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Full Year 2017

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Business Update – Tom Debusschere CEO

Introduction

Tom Debusschere CEO

- Our Strategy and Progress
- Update on Residential and Bentley
- Six Key Priorities in 2018

Tom Gysens CFO

- Financial Review
- 2018 Outlook

Full Year Financial Headlines

+18.6% **yoy sales growth** (consolidated)	**+4.5% organic** **(1.4%) FX impact** **+15.4% M&A[1]**	• **Organic performance driven by growth of Rugs +8.1% and Commercial +8.0%** • **Strong contribution from Bentley acquisition**
+3.7% **Adj. EBITDA growth** (consolidated)	**(5.8)% organic** **(7.1%) FX impact** **+16.6% M&A[1]**	• **Organic growth impacted by raw material price increases** • **Material impact to earnings from FX**
2.9x **Leverage**	**Improved leverage**	• **Leverage reduced from 3.9x as at Q1 2017 and 3.3x a year ago** • **Absolute net debt of €253.5m**

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(1) Bentley revenue and Adjusted EBITDA recognized from April 1st 2017

Our Strategy

Our vision: "To bring beautiful design at affordable prices to mid-segment mass markets"

Our goal is to be the:
Global innovation and design leader in machine-made rugs
Growing challenger in the North American and European commercial carpet and tiles segment
Leading carpet manufacturer for the European residential segment

Strengthen our leading positions across core segments

Continue to focus on Operational Excellence

Selectively seek complementary acquisition opportunities

Delivering Superior Sustainable Shareholder Returns

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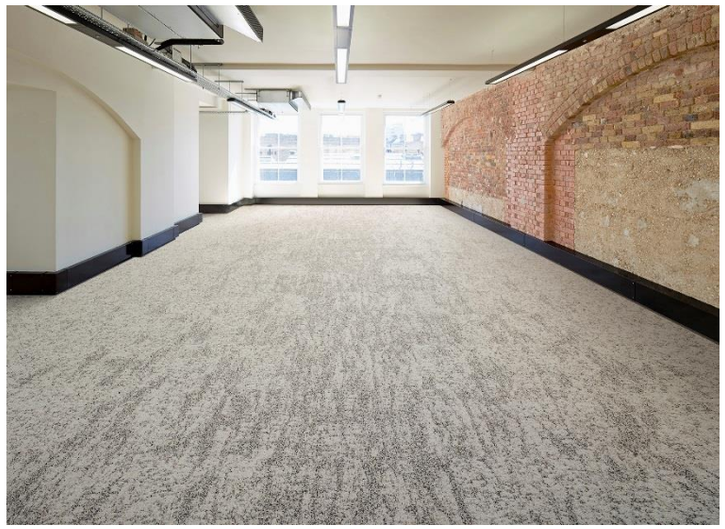
Strengthen Our Leading Positions Across Core Segments

- **Rugs full year organic revenue growth 8.1% versus last year**
  - 2017 investment to increase our US sales and distribution infrastructure, including a new warehouse in Georgia
- **Commercial has doubled in revenue and EBITDA versus last year**
  - Commercial Europe full year organic revenue growth of 8.0%
  - Bentley growing market share and presence in the US
  - Increased investment in commercial resources in both Europe and the US
- **Residential growing higher margin broadloom**
  - 20% of sales today, versus 15% a year ago and 7% two years ago



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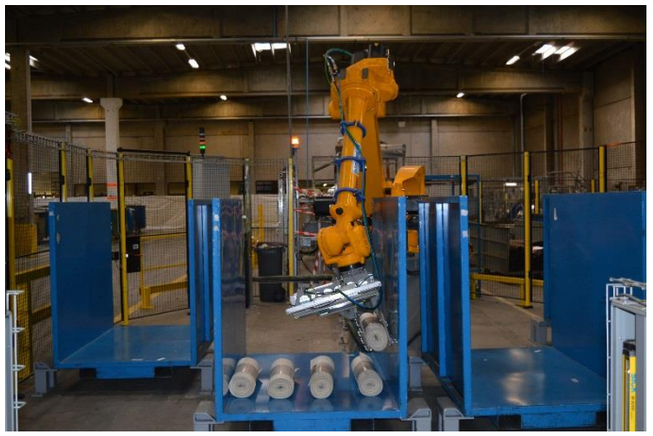
Continue to Focus on Operational Excellence

- **Completed the full automation of the commercial tile plant in Zele, Belgium**
  - Increased capacity and cost competitiveness
  - 2017 Q3 supply issue temporarily constrained sales
- **Expanded production capacity in Turkish plants by 10% in 2017**
  - Expect this to continue in 2018
- **Created a larger programme of Operational Excellence initiatives**
  - Mostly benefitting from second half of 2018
- **Optimising the Residential footprint in Belgium is ahead of schedule**



