



**BALTA GROUP NV**

**Statutory auditor's report to the general  
shareholders' meeting on the annual accounts for  
the year ended 31 December 2017**

18 April 2018

**STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING OF THE COMPANY BALTA GROUP NV ON THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2017**

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We present to you our statutory auditor's report in the context of our statutory audit of the annual accounts of Balta Group NV (the "Company"). This report includes our report on the audit of the annual accounts, as well as the report on other legal and regulatory requirements. These reports form part of an integrated whole and are indivisible.

We have been appointed as statutory auditor by the general meeting of 1 March 2017, following the proposal formulated by the board of directors and following the recommendation by the audit committee. Our mandate will expire on the date of the general meeting which will deliberate on the annual accounts for the year ended 31 December 2019. We have performed the statutory audit of the consolidated accounts of Balta Group NV for the first year.

**Report on the audit of the annual accounts**

***Unqualified opinion***

We have performed the statutory audit of the annual accounts of the Company, which comprise the balance sheet as at 31 December 2017 and the profit and loss account for the year then ended, and the notes to the annual accounts, characterised by a balance sheet total of EUR 476,962,233.40 and a loss for the year of EUR 2,363,092.88.

In our opinion, the annual accounts give a true and fair view of the Company's net equity and financial position as at 31 December 2017 and of its results for the year then ended, in accordance with the financial-reporting framework applicable in Belgium.

***Basis for unqualified opinion***

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Statutory auditor's responsibilities for the audit of the annual accounts" section of our report. We have fulfilled our ethical responsibilities in accordance with the ethical requirements that are relevant to our audit of the annual accounts in Belgium, including the requirements related to independence.

We have obtained from the board of directors and Company officials the explanations and information necessary for performing our audit.

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

### ***Key audit matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### **Impairment testing on participations in affiliated companies**

##### *Description of the key audit matter*

The participations in affiliated companies of Balta Group NV as at 31 December 2017 consist of a participation in LSF9 Balta Issuer S.à.r.l. for an amount of EUR 468,927,446.90.

We consider the impairment testing on participations in affiliated companies as most significant to our audit because of the fact that they represent a substantial amount of the total assets. Additionally, such impairment assessment involves significant judgement by management, in case of a permanent reduction in value, with respect to the future results and cash flow generation of the underlying entity.

##### *How our audit addressed the key audit matter*

For the evaluation of the impairment testing on the participation in LSF9 Balta Issuer S.à.r.l, we have obtained management's assessment whereby the value in use has been considered.

In evaluating management's impairment assessment, we focused on the reasonableness and impact of key assumptions including cash flow forecasts of LSF9 Balta Issuer S.à.r.l and its subsidiaries, discount rate, long term growth rate of revenue and EBITDA margin.

In assessing the reasonableness of the assumptions used by management we involved our internal valuation experts. Additionally, we have assessed whether the valuation models used have been consistently applied as part of the overall financial closing process.

##### *Our findings*

Whilst recognizing that cash flow forecasting and impairment assessment are all inherently judgmental, we found that the assumptions used by management, in evaluating whether a permanent reduction in value exists, are reasonable.

### ***Responsibilities of the board of directors for the annual accounts***

The board of directors is responsible for the preparation of annual accounts that give a true and fair view in accordance with the financial-reporting framework applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the board of directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

### ***Statutory auditor's responsibilities for the audit of the annual accounts***

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with the board of directors and with the audit committee, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Report on other legal and regulatory requirements**

### ***Responsibilities of the board of directors***

The board of directors is responsible for the preparation and the content of the director's report and of the documents required to be deposited by virtue of the legal and regulatory requirements as well as for the compliance with the legal and regulatory requirements regarding bookkeeping, with the Companies' Code and with the Company's articles of association.

### ***Statutory auditor's responsibilities***

In the context of our mandate and in accordance with the Belgian standard (revised) which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, the directors' report certain documents required to be deposited by virtue of legal and regulatory requirements, as well as compliance with the articles of association and certain requirements of the Companies' Code and to report on these matters.

### ***Aspects related to the directors' report***

In our opinion, after having performed specific procedures in relation to the directors' report, this report is consistent with the annual accounts for the year under audit, and it is prepared in accordance with the articles 95 and 96 of the Companies' Code.

In the context of our audit of the annual accounts, we are also responsible for considering, in particular based on the knowledge acquired resulting from the audit, whether the directors' report is materially misstated or contains information which is inadequately disclosed or otherwise misleading. In light of the procedures we have performed, there are no material misstatements we have to report to you. We do not express any form of assurance conclusion on the directors' report.

### ***Statement related to independence***

We did not provide services which are incompatible with the statutory audit of the annual accounts and we remained independent of the Company in the course of our mandate.

### ***Other statements***

- Without prejudice to formal aspects of minor importance, the accounting records were maintained in accordance with the legal and regulatory requirements applicable in Belgium.
- The appropriation of results proposed to the general meeting complies with the legal provisions and the provisions of the articles of association.
- There are no transactions undertaken or decisions taken in breach of the Company's articles of association or the Companies' Code that we have to report to you.
- This report is consistent with the additional report to the audit committee referred to in article 526 bis § 6 4° of the Companies' Code referring to article 11 of the Regulation (EU) N° 537/2014.
- As explained in the directors' report, the procedure in respect of a conflict of interests (in the context of section 523 of the Belgian Companies Code) has been applied on 30 May 2017. The decisions have the following property effects:

#### **The IPO**

Kairos Management BVBA and Michael Kolbeck declared that they had a potential conflict of interest, as defined in Article 523 of the BCC, concerning all items on the agenda, as all items relate to the IPO.

The potential conflict of interest arises for Kairos Management BVBA because the manager who provides services on behalf of the aforementioned director is entitled to receive ordinary shares of the Company and a cash bonus from the Selling Shareholder, LSF9 Balta Holdco S.à r.l. upon or following completion of the Offering, consisting of (i) the issuance of the Company of new shares and (ii) the offering of existing shares (the Offer Shares), pursuant to existing management incentive schemes with Lone Star entities.

In addition, the aforementioned director is entitled to a share-related bonus payment from Balta NV pursuant to a phantom share bonus scheme which operates by reference to the value of a number of shares in the Company at the pay-out date. Both entitlements will depend on the Offer Price, being the final price per Offer Share, and the final size of the Offering, as set out in the Prospectus (see section “Management and Corporate Governance”).

The potential conflict of interest arises for Michael Kolbeck because he has a private equity type of carried interest arrangement with Lone Star, which will be impacted by the realization and the terms of the Offering.

As set out above, the envisaged IPO and subsequent Listing, more specifically the listing of the Company’s new and existing shares on Euronext Brussels, are, among other things, with a view to obtaining additional resources to finance the group’s activities and its further growth and development. Those are aimed at increasing the group’s capitalisation and financial flexibility.

Hence, the board of directors is of the opinion that the IPO will strengthen the financial structure of the group. As all agenda items of this meeting relate to the contemplated IPO and subsequent Listing, these are therefore justified.

For the expected financial impact of the IPO, reference is made to the Prospectus. As set out above, the IPO will strengthen the financial structure of the Company and the group. The board decided to approve all items on the agenda relating to the IPO.

The insurance policy

All directors declared that they had a potential conflict of interest, as defined in Article 523 of the BCC, concerning an item on the agenda, as this item relates to the approval of an insurance policy for, among other things, directors' liability.

This potential conflict of interest arises because each director is insured under the Insurance Policy relating to directors' liability and prospectus liability.

With a view to the Company's Listing, the board of directors suggested that the Company will take out prospectus liability insurance. In accordance with market practice, it was also suggested to insure, amongst other persons, the members of the board of directors against directors' liability. The board of directors is of the opinion that this is in accordance with market practice and necessary to attract and retain directors and ensure their effective decision-making.

The Company will pay insurance premiums as set out in the Insurance Policy. Subject to certain franchise thresholds and for an amount equal to the insurance amounts as set out in the Insurance Policy, at least the Company, its subsidiaries and all directors de jure, de facto and external mandates of the insured companies will be covered against certain claims in relation to prospectus and directors' liability as set out in the Insurance Policy.

The board of directors decided to approve the insurance policy for directors' liability.

Ghent, 18 April 2018

The statutory auditor  
PwC Bedrijfsrevisoren bcvba  
Represented by



Peter Opsomer  
Bedrijfsrevisor

40				1	EUR	
NAT.	Date of the deposition	No. 0671.974.626	pp.	E.	D.	C 1

**ANNUAL ACCOUNTS AND OTHER DOCUMENTS TO BE DEPOSITED  
IN ACCORDANCE WITH THE COMPANIES CODE**

**IDENTIFICATION**

**NAME: BALTA GROUP**

Legal form: **PLC**

Address: **Wakkensteenweg**

Nr.: **2**

Postal Code: **8710**

City: **Wielsbeke**

Country: **Belgium**

Register of Legal Persons (RLP) - Office of the commercial court at: **Gent, Division Kortrijk**

Internet address : <sup>1</sup> **www.baltagroup.com**

Company number: **0671.974.626**

DATE **27/06/2017** of the deposition of the partnership deed OR of the most recent document mentioning the date of publication of the partnership deed and the act changing the articles of association.

ANNUAL ACCOUNTS **IN EURO (2 decimals)** <sup>2</sup>

ANNUAL ACCOUNTS approved by by the General Meeting of **22/05/2018**  
concerning the financial year covering the period from **1/03/2017** till **31/12/2017**  
Previous period from  till

The amounts of the previous financial year are / are not <sup>3</sup> identical to those which have been previously published.

Total number of pages deposited: **27** Number of the pages of the standard form not deposited for not being of service: 6.1, 6.2.1, 6.2.2, 6.2.3, 6.2.4, 6.2.5, 6.3.1, 6.3.2, 6.3.3, 6.3.4, 6.3.5, 6.3.6, 6.4.2, 6.4.3, 6.5.2, 6.6, 6.8, 6.9, 6.11, 6.12, 6.17, 6.18.2, 6.20, 7, 8, 9, 10

Signature  
(name and position)  
**Kairos Management PLLC**  
Executive Director

Signature  
(name and position)  
**Ragoucy Cyrille**  
Chairman

<sup>1</sup> Optional statement.

<sup>2</sup> If necessary, adjust the unit and currency in which the amounts are expressed

<sup>3</sup> Delete where appropriate.



**LIST OF DIRECTORS, MANAGERS AND AUDITORS  
AND DECLARATION ABOUT SUPPLEMENTARY  
AUDITING OR ADJUSTMENT MISSION**

**LIST OF DIRECTORS, MANAGERS AND AUDITORS**

COMPLETE LIST WITH name, first name, profession, residence-address (address, number, postal code, municipality) and position with the enterprise

**RAGOUCY Cyrille**

Rue de l'Assomption 77, 75016 Paris, France

Title : Chairman

Mandate : 16/06/2017- 27/05/2021

**Kairos Management PLLC 0649.586.234**

Beukenlaan 80, 1653 Dworp, Belgium

Title : Delegated director

Mandate : 1/03/2017- 27/05/2021

Represented by:

1. DEBUSSCHERE Tom

Beukenlaan 80 , 1653 Dworp, Belgium

**KOLBECK Michael**

Campden Street 51, W8 7ET London, United Kingdom

Title : Director

Mandate : 1/03/2017- 27/05/2021

**Accellum PLLC 0675.830.177**

Bijlkensveldstraat 7, 3080 Tervuren, Belgium

Title : Director

Mandate : 16/06/2017- 27/05/2021

Represented by:

1. VANDEN ABEELE Nicolas

Bijlkensveldstraat 7 , 3080 Tervuren, Belgium

**HEDGER Sarah**

De Walden Street 13, WIG8RW London, United Kingdom

Title : Director

Mandate : 16/06/2017- 27/05/2021

**STRONG Hannah**

Terrace Road 36, 7ES London, United Kingdom

Title : Director

Mandate : 29/05/2017- 27/05/2021

**FRYZUK Jeremy**

Plembidge Crescent 19, box a, W11 3DS London, United Kingdom

Title : Director

Mandate : 29/05/2017- 27/05/2021

## LIST OF DIRECTORS, MANAGERS AND AUDITORS (Continued from previous page)

**LEBRETON Patrick**

Howitt Road 22, NW3 4LL London, United Kingdom

Title : Director

Mandate : 29/05/2017- 27/05/2021

**MORAR Neal**

Uphill Road 4, NW7 4RB London, United Kingdom

Title : Director

Mandate : 1/03/2018- 27/05/2021

**GRAEUBIG Karoline**

Hasiemere Road 19, box a, N21 3AB London, United Kingdom

Title : Director

Mandate : 29/05/2017- 1/03/2018

**DESTITO Luca**

Albert Bridge Road - Batterspark 16, SW114PY London, United Kingdom

Title : Director

Mandate : 1/03/2017- 29/05/2017

**PricewaterhouseCoopers Bedrijfsrevisoren 0429.501.944**

Woluwedal 18, 1932 Sint-Stevens-Woluwe, Belgium

Title : Auditor, Membership number : B00009

Mandate : 1/03/2017- 28/05/2020

Represented by:

1. Opsomer Peter

Blue Tower 1, Sluisweg 1 , box 8, 9000 Gent, Belgium

Revisor, Membership number : A01838

**DECLARATION ABOUT SUPPLEMENTARY AUDITING OR ADJUSTMENT MISSION**

The managing board declares that the assignment neither regarding auditing nor adjusting has been given to a person who was not authorised by law pursuant to art. 34 and 37 of the Law of 22nd April 1999 concerning the auditing and tax professions.

