LSF9 Balta Issuer S.à r.l.

2020 QUARTERLY Report

Senior Secured Notes
due 2022

Q2 2020 -
Period ended June 30, 2020

LSF9 Balta Issuer S.à r. l.

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1. Key Figures

(€ thousands)	H1 2020	Reported H1 2019
Results		
Revenue	**266.382**	**351.413**
Adjusted EBITDA	**18.209**	**37.129**
Adjusted EBITDA Margin	**6,8%**	**10,6%**
Integration and restructuring expenses	(2.618)	(3.093)
EBITDA	15.591	34.035
Depreciation / amortisation	(19.877)	(19.370)
Operating profit / (loss) for the period	(4.286)	14.665
Net finance expenses	(13.720)	(12.508)
Income tax benefit / (expense)	1.138	514
Profit/(loss) for the period	**(16.869)**	**2.672**
Cash flow		
Cash at beginning of period	19.241	26.853
Net cash generated / (used) by operating activities	20.140	20.320
Net cash used by investing activities	(11.806)	(11.955)
Net cash generated / (used) by financing activities	59.929	(15.477)
Cash at end of period	87.504	19.741

Financial position

In relation to Balta's financing agreements, the documentation provides for the effect of changes in accounting standards to be neutralized. As such, the application of IFRS 16 has no consequence for the Group's financing.

(€ thousands)	H1 2020	H1 2019
Net debt[1]	277.233	268.666
Leverage	5,9	3,7

Note 1: IFRS 16 effect is excluded from the leverage comparison (see glossary)

2. Management discussion and analysis of the results

2.1. 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.
- Organic revenue declined by -24.7% with an FX impact of +0.5%.
- 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.

2.2. 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.

2.3. 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."

3. Operating review per segment

3.1. Revenue and Adjusted EBITDA per segment

3.1.1. Q2 2020

(€ 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%**			

Note: the segment table has been copied from the press release issued by Balta Group NV, where EBITDA is slightly higher than at LSF9 Balta Issuer level due to a markup on management services provided at level of Balta Group NV and then charged to LSF9 Balta Issuer and subsidiaries.

3.1.2. H1 2020

(€ 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%**			

Note: the segment table has been copied from the press release issued by Balta Group NV, where EBITDA is €0.05m higher than at LSF9 Balta Issuer level due to a markup on management services provided at level of Balta Group NV and then charged to LSF9 Balta Issuer and subsidiaries.

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.

3.2. 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.

3.3. 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.

3.4. 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.

3.5. 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.

4. Other financial items review

4.1. 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 services.

4.2. Net financing expenses

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.

4.3. 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%.

4.4. Earnings per share

The net earnings per share for the first six months of 2020 were a loss of €0.12, compared to a profit of €0.02 for the same period last year.

4.5. 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).

5. Risk Factors

As a result of COVID-19, the risk section of the annual report of 2019 has been examined and reconfirmed to be accurate and up to date. We have responded on the worldwide pandemic as disclosed in the annual report (e.g. full drawing of the RCF, renegotiated covenant compliance amendment) as well as assessing and anticipating potential effects on our liquidity and creditworthiness. At the end of June 2020, the company has not breached their financing covenants even without applying the possible EBITDA adjustments under the agreed covenant compliance amendment with the banks. The company has made great efforts to save cost and preserve cash, in order to mitigate the negative impacts of the pandemic, while taking actions to protect the employees. Balta will continue to adjust its mode of operations to the changes in the external environment.

Based on the above, we are currently forecasting our existing cash on hand and cash flow to be sufficient to support our business through the production ramp-up.

As a result of changing market conditions, Balta has taken the necessary actions to limit the credit risk as much as possible. Among other actions, Balta has predominantly focused on serving clients with external credit limits or clients who prepay orders. Balta has revisited the assumptions used in the expected credit loss (ECL) model, based on updated macro-economic assumptions in light of COVID-19, which are probable and prudent. This has resulted in slightly increased bad debt accruals rates (approximately €1.3m), which negatively impact the results of H1 2020, although we do not see the negative impacts at this point.