Update on Optimising the Residential Operational Footprint

- **Consultation and social negotiation process completed, we will be:**
  - Absorbing Oudenaarde factory into two existing vertically integrated factories in Belgium
  - Closing the rented warehouse in Sint-Niklaas, Belgium
- **Project expected to finish ahead of schedule by the summer of 2018**
  - We have established a full Project Management Office
  - SKU reduction programme in place with 20% less SKUs expected by Q3 2018 versus Q3 2017
- **This will result in:**
  - Total cash benefit of €9.9m with one off costs of €12.4m
  - Run rate EBITDA benefit of €8.3m in FY19, commencing from early Summer 2018

Bentley Mills Acquisition

1. Cross-selling opportunities

- modulyss styles available in the US
- Bentley products showcased for European market at Domotex Jan 2018
- Major national US retailer contract won for modulyss in Q4 2017

2. Know-how transfer

- 100% of Bentley's sales force trained to sell modulyss
- Investment made to improve and expand sales force to grow national account sales and focus on regions where we see the greatest opportunities
- Transferring operational capabilities
- Utilize Balta's global network to leverage Bentley sales and vice versa for modulyss

BENTLEY
LOS ANGELES

3 Procurement and logistics optimisation

- Procurement and operational synergies of $2m, mostly benefiting in 2018
- New modulyss warehouse opened to address inventory and sample requests

Integration Complete, Growing Market Share

A Strong H1 Offset by a Challenging H2

- **H2 margins impacted by significant increase in raw material cost that we did not fully offset by compensating actions**
- **FX negatively impacted full year EBITDA by 7%**
- **In addition**
  - European Commercial tile start-up issues led to missed revenue and profit in the second half of the year
  - Q4 partial ‘share of wallet’ loss with two US home improvement customers in this seasons outdoor rug collections

H1	H2
+15.1% **yoy sales growth** (consolidated)	**+22.4%** **yoy sales growth** (consolidated)
11.1% **Adj. EBITDA growth** (consolidated)	**(4.1)%** **Adj. EBITDA growth** (consolidated)

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Six key Priorities for 2018

Grow Profitable Revenue:

1. **Continue to grow Rugs sales in North America**
   - by increasing channel penetration and broadening our channel reach
   - underpinned by 2017 investment in sales and distribution infrastructure

2. **Continue Commercial sales growth, leveraging**
   - increased capacity of new automated commercial line in Europe
   - the 2017 investment to increase our sales force, both in Europe and the US

3. **Improve Residential product mix by**
   - growing sales of higher margin products
   - capturing the right value for our products and services through a strategic pricing excellence project started. Benefits mostly in 2019

Deliver increased level of cost savings:

4. **Deliver the full benefits of the restructuring of the operational footprint in Residential**
   - complete ahead of schedule in Summer 2018
   - benefits commence early in H2 2018

5. **Execute the larger Operational Excellence programme**
   - Project Management Office in place
   - delivering an increased run rate of cost savings as of H2 2018

6. **Execute the cost synergies between our European and US commercial business**
   - operational and procurement synergies identified of $2m, mostly delivered in 2018

Management Actions to Materially Benefit H2 2018

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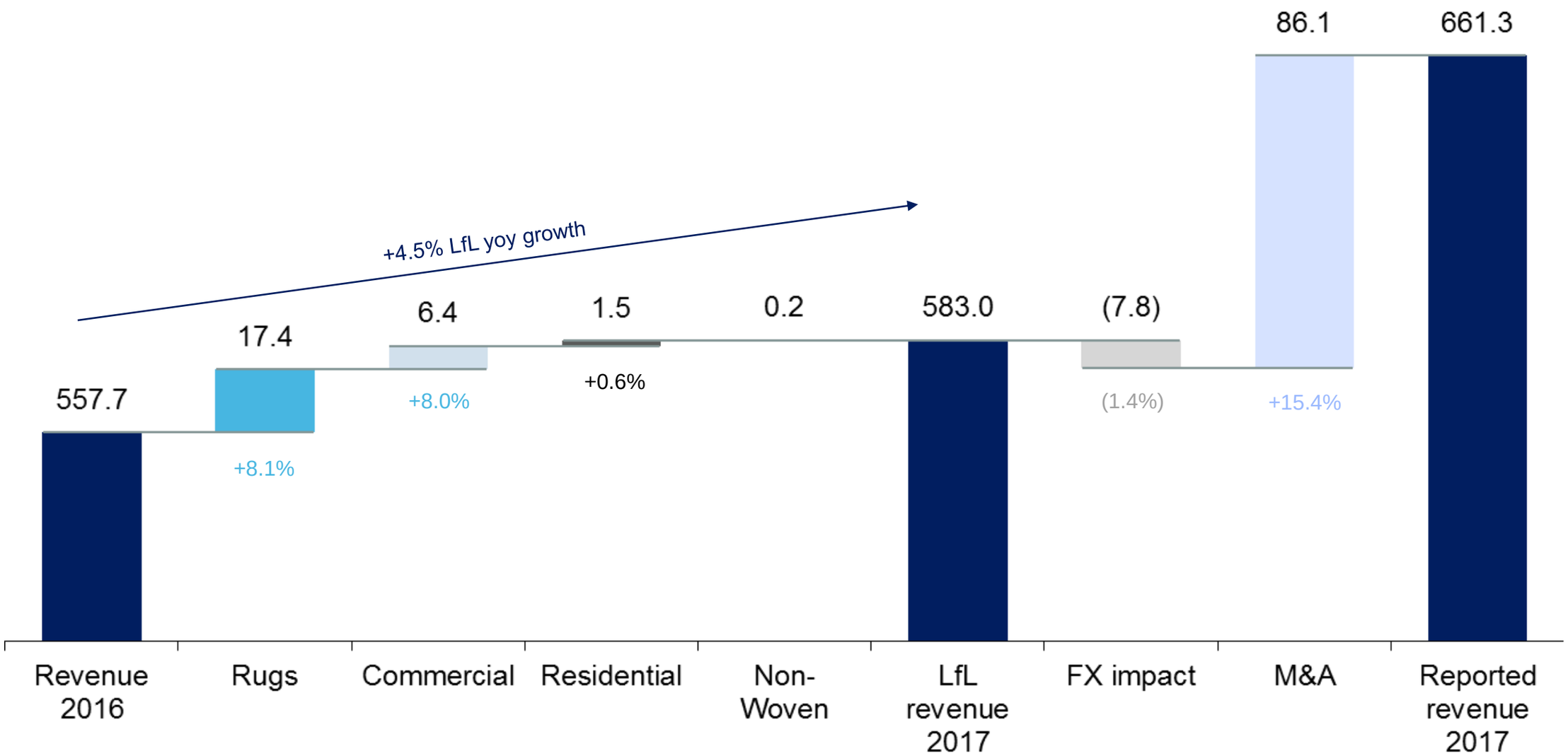
Financial Review – Tom Gysens CFO