Have the annual accounts been audited or adjusted by an external accountant or auditor who is not an statutory auditor? ~~Yes~~ / No

If YES, mention here after: name, first names, profession, residence-address of each external accountant or auditor, the number of membership with the professional Institute ad hoc and the nature of this engagement:

- A. Bookkeeping of the undertaking \*\*,
- B. Preparing the annual accounts \*\*,
- C. Auditing the annual accounts and/or
- D. Adjusting the annual accounts.

If the assignment mentioned either under A or B is performed by authorised accountants or authorised accountants-tax consultants, information will be given on: name, first names, profession and residence-address of each authorised accountant or accountant-tax consultant, his number of membership with the Professional Institute of Accountants and Tax consultants and the nature of this engagement.

Name, first name, profession, residence-address	Number of membership	Nature of the engagement (A, B, C and/or D)

\* Delete where appropriate.

\*\* Optional disclosure.

## ANNUAL ACCOUNTS

## BALANCE SHEET AFTER APPROPRIATION

	Notes	Codes	Period	Previous period
<b>ASSETS</b>				
<b>FORMATION EXPENSES</b> .....	6.1	20		
<b>FIXED ASSETS</b> .....		21/28	468.927.446,90	
<b>Intangible fixed assets</b> .....	6.2	21		
<b>Tangible fixed assets</b> .....	6.3	22/27		
Land and buildings .....		22		
Plant, machinery and equipment .....		23		
Furniture and vehicles .....		24		
Leasing and other rights .....		25		
Other tangible fixed assets .....		26		
Tangible assets under construction and advance payments made .....		27		
<b>Financial fixed assets</b> .....	6.4 / 6.5.1	28	468.927.446,90	
Affiliated enterprises .....	6.15	280/1	468.927.446,90	
Participating interests .....		280	468.927.446,90	
Amounts receivable .....		281		
Other enterprises linked by participating interests .....	6.15	282/3		
Participating interests .....		282		
Amounts receivable .....		283		
Other financial assets .....		284/8		
Shares .....		284		
Amounts receivable and cash guarantees .....		285/8		

	Notes	Codes	Period	Previous period
<b>CURRENT ASSETS</b> .....		29/58	8.034.786,50	
<b>Amounts receivable after more than one year</b> .....		29		
Trade debtors .....		290		
Other amounts receivable .....		291		
<b>Stocks and contracts in progress</b> .....		3		
Stocks .....		30/36		
Raw materials and consumables .....		30/31		
Work in progress .....		32		
Finished goods .....		33		
Goods purchased for resale .....		34		
Immovable property intended for sale .....		35		
Advance payments .....		36		
Contracts in progress .....		37		
<b>Amounts receivable within one year</b> .....		40/41	7.878.941,13	
Trade debtors .....		40	7.878.941,13	
Other amounts receivable .....		41		
<b>Current investments</b> .....	6.5.1 / 6.6	50/53		
Own shares .....		50		
Other investments and deposits .....		51/53		
<b>Cash at bank and in hand</b> .....		54/58	155.845,37	
<b>Deferred charges and accrued income</b> .....	6.6	490/1		
<b>TOTAL ASSETS</b> .....		20/58	476.962.233,40	

	Notes	Codes	Period	Previous period
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b> .....		10/15	471.011.432,44	
<b>Capital</b> .....	6.7.1	10	260.589.621,00	
Issued capital .....		100	260.589.621,00	
Uncalled capital <sup>4</sup> .....		101		
<b>Share premium account</b> .....		11	65.660.376,00	
<b>Revaluation surpluses</b> .....		12		
<b>Reserves</b> .....		13	147.124.528,32	
Legal reserve .....		130		
Reserves not available .....		131		
In respect of own shares held .....		1310		
Others .....		1311		
Untaxed reserves .....		132		
Available reserves .....		133	147.124.528,32	
<b>Accumulated profits (losses)</b> .....(+)/(-)		14	-2.363.092,88	
<b>Investment grants</b> .....		15		
<b>Advance to associates on the sharing out of the assets</b> <sup>5</sup> .....		19		
<b>PROVISIONS AND DEFERRED TAXES</b> .....		16		
<b>Provisions for liabilities and charges</b> .....		160/5		
Pensions and similar obligations .....		160		
Taxation .....		161		
Major repairs and maintenance .....		162		
Environmental liabilities .....		163		
Other risks and costs .....	6.8	164/5		
<b>Deferred taxes</b> .....		168		

<sup>4</sup> Amount to be deducted from the issued capital.

<sup>5</sup> Amount to be deducted from the other components of equity.

	Notes	Codes	Period	Previous period
<b>AMOUNTS PAYABLE</b> .....		17/49	5.950.800,96	
<b>Amounts payable after more than one year</b> .....	6.9	17		
Financial debts .....		170/4		
Subordinated loans .....		170		
Unsubordinated debentures .....		171		
Leasing and other similar obligations .....		172		
Credit institutions .....		173		
Other loans .....		174		
Trade debts .....		175		
Suppliers .....		1750		
Bills of exchange payable .....		1751		
Advances received on contracts in progress .....		176		
Other amounts payable .....		178/9		
<b>Amounts payable within one year</b> .....	6.9	42/48	5.950.800,96	
Current portion of amounts payable after more than one year falling due within one year .....		42		
Financial debts .....		43		
Credit institutions .....		430/8		
Other loans .....		439		
Trade debts .....		44	2.334.545,86	
Suppliers .....		440/4	2.334.545,86	
Bills of exchange payable .....		441		
Advances received on contracts in progress .....		46		
Taxes, remuneration and social security .....	6.9	45	206.960,83	
Taxes .....		450/3	198.085,41	
Remuneration and social security .....		454/9	8.875,42	
Other amounts payable .....		47/48	3.409.294,27	
<b>Accrued charges and deferred income</b> .....	6.9	492/3		
<b>TOTAL LIABILITIES</b> .....		10/49	476.962.233,40	

**INCOME STATEMENT**

	Notes	Codes	Period	Previous period
<b>Operating income and charges</b> .....		70/76A	9.831.176,36	
Turnover .....	6.10	70	9.831.176,36	
Increase (decrease) in stocks of finished goods, work and contracts in progress .....		71		
.....(+)/(-)				
Own construction capitalised .....		72		
Other operating income .....	6.10	74		
Non-recurring operating income .....	6.12	76A		
<b>Operating charges</b> .....		60/66A	12.191.354,85	
Raw materials, consumables .....		60		
Purchases .....		600/8		
Decrease (increase) in stocks .....		609		
.....(+)/(-)				
Services and other goods .....		61	12.169.257,35	
Remuneration, social security costs and pensions ..	6.10	62		
.....(+)/(-)				
Depreciation of and amounts written off formation expenses, intangible and tangible fixed assets .....		630		
Increase, Decrease in amounts written off stocks contracts in progress and trade debtors: Appropriations (write-backs) .....		631/4		
.....(+)/(-)				
Provisions for risks and charges - Appropriations (uses and write-backs) .....	6.10	635/8		
.....(+)/(-)				
Other operating charges .....	6.10	640/8	22.097,50	
Operation charges carried to assets as restructuring costs .....		649		
.....(-)				
Non-recurring operating charges .....	6.12	66A		
<b>Operating profit (loss)</b> .....		9901	-2.360.178,49	
.....(+)/(-)				



	Notes	Codes	Period	Previous period
<b>Financial income</b> .....		75/76B		
Recurring financial income .....		75		
Income from financial fixed assets .....		750		
Income from current assets .....		751		
Other financial income .....	6.11	752/9		
Non-recurring financial income .....	6.12	76B		
<b>Financial charges</b> .....	6.11	65/66B	2.914,39	
Recurring financial charges		65	2.914,39	
Debt charges .....		650		
Amounts written down on current assets except stocks, contracts in progress and trade debtors .....		651		
Other financial charges .....		652/9	2.914,39	
Non recurring financial charges .....	6.12	66B		
<b>Profit (loss) for the period before taxes</b> .....		9903	-2.363.092,88	
<b>Transfer from postponed taxes</b> .....		780		
<b>Transfer to postponed taxes</b> .....		680		
<b>Income taxes</b> .....	6.13	67/77		
Income taxes .....		670/3		
Adjustment of income taxes and write-back of tax provisions .....		77		
<b>Profit (loss) for the period</b> .....		9904	-2.363.092,88	
<b>Transfer from untaxed reserves</b> .....		789		
<b>Transfer to untaxed reserves</b> .....		689		
<b>Profit (loss) for the period available for appropriation</b> .....		9905	-2.363.092,88	

**APPROPRIATION ACCOUNT**

	Codes	Period	Previous period
<b>Profit (loss) to be appropriated</b> .....(+)/(-)	9906	-2.363.092,88	
Gain (loss) to be appropriated .....(+)/(-)	(9905)	-2.363.092,88	
Profit (loss) to be carried forward .....(+)/(-)	14P		
<b>Transfers from capital and reserves</b> .....	791/2	150.000.000,00	
from capital and share premium account .....	791	150.000.000,00	
from reserves .....	792		
<b>Transfers to capital and reserves</b> .....	691/2	147.124.528,32	
to capital and share premium account .....	691		
to the legal reserve .....	6920		
to other reserves .....	6921	147.124.528,32	
<b>Profit (loss) to be carried forward</b> .....(+)/(-)	(14)	-2.363.092,88	
<b>Owner's contribution in respect of losses</b>	794		
<b>Profit to be distributed</b> .....	694/7	2.875.471,68	
Dividends .....	694	2.875.471,68	
Director's or managers' entitlements .....	695		
Workers .....	696		
Other beneficiaries .....	697		

## STATEMENT OF FINANCIAL FIXED ASSETS

	Codes	Period	Previous period
<b>AFFILIATED ENTERPRISES - PARTICIPATING INTERESTS AND SHARES</b>			
Acquisition value at the end of the period .....	8391P	xxxxxxxxxxxxxxxx	
<b>Movements during the period</b>			
Acquisitions, including produced fixed assets .....	8361	468.927.446,90	
Sales and disposals .....	8371		
Transfers from one heading to another .....(+)/(-)	8381		
Acquisition value at the end of the period .....	8391	468.927.446,90	
Revaluation surpluses at the end of the period .....	8451P	xxxxxxxxxxxxxxxx	
<b>Movements during the period</b>			
Recorded .....	8411		
Acquisitions from third parties .....	8421		
Cancelled .....	8431		
Transfers from one heading to another .....(+)/(-)	8441		
Revaluation surpluses at the end of the period .....	8451		
Amounts written down at the end of the period .....	8521P	xxxxxxxxxxxxxxxx	
<b>Movements during the period</b>			
Recorded .....	8471		
Written back .....	8481		
Acquisitions from third parties .....	8491		
Cancelled owing to sales and disposals .....	8501		
Transfers from one heading to another .....(+)/(-)	8511		
Amounts written down at the end of the period .....	8521		
Uncalled amounts at the end of the period .....	8551P	xxxxxxxxxxxxxxxx	
Movements during the period .....(+)/(-)	8541		
Uncalled amounts at the end of the period .....	8551		
NET BOOK VALUE AT THE END OF THE PERIOD .....	(280)	468.927.446,90	
<b>AFFILIATED ENTERPRISES - AMOUNTS RECEIVABLE</b>			
NET BOOK VALUE AT THE END OF THE PERIOD .....	281P	xxxxxxxxxxxxxxxx	
<b>Movements during the period</b>			
Additions .....	8581		
Repayments .....	8591		
Amounts written down .....	8601		
Amounts written back .....	8611		
Exchange differences .....(+)/(-)	8621		
Other .....(+)/(-)	8631		
NET BOOK VALUE AT THE END OF THE PERIOD .....	(281)		
ACCUMULATED AMOUNTS WRITTEN OFF ON AMOUNTS RECEIVABLE AT THE END OF THE PERIOD .....	8651		

**INFORMATION RELATING TO THE SHARE IN THE CAPITAL****SHARE IN THE CAPITAL AND OTHER RIGHTS IN OTHER COMPANIES**

List of both enterprises in which the enterprise holds a participating interest (recorded in the headings 280 and 282 of assets) and other enterprises in which the enterprise holds rights (recorded in the headings 284 and 51/53 of assets) in the amount of at least 10% of the capital issued.

NAME, full address of the REGISTERED OFFICE and for the enterprise governed by Belgian law, the COMPANY NUMBER	Shares held by				Information from the most recent period for which annual accounts are available			
	Nature	directly		subsidiaries	Primary financial statement	Monetary unit	Capital and reserves	Net result
		Number	%				%	(+) of (-) (in units)
<b>LSF9 Balta Issuer S.à r.l</b> Rue Guillaume Kroll 5 L-1882 Luxemburg Luxembourg	Registered shares without nominal value	137.848.446	100,00	0,00	31/12/2016	EUR	800.801	-149.859

**STATEMENT OF CAPITAL AND SHAREHOLDING STRUCTURE****STATEMENT OF CAPITAL****Social capital**

Issued capital at the end of the period .....

Issued capital at the end of the period .....

Codes	Period	Previous period
100P	XXXXXXXXXXXXXXXX	
(100)	260.589.621,00	

**Changes during the period**

Formation

Capital increase by contribution in kind

Capital reduction

Capital increase in cash

Capital decrease conversion to available reserves

Codes	Amounts	Number of shares
	61.500,00	61.500
	331.250.000,00	25.000.000
	-61.500,00	-61.500
	79.339.621,00	10.943.396
	-150.000.000,00	
	260.589.621,00	35.943.396
8702	XXXXXXXXXXXXXXXX	
8703	XXXXXXXXXXXXXXXX	35.943.396

**Structure of the capital****Different categories of shares**

Shares without nominal value

Registered shares .....

Shares dematerialized .....

