,023</b>	<b>35,569</b>
Rugs	14,566	16,119
Commercial	10,455	6,259
Residential	13,050	12,460
Non-Woven	952	732
<b>Net inventory by segment</b>	<b>147,868</b>	<b>135,320</b>
Rugs	65,898	63,642
Commercial	31,162	15,346
Residential	46,818	52,718
Non-Woven	3,989	3,614
<b>Trade receivables by segment</b>	<b>49,649</b>	<b>41,326</b>
Rugs	11,946	17,263
Commercial	16,048	6,149
Residential	20,404	16,502
Non-Woven	1,251	1,411

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

Bentley is reported as part of our Commercial segment. Given the acquisition date of March 22 2017, Bentley contributes to the consolidated earnings of the Group as from Q2 2017.

## Note 5. Business combinations

For the purpose of this disclosure, amounts in USD have been converted to EUR at a rate of 1.0691 USD/EUR which is the closing rate per March 31 2017. Where used herein "Bentley" refers to Bentley Mills, Inc. or where the context requires, the Bentley group of companies.

### Details of the business combination

On December 1 2016, Lone Star Fund IX agreed to acquire Bentley, a leader in premium commercial tiles and broadloom carpets for commercial interiors in the US market, from Dominus Capital, L.P. The acquisition was completed on February 1 2017. Lone Star Fund IX acquired 98.39% of the class A unit voting rights whilst Bentley Management acquired the remaining 1.61% of the class A unit voting rights. On March 22 2017 LSF9 Balta Issuer S.à r.l. acquired 98.39% from Lone Star Fund IX.

Balta NV, a member of the Balta Group subsequently acquired the remaining 1.61% of the Class A unit voting

rights from Bentley Management on May 31 2017 which results in a 100% ownership as per May 31 2017.

The consideration paid to the original share and option holders was equal to €88.3m (\$94.3m). In order to finance (i) the consideration paid, (ii) the repayment in full of legacy debt at the level of Bentley and (iii) the payment of transaction fees and expenses, the following sources of financing were raised:

- an equity contribution of €68.8m (\$74m) by LSF9 Renaissance Super Holdings LP;
- a management contribution of €1.1m (\$1.2m) in equity;
- the issuance of a term loan of €30.9m (\$33.0m) at the level of BPS Parent Inc;
- a drawdown of €10.4m (\$11.1m) on a revolving credit facility of €16.8m (\$18.0m) at the level of BPS Parent Inc.

On March 22 2017, LSF9 Balta Issuer S.à r.l. acquired from LSF9 Renaissance Super Holdings, L.P. its interests in LSF9 Renaissance Holdings LLC and LSF9 Renaissance Acquisitions LLC. This acquisition was originally financed by the issuance of a Senior Term Loan Facility for an amount of €75.0m at the level of LSF9 Balta Issuer S.à r.l. (see Note 25 for a description hereof). Subsequently, on March 23 2017, Balta NV replaced LSF9 Balta Issuer S.à r.l. and acquired the interest in LSF9 Renaissance Holdings LLC. As a result of these transactions, Balta NV currently controls Bentley.

On May 31 2017, Balta NV acquired the remaining class A unit voting shares of the Bentley group of companies from LSF9 Balta Holdco S.à r.l. which indirectly acquired the minority stake from Bentley's management. The related party debt which resulted from this transaction was subsequently contributed in the capital of LSF9 Balta Issuer S.à r.l. As a result of this transaction, Balta NV gained a 100% control over Bentley.

Balta will continue to support the Bentley brand, and will make use of Bentley's sale force and market access to accelerate the growth of its European carpet tiles in the USA.

### Transaction overview and allocation of purchase price paid

The acquisition made by LSF9 Balta Issuer S.à r.l. is a transaction under a common control, and the accounting policy election was made to account for such a transaction in accordance with IFRS 3, Business Combinations. We refer to Note 39 in which we provide an overview of the related party transactions of the Group during the year. As a result, previous goodwill was reversed in order

to calculate the net assets, and the final goodwill was recognized as the difference between the consideration paid and such net assets.

The purchase price allocation required under IFRS 3 Business Combinations has been reflected in the consolidated financial statements per December 31 2017. As a result, the purchase price has been allocated to the identifiable assets and liabilities acquired, based on the estimated fair values at the date of acquisition.

The total purchase price paid in cash was equal to €68.8m, as compared to a net asset value of Bentley Mills of (€12.5m) at completion date before purchase price allocation. There is no contingent consideration outstanding in relation to the acquisition as of December 31 2017. Consequently, the preliminary goodwill – before purchase price allocation – was equal to €81.3m. As a result of the purchase price allocation, €7.0m of the preliminary goodwill was allocated to identifiable assets and liabilities resulting in a final goodwill of €74.3m.

The final purchase price paid of €68.8m and corresponding goodwill before purchase price allocation of €81.3m is determined as follows:

The initial purchase price paid in cash was equal to €68.3m, as compared to a net asset value of Bentley of €12.5m at March 22 2017 (the "Acquisition Date"), of which €13.3m attributable to LSF9 Balta Issuer S.à r.l. and €1.0m attributable to the non-controlling interest held by Bentley management. Consequently, the provisional goodwill – before purchase price allocation – was equal to €82.0m on March 22 2017.

The non-controlling interest held by Bentley management was acquired on May 31 2017 for an amount of €1.3m having a corresponding net asset value at that time of €1.2m. Consequently the provisional goodwill paid for the Bentley Group of companies – before purchase price allocation – increased by €0.2m as from May 31 2017 and was equal to €82.2m at that time.

On July 20 2017, a final agreement on the purchase price was agreed with Dominus Capital, L.P. resulting in a decrease of the original purchase price paid of €0.9m (\$1.1m) through the final release of the escrow account resulting in a decrease in goodwill of €0.9m to finally become €81.3m before purchase price allocation.

The table below provides an overview of the net assets recognized as a result of the acquisition before and after the allocation of goodwill.

(€ thousands)	Net assets at Completion Date before allocation goodwill	Fair value adjustments	Net assets at Completion Date after allocation goodwill
<b>Assets acquired</b>	<b>50,726</b>	<b>12,412</b>	<b>63,138</b>
Property, plant & equipment	14,267	1,807	16,074
Intangible assets	2,726	8,453	11,179
Trade and other receivables	744	164	908
Total non-current assets	17,737	10,425	28,162
Inventories	15,935	2,281	18,216
Trade and other receivables	13,874	(294)	13,580
Current income tax asset	3,180	-	3,180
Total current assets	32,989	1,987	34,976
<b>Liabilities assumed</b>	<b>(63,270)</b>	<b>(5,396)</b>	<b>(68,666)</b>
Bank and other borrowings	(38,471)	-	(38,471)
Deferred income tax liabilities	(1,842)	(4,460)	(6,302)
Provisions for other liabilities and charges	(2,045)	(935)	(2,980)
Employee Benefit Obligations	(347)	-	(347)
Total non-current liabilities	(42,705)	(5,396)	(48,100)
Bank and Other Borrowings	(1,325)	-	(1,325)
Employee Benefit Obligations	(1,695)	-	(1,695)
Trade and other payables	(17,545)	-	(17,545)
Total current liabilities	(20,565)	-	(20,565)
<b>Purchase Price Paid in Cash</b>	<b>68,752</b>	<b>-</b>	<b>68,752</b>
Identifiable assets and liabilities	(12,544)	7,016	(5,528)
Goodwill	81,296	(7,016)	74,280

#### Purchase price allocation

The original goodwill of €81.3m has been allocated over the assets acquired and liabilities assumed leading to a fair value adjustment of the identifiable assets and liabilities of €7.0m. The remaining goodwill arising from the acquisition will mainly consist of the synergies and the economies of scale expected from combining the operations of Bentley and the Balta Group.

None of the remaining goodwill recognized is expected to be deductible for income tax purposes.

The main fair value adjustments can be summarized as follows:

The fair value adjustment of property, plant and equipment of €1.8m is mainly driven by a revaluation of the existing machinery, installations and equipment. This fair value adjustment was determined on the basis of valuation reports and market appraisals on the valuation of the machines. As a result of this exercise, remaining useful lives

of the property, plant and equipment were updated and depreciation rules were aligned with the Group policies. The fair value step up is amortized over the remaining useful life of the machines.

The fair value adjustment of the intangible assets mainly relates to an adjustment of the value of the trade name of Bentley (€8.4m). The Bentley trade name is well known in the US market and provides additional support in selling the products to the market. The "relief from royalty" method has been used to determine the fair value of the trade name using level 3 valuation techniques. As a result, the fair value of the trade name was determined based on the estimated present value of the future net returns increased by a tax amortization benefit. The trade names are further amortized over a period of 10 years.

The carrying amount of the "Non-current trade and other receivables" has been increased by €0.2m and reflects the fair value of the existing operating lease contracts which mainly relate to the leasing of some land and buildings.

The fair value correction on inventory was based on computations which considered many factors, including the estimated average selling price of the inventory and the sales effort required to bring the products to the market. In addition the fair value of the work in progress ("WIP") has been determined by allocating the margin taking into account the percentage of completion of the related product. The total net fair value correction of inventory amounted to €2.3m and has been fully reversed over a period of 3 months in the income statement which corresponds with the expected rotation rate of the inventory.

The carrying amount of the current trade receivables was reduced by €0.3m in order to reflect the probability that certain trade receivables may not be fully collected in later periods.

Bentley has recognized an additional provision for other liabilities and charges for €0.9m which mainly relates to an estimation of the asset retirement obligation which exists for the buildings which are currently leased. The asset retirement obligation reflects the net present value of the expected costs to be made to bring the leased property in its original condition when the lease agreements are ended in the future.

The net fair value step up of the assets and liabilities will result in an adjustment of the pre-tax income in future periods. As a result, the related deferred tax effect of the fair value adjustments needs to be reflected in the opening balance and results in an increase of deferred tax liabilities of €4.5m.

The excess of the purchase price over the amounts allocated to identifiable assets and liabilities is equal to €74.3m and has been included in goodwill. Goodwill will be tested for impairment on an annual basis, as described in Note 6.

#### Details of acquired receivables

The non-current and current trade and other receivables acquired from Bentley in March 2017 amounted to €14.5m and relate to trade receivables (€13.2m), other receivables (€0.9m), accruals (€0.2m) and deferrals (€0.3m). The trade receivables included a bad debt provision of €0.6m to cover for receivables that are assumed to be difficult to collect.

#### Details of non-controlling interests

The amount of non-controlling interest recognized amounted to €1.0m at the acquisition date and represented the 1.61% stake management owned in the net assets of Bentley.

The non-controlling interest disappeared as a result of the acquisition of the remaining share portion on May 31 2017 by the Balta Group. The Profit / (Loss) for the period which was attributed to the Non-controlling interest for the period March 23 2017 until May 31 2017 amounted to €34k.

#### Impact of acquisition on amounts reported in the statement of comprehensive income

The acquisition of Bentley by Balta was completed on March 22 2017. Because the closing date was near the end of the first quarter, management believes that the amount of revenue and profit or loss since the acquisition date to be included in the consolidated statement of comprehensive income for the period to the end of March 2017 is not material. As a result, the comprehensive income of Bentley was taken into account as of April 1 2017 and only included for 9 months in the twelve months ended December 31 2017 figures.