Group Full Year Revenue Performance



Strong organic performance in Rugs +8.1% and Commercial +8.0% - All divisions grew organic revenue

Start-up issues in Belgium tile factory held back Commercial performance

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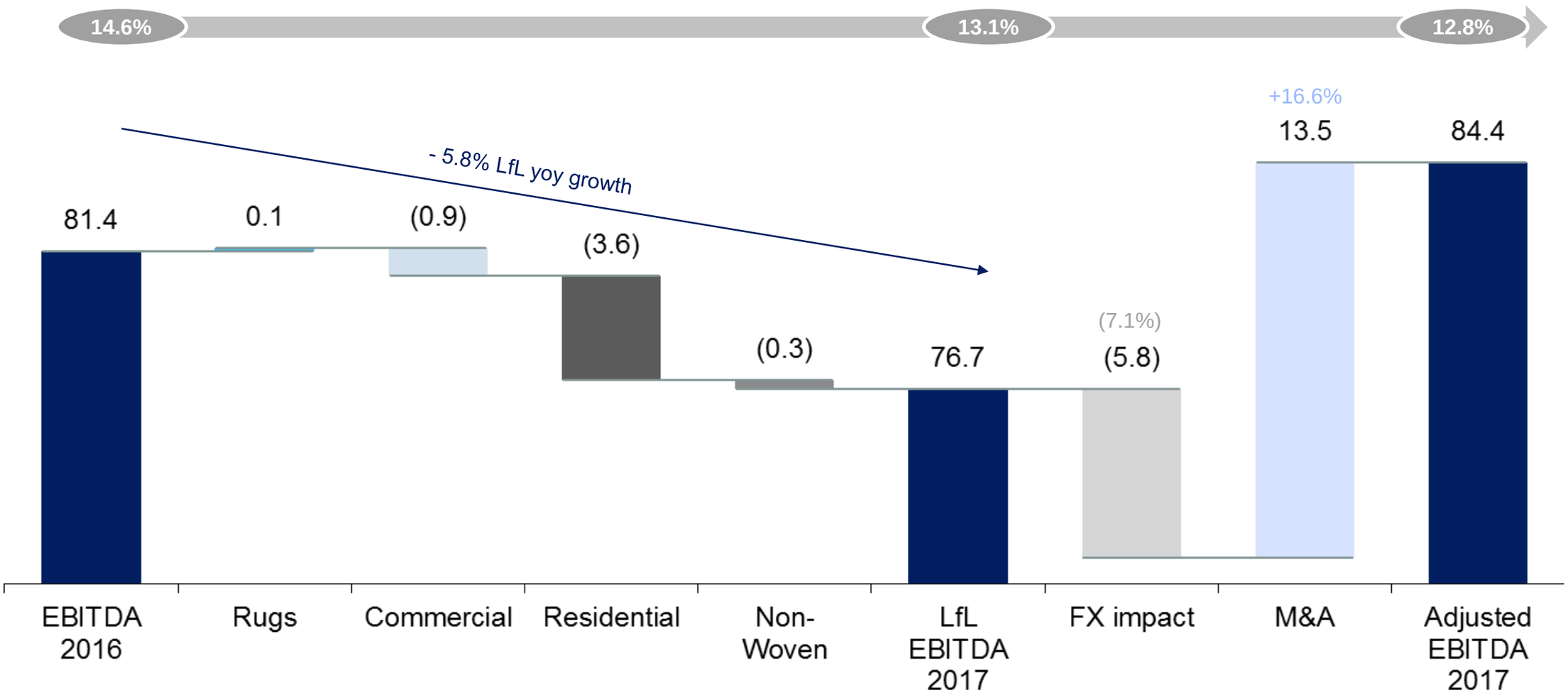
Group Full Year EBITDA and Margins