Codes	Uncalled capital	Capital called, but not paid
(101)		XXXXXXXXXXXXXXXX
8712	XXXXXXXXXXXXXXXX	

**Capital not paid**

Uncalled capital .....

Capital called, but not paid .....

Shareholders having yet to pay up in full

**OWN SHARES**

## Held by the company itself

Amount of capital held ..... 8721

Number of shares held ..... 8722

## Held by the subsidiaries

Amount of capital held ..... 8731

Number of shares held ..... 8732

**Commitments to issue shares**

## Owing to the exercise of conversion rights

Amount of outstanding convertible loans ..... 8740

Amount of capital to be subscribed ..... 8741

Corresponding maximum number of shares to be issued ..... 8742

## Owing to the exercise of subscription rights

Number of outstanding subscription rights ..... 8745

Amount of capital to be subscribed ..... 8746

Corresponding maximum number of shares to be issued ..... 8747

**Authorized capital, not issued** ..... 8751

260.589.621,00

**Shared issued, not representing capital**

## Distribution

Number of shares held ..... 8761

Number of voting rights attached thereto ..... 8762

## Allocation by shareholder

Number of shares held by the company itself ..... 8771

Number of shares held by its subsidiaries ..... 8781

**STRUCTURE OF SHAREHOLDINGS OF THE ENTERPRISE AT YEAR-END CLOSING DATE**

as shown by the notifications received by the company in accordance with the Companies Code, Article 631 §2, final paragraph, and Article 632 §2, final paragraph; the act of 2 May 2007 on the disclosure of major holdings, Article 14, paragraph four; and the Royal Decree of 21 August 2008 comprising further rules on certain multilateral trading facilities, Article 5.

Structure of shareholders based on the declarations received in the period up to December 31 2017

**Structure of shareholders**

	% of share capital	Number of shares
LSF9 Balta Holdco S.à r.l.	56,49%	20.303.957
Tocqueville Finance SA	6,64%	2.387.964
Free-float	36,87%	13.251.475
	100,00%	35.943.396

**OPERATING RESULTS****OPERATING INCOME****Net turnover**

Broken down by categories of activity

Allocation into geographical markets

**Other operating income**

Operating subsidies and compensatory amounts received from public authorities .....

Codes	Period	Previous period
740		
9086		
9087		
9088		
620		
621		
622		
623		
624		

**OPERATING COSTS****Employees for whom the company has submitted a DIMONA declaration or are recorded in the general personnel register**

Total number at the closing date .....

Average number of employees calculated in full-time equivalents .....

Number of actual worked hours .....

**Personnel costs**

Remuneration and direct social benefits .....

Employers' social security contributions .....

Employers' premiums for extra statutory insurances .....

Other personnel costs .....

Old-age and widows' pensions .....



	Codes	Period	Previous period
<b>Provisions for pensions</b>			
Additions (uses and write-back) ..... (+)/(-)	635		
<b>Amounts written off</b>			
<b>Stocks and contracts in progress</b>			
Recorded .....	9110		
Written back .....	9111		
<b>Trade debtors</b>			
Recorded .....	9112		
Written back .....	9113		
<b>Provisions for risks and charges</b>			
Additions .....	9115		
Uses and write-back .....	9116		
<b>Other operating charges</b>			
Taxes related to operation .....	640	347,50	
Other charges .....	641/8	21.750,00	
<b>Hired temporary staff and persons placed at the enterprise's disposal</b>			
Total number at the closing date .....	9096		
Average number calculated as full-time equivalents .....	9097		
Number of actual worked hours .....	9098		
Charges to the enterprise .....	617		

**INCOME TAXES AND OTHER TAXES****INCOME TAXES**

<b>Income taxes on the result of the period</b> .....	9134
Income taxes paid and withholding taxes due or paid .....	9135
Excess of income tax prepayments and withholding taxes paid recorded under assets .....	9136
Estimated additional taxes .....	9137
<b>Income taxes on the result of prior periods</b> .....	9138
Additional income taxes due or paid .....	9139
Additional income taxes estimated or provided for .....	9140

Codes	Period
9134	
9135	
9136	
9137	
9138	
9139	
9140	

In so far as taxes of the period are materially affected by differences between the profit before taxes as stated in annual accounts and the estimated taxable profit

Impact of non recurring results on the amount of the income taxes relating to the current period

Period

**Status of deferred taxes**

Deferred taxes representing assets .....	9141	2.357.216,56
Accumulated tax losses deductible from future taxable profits .....	9142	2.357.216,56
Passive latencies .....	9144	
Allocation of deferred taxes representing liabilities		

Codes	Period
9141	2.357.216,56
9142	2.357.216,56
9144	

**VALUE ADDED TAXES AND OTHER TAXES BORNE BY THIRD PARTIES****Value added taxes charged**

To the enterprise (deductible) .....	9145	764.708,24
By the enterprise .....	9146	957.502,41

**Amounts withheld on behalf of third party**

For payroll withholding taxes .....	9147	39.684,58
For withholding taxes on investment income .....	9148	

Codes	Period	Previous period
9145	764.708,24	
9146	957.502,41	
9147	39.684,58	
9148		

**RIGHTS AND COMMITMENTS NOT REFLECTED IN THE BALANCE SHEET**

Codes	Period
<b>PERSONAL GUARANTEES PROVIDED OR IRREVOCABLY PROMISED BY THE ENTERPRISE AS SECURITY FOR DEBTS AND COMMITMENTS OF THIRD PARTIES</b> .....	9149
<b>Of which</b>	
Bills of exchange in circulation endorsed by the enterprise .....	9150
Bills of exchange in circulation drawn or guaranteed by the enterprise .....	9151
Maximum amount for which other debts or commitments of third parties are guaranteed by the enterprise .....	9153
<b>REAL GUARANTEES</b>	
<b>Real guarantees provided or irrevocably promised by the enterprise on its own assets as security of debts and commitments of the enterprise</b>	
Mortgages	
Book value of the immovable properties mortgaged .....	9161
Amount of registration .....	9171
Pledging of goodwill - Amount of the registration .....	9181
Pledging of other assets - Book value of other assets pledged .....	9191
Guarantees provided on future assets - Amount of assets involved .....	9201
	468.927.446,90
<b>Real guarantees provided or irrevocably promised by the enterprise on its own assets as security of debts and commitments of third parties</b>	
Mortgages	
Book value of the immovable properties mortgaged .....	9162
Amount of registration .....	9172
Pledging of goodwill - Amount of the registration .....	9182
Pledging of other assets - Book value of other assets pledged .....	9192
Guarantees provided on future assets - Amount of assets involved .....	9202

Codes	Period
<b>GOODS AND VALUES, NOT DISCLOSED IN THE BALANCE SHEET, HELD BY THIRD PARTIES IN THEIR OWN NAME BUT AT RISK TO AND FOR THE BENEFIT OF THE ENTERPRISE</b>	
<b>SUBSTANTIAL COMMITMENTS TO ACQUIRE FIXED ASSETS</b>	
<b>SUBSTANTIAL COMMITMENTS TO DISPOSE OF FIXED ASSETS</b>	
<b>FORWARD TRANSACTIONS</b>	
Goods purchased (to be received) .....	9213
Goods sold (to be delivered) .....	9214
Currencies purchased (to be received) .....	9215
Currencies sold (to be delivered) .....	9216

**RIGHTS AND COMMITMENTS NOT REFLECTED IN THE BALANCE SHEET**

**COMMITMENTS RELATING TO TECHNICAL GUARANTEES IN RESPECT OF SALES OR SERVICES**

Period

**AMOUNT, NATURE AND FORM CONCERNING LITIGATION AND OTHER IMPORTANT COMMITMENTS**

Period

**SUPPLEMENT RETIREMENTS OR SURVIVORS PENSION PLANS IN FAVOUR OF THE PERSONNEL OR THE EXECUTIVES OF THE ENTERPRISE**

**Brief description**

**Measures taken by the enterprise to cover the resulting charges**

**PENSIONS FUNDED BY THE ENTERPRISE**

**Estimated amount of the commitments resulting from past services .....**

Methods of estimation

Code	Period
9220	

**NATURE AND FINANCIAL IMPACT OF SIGNIFICANT EVENTS AFTER THE CLOSING DATE NOT INCLUDED IN THE BALANCE SHEET OR THE INCOME STATEMENT**

Period

**COMMITMENTS TO PURCHASE OR SALE AVAILABLE TO THE COMPANY AS ISSUER OF OPTIONS FOR SALE OR PURCHASE**

Period

**NATURE AND COMMERCIAL OBJECTIVE OF TRANSACTIONS NOT REFLECTED IN THE BALANCE SHEET**

**Provided that the risks or advantages coming from these transactions are significant and if the disclosure of the risks or advantages is necessary to appreciate the financial situation of the company**

Period

**RIGHTS AND COMMITMENTS NOT REFLECTED IN THE BALANCE SHEET**

**OTHER RIGHTS AND COMMITMENTS NOT REFLECTED IN THE BALANCE SHEET (including those which can not be quantified)**

Period

**RELATIONSHIPS WITH AFFILIATED ENTERPRISES, ASSOCIATED ENTERPRISES AND OTHERS  
ENTERPRISES LINKED BY PARTICIPATING INTERESTS**

	Codes	Period	Previous period
<b>AFFILIATED ENTERPRISES</b>			
<b>Financial fixed assets</b> .....	(280/1)	468.927.446,90	
Participating interests .....	(280)	468.927.446,90	
Subordinated amounts receivable .....	9271		
Other amounts receivable .....	9281		
<b>Amounts receivable</b> .....	9291	7.878.941,13	
Over one year .....	9301		
Within one year .....	9311	7.878.941,13	
<b>Current investments</b> .....	9321		
Shares .....	9331		
Amounts receivable .....	9341		
<b>Amounts payable</b> .....	9351	1.386.721,85	
Over one year .....	9361		
Within one year .....	9371	1.386.721,85	
<b>Personal and real guarantees</b>			
Provided or irrevocably promised by the enterprise as security for debts or commitments of affiliated enterprises .....	9381	468.927.446,90	
Provided or irrevocably promised by affiliated enterprises as security for debts or commitments of the enterprise .....	9391		
<b>Other significant financial commitments</b> .....	9401		
<b>Financial results</b>			
Income from financial fixed assets .....	9421		
Income from current assets .....	9431		
Other financial income .....	9441		
Debt charges .....	9461		
Other financial charges .....	9471		
<b>Disposal of fixed assets</b>			
Capital gains obtained .....	9481		
Capital losses suffered .....	9491		

**RELATIONSHIPS WITH AFFILIATED ENTERPRISES, ASSOCIATED ENTERPRISES AND OTHERS  
ENTERPRISES LINKED BY PARTICIPATING INTERESTS**

	Codes	Period	Previous period
<b>ASSOCIATED ENTERPRISES</b>			
<b>Financial fixed assets</b> .....	9253		
Participating interests .....	9263		
Subordinated amounts receivable .....	9273		
Other amounts receivable .....	9283		
<b>Amounts receivable</b> .....	9293		
Over one year .....	9303		
Within one year .....	9313		
<b>Amounts payable</b> .....	9353		
Over one year .....	9363		
Within one year .....	9373		
<b>Personal and real guarantees</b>			
Provided or irrevocably promised by the enterprise as security for debts or commitments of associated enterprises .....	9383		
Provided or irrevocably promised by associated enterprises as security for debts or commitments of the enterprise .....	9393		
<b>Other significant financial commitments</b> .....	9403		
<b>OTHER ENTERPRISES LINKED BY PARTICIPATING INTERESTS</b>			
<b>Financial fixed assets</b> .....	9252		
Participating interests .....	9262		
Subordinated amounts receivable .....	9272		
Other amounts receivable .....	9282		
<b>Amounts receivable</b> .....	9292		
Over one year .....	9302		
Within one year .....	9312		
<b>Amounts payable</b> .....	9352		
Over one year .....	9362		
Within one year .....	9372		

**TRANSACTIONS WITH ENTERPRISES LINKED BY PARTICIPATING INTERESTS OUT OF MARKET  
CONDITIONS**

Mention of these transactions if they are significant, including the amount of the transactions, the nature of the link, and all information about the transactions which should be necessary to get a better understanding of the situation of the company

Null

Period

**FINANCIAL RELATIONSHIPS WITH****DIRECTORS, MANAGERS, INDIVIDUALS OR BODIES CORPORATE WHO CONTROL THE ENTERPRISE WITHOUT BEING ASSOCIATED THEREWITH OR OTHER ENTERPRISES CONTROLLED BY THESE PERSONS**

**Amounts receivable from these persons** .....

Conditions on amounts receivable, rate, duration, possibly reimbursed amounts, canceled amounts or renounced amounts

**Guarantees provided in their favour** .....

**Other significant commitments undertaken in their favour** .....

**Amount of direct and indirect remunerations and pensions, included in the income statement, as long as this disclosure does not concern exclusively or mainly, the situation of a single identifiable person**

To directors and managers .....

To former directors and former managers .....

Codes	Period
9500	
9501	
9502	
9503	708.584,00
9504	

**AUDITORS OR PEOPLE THEY ARE LINKED TO**

**Auditor's fees** .....

**Fees for exceptional services or special missions executed in the company by the auditor**

Other attestation missions .....

Tax consultancy .....

Other missions external to the audit .....

**Fees for exceptional services or special missions executed in the company by people they are linked to**

Other attestation missions .....

Tax consultancy .....

Other missions external to the audit .....

