Press Release

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Inside information
For immediate publication

Announcement of Exchange Offer for Senior Secured Notes Preview of Q4 and FY 2020 trading

Q4 2020 consolidated Revenue of €151m (-8% YoY)
Q4 2020 Adjusted EBITDA of €28m, a significant +41% YoY increase

Full year consolidated Revenue of €562m (-16% YoY)
Full year Adjusted EBITDA of €68m (-9% YoY)

FYE 2020 Net Debt[1] reduced by €31m to €283m from FYE 2019 Net Debt[1] of €314m, driven by strong cash generation

Balta has today launched a notes Exchange Offer, Consent Solicitation and Scheme Solicitation. If successful, the maturity of Balta's major financial liabilities will be extended from Q3 2022 to end Q4 2024. c. 52% of the aggregate principal amount of noteholders have already supported the Offer.

Preliminary consolidated performance for Q4 and FY 2020 [2]

- Q4 2020 consolidated Revenue of €151m (-8% YoY), with FY 2020 of €562m (-16% YoY).
- Q4 2020 continued the steady recovery which began in Q3, despite COVID-19 trading restrictions.
- Q4 2020 Adjusted EBITDA strongly improved to €28m (+41% YoY), with FY 2020 Adjusted EBITDA expected to be around €68m (-9% YoY), thanks to continued efficiency and margin improvements resulting from our NEXT program, lower raw material prices and reduced fixed costs.
- Adjusted EBITDA margin in Q4 2020 increased to 18%, compared to 12% in Q4 2019. FY 2020 Adjusted EBITDA margin expected to be 12%, up 1% YoY, despite the significant fall in volumes due to COVID-19 lockdowns in the second quarter of 2020.
- Our liquidity position has remained comfortable throughout the year. FYE 2020 cash was €106m, with a further €7m available to draw under the US RCF. Total available liquidity, including undrawn RCFs, increased from €100m at FYE 2019 to €114m at FYE 2020.

More details on the full year 2020 results will be provided during the earnings release presentation on 10 March 2021.

[1] Net Debt is defined as (i) Senior Secured Notes adjusted for the financing fees included in the carrying amount, (ii) Senior Term Loan Facility adjusted for capitalized financing fees, (iii) Bank and other borrowings adjusted for capitalized financing fees and (iv) cash and cash equivalents. Net Debt includes the impact of IFRS16.
[2] Unaudited, subject to 2020 financial audit review.

Exchange Offer, Consent Solicitation and Scheme Solicitation

Balta is pleased to announce that it has entered into an agreement with noteholders representing c. 52% of the aggregate principal amount of the 7.75% Senior Secured Notes due 2022 (the "Existing Notes") issued by LSF9 Balta Issuer S.à r.l (the "Issuer"), to tender their Existing Notes in an exchange offer (the "Exchange Offer") for new Senior Secured Notes with a maturity of December 31, 2024 (the "New Notes"), to vote in favour of certain amendments to the terms of the Existing Notes and the indenture governing the Existing Notes (the "Existing Indenture") by way of a consent solicitation ("Consent Solicitation") and to support commencement of a scheme of arrangement under Part 26 of the UK Companies Act 2006 or an analogous legal process in the United Kingdom (the "Scheme") (the "Scheme Solicitation").

The Exchange Offer, Consent Solicitation and Scheme Solicitation have been launched today. If successfully consummated, the transactions contemplated by the Exchange Offer, Consent Solicitation and Scheme Solicitation will materially extend the maturity profile of Balta's major financial liabilities from 2022 to 2024, allowing it to continue its steady recovery from the COVID-19 disruptions experienced in the first half of 2020 and focus on delivering value for its stakeholders.

The full details of the Exchange Offer, Consent Solicitation and Scheme Solicitation are provided in the exchange offer memorandum dated February 2, 2021 (the "Exchange Offer Memorandum") issued by the Issuer.

This announcement is a summary of the Exchange Offer Memorandum only. It highlights selected information contained in the Exchange Offer Memorandum and does not contain all of the information that you should consider before making a determination with respect to the Exchange Offer, Consent Solicitation or Scheme Solicitation. The Exchange Offer Memorandum sets forth full details of the transactions summarised in this announcement and Eligible Holders (as defined below) are urged to read the Exchange Offer Memorandum in its entirety. Capitalised terms used but not defined in this announcement have the meanings given to them in the Exchange Offer Memorandum.