If Bentley had been consolidated from January 1 2017, Bentley would have contributed €113.6m of revenue from January 1 2017 to December 31 2017. The profit of the year from continuing operations would have been equal to €6.2m on a pro forma basis, i.e. taking into account the effects of the new capitalization structure of the Group, after elimination of transaction expenses incurred by Bentley and after elimination of the purchase price adjustment effect on inventories.

#### Note 6. 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 ("CGUs") or a group of cash-generating units, which is the lowest level at which goodwill is monitored for internal management purposes. Our CGUs are generally in line with our segments, with our Residential segment broken down into two CGUs, Balta Broadloom (polypropylene broadloom) and ITC (polyamide broadloom) whilst our commercial segment is broken down into our European activity and our US activity.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the cash-generating units that are expected to benefit most from the business combination. Consequently, the goodwill arising from the acquisition of Balta Finance (€124.7m) has been solely allocated to Rugs (€94.3m) and Commercial Europe (€30.4m), whilst the goodwill arising from the acquisition of Bentley has been allocated to Commercial US (€74.3m). Whilst no goodwill has been allocated to Residential, the assets of this CGU have been tested for impairment using the same approach as the impairment testing for goodwill.

The impairment testing has been performed on September 30 2017. The assets and liabilities comprising the CGU have not changed significantly since the most recent calculation.

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 at September 30 2017, the Group has been able to demonstrate that the recoverable amount exceeds the carrying amount and hence the goodwill is not impaired. The "value in use" calculations use cash flow projections (which include EBITDA, working capital movements, capital expenditure and taxes) and are based on financial projections covering a three-year period. Estimates beyond this three-year

### Note 7. Employee benefit expenses

The following table sets forth employee benefit expenses for the years ended December 31 2016 and 2017:

(€ thousands)	2017	2016
<b>Total employee benefit expenses</b>	<b>151,334</b>	<b>130,054</b>
Wages and salaries	105,682	92,289
Social security costs	32,180	29,974
Pension costs	4,026	1,603
Other employee benefit expenses	9,445	6,188

Employee benefit expenses increased by €21.3m as compared to December 31 2016 of which €19.4m is driven by the acquisition of Bentley.

The average number of employees in 2017 and 2016 was equal to 3,714 (in full time equivalents and of which 376 full time equivalents relate to Bentley) and 3,238 respectively. Part-time employees are included on a proportionate basis.

	2017	2016
<b>Average number of total employees</b>	<b>3,714</b>	<b>3,238</b>
Average number of employees - blue collar	3,045	2,694
Average number of employees - white collar	669	544

period are calculated with a growth rate that reflects the long-term growth rate applicable to the CGU, moderated to reflect management's view of long-term earnings across the cycle.

Key assumptions on which management has based its determinations of the "value in use" include terminal value growth rates of 2% for Rugs, 1% for Commercial Europe and Commercial US (2016: 2% for all CGU's) and an after-tax discount rate of 7.9% (2016: 7.9%).

The "value in use" is mainly driven by the terminal value which is particularly sensitive to changes in the assumptions on the terminal value growth rate and discount rate. Discount rates are based on the weighted average cost of capital. 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 extent in which these two assumptions would need to change in absolute terms in order to reduce the "value in use" to the carrying amount.

	Decrease in growth rate	Increase in discount rate
Rugs	1,3%	1,1%
Commercial Europe	6,7%	5,3%
Commercial US	3,8%	3,1%

### Note 8. Other income and expense

(€ thousands)	2017	2016
<b>Other income</b>	<b>7,132</b>	<b>8,171</b>
Foreign exchange gains	1,087	1,493
Foreign exchange forward contracts	1,295	2,307
Rental income from solar rooftop installations	1,383	1,410
Sales of energy certificates	961	-
Grants	454	602
Recharge of costs	328	755
Other	1,624	1,603
<b>Other expenses</b>	<b>121,914</b>	<b>101,017</b>
Services and other goods	79,039	67,772
Selling expenses	39,587	28,824
Foreign exchange losses	712	2,253
Real estate tax	2,524	2,156
Other	52	12

Other income includes gains realized on the settlement of FX forward hedge agreements (see Note 20 on cash flow hedge accounting), rental payments received from third parties who lease the space to install solar panels, and the sales of green energy certificates to which we are eligible thanks to the combined generation of heat and power.

Some costs can be recharged to external parties for which the income was presented under "Other income". As a result of some changes in rental agreements, the recharges to external parties decreased in comparison to last year.

The increase of "Other expenses" mainly relates to the acquisition of Bentley (€18.3m). 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 costs of research and development are also included within "Other expenses".

The Group incurred €7.0m of research and development expenses during the 12 months ended in December 31 2017 compared to the €5.5m of research and development expenses during the 12 months ended December 31 2016. One of the competitive advantages of our business is our long history of creativity and innovation. The Group aims to leverage research and development to continually optimize the production capacity and provide designs that appeal to our customers. Trends in product design and innovation are closely monitored through continuous

testing and analysis, with a focus on anticipating customers' preferences and market developments.

### Note 9. Depreciation/amortization

The components of depreciations and amortizations can be summarized as follows:

(€ thousands)	2017	2016
<b>Depreciation/amortization</b>	<b>32,499</b>	<b>28,666</b>
Amortization of intangible assets	1,923	785
Depreciation property, plant and equipment	31,972	29,276
Release deferred revenue sale & lease back	(1,395)	(1,395)

Depreciation/amortization increased by €3.8m as compared to December 31 2016, mainly driven by the acquisition of Bentley. Excluding the impact of Bentley, the depreciation/amortization for December 31 2017, would have been €28.8m.

The release of deferred revenue sale and lease back relates to the gradual recognition of the capital gain realized on the sale and lease back of one of the Group's manufacturing facilities in 2014. This deferred revenue is recognized on a straight line basis over a 12 year period as partial offset to depreciation charges over the period of the lease. The annual amount recognized in the income statement is €1.4m, with the balance of deferred income equal to €11.5m as at December 31 2017.

### Note 10. Integration and restructuring expenses

The total integration and restructuring expenses incurred in 2017 amount to €18.2m (2016: €5.1m). This comprises

various items which are considered by management as non-recurring or unusual by nature.

(€ thousands)	2017	2016
<b>Integration and restructuring expenses</b>	<b>18,175</b>	<b>5,128</b>
Corporate restructuring	-	1,920
Business restructuring	8,248	670
Acquisition related expenses	1,334	-
Idle IT costs	776	703
Strategic advisory services	7,582	1,324
Other	234	512

The main component of the integration and restructuring expenses is the €8.2m provision in relation to the optimization of the Residential operational footprint. The acquisition-related expenses of €1.3m have been incurred in relation to the acquisition of Bentley in March 2017. Incremental (idle) IT costs in relation to a legacy IT system amounted to €0.8m. The replacement of the legacy system was completed in the course of 2017 and therefore these costs will no longer be incurred. The strategic advisory services amount to €7.6m and mainly relate to the costs which have been incurred in connection with the capital reorganization. The other expenses mainly relate to accrued expenses in connection with the phantom share bonus scheme. The bonus is only payable if the managers still provide services to the Group on the second anniversary of the IPO of Balta Group NV which was completed on June 14 2017. If services cease to be provided for any reason prior to the second anniversary, the bonus arrangement for that manager is forfeited.

In 2016, €1.9m of corporate restructuring expenses were incurred in relation to changes in the senior management team. The business restructuring expenses of €0.7m related to a fee paid to terminate an agency agreement in the UK, as part of the strategy to further develop our *modulyss* brand in Europe through a direct sales approach. In addition, given the minor share of wool in our raw material mix, the decision was taken to close the wool spinning department and, going forward, to buy wool yarns from third party suppliers.

Strategic advisory fees amounted to €1.3m in relation to non-recurring tax, legal and financial advisory services.

## Note 11. Finance expense

(€ thousands)	2017	2016
<b>Total finance expenses</b>	<b>37,327</b>	<b>28,608</b>
Interest expense on Senior Secured Notes	26,783	24,897
Interest expense on Senior Term Loan Facility (€35m)	204	-
Interest expense on Senior Term Loan Facility (€75m)	3,289	-
Interest expense on Senior Term Loan Facility Bentley	2,025	-
Interest expense on Bank borrowings (including leasing)	425	504
Other finance costs	2,521	2,244
Foreign exchange result on interco transactions	2,080	962

The Group's finance expenses increased from €28.6m in 2016 to €37.3m in 2017. This increase is mainly driven by €9.3m of non-recurring finance expenses, of which (i) €5.4m in connection with the debt financed acquisition of Bentley, which was fully repaid in June 2017 from the IPO proceeds and (ii) €3.9m expenses in connection with the early redemption of the Senior Secured Notes.

The remaining finance expenses are driven by interest charges on the Senior Secured Notes, the Senior Term Loan Facility of €35m, the Super Senior Revolving Credit Facility, the other Revolving Credit Facilities and on the finance leasing obligations. We refer to Notes 23, 24 and 25 for a description of these facilities. Other finance costs mainly relate to factoring, commitment fees and other bank related charges. The effective interest expense of the Senior Secured Notes comprises a cash interest of €20.7m (€22.5m in 2016), an early redemption fee of €1.7m and the amortization of capitalized financing fees of €4.4m (€2.4m in 2016).

## Note 12. Income tax benefit / expense

(€ thousands)	2017	2016
<b>Income tax benefit / (expense)</b>	<b>3,622</b>	<b>4,713</b>
Current tax	(2,615)	(3,014)
Deferred tax	6,236	7,727
<b>(€ thousands)</b>	<b>2017</b>	<b>2016</b>
<b>Income tax benefit / (expense)</b>	<b>3,622</b>	<b>4,713</b>
Income tax calculated at Luxembourg tax rate (27,08%)	1,762	(6,495)
Rate differential due to transactions with foreign entities	1,151	1,000
Disallowed expenses	(1,943)	(730)
Tax-exempted revenues	738	323
Deferred tax assets recognized	-	10,789
Tax losses for which no deferred tax asset is recognized	(1,940)	(2,878)
Deferred tax asset derecognized	(10,671)	-
Impact tax reforms	10,439	-
Utilization of previously not recognized tax assets	-	3,153
Impact intercompany financing	3,234	-
Other	851	(449)

Income taxes represent a 'benefit' in both 2017 and 2016, driven by the net positive deferred tax income.

The reported income tax expense of the year is a credit of €3.6m which includes two items which we have treated as non-recurring.

Firstly, we have recognized a positive effect of €10.4m linked to tax reforms, of which €9.0m is linked to the Belgian tax reform which has been substantially enacted on December 22 2017. The highlight of the corporate tax reform is the reduction of the corporate tax rate from 33.99% to 29.58% in 2018 (including crisis contribution, lowered from 3% to 2%) and to 25% as from 2020 (abolishment of crisis contribution). As a consequence, deferred tax assets and liabilities have been adjusted to reflect the new tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

Secondly, the deferred tax assets relating to tax credits and loss carryforwards have been adjusted by €10.7m to reflect changes in the probability that these can be used in the future as a result of the restructuring of the operational infrastructure in Belgium within the Residential business, by the consolidation of the Oudenaarde facility into the Group's two fully vertically integrated factories in the region.