Codes	Period
9505	44.000,00
95061	
95062	
95063	
95081	
95082	
95083	

**Mentions related to article 133, paragraph 6 from the Companies Code**



**INFORMATION RELATING TO CONSOLIDATED ACCOUNTS****INFORMATION TO DISCLOSE BY EACH ENTERPRISE THAT IS SUBJECT TO COMPANY LAW ON THE CONSOLIDATED ACCOUNTS OF ENTERPRISES**

The enterprise has drawn up published a consolidated annual statement of accounts and a management report\*

~~The enterprise has not published a consolidated annual statement of accounts and a management report, since it is exempt for this obligation for the following reason\*\*~~

~~The enterprise and its subsidiaries on consolidated basis exceed not more than one of limits mentioned in art. 16 of Company Law\*~~

~~The enterprise only has subsidiaries which, considering the assessment of the consolidated assets, consolidated financial position or consolidated results, individual or together, are of a negligible size\* (Art. 110 of Company Law)~~

~~The enterprise itself is a subsidiary of an enterprise which does prepare and publish consolidated accounts in which annual accounts of the enterprise are included\*~~

Name, full address of the registered office and, for an enterprise governed by Belgian Law, the company number of the parent company(ies) and the specification whether the parent company(ies) prepare(s) and publish(es) consolidated annual accounts in which the annual accounts of the enterprise are included\*\*

If the parent company(ies) is (are) (an) enterprise(s) governed by foreign law disclose where the consolidated accounts can be obtained\*\*

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\* Delete where no appropriate.

\*\* Where the accounts of the enterprise are consolidated at different levels, the information should be given for the consolidated aggregate at the highest level on the one hand and the lowest level on the other hand of which the enterprise is a subsidiary and for which consolidated accounts are prepared and published.

**VALUATION RULES**

In accordance with the Royal resolution of the Belgian Company code of art. 28§1, the following valuation rules were applied which are approved by the Board of Directors:

**Formation and restructuring expenses:** the formation and restructuring expenses are immediately recognized in the income statement.

**Financial fixed assets:** are valued at historical cost. Revaluations are only booked when they are sustainable and fixed. Impairment losses are only recognized in the event of sustainable losses or depreciation, justified by the condition, profitability and the future outlook of the company in which the participations or the shares are held.

**Debts and receivables:** valued at nominal value taking into account the possible collectability of the receivables. At the end of the financial year, debts and receivables are revaluated using the exchange rates as published by the European Central Bank (ECB). The negative exchange rate differences are recognized in the income statement  
**Provision for doubtful debtors** take into account the amounts covered by the credit insurance. Doubtful receivables which are not insured, are depreciated in function of the recoverability of the debt.

**Grants and other compensating amounts:** are included in the income statement at the moment the related costs are recognized in the income statement.

**Provisions for liabilities and charges:** are set up to cover losses or charges that are probable or certain at the balance sheet date but for which the amount is not yet certain.

**Accrued and deferred charges and accrued and deferred income:** valued at nominal value to ascertain a correct recognition in the income statement in the correct financial year.

*(Non-binding translation)*

**Balta Group NV  
Wakkensteenweg 2  
B-8710 Wielsbeke  
Company number: 0671.974.626**

**(the "Company")**

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**ANNUAL REPORT OF THE BOARD OF DIRECTORS  
TO THE SHAREHOLDERS' MEETING OF MAY 22TH 2018**

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Dear shareholders,

In accordance with the legal and statutory Belgian regulations, the Board of Directors ("the Board") has the honour to present the annual report of the financial year 2017.

The Company is an active, listed holding company whose corporate purpose is the direct or indirect acquisition of shares and the management of the participating interests in Belgium and foreign countries. The Companies' shares are publicly traded. The Company was founded for an indefinite period on March 1 2017.

On May 30 2017, the Company became the parent company of the Balta Group of companies by the contribution of the entire issued and outstanding share capital of LSF9 Balta Issuer S.à r.l. as a capital contribution in kind. In addition to the contribution in kind, the Company also increased its share capital and share premium through a public capital increase in cash by means of an Initial Public Offering ("IPO").

The Company started trading its shares on Euronext Brussels on June 14 2017. The settlement of the IPO took place on June 16 2017.

The capital increases, by contribution in kind and in cash, result in an issued capital of € 260,589,621.00 and a share premium of € 65,660,376.00.

The capital increase in cash was mainly used to increase the share capital of its subsidiary LSF9 Balta Issuer S.à r.l.

## **1. Comments to the annual accounts**

*Article 96, §1, 1° of the Belgian Companies Code determines the annual report gives information about the annual accounts to provide a true and fair view of the financial position and operations of the Company.*

	<u>€</u>
The balance sheet total is:	476,962,233.40
The financial result for the period available for appropriation:	-2,363,092.88

The financial fixed assets amount to € 468,927,446.90, which is 98% of the balance sheet total. The shares of LSF9 Balta Issuer S.à r.l. have been incorporated in the share capital of the Company.

The Equity at December 31 2017 is comprised as follows:

	<u>€</u>
Issued capital:	260,589,621.00
Share premium account:	65,660,376.00
Available reserves:	147,124,528.32
Accumulated losses:	-2,363,092.88
Equity:	471,011,432.44

The Equity represents 99% of the balance sheet total.

Following the IPO of June 14 2017, the Company issued 10,943,396 new shares which resulted in a capital increase of € 144,999,999. All shares of the Company are free floating on Euronext Brussels and can thus be traded.

LSF9 Balta Holdco S.à r.l. received 25,000,000 new shares in return for the contribution of the shares of LSF9 Balta Issuer S.à r.l. in the Company, which resulted in a capital increase of € 331,250,000.

At the same moment, a capital decrease of € 150,000,000 was achieved by transferring issued capital to available reserves, without cancellation of any shares or repayment to the shareholders. The issued capital of € 61,500 was repaid to the founders of the Company.

In the schedule below, you can find an overview of the income and charges of the financial year 2017.

€	
Operating income incl. non-recurring operating income:	9,831,176.36
Operating charges incl. non-recurring charges:	12,191,354.85
<b>Operating profit:</b>	<b>-2,360,178.49</b>
Financial income incl. non-recurring financial income:	0.00
Financial charges incl. non-recurring financial charges:	2,914.39
<b>Loss for the period before taxes:</b>	<b>-2,363,092.88</b>
Transfer from/to postponed taxes:	0.00
Income taxes:	0.00
<b>Loss for the period:</b>	<b>-2,363,092.88</b>
Transfer from/to untaxed reserves:	0.00
<b>Loss for the period available for appropriation:</b>	<b>-2,363,092.88</b>

The Board proposes to appropriate the losses as follows:

€	
<b>Loss to be appropriated</b>	<b>-2,363,092.88</b>
Loss to be appropriated	-2,363,092.88
<b>Transfers from capital and reserves</b>	<b>150,000,000.00</b>
from capital and share premium account	150,000,000.00
<b>Transfers to capital and reserves</b>	<b>147,125,528.32</b>
to other reserves	147,124,528.32
<b>Loss to be carried forward</b>	<b>-2,363,092.88</b>
<b>Profit to be distributed</b>	<b>2,875,471.68</b>
Dividends	2,875,471.68

We ask you to approve the annual accounts for the year ended December 31 2017.

## **2. Reporting and analysis in accordance with article 96, §1,1° of the Belgian Companies Code**

*In accordance with article 96, §1, 1° of the Belgian Companies Code, the following is reported:*

The Company itself is not exposed to any operational risks other than those of the Balta Group because the main activity of the Company is to provide services to the Balta Group. We refer to paragraph 7 for an overview of the risks which are identified for the Balta Group.

### **3. Information concerning significant events after the year-end**

*In accordance with article 96, §1, 2° of the Belgian Companies Code the annual report contains information about significant events which have occurred after the year-end.*

There are no significant events which occurred after year-end.

### **4. Circumstances that could have a significant effect on the development of the Company**

*In accordance with article 96, §1, 3° of the Belgian Companies Code, the annual report contains information on circumstances that could have a significant effect on the development of the Company insofar as this information or circumstances does not harm the Company.*

There are no other risks than the risks associated with the activities of the Company and relating to the activities described above.

### **5. Research and development**

*In accordance with article 96, §1, 4° of the Belgian Companies Code the annual report contains information of the activities of research and development.*

No research and development activities have been undertaken.

### **6. Corporate governance statement**

This chapter provides information on the Company's (hereinafter also referred to as "Balta" or the "Company") corporate governance.

#### **Corporate governance charter**

Balta is committed to high standards of corporate governance and relies – pursuant to Article 96 § 2, 1° of the Belgian Companies Code – on the Belgian Code on Corporate Governance of March 12 2009 (the "Corporate Governance Code") as a reference code. The Corporate Governance Code can be found on the website of the Belgian Corporate Governance Committee ([www.corporategovernancecommittee.be](http://www.corporategovernancecommittee.be)). As the Corporate Governance Code is based on a "comply or explain" approach, the Board of Directors intends to comply with the Corporate Governance Code, except with respect to the following:

- 1) the Articles of Association allow the Company to grant shares, stock options and other securities vesting earlier than three years after their grant;
- 2) certain members of the Management Committee are entitled in certain circumstances to severance pay higher than 12 months of remuneration; and
- 3) the group of directors appointed at the nomination of LSF9 Balta Holdco S.à r.l., constitute a majority of the directors (5 out of 9) as a consequence of the majority of shares held by that company.

The exception under 2 is a contractual constraint which was already applicable before the public offering of Balta shares.

As a Belgian headquartered listed company with a commitment to high standards of corporate governance, the Board adopted a Corporate Governance Charter in May 2017, as required by the Corporate Governance Code. This Corporate Governance Charter is updated regularly and can be found on the Company website ([www.baltagroup.com](http://www.baltagroup.com)).

## **Capital and shareholders structure**

### **Capital and capital evolutions**

The capital of the Company amounts to €260,589,621.0 as at December 31 2017 represented by 35.943.396 shares without nominal value. Each share carries one vote.

The following capital movements took place in 2017:

On March 1 2017, the Company was incorporated with a capital of €61.500, represented by 61.500 shares, each representing an identical fraction of the Company's share capital. 61.499 shares were subscribed by LSF9 Balta Midco S.à r.l. and one share by LSF9 Balta Holdco S.à r.l.

On June 16 2017, as part of the Company's IPO, the capital was increased to €260.589.621, represented by 35.943.396 shares, as follow:

- a capital increase by a contribution in kind of all ordinary shares of LSF9 Balta Issuer S.à r.l. by LSF9 Balta Holdco S.à r.l. for €331,250,000 in exchange for 25,000,000 shares;
- a capital decrease which resulted in €150,000,000 of distributable reserves being created;
- a capital decrease of €61,500 by cancellation of the 61,500 shares of the Company subscribed by its founders, i.e. LSF9 Balta Midco S.à r.l. and LSF9 Balta Holdco S.à r.l.; and
- a capital increase by a contribution in cash for €144,999,997.00 through the issuance of 10,943,396 shares to the public.

### **Shareholder evolutions**

The applicable successive thresholds pursuant to the Law of May 2 2007 on the disclosure of significant shareholdings in issuers whose shares are admitted to trading on a regulated market and other provisions are set at 5% of the total voting rights, and 10%, 15%, 20% and so on at incremental intervals of 5%.

In the course of 2017, the Company received the following transparency declarations:

On June 20 2017, the Company received a transparency declaration from LSF9 Balta Holdco S.à r.l. stating that, on June 14 2017, LSF9 Balta Holdco S.à r.l. held 18,169,759 shares of the Company, representing 50.55% of the shares of the Company.

On July 10 2017, the Company received a transparency declaration from LSF9 Balta Holdco S.à r.l. stating that, on July 4 2017, LSF9 Balta Holdco S.à r.l. after the end of the stabilization period had crossed the threshold of 55% and held 20,303,957 shares of the Company, representing 56.49% of the shares of the Company.

On July 6 2017 the Company received a transparency declaration from Tocqueville Finance SA, a management company exercising the voting rights attached to the securities held by several OPCVM (Organisme de placement collectif en valeurs mobilières), stating that it holds 2,387,964 or 6.64% voting rights linked to securities since June 14 2017. On July 20 2017, the Company received a revised version of the transparency declaration from Tocqueville Finance SA.

### Shareholder structure

The following table shows the shareholder structure on December 31, 2017 based on the notifications made to the Company and the Belgian Financial Services and Markets Authority (FSMA) by the shareholders listed below in accordance with article 6 of the Belgian law of May 2 2007 on the notification of significant shareholdings:

	Shareholding	
	Number	%
LSF9 Balta Holdco Sàrl	20,303,957	56.49%
Tocqueville Finance SA	2,387,964	6.64%

No transactions by persons discharging managerial responsibilities have been notified since the admission to trading on Euronext Brussels.

### Dividend policy

Subject to the availability of distributable reserves and any material external growth opportunities, the Company intends to pay a dividend of between 30% to 40% of its net profits for the year based on its consolidated IFRS Financial Statements. The amount of any dividend and the determination of whether to pay the dividend in any year may be affected by a number of factors, including the Company's business prospects, cash requirements, and any material growth opportunities.

For the 2017 financial year, the amount of dividend is calculated based on normalised full year earnings, pro rated for the post-IPO period to reflect that portion of the financial year for which the shares were listed on Euronext Brussels.

### Shareholders' meetings

In 2017, before the IPO, four extraordinary shareholders' meetings were held, approving the appointment of directors, a modification to the Articles of Association, a capital decrease and a capital increase by a contribution in kind (as referred to above) and the remuneration of the Statutory Auditor.

### Dealing code

On August 29 2017, the Board approved the Company's Dealing Code in accordance with the EU Market Abuse Regulation EU 596/2014 of the European Parliament and of the Council of April 16 2014 on market abuse. The Dealing Code restricts transactions in Balta Group NV securities by members of the Board and the Management Committee, senior management and certain other persons during closed and prohibited periods. The Dealing Code also contains rules concerning the disclosure of intended and executed transactions by leading managers and their closely associated persons through a notification to the Company and to the FSMA. The General Counsel is the Compliance Officer for the purposes of the Balta Dealing Code.



