LSF9 Balta Issuer S.à r.l.

2020 QUARTERLY Report

Senior Secured Notes
due 2022

Q3 2020 -
Period ended September 30, 2020

LSF9 Balta Issuer S.à r. l.

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1. Key Figures

(€ thousands)	Q3 2020	Q3 2019
Results		
Revenue	**144,399**	**155,599**
Adjusted EBITDA	**21,805**	**17,187**
Adjusted EBITDA Margin	**15,1%**	**11,0%**
Integration and restructuring expenses	(1,187)	(2,492)
EBITDA	20,618	14,695
Depreciation / amortisation	(9,690)	(9,583)
Operating profit / (loss) for the period	10,928	5,112
Net finance expenses	(7,833)	(5,172)
Income tax benefit / (expense)	(2.327)	(9)
Profit/(loss) for the period	**767**	**(69)**

(€ thousands)	YtD 2020	YtD 2019
Results		
Revenue	**410,781**	**507,012**
Adjusted EBITDA	**40,014**	**54,315**
Adjusted EBITDA Margin	**9,7%**	**10,7%**
Integration and restructuring expenses	(3,805)	(5,585)
EBITDA	36,209	48,730
Depreciation / amortisation	(29,568)	(28,953)
Operating profit / (loss) for the period	6,641	19,777
Net finance expenses	(21,554)	(17,679)
Income tax benefit / (expense)	(1.189)	506
Profit/(loss) for the period	**(16,101)**	**2,603**
Cash flow		
Cash at beginning of period	19,241	26,853
Net cash generated / (used) by operating activities	69,590	25,690
Net cash used by investing activities	(16,460)	(18,081)
Net cash generated / (used) by financing activities	45,484	(27,865)
Cash at end of period	117,855	6,597

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)	Q3 2020	Q3 2019
Net debt[1]	241,030	277,446
Leverage	4.7	3.9

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

- Q3 2020 consolidated Revenue is €144.4m (-7.2% YoY), Adjusted EBITDA is €21.8m (+26.3% YoY) and Adjusted EBITDA margin is 15.1% (up from 11.1% in Q3 2019).
  - Organic revenue declined YoY by -6.0% with an FX impact of -1.2%
  - Revenue growth by division: Rugs +11.0%, Commercial -23.7%, Residential +0.2%
- Net Debt decreased by €38.8m vs. Q2 2020, driven by increased earnings and cash flow due to our actions to reduce both costs and net working capital.
- Net Leverage decreased to 4.7x from 5.9x at the end of Q2 2020 excluding the impact of IFRS16, driven by strong cash generation and the increased LTM Adjusted EBITDA.
- The agreements to amend and extend the maturity of our €61m European Super Senior Revolving Credit Facility (European SSRCF) to at least June 2022 (and to June 2024 under certain conditions) closed on 4 November 2020 in return for a small increase in interest rate.

2.2. Business Update

- Q3 2020 revenues in Rugs and Residential fully recovered from the downturn in Q2 2020 to levels above Q3 2019, while Commercial revenue remains lower than in the third quarter of 2019.
- Due to materially improved margins and reduced fixed costs, Q3 2020 Adjusted EBITDA is well above last year's third quarter. NEXT initiatives resumed in July and contributed to the quarterly result.
- Driven by strict working capital management and continued cost savings, net cash flow during the quarter was €30.4m positive, resulting in a cash balance at the end of Q3 2020 of €117.9m, including cash borrowed under our fully drawn Revolving Credit Facilities.
- Balta remains focused on protecting the safety and health of its employees and stakeholders throughout and beyond the COVID-19 pandemic.

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

"The third quarter of 2020 was strong for Balta. We fully recovered revenues in Rugs and Residential, although Commercial will take somewhat longer to return to more normal levels. Our Adjusted EBITDA ended well above last year's third quarter with an overall margin of 15.1%. The profitability improvement reflects higher volumes in Rugs, the strong margin upside of NEXT initiatives, continued cost savings and lower raw material prices. The third quarter trends continued in October.