When normalizing for all exceptional events of 2017, the Adjusted Effective Tax Rate<sup>1</sup> is equal to approximately 30%.

In 2016 the income tax benefit is driven by the recognition of a deferred tax asset of €10.8m in relation to tax credits for which the recognition criteria were previously not met. This benefit was offset by certain tax losses subject to significant limitations (tax losses for which no deferred tax asset is recognized). For those losses, deferred tax assets have not been recognized, as it is not probable that taxable profit will be generated to offset those losses.

In assessing whether deferred tax assets should be recognized, management considers the extent to which it is probable that the deferred tax asset will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable profits during the periods in which those temporary differences and tax losses carried forward become deductible. Management considers the expected reversal of deferred tax liabilities and projected future taxable income in making this assessment.

<sup>1</sup> We refer to note 1.25 where we provide a glossary of the non-GAAP measures and note 3.

## Note 13. Other Intangible assets

(€ thousands)	Trademarks	Software and licences	Internally generated intangible assets	Total
<b>Opening net book value</b>	-	534	1,132	1,667
Additions	-	829	665	1,494
Transfers <sup>(1)</sup>	-	15	(15)	-
Amortization charge	-	(257)	(528)	(785)
<b>Closing net book value</b>	-	1,121	1,255	2,376
<b>At December 31 2016</b>				
Cost or valuation	-	5,206	8,080	13,286
Accumulated amortization, impairment and other adjustments	-	(4,085)	(6,825)	(10,910)
<b>Closing net book value</b>	-	1,121	1,255	2,376
(1) The transfer of €15 thousands consists of €676 thousands cost or valuation and €661 thousands depreciations.				
<b>Opening net book value</b>	-	1,121	1,255	2,376
Business combinations	10,913	266	-	11,179
Additions	-	799	875	1,673
Disposals	-	-	-	-
Transfers	-	-	-	-
Amortization charge	(730)	(619)	(598)	(1,923)
Exchange differences	(1,184)	97	-	(1,087)
<b>Closing net book value</b>	8,999	1,663	1,532	12,218
<b>At December 31 2017</b>				
Cost or valuation	9,728	9,292	8,955	29,922
Accumulated amortization, impairment and other adjustments	(730)	(7,604)	(7,423)	(17,704)
<b>Closing net book value</b>	8,999	1,688	1,532	12,218

The trademark of €9.0m relates to the acquisition of Bentley. More information can be found in the note regarding business combinations. We refer to Note 5 for further details.

The internal and external software development costs are capitalized under internally generated intangible assets. These projects are mainly related to SAP implementation, SAP upgrades and the automation of production processes.

The total amortization expense of €1.9m (2016: €0.8m) is included in the line "Depreciation, amortization and impairment" in the income statement and mainly increased as a result of the acquisition of Bentley.

## Note 14. Property, plant and equipment

(€ thousands)	Land and buildings	Plant and machinery	Other Equipment	Total
<b>Opening net book value</b>	175,734	108,584	15,012	299,332
Additions	1,446	23,787	11,249	36,483
Revaluation surplus	-	-	-	-
Disposals	-	(1,543)	(234)	(1,777)
Transfers	-	-	-	-
Depreciation charge	(5,854)	(12,499)	(10,923)	(29,276)
Impairment charge	-	-	-	-
Exchange differences	(2,124)	(3,314)	(86)	(5,523)
<b>Closing net book value</b>	169,203	115,016	15,019	299,237
<b>At December 31 2016</b>				
Cost or valuation	232,628	528,504	46,983	808,115
Accumulated depreciation, impairment and other adjustments	(63,426)	(413,488)	(31,964)	(508,877)
<b>Closing net book value</b>	169,203	115,016	15,019	299,237
<b>Opening net book value</b>	169,203	115,016	15,019	299,237
Business combinations	700	10,740	4,634	16,074
Additions	665	23,138	14,458	38,261
Disposals	(0)	(463)	(391)	(854)
Transfers	284	2,375	(2,659)	0
Depreciation charge	(5,977)	(13,736)	(12,258)	(31,972)
Exchange differences	(2,771)	(6,093)	(724)	(9,587)
<b>Closing net book value</b>	162,103	130,977	18,080	311,160
<b>At December 31 2017</b>				
Cost or valuation	231,256	516,930	47,446	795,633
Accumulated depreciation, impairment and other adjustments	(69,153)	(385,953)	(29,367)	(484,474)
<b>Closing net book value</b>	162,103	130,977	18,080	311,160

A total of €16.1m of property, plant and equipment was acquired in the context of the business combination with Bentley. Refer to Note 5 for further details.

A total of €38.3m (€36.5m in 2016) has been invested, in particular in plant, machinery and equipment.

The total depreciation expense of €32.0m (€29.3m in 2016) has been charged in the line "Depreciation and amortization" in the income statement.

The Group's assets which are pledged as security for the borrowings are described in Note 23 and 25.

Exchange differences (2017: €9.6m and 2016: €5.5m) relate to fluctuations in the closing exchange rate of our Turkish entities and US entities which have a significant amount of Property Plant and Equipment recorded on the statement of financial position.

## Note 15. Deferred income tax assets and liabilities

IFRS requires the deferred taxes for each jurisdiction to be presented as a net asset or liability. Offsetting of 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)	2017	2016
<b>Deferred tax assets:</b>	<b>4,160</b>	<b>18,950</b>
Deferred tax assets to be reversed after more than 12 months	3,628	18,111
Deferred tax assets to be reversed within 12 months	532	839
<b>Deferred tax liabilities:</b>	<b>(54,471)</b>	<b>(69,775)</b>
Deferred tax liabilities to be reversed after more than 12 months	(51,048)	(64,491)
Deferred tax liabilities to be reversed within 12 months	(3,423)	(5,283)
<b>Net deferred tax liabilities</b>	<b>(50,311)</b>	<b>(50,825)</b>

The movement in the net deferred tax liabilities can be summarized as follows:

(€ thousands)	2017	2016
<b>Beginning of period</b>	<b>(50,825)</b>	<b>(59,306)</b>
Business combination	(6,302)	-
Income statement charge	6,236	7,727
Other comprehensive income	(457)	285
Exchange differences	1,037	469
<b>December 31</b>	<b>(50,311)</b>	<b>(50,825)</b>

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	Other	Capital grants	Total
<b>January 1 2016</b>	<b>9,416</b>	<b>4,859</b>	<b>2,867</b>	<b>1,903</b>	<b>1,612</b>	<b>683</b>	<b>1,044</b>	<b>-</b>	<b>22,384</b>
(Charged)/credited to the income statement	9,451	(474)	(956)	-	(22)	325	(987)	-	<b>7,338</b>
Other comprehensive income	-	-	-	-	285	-	-	-	<b>285</b>
Exchange differences	12	-	-	-	-	-	-	-	<b>12</b>
<b>December 31 2016</b>	<b>18,879</b>	<b>4,385</b>	<b>1,911</b>	<b>1,903</b>	<b>1,875</b>	<b>1,007</b>	<b>57</b>	<b>-</b>	<b>30,018</b>
<b>January 1 2017</b>	<b>18,879</b>	<b>4,385</b>	<b>1,911</b>	<b>1,903</b>	<b>1,875</b>	<b>1,007</b>	<b>57</b>	<b>-</b>	<b>30,018</b>
Business combinations	193	-	-	-	248	-	1,098	-	<b>1,539</b>
(Charged)/credited to the income statement	(9,814)	(1,381)	(1,080)	(515)	(232)	52	(433)	-	<b>(13,404)</b>
Exchange differences	(166)	-	-	-	-	-	-	-	<b>(166)</b>
Other comprehensive income	-	-	-	-	(457)	-	-	-	<b>(457)</b>
<b>December 31 2017</b>	<b>9,091</b>	<b>3,004</b>	<b>832</b>	<b>1,388</b>	<b>1,434</b>	<b>1,059</b>	<b>722</b>	<b>-</b>	<b>17,530</b>

In assessing the realizability of deferred tax assets, management considers the extent to which it is probable

that the deferred tax asset will be realized. The ultimate realization of deferred tax assets is dependent upon the

generation of future taxable profits during the periods in which those temporary differences and tax loss carryforwards become deductible. Management considers the expected reversal of deferred tax liabilities and projected future taxable income in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is probable the Group will realize the benefits of these deductible differences. As of December 31 2017, the Group has certain tax losses subject to significant limitations. For those losses, deferred tax assets are not recognized, 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 recognizing deferred tax assets and liabilities.

As of December 31 2017 total tax credits amounted to €494.8m, resulting in a potential deferred tax asset of

### Deferred tax liabilities

(€ thousands)	Property, plant and equipment	Inventory	Income tax liability	Intangible assets	Other	Total
<b>January 1 2016</b>	<b>(76,430)</b>	<b>(2,394)</b>	<b>(1,404)</b>	<b>(420)</b>	<b>(1,040)</b>	<b>(81,689)</b>
Charged/(credited) to the income statement	(1,636)	(388)	1,404	(31)	1,041	390
Exchange differences	457	-	-	-	-	457
<b>December 31 2016</b>	<b>(77,610)</b>	<b>(2,782)</b>	<b>-</b>	<b>(451)</b>	<b>1</b>	<b>(80,843)</b>
<b>January 1 2017</b>	<b>(77,610)</b>	<b>(2,782)</b>	<b>-</b>	<b>(451)</b>	<b>1</b>	<b>(80,843)</b>
Business combinations	(4,664)	(549)	-	(2,628)	-	(7,841)
Charged/(credited) to the income statement	17,652	870	-	1,123	(3)	19,642
Exchange differences	1,201	-	-	-	-	1,201
<b>December 31 2017</b>	<b>(63,420)</b>	<b>(2,461)</b>	<b>-</b>	<b>(1,956)</b>	<b>(2)</b>	<b>(67,841)</b>

Deferred income tax liabilities have not been recognized 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 €158.8m as of December 31 2017 (as compared to €150.1m as of December 31 2016). The deferred tax liabilities resulting from property, plant and equipment mainly decreased as a result of a decrease in tax rates driven by the tax reforms enacted in Belgium before December 31 2017.

When we add up the gross amounts of deferred tax assets (€17.5m) and gross amount of deferred tax liabilities (€67.8m) we arrive at a net deferred tax position per December 31 2017 of €50.3m.

€123.1m of which the Group only recognized €9.1m in 2017. As of December 31 2016 total tax credits amounted to €453.6m, resulting in a potential deferred tax asset of €151m of which the Group only recognized €18.9m.

The decrease in potential deferred tax assets mainly relates to the decrease of corporate income tax rates in Belgium and US as a result of the tax reforms enacted before year end 2017 and also reflects changes in the probability that tax losses can be further used in the future as a result of the restructuring of the operational infrastructure in Belgium within the Residential business, by the consolidation of the Oudenaarde facility into the Group's two fully vertically integrated factories in the region. The majority of the tax credits in 2016 and 2017 are incurred at the level of the Belgian legal entities where - with the exception of the tax credits in relation to the Notional Interest Deduction - there is no expiry date regarding the tax credits.