Adj. EBITDA margin (%)



Raw material increases have materially impacted our organic margins

Adverse currency movements have materially impacted our reported margins

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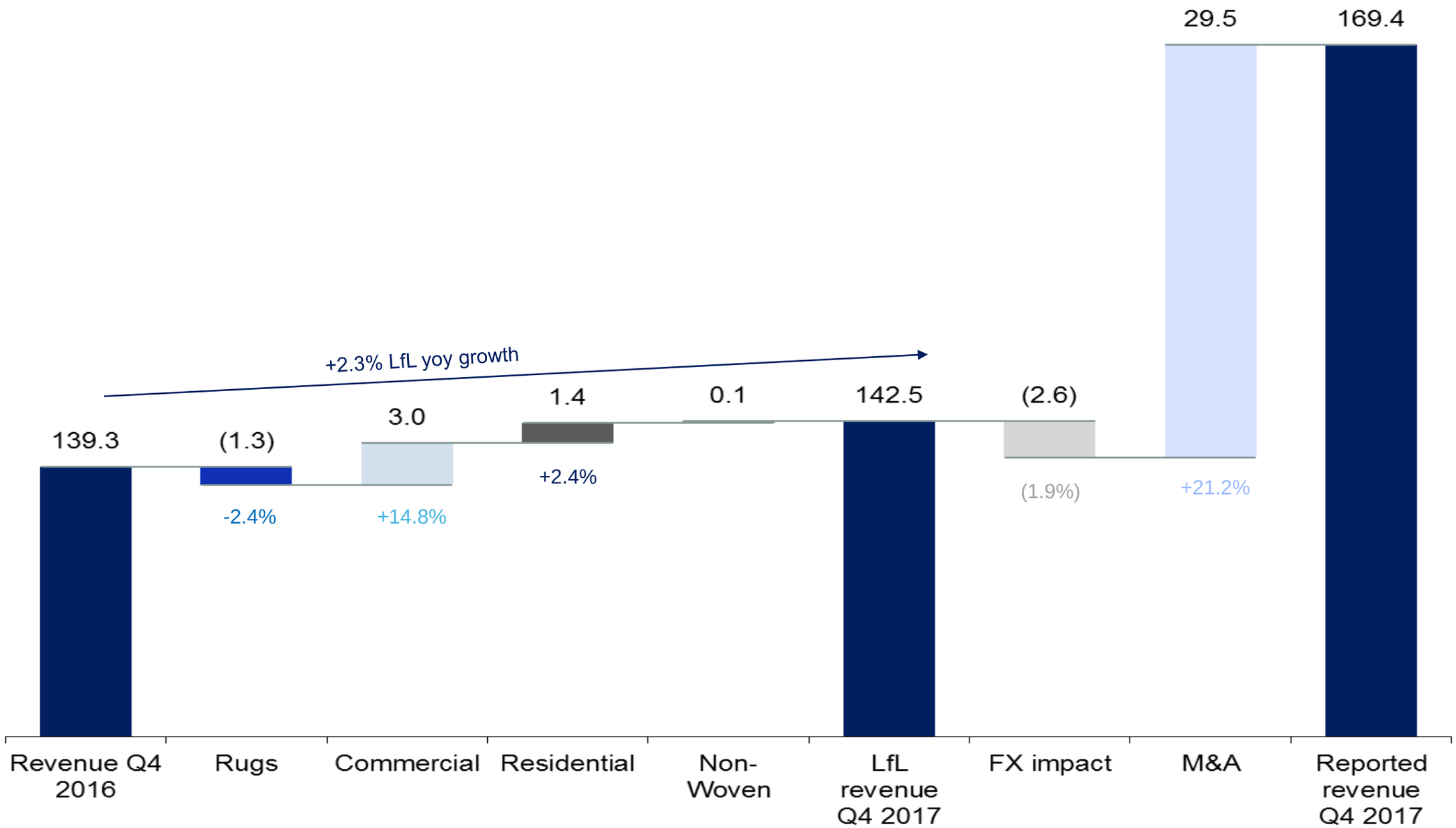
Group Q4 Revenue Performance



Rugs organic revenue decline of 2.4%
- reduction in 'share of wallet' with two US home improvement customers