6. Consolidated Interim Financial Statements

6.1. Consolidated Statement of Comprehensive Income

(€ thousands)	Q2 2020	Q2 2019	H1 2020	H1 2019
I. CONSOLIDATED INCOME STATEMENT				
Revenue	106.661	167.881	266.382	351.413
Raw material expenses	(42.683)	(79.817)	(116.252)	(167.334)
Changes in inventories	(17.556)	(1.831)	(10.921)	(1.393)
Employee benefit expenses	(29.741)	(41.577)	(73.680)	(85.702)
Other income	201	386	1.047	1.493
Other expenses	(15.721)	(25.287)	(48.367)	(61.349)
Depreciation/ amortization	(9.921)	(9.723)	(19.877)	(19.370)
Adjusted Operating Profit [1]	**(8.760)**	**10.033**	**(1.669)**	**17.759**
Gains on asset disposals	-	-	-	-
Integration and restructuring expenses	(1.769)	(2.252)	(2.618)	(3.093)
Operating profit / (loss) [1]	**(10.529)**	**7.779**	**(4.286)**	**14.665**
Finance income	(221)	188	80	190
Finance expenses	(7.486)	(6.723)	(13.801)	(12.697)
Net finance expenses	**(7.706)**	**(6.536)**	**(13.720)**	**(12.508)**
Profit / (loss) before income taxes	**(18.235)**	**1.244**	**(18.007)**	**2.158**
Income tax benefit / (expense)	1.106	(41)	1.138	514
Profit / (loss) for the period from continuing operations	**(17.129)**	**1.203**	**(16.869)**	**2.672**
Profit/ (loss) for the period from discontinued operations	-	-	-	-
Profit/(loss) for the period	**(17.129)**	**1.203**	**(16.869)**	**2.672**
Attributable to:				
Equity holders	(17.129)	1.203	(16.869)	2.672
Non-controlling interest	-	-	-	-
II. CONSOLIDATED OTHER COMPREHENSIVE INCOME				
Items in other comprehensive income that may be subsequently reclassified to P&L				
Exchange differences on translating foreign operations	(3.309)	(2.571)	(5.970)	(5.822)
Changes in fair value of hedging instruments qualifying for cash flow hedge	(263)	1.082	568	313
Changes in deferred taxes	-	-	-	-
Items in other comprehensive income that will not be reclassified to P&L				
Changes in deferred taxes	18	(119)	(99)	389
Changes in employee defined benefit obligations	(308)	(839)	122	(2.051)
Other comprehensive income for the period, net of tax	**(3.862)**	**(2.449)**	**(5.378)**	**(7.172)**
Total comprehensive income for the period	**(20.991)**	**(1.246)**	**(22.247)**	**(4.500)**
Basic and diluted earnings per share from continuing operations	**(0,12)**	**0,01**	**(0,12)**	**0,02**

(1) Adjusted Operating Profit / Operating profit/(loss) are non-GAAP measures.
Adjusted EBITDA is calculated as Adjusted Operating Profit (Loss) adjusted for depreciation and amortization charges.

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

6.2. Consolidated Statement of Financial Position

(€ thousands)	30 June 2020	31 Dec 2019
Property, plant and equipment	327.263	337.594
(Of which IFRS 16 related right-of-use assets)	*41.107*	*42.072*
Land and buildings	181.728	186.173
Plant and machinery	133.688	138.807
Other fixtures and fittings, tools and equipment	11.848	12.614
Goodwill	196.619	195.991
Other intangible assets	10.117	10.357
Deferred income tax assets	8.892	10.680
Trade and other receivables	1.023	1.121
Total non-current assets	**543.915**	**555.742**
Inventory	136.127	152.948
Derivative financial instruments	650	3
Trade and other receivables	45.387	58.966
Current income tax assets	34	259
Cash and cash equivalents	87.504	19.241
Total current assets	**269.702**	**231.417**
Total assets	**813.617**	**787.159**
Share capital	137.848	137.848
Share premium	155.486	155.486
Other comprehensive income	(42.490)	(37.112)
Retained earnings	(1.786)	15.115
Other reserves	(14.283)	(14.283)
Total equity	**234.775**	**257.055**
Senior Secured Notes	232.250	232.001
Senior Term Loan Facility	-	-
Bank and Other Borrowings	82.902	48.963
Of which IFRS 16 related lease liabilities	*35.054*	*37.318*
Deferred income tax liabilities	36.451	41.004
Provisions for other liabilities and charges	2.800	2.729
Employee benefit obligations	3.798	4.106
Total non-current liabilities	**358.201**	**328.802**
Senior Secured Notes	3.341	3.425
Senior Term Loan Facility	-	34.927
Bank and Other Borrowings	84.603	8.680
Of which IFRS 16 related lease liabilities	*7.992*	*7.357*
Provisions for other liabilities and charges	50	164
Derivative financial instruments	-	413
Other payroll and social related payables	42.755	36.928
Trade and other payables	85.287	112.072
Income tax liabilities	4.604	4.694
Total current liabilities	**220.641**	**201.302**
Total liabilities	**578.842**	**530.104**
Total equity and liabilities	**813.617**	**787.159**