## Note 16. Inventories

The table below provides a breakdown of total inventories as of December 31 2017 and December 31 2016:

(€ thousands)	December 31 2017	December 31 2016
<b>Total inventories</b>	<b>147,868</b>	<b>135,320</b>
Raw materials and consumables	64,948	60,564
Work in progress	22,892	19,087
Finished goods	60,029	55,670

Inventories increased by €12.5m to €147.9m for the year ended December 31 2017 from €135.3m for the year ended December 31 2016. The increase is mainly driven by the acquisition of Bentley (€14.8m) and a decrease of inventory by the rest of the Group (€2.3m).

The movement in 'Work in progress' and 'Finished goods' is detailed as follows:

(€ thousands)	December 31 2017	December 31 2016
<b>Beginning of period</b>	<b>74,757</b>	<b>68,701</b>
Business combinations	11,523	-
Income statement	(3,359)	6,055
Of which: impact purchase price allocation	(3,008)	-
Of which: actual movements in inventory	(351)	6,055
<b>December 31</b>	<b>82,921</b>	<b>74,757</b>

The Group decreased the provision for obsolete inventory in 2017 with €1.4m compared to a decrease of €0.3m in 2016 which is included in "Raw materials used" and "Changes in inventories of finished goods and work in progress" respectively related to raw materials and finished goods (including work in progress). The impact of the Bentley acquisition on the year-end provision for obsolete inventory is equal to €3.8m.

The sum of the raw material expenses and the changes in inventories recognized as expenses in 2017 amounts to €313.8m as compared to €253.4m in 2016.

The Group's assets which are pledged as security for the borrowings and senior secured notes are described in Notes 23 to 25.

### Note 17. Trade and other receivables

(€ thousands)	December 31 2017	December 31 2016
<b>Total Trade and other receivables</b>	<b>63,925</b>	<b>55,068</b>
<b>Trade and other receivables (non-current)</b>	<b>1,165</b>	<b>138</b>
Other amounts receivable	1,165	138
<b>Trade and other receivables (current)</b>	<b>62,760</b>	<b>54,930</b>
Net trade receivables	49,649	41,325
Trade receivables	50,614	42,658
Less: Bad debt allowance	(965)	(1,333)
Prepayments and accrued income	1,026	1,945
Other amounts receivable	12,085	11,661

The fair value of the 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 derecognized the accounts

receivable for which substantially all risk and rewards of ownership have been transferred.

Current trade and other receivables increased by €7.8m to €62.8m as of December 31 2017, compared to €54.9m as of December 31 2016. This increase is mainly driven by the acquisition of Bentley. The net trade receivables owned by Bentley amount to €15.5m. Excluding the impact of the acquisition, current trade and other receivables decreased by €7.6m.

As of December 31 2017 trade receivables that were past due amounted to €5.2m compared to €3.2m at December 31 2016. The increase is driven by the acquisition of Bentley and some customers having surpassed the due date of their invoices at December 31 2017 compared to 2016. The increase in past due receivables did not impact the bad debt allowance because the majority of overdue invoices were settled shortly after year end.

The Group has one external customer representing just more than 10% of the Group's revenue.

The Group uses credit insurance as a means to transfer the credit risk related to trade receivables. Furthermore, our trade receivables portfolio is very diversified, in terms of both segmentation and client base, which mitigates the credit risk. The credit quality of the trade receivables that are neither past due nor impaired is good.

The assessment to set up a bad debt allowance is performed on an individual basis in consideration of various factors such as historical experience, credit quality, age of the accounts receivables and economic conditions that may affect a customer's ability to pay. For the year ended December 31 2017 there are some receivables past due more than 3 months for which provision has been set up.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

(€ thousands)	December 31 2017	December 31 2016
<b>Total trade and other receivables</b>	<b>63,925</b>	<b>55,068</b>
EUR	29,686	32,650
USD	19,306	9,723
GBP	5,697	2,352
TRY	9,236	10,344

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

	2017	2016
<b>As at January 1</b>	<b>(1,333)</b>	<b>(2,535)</b>
Business combination	(547)	-
Impairment loss recognized	(42)	(39)
Receivables written off during the year as uncollectible	383	761
Unused amounts reversed	516	479
Fx difference	58	-
<b>As at 31 December</b>	<b>(965)</b>	<b>(1,333)</b>

The creation and release of allowances for impaired receivables has been included in "Other income/expenses" in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. As a result of the acquisition of Bentley, the allowance for bad debt increased with €0.6m on March 31 2017 to reflect the probability that certain trade receivables may not be fully collected.

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 per December 31 2017 the Group holds collateral (letters of credit and corporate or bank guarantees) for an amount of €0.5m (as compared to €0.3m as of December 31 2016).

### Note 18. Cash and cash equivalents

(€ thousands)	December 31 2017	December 31 2016
<b>Total cash and cash equivalents</b>	<b>37,182</b>	<b>45,988</b>
Cash at bank and on hands	26,876	38,553
Short-term bank deposits	3,127	2,035
Cash from local financing	7,179	5,400

The cash from local financing relates to cash and cash equivalent balances held by subsidiaries that operate in countries where legal restrictions apply and as such the cash and cash equivalents are not directly available for general use by the parent or other subsidiaries.

The credit quality of the banks and financial institutions is disclosed in Note 29. The Group's assets which are pledged as security for the borrowings are described in Notes 23 to 25.

### Note 19. Share capital and share premium

Share capital and share premium have increased from €1.4m to €293.3m as a result of the following events:

- Capital increase in cash by Balta Group NV: The partners of the Company have issued 137,677,446 new shares at a price of €1 per share for a total amount of €137.7 million and have allocated €0.9 (ninety cents) per the share premium account of the company. This has been allocated to capital through the issuance of new shares.
- Capital increase by means of a contribution in kind: Contribution of the PECs, owned by LSF9 Balta Holdco S.à r.l., into share premium for an amount of €152.9 million without the issuance of new shares. This contribution took place on the face value of the PECs, i.e. €138.6 million initial principal amount plus €14.3 million accrued interest.
- Bentley Management Buy-Out: Prior to the equity contribution, Bentley Management owned a minority equity stake (of less than 2% of the total interest) in the Bentley group of companies. This minority equity stake has been acquired by LSF9 Balta Midco S.à r.l., who in turn has rolled-down the stake into Balta NV, such that the full ownership in Bentley is centralized in Balta NV. This integration of the Bentley management equity stake has resulted in an equity increase at the level of the Group of €1.3 million.

### Note 20. Other comprehensive income

Components of "Other comprehensive income" ("OCI") are items of income and expenses (including reclassification adjustments) that are not recognized in the profit or loss as required or permitted by other IFRSs. The Group has other comprehensive income which mainly relates to the re-measurements 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 other comprehensive income are summarized in the table below:

(€ thousands)	2017	2016
<b>Items in OCI that may be subsequently reclassified to P&amp;L</b>	<b>(20,807)</b>	<b>(7,409)</b>
<b>Cumulative translation reserves as of December 31</b>	<b>(20,814)</b>	<b>(7,293)</b>
Cumulative translation reserves at beginning of the period	(7,293)	720
Exchange differences on translating foreign operations	(13,522)	(8,013)
<b>Cumulative changes in fair value of hedging instruments as of December 31</b>	<b>7</b>	<b>(116)</b>
Cumulative changes in fair value of hedging instruments at beginning of the period	(116)	-
Changes in fair value of hedging instruments during the period	123	(116)
<b>Items in OCI that will not be reclassified to P&amp;L</b>	<b>895</b>	<b>346</b>
<b>Changes in deferred tax at December 31</b>	<b>(604)</b>	<b>(147)</b>
Changes in deferred taxes at beginning of the period	(147)	(432)
Changes in deferred taxes during the period	(457)	285
<b>Changes in employee defined benefit obligations at December 31</b>	<b>1,498</b>	<b>493</b>
Changes in employee defined benefit obligations at beginning of the period	493	1,375
Changes in employee defined benefit obligations during the period	1,005	(882)
<b>Total other comprehensive income at December 31</b>	<b>(19,913)</b>	<b>(7,063)</b>

#### Cash flow hedge accounting

The movement schedule below summarizes the amounts recorded into the cash flow hedge reserve and the portion that was recognized in the income statement in relation to contracts that were settled in December 2017. The amounts recognized in the income statement have been presented as "other income" – see Note 8.

(€ thousands)	December 31 2017	December 31 2016
<b>Cash flow hedge reserve, ending balance</b>	<b>7</b>	<b>(116)</b>
Opening balance	(116)	-
Amounts recorded in the cash flow hedge reserve	1,418	2,190
Amounts recognized in the income statement	(1,295)	(2,307)

#### Employee defined benefit obligations

The Group operates defined benefit pension plans. The changes in pension liabilities are accounted for through other comprehensive income when the changes relate to a change in actuarial assumptions from one year to another.

In the recent past, several insurance companies have decided to reduce the technical interest rate on group insurance contracts to a level below the minimum return guaranteed by law for Belgian defined contribution pension plans. Because the employer has to guarantee the statutory minimum return on these plans, not all actuarial and investment risks relating to these plans are transferred

to the insurance company or pension fund managing the plans. Therefore these plans do not meet the definition of defined contribution plans under IFRS and should by default be classified as defined benefit plans. Refer to Note 30 for further details.

The liability has been measured using a discount rate of 1.35% for 2017 and 1.31% for 2016.

#### 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 21. Retained earnings

(€ thousands)	2017	2016
<b>Beginning of period</b>	<b>3,351</b>	<b>(21,995)</b>
Profit / (loss) for the year allocated to equity owners	(2,919)	25,345
<b>At December 31</b>	<b>433</b>	<b>3,351</b>

Five percent of the net profit of the year of the Company is allocated to an undistributable legal reserve. This deduction ceases to be compulsory when such reserves amount to ten percent of the issued share capital of the Company.

The retained earnings may be distributed to partners upon the decision of a general meeting of partners, taking into

account the restrictions as defined in the Loan Facilities agreements and the restrictions which are imposed by law.

#### Note 22. Preferred Equity Certificates

LSF9 Balta Issuer S.à r.l. has historically been funded by the issuance of PECs. LSF9 Balta Holdco S.à r.l., Holder of

the PECs issued by LSF9 Balta Issuer S.à r.l. has contributed its PECs into the equity (increase in share premium, without the issuance of new shares) of LSF9 Balta Issuer S.à r.l. prior to the IPO of the Balta Group NV. We refer to Note 19 for more information.