Commercial Europe back to full supply +14.8%

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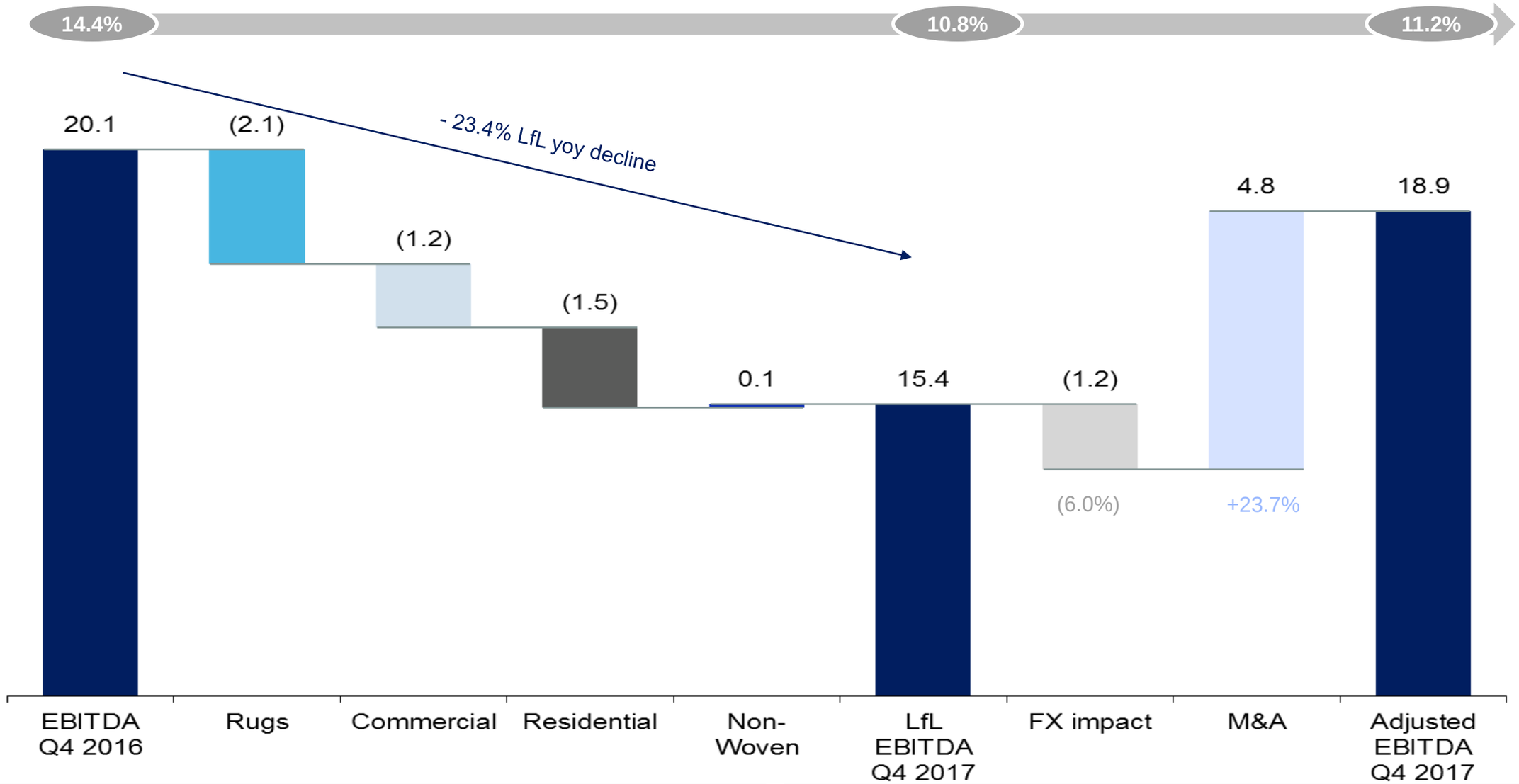
Group Q4 EBITDA and Margins

Adj. EBITDA margin (%)



Raw materials and FX have impacted margins in Q4

Commercial impacted by negative product mix and cost associated with resupply, following temporary start-up issues in Q3

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Non Recurring Items

€m	2016	2017
Profit for the period	**25.3**	**3.0**
Adjusted for non-recurring items:		
Purchase price accounting	-	1.8
Integration and restructuring expenses	5.1	11.4
Gains on asset disposals	(1.6)	-
Finance expenses	-	9.3
Taxes	(11.9)	(8.6)
Adjusted profit for the period	**17.0**	**16.8**

- Bentley acquisition fair value adjustment, mostly to inventory, impact on EBITDA of €2.9m, after-tax impact of €1.8m
- €8.2m Residential restructuring expense, remainder driven by IPO and acquisition of Bentley
- €5.4m due to the debt financed acquisition of Bentley fully repaid in June from IPO proceeds. €3.9m relates to partial early redemption of Senior Secured Notes
- In both periods, deferred tax assets have been adjusted to reflect portion of tax credits that are expected to be used in the future. In addition, in 2017 deferred tax liabilities have decreased to reflect impact of Belgian and US tax reform

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From Adjusted EBITDA to Net Income

€m	2016	2017
Revenues	**557.7**	**661.3**
Adjusted EBITDA	**81.4**	**84.4**
Depreciation and amortisation	(28.7)	(32.5)
Adjusted Operating Profit	**52.7**	**51.9**
Impact Purchase Price Accounting		(2.9)
Non-recurring income/expenses	(3.5)	(11.4)
Operating Profit	**49.2**	**37.6**
Financial income and expenses	(28.6)	(37.3)
Profit Before Tax	**20.6**	**0.3**
Income Tax	4.7	2.7
Reported Net Income	**25.3**	**3.0**
Normalized Net Income [1]	**17.0**	**16.8**