We reduced our net debt, thanks to strong cash flow generation, and we regained financial flexibility through the extension of the European SSRCF. We will continue to transform Balta by improving operating performance and prudent cost management. We remain confident we can deliver the expected earnings enhancements from NEXT initiatives, albeit with a delay due to the short term uncertainties created by the pandemic.

In the third quarter of 2020, we passed important milestones in our sustainability agenda. 127 Modulyss products were awarded "Cradle to Cradle" Certified™ Gold and Silver certificates allowing us to bid for the increasing number of contracts that require this certification. In Rugs, sustainable products with at least 40% recycled or single material rugs already represent 17% of quarterly revenues. Both initiatives underline our ambition to materially reduce waste and become a player in the circular economy."

3. Operating review per segment

3.1. Revenue and Adjusted EBITDA per segment

3.1.1. YtD 2020

(€ million, unless otherwise mentioned)	***YTD Q3 2020***	**YTD Q3 2019**	**% Change**	**o/w organic growth**	**o/w FX**
Rugs	132.6	163.3	(18.8)%		
Commercial	145.0	174.8	(17.0)%		
Residential	119.9	147.7	(18.8)%		
Non-Woven	13.2	21.3	(37.7)%		
Consolidated Revenue	**410.8**	**507.0**	**(19.0)%**	**(19.0)%**	**(0.0)%**
Rugs	8.0	11.8	(32.4)%		
Commercial	21.1	29.7	(29.1)%		
Residential	10.3	11.4	(9.4)%		
Non-Woven	0.7	1.6	(56.2)%		
Consolidated Adjusted EBITDA	**40.1**	**54.6**	**(26.5)%**	**(26.5)%**	**(0.0)%**
Rugs	6.0%	7.2%			
Commercial	14.5%	17.0%			
Residential	8.6%	7.7%			
Non-Woven	5.4%	7.7%			
Consolidated Adjusted EBITDA Margin	**9.8%**	**10.8%**			

Note: the segment table has been copied from the press release issued by Balta Group NV, where EBITDA is €0.08m 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. Q3 2020

(€ million, unless otherwise mentioned)	***Q3 2020***	**Q3 2019**	**% Change**	**o/w organic growth**	**o/w FX**
Rugs	48.3	43.5	11.0%		
Commercial	44.5	58.4	(23.7)%		
Residential	47.1	47.1	0.2%		
Non-Woven	4.4	6.7	(33.4)%		
Consolidated Revenue	**144.4**	**155.6**	**(7.2)%**	**(6.0)%**	**(1.2)%**
Rugs	6.9	2.6	163.9%		
Commercial	7.1	10.5	(32.1)%		
Residential	7.3	3.5	105.3%		
Non-Woven	0.5	0.6	(14.7)%		
Consolidated Adjusted EBITDA	**21.8**	**17.3**	**26.3%**	**28.1%**	**(1.8)%**
Rugs	14.3%	6.0%			
Commercial	16.1%	18.0%			
Residential	15.4%	7.5%			
Non-Woven	11.7%	9.1%			
Consolidated Adjusted EBITDA Margin	**15.1%**	**11.1%**			

Note: the segment table has been copied from the press release issued by Balta Group NV, where EBITDA is €0.03m 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.

3.2. Group

COVID-19 still represents an unprecedented disruption and material challenge to our industry. In its continued response, Balta remains focused on protecting the safety and health of its employees, customers and other stakeholders throughout and beyond the COVID-19 pandemic.

Throughout the third quarter of 2020, all plants were operational. We continued fixed and variable cost saving measures, ensured non-essential capital expenditure had shorter payback terms and tightly managed purchasing, inventory and other working capital.

Revenues recovered to normal levels in Rugs and Residential in the third quarter. In Commercial, where the Q2 reduction was less severe, volumes rebounded less strongly in Q3.

We remained focused on efficient customer service and gradually increased production over the summer. Given the continued uncertainties, we still expect to produce at approximately 85% of capacity in the fourth quarter of 2020. We anticipate some of the working capital savings to reverse as we continue to ramp up and normalise.

The focus on cost savings, cash preservation and lower raw material costs resulted in a positive net cash flow of €30.4m in Q3 2020. As of 30 September 2020, we held cash and cash equivalents of €117.9m, including cash borrowed under our fully drawn Revolving Credit Facilities of €72.0m.

