LSF9 Balta Issuer S.à.r.l

Senior Secured Notes due 2024
Q1 2021 - Period ended March 31, 2021

2021
QUARTERLY REPORT

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1. Key Figures

(€ thousands)	Q1 2021	Q1 2020
Results		
Revenue	**152,603**	**159,720**
Adjusted EBITDA	**21,134**	**17,049**
Adjusted EBITDA Margin	**13.8%**	**10.7%**
Integration and restructuring expenses	(7,881)	(849)
EBITDA	13,253	16,200
Depreciation / amortisation	(9,420)	(9,957)
Operating profit / (loss) for the period	3,833	6,243
Net finance expenses	(8,916)	(6,014)
Income tax benefit / (expense)	76	32
Profit/(loss) for the period	**(5,007)**	**260**
Cash flow		
Cash at beginning of period	106,289	19,241
Net cash flow from operating activities	6,825	3,218
Net cash flow from investing activities	(6,401)	(7,203)
Net cash flow from financing activities	(19,487)	65,110
Cash at end of period	87,226	80,366

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)	Q1 2021	Q1 2020
Net debt [1]	**256,537**	**281,215**
LTM Adjusted EBITDA	63,558	66,016
Leverage	**4.0**	**4.3**

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

- Q1 consolidated Revenue of €152.6m (-4.5% YoY)
  - Organic revenue reduced by 2.7%, while FX reduced by 1.7%
  - Revenue growth by division: Rugs +21.9%, Commercial -19.5%, Residential -8.2%
- Q1 Adjusted EBITDA improved to €21.2m (+23.9% YoY) and Adjusted EBITDA margin of 13.9% (10.7% in Q1 2020)
  - Rugs, significant improvement (+160.7%)
  - Residential (-7.5%) and Commercial (-21.1%) both below last year
- Net Debt increased by €9.6m to €292.8m at Q1 2021 from €283.2m at FYE 2020, mainly driven by a seasonal working capital increase and one-off financing fees for extending the maturity of the Senior Secured Notes. Leverage[1] at Q1 2021 decreased to 4.0x from 4.2x at FYE 2020, driven by the impact of improved Q1 2021 results on LTM Adjusted EBITDA.
- Total available liquidity amounted to €98.3m at Q1 2021, comprising cash of €87.2m and €11.0m headroom under the revolving credit facilities.
- The exchange offer for the Senior Secured Notes due September 2022 successfully concluded on 3 March 2021, with replacement notes maturing in December 2024. As a result, the European super senior revolving credit facility further extended to 30 June 2024.

2.2. Business Update

- The recovery from the COVID-19 related downturn in 2020 continued in Q1 2021, delivering a significant improvement in Adjusted EBITDA and margin versus Q1 2020 when COVID-19 related impediments affected the Rugs divisions' March results. The improvements were driven by stronger year on year revenue and plant utilization in Rugs, the benefits from NEXT initiatives and continued cost reductions. Q1 2021 margins also still reflect the low raw material cost environment experienced during H2 2020.
- All divisions remain impacted by COVID-19 restrictions in their key markets. The Commercial division continues to be stable but is yet to experience the market recovery seen in other divisions.
- Since year-end 2020, most material and transportation costs have increased significantly. In response, price increases have been implemented across all our divisions during Q1 2021 and further price increases will be introduced, where necessary, if costs continue to inflate.

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

"Trading in the first quarter of 2021 reflected similar characteristics to Q4 2020. All our key markets and divisions continued to experience COVID-19 restrictions. Rugs continued to improve revenue in the US and in the e-commerce channel. We expect the Group's revenues will recover to more normal levels as vaccination programmes take effect, although the macroeconomic situation remains uncertain.

Despite depressed volumes due to COVID-19 restrictions, our Q1 2021 Adjusted EBITDA ended above last year, reflecting the upside from NEXT initiatives, continued cost savings and the impact of 2020's lower raw material prices flowing into results.

We have introduced price increases in response to the significant material and transportation cost inflation experienced during Q1 2021. We remain vigilant given this cost price development and, in some cases, shortages of material and containers, and will introduce additional price increases where and when necessary.

Management remains committed to the transformation of Balta by improving operating performance, prudent cost management and executing our NEXT strategy."