- Pro Forma Adjusted EBITDA of €87.3m when including Q1 EBITDA of Bentley Mills
- Fair value adjustment following Bentley acquisition
- €8.2m costs for restructuring Residential, IPO and acquisition of Bentley
- Includes €9.3m costs of pre IPO structure and refinancing. Current run rate of €23m
- Belgian tax reform impact and re-measurement of deferred tax assets relating to tax credits. Normalized ETR of 30% in 2017, expected to decrease in 2018 to 25-27%
- Stable performance when normalizing for one off non-recurring events

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(1) The non recurring items are detailed on page 17, which Reported Net Income has been adjusted by to calculate the Normalised Net Income

Operating Cash Flow and Cash Position

€m	2016	2017
Adjusted EBITDA	**81.4**	**84.4**
Non-recurring expenses (net)	-3.5	-11.4
Changes in provisions and FV of derivatives	-0.8	7.3
Cash generated before changes in working capital	**77.0**	**80.3**
Changes in working capital [1]	(9.3)	(20.1)
Net income tax paid	(1.5)	(5.3)
Net cash generated by operating activities	**66.3**	**54.9**
Capital expenditure, net of disposals	(35.6)	(39.0)
Acquisition of Bentley	-	(68.8)
Net cash generated by investing activities	**(35.6)**	**(107.8)**
Interest and other finance charges paid	(27.8)	(32.4)
Net proceeds of IPO	-	137.2
Net debt repayments	(2.3)	(60.6)
Net cash generated by financing activities	**(30.2)**	**44.2**
Net change in cash	**0.5**	**(8.7)**

- Of the 2017 €8.2m Residential restructuring expenses, €7.3m will be paid in 2018
- Working capital driven by lower trade payables due to lower purchases and capex in Q4, as well as YoY timing differences in payment of invoices
  Cash taxes mainly relate to payments of previous years income tax. Timing of payments varies year on year
- Consideration paid for Bentley acquisition, initially financed using proceeds of €75 million Senior Term Loan Facility
- Increase in interest cost reflect temporary higher debt pre-IPO and financing fees
- Net proceeds of IPO used to reduce debt:
  - €39.4m Bentley Term Loan and Revolving Facility
  - €21.2m of Senior Secured Notes

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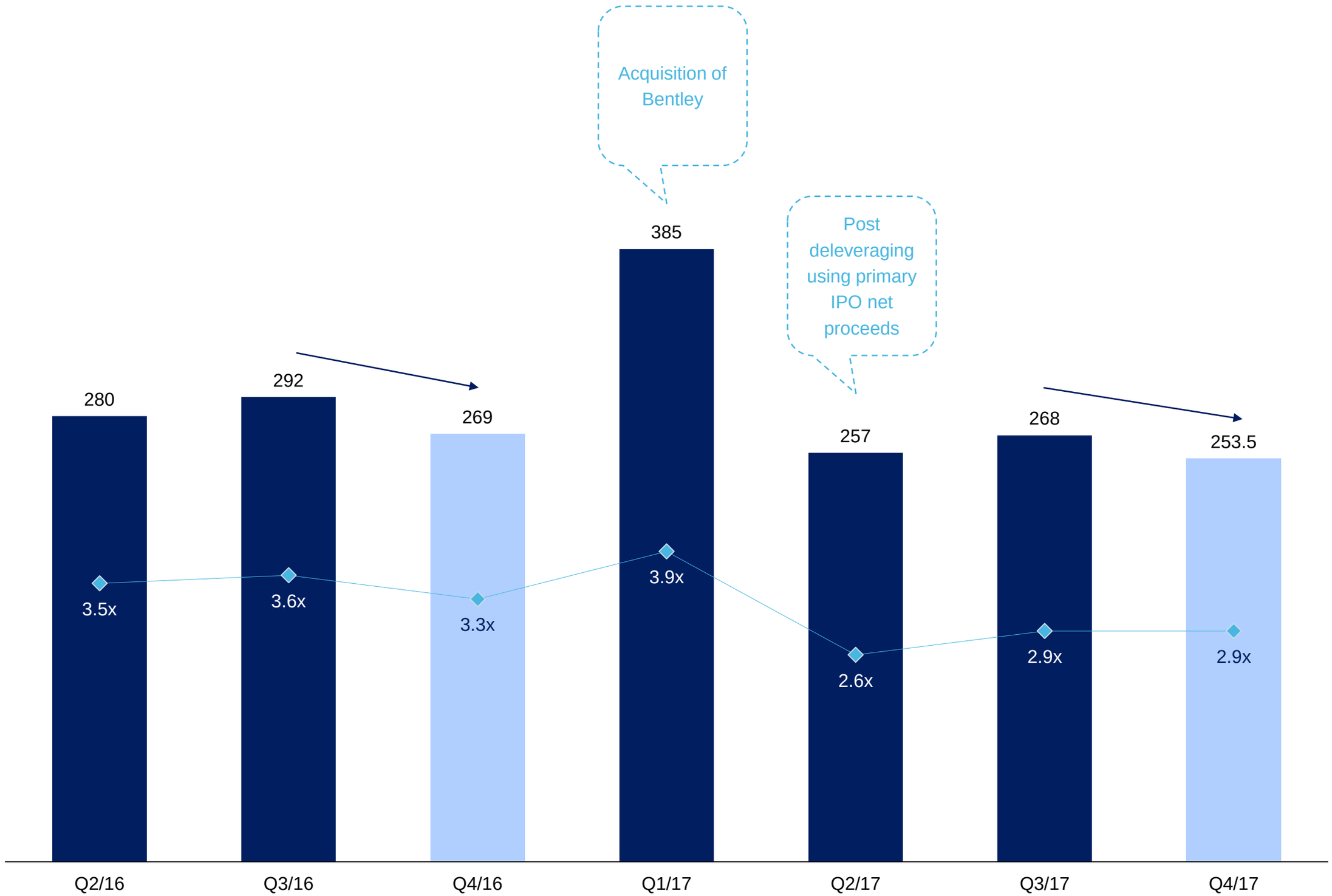
(1) Changes in working capital includes trade working capital and other working capital