## The Board and Committees

Balta Group NV has a Board of Directors, a Management Committee, an Audit Committee and a Remuneration and Nomination Committee.

### Board of Directors

#### *Mandate of the board*

The Board of Directors is vested with the power to perform all acts that are necessary or useful for the realization of the Company's purpose, except for those actions that are specifically reserved by law or the Articles of Association for the Shareholders' Meeting or other corporate bodies.

In particular, the Board of Directors is responsible for:

- defining the general policy strategy of the Company and its subsidiaries;
- deciding on all major strategic, financial and operational matters of the Company;
- overseeing the management by the Chief Executive Officer (CEO) and other members of the Management Committee; and
- all other matters reserved to and obligations imposed (including disclosure obligations) on the Board of Directors by law or the Articles of Association.

On March 2 2017, the Board of Directors appointed Kairos Management bvba, permanently represented by Tom Debusschere, as CEO of the Company, in accordance with article 17 of the Articles of Association. He has all powers related to the daily management as well as the powers set out in the Articles of Association.

#### *Composition of the Board of Directors*

Pursuant to the Articles of Association, the Board of Directors must comprise at least five (5) members. On December 31 2017 the Board of Directors consisted of nine (9) members.

The Articles of Association entitle LSF9 Balta Holdco S.à r.l., as long as it holds at least 50% of the total number of shares issued by the Company (which is the case), to nominate at least five (5) members to be appointed by the Shareholders' Meeting.

In accordance with the independence criteria set out in the Belgian Companies Code and the Corporate Governance Code, three (3) members are independent non-executives.

The CEO is the only executive member of the Board.

Although the term of office of directors under Belgian law is limited to six years (renewable), the Corporate Governance Code recommends that it be limited to four years. The Articles of Association limit the term of office of directors to four years.

The appointment and renewal of directors is based on a recommendation of the Remuneration and Nomination Committee to the Board of Directors and is subject to approval by the Shareholders' Meeting, taking into account the nomination rights described above.

On December 31 2017, the Board of Directors was composed as follow:

Name	Age	Position	Director since	Mandate expires
Cyrille Ragoucy	61	Chairman of the Board and	2017	2021

		Independent Director		
Tom Debusschere (1)	50	Executive Director and CEO	2017	2021
Michael Kolbeck	48	Non-Executive Director	2017	2021
Nicolas Vanden Abeele (2)	45	Independent Director	2017	2021
Sarah Hedger	52	Independent Director	2017	2021
Karoline Graeubig	36	Non-Executive Director	2017	2018
Hannah Strong	33	Non-Executive Director	2017	2021
Jeremy Fryzuk	33	Non-Executive Director	2017	2021
Patrick Lebreton	49	Non-Executive Director	2017	2021

(1) Tom Debusschere provides services through Kairos Management bvba.

(2) Nicolas Vanden Abeele provides services through Accellum bvba.

- Cyrille Ragoucy has thirty years' experience in construction products. His last position was as CEO of Tarmac Ltd (originally Lafarge Tarmac), a leading building materials and construction solutions firm in the UK where he oversaw creation of the joint venture between Lafarge SA and Anglo American as well as the integration of several acquisitions, before the entity was purchased by CRH, a large Irish construction firm in August 2015. From 1998 to 2012, Mr. Ragoucy was with Lafarge, serving as CEO of Lafarge Shui On Cement, a Chinese joint venture between Lafarge and Shui On, CEO of Lafarge Construction Materials for Eastern Canada and Group Senior Vice President for Health and Safety at Lafarge Holding, among other director and executive-level posts.

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

- Tom Debusschere joined the Balta Group as CEO in 2016. From 2009 to 2016, he served as CEO of Deceuninck nv, a global leader in PVC window and door systems. Prior to Deceuninck, Mr. Debusschere was the President of Unilin Decor from 2004 to 2008 and served multiple roles at Deceuninck USA between 1995 and 2004 including General Manager, Vice President of Operations, Vice President of Supply Chain & IT and Director of Logistics & IT.

Mr. Debusschere holds a Master of Science in Electromechanical Engineering (magna cum laude) from the University of Ghent.

- Michael Kolbeck is Managing Director and Head of Corporate at Hudson Advisors UK Limited, which advises Lone Star and the Funds which it administers, including Lone Star Fund IX, an investor in the Company. Prior to his post at Hudson since January 2017, he was Managing Director at Lone Star Germany Acquisitions GmbH (which is an affiliate of the Company). Prior to joining Lone Star and Hudson in 2004, Mr. Kolbeck worked several years for Allianz Group as an investment manager.

Mr. Kolbeck holds a Master's degree in Business Administration from Ludwig-Maximilians University, Munich, Germany.

- Nicolas Vanden Abeele is currently part of the executive team of Barco, heading the Entertainment Division. Before joining Barco, he spent six years as a member of the executive committee at building materials company, Etex Group, where he headed one of its divisions and also served as a director for several Etex Group companies. Prior to Etex Group, he held various executive positions in the technology industry with Alcatel-Lucent and strategy consulting with Arthur Andersen in Europe, the Americas and Asia.

Mr. Vanden Abeele holds Master's degrees in Business Administration (K.U. Louvain, Belgium), International Business and European Economics (College of Europe, Belgium) and Management (Solvay School of Management/ULB, Belgium).

- Sarah Hedger was employed by General Electric for twelve years, prior to retiring in March 2017. She held leadership positions in its Corporate, Aviation and Capital business development teams, leaving General Electric as Leader of Business Development and M&A for its GE Capital division. While at General Electric, she served as a non-executive director of GE Money Bank AB from 2011 to 2014, prior to its sale to Santander Group, as well as GE Capital EMEA Services Limited from 2011 to 2017. Before General Electric, Ms. Hedger worked at Lazard & Co., Limited for 11 years, leaving as Director, Corporate Finance and spent five years as an auditor at PricewaterhouseCoopers.

Ms. Hedger holds a Master's degree in Electrical & Electronic Engineering and Business Studies from Imperial College, London University and is a qualified chartered accountant.

- Karoline Graeubig is Director Asset Management at Hudson Advisors UK Limited.

Ms. Graeubig holds a Master's degree in International Business Administration from Eberhard-Karls University, Tuebingen, Germany.

- Hannah Strong is Vice President, Legal Counsel at Hudson Advisors UK Limited.

Ms. Strong holds a Bachelor's degree in Jurisprudence from Oxford University.

- Jeremy Fryzuk is Vice President Underwriting at Hudson Advisors UK Limited. He is currently a Board Observer of MRH (GB) Limited, a leading independent petrol filling station operator in the UK.

Mr. Fryzuk holds a Bachelor of Commerce with a major in Finance from Dalhousie University, Halifax, Canada.

- Patrick Lebreton is Managing Director, Asset Management at Hudson Advisors UK Limited. Prior to his post at Hudson, between 2012 and 2015 he was the Director (Operating Partner) of Montague Associates, advising the Montague Private Equity Fund. From 2004 to 2012, he was an Executive Vice President in the Portfolio Group at Bain Capital. He has also held executive posts at General Electric, was a manager at Accenture, and is a retired U.S. Army First Lieutenant, having served in Operation Desert Storm. He is currently a director of Arioneo, which provides equine health and performance solutions, and MRH (GB) Limited, a leading

independent petrol filling station operator in the UK; and was previously a director of Ideal Standard, a world leader in bathroom equipment, fittings and accessories from 2009 to 2012.

Mr. Lebreton holds a Bachelor of Science in International Economics and Finance from Georgetown University and a Master's degree in Business Administration from Harvard Business School.

*Evolution in composition during 2017*

On March 1 2017, on the date of the incorporation of the Company, the shareholders appointed Kairos Management bvba, with Mr Tom Debusschere as its permanent representative, Mr Michael Kolbeck and Mr Luca Destito as board members of the Company.

On May 29 2017, the shareholders acknowledged the resignation of Mr Luca Destito, and appointed Ms Karoline Graeubig, Mr Hannah Strong, Mr Jeremy Fryzuk and Mr Patrick Lebreton as directors of the Company with immediate effect.

On May 30 2017, the shareholders appointed Mr Cyrille Ragoucy, Accelium bvba, with Mr Nicolas Vanden Abeele as its permanent representative, and Ms Sarah Hedger as independent directors, subject to and with effect from the closing of the IPO on June 16 2017.

*Functioning of the Board of Directors*

In principle, the Board of Directors meets at least five (5) times a year. Additional meetings may be called with appropriate notice at any time to address specific business needs. In 2017 the Board met on six (6) occasions, including two (2) after the closing of the IPO. On one occasion the Board also took decisions by unanimous written consent.

<b>Name</b>	<b>Boards</b>	<b>Attendance rate</b>
Kairos Management bvba, represented by Tom Debusschere	6/6	100%
Michael Kolbeck	6/6	100%
Luca Destito	2/2	100%
Jeremy Fryzuk	4/4	100%
Karoline Graeubig	4/4	100%
Hannah Strong	4/4	100%
Patrick Lebreton	4/4	100%
Cyrille Ragoucy	2/2	100%
Accelium bvba, represented by Nicolas Vanden Abeele	2/2	100%
Sarah Hedger	2/2	100%

Mrs K Grauebig resigned with effect as of March 1 2018 and was replaced by Mr Neal Morar (by way of co-optation).

The major matters discussed by the Board during 2017 included, amongst others:

- The Initial Public Offering and the necessary steps related to this;
- The corporate governance charter;
- The approval of the half year and quarterly Financial Statements and financial report
- The refinancing project, as described under note 25 of the Financial Statements;
- General strategic, financial and operational matters of the Company;
- The Company's safety and health strategy;
- The new market abuse regime and the dealing and disclosure code;
- The approval of the intention to reorganize the Residential division; and
- The approval of compliance policies such as anti-fraud and anti-corruption, gifts and entertainment, reserved matters, non-audit services.

The Board of Directors is convened by the chairman or the CEO whenever the interest of the Company so requires, or at the request of two (2) directors.

Under the lead of its chairman, the Board will regularly (on an annual basis) evaluate its scope, composition and performance and those of its Committees, as well as its interaction with the executive management.

#### *Gender diversity*

Since the IPO, the Board meets the requirement that at least one-third of the directors are of the opposite gender.

#### **Audit Committee**

In accordance with Article 526bis of the Belgian Companies Code and Provision 5.2 of the Corporate Governance Code, the Board of Directors of Balta has established an Audit Committee.

On December 31 2017, the Audit Committee consisted of three (3) members, all being non-executive directors and a majority of them being independent directors.

<b>Name</b>	<b>Position</b>	<b>Mandate since</b>	<b>Mandate expires</b>
Jeremy Fryzuk	Chairman of the Committee, Non-Executive Director	2017	2021
Accelium bvba, represented by Nicolas Vanden Abeele	Member, Independent Director	2017	2021
Sarah Hedger	Member, Independent Director	2017	2021

In the course of 2017 the Audit Committee met three (3) times. All members attended all meetings.

As required by the Belgian Companies Code, Jeremy Fryzuk, chairman of the Audit Committee possesses appropriate expertise and experience in this field. Reference is made to his biography in the "Board of Directors" section above.

The Chairman reported the outcome of each meeting to the Board of Directors.

The CEO and the Chief Financial Officer (CFO) are not members of the Committee, but are invited to attend its meetings. This guarantees the essential interaction between the Committee and the Management. As appropriate, also other board members are invited to attend the Committee meetings.

The Statutory Auditor attended two meetings during which it presented the audit plan, reported on the main findings resulting from its interim audit procedures and highlighted specific points of attention.

In addition to its statutory powers and its power under the Corporate Governance Charter, the Audit Committee discussed the following main subjects: the quarterly Financial Statements, the compliance approach and related policies, the Balta Group's FX exposure, the closing and forecasting process and the budget.

#### **Remuneration and Nomination Committee**

In accordance with Article 526quater of the Belgian Companies Code and Provision 5.3 and 5.4 of the Corporate Governance Code, the Board of Directors of Balta Group has installed a Remuneration and Nomination Committee.

On December 31 2017, the Remuneration and Nomination Committee consisted of three (3) members, all being non-executive directors and a majority of them being independent directors.

<b>Name</b>	<b>Position</b>	<b>Mandate since</b>	<b>Mandate expires</b>
Michael Kolbeck	Chairman and Non-Executive Director	2017	2021
Accelium bvba, represented by Nicolas Vanden Abeele	Member and Independent Director	2017	2021
Cyrille Ragoucy	Member and Independent Director	2017	2021

In 2017 the Remuneration and Nomination Committee met two (2) times. All members attended all meetings.

The CEO and the CFO are not members of the Committee, but are invited to attend its meetings, unless the members of the Committee want to meet separately (e.g. when discussing remuneration). This guarantees the essential interaction between the Committee and the Management.

In addition to its statutory powers and its powers under the Corporate Governance Charter, the Committee discussed the following main subjects: the recruitment of senior management, long-term incentive grants, the compensation and benefits package for the CEO and other members of the Management Committee and the variable remuneration for the CEO and other members of the Management Committee.

#### **Chief Executive Officer**

Kairos Management bvba with Tom Debusschere as its permanent representative, has been appointed CEO by the Board of Directors and reports directly to it. The CEO is responsible for the day-to-day management of the Company. He has direct operational responsibility for the Company and oversees the organization and day-to-day management of the Company and its subsidiaries.

The CEO is responsible for the execution and management of the outcome of all Board of Directors decisions.