Net leverage was 4.7x at the end of September 2020, materially down in the third quarter and well inside the covenant in our European SSRCF.

In October 2020, Balta signed agreements with each of its lenders under its existing European SSRCF to amend and extend the maturity date from 11 August 2021 to at least 30 June 2022. The maturity date may be further extended to a date no later than 30 June 2024, subject to a refinancing or an extension of Balta's Senior Secured Notes due September 2022. The amendment and extension was granted in return for a small increase in interest rate.

3.3. Rugs

Our Rugs division realized Revenue of €48.3m, up 11.0% versus the third quarter of 2019. In the US, Revenue was well above last year. Our US e-commerce business continues to grow strongly, but margins will continue to be disproportionately impacted by fixed costs until we reach critical mass. In Europe, volumes are in line with last year.

Adjusted EBITDA in Q3 was €6.9m, up from €2.6m in the same period last year. The Adjusted EBITDA margin strongly increased from 6.0% to 14.3% due to higher volumes, better product mix, lower material prices, strict cost control and margin improvements from NEXT initiatives.

3.4. Commercial

Our Commercial division realized Revenue of €44.5m, down 23.7% versus the third quarter of 2019, with our US business down 27.8% and Europe down 14.4% driven by a more extended impact from COVID-19.

Adjusted EBITDA in Q3 was €7.1m, down from €10.5m in the same period last year. In spite of the significant volume drop, the Adjusted EBITDA margin of 16.1% was only moderately down from 18.0% thanks to fixed cost savings made in the US and Europe and the positive effect from NEXT initiatives in our US business.

3.5. Residential

Our Residential division realized Revenue of €47.1m, up 0.2% versus the third quarter of 2019. Most markets recovered, with solid demand in the UK, France and Benelux. Higher margin products represented 37% of Residential Revenue in Q3 2020.

Adjusted EBITDA in Q3 was €7.3m, up from €3.5m in the same period last year. The Adjusted EBITDA margin of 15.4% was substantially recovering from 7.5% in Q3 2019 benefitting from NEXT initiatives, strict cost control and lower raw material prices.

4. Other financial items review

4.1. Integration and Restructuring Expenses

Non-recurring expenses for integration and restructuring over the first nine months of 2020 amounted to €3.8m, as compared to €5.6m in the same period last year. The expense in the current period is mainly related to our NEXT program as well as other non-recurring advisory services.

4.2. Net financing expenses

Net finance expenses for the first nine months of 2020 are equal to €21.6m, as compared to €17.7m 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

Income tax cost equal to €1.2m for the nine months ended September 30, 2020, is compared to a €0.5m benefit in the same period last year. This results from a deferred tax benefit of €0.8m offset by an income tax expense of €2.0m for the period. The deferred 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

Net earnings per share for the first nine 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 September 2020 is equal to €281.4m, versus €313.7m at the end of December 2019. The decrease is driven by our actions to reduce both costs and net working capital (reported Net Debt Q3 2020 of €281.4m includes €40.4m 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. We improved financial flexibility through the extension of the European Super Senior Revolving Credit Facility to at least mid-2022. At the end of September 2020, the company is not in breach of its financing covenants and has not made use of the adjusted covenant calculation. 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 employees. Balta will continue to adjust its mode of operations to reflect changes in the external environment.

Based on the above and although visibility is limited due to the resurgence of COVID-19 as of October/November, we are currently forecasting our existing cash on hand and cash flow to be sufficient to support our business through the applicable forecast period.