YOY Reduction in Debt and Leverage



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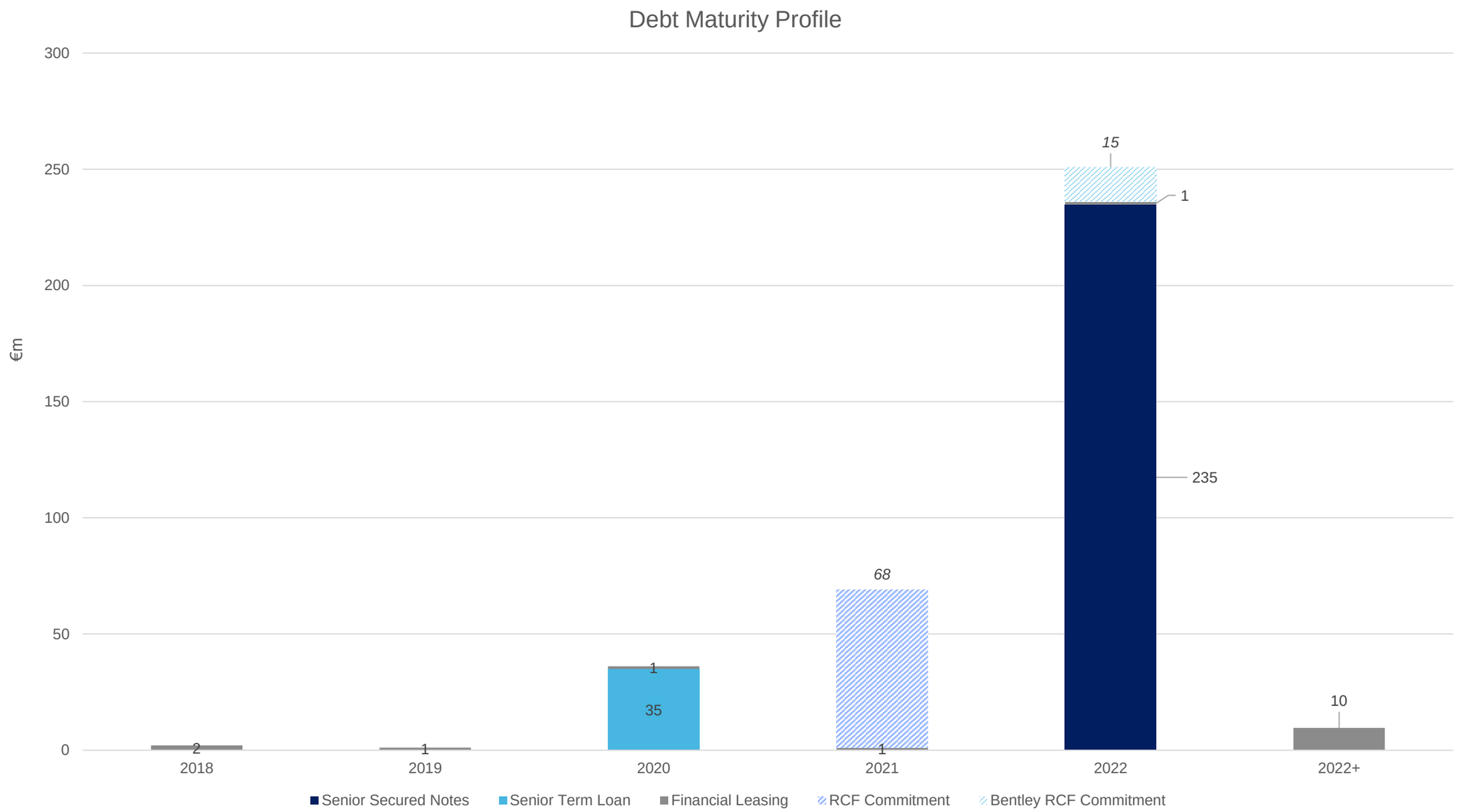
Our Debt Funding Maturity Profile Provides Long Term Stability