[1] Excluding IFRS 16 impact

3. Operating review per segment

3.1. Revenue and Adjusted EBITDA per segment

(€ million, unless otherwise mentioned)	***Q1 2021***	**Q1 2020**	**% Change**	**o/w organic growth**	**o/w FX**
Rugs	59.9	49.2	21.9%		
Commercial	45.7	56.8	(19.5)%		
Residential	43.2	47.0	(8.2)%		
Non-Woven	3.8	6.7	(43.6)%		
Consolidated Revenue	**152.6**	**159.7**	**(4.5)%**	**(2.7)%**	**(1.7)%**
Rugs	11.2	4.3	160.7%		
Commercial	6.4	8.2	(21.1)%		
Residential	3.8	4.1	(7.5)%		
Non-Woven	(0.2)	0.5	(143.1)%		
Consolidated Adjusted EBITDA	**21.2**	**17.1**	**23.9%**	**26.4%**	**(2.5)%**
Rugs	18.6%	8.7%			
Commercial	14.1%	14.4%			
Residential	8.8%	8.7%			
Non-Woven	(6.1)%	8.0%			
Consolidated Adjusted EBITDA Margin	**13.9%**	**10.7%**			

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. Rugs

Our Rugs division realized Q1 revenue of €59.9m, up 21.9% versus the first quarter of 2020 when COVID-19 restrictions affected the division's March results. The improvement is due to a strong North American business, which saw significant gains in direct shipments and continued growth in e-commerce.

Adjusted EBITDA in Q1 was €11.2m, up from €4.3m in the same quarter last year. The Q1 Adjusted EBITDA margin increased from 8.7% to 18.6%. In addition to the positive volume impact, Adjusted EBITDA further improved due to better product mix, lower raw material costs (from purchases in H2 2020), continued cost control and margin improvements from NEXT initiatives.

3.3. Commercial

Our Commercial division realized Q1 revenue of €45.7m, down 19.5% versus the strong first quarter of 2020 which saw very limited impact from COVID-19 impediments. Volumes have not yet begun to recover as COVID-19 restrictions still prevent projects from starting. Europe and US saw double-digit revenue decline as COVID-19 restrictions were felt across all segments. The product mix remains stable.

Adjusted EBITDA in Q1 was €6.4m, down from €8.2m in the same quarter last year. Despite lower volumes, Q1 Adjusted EBITDA margin only slightly decreased from 14.4% to 14.1% thanks to continued margin improvements from NEXT initiatives and cost savings.

3.4. Residential

Our Residential division realized Q1 revenue of €43.2m, down 8.2% versus the first quarter of 2020 which did not yet significantly suffer from COVID-19 restrictions. In the UK and Continental Europe, trading continued to be subdued by retail closures, although we continued to grow export sales.

Adjusted EBITDA in Q1 was €3.8m, down from €4.1m in the same quarter last year. In spite of the fall in volume, the Q1 Adjusted EBITDA margin grew slightly to 8.8% from 8.7% thanks to the focus on growing our share of higher margin products, lower raw material costs (from purchase in H2 2020) and continued cost control.

4. Other financial items review

4.1. Integration and Restructuring Expenses

Non-recurring expenses for integration and restructuring over the first three months of 2021 amounted to €7.9m, as compared to €0.8m in the same period last year. The integration and restructuring expense of 2021 is mainly driven by the refinancing cost for the extension of our Senior Secured notes. We refer to our 6.5.5 Net Debt Reconciliation for more information on our refinancing operation.

4.2. Net financing expenses

Net finance expenses for the first three months of 2021 are equal to €8.9m, as compared to €6.0m in the same period last year. The increase is mainly due by taking into P&L the remaining capitalized debt cost on our old notes. We refer to our 6.5.5 Net Debt Reconciliation for more information on our refinancing operation.

4.3. Taxation

Income taxes represent a benefit of €0.1m for the first three months of 2021, as compared to an income tax benefit of less than €0.1m in the same period last year.

4.4. Earnings per share

Net earnings per share for the first three months of 2021 were a loss of €0.04 versus €0.00 in the same period last year.

4.5. Cashflow and net debt

Net debt at the end of March 2021 is equal to €292.8m versus €283.2m at the end of December 2020 (Net Debt Q1 2021 includes €36.3m IFRS16 impact). The increase is mainly driven by seasonal working capital increase and one-off financing fees related to the extension of the notes.