The key terms of the Exchange Offer, Consent Solicitation and Scheme Solicitation are as follows:

- *Eligibility to Participate* - the Exchange Offer, Consent Solicitation and Scheme Solicitation are directed only to those holders of the Existing Notes (the "Noteholders") who are either (A)(i) "qualified institutional buyers" (as that term is defined in Rule 144A under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act")) transacting in a private transaction in reliance upon an exemption from the registration requirements of the U.S. Securities Act, (ii) institutional "accredited investors" (within the meaning of Rule 501(a)(1), (2), (3), (7), (8), (9), (12) or (13) under the U.S. Securities Act) or (iii) holders who are not "U.S. persons" (as that term is defined in Rule 902 under the U.S. Securities Act) that are outside the United States transacting in an offshore transaction in accordance with Regulation S under the U.S. Securities Act (and if they are resident in any member state of the European Economic Area ("EEA") or the United Kingdom, they are not "retail investors" in the EEA or the United Kingdom) (each such Noteholder, an "Eligible Holder").

- *The Exchange Offer:*

    - *Offer Size* - the Issuer is making an offer to Eligible Holders to exchange all of their Existing Notes for either (i) €1,000 in principal amount of New Notes ("Notes Consideration"); or (ii) cash consideration at a price equal to €980 in cash ("Cash Consideration"), in each case, for each €1,000 in principal amount of the Existing Notes validly tendered and exchanged (and not validly withdrawn). Up to €234,900,000 in aggregate principal amount of the New Notes are offered as part of the Exchange Offer;

    - *Maturity of the New Notes* - the New Notes will mature on December 31, 2024;

    - *Interest Rate of the New Notes* - a cash interest of 7.75%, *plus* a payment-in-kind interest of: (a) 1.00% from the date of issuance of the New Notes until (but excluding) March 15, 2024; and (b) 3.00% from and including March 15, 2024 to (but excluding) December 31, 2024. The amount of interest due on the first interest payment date in respect of the New Notes will comprise (i) accrued and unpaid interest, if any, in respect of the Existing Notes, to (but excluding) the Settlement Date, and (ii) accrued and unpaid interest in respect of the New Notes from and including the Settlement Date. Participating Holders receiving Cash Consideration will be paid accrued and unpaid interest to (but excluding) the Settlement Date in respect of Existing Notes for which Cash Consideration is received, in cash on the Settlement Date;

    - *Call premium* - the New Notes will be subject to a soft call at 102% of the principal amount of New Notes to be redeemed for optional redemptions in the first six months following the Settlement Date, followed by a par call and then a call at 102% of the principal amount of New Notes to be redeemed for optional redemptions on or after March 15, 2023;

    - *Guarantees and Security of the New Notes* - the New Notes will be guaranteed on a senior basis by the existing guarantors of the Existing Notes, and will be secured by the same collateral securing the Existing Notes. The New Notes will also benefit from security over Belgian real estate valued at €46m, also provided as additional security to the European SSRCF;

    - *Covenants of the New Notes* - the New Notes will be subject to covenants substantially the same as for the Existing Notes, but will additionally include a restriction on creating unrestricted subsidiaries, a negative pledge on certain security and an undertaking to comply with a guarantor coverage test; and

    - *Consideration* - Participating Holders will elect to receive, on the Settlement Date, one of the following options: (i) (a) Notes Consideration, being €1,000 aggregate principal amount of New Notes for each €1,000 in principal amount of Existing Notes validly tendered and exchanged (and not validly withdrawn)("Settlement Consent Payment"), (b) a consent fee of €2.50 per €1,000 of Existing Notes validly tendered and exchanged (and not validly withdrawn) and (c) to the extent such Participating Holder validly submits an instruction prior to the Early Consent Deadline and does not validly withdraw instruction, an early consent fee of €5.00 per €1,000 of Existing Notes validly tendered and exchanged (and not validly withdrawn); or (ii) Cash Consideration, being €980 in cash for each €1,000 principal amount of Existing Notes validly tendered and exchanged (and not validly withdrawn); provided that in the event the total aggregate principal amount of Existing Notes tendered for Cash Consideration exceeds €40,000,000, (a) the amount of Cash Consideration actually received by any Participating Holder will be reduced in proportion to aggregate principal amount of Existing Notes who have elected option (ii) such that the Issuer would not pay total Cash Consideration in excess of €39,200,000 in aggregate, and (b) the portion of such Participating Holder's Existing Notes tendered but not accepted for Cash Consideration will be exchanged for the Notes Consideration (with €1,000 aggregate principal amount of New Notes for each €1,000 in principal amount of such Existing Notes validly tendered and exchanged (and not validly withdrawn)), along with Settlement Consent Payment and Early Consent Consideration.