The CEO heads the Management Committee, which reports to him, within the framework established by the Board of Directors and under its ultimate supervision.

#### **Management Committee**

The Management Committee is chaired by the CEO. Other members of the Management Committee are appointed and removed by the Board of Directors upon the advice of the CEO and the Remuneration and Nomination Committee.

The Management Committee exercises the duties assigned to it by the CEO, under the ultimate supervision of the Board of Directors. It does not constitute an executive committee ("Directiecomité" / "comité de direction") within the meaning of Article 524bis of the Belgian Companies Code. The Management Committee is an informal executive committee.

The Company's Management Committee consists of the following members:

<b>Name</b>	<b>Age</b>	<b>Position</b>
Tom Debusschere (1)	50	Chief Executive Officer
Tom Gysens (2)	44	Chief Financial Officer
Marc Dessein (3)	58	Managing Director Balta Home
Lieven Vandendriessche (4)	51	Managing Director European Carpets & Tiles

(1) Tom Debusschere provides services through Kairos Management bvba.

(2) Tom Gysens provides services through Tom Gysens bvba.

(3) Marc Dessein provides services through Marc Dessein bvba.

(4) Lieven Vandendriessche provides services through Vandendriessche Consulting bvba.

For the biography of Tom Debusschere, please see the "Board of Directors" section above.

- Tom Gysens joined the Balta Group as CFO in 2016. Prior to this, Mr. Gysens worked for Beaulieu International Group for over ten years, serving as Group CFO from 2008 to 2016 and Group Controller from 2005 to 2008. Before Beaulieu, Mr. Gysens was Financial Projects Manager for Berry Floor Group from 2004 to 2005 and Senior Audit Manager for PricewaterhouseCoopers Bedrijfsrevisoren from 1997 to 2004.

He holds a Masters in Commercial Engineering (cum laude) and a Masters in Accountancy and Auditing (cum laude) from the Catholic University of Leuven.

- Marc Desein has worked for the Balta Group since 1992, serving as Managing Director of the Rugs Division since 2006. From 1993 until 2006, he was General Manager of the Wool-Heatset Rugs Business Unit of the Balta Group and prior to that Export Sales manager. From 1985 to 1992 he held sales and management positions at Pfizer, Radar and Sun International. From 1981 to 1985 he was Assistant Professor in the Faculty of Medicine at Catholic University Leuven.

Mr. Desein holds a Masters in Physical Education (magna cum laude) from the Catholic University of Leuven and a Masters in Marketing (magna cum laude) from Vlerick Management School, University of Ghent.

- Lieven Vandendriessche joined the Balta Group as Managing Director of the Carpets and Tiles Division in 2016. From 2011 to 2016, he worked as General Manager Europe and served as a member of the Executive Committee for Bekaert Deslee, a private equity owned global market leader for mattress textiles. From 2005 to 2011, Mr. Vandendriessche was Group Vice President of Operations for Deceuninck, a global leader in PVC window profile systems, having joined the group in 1995.

Mr. Vandendriessche earned a Masters in Business Economics (magna cum laude) from Erasmushogeschool, Brussels.

Mr Ralph Grogan, former CEO of Balta's subsidiary Bentley Mills Inc and member of the Balta Group Management Committee, left the group in November 2017.

#### **Statutory Auditor**

The audit of the unconsolidated and consolidated financial statements of the Company is entrusted to the Statutory Auditor appointed at the Shareholders' Meeting, for renewable terms of three years. The current Statutory Auditor is PricewaterhouseCoopers Bedrijfsrevisoren BCVBA, with its registered office at Woluwedal 18, 1932 Sint-Stevens-Woluwe, and represented by Mr Peter Opsomer.

The mandate of PricewaterhouseCoopers Bedrijfsrevisoren BCVBA will expire at the Annual Shareholders' Meeting that will be asked to approve the annual accounts for the financial year ended on December 31 2019.

Article 140/1 of the Belgian Companies Code and Article 24 of the Law of December 7 2016 on the organization of the profession of and the public supervision over auditors limit the liability of auditors of listed companies to €12.0 million for, respectively, tasks concerning the legal audit of annual accounts within the meaning of article 16/1 of the Belgian Companies Code and other tasks reserved to auditors of listed companies by Belgian law or in accordance with Belgian law, except for liability resulting from the auditor's fraud or other deliberate breach of duty.



In the course of 2017, the Audit Committee approved a policy on the provision of non-audit services by the Statutory Auditor.

In 2017, remuneration paid to the statutory auditor for auditing activities amounted to €343,500. Remuneration paid to the statutory auditor for special assignments was €1,006,500 and €393,933 for other assignments outside the mandate.

#### **Relevant information in the event of a takeover bid**

Article 34 of the Royal Decree of November 14 2007 on the obligations of issuers of securities which have been admitted to trading on a regulated market, requires that listed companies disclose certain items that may have an impact in the event of a takeover bid.

#### **Capital structure**

A comprehensive overview of our capital structure as at December 31 2017 can be found in the "Capital Structure" section of this Corporate Governance Statement.

#### **Restrictions on transfers of securities**

The Company's Articles of Association do not impose any restrictions on the transfer of shares. Furthermore, the Company is not aware of any such restrictions imposed by Belgian law except in the framework of the Market Abuse Regulation.

#### **Holders of securities with special control rights**

There are no holders of securities with special control rights other than the nomination rights set out below.

#### **Employee share plans where the control rights are not exercised directly by the employees**

The Company has not set up employee share plans where control rights over the shares are not exercised directly by the employees.

#### **Restriction on voting rights**

The Articles of Association of the Company do not contain any restrictions on the exercise of voting rights by the shareholders, provided that the shareholders concerned comply with all formalities to be admitted to the shareholders' meeting.

#### **Shareholder agreements**

Balta is not aware of any shareholder agreement which includes or could lead to a restriction on the transfer of its shares or exercise of voting rights related to its shares.

#### **Rules on the appointment and replacement of members of the Board of Directors and on amendments to the Articles of Association**

The term of office of directors under Belgian law is limited to six years (renewable) but the Corporate Governance Code recommends that it be limited to four years.

According to the Articles of Association, the Company is managed by a Board of Directors that shall consist of a minimum of five directors. These are appointed by the Shareholders' Meeting for a maximum term of four years and may be reappointed. Their mandate may be revoked at any time by the shareholders' meeting.

Should any of the directors' mandates become vacant, for whatever reason, the remaining directors may temporarily fill such vacancy until the next Shareholders' Meeting appoints a new director.

For as long as LSF9 Balta Holdco S.à r.l. ("LSF9") or a company affiliated therewith within the meaning of article 11 of the Belgian Companies Code (a "company affiliated therewith"), directly or indirectly, holds at least 50% of the total number of shares issued by the Company – which was the case in 2017 – it is entitled to nominate at least five directors to be appointed by the Shareholders' Meeting.

For as long as LSF9 or a company affiliated therewith, directly or indirectly, holds less than 50% but at least 40% of the total number of shares issued by the Company, it is entitled to nominate four directors to be appointed by the Shareholders' Meeting.

For as long as LSF9 or a company affiliated therewith, directly or indirectly, holds less than 40% but at least 30% of the total number of shares issued by the company, it is entitled to nominate three directors to be appointed by the Shareholders' Meeting.

For as long as LSF9 or a company affiliated therewith, directly or indirectly, holds less than 30% but at least 20% of the total number of shares issued by the Company, it is entitled to nominate two directors to be appointed by the Shareholders' Meeting.

For as long as LSF9 or a company affiliated therewith, directly or indirectly, holds less than 20% but at least 10% of the total number of shares issued by the Company, it is entitled to nominate one director to be appointed by the Shareholders' Meeting.

If the direct or indirect shareholding of LSF9 or a company affiliated therewith in the Company falls below one of the aforementioned thresholds, LSF9 shall cause a director appointed upon its nomination to tender its, his or her resignation as director with effect as of the date of the next annual shareholders' meeting, failing which the mandate of the director who was most recently appointed upon LSF9's nomination, shall automatically terminate on the date of the next annual Shareholders' Meeting.

The CEO is vested with the day-to-day management of the Company and the representation of the Company in respect of such management. The Board of Directors appoints and removes the CEO.

Within the limits of the powers granted to him/her by or pursuant to the Articles of Association, the CEO may delegate special and limited powers to a Management Committee, other than within the meaning of article 524bis of the Belgian Companies Code, or any other person.

Save for capital increases decided by the Board of Directors within the limits of the authorized capital, only an extraordinary Shareholders' Meeting is authorized to amend the Company's Articles of Association. A Shareholders' Meeting is the only body which can deliberate on amendments to the Articles of Association, in accordance with the articles of the Belgian Companies Code.

## **Authorised capital and acquisition of own shares**

### *Authorised capital*

According to art. 6 of the Articles of Association, the Board of Directors may increase the share capital of the Company once or several times by a (cumulated) amount of maximum 100% of the amount of the share capital as such amount was recorded immediately after the closing of the Initial Public Offering of the shares of the Company on June 14 2017.

This authorization may be renewed in accordance with the relevant legal provisions. The Board of Directors can exercise this power for a period of five (5) years as from the date of publication in the Annexes to the Belgian State Gazette of the amendment to the Articles of Association approved by the Extraordinary Shareholders' Meeting of May 30 2017.

Any capital increases which can be decided pursuant to this authorization will take place in accordance with the modalities to be determined by the Board of Directors and may be made (i) by means of a contribution in cash or in kind (where appropriate including a non-distributable share premium), (ii) through conversion of reserves, whether available or unavailable for distribution, and issuance premiums, with or without issuance of new shares with or without voting rights. The Board of Directors can also use this authorization for the issuance of convertible bonds, warrants or bonds to which warrants or other tangible values are connected, or other securities.

When exercising its authorization within the framework of the authorized capital, the Board of Directors can limit or cancel the preferential subscription right of the shareholders in the interest of the Company, subject to the limitations and in accordance with the conditions provided for by the Belgian Companies Code. This limitation or cancellation can also occur to the benefit of the employees of the Company or its subsidiaries or to the benefit of one or more specific persons even if these are not employees of the Company or its subsidiaries.

The Board of Directors is expressly empowered to proceed with a capital increase in any and all form, including but not limited to a capital increase accompanied by the restriction or withdrawal of the preferential subscription right, even after receipt by the Company of a notification by the FSMA) of a takeover bid for the Company's shares. Where this is the case, however, the capital increase must comply with the additional terms and conditions laid down in Article 607 of the Belgian Companies Code. The powers hereby conferred on the Board of Directors remain in effect for a period of three years from the date of the completion of the condition precedent of the amendment to the Articles of Association approved by the Extraordinary Shareholders' Meeting of May 30, 2017. These powers may be renewed for a further period of three years by resolution of the Shareholders' Meeting, deliberating and deciding in accordance with applicable rules. If the Board of Directors decides upon an increase of authorized capital pursuant to this authorization, this increase will be deducted from the remaining part of the authorized capital specified in the first paragraph.

In the course of 2017, the Board of Directors did not make use of its mandate to increase Balta's capital as stated in art. 6 of the Articles of Association.

#### *Acquisition of own shares*

According to its Articles of Association, the Board of Directors may, without any prior authorization of the Shareholders' Meeting, in accordance with articles 620 ff. of the Belgian Companies Code and within the limits set out in these provisions, acquire, on or outside a regulated market, up to 20% of the Company's own shares, profit-sharing certificates or associated certificates for a price which will respect the legal requirements, but which will in any case not be more than 10% below the lowest closing price in the last thirty trading days preceding the transaction and not more than 10% above the highest closing price in the last thirty trading days preceding the transaction. This authorisation is valid for five years from the date of the completion of the condition precedent of the amendment to the Articles of Association approved by the Extraordinary Shareholders' Meeting of May 30 2017. This authorization covers the acquisition on or outside a regulated market by a direct subsidiary within the meaning and the limits set out by article 627, indent 1 of the Belgian Companies Code. If the acquisition is made by the Board of Directors outside a regulated market, even from a subsidiary, the Board shall comply with article 620, §1, 5° of the Belgian Companies Code.

The Company is authorised, subject to compliance with the provisions of the Belgian Companies Code, to acquire for the Company's account the Company's own shares, profit-sharing certificates or associated certificates if such acquisition is necessary to avoid serious and imminent harm to the Company. Such authorisation is valid for three years as from the date of publication of the completion of the condition precedent of the amendment of the Articles of Association, approved by the Extraordinary Shareholders' Meeting of May 30 2017, in the Annexes to the Belgian State Gazette.

By resolution of the Extraordinary Shareholders' Meeting held on May 30 2017 the Board of Directors is authorized to divest itself of part of or all the Company's shares, profit-sharing certificates or associated certificates at any time and at a price it determines, on or outside the stock market or in the framework of its remuneration policy to employees, directors or consultants of the Company or to prevent any serious and imminent harm to the Company. The authorization covers the divestment of the Company's shares, profit-sharing certificates or associated certificates by a direct subsidiary within the meaning of article 627, indent 1 of the Belgian Companies Code. The authorisation is valid without any time restriction, irrespective of whether the divestment is to prevent any serious and imminent harm for the Company or not.

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

##### *Senior Secured Notes*

On August 3 2015, LSF9 Balta Issuer S.à r.l. (the "Issuer") issued €290,000,000 in aggregate principal amount of 7.75% senior secured notes due 2022 (the "Senior Secured Notes") of which €234,900,000 remained after the partial redemptions mid last year.

Upon the occurrence of a change of control (as defined in the Senior Secured Notes Indenture), the Senior Secured Notes Indenture requires the Issuer to offer to repurchase the Senior Secured Notes at 101% of their aggregate principal amount, plus accrued and unpaid interests and additional amounts, if any, to the date of purchase.