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

6.3. Consolidated Statement of Cash Flows

(€ thousands)	H1 2020	H1 2019
I. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit / (loss) for the period	**(16.869)**	**2.672**
Adjustments for:		
Income tax expense/(income)	(1.138)	(514)
Finance income	(80)	(190)
Financial expense	13.801	12.697
Depreciation, amortisation (incl. depreciation of IFRS 16 right-of-use assets - as from 2019)	19.877	19.370
(Gain)/loss on disposal of non-current assets	67	-
Movement in provisions and deferred revenue	(114)	(852)
Fair value of derivatives	(492)	(18)
Cash generated before changes in working capital	**15.053**	**33.165**
Changes in working capital:		
Inventories	15.994	(3.482)
Trade receivables	12.311	(5.207)
Trade payables	(24.555)	2.248
Other working capital	4.293	(4.839)
Cash generated after changes in working capital	**23.096**	**21.885**
Net income tax (paid)	(2.956)	(1.565)
Net cash generated / (used) by operating activities	**20.140**	**20.320**
II. CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(10.927)	(13.984)
Acquisition of intangibles	(879)	(253)
Proceeds from non-current assets	-	2.282
Acquisition of subsidiary	-	-
Net cash used by investing activities	**(11.806)**	**(11.955)**
IIII. CASH FLOW FROM FINANCING ACTIVITIES		
Interest and other finance charges paid, net	(11.991)	(11.337)
Proceeds from borrowings with third parties	114.117	-
Proceeds from capital contributions	-	-
Repayments of Senior Term Loan Facility	(35.019)	-
Repayments of borrowings with third parties (incl. IFRS 16 lease liabilities - as from 2019)	(7.178)	(4.140)
Net cash generated / (used) by financing activities	**59.929**	**(15.477)**
NET INCREASE/ (DECREASE) IN CASH AND BANK OVERDRAFTS	**68.263**	**(7.112)**
Cash, cash equivalents and bank overdrafts at the beginning of the period	19.241	26.853
Cash, cash equivalents and bank overdrafts at the end of the period	87.504	19.741

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

6.4. Consolidated Statement of Changes in Equity

(€ thousands)	Share capital	Share premium	Other comprehensive income	Retained earnings	Other reserves	Total	Non-controlling interest	Total equity
Balance at 31 December 2018	**137.848**	**155.486**	**(33.386)**	**6.286**	**(14.283)**	**251.951**	**-**	**251.951**
Adoption of accounting policies	-	-	-	(1.530)	-	(1.530)	-	(1.530)
Balance 1 January 2019	**137.848**	**155.486**	**(33.386)**	**4.756**	**(14.283)**	**250.421**	**-**	**250.421**
Profit / (loss) for the period	-	-	-	10.360	-	10.360	-	10.360
Equity-settled share-based payment plans	-	-	-	-	-	-	-	-
Other comprehensive income								
Exchange differences on translating foreign operations	-	-	(2.133)	-	-	(2.133)	-	(2.133)
Changes in fair value of hedging instruments qualifying for cash flow hedge accounting	-	-	(245)	-	-	(245)	-	(245)
Cumulative changes in deferred taxes	-	-	393	-	-	393	-	393
Cumulative changes in employee defined benefit obligations	-	-	(1.740)	-	-	(1.740)	-	(1.740)
Total comprehensive income for the period	**-**	**-**	**(3.725)**	**10.360**	**-**	**6.634**	**-**	**6.634**
Balance at 31 December 2019	**137.848**	**155.486**	**(37.112)**	**15.115**	**(14.283)**	**257.055**	**-**	**257.055**
Profit / (loss) for the period	-	-	-	(16.869)	-	(16.869)	-	(16.869)
Equity-settled share-based payment plans	-	-	-	(32)	-	(32)	-	(32)
Other comprehensive income								
Exchange differences on translating foreign operations	-	-	(5.970)	-	-	(5.970)	-	(5.970)
Changes in fair value of hedging instruments qualifying for cash flow hedge accounting	-	-	568	-	-	568	-	568
Cumulative changes in deferred taxes	-	-	(99)	-	-	(99)	-	(99)
Cumulative changes in employee defined benefit obligations	-	-	122	-	-	122	-	122
Total comprehensive income for the period	**-**	**-**	**(5.378)**	**(16.901)**	**-**	**(22.280)**	**-**	**(22.280)**
								-
Balance at 30 June 2020	**137.848**	**155.486**	**(42.490)**	**(1.786)**	**(14.283)**	**234.775**	**-**	**234.775**