- *Amendments to the Existing Notes* - the untendered Existing Notes are proposed to be amended in the following manner:

  (a) in case Noteholders representing a majority of Existing Notes consent, the Existing Notes will be amended to: (i) remove substantially all of the covenants and other obligations and certain events of default under the Existing Indenture that can be removed with the consent of holders of Existing Notes representing a majority of the aggregate principal amount outstanding of the Existing Notes, (ii) waive any defaults or events of default under the Existing Indenture arising in connection with the Scheme and any proceeding under Chapter 15 of the U.S. Bankruptcy Code in connection with the Scheme or any other jurisdictions as may be necessary to recognize the Scheme and (iii)(A) waive the requirements under Article 5 of the Existing Indenture to facilitate the substitution of the Issuer with an English entity, (B) permit the addition of an English entity as a co-issuer of the Existing Notes or (C) permit any other amendments, including an exclusive New York jurisdiction clause and a forbearance from blocking enforcement of the Scheme, which in the Issuer's reasonable opinion, are either necessary or desirable to facilitate the creation of a sufficient connection to the United Kingdom, in each case for the purposes of the Scheme; and

  (b) in case Noteholders representing 90% or more of the Existing Notes consent, the Existing Notes will be amended to: (i) release all of the Existing Notes' guarantors from their obligations under their existing guarantees, (ii) release all of the liens in the collateral granted for the benefit of holders of the Existing Notes, (iii) reduce the interest rate applicable to the Existing Notes to 3.00% per annum and (iv) extend the maturity date of the Existing Notes to December 31, 2030.

- *Scheme Solicitation* - if the Issuer obtains, pursuant to the Scheme Solicitation, the support of Noteholders representing at least 75% (but less than 90%) in aggregate principal amount outstanding of the Existing Notes, the Issuer proposes to commence the Scheme, instead of pursuing the Exchange Offer or the Consent Solicitation. The terms of the Scheme will be substantially the same as the terms of the Exchange Offer that would be applicable if holders of Existing Notes representing 100% of the aggregate principal amount outstanding of the Existing Notes validly tendered their Existing Notes, subject to necessary consequential changes.

- *Timing* - the Exchange Offer, Consent Solicitation and Scheme Solicitation will have an Early Consent Deadline of 5:00 p.m. London time on February 17, 2021 and will expire at 5:00 p.m. London time on March 3, 2021, in each case, unless amended, extended or terminated by the Issuer in accordance with the Exchange Offer Memorandum. Eligible Holders may submit their instructions in respect of the Exchange Offer, Consent Solicitation and Scheme Solicitation at any time prior to the Expiration Time, but Participating Holders opting to receive Notes Consideration will receive the Early Consent Fee, and Participating Holders opting to receive Cash Consideration will be eligible to receive Cash

Consideration, in each case, only if they validly submit (and not withdraw) their instructions prior to the Early Consent Deadline, after which all Participating Holders will only be considered for Notes Consideration and the Settlement Consent Payment.

The Issuer may, at its option and in its discretion, at any time, subject to applicable laws and certain conditions set forth in the Exchange Offer Memorandum, extend, re-open or amend the Exchange Offer, Consent Solicitation and Scheme Solicitation in any respect.

Additional Information

A Noteholder call regarding the Exchange Offer, Consent Solicitation and Scheme Solicitation will be held on 5 February 2021 at 12.00 am CET via a webcast, by CFO Jan-Christian Werner and financial adviser Moelis & Company. Dial-in details will be available on www.baltainvestors.com.

The Exchange Offer Memorandum will also be made available to all Eligible Holders through the exchange and tabulation agent:

Lucid Issuer Services Limited
Address: Tankerton Works, 12 Argyle Walk, WC1H 8HA, London, UK
Telephone: +44 207 704 0880
Email: balta@lucid-is.com
Attention: Sunjeeve Patel / Paul Kamminga

If you have any questions about the Exchange Offer, Consent Solicitation and Scheme Solicitation, you should contact Lucid Issuer Services Limited.