6. Consolidated Interim Financial Statements

6.1. Consolidated Statement of Comprehensive Income

(€ thousands)	Q3 2020	Q3 2019	YtD 2020	YtD 2019
I. CONSOLIDATED INCOME STATEMENT				
Revenue	144,399	155,599	410,781	507,012
Raw material expenses	(53,850)	(71,387)	(170,102)	(238,721)
Changes in inventories	(9,688)	(2,753)	(20,609)	(4,146)
Employee benefit expenses	(36,093)	(39,298)	(109,772)	(125,000)
Other income	706	673	1,753	2,166
Other expenses	(23,669)	(25,646)	(72,037)	(86,995)
Depreciation/ amortization	(9,690)	(9,583)	(29,568)	(28,953)
Adjusted Operating Profit [1]	**12,115**	**7,604**	**10,446**	**25,362**
Gains on asset disposals	-	-	-	-
Integration and restructuring expenses	(1,187)	(2,492)	(3,805)	(5,585)
Operating profit / (loss) [1]	**10,928**	**5,112**	**6,641**	**19,777**
Finance income	(79)	-	1	190
Finance expenses	(7,754)	(5,172)	(21,554)	(17,869)
Net finance expenses	**(7,833)**	**(5,172)**	**(21,554)**	**(17,679)**
Profit / (loss) before income taxes	**3,095**	**(60)**	**(14,912)**	**2,098**
Income tax benefit / (expense)	(2,327)	(9)	(1,189)	506
Profit / (loss) for the period from continuing operations	**767**	**(69)**	**(16,101)**	**2,603**
Profit/ (loss) for the period from discontinued operations	-	-	-	-
Profit/(loss) for the period	**767**	**(69)**	**(16,101)**	**2,603**
Attributable to:				
Equity holders	767	(69)	(16,101)	2,603
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	(10,595)	7,316	(16,565)	1,493
Changes in fair value of hedging instruments qualifying for cash flow hedge accounting	(288)	(457)	281	(144)
Changes in deferred taxes				
Items in other comprehensive income that will not be reclassified to P&L				
Changes in deferred taxes	90	270	(9)	659
Changes in employee defined benefit obligations	(72)	(607)	51	(2.658)
Other comprehensive income for the period, net of tax	**(10,864)**	**6,522**	**(16.242)**	**(649)**
Total comprehensive income for the period	**(10,097)**	**6,454**	**(32,344)**	**1,954**
Basic and diluted earnings per share from continuing operations attributable to the ordinary equity holders of the company	**0.01**	**(0.00)**	**(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 Sept 2020	31 Dec 2019
Property, plant and equipment	316,746	337,594
(Of which IFRS 16 related right-of-use assets)	*40,861*	*42,072*
Land and buildings	176,914	186,173
Plant and machinery	129,065	138,807
Other fixtures and fittings, tools and equipment	10,766	12,614
Goodwill	193,097	195,991
Other intangible assets	9,869	10,357
Deferred income tax assets	8,859	10,680
Trade and other receivables	976	1,121
Total non-current assets	**529,547**	**555,742**
Inventory	120,737	152,948
Derivative financial instruments	220	3
Trade and other receivables	54,872	58,966
Current income tax assets	7	259
Cash and cash equivalents	117,855	19,241
Total current assets	**293,691**	**231,417**
Total assets	**823,238**	**787,159**
Share capital	137,848	137,848
Share premium	155,486	155,486
Other comprehensive income	(53,354)	(37,112)
Retained earnings	(1,020)	15,115
Other reserves	(14,283)	(14,283)
Total equity	**224,677**	**257,055**
Senior Secured Notes	232,755	232,001
Senior Term Loan Facility	-	-
Bank and Other Borrowings	79,415	48,963
Of which IFRS 16 related lease liabilities	*32,649*	*37,318*
Deferred income tax liabilities	37,894	41,004
Provisions for other liabilities and charges	2,678	2,729
Employee benefit obligations	3,725	4,106
Total non-current liabilities	**356,467**	**328,802**
Senior Secured Notes	(1,210)	3,425
Senior Term Loan Facility	-	34,927
Bank and Other Borrowings	84,168	8,680
Of which IFRS 16 related lease liabilities	*7,759*	*7,357*
Provisions for other liabilities and charges	50	164
Derivative financial instruments	-	413
Other payroll and social related payables	49,415	36,928
Trade and other payables	105,857	112,072
Income tax liabilities	3,814	4,694
Total current liabilities	**242,094**	**201,302**
Total liabilities	**598,561**	**530,104**
Total equity and liabilities	**823,238**	**787,159**