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

6.5. Selected Explanatory Notes to the Condensed Consolidated Interim Financial Statements

6.5.1. Significant Accounting Policies

These consolidated condensed interim financial statements for the six months ended June 30, 2020 have been prepared in accordance with IAS 34 *Interim financial reporting*. They do not include all the notes of the type normally included in an annual report. Accordingly, this report is to be read in conjunction with the annual report for the year ended December 31, 2019 and any public announcements made by the Balta Group during the interim reporting period.

The amounts in this document are presented in thousands of euro, unless otherwise stated. Rounding adjustments have been made in calculating some of the financial information included in these consolidated condensed interim financial statements.

The accounting policies are consistent with those of the previous financial year and corresponding interim period, except for the adoption of new and amended standards as set out below.

New and amended standards adopted by the Group

The following new standards, amendments and interpretations to standards have been issued, but have not been endorsed by the European Union or are considered to have a limited and not significant impact on the financial statements of 2020. The Group intends to adopt these standards and interpretations if applicable and considered to be significant, when they become effective.

- Amendments to Refences to the Conceptual Framework in IFRS Standards (effective 1 January 2020).
- Amendments to the guidance of IFRS 3 Business Combinations, that revises the definition of a business (effective 1 January 2020).
- Amendments to the definition of material in IAS 1 and IAS 8 (effective 1 January 2020).
- Amendments to IFRS 9, IAS 39 and IFRS 7 (effective 1 January 2020).
- IFRS 17 insurance contracts, (effective 1 January 2022).

6.5.2. Segment Reporting

Segment information is presented in respect of the Company's business segments. The performances of the segments is reviewed by the chief operating decision maker, which is the Management Committee.

(€ thousands)	Q2 2020	Previous reported figures [1]	H1 2020	Previous reported figures [1]
Revenue by segment	**106.661**	**167.881**	**266.382**	**351.413**
Rugs	35.166	54.281	84.322	119.786
Commercial	43.650	60.691	100.474	116.413
Residential	25.780	45.754	72.787	100.622
Non-Woven	2.066	7.155	8.799	14.592
Revenue by geography	**106.661**	**167.881**	**266.382**	**351.413**
Europe	51.306	99.612	141.493	214.534
North America	50.510	58.232	110.967	116.046
Rest of World	4.844	10.038	13.921	20.834
Adjusted EBITDA by segment	**1.160**	**19.755**	**18.209**	**34.102**
Rugs	(3.229)	2.949	1.046	12.431
Commercial	5.737	11.429	13.890	14.067
Residential	(1.012)	4.604	3.074	6.228
Non-Woven	(336)	773	199	1.376
Net capital expenditure by segment	**4.603**	**6.479**	**11.806**	**11.955**
Rugs	880	2.140	3.347	4.919
Commercial	1.248	2.022	3.078	3.186
Residential	2.426	2.163	5.188	3.589
Non-Woven	49	154	193	261
Inventory by segment	**136.127**	**152.948**	**136.127**	**152.948**
Rugs	56.931	70.301	56.931	70.301
Commercial	38.610	37.144	38.610	37.144
Residential	36.549	41.473	36.549	41.473
Non-Woven	4.036	4.030	4.036	4.030
Trade receivables by segment	**38.346**	**45.377**	**38.346**	**45.377**
Rugs	10.120	8.548	10.120	8.548
Commercial	18.034	24.189	18.034	24.189
Residential	9.514	11.301	9.514	11.301
Non-Woven	679	1.339	679	1.339

Note 1: For Revenue, Adjusted EBITDA and Capital Expenditure, the previous reporting period refers to June 30, 2019. The previous reported period for Net Inventory and Trade Receivables refers to December 31, 2019.