#### *Revolving Credit Facility*

On August 3 2015, the Issuer and LSF9 Balta Investments S.à r.l. entered into a revolving credit facility agreement, which currently provides for €68,000,000 of committed financing.

The Revolving Credit Facility Agreement requires mandatory prepayment in full or in part in certain circumstances including upon a change of control (as defined in the Revolving Credit Facility Agreement).

#### *Senior Term Loan*

On August 29 2017, LSF9 Balta Issuer S.à r.l. entered into a €35,000,000 Senior Term Loan Facility due in September 2020 (the "Senior Term Loan Facility").

The Senior Term Loan Facility Agreement requires mandatory prepayment in full or in part in certain circumstances including upon a change of control (as defined in the Senior Term Loan Facility Agreement).

#### **Severance pay pursuant to the termination of contract of Board members or employees pursuant to a takeover bid**

The Company has not concluded any agreement with its Board members or employees which would result in the payment of specific severance pay if, pursuant to a takeover bid, the Board members or employees resign, are dismissed or their employment agreements are terminated.

Please see section "Provisions concerning individual severance payments for Management Committee members / Termination Provisions" of this Corporate Governance Statement on termination provisions of the members of the Board of Directors and the Management Committee in general.

#### **Conflicts of Interest**

##### **Directors' Conflicts of Interest**

Article 523 of the Belgian Companies Code provides for a special procedure if a director of the Company, save for certain exempted decisions or transactions, directly or indirectly has a personal financial interest that conflicts with a decision or transaction that falls within the Board of Directors' powers. The director concerned must inform the other directors before any decision of the Board of Directors is taken and the Statutory Auditor must also be notified. For listed companies, the director thus conflicted may not participate in the deliberation or vote on the conflicting decision or transaction.

On May 30 2017 a potential conflict of interest was declared. The relevant section of the minutes can be found below in its entirety:

"Before the deliberation started, the following directors declared that they had a potential conflict of interest, as defined in Article 523 of the Belgian Company Code (the BCC), concerning the items on the agenda as follow. These directors will inform the statutory auditor of their conflict of interests.

Re the IPO:

“Kairos Management bvba and Michael Kolbeck declared that they had a potential conflict of interest, as defined in Article 523 of the BCC, concerning all items on the agenda, as all items relate to the IPO.

The potential conflict of interest arises for Kairos Management bvba because the manager who provides services on behalf of the aforementioned director is entitled to receive Shares<sup>1</sup> and a cash bonus from the Selling Shareholder<sup>2</sup> upon or following completion of the Offering<sup>3</sup> pursuant to existing management incentive schemes with Lone Star entities. In addition, the aforementioned director is entitled to a share-related bonus payment from Balta nv pursuant to a phantom share bonus scheme which operates by reference to the value of a number of shares in the Company at the pay-out date. Both entitlements will depend on the Offer Price<sup>4</sup> and the final size of the Offering, as set out in the Prospectus<sup>5</sup> (see section “Management and Corporate Governance”).

The potential conflict of interest arises for Michael Kolbeck because he has a private equity type of carried interest arrangement with Lone Star, which will be impacted by the realization and the terms of the Offering.

As set out above, the envisaged IPO and subsequent Listing<sup>6</sup> are, among other things, with a view to obtaining additional resources to finance the group’s activities and its further growth and development. Those are aimed at increasing the group’s capitalisation and financial flexibility.

Hence, the Board of Directors is of the opinion that the IPO will strengthen the financial structure of the group. As all agenda items of this meeting relate to the contemplated IPO and subsequent Listing, these are therefore justified.

For the expected financial impact of the IPO, reference is made to the Prospectus. As set out above, the IPO will strengthen the financial structure of the Company and the group.

The board decided to approve all items on the agenda relating to the IPO.”

Re the Insurance Policy:

“All directors declared that they had a potential conflict of interest, as defined in Article 523 of the BCC, concerning an item on the agenda, as this item relates to the approval of an insurance policy for, among other things, directors’ liability.

This potential conflict of interest arises because each director is insured under the Insurance Policy<sup>7</sup>.

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<sup>1</sup> Ordinary shares of the Company

<sup>2</sup> LSF9 Balta Holdco S.à r.l.

<sup>3</sup> The offering consisted of the issuance of the Company of new shares and (ii) the offering of existing shares (the Offer Shares)

<sup>4</sup> the final price per Offer Share

<sup>5</sup> the English version of the final prospectus

<sup>6</sup> the listing of the Company’s new and existing shares on Euronext Brussels

<sup>7</sup> the insurance policy relating to directors’ liability and prospectus liability

With a view to the Company's Listing, the Board of Directors suggested that the Company will take out prospectus liability insurance. In accordance with market practice, it was also suggested to insure, amongst other persons, the members of the Board of Directors against directors' liability. The Board of Directors is of the opinion that this is in accordance with market practice and necessary to attract and retain directors and ensure their effective decision-making.

The Company will pay insurance premiums as set out in the Insurance Policy. Subject to certain franchise thresholds and for an amount equal to the insurance amounts as set out in the Insurance Policy, at least the Company, its subsidiaries and all directors de jure, de facto and external mandates of the insured companies will be covered against certain claims in relation to prospectus and directors' liability as set out in the Insurance Policy.

The Board of Directors decided to approve the insurance policy for directors' liability".

### Remuneration report

#### **Procedures for developing the remuneration policy and for determining the remuneration granted to individual directors**

The remuneration of the independent members of the Board of Directors was decided by the Shareholders' Meeting dated May 30 2017 as follow:

- director fee for independent directors: annual fee of €40,000 gross;
- additional fee for Committee membership (per Committee): annual fee of €10,000 gross; and
- additional fee applicable to the Chairman of the Board of Directors: annual fee of €70,000 gross.

The remuneration of the Chairman of the Board of Directors is capped at €120,000 gross.

In order to ensure the independence of the Board of Directors in its supervisory function over the Management Committee, the remuneration system for the Board of Directors does not contain any performance-related components. It takes into account the responsibilities and the commitment of the Board members to develop the Company and is intended to attract and retain individuals who have the necessary experience and competencies for this role.

No director fee is paid to the executive director and the non-executive directors appointed upon nomination by LSF9 Balta Holdco S.à r.l.. No attendance fees are granted.

The remuneration policy will be reviewed on a regular basis by the Remuneration and Nomination Committee and the Board of Directors in line with prevailing market conditions for listed companies in Belgium. It will submit proposals in this regard to the General Meeting for decision.

Actual remuneration granted to non-executive directors in 2017:

Name	Remuneration for board members	Remuneration for AC members	Remuneration for RNC members	Total
Cyrille Ragoucy	€59,583	-	€5,417	€65,000

Michael Kolbeck	€0	-	€0	€0
Jeremy Fryzuk	€0	€0	-	€0
Nicolas Vanden Abeele (1)	€21,667	€5,417	€5,417	€32,500
Sarah Hedger	€21,667	€5,417	-	€27,084
Karoline Graeubig	€0	-	-	€0
Hannah Strong	€0	-	-	€0
Patrick Lebreton	€0	-	-	€0

(1) Nicolas Vanden Abeele provides services through Accelium BVBA.

**Procedures for developing the remuneration policy and for determining the remuneration granted to members of the Management Committee**

The remuneration policy for the CEO and the Management Committee takes account of prevailing legislation, the Corporate Governance Code and market data.

It is monitored by the Remuneration and Nomination Committee – with the assistance of specialist members of staff – to see whether it complies with the law, the Corporate Governance Code and prevailing market practices and trends. The Chairman of the Remuneration and Nomination Committee informs the Board of Directors of the Committee’s activities and advises it of any proposed changes to the remuneration policy and its practical implementation.

On the basis of advice obtained from the Remuneration and Nomination Committee, the Board of Directors determines the remuneration to be granted to the CEO and the members of the Management Committee and will assess this amount at regular intervals. The amount in question is split into a fixed component and a performance-related component.

**Remuneration policy regarding the remuneration granted to members of the Management Committee**

For the remuneration related to 2017, the following principles were applied for members of the Board of Directors, the CEO and the members of the Management Committee:

*Principles to determine the remuneration*

Balta’s remuneration philosophy is to ensure that all employees are rewarded fairly and appropriately for their contribution. In setting remuneration levels, the Remuneration and Nomination Committee takes appropriate market benchmarks into account, ensuring an emphasis on pay for performance. This approach helps to attract, engage, retain, and motivate key management, while ensuring their behaviour remains consistent with its values and strategy.

A review of the performance of each member of the Management Committee will be conducted annually by the CEO and discussed with the Remuneration and Nomination Committee. The results will be presented to and discussed by the Board of Directors.



The Board of Directors will also meet annually in a non-executive session (i.e. without the CEO being present) in order to discuss and review the performance of the CEO.

This will take place for the first time in 2018, as the IPO took place in June 2017.

*Relative importance of the different components of remuneration*

The remuneration of individual Management Committee members is made up of a fixed annual fee and a variable annual fee.

The fixed annual fee is defined on the basis of various criteria, such as the market value of the role, the scope of the position and the profile of the incumbent in terms of skill set and professional experience. The purpose of the guaranteed fixed fee is to compensate the management for time and competence at a market-related rate.

The aim of the variable fee is to create a high-performance culture through a cash bonus linked to performance against contracted deliverables with due regard to preventing excessive risk taking. This Short-Term Incentive Plan (STIP) is harmonized throughout the organization. It is designed to reward the performance of the Company and its divisions over a one-year time horizon.

*Characteristics of performance-related bonuses in the form of shares, options, or any other rights to acquire shares*

There is no performance-related bonuses in the form of shares, options or any other rights to acquire shares.

*Remuneration policy for the next two financial years*

On February 28 2018, the Board of Directors agreed to set up a Long Term Incentive Plan (LTIP) to create alignment between a manager's and shareholders' interests.

The purpose of the LTIP is to drive the performance and long-term growth of the Balta Group by offering long-term incentives to managers who contribute to such performance and growth. The LTIP is also intended to facilitate recruiting and retaining personnel of outstanding ability.

The LTIP consists of Performance Stock Units (PSUs). The PSUs will vest to relevant managers that still provide services to the Balta Group on the 3rd anniversary of their award, to the extent that the Company's share price has reached a defined target.

Going forward, the remuneration policy will be reviewed on a regular basis by the Remuneration and Nomination Committee in line with prevailing market conditions for listed companies in Belgium and companies of similar scale and business characteristics.

**Characteristics of performance-related bonuses of members of the Management Committee**

The STIP rewards the realization of key financial performance indicators against targets approved by the Remuneration and Nomination Committee for the period from January 1 2017 to December 31 2017.

For the CEO and the CFO, the STIP is based on group financial targets: 70% on group-adjusted EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) and 30% on seasonality adjusted net debt. For other members of the Management Committee the STIP is based on the realization of divisional financial targets: 70% on Divisional EBITDA and 30% on Divisional Working Capital.

The Remuneration and Nomination Committee evaluated the achievement of the 2017 objectives for the members of the Management Committee and proposed to the Board of Directors the calculation of a short-term variable remuneration based on the 2017 performance criteria.

The variable remuneration is not spread over time.

The target STIP is 80% of the fixed annual remuneration for the CEO and, on average, 42% of annual fixed remuneration for other members of the Management Committee.

#### **Remuneration awarded to the Chief Executive Officer as a member of the Management Committee**

For the year ended December 31 2017, the remuneration is comprised of the following elements:

- base salary (gross remuneration): €560,000;
- variable remuneration (relating to performance in 2017, paid out in 2018): €nil

The CEO has voluntarily transferred the bonus payment he was to receive regarding 2017 to 2018. This amount will be added to his target bonus for 2018 and paid out in 2019, subject to his meeting specific performance criteria set for 2018.

- other compensation components (representation allowances): €24,000.

As part of the IPO process, the CEO 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 the payout date. The bonus is only payable if the CEO still provides services to the Company 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 CEO is forfeited.

#### **Remuneration awarded to the other Management Committee members**

For the year ended December 31 2017, the total remuneration of the Management Committee members (including Mr Ralph Grogan, who left the company on November 10 2017) was as follows:

- base salary (gross remuneration): €1,532,852;
- variable remuneration (relating to performance in 2017, paid out in 2018): €174,400

Certain members of the Management Committee have voluntarily transferred the bonus payment they were to receive regarding 2017 to 2018. This amount will be added to their target bonus for 2018 and paid out in 2019, subject to them meeting specific performance set for 2018.

- pension and death in service and disability coverage: €1,244;

As part of the IPO process, the 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 representing the value of 86,361 shares at the payout date. The bonus is only payable if the manager still provides services to the Balta 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.

### **Remuneration awarded in the context of 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 Mills Inc is 1,127,362 shares in total. 232,284 shares were acquired upon completion of the IPO and, of the remainder, 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 Balta Group voluntarily or is dismissed for cause prior to a vesting date will lose his entitlement to unvested shares.

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

### **Provisions concerning individual severance payments for Management Committee members / Termination Provisions**

Other than in the case of termination in certain events of breach of contract, the CEO is entitled to a notice period of 12 months or a termination fee equal to his fixed fee for a period of 12 months. The CEO is subject to a non-competition clause for a period of up to one year from the date of termination or resignation restricting his ability to work for competitors. A non-compete compensation of 50% of his fixed fee is due if this non-compete is not waived within 30 days of the agreement ending.

Other than in the case of termination in certain events of breach of contract, the CFO is entitled to a notice period of 12 months or a termination fee equal to his fixed fee for a period of 12 months. The CFO is subject to a non-competition clause for a period of up to one year from the date of termination or resignation restricting his ability to work for competitors.