#### Note 23. Senior Secured Notes

(€ thousands)	December 31 2017	December 31 2016
<b>Total Senior Secured Notes</b>	<b>231,555</b>	<b>283,510</b>
<b>Non-Current portion</b>	<b>228,130</b>	<b>279,277</b>
Of which: gross debt	234,900	290,000
Of which: capitalised financing fees	(6,770)	(10,723)
<b>Current portion</b>	<b>3,425</b>	<b>4,234</b>
Of which: accrued interest	5,360	6,618
Of which: capitalised financing fees	(1,935)	(2,384)

On August 3 2015, LSF9 Balta Issuer S.à r.l. issued €290.0m aggregate principal amount of Senior Secured Notes with an interest rate of 7.75% as part of the financing of the acquisition of Balta Finance S.à r.l. and its subsidiaries. The maturity date of the Senior Secured Notes is September 15 2022.

Interest on the Senior Secured Notes accrue at the rate of 7.75% per annum and are payable semi-annually in arrears on March 15 and September 15 of each year, commencing on March 15 2016.

Costs related to the issuance of Senior Secured Notes have been included in the carrying amount and are amortized into profit or loss over the term of the debt in accordance with the effective interest method. It follows that the amount of capitalized financing fees expensed during 2017 is equal to €4.4m. This amount contains €2.2m of financing fees that were recycled to the income statement as a result of the partial repayment of the Senior Secured Notes in June, July and September 2017.

The current portion of the debt associated with the Senior Secured Notes relates to accrued interest payable at the next interest payment date and the portion of the capitalized financing fee that will be amortized into profit or loss over the next 12 months.

In June, July and September 2017, the Group performed a partial repayment of the Senior Secured Notes of €21.2m, €7.8m and €26.1m. As a result, the non-current portion of the gross debt decreased by €55.1m which also reduced

the accrued interest remaining open at year end compared to 2016. The capitalized financing fees were also decreased by €2.2m as a result of the early redemption.

Security agreements have been entered into which collectively secure the Senior Secured Notes and accrued interest on the Senior Secured Notes. Under the Senior Secured Notes indenture, the Group is subject to quarterly reporting requirements and certain limitations on restricted payments and debt incurrence. The Senior Secured Notes are secured by first-ranking security interests over a number of assets and mainly relate to shares of the guarantors and certain intra-group loans and receivables of the guarantors. The Group retains full ownership and operating rights for the assets pledged. In the event of a default of repayment of the Senior Secured Notes and related interest payments, the noteholders may enforce against the pledged assets.

The collateral also secures the Super Senior Revolving Credit Facility (see Note 25) and Senior Term Loan Facility (see Note 24) 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 ratable basis.

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

#### Note 24. Senior Term Loan Facility

(€ thousands)	December 31 2017	December 31 2016
<b>Total Senior Term Loan Facility</b>	<b>34,674</b>	<b>-</b>
<b>Non-Current portion</b>	<b>34,782</b>	<b>-</b>
Of which: gross debt	35,000	-
Of which: capitalised financing fees	(218)	-
<b>Current portion</b>	<b>(108)</b>	<b>-</b>
Of which: accrued interests	23	-
Of which: capitalized financing fees	(131)	-

##### Senior Term Loan Facility of €75m

On March 16 2017, LSF9 Balta Issuer S.à r.l. and certain of its subsidiaries entered into a senior term loan agreement (the "Senior Term Loan Agreement of €75m"), which provided for a €75.0m senior term loan facility (the "Senior Term Loan of 75m"). The proceeds of the initial drawings of the Senior Term Loan Facility of €75m were used to repay certain subordinated loans incurred by LSF9 Balta Issuer S.à r.l. to finance the acquisition of Bentley and to pay related fees and expenses.

The Senior Term Loan Facility of €75m was repaid in full in June 2017 using a portion of the capital contribution received from Balta Group NV.

##### Senior Term Loan Facility of €35m

LSF9 Balta Issuer S.à r.l. entered into a €35.0m Senior Term Loan Facility (the "Senior Term Loan agreement") maturing September 15 2020, at Euribor + 1.40% margin per annum. The facility ranks pari passu with the Senior Secured Notes. The net proceeds were used to finance a partial redemption of the Senior Secured Notes in July and September 2017. The Senior Term Loan Facility agreement is dated August 29 2017 and the principal amount was released at completion date which was September 5 2017.

Similar to the Super Senior Revolving Credit Facility, The Group is subject to quarterly reporting requirements and an annual guarantor coverage test.

Interest on the Senior Term Loan Facility accrues at the rate of Euribor + 1.40% margin per annum and is payable quarterly in arrears on March 15, June 15, September 15 and December 15 of each year, commencing on September 15 2017.

Costs related to the issuance of Senior Term Loan Facility have been included in the carrying amount and are amortized into profit or loss over the term of the debt in accordance with the effective interest method.

The current portion of the debt associated with the Senior Term Loan Facility relates to accrued interest payables at the next interest payment date and the portion of the capitalized financing fee that will be amortized into profit or loss over the next 12 months.

#### Note 25. Bank and other borrowings

The table below provides an overview of the bank and other borrowings that continue to exist on December 31 2016 and 2017:

(€ thousands)	December 31 2017	December 31 2016
<b>Total Bank and other borrowings</b>	<b>15,670</b>	<b>18,002</b>
<b>Non-current portion</b>	<b>13,310</b>	<b>15,388</b>
Finance lease liabilities	13,310	15,388
<b>Current portion</b>	<b>2,361</b>	<b>2,614</b>
Finance lease liabilities	2,225	2,494
Commitment fees	136	120

##### Bank borrowings

On August 3 2015, LSF9 Balta Issuer S.à r.l. and LSF9 Balta Investments S.à r.l. entered into a six-year Revolving Credit Facility Agreement providing for a €40.0m European Super Senior Revolving Credit Facility; which was increased to €45.0m in 2016 and to €68.0m in 2017.

On July 18 2017, Balta has also renegotiated and obtained more favorable 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 1.80% p.a. at current leverage.

The 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 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 unutilized commitment under the Super Senior Revolving Credit Facility. Amounts drawn under the Super Senior Revolving Credit Facility may be used for working capital and other general corporate purposes of the Restricted Group, operational restructurings or permitted reorganizations of the Group.

The Revolving Credit Facility 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 Super Senior Revolving Credit Facility is also guaranteed by each Guarantor. 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 Senior Term Loan Facility 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.

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 February 1 2017. The credit facilities under the Fifth Third Credit Agreement consist of: (i) a five year revolving credit facility of \$18.0m which will be due and payable on January 31 2022, and availability is governed by a borrowing base, and (ii) a five year senior term loan facility of \$33.0m ("Bentley Term Loan"), also scheduled to mature on January 31 2022, requiring quarterly payments. 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 favor 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.

In June 2017, a portion of the proceeds of the capital contribution were used to (i) fully repay the five year term loan facility, and (ii) to partially reduce the amounts drawn under the revolving credit facility. In August 2017 the remaining amount of the five year revolving credit facility was repaid and no amounts have been drawn since then.

A portion of the capital contribution received from Balta Group has been used to perform a partial repayment of the Bentley debt of €39 million. The capitalized financing fees relating to this debt have been completely released through the consolidated statement of comprehensive income via finance expenses.

##### 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 the normal course of business at face value less certain reserves and fees. The insolvency 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 has been transferred, the trade receivables assigned to the factoring companies have been derecognized from the statement of financial position.

Whilst the factoring program described above relates to a portfolio of credit insured trade receivables, the Group has also entered into a forfaiting agreement where a financial institution agrees to purchase (forfait) on a revolving basis the receivables from individually identified debtors. The credit risk related to these receivables is fully transferred from the Group to the financial institution and as a result thereof, the financial institution bears the risk of non-payment by the debtor. The Group has been mandated to collect the forfeited receivables for the account of and on behalf of the financial institution. The eligible portion of the trade receivables that have been transferred and financed under this agreement have been derecognized from the Group's statement of financial position. The Group continues to recognize a portion of the receivables to the extent of its continuing involvement, in accordance with IAS 39 "Financial instruments: recognition and measurement".

The Group is also party to an Accounts Receivables Purchase Agreement with a financial institution, in the framework of a supply chain financing program offered by a large customer. Under the agreement, the Group offers to sell

some or all of its accounts receivable due from this customer to the financial institution. Given the non-recourse nature of the agreement, the accounts receivables are derecognized on the moment the cash is received.

## Note 26. Leases

### Finance lease liabilities

The table below shows the net book amount of the "land and buildings" and "plant and machinery" which are subject to a finance lease agreement:

(€ thousands)	December 31 2017	December 31 2016
<b>Net book value - Land and Buildings</b>	<b>12,658</b>	<b>14,193</b>
Cost - Capitalised finance leases	18,412	18,412
Accumulated depreciation	(5,754)	(4,219)
<b>Net book value - Plant and machinery</b>	<b>5,227</b>	<b>5,558</b>
Cost - Capitalised finance leases	6,608	6,608
Accumulated depreciation	(1,381)	(1,050)
<b>Net book value - Total leased Property, Plant &amp; Equipment</b>	<b>17,886</b>	<b>19,751</b>
Cost - Capitalised finance leases	25,020	25,020
Accumulated depreciation	(7,134)	(5,270)

The finance lease liabilities have decreased from €17.8m as of December 31 2016 to €15.5m as of December 31 2017. No material new financial lease contracts have been signed during the period.

The gross investment in leases and the present value of minimum future lease payments are due as follows:

(€ thousands)	December 31 2017	December 31 2016
<b>Gross finance lease liabilities - minimum lease payments</b>	<b>17,468</b>	<b>20,293</b>
No later than 1 year	2,430	2,824
Later than 1 year and no later than 5 years	5,336	6,479
Later than 5 years	9,703	10,990

(€ thousands)	December 31 2017	December 31 2016
<b>Total present value of finance lease liabilities</b>	<b>15,447</b>	<b>17,787</b>
No later than 1 year	2,137	2,399
Later than 1 year and no later than 5 years	4,235	5,263
Later than 5 years	9,075	10,125

### Operating leases

The Group leases various buildings, equipment, machinery and vehicles under operating lease agreements. The lease terms are between 1 and 12 years.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

(€ thousands)	December 31 2017	December 31 2016
<b>Total present value of operating lease commitments</b>	<b>46,855</b>	<b>10,460</b>
No later than 1 year	7,157	3,358
Later than 1 year and no later than 5 years	21,845	5,595
Later than 5 years	17,853	1,507

The operating lease commitments increased by €36.4m as at December 31 2017, mainly due to the commitment of €17.0m of operating leases at the level of Bentley which mainly relate to the lease of buildings and new lease

contracts entered into by Balta Home USA (€20.8m), which moved to a new 330,000 square feet distribution facility in Rome, Georgia, to provide more capacity for its North American business.