5. Risk Factors

There are no material changes related to the risks and uncertainties for the Group as explained in the section “Summary of main risks” of the 2020 annual report.

6. Consolidated Interim Financial Statements

6.1. Consolidated Statement of Comprehensive Income

(€ thousands)	Q1 2021	Q1 2020
I. CONSOLIDATED INCOME STATEMENT		
Revenue	152,603	159,720
Raw material expenses	(71,224)	(73,569)
Changes in inventories	10,807	6,635
Employee benefit expenses	(42,319)	(43,938)
Other income	1,771	846
Other expenses	(30,504)	(32,646)
Depreciation/ amortization	(9,420)	(9,957)
Adjusted Operating Profit [1]	**11,714**	**7,092**
Integration and restructuring expenses	(7,881)	(849)
Operating profit / (loss) [1]	**3,833**	**6,243**
Finance income	1	301
Finance expenses	(8,916)	(6,315)
Net finance expenses	**(8,916)**	**(6,014)**
Profit / (loss) before income taxes	**(5,083)**	**229**
Income tax benefit / (expense)	76	32
Profit / (loss) for the period from continuing operations	**(5,007)**	**260**
Profit/ (loss) for the period from discontinued operations	-	-
Profit/(loss) for the period	**(5,007)**	**260**
Attributable to:		
Equity holders	(5,007)	260
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	3,130	(2,662)
Changes in fair value of hedging instruments qualifying for cash flow hedge accounting	(485)	832
Items in other comprehensive income that will not be reclassified to P&L		
Changes in deferred taxes	(42)	(116)
Changes in employee defined benefit obligations	168	430
Other comprehensive income for the period, net of tax	**2,771**	**(1,516)**
Total comprehensive income for the period	**(2,236)**	**(1,256)**
Basic and diluted earnings per share from continuing operations attributable to the ordinary equity holders of the company	**(0.04)**	**0.00**

(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)	31 March 2021	31 December 2020
Property, plant and equipment	309,948	312,288
Of which IFRS 16 related right-of-use assets (excluding sale-and-leaseback)	*33,674*	*34,030*
Land and buildings	168,537	170,545
Plant and machinery	131,355	131,624
Other fixtures and fittings, tools and equipment	10,057	10,118
Goodwill	192,998	189,952
Intangible assets	10,024	9,466
Deferred income tax assets	9,924	8,259
Trade and other receivables	853	815
Total non-current assets	**523,748**	**520,780**
Inventories	138,700	125,072
Trade and other receivables	51,782	50,581
Current income tax assets	819	334
Cash and cash equivalents	87,226	106,289
Total current assets	**278,528**	**282,276**
Total assets	**802,276**	**803,056**
Share capital	137,848	137,848
Share premium	155,486	155,486
Other comprehensive income	(55,266)	(58,037)
Retained earnings	(2,557)	2,450
Other reserves	(14,283)	(14,283)
Total equity	**221,228**	**223,464**
Senior Secured Notes	232,746	233,936
Bank and Other Borrowings	72,505	74,513
Of which IFRS 16 related lease liabilities (excluding sale-and-leaseback)	*27,928*	*29,515*
Deferred income tax liabilities	39,494	38,404
Provisions for other liabilities and charges	2,603	2,487
Employee benefit obligations	3,423	3,643
Total non-current liabilities	**350,771**	**352,982**
Senior Secured Notes	317	3,425
Bank and Other Borrowings	72,009	73,981
Of which IFRS 16 related lease liabilities (excluding sale-and-leaseback)	*8,336*	*6,846*
Derivative financial instruments	768	103
Other payroll and social related payables	35,533	33,837
Trade and other payables	120,184	112,242
Income tax liabilities	1,466	3,020
Total current liabilities	**230,277**	**226,609**
Total liabilities	**581,047**	**579,592**
Total equity and liabilities	**802,276**	**803,056**