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

6.3. Consolidated Statement of Cash Flows

(€ thousands)	YtD 2020	YtD 2019
I. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit / (loss) for the period	**(16,101)**	**2,603**
Adjustments for:		
Income tax expense/(income)	1,189	(506)
Finance income	(1)	(190)
Financial expense	21,554	17,869
Depreciation, amortisation (incl. depreciation of IFRS 16 right-of-use assets - as from 2019)	29,568	28,953
(Gain)/loss on disposal of non-current assets	(32)	(50)
Movement in provisions and deferred revenue	(114)	(885)
Fair value of derivatives	(349)	100
Cash generated before changes in working capital	**35,714**	**47,895**
Changes in working capital:		
Inventories	31,701	(4,413)
Trade receivables	4,377	(3,178)
Trade payables	(6,324)	(4,517)
Other working capital	8,215	(4,138)
Cash generated after changes in working capital	**73,683**	**31,649**
Net income tax (paid)	(4,093)	(5,959)
Net cash generated / (used) by operating activities	**69,590**	**25,690**
II. CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(14,957)	(19,385)
Acquisition of intangibles	(1,503)	(1,038)
Proceeds from non-current assets	-	2,342
Acquisition of subsidiary	-	-
Net cash used by investing activities	**(16,460)**	**(18,081)**
IIII. CASH FLOW FROM FINANCING ACTIVITIES		
Interest and other finance charges paid, net	(22,216)	(21,613)
Proceeds from borrowings with third parties	113,416	-
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)	(10,698)	(6,252)
Net cash generated / (used) by financing activities	**45,484**	**(27,865)**
NET INCREASE/ (DECREASE) IN CASH AND BANK OVERDRAFTS	**98,613**	**(20,256)**
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	117,855	6,597

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 comprehen sive 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)	-	-
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	-	-	-	(16,101)	-	(16,101)	-	(16,101)
Equity-settled share-based payment plans	-	-	-	(34)	-	(34)	-	(34)
Other comprehensive income								
Exchange differences on translating foreign operations	-	-	(16,565)	-	-	(16,565)	-	(16,565)
Changes in fair value of hedging instruments qualifying for cash flow hedge accounting	-	-	281	-	-	281	-	281
Cumulative changes in deferred taxes	-	-	(9)	-	-	(9)	-	(9)
Cumulative changes in employee defined benefit obligations	-	-	51	-	-	51	-	51
Total comprehensive income for the period	**-**	**-**	**(16,242)**	**-**	**-**	**(16,242)**	**-**	**(16,242)**
Balance at 30 September 2020	**137,848**	**155,486**	**(53,354)**	**(1,020)**	**(14,283)**	**224,677**	**-**	**224,677**

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 nine months ended September 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 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)	Q3 2020	Previous reported figures (1)	YtD 2020	Previous reported figures (1)
Revenue by segment	**144,399**	**155,599**	**410,781**	**507,012**
Rugs	48,307	43,510	132,629	163,296
Commercial	44,501	58,359	144,975	174,772
Residential	47,142	47,056	119,929	147,678
Non-Woven	4,449	6,675	13,248	21,267
Revenue by geography	**144,399**	**155,599**	**410,781**	**507,012**
Europe	88,150	96,839	229,643	311,373
North America	45,732	48,766	156,699	164,811
Rest of World	10,517	9,995	24,438	30,829
Adjusted EBITDA by segment	**21,805**	**17,187**	**40,014**	**54,315**
Rugs	6,900	2,596	7,947	11,722
Commercial	7,140	10,468	21,030	29,601
Residential	7,245	3,514	10,319	11,355
Non-Woven	520	607	719	1,636
Net capital expenditure by segment	**4,654**	**8,468**	**16,460**	**20,423**
Rugs	1,325	3,045	4,672	7,964
Commercial	1,491	2,850	4,569	6,036
Residential	1,732	2,422	6,920	6,011
Non-Woven	106	151	299	412
Inventory by segment	**120,737**	**152,948**	**120,737**	**152,948**
Rugs	47,082	70,301	47,082	70,301
Commercial	35,095	37,144	35,095	37,144
Residential	34,715	41,473	34,715	41,473
Non-Woven	3,846	4,030	3,846	4,030
Trade receivables by segment	**45,876**	**50,191**	**45,876**	**50,191**
Rugs	12,988	15,011	12,988	15,011
Commercial	17,525	22,826	17,525	22,826
Residential	14,258	11,594	14,258	11,594
Non-Woven	1,105	760	1,105	760

Note 1: For Revenue, Adjusted EBITDA and Capital Expenditure, the previous reporting period refers to September 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 September 30, 2020 and 2019. This comprises various items which are considered by management as non-recurring or unusual by nature.