## Note 27. Net Debt reconciliations

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

(€ thousands)	Other assets		Liabilities from financing activities								Total	
	Cash and Cash equivalents	Senior Secured Notes due after 1 year	Senior Secured Notes due within 1 year	Senior Term Loan Facility (€75m) due after 1 year	Senior Term Loan Facility due after 1 year	Senior Term Loan Facility due within 1 year	Bentley Financing arrangements due after 1 year	Bentley Financing arrangements due within 1 year	Finance Lease liabilities due after 1 year	Finance Lease liabilities due within 1 year		
<b>Net debt as at January 1 2017</b>	<b>45,988</b>	<b>(290,000)</b>	<b>(6,618)</b>	-	-	-	-	-	-	<b>(15,388)</b>	<b>(2,494)</b>	<b>(268,511)</b>
Cashflows	(8,806)	-	1,258	-	-	(23)	-	-	-	-	6	(7,565)
Proceeds of borrowings with third parties	-	-	-	(75,000)	(35,000)	-	-	-	-	-	-	(110,000)
Business combinations	-	-	-	-	-	-	(40,030)	(1,325)	-	-	-	(41,355)
Foreign exchange adjustments	-	-	-	-	-	-	1,741	68	-	-	-	1,809
Repayments of borrowings with third parties	-	55,100	-	75,000	-	-	38,289	1,257	-	-	2,341	171,987
Other non-cash movements	-	-	-	-	-	-	-	-	2,078	(2,078)	-	-
<b>Net debt as at December 31 2017</b>	<b>37,182</b>	<b>(234,900)</b>	<b>(5,360)</b>	-	<b>(35,000)</b>	<b>(23)</b>	-	-	<b>(13,310)</b>	<b>(2,225)</b>	<b>(253,636)</b>	

## Note 28. Additional disclosures on financial instruments

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

(€ thousands)	Fair value hierarchy	December 31 2017	December 31 2017	December 31 2016	December 31 2016
		Carrying amount	Fair value	Carrying amount	Fair value
<b>ASSETS AS PER STATEMENT OF FINANCIAL POSITIONS</b>		<b>101,107</b>	<b>101,107</b>	<b>101,102</b>	<b>101,102</b>
<b>Loans and receivables</b>		<b>101,107</b>	<b>101,107</b>	<b>101,056</b>	<b>101,056</b>
Trade and other receivables		63,925	63,925	55,068	55,068
Cash and cash equivalents	Level 1	37,182	37,182	45,988	45,988
<b>Assets at fair value through profit or loss</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Foreign exchange derivative financial instruments	Level 2				
Fixed price electricity purchase commitments	Level 2				
<b>Assets at fair value through OCI</b>		<b>-</b>	<b>-</b>	<b>46</b>	<b>46</b>
Foreign exchange derivative financial instruments	Level 2	-	-	46	46
<b>LIABILITIES AS PER STATEMENT OF FINANCIAL POSITIONS</b>		<b>414,315</b>	<b>434,625</b>	<b>433,237</b>	<b>468,726</b>
<b>Financial liabilities measured at amortised cost</b>		<b>414,313</b>	<b>434,623</b>	<b>433,075</b>	<b>468,564</b>
Senior Secured Notes	Level 1	231,555	251,864	283,511	319,000
Senior Term Loan Facility	Level 1	34,674	34,674	-	-
Bank and other borrowings	Level 2	15,671	15,671	18,002	18,002
Trade and other payables		132,414	132,414	131,562	131,562
<b>Financial liabilities measured at fair value through profit or loss</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Preferred equity certificates					
<b>Financial liabilities measured at fair value through OCI</b>		<b>2</b>	<b>2</b>	<b>162</b>	<b>162</b>
Foreign exchange derivative financial instruments	Level 2	2	2	162	162

The different levels of valuation method 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 value of the Senior Secured Notes is based on a Level 1 estimate. The fair value of all other financial instruments, with the exception of cash- and cash equivalents, has been determined using Level 2 estimates. The fair value 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 29. 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 program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The objective is to identify, quantify, manage and then

monitor events or actions that could lead to financial losses. Derivative financial instruments are used to hedge certain risk exposures at Group level.

The Group applied hedge accounting on the derivative financial instruments relating to foreign exchange risk for the periods covered in these financial statements starting from June 1 2016.

### Qualitative and quantitative disclosures about market risk Foreign Exchange Risk

We have significant exposure to the value of the British pound, the U.S. dollar and the Turkish lira. Consequently, our financial results have been, and in the future will likely continue to be, subject to currency transaction and translation effects resulting from fluctuations in exchange rates, primarily the EUR/USD, EUR/GBP and EUR/TRY exchange rates. The proportion of our revenue recognized in each currency does not exactly correspond with the revenue derived from each geography, as we sometimes invoice customers in currencies other than their local currency. For instance, a portion of our sales in the UK are invoiced in Euro.

Our consolidated financial statements are prepared in Euro. 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 Euro. A portion of our assets, liabilities, revenue and costs are denominated in various currencies other than Euro, principally GBP, USD and TRY. As a result, our consolidated results

of operations, which are reported in Euro, are affected by currency exchange rate fluctuations.

Transaction risk arises when our subsidiaries execute transactions in a currency other than their functional currency. We mitigate this risk through three primary methods. We have entered into commercial arrangements with some key customers to automatically adjust the impact of EUR/GBP and EUR/TRY fluctuations through our prices. Second, we use forward exchange contracts to hedge our residual exposure to GBP and to hedge our USD exposure on an ad hoc basis. Finally, even with respect to commercial arrangements that do not provide for exchange rate-based price-adjustment mechanisms, our established relationships with our customers allow that both positive and negative currency fluctuations are generally passed on through price revisions over the medium term. Fluctuations in the value of the USD and TRY relative to the Euro typically have an impact on our gross margin.

Changes in foreign exchange rates may have a long-term impact on our sales volumes. For example, if there is a long-term depreciation of the Euro, our sales volumes may increase as we become more competitive in non-Eurozone markets. In contrast, a long-term strengthening of the Euro 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
<b>December 31 2017 Net exposure</b>	<b>(53,131)</b>	<b>4,177</b>	<b>6,198</b>	<b>11,448</b>	<b>(31,307)</b>
Trade and other receivables	29,686	5,697	19,306	9,236	63,925
Cash and cash equivalents	20,496	4,406	10,043	2,236	37,182
Trade and other payables	(103,312)	(5,926)	(23,151)	(24)	(132,414)
<b>(€ thousands)</b>	<b>EUR</b>	<b>GBP</b>	<b>USD</b>	<b>TRY</b>	<b>TOTAL</b>
<b>December 31 2016 Net exposure</b>	<b>(42,328)</b>	<b>(795)</b>	<b>5,028</b>	<b>7,589</b>	<b>(30,506)</b>
Trade and other receivables	32,650	2,352	9,723	10,344	55,068
Cash and cash equivalents	38,436	3,237	2,227	2,088	45,988
Trade and other payables	(113,414)	(6,384)	(6,922)	(4,843)	(131,562)

The following table presents the sensitivity analysis of the year-end statement of financial position in GBP, USD and TRY in case the Euro would weaken by 10%.

(€ thousands)	2017	2016
<b>GBP denominated</b>	<b>(1,092)</b>	<b>(1,710)</b>
Changes in fair value derivative financial instruments	(1,556)	(1,622)
Changes in carrying amount of monetary assets and liabilities	464	(88)
<b>USD denominated</b>	<b>689</b>	<b>712</b>
Changes in fair value derivative financial instruments	-	153
Changes in carrying amount of monetary assets and liabilities	689	559
<b>TRY denominated</b>	<b>1,272</b>	<b>843</b>
Changes in fair value derivative financial instruments	-	-
Changes in carrying amount of monetary assets and liabilities	1,272	843

The following table presents the sensitivity analysis of the year-end statement of financial position in GBP, USD and TRY in case the Euro would strengthen by 10%.

(€ thousands)	2017	2016
<b>GBP denominated</b>	<b>893</b>	<b>1,399</b>
Changes in fair value derivative financial instruments	1,273	1,327
Changes in carrying amount of monetary assets and liabilities	(380)	72
<b>USD denominated</b>	<b>(563)</b>	<b>(582)</b>
Changes in fair value derivative financial instruments	-	(125)
Changes in carrying amount of monetary assets and liabilities	(563)	(457)
<b>TRY denominated</b>	<b>(1,041)</b>	<b>(690)</b>
Changes in fair value derivative financial instruments	-	-
Changes in carrying amount of monetary assets and liabilities	(1,041)	(690)

#### Commodity Price Risk

We are exposed to fluctuations in the price of major raw material used in the manufacturing process. Our key raw materials are polypropylene granulates, yarn, latex and polyamide granulates.

In 2017, raw materials expenses represented 46.9% of the Group's revenue compared to 46.5% per 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. During 2017, raw material cost prices increased and put pressure on the Group's margins. Price increases and other compensating actions were not sufficient to fully offset the adverse effect from increased raw material prices.

If the commodity prices of polypropylene and polyamide had been 10% higher (lower), profit after tax would have

been €4.6m lower (higher) in the absence of any mitigating actions taken by management. This impact has been determined by multiplying the volumes of both granulates and yarns purchased on an annual basis with a 10% variance on the average purchase price of polypropylene and polyamide for the year. The sensitivity calculation takes into account the typical time lag between purchasing polypropylene and polyamide and recognizing 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 2017 or 2016.

#### Interest Rate Risk

Our interest rate risk principally relates to external indebtedness that bears interest at variable rates. Only the amounts that we borrow under the (Super Senior) Revolving Credit Facilities, our capital leases of buildings, our Senior Term

Loan and use under our factoring and forfaiting 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 an 25% shift in the € yield curve.

(€ thousands)	25 bps downward shift in EUR yield curve	"25 bps upward
<b>Total impact on interest expenses/income</b>	<b>63</b>	<b>(63)</b>
Non-derivative floating rate financial liabilities	63	(63)

#### 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 and forfaiting of the trade receivables where the insolvency 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. Our fixed price purchase commitments are entered into with the counterparty of our long term procurement contracts.

#### Historical default rates did not exceed 0.1% for 2016 and 2017.

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)	December 31 2017	December 31 2016
<b>Total cash and cash equivalents</b>	<b>37,182</b>	<b>45,988</b>
A rating	32,704	42,493
BBB Rating	1,199	3,495
BB Rating	3,278	-

#### Qualitative and quantitative disclosures about liquidity risk

We monitor cash flow forecasts and liquidity requirements centrally, ensuring that we have sufficient cash to meet operational needs while maintaining sufficient headroom on our undrawn committed borrowing facilities at all times so that we do not breach borrowing limits or covenants on any of our borrowing facilities.

The operating activities of our subsidiaries and their cash inflows are our main source of liquidity. Our cash pooling system enables us to benefit from the surplus funds of certain subsidiaries to cover the financial requirements of other subsidiaries. We invest surplus cash in interest-bearing current accounts and short-term cash deposits, selecting instruments with appropriate maturities or sufficient 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 December 31 2017 and at December 31 2016 are the Senior Secured Notes, the Senior Term Loan Facility, the Super Senior Revolving Credit Facility, the Bentley Mills Revolving Credit Facility and capital lease agreements.

The following table reflects all contractually fixed pay-offs for settlement, repayments and interest resulting from recognized financial liabilities. The amounts disclosed are undiscounted net cash outflows, based on the market conditions existing at December 31 2017.