6.5.3. Integration and Restructuring Expenses

The following table sets forth integration and restructuring expenses for the period ended June 30, 2020 and 2019. This comprises various items which are considered by management as non-recurring or unusual by nature.

(€ thousands)	H1 2020	H1 2019
Integration and restructuring expenses	**2.618**	**3.093**
Corporate restructuring	1.206	41
Business restructuring	1.650	3.393
Other	(239)	(341)

Integration and restructuring expenses over the first six months of 2020 amounted to €2.6m, as compared to €3.1m in the same period last year. The integration and restructuring expense of 2020 is mainly driven by one-off costs related to our NEXT program and non-recurring advisory services.

6.5.4. Goodwill

The goodwill increased by €0.6m from €196.0m as of December 31, 2019 to €196.6m as of June 30, 2020. The increase in goodwill reflects the changes in foreign exchange rate from the US dollar to euro from the date of acquisition of Bentley. The related foreign exchange fluctuations are presented in other comprehensive income.

Due to the unprecedented COVID-19 pandemic the company has reviewed it's long term plan. Based on this, the company performed an impairment analysis which did not trigger the need for a goodwill adjustment.

6.5.5. Net Debt Reconciliation

The following table reconciles the net cash flow to movements in net debt:

	Liabilities from financing activities									*Cash and Cash equivalents*	
(€ thousands)	Senior Secured Notes due after 1 year	Senior Secured Notes due within 1 year	Senior Term Loan Facility due after 1 year	Senior Term Loan Facility due within 1 year	Lease liabilities due after 1 year	Lease liabilities due within 1 year	Super Senior RCF	Bentley RCF	Total gross financial debt	Cash and Cash equivalents	Total net financial debt
Net debt as at 31 December 2019	**(234.900)**	**(5.360)**	**-**	**(35.019)**	**(48.963)**	**(8.680)**	**-**	**-**	**(332.923)**	**19.241**	**(313.681)**
Cashflows	-	-	-	-	-	-	-	-	**-**	68.263	**68.263**
Proceeds of borrowings with third parties	-	-	-	-	(38.008)	(3.992)	(56.042)	(16.074)	**(114.117)**	-	**(114.117)**
Business combinations	-	-	-	-	-	-	-	-	**-**	-	**-**
Foreign exchange adjustments	-	-	-	-	-	-	-	-	**-**	-	**-**
Repayments of borrowings with third parties	-	-	-	35.019	-	7.178	-	-	**42.197**	-	**42.197**
Other non- cash movements	-	-	-	-	4.069	(6.992)	-	-	**(2.923)**	-	**(2.923)**
Net debt as at 30 June 2020	**(234.900)**	**(5.360)**	**-**	**-**	**(82.902)**	**(12.487)**	**(56.042)**	**(16.074)**	**(407.765)**	**87.504**	**(320.261)**

The net debt at the end of H1 2020 amounts to € 320.3m, slightly higher compared to Q4 2019. The table above does not include the movements in capitalized financing fees, or the interest paid.

On 21 January 2020, the Group announced the early redemption of the €35.0m Senior Term Loan Facility.

6.5.6. Related Party Transactions

The related party transactions with shareholders and parties related to the shareholders have not substantially changed in nature and impact compared to the year ended December 31, 2019 and hence no updated information is included in this interim report.

The remuneration of key management is determined on an annual basis, for which reason no further details are included in this interim report.

6.5.7. Commitments

There is no significant evolution to report in terms of commitments. Please refer to Note 38 'Commitments' in the IFRS Financial Statements of the 2019 annual report.

6.5.8. Events After the Statement of Financial Position Date

No subsequent events occurred which could have a significant impact on the interim condensed financial statements of the Group per June 30, 2020.

6.5.9. Events After the Statement of Financial Position Date

We have responded on the worldwide pandemic as disclosed in the annual report (e.g. full drawing of the RCF, renegotiated covenant compliance amendment) as well as assessing and anticipating potential effects on our liquidity and creditworthiness.

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. The company has made great efforts to save cost and preserve cash, in order to mitigate the negative impacts of the pandemic, while taking actions to protect the employees. Balta will continue to adjust its mode of operations to the changes in the external environment.

Based on the above mentioned risk factors, we are currently forecasting our existing cash on hand and cash flow to be sufficient to support our business through the production ramp-up.

7. 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)