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

6.3. Consolidated Statement of Cash Flows

(€ thousands)	Q1 2021	Q1 2020
I. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit / (loss) for the period	**(5,007)**	**260**
Adjustments for:		
Income tax expense/(income)	(76)	(32)
Finance income	(1)	(301)
Financial expense	8,916	6,315
Depreciation, amortisation	9,420	9,957
(Gain)/loss on disposal of non-current assets	(4)	39
Movement in provisions and deferred revenue	868	(107)
Fair value of derivatives	180	(428)
Cash generated before changes in working capital	**14,297**	**15,703**
Changes in working capital:		
Inventories	(14,697)	(13,591)
Trade receivables	(3,546)	1,572
Trade payables	12,442	7,625
Other working capital	963	(5,256)
Cash generated after changes in working capital	**9,459**	**6,054**
Net income tax (paid)	(2,634)	(2,836)
Net cash generated / (used) by operating activities	**6,825**	**3,218**
II. CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(5,629)	(6,703)
Acquisition of intangibles	(883)	(500)
Proceeds from non-current assets	111	-
Net cash used by investing activities	**(6,401)**	**(7,203)**
IIII. CASH FLOW FROM FINANCING ACTIVITIES		
Interest and other finance charges paid, net	(12,541)	(10,782)
Proceeds from borrowings with third parties	-	114,372
Repayments of Senior Secured Notes	(243)	-
Repayments of Senior Term Loan Facility	-	(35,000)
Repayments of borrowings with third parties	(6,702)	(3,481)
Net cash generated / (used) by financing activities	**(19,487)**	**65,110**
NET INCREASE/ (DECREASE) IN CASH AND BANK OVERDRAFTS	**(19,063)**	**61,124**
Cash, cash equivalents and bank overdrafts at the beginning of the period	106,289	19,241
Cash, cash equivalents and bank overdrafts at the end of the period	87,226	80,366

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 2019	**137,848**	**155,486**	**(37,111)**	**15,116**	**(14,283)**	**257,056**	**-**	**257,056**
Profit / (loss) for the period				(12,646)		(12,646)	-	(12,646)
Other comprehensive income								
Exchange differences on translating foreign operations	-	-	(21,287)	-	-	(21,287)	-	(21,287)
Changes in fair value of hedging instruments qualifying for cash flow hedge accounting	-	-	116	(19)	-	97	-	97
Cumulative changes in deferred taxes	-	-	(45)	-	-	(45)	-	(45)
Cumulative changes in employee defined benefit obligations	-	-	290	-	-	290	-	290
Total comprehensive income for the period	**-**	**-**	**(20,926)**	**(12,665)**	**-**	**(33,591)**	**-**	**(33,591)**
Balance at 31 December 2020	**137,848**	**155,486**	**(58,037)**	**2,451**	**(14,283)**	**223,464**	**-**	**223,464**
Profit / (loss) for the period	-	-	-	(5,007)	-	(5,007)	-	(5,007)
Other comprehensive income								
Exchange differences on translating foreign operations	-	-	3,130	-	-	3,130	-	3,130
Changes in fair value of hedging instruments qualifying for cash flow hedge accounting	-	-	(485)	-	-	(485)	-	(485)
Cumulative changes in deferred taxes	-	-	(42)	-	-	(42)	-	(42)
Cumulative changes in employee defined benefit obligations	-	-	168	-	-	168	-	168
Total comprehensive income for the period	**-**	**-**	**2,771**	**(5,007)**	**-**	**(2,236)**	**-**	**(2,236)**
Balance at 31 March 2021	**137,848**	**155,486**	**(55,266)**	**(2,557)**	**(14,283)**	**221,228**	**-**	**221,228**

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 three months ended March 31, 2021 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 of LSF9 Balta Issuer S.à r.l. for the year ended December 31, 2020 and any public announcements made by 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 2021. The Group intends to adopt these standards and interpretations if they have a material impact and when they become effective.

- Amendments to IAS 1, Presentation of financial statements' on classification of liabilities (effective 1 January 2022).
- A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 17 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16 (effective 1 January 2022).
- IFRS 17 insurance contracts (effective 1 January 2023).