(€ thousands)	Less than 6 months	Between 6 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<b>Total as of December 31 2017</b>	<b>(143,148)</b>	<b>(10,421)</b>	<b>(20,100)</b>	<b>(328,826)</b>	<b>(9,703)</b>
Senior Secured Notes	(9,102)	(9,102)	(18,205)	(289,514)	-
Senior Term Loan Facility	(248)	(249)	(497)	(35,374)	-
Finance lease liabilities	(1,360)	(1,069)	(1,398)	(3,938)	(9,703)
Trade and other payables	(132,414)	-	-	-	-
Gross settled derivative financial instruments - outflows	(14,004)	-	-	-	-
Gross settled derivative financial instruments - inflows	13,981	-	-	-	-

The following table reflects all contractually fixed pay-offs for settlement, repayments and interest resulting from recognized financial liabilities. The amounts disclosed are undiscounted net cash outflows, based on the market conditions existing at December 31 2016.

(€ thousands)	Less than 6 months	Between 6 months and 1 year	Between 1 year and 2 years	Between 2 and 5 years	Over 5 years
<b>Total as of December 31 2016</b>	<b>(144,357)</b>	<b>(12,647)</b>	<b>(24,905)</b>	<b>(71,474)</b>	<b>(323,465)</b>
Senior Secured Notes	(11,238)	(11,238)	(22,475)	(67,425)	(312,475)
Finance lease liabilities	(1,414)	(1,409)	(2,430)	(4,049)	(10,990)
Trade and other payables	(131,562)	-	-	-	-
Gross settled derivative financial instruments - outflows	(15,925)	-	-	-	-
Gross settled derivative financial instruments - inflows	15,782	-	-	-	-

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 noted as follows:

	December 31 2017		December 31 2016	
	Moody's	S&P	Moody's	S&P
Long-term issue rating Senior Secured Notes	B1	B+	B2	B
Corporate rating	B1	B+	B2	B

On August 10 2015, Moody's assigned a B2 rating to the €290m Senior Secured Notes issued by LSF9 Balta Issuer S.à r.l., the previous parent holding company of the Group, following a review of the final bond documentation. In June 2017, following the IPO, the ratings were upgraded to B1 to reflect the strengthening of the Group's financial profile, increased transparency as a public company, strengthened corporate governance arrangements and enhanced access to equity capital markets.

the Group's financial credit metrics following the use of net proceeds from the IPO to repay part of the Group's debt.

#### Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for partners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

On September 14 2015, S&P assigned its 'B' long-term corporate credit rating to LSF9 Balta Investments S.à r.l. At the same time, S&P assigned its 'B' long-term issue rating to LSF9 Balta Issuer S.à r.l.'s €290m Senior Secured Notes and its 'BB-' long-term issue rating to the €68m Super Senior Revolving Credit Facility. In July 2017, the corporate rating was increased to B+ to reflect the improvements in

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to Partners, 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 23 to 25 for further details.

#### Brexit

The United Kingdom held a referendum on June 23 2016, to determine whether the United Kingdom should leave the European Union (the "EU") or remain as a member state, and the outcome of that referendum was in favor of leaving the EU (commonly referred to as "Brexit"). The effects of Brexit will depend on any agreements the United Kingdom makes to retain access to EU markets, and, while such impacts are difficult to predict, Belgian exports may be negatively affected. In the year ended December 31 2017, our sales in the United Kingdom represented €1479 m, or 22.4% of our revenue, of which €126.1m was in our Residential segment where the United Kingdom represents just above half of sales. Any reduction in consumers' willingness or ability to spend due to Brexit-related changes in the economic environments of the United Kingdom and Europe could materially affect our revenue. In addition, lack of clarity about future UK laws and regulations, as the United Kingdom determines which EU laws to replace or replicate in the event of a withdrawal, may increase costs associated with operating in either or both of the United Kingdom and Europe.

#### Note 30. 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 1.35% and 1.31% in 2017 and 2016, respectively. The annual pension cost, relating to the pension plan is disclosed in Note 7.

The Group foresees termination benefits (including early retirement) for its working and retired personnel. The liability was measured using a discount rate of 0.83% in 2017 and 0.62% in 2016.

The employee benefit obligations recognized in the financial statements are detailed below:

(€ thousands)	December 31 2017	December 31 2016
<b>Total employee benefit obligations</b>	<b>4,127</b>	<b>5,079</b>
Pension plans	1,810	2,815
Provisions early retirement pension	1,710	2,071
Provision for pensions	608	193

#### Pension plans: overview

A pension plan has been put in place for management and is 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 recognized 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 as 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 date of closing.

#### Pension plans: main valuation assumptions

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

	December 31 2017	December 31 2016
Discount rate	1.35%	1.31%
Retirement age	65 years	65 years
Mortality	MR/FR-5	MR/FR-5

#### Pension plans: reported figures

For the year ended December 31 2017, the defined benefit obligation taking into account the tax effect amounts to €15.6m (December 31 2016: €10.1m), offset by plan assets of €13.8m (December 31 2016: €7.3m) as at December 31 2017.

**Note 31. Other payroll and social related payables**

(€ thousands)	December 31 2017	December 31 2016
<b>Total other payroll and social related payables</b>	<b>33,359</b>	<b>31,246</b>
Holiday pay	15,302	14,136
Social security taxes	7,499	7,365
Salaries and wages payable	5,421	5,137
Early retirement provision	636	628
Group insurance	586	557
Withholding taxes	868	886
Other	3,046	2,539

Other payroll and social related payables increased from €31.2m as of December 31 2016 to €33.4m at December 31 2017.

The increase mainly relates to other payroll and social related payables in relation to the acquisition of Bentley (€3.8m).

**Note 32. Provisions for other liabilities and charges**

(€ thousands)	Asset Retirement Obligation	Restructuring	Warranty	Other	Total
<b>At January 1 2017</b>	-	-	-	64	64
Business combinations	935	-	2,045	-	2,980
Additional provisions made and increases to existing provisions	-	7,252	-	-	7,252
Unused amounts reversed	-	-	(111)	-	(111)
Exchange differences	(102)	-	(209)	-	(310)
Amounts used	-	-	(223)	-	(223)
<b>At December 31 2017</b>	<b>834</b>	<b>7,252</b>	<b>1,502</b>	<b>64</b>	<b>9,652</b>
<b>Analysis of total provisions:</b>	<b>31 Dec 2017</b>				
Non-current	2,335				
Current	7,316				
	<b>9,652</b>				

The provision for other liabilities and charges increased by €9.6m to €9.7m for the year ended December 31 2017.

The Group has announced the restructuring of the operational infrastructure in Belgium within the Residential business, by consolidating the Oudenaarde facility into our two fully vertically integrated factories in the region. The Group completed the consultation and negotiation stages, has activated a full project management office to deliver an increased run rate EBITDA benefit as from 2019. A provision for restructuring was set up in accordance with IAS 37 for an amount of €7.3m as at December 31 2017.

The acquisition of Bentley resulted in the increase of a warranty provision by €2.0m on March 31 2017 which further decreased to a provision of €1.5m at the end of the year. Moreover, Bentley also rents some buildings for which an asset retirement obligation of €0.8m was recognized.

**Note 33. Trade and other payables**

(€ thousands)	December 31 2017	December 31 2016
<b>Trade and other payables</b>	<b>132,414</b>	<b>131,562</b>
Trade payables	91,445	96,620
Accrued charges and deferred income	31,776	33,369
Other payables	9,193	1,573

The outstanding trade and other payables increased slightly from €131.6m as of December 31 2016 to €132.4m as of December 31 2017.

Trade payables as of December 31 2017 include the amounts for outstanding invoices (€74.9m, as compared to €81m as of December 31 2016) and invoices to be received in relation to goods and services received during the current period (€16.5m), as compared to €16m as of December 31 2016).

Accrued charges and deferred income mainly relate to:

- Deferred revenue relating to the sale and lease back of one of the facilities which is recognized in profit over the leasing period of the facilities (€11.5m, as compared to €13.0m as of December 31 2016);
- Deferred revenue relating to advance payments on rental agreements (€3.2m, as compared to €3.7m as of December 31 2016);
- Accrued charges for customer discounts (€14.0m as of December 31 2017 and €16.0m as of December 31 2016).

The increase in other payables mainly relates to payables open at year-end in relation to strategic advisory charges concerning financing activities.

**Note 35. Earnings per share**

*Basic and diluted earnings per share*

	December 31 2017	December 31 2016
<b>BASIC EARNINGS PER SHARE</b>		
<b>Net result from continuing operations</b>	<b>(2,884)</b>	<b>25,345</b>
Percentage of net result from continuing operations attributable to holders of ordinary shares	100%	1%
Net result from continuing operations attributable to holders of ordinary shares	(2,884)	253
Net result from discontinuing operations attributable to holders of ordinary shares	-	-
Weighted average number of ordinary shares outstanding (in thousands)	137,848	171
Net result per share attributable to holders of ordinary shares (in Euro)	(0.02)	1.48

In accordance with IAS33, the basic earnings per share amounts are 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.

All earnings per share for 2017 are calculated based on the number of shares and the percentage of net results attributable to the holders of ordinary shares at the date of the capital reorganization which resulted respectively

**Note 34. Government grants**

The Group's government grants relate to incentives given by Belgian authorities based on the Group's investment, environmental and employment policies.

*The main incentives received comprise:*

- Environmental grants: The Group receives governmental allowances on a yearly basis in the framework of legislative measures put into place in order to ascertain the competitiveness of industries covered by the EU Emission Trading System (the allowances for "carbon leakage"). At December 31 2017, €0.4m has been received in this framework. As per December 31 2016 the amount was equal to €0.6m.
- Investment grants: The Group has concluded a cooperation agreement with external parties for the development of hybrid structures made with blended (preferential airlaid) technology containing waste streams of polypropylene and of polyurethane. At December 31 2017, €0.02m has been received in this framework (which is the same amount as last year).

in a total of 137.848 thousands of shares and 100% of net result attributable to the holders of ordinary shares.

*Adjusted earnings per share*

The result of 2017 and 2016 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.

	December 31 2017	December 31 2016
<b>ADJUSTED EARNINGS PER SHARE<sup>1</sup></b>		
<b>Net result from continuing operations</b>	<b>(2,884)</b>	<b>25,345</b>
Normalization adjustments:	19,689	8,338
<b>Adjusted Net Result from continuing operations</b>	<b>16,805</b>	<b>17,008</b>
Percentage of net result from continuing operations attributable to holders of ordinary shares	100%	1%
Net result from continuing operations attributable to holders of ordinary shares	16,805	170
Net result from discontinuing operations attributable to holders of ordinary shares	-	-
Weighted average number of ordinary shares outstanding (in thousands)	137,848	171
Net result per share attributable to holders of ordinary shares (in Euro)	0.12	1.0

(1) We refer to the Note 1.25 in which we provide a glossary of the non-GAAP measures and Note 3.

All earnings per share for 2017 are calculated based on the number of shares and the percentage of net results attributable to the holders of ordinary shares at the date of the capital reorganization which resulted respectively in a total of 137,848 thousands of shares and 100% of net result attributable to the holders of ordinary shares.

The profit for the period in 2017 includes a net €19.7m impact from non-recurring items, comprised of €18.2m integration and restructuring expenses, €9.3m incremental finance expenses, €1.8m net impact of purchase price accounting and offset by €9.6m of net tax benefits (see Note 3 for more information). In the absence of such events, the normalized profit for the period would have been €16.8m. Similarly, the profit for the period in 2016 includes a net non-recurring benefit of €8.3m (as detailed in Note 3), resulting in a normalized net profit of €17.0m.

