

PRESS RELEASE

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Balta 2020 First Half Results

Group Financial Highlights:

- H1 2020 consolidated Revenue was €266.4m (-24.2% YoY), Adjusted EBITDA was €18.3m (-51.0% YoY) and Adjusted EBITDA margin was 6.9% (down from 10.6% in H1 2019) driven by the COVID-19 impediments starting in March 2020.
    - o Organic revenue declined by -24.7% with an FX impact of +0.5%
    - o Revenue growth by division: Rugs -29.6%, Commercial -13.7%, Residential -27.7%
- Net Debt decreased by €6.3m vs. Q1 2020, driven by mitigating actions reducing both costs and net working capital.
- Net Leverage increased to 5.9x from 4.3x at the end of Q1 2020 excluding the impact of IFRS16, driven by the significantly reduced Adjusted LTM EBITDA. In April 2020, we successfully reached an agreement with our majority lending banks under the €61m Super Senior Revolving Credit Facility to adjust the covenant calculation for the impact of COVID-19 through to the second quarter of 2021.
- Implementation of NEXT initiatives, which were temporarily halted during the second quarter, as management focused on COVID-19 response, resumed in early July.

Business Update:

- Revenues and Adjusted EBITDA in all divisions were significantly impacted by the lockdown measures taken by national governments to tackle the COVID-19 pandemic
- Management took decisive action to protect the Group's employees and financial position by temporarily closing several factories, furloughing staff, carefully controlling costs and maintaining an active dialogue with customers and suppliers
- All plants and offices reopened mid-May, after taking the actions necessary to protect employees, including the implementation of social distancing and supplying personal protective equipment. Since then we have seen encouraging signs of recovering demand for our products
- Despite the negative impacts from COVID-19 on Revenue in Q2 2020, net cash flow during the quarter was €7.1m positive, resulting in a cash balance at the end of Q2 2020 of €87.5m, including our Revolving Credit Facilities (RCF) which we have fully drawn as a precautionary measure at the start of the crisis
- The implementation of NEXT, the three-year program designed to deliver a significant improvement in earnings, resumed in early July

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

"The second quarter of 2020 was challenging for Balta due to global COVID-19 lockdowns that had a significant negative impact. Results were most severely impacted in April, with an easing trend starting in mid-May and continuing in June. Balta has demonstrated its operational resilience, successfully saving costs and preserving cash, taking actions to protect employees, and maintaining relationships with our suppliers and customers. In line with the persisting uncertainties in the market, we remain focused on improving operating performance through NEXT and prudent cost management. We expect the benefits from NEXT to return as operations return to more normal levels, albeit with delay."

Q2 2020 Revenue and Adjusted EBITDA per Division

(€ million, unless otherwise mentioned)	Q2 2020	*Q2 2019*	% Change	o/w organic growth	o/w FX
Rugs	35.2	54.3	(35.2)%		
Commercial	43.6	60.7	(28.1)%		
Residential	25.8	45.8	(43.7)%		
Non-Woven	2.1	7.2	(71.1)%		
Consolidated Revenue	**106.7**	**167.9**	**(36.5)%**	**(36.9)%**	**0.4%**
Rugs	(3.2)	2.9	(210.1)%		
Commercial	5.8	11.5	(49.8)%		
Residential	(1.0)	4.6	(122.0)%		
Non-Woven	(0.3)	0.8	(143.3)%		
Consolidated Adjusted EBITDA	**1.2**	**19.8**	**(94.1)%**	**(94.7)%**	**0.6%**
Rugs	-9.2%	5.4%			
Commercial	13.2%	18.9%			
Residential	-3.9%	10.1%			
Non-Woven	-16.3%	10.9%			
Consolidated Adjusted EBITDA Margin	**1.1%**	**11.8%**			

H1 2020 Revenue and Adjusted EBITDA per Division

(€ million, unless otherwise mentioned)	H1 2020	H1 2019	% Change	o/w organic growth	o/w FX
Rugs	84.3	119.8	(29.6)%		
Commercial	100.5	116.4	(13.7)%		
Residential	72.8	100.6	(27.7)%		
Non-Woven	8.8	14.6	(39.7)%		
Consolidated Revenue	**266.4**	**351.4**	**(24.2)%**	**(24.7)%**	**0.5%**
Rugs	1.0	9.2	(88.5)%		
Commercial	13.9	19.2	(27.5)%		
Residential	3.1	7.9	(60.9)%		
Non-Woven	0.2	1.0	(80.7)%		
Consolidated Adjusted EBITDA	**18.3**	**37.3**	**(51.0)%**	**(51.8)%**	**0.8%**
Rugs	1.2%	7.6%			
Commercial	13.9%	16.5%			
Residential	4.2%	7.8%			
Non-Woven	2.3%	7.1%			
Consolidated Adjusted EBITDA Margin	**6.9%**	**10.6%**			

COVID-19

COVID-19 represents an unprecedented disruption and a material challenge to our business and industry. In response to the outbreak of the pandemic, governments in the markets in which we operate have implemented full or partial lockdowns and closured non-essential business, including some of our customers. These measures resulted in a significant deterioration in macroeconomic conditions.