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)	Q1 2021	Previous reported figures (1)
Revenue by segment	**152,603**	**159,720**
Rugs	59,904	49,156
Commercial	45,739	56,824
Residential	43,164	47,007
Non-Woven	3,795	6,733
Revenue by geography	**152,603**	**159,720**
Europe	78,118	90,187
North America	63,136	60,457
Rest of World	11,348	9,077
Adjusted EBITDA by segment [1]	**21,134**	**17,049**
Rugs	11,152	4,275
Commercial	6,432	8,153
Residential	3,780	4,085
Non-Woven	(231)	535
Net capital expenditure by segment	**6,405**	**7,203**
Rugs	2,792	2,467
Commercial	1,007	1,830
Residential	2,443	2,762
Non-Woven	162	144
Net inventory by segment	**138,700**	**125,072**
Rugs	63,782	53,621
Commercial	29,990	31,545
Residential	40,825	36,132
Non-Woven	4,103	3,774
Trade receivables by segment	**44,682**	**42,335**
Rugs	13,602	12,101
Commercial	16,437	16,010
Residential	14,029	13,596
Non-Woven	615	628

Note 1: For Revenue, Adjusted EBITDA and Capital Expenditure, the previous reporting period refers to 31 March 2020. The previous reported period for Net Inventory and Trade Receivables refers to 31 December 2020.

6.5.3. Integration and Restructuring Expenses

The following table sets forth integration and restructuring expenses for the period ended March 31, 2021 and 2020. This comprises various items which are considered by management as non-recurring or unusual by nature.

(€ thousands)	Q1 2021	Q1 2020
Integration and restructuring expenses	**7.881**	**849**
Corporate restructuring	7.868	-
Business restructuring	-	820
Other	13	29

Integration and restructuring expenses over the first three months of 2021 amounted to €7.9m, as compared to €0.8m in the same period last year. The integration and restructuring expenses of 2021 are mainly driven by the refinancing cost for the extension of our Senior Secured notes.

6.5.4. Goodwill

The goodwill increased by €3.0m from €190.0m as of December 31, 2020 to €193.0m as of March 31, 2021. The increase in goodwill reflects the changes in foreign exchange rate from the US dollar to euro in relation to the 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	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 2020	**(234,900)**	**(5,360)**	**(75,189)**	**(11,236)**	**(55,486)**	**(7,342)**	**(389,514)**	**106,289**	**(283,225)**
Cashflows	-	4,551	-	-	-	-	**4,551**	(19,063)	**(14,512)**
Proceeds of borrowings with third parties	-	-	-	-	-	-	**-**	-	**-**
Repayments of borrowings with third parties	243	-	-	2,702	4,000	-	**6,945**	-	**6,945**
Non- cash movements	-	(48)	2,685	(4,212)	(89)	(346)	**(2,010)**	-	**(2,010)**
Net debt as at 31 March 2021	**(234,657)**	**(857)**	**(72,505)**	**(12,745)**	**(51,576)**	**(7,688)**	**(380,027)**	**87,226**	**(292,801)**

The net debt at the end of Q1 2021 amounts to €292.8m, compared to €283.2 per Q4 2020. The table above does not include the movements in capitalized financing fees, or the interest paid.

On 3 March 2021 Balta Group was pleased to announce that it has received sufficient support for the “Exchange Offer” to implement it without the need to apply a scheme of arrangement. Eligible holders of the “Existing Notes” had validly tendered (and not validly withdrawn) €233,061,300 in aggregate principal amount (representing 99.22%) to exchange their Existing Notes for new Senior Secured Notes with a maturity of 31 December, 2024 (the “New Notes”) or cash and to vote in favour of certain amendments to the terms of the Existing Notes and the Existing Indenture by way of the Consent Solicitation. As a result, the €61m European Super Senior Revolving Credit Facility further extended to 30 June 2024.

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, 2020 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 36 'Commitments' in the IFRS Financial Statements of the 2020 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 March 31, 2021.

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.

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

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 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 and (ii) 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) Bank and other borrowings adjusted for capitalized financing fees and (iii) 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, except for sale-and-leaseback transactions).

NEXT key assumptions and NEXT impacts are to be understood versus a baseline of 2018 or 2019:

- Impacts shown for the Revenue initiatives are the anticipated gross impacts and take no account of possible ‘cannibalization effects’ or the current macro-economic uncertainty
- Impacts shown for the Margin initiatives are the anticipated gross impacts before cost inflation
- Impacts are calculated using forecasted volumes
- FX exchange rates are assumed stable over the period
- Lean and Procurement are P&L impacts (excluding Capex savings or cost avoidance) and affect either COGS (raw materials consumption or costs) or fixed expenses (e.g. maintenance)