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 36. Dividends per share

The Group did not declare any dividends to partners for the period ended December 31 2016 and December 31 2017.

### Note 37. Commitments

#### Energy

Our fixed price purchase commitments for electricity and gas, for deliveries in 2018, are equal to €8.6m as of December 31 2017 compared to an amount of €11.5m as of December 31 2016.

#### Raw material

Our fixed price purchase commitments for raw materials, for deliveries in 2018, are equal to €65m as of December 31 2017 compared to an amount of €66m as of December 31 2016.

#### Capital expenditures

As of December 31 2017 €1.7m capital commitments are outstanding compared to €2.4m as of December 31 2016.

### Note 38. List of consolidated companies

The subsidiaries and jointly controlled entities of Balta Issuer S.à r.l., the Group's percentage of interest and the Group's percentage of control of the active companies are presented below.

	December 31 2017		December 31 2016	
	% of interest	% of control	% of interest	% of control
<b>Belgium</b>				
Balta NV	100%	100%	100%	100%
Balta Industries NV	100%	100%	100%	100%
Balta Trading Comm.V	100%	100%	100%	100%
Modulyss NV	100%	100%	100%	100%
Balta Oudenaarde NV	95%	100%	95%	100%
Balta M BVBA (liquidated on December 13 2017)	100%	100%	100%	100%
Balfid BVBA	100%	100%	100%	100%
<b>Luxembourg</b>				
Balfin Services S.à r.l.	100%	100%	100%	100%
LSF9 Balta Luxembourg S.à r.l. (incorporated December 1 2016)	100%	100%	100%	100%
LSF9 Balta Investment S.à r.l.	100%	100%	100%	100%
<b>Turkey</b>				
Balta Orient Tekstil Sanayi Ve Ticaret A.S.	100%	100%	100%	100%
Balta Floorcovering Yer Dös, emeleri San.ve Tic A.S.	100%	100%	100%	100%
<b>USA</b>				
Balta USA Inc	100%	100%	100%	100%
LSF9 Renaissance Holdings LLC	100%	100%	-	-
LSF9 Renaissance Acquisitions LLC	100%	100%	-	-
BPS Parent, Inc.	100%	100%	-	-
Bentley Prince Street Holdings, Inc.	100%	100%	-	-
Bentley Mills, Inc.	100%	100%	-	-
Prince Street, Inc.	100%	100%	-	-

### Note 39. Related party transactions

The Company may enter into transactions with its partners and other entities owned by its partners in the ordinary course of business. Those transactions include, among others, financing agreements and professional, advisory, consulting and other corporate services.

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.

#### Bentley Acquisition

As noted before, on February 1 2017, Lone Star Fund IX acquired BPS Parent, Inc., the indirect parent company of Bentley Mills, Inc. and the Bentley Group, from its partners, including Dominus Capital, L.P. The following series of transactions then occurred, with the ultimate effect of Balta NV acquiring control over the Bentley group of companies:

- On March 22 2017, pursuant to an agreement dated March 10 2017, LSF9 Balta Issuer S.à r.l. together with LSF9 Balta investments S.à r.l. completed the acquisition of the Bentley group of companies and brought (other than certain minority interests held by the Bentley management team) the Bentley Group of companies within the Group.
- On March 23 2017, in view of the integration of the Bentley Group of companies into the operational group within the Group, Balta NV acquired the interests in the Bentley Group of companies – from LSF9 Balta Issuer S.à r.l., for a consideration of €21,119,243.77 and \$51,000,000.00 which remained outstanding on the intercompany account (for the purposes of this paragraph, the “Balta NV Consideration”).

The limited partnership interest acquired by LSF9 Balta Issuer S.à r.l. and subsequently by Balta NV represented at the time of the acquisition over 98% of the total interests in the Bentley Group of companies with the remaining partnership interests held by members of the Bentley management team. As part of the reorganization, the Bentley management was bought out as explained in “Note 5 Business combinations” for €1,343k.

The push down in the Group structure of the former participation of Bentley management team in the Bentley group of companies to Balta NV following the buy-out of the Bentley management was financed through the issuance of intra-group notes, as follows:

- following the buy-out of Bentley management by LSF9 Balta Midco S.à r.l. and a subsequent transfer of the Bentley management equity stake to LSF9 Balta Holdco S.à r.l., LSF9 Balta Holdco S.à r.l. transferred the newly acquired interests in the Bentley group of companies to Balta NV against the issuance by Balta NV of a new note to LSF9 Balta Holdco S.à r.l. (the “BM Note 1”);
- the BM Note 1 was assigned by LSF9 Balta Holdco S.à r.l. to LSF9 Balta Issuer S.à r.l. against the issuance of a new note by the latter (the “BM Note 2”); and
- subsequently, LSF9 Balta Issuer S.à r.l. in turn assigned this BM Note 1 to LSF9 Balta Investments S.à r.l. against the issuance of another new note (the “BM Note 3”).

The Group simplified the intragroup financing between the Luxembourg holding companies and Balta NV by means of different debt-to-equity conversions by the contribution of the BM Notes into the equity (capital reserve) of their respective issuers by LSF9 Balta Holdco S.à r.l. and LSF9 Balta Issuer S.à r.l. which resulted in an equity increase of €1.3m in LSF9 Balta Issuer S.à r.l.

#### Shares

Until February 22 2017, 100% of shares of LSF9 Balta Issuer S.à r.l. were owned by LSF9 Balta Midco S.à r.l. As a result of a sales and purchase agreement dated February 22 2017, 100% of the shares of LSF9 Balta Issuer S.à r.l. were sold to LSF9 Balta Holdco S.à r.l.

LSF9 Balta Holdco contributed all its shares into Balta Group NV on 30 May 2017 with effect as of 13 June 2017 prior to IPO of Balta Group NV. As a result, 100% of shares of LSF9 Balta Issuer S.à r.l. are owned by Balta Group NV.

#### Contributions in the capital and reserves of LSF9 Balta Issuer S.à r.l.

As described in Note 19, LSF9 Balta Holdco S.à r.l. contributed an intercompany loan of €1.3m in the share capital of LSF9 Balta Issuer S.à r.l. and a participation in the Bentley group of companies to integrate the former Bentley management equity stake in the Group.

As described in Note 19 PECs issued by LSF9 Balta Issuer S.à r.l. and owned by LSF9 Balta Holdco S.à r.l. were con-

tributed in the share premium of LSF9 Balta Issuer S.à r.l. for an amount of €152.9m.

#### Key management compensation

Key management means the Group's Management Committee, which consists of people having authority and responsibility for planning, directing and controlling the activities of the Group. Key management compensation includes all fixed and variable remuneration and other benefits which are presented in other expenses and long-term employee benefits which are presented in integration and restructuring.

(€ thousands)	December 31 2017	December 31 2016
<b>Total key management compensation</b>	<b>2,937</b>	<b>4,098</b>
Short-term employee benefits	2,410	2,785
Long-term employee benefits	403	-
Board compensation	125	-
Termination benefits	-	1,313
Share-based payments	-	-

#### Note 40. Fees paid to the Group's auditors

(€ thousands)	2017	2016
<b>Audit services</b>	<b>1,306</b>	<b>354</b>
Audit of the Group pursuant to legislation	300	300
Other audit-related services	1,007	54
<b>Non-audit services</b>	<b>394</b>	<b>798</b>
Tax services	184	798
Other services	210	-
<b>Total fees paid to the Group's auditor</b>	<b>1,700</b>	<b>1,152</b>

#### Note 41. Share based payments

On June 16 2017, Balta NV, a member of the Balta Group, provided a share related bonus payment pursuant to a phantom share bonus scheme with Balta NV to certain members of the Management Committee.

The Chief Executive Officer is entitled to a share-related bonus payment pursuant to a phantom share bonus scheme with Balta NV representing the value of 84,544 shares at payout date. The bonus is only payable if the Chief Executive Officer still provides services to the Group on the second anniversary of the IPO. If services cease to be provided for any reason prior to the second anniversary, the bonus arrangement for the Chief Executive Officer is forfeited.

#### Other transactions with related parties

Year-end balances arising from daily operations:

(€ thousands)	December 31 2017	December 31 2016
Trade and Other receivables from related parties	1,027	54
Trade and Other Payables to related parties	(7,750)	-
Other income with Related parties	18	-
Other expenses with Related parties	(6,823)	-

The year-end balances mainly arise from current account positions as a result of payments which have been performed on behalf of Group entities. These current accounts are respectively reflected in "Trade and other receivables" and in "Trade and other payables".

of the phantom share bonus schemes was directly connected to the IPO.

In the context of the IPO, certain managers received shares and a cash bonus from LSF9 Balta Midco S.à r.l. pursuant to existing management incentive schemes with Lone Star entities.

The number of shares granted to the members of the Management Committee and the current general manager of Bentley is 1,127,362 shares in total. 232,284 shares were acquired upon completion of the IPO and of the remaining, 50% (447,541 shares) would vest on the first anniversary of the IPO and 50% (447,537 shares) on its second anniversary. A manager who leaves the Group voluntarily or is dismissed for cause prior to a vesting date will lose his entitlement to unvested shares.

The Group has not granted any stock options or other rights to acquire shares to members of the Management Committee.

The other members of the Management Committee (excluding the CEO) are entitled to a share related bonus payment pursuant to a phantom share bonus scheme with Balta NV, collectively representing the value of 86,361 shares at payout date. The bonus is only payable if the manager still provides services to the Group on the second anniversary of the IPO. If services cease to be provided for any reason prior to the second anniversary, the bonus arrangement for that manager is forfeited.

The actual cost of these share related bonus payment are recognized in the income statement over the vesting period of the schemes and have been recognized in integration and restructuring expenses as the installation

## II.6. Audit report

To the Partner of

LSF9 Balta Issuer S.à r.l.

### Report on the audit of the consolidated financial statements

#### Our opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of LSF9 Balta Issuer S.à r.l. (the "Company") and its subsidiaries (the "Group") as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

#### What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

#### Basis for opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under those Law and standards are further described in the "Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants'

Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements. We have fulfilled our other ethical responsibilities under those ethical requirements.

#### Other information

The Board of Managers is responsible for the other information. The other information comprises the information stated in the consolidated Management report but does not include the consolidated financial statements and our audit report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of the Board of Managers for the consolidated financial statements

The Board of Managers is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Managers determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Managers 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 Managers either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

#### Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit 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 the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF 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 financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, 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 Managers;
- conclude on the appropriateness of the Board of Managers' 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 audit report to the related disclosures in the consolidated financial statements 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 audit 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 financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities and 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 those charged with governance 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.

### Report on other legal and regulatory requirements

The consolidated Management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

Luxembourg, 18 April 2018

PricewaterhouseCoopers, Société coopérative  
Represented by  
Véronique Lefebvre



**Indoor & Outdoor Rugs**



**Commercial Carpets & Tiles**



**Residential Carpets & Tiles**



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