(€ thousands)	Q3 2020	Q3 2019	YtD 2020	YtD 2019
Integration and restructuring expenses	**1,187**	**2,492**	**3,805**	**5,585**
Corporate restructuring	590	11	1,796	52
Business restructuring	742	2,644	2,392	6,037
Other	(145)	(163)	(384)	(504)

Integration and restructuring expenses over the first nine months of 2020 amounted to €3.8m, as compared to €5.6m in the same period last year. The expense in the current period is primarily driven by the one-off costs related to our NEXT program and other non-recurring advisory services.

6.5.4. Goodwill

The goodwill decreased by €2.9m from €196.0m as of December 31, 2019 to €193.1m as of September 30, 2020. The decrease 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.

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	-	4,551	-	-	-	-	-	-	**4,551**	98,613	**103,164**
Proceeds of borrowings with third parties	-	-	-	-	(38,008)	(3,992)	(56,042)	(15,374)	**(113,416)**	-	**(113,416)**
Business combinations	-	-	-	-	-	-	-	-	**-**	-	**-**
Foreign exchange adjustments	-	-	-	-	-	-	-	-	**-**	-	**-**
Repayments of borrowings with third parties	-	-	-	35,019	-	10,698	-	-	**45,717**	-	**45,717**
Other non- cash movements	-	-	-	-	7,556	(10,777)	-	-	**(3,221)**	-	**(3,221)**
Net debt as at 30 September 2020	**(234,900)**	**(809)**	**-**	**-**	**(79,415)**	**(12,752)**	**(56,042)**	**(15,374)**	**(399,292)**	**117,855**	**(281,438)**

The net debt at the end of Q3 2020 amounts to € 281.4m, compared to €313.7m per Q4 2019. The decrease is the result of our actions to reduce both costs and net working capital. The table above does not include the movements in capitalized financing fees, or the interest paid.

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, therefore, 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

The agreement to amend and extend the maturity of our existing €61m European Super Senior Revolving Credit Facility to at least June 2022 (and to June 2024 under certain conditions) closed on 4 November 2020 in return for a small increase in interest rate.

6.5.9. Going Concern

We have responded to the worldwide pandemic as disclosed in the annual report and by assessing and anticipating potential effects on our liquidity and creditworthiness.

Net leverage was 4.7x at the end of September 2020, well inside the covenant. In March 2020, we fully drew our European and US Revolving Credit Facilities and in April 2020, we successfully reached a precautionary agreement with our majority lending banks under the €61m European Super Senior Revolving Credit Facility to adjust the covenant calculation for the EBITDA impact of COVID-19 through to the second quarter of 2021 and, in November 2020, we improved financial flexibility through the extension of the European Super Senior Revolving Credit Facility to at least mid-2022 (and to June 2024 under certain conditions). 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 employees. Balta will continue to adjust its mode of operations to reflect changes in the external environment.

Based on the above and although visibility is limited due to the resurgence of COVID-19 as of October/November, we are currently forecasting our existing cash on hand and cash flow to be sufficient to support our business through the applicable forecast period.

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 Operating Profit/Loss is defined as operating profit/(loss) adjusted for (i) the impact of the purchase price allocation mainly on changes in inventory, (ii) gains on assets disposals, (iii) integration and restructuring expenses and (iv) impairment and write-off.

Adjusted EBITDA margin is defined as the Adjusted EBITDA as a percentage of revenue.

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

Adjusted Earnings per Share is defined as profit/(loss) for the period adjusted for (i) the impact of the purchase price allocation of changes in inventory, (ii) gains on assets disposals, (iii) integration and restructuring expenses, (iv) non-recurring finance expenses and (v) non-recurring tax effects divided by the number of shares of Balta Issuer S.à r.l.

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

Net-investment or net-CAPEX is defined as of the sum of all investments in tangible and intangible fixed assets adjusted for proceeds from sales of fixed assets

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