If you have any questions on financial matters relating to the Exchange Offer, Consent Solicitation and Scheme Solicitation, you should contact:

Moelis & Company
Address: MOELIS & COMPANY, First Floor, Condor House, 10 St. Paul’s Churchyard, London EC4M 8AL
Email: Charles.Noel-Johnson@moelis.com / Daniel.Gibney@moelis.com
Attention: Charles Noel-Johnson / Daniel Gibney

For other information, please contact

Maarten Van Hoecke
Corporate Finance & Investor Relations Director
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About Balta

Balta is a leading manufacturer of textile floor coverings, selling to over 125 countries worldwide. The Balta divisions are Balta Rugs (Balta home), Balta Residential Carpets & Tiles (under the brands Balta carpets, ITC and Balta carpet tiles), Balta Commercial Carpets & Tiles (under the brands modulyss, arc edition and Bentley), and Balta Non-Woven (under the brand Captiqs). Balta employs nearly 4,000 people in 10 manufacturing sites and distribution centres in Belgium, Turkey and the United States.

Important notice

This press release does not constitute an offer to sell or the solicitation of an offer to buy the New Notes or any other security in any jurisdiction and shall, in any circumstance, not constitute an offer, solicitation or sale in the United States or in any jurisdiction in which, or to any persons to whom, such offering, solicitation or sale would be unlawful. The New Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or any U.S. state securities laws, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state and local securities laws. Accordingly, the New Notes will be offered and sold only to (i) qualified institutional buyers in accordance with Rule 144A under the Securities Act, (ii) institutional "accredited investors" (within the meaning of Rule 501(a)((1), (2), (3), (7), (8), (9), (12) or (13), under the Securities Act and (ii) to non-U.S. persons outside the United States in offshore transactions in accordance with Regulation S under the Securities Act.

Promotion of the New Notes in the United Kingdom is restricted by the Financial Services and Markets Act 2000 (the "FSMA"), and accordingly, the New Notes are not being promoted to the general public in the United Kingdom. This announcement is only addressed to and directed at persons who (i) are outside the United Kingdom, (ii) have professional experience in matters relating to investments (being investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Financial Promotion Order")), (iii) fall within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc.") of the Financial Promotion Order, or (iv) to the extent that doing so does not prejudice the lawful distribution of the announcement to the foregoing, are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) in connection with the issue or sale of any New Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). The New Notes will only be available to relevant persons and this announcement must not be acted on or relied on by anyone who is not a relevant person.

The New Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA or the United Kingdom. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MIFID II"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended or superseded, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MIFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "Prospectus Regulation"). The offer and sale of the New Notes will be made pursuant to an exemption under the Prospectus Regulation from the requirement to produce a prospectus for offers of securities. Consequently, no key information document required by Regulation (EU) no 1286/2014 (as amended, the "PRIIPS Regulation") for offering or selling the New Notes or otherwise making them available to retail investors in the EEA or the United Kingdom has been prepared and therefore offering or selling the New Notes or otherwise making them available to any retail investor in the EEA or the United Kingdom may be unlawful under the PRIIPS Regulation. References to regulations or directives include, in relation to the United Kingdom, those regulations or directives as they form part of U.K. domestic law by virtue of the European Union (Withdrawal) Act 2018 or have been implemented in U.K. domestic law, as appropriate.

Balta is issuing this statement on a one-off basis to update its investors, and does not currently anticipate that it will issue similar quarterly recent developments updates in the future.

Balta's financial information presented for the quarter and year ended 31 December 2020 has not been audited, is not intended to be a comprehensive statement of our financial or operational results and is subject to confirmation in our audited consolidated financial statements and audit report for the full year 2020. Consequently, upon publication of our full year 2020 audited results, we may report results that are materially different from the ones set forth in this release.

Rounding adjustments have been made in calculating some of the financial information included in this press release. As a result, figures shown as totals may not be exact arithmetic aggregations of the figures that precede them.

Certain financial data included in this press release are "non-IFRS financial measures." These non-IFRS financial measures may not be comparable to similarly titled measures presented by other entities, nor should they be construed as an alternative to other financial measures determined in accordance with International Financial Reporting Standards. Although Balta believes these non-IFRS financial measures provide useful information to users in measuring the financial performance and condition of its business, users are cautioned not to place undue reliance on any non-IFRS financial measures or any ratios included in this presentation.

This press release may include projections and other "forward-looking" statements. Any such projections or statements reflect the current views of the issuer about further events and financial performance. No assurances can be given that such events or performance will occur as projected and actual results may differ materially from these projections.

This announcement may constitute a public disclosure of inside information by Balta under Regulation (EU) 596/2014 (16 April 2014).