Other than in the case of termination in certain events of breach of contract, Mr. Lieven Vandendriessche is entitled to a notice period of 12 months or a termination fee equal to his fixed fee for a period of 12 months. Mr. Lieven Vandendriessche is subject to a non-competition clause for a period of up to one year from the date of termination or resignation, restricting his ability to work for competitors. A non-compete compensation of 50% of his fixed fee is due if this non-compete is not waived within 30 days of the agreement ending.

The above-mentioned termination provisions were included in management agreements dated before the IPO.

Other than in certain cases of termination for breach of contract, Mr. Marc Dessein is entitled to a notice period of 18 months and a termination fee equal to the relevant portion of his fixed and variable fee paid out in the preceding calendar year for early termination of the notice period. Mr. Dessein is subject to a non-competition clause for a period of up to one year from the date of termination or resignation, restricting his ability to work for competitors. He is entitled to receive compensation in an amount equal to up to €162,500 of remuneration if this non-competition clause is applied.

The termination provision was included in Mr. Marc Dessein's management agreement dated before the IPO and is justified given his skills and seniority.

### **Severance payments for Management Committee members who left in 2017**

No severance payments were made to the Management Committee member leaving the Company in 2017.

### **Clawback provision regarding members of the Management Committee**

There are no clawback provisions if remuneration is paid on the basis of inaccurate data. Grants will be based on audited financial information.

### **Changes to the remuneration policy since the end of 2017**

The LTIP, as described above, was developed during 2017. It was proposed by the Remuneration and Nomination Committee to the Board of Directors and approved on February 28 2018. It will be implemented in 2018.

## **Risk management and internal control framework**

### **Introduction**

Balta Group operates a risk management and control framework in accordance with the Belgian Companies Code and the Corporate Governance Code.

Balta Group is exposed to a wide variety of risks within the context of its business operations, possibly resulting in its objectives being affected or potentially not being achieved. Controlling such risks is a core task of the Board of Directors, the Management Committee and all other employees with managerial responsibilities.

The risk management and control system has been set up to achieve the following goals: achieving Balta Group's objectives, achieving operational excellence, ensuring correct and timely financial reporting and ensuring compliance with all applicable laws and regulations.

### **Control environment**

The control environment constitutes the basis of the internal control and risk management system. The control environment is defined by a mix of formal and informal rules and corporate culture on which the operation of the business relies.

#### *Three lines of defence*

Balta Group applies the "three lines of defence model" to clarify roles, responsibilities and accountabilities, and to enhance communication within the area of risk and control. Within this model, the lines of defence to respond to risks are:

- First line of defence: line management is the first body responsible for assessing risks on a day-to-day basis and implementing controls in response of these risks;
- Second line of defence: oversight functions like Finance, Controlling, Quality, Compliance and Legal oversee and challenge risk management as executed by the first line of defence. Those constituting the second line of defence provide guidance and direction and develop a risk management framework;
- Third line of defence: independent assurance providers, like external auditors, challenge the risk management processes as executed by the first and second line of defence.

#### *Policies, procedures and processes*

Corporate culture is sustained by the implementation of different company-wide policies, procedures and processes such as the Balta Group compliance charter, the anti-fraud and anti-corruption policy, the gift and entertainment policy, the non-audit services policy, the reserved matters policy and the quality management system. Both the Board of Directors and the Management Committee fully endorse these initiatives. Employees will be regularly informed and trained on these subjects in order to develop sufficient risk management and control at all levels and in all areas of the organization.

#### *Group-wide ERP system*

The majority of Balta's entities operate the same group-wide ERP system which is managed centrally. This system embeds the roles and responsibilities defined at group level. Through this system, the main flows are standardized, key internal controls are enforced and regular testing is carried out by the corporate finance department. The system also allows detailed monitoring of activities and direct central access to data.

#### **Risk management**

Sound risk management starts with identifying and assessing the risks associated with the business, in order to minimize such risks on the organization's ability to achieve its objectives and to create value for its stakeholders.

All Balta Group employees are accountable for the timely identification and qualitative assessment of the risks within their area of responsibility.

Balta has identified and analyzed its key corporate risks as disclosed under the "Strategic Report" chapter of this Annual Report.

#### **Control activities**

Control measures are in place to minimize the effect of risk on Balta Group's ability to achieve its objectives. These control activities are embedded in the Balta Group's key processes and systems to ensure that the risk responses and the Balta Group's overall objectives are carried out as designed. Control activities are conducted throughout the organization, at all levels and within all departments.

The following control measures have been implemented at Balta Group: an authorization cascade system in the computer system, access and monitoring systems in the buildings, payment authorities, cycle counts of inventories, identification of machinery and equipment, daily monitoring of the cash position, an internal reporting system by means of which both financial data and operational data are reported on a regular basis. All deviations against budgets and previous reference periods are carefully analyzed and explained. Great importance is attached to security of all data stored in various computer systems.

#### **Information and communication**

Balta recognizes the importance of timely, complete and accurate communication and information both top-down as well as bottom-up. The Company therefore communicates operational and financial information at both divisional and group level. The general principle is

to ensure consistent and timely communication to all stakeholders of all information impacting their area of responsibility.

All key business processes in a majority of the subsidiaries are managed through the ERP system. This not only offers extensive functionality with regard to internal reporting and communication, but also the ability to manage and audit access rights and authorization management on a centralized basis.

The Management Committee also discusses the results on a monthly basis. The corporate finance department directs the information and communication process. For both internal and external reporting and communication, a financial calendar exists in which all reporting dates are set out and which is communicated to all parties involved.

#### **Supervision and monitoring of control mechanisms**

Supervision and monitoring is mainly performed by the Board of Directors through the work of the Audit Committee and the Management Committee. Moreover, the Statutory Auditor, in the context of reviewing the annual accounts, reports to the Audit Committee on their review of internal controls and risk management systems. In so doing, the statutory auditor focuses on the design and effectiveness of internal controls and systems relevant for the preparation of the Financial Statements.

#### **Risk management and internal control with regard to financial reporting**

The accurate and consistent application of accounting rules throughout the Company is ensured by means of Finance and Accounting procedures & guidelines.

The accounting teams are responsible for producing the accounting figures, whereas the controlling teams check their validity. These checks include consistency tests, comparing current figures with historical and budget figures, as well as sample checks of transactions according to their materiality.

Specific internal control activities with respect to financial reporting are in place, including the use of a periodic closing and reporting checklist. This checklist ensures clear communication of timelines, the completeness of tasks, and the clear assignment of responsibilities.

Uniform reporting of financial information throughout the organization ensures a consistent flow of information, in turn allowing potential anomalies to be detected. The group-wide ERP system and management information tools give the central controlling team direct access to disaggregated financial and non-financial information.

An external financial calendar is planned in consultation with the Board of Directors and the Management Committee, and this calendar is announced to external stakeholders via the Company's website [www.baltagroup.com/en/Investors](http://www.baltagroup.com/en/Investors). The objective of this external financial reporting is to provide Balta stakeholders with the information necessary for making sound business decisions.

## **7. Risk management system and internal control**

For the Company, risk management is an inherent part of doing business. The summary below, though not exhaustive, provides an overview of the main risks we have identified<sup>1</sup>. While we take mitigating actions, there can be no guarantee that such risks will not materialize.

### **Market Competition**

The global flooring market is competitive and each of our divisions faces competition from other soft flooring manufacturers as well as hard flooring alternatives.

Key to our competitiveness is our ability to identify and respond to rapidly changing consumer preferences, requiring us to frequently renew our designs and product mix and to innovate.

### **Customer Dependency**

Our main customers are large retailers and wholesalers with substantial buying power. Our top three customers accounted for 20.3% of our 2017 revenues. We may not be successful at retaining our key customers, which could have an adverse impact on our sales. In addition, we are dependent on the success of our customers.

In line with normal industry practice, we have no formal contracts with the majority of our customers. We typically deal with our customers on a non-exclusive basis without minimum purchase obligations.

### **General Macro-economic and Geopolitical Events & Trade Regulations**

Demand for our products depends significantly on consumer confidence and factors impacting the residential and commercial renovation and construction markets.

With production and distribution facilities in Belgium, Turkey and the United States and sales to more than 130 countries, we are exposed to geopolitical risk on both the demand and supply side.

Political uncertainty caused by events such as Brexit or upcoming elections may weigh on consumer demand in certain geographies. Management closely monitors the political and economic situation in all countries where we do business.

Increased import duties or sanctions against the importing of certain goods in certain countries could pose barriers for us to successfully do business.

### **Legal & Compliance**

Failure to comply with the laws of the countries we do business in may result in a delay or temporary suspension of our sales and operations, and may impact our financial position.

### **Publicity and reputation**

We may be affected by product recall or liability claims or otherwise be subject to adverse publicity.

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<sup>1</sup> The order in which the risks are listed is not indication of the potential impact nor the probability of occurrence

### **Employees**

Our ability to successfully execute our strategy depends on our success in attracting, retaining and developing our employees.

If the relationship with our employees or trade unions were to deteriorate, this could have an adverse impact on our business.

### **Raw Materials & Supply Chain**

We use large quantities of raw materials for which we depend on a limited number of suppliers. Most of our suppliers are large companies and can exert substantial supplier power. As is common in the industry, we have no formal contracts with the majority of our raw material suppliers.

In 2017, raw materials expenses represented 46.7% of our revenues. The key raw materials used were polypropylene, yarn, latex and polyamide, which together represented 70.3% of our total raw material expenses.

Raw material prices can be volatile and depend on a number of factors that are often beyond our control including, but not limited to, local supply and demand balance, general economic conditions and fluctuations in commodity prices. The majority of our price agreements with customers do not include raw materials price indexation mechanisms.

### **Production & Logistics**

The ability to produce and deliver products on time is key to attracting new and retaining existing customers.

Disruptions at our manufacturing or distribution facilities may occur and could result in temporary shortfalls in production and late or incomplete deliveries or increase our cost of sales. We may incur losses that are completely or partially uninsured.

We do not have our own transportation facilities and depend on third-party service providers for the timely delivery of our products to our customers.

### **IT**

Failure of our IT platform could hamper our ability to process orders in time. We use our IT platform to manage our operations (including sales, customer service, logistics and admin). We have a complex and heterogeneous application landscape that in part consists of certain systems from prior acquisitions that have only been partially integrated, which could trigger operational risks.

We are also contending with an increasing number of cybercrime-related incidents, which require us to maintain adequate cybersecurity. Any failure to do so may adversely affect our operations.

### **Financial**

Our activities expose us to a variety of financial risks including, but not limited to, currency risk, interest rate risk, credit risk and liquidity risk.



Part of our sales and purchases are denominated in currencies other than Euro. Other key currencies include Pound Sterling, US Dollar and Turkish Lira. The fluctuation of these currencies versus the Euro may impact our results.

Some of our external borrowings carry interest at a variable rate.

Not all of the credit risk exposure towards our customers is covered by our external credit insurance agreements.

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

Changes in tax legislation or accounting rules could affect future results.

Changes in assumptions underlying the carrying value of our assets could result in an impairment of such assets, including intangible assets such as goodwill.

#### **M&A**

There is no guarantee of success in acquiring any preferred target companies in line with our acquisition strategy.

We may fail to successfully integrate acquisitions as expeditiously as expected and may not be able to fully realize anticipated cost savings, synergies, future earnings or benefits that we intend to achieve from acquisitions.

### **8. Remuneration report**

The remuneration report is included by the Board in the annual corporate governance statement.

The Remuneration and Nomination Committee advises the Board and consists of all non-executive directors with a majority of them being independent directors.

The following directors form the Remuneration and Nomination Committee: Michael Kolbeck, Cyrille Ragoucy and Nicolas Vanden Abeele (providing services through Accelium BVBA).

### **9. Information concerning permanent establishments of the Company**

*In accordance with article 96, §1, 5° of the Belgian Companies Code the annual report contains information on the permanent establishments of the Company.*

We confirm there are no permanent establishments.

### **10. Justification of the application of the valuation rules**

*In the case the balance shows a loss carried forward or the income statement of the financial year and the income statement of the previous year shows a loss in two consecutive periods, in accordance with article 96, §1, 6° of the Belgian Companies Code, the annual report contains a justification of the application of the valuation rules under going concern.*

The Company incurred a number of one-off costs related to the formation of the Company and the IPO. These one-off costs were financed with cash received from the capital increase. The remaining portion of the cash received from the capital increase was used to perform a capital increase in LSF9 Balta Issuer S.à r.l.

The Board proposes to apply the valuation rules for a going concern.

### **11. Information on the use of financial instruments**

*In accordance with article 96, §1, 8° of the Belgian Companies Code, the annual report contains information concerning the use of financial instruments by the Company and the risk management.*

The Company doesn't use hedging agreements.

### **12. Discharge directors and auditor**

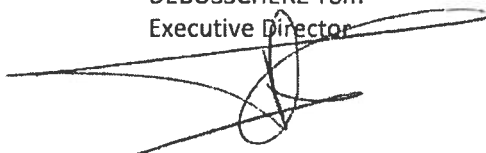
We ask shareholders to individually discharge the directors and the auditor for the execution of their mandate.

Done at Wielsbeke on April 18th, 2018.

The Board of Directors

RAGOUCY Cyrille  
Chairman

Kairos Management BVBA  
Permanently represented by  
DEBUSSCHERE Tom  
Executive Director



KOLBECK Michael  
Director

Accelium BVBA  
Permanently represented by  
VANDEN ABEELE Nicolas  
Director

HEDGER Sarah  
Director

STRONG Hannah  
Director

FRYZUK Jeremy  
Director

LEBRETON Patrick  
Director

MORAR Neal  
Director