Balta is coordinating its response across the Group through an internal COVID-19 taskforce to protect the health and safety of our workforce and customers and to mitigate the effect of COVID-19 on operations. In the second quarter of 2020, we have successfully implemented measures to reduce operating costs and manage cash flows, including:

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

Revenues dropped significantly in the second quarter, with April most severely impacted and an improving trend starting mid-May and continuing in June. In Rugs and Residential, revenues significantly declined as of mid-March, showing a substantial rebound in June. In Commercial, volume drops were relatively less severe in April and remained at these levels through the second quarter.

During the lockdowns we flexed our plant production levels to meet the reduced demand, whilst continuing to efficiently service customer orders. Balta gradually increased production from mid-May, as markets began to reopen. We still expect to produce at approximately 85% of capacity in the fourth quarter of 2020, for which we anticipate additional working capital requirements.

As of 30 June 2020, we held cash and cash equivalents of €87.5m, up from €80.4m at the end of Q1, including fully drawn revolving credit facilities of €72.1m.

Net leverage was 5.9x at the end of June 2020, well inside the covenant. In April 2020, we successfully reached a precautionary agreement with our majority lending banks under the €61m Super Senior Revolving Credit Facility to adjust the covenant calculation for the impact of COVID-19 through to the second quarter of 2021.

Group

Revenue shortfalls due to COVID-19 lockdowns in Q2 2020 impacted results across all divisions as they could only be partially offset by the fixed expense savings introduced. The focus on cost savings and cash preservation resulted in a positive net cash flow of €7.1m in Q2 2020.

Rugs

Our Rugs division realized Revenue of €84.3m, down 29.6% versus the first half of 2019. In the US, we realized Revenue slightly below last year, with retailer and direct shipment volumes recovering strongly since mid-May. Our US e-commerce business is growing, but remains burdened by its fixed costs as we have not yet achieved critical mass in this channel. In Europe, we were impacted by the COVID-19 closures of our customers from mid-March, with recovery of volumes beginning in June.

Adjusted EBITDA in H1 was €1.0m, down from €9.2m in the same period last year. The Adjusted EBITDA margin decreased from 7.6% to 1.2% due to the COVID-19 volume impact despite the fixed cost savings.

Commercial

Our Commercial division realized Revenue of €100.5m, down 13.7% versus the first half of 2019, with our US business down 10.5% and Europe down 20.0%.

Adjusted EBITDA in H1 was €13.9m, down from €19.2m in the same period last year, with Adjusted EBITDA margin down from 16.5% to 13.9%. The margin impact from the revenue shortfall was partially offset by mix improvement and fixed expense savings made in the US and Europe, together with margin improvements from NEXT initiatives in our US business.

Residential

Our Residential division realized Revenue of €72.8m, down 27.7% versus the first half of 2019. The first half Revenue decline was driven by COVID-19 impacts across all markets. We saw strong volume growth from June. Higher margin products represented 40% of Residential Revenue in H1 2020.

Adjusted EBITDA in H1 was €3.1m, down from €7.9m in the same period last year. The Adjusted EBITDA margin of 4.2% was down from 7.8% due to the COVID-19 volume impact despite the fixed cost savings, the positive effect from NEXT initiatives and better product mix.

Other Financial Items Review

Integration and Restructuring Expenses: Non-recurring expenses for integration and restructuring over the first six months of 2020 amounted to €2.6m, as compared to €3.1m in the same period last year. The expense in the current period is mainly related to our NEXT program, as well as non-recurring advisory fees.

Net Financing Costs: Net finance expenses for the first six months of 2020 are €13.7m, as compared to €12.5m in the same period last year. This increase is mainly driven by interest on the RCF which was fully drawn in March 2020 and on the sale and leaseback transaction performed in January 2020.

Taxation: There is an income tax benefit of €1.1m for the six months ended 30 June, 2020, compared to an income tax benefit of €0.5m in the same period last year. This results from a deferred tax benefit of €2.7m offset by an income tax expense of €1.5m for the period. The income tax benefit is primarily driven by recognition of deferred tax assets. The normalized effective tax rate of the Group is around 25%.

Earnings per share: The net earnings per share for the first six months of 2020 were a loss of €0.47, compared to a profit of €0.08 for the same period last year.

Cashflow and net debt: Net debt at the end of June 2020 was equal to €320.3m, versus €313.7m at the end of December 2019. The increase in net debt was driven by seasonal patterns as well as the COVID-19 related business slow-down that could only be partially offset by cost saving measures and strict net working capital management (reported Net Debt H1 2020 of €320.3m includes €43.0m IFRS16 impact).

Glossary: Alternative Performance Measures

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

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

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

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

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

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

Earnings call

The First Half 2020 Results will be presented on **28 August 2020** at 10.00 am CET via a webcast, by CEO and Chairman of the Board Cyrille Ragoucy and CFO Jan-Christian Werner. Dial-in details and the results presentation will be available on www.baltainvestors.com

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About Balta

Balta is a leading manufacturer of textile floor coverings, selling to over 130 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). With the addition of Bentley, Balta employs nearly 4,000 people in 10 manufacturing sites and distribution centres in Belgium, Turkey and the United States.

Important notice

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

Next scheduled announcement

Balta intends to publish its Q3 Results on 6 November 2020