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2018 Outlook

- **Expect 2018 EBITDA to be between €82 and €87m**
  - Trends of H2 2017 to continue in H1 2018
  - Rugs H1 revenue down by mid-teens due to timing effect of gains and losses in customers 'share of wallet'
  - Strong action taken to deliver increased cost savings, leading to a significantly stronger EBITDA run rate in H2 2018
- **Full year leverage expected to be in line with 2017**
- **Capex between €35-40m**
- **Effective Tax Rate between 25% to 27% on a like for like profit base**

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Q&A Session

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Appendices

Full Year Revenue and Adjusted EBITDA by Segment

(€ million, unless otherwise stated)	2017	2016	% change	o/w organic growth	o/w FX	o/w M&A
Rugs	228.3	214.5	6.4%	8.1%	(1.7)%	0.0%
Commercial	171.7	80.1	114.5%	8.0%	(1.0)%	107.6%
Residential	234.8	236.8	(0.8)%	0.6%	(1.4)%	0.0%
Non-Woven	26.5	26.3	0.6%	0.6%	0.0%	0.0%
Consolidated Revenue	**661.3**	**557.7**	**18.6%**	**4.5%**	**(1.4)%**	**15.4%**
Pro Forma Adjustment Bentley	27.7	110.7				
Pro Forma Revenue	**689.0**	**668.4**	**3.1%**	**4.6%**	**(1.5)%**	
Rugs	37.6	38.0	(0.9)%	0.3%	(1.3)%	0.0%
Commercial	23.9	12.1	98.5%	(7.9)%	(5.5)%	111.9%
Residential	20.2	28.4	(28.8)%	(12.6)%	(16.2)%	0.0%
Non-woven	2.6	2.9	(9.9)%	(9.9)%	0.0%	0.0%
Consolidated Adjusted EBITDA	**84.4**	**81.4**	**3.7%**	**(5.8)%**	**(7.1)%**	**16.6%**
Pro Forma Adjustment Bentley	2.9	16.0				
Pro Forma Adjusted EBITDA	**87.3**	**97.4**	**(10.3)%**	**(3.9)%**	**(6.4)%**	
Rugs	16.5%	17.7%				
Commercial	13.9%	15.1%				
Residential	8.6%	12.0%				
Non-Woven	9.9%	11.1%				
Consolidated Adjusted EBITDA Margin	**12.8%**	**14.6%**				
Pro Forma Adjustment Bentley	10.5%	14.5%				
Pro Forma Adjusted EBITDA Margin	**12.7%**	**14.6%**				

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Q4 Revenue and Adjusted EBITDA By Segment

(€ million, unless otherwise stated)	Q4 2017	Q4 2016	% change	o/w organic growth	o/w FX	o/w M&A
Rugs	50.7	53.9	(5.9)%	(2.4)%	(3.4)%	0.0%
Commercial	52.7	20.5	157.7%	14.8%	(1.5)%	144.4%
Residential	59.3	58.3	1.6%	2.4%	(0.8)%	0.0%
Non-Woven	6.7	6.6	2.1%	2.1%	0.0%	0.0%
Consolidated Revenue	**169.4**	**139.3**	**21.7%**	**2.3%**	**(1.9)%**	**21.2%**
Pro Forma Adjustment Bentley	-	29.5				
Pro Forma Revenue	**169.4**	**168.8**	**0.4%**	**3.5%**	**(3.2)%**	
Rugs	7.4	9.8	(24.0)%	(21.5)%	(2.5)%	0.0%
Commercial	6.6	3.1	114.4%	(38.4)%	(2.2)%	155.0%
Residential	4.3	6.7	(35.3)%	(22.0)%	(13.3)%	0.0%
Non-woven	0.6	0.5	11.0%	10.9%	0.1%	0.0%
Consolidated Adjusted EBITDA	**18.9**	**20.1**	**(5.7)%**	**(23.4)%**	**(6.0)%**	**23.7%**
Pro Forma Adjustment Bentley	-	5.1				
Pro Forma Adjusted EBITDA	**18.9**	**25.2**	**(24.8)%**	**(18.3)%**	**(6.5)%**	
Rugs	14.7%	18.2%				
Commercial	12.5%	15.0%				
Residential	7.3%	11.4%				
Non-Woven	8.8%	8.1%				
Consolidated Adjusted EBITDA Margin	**11.2%**	**14.4%**				

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Our Disciplined Approach to Capital Allocation

Profitable Growth:

- **Mid-single digit top line growth & margin expansion**

Strong underlying FCF conversion:

- **Active working capital management**

1 Disciplined and efficient balance sheet:

- **Medium term leverage target to below 2x**
- **Minimise financing costs**

2 Allow us to prioritise value accretive acquisitions:

- **Enhance growth through acquisition**
- **Margins to benefit from synergy and scale**

3 Whilst maintain a healthy dividend:

- **Pay-out ratio 30-40% of net profits**

Delivering superior shareholder returns

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