

**LSF9 BALTA ISSUER S.à r.l.**

Senior Secured Notes due 2024  
Annual Report ended 31 December, 2021

**Registered office**

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L-2411 Luxembourg  
R.C.S. Luxembourg: B 198084

# 2021

## ANNUAL REPORT



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State-of-the-art weaving looms

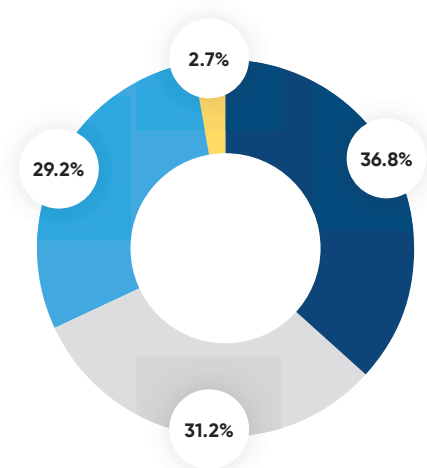
# THE GROUP AT A GLANCE

Balta is a leading producer of high-quality textile floor coverings. Representing a consolidated revenue of € 634m and the passion and commitment of 4,029 employees, our products are manufactured in 8 production facilities and sold to 136 countries worldwide.

On 29 November 2021, Balta Group has announced that it has entered into a binding agreement to sell its Rugs, Residential polypropylene and Non-Woven businesses, together with the Balta brand, to Victoria PLC (the 'transaction').

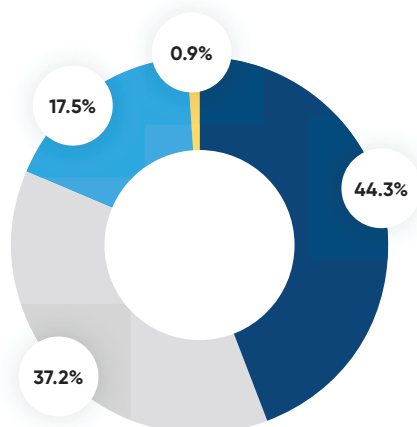
The transaction concluded, on 4 April 2022, will allow the continuing Group to focus on developing its commercial businesses in Europe and the United States under the main brands arc edition, Bentley and modulyss, as well as its premium European Residential polyamide business, ITC. For the purposes of this 2021 annual report, we will cover both the continuing and discontinued parts of the business.

We refer to the Financial Report for further information.



Revenue 2021 per segment <sup>(1)</sup>

- Rugs
- Residential
- Commercial
- Non-woven



Adjusted EBITDA 2021 per segment <sup>(2)</sup>

- Rugs
- Residential
- Commercial
- Non-woven

<sup>(1)</sup> The revenue of 2021 includes € 357.5m of revenue from the discontinued operations (Rugs, Res PP and Non-Woven).  
<sup>(2)</sup> The Adjusted EBITDA of 2021 includes € 43.9m of Adjusted EBITDA from the discontinued operations (Rugs, Res PP and Non-Woven).

## SEGMENTS

---

### Rugs

woven and tufted area rugs,  
sold under the Balta home brand.



### Residential

wall-to-wall carpet and carpet tiles  
for domestic use, through the brands  
Balta carpets, Balta carpet tiles and ITC.



### Commercial

wall-to-wall carpet and carpet tiles  
for commercial use under the brands  
arc edition, Bentley, and modulyss.



### Non-Woven

needle felt, carpet backing, and  
technical non-wovens under the  
Captiqs brand.



Our traditional core markets include the United States,  
the United Kingdom, Germany, and France. We also  
have a strong presence in Central and Eastern Europe.

# Rugs



Balta home, Re\_duce

## Balta home

### Segment position<sup>(1)</sup>

Market leader in Europe, no. 2 worldwide and a key player in the outdoor rugs segment in the United States.

### Production plants

Three in Belgium (Avelgem, Sint-Baafs-Vijve and Waregem) and one in Turkey (Uşak).

### Distribution centres

Two in Belgium (Avelgem and Sint-Baafs-Vijve), one in Turkey (Uşak) and two in the United States (Rome and Savannah, Georgia).

### Distribution channels

Major international retailers (such as home improvement, furniture specialists, discount and DIY stores), e-commerce players and wholesalers, with whom we maintain long-standing relationships.

### Brands

Line A®, Berclon®, Papilio®

### Websites

[www.balta-home.com](http://www.balta-home.com)

[www.baltarugs.com](http://www.baltarugs.com)

(1) Management estimate

*Cradle to Cradle  
certified 'Silver'*

*Papilio, Solo Collection*



*Balta home, Woven, 100% Indoor & outdoor rugs*



Balta home is a global player in machine-made rugs for indoor and outdoor use. It has state-of-the-art production facilities in Belgium and Turkey, as well as distribution centers in the United States, delivering diverse and high-quality product ranges to discerning customers around the world.

With a strong focus on sustainability, market-oriented trends, and leading-edge technologies, and leveraging its in-house creativity and renowned expertise, Balta home drives for sustained excellence by producing rug collections that add real value for clients and end-consumers alike. All our machine-made products are Oeko-Tex® certified.

The Papilio® brand, finally, incorporates our handmade rug collections, representing the pinnacle of craftsmanship and innovative aesthetics. The Papilio rugs are designed in Belgium in close collaboration with our customers, and diligently handcrafted in different countries around the world, such as India and China.

### **RE\_GENERATION rugs**

Balta home prides itself on sustainable product design through continuous innovation, the linchpin of our sustainability programme. In 2020, we created the RE\_GENERATION line, turning trash into treasure: from plastic bottles to cotton scraps and bits of old leather, they have all been re\_vived, re\_cycled and re\_invented as wholly original Balta home rug collections. With unrivaled plushness, timeless designs, rich colors and high-tech constructions, these re\_purposed rugs are sure to re\_boost every indoor and outdoor living space, with utter re\_spect for the environment.

A QA-CER-certificate, issued by the Belgian Quality Association, endorses the stated recycled content of our machine-made products in Belgium.

### **NEW GENERATION rugs**

While researching and developing new products, Balta home not only aims to reuse post- and pre-consumer waste, but also to create single-material products that are much easier to recycle. Our New Generation rugs, which were launched in 2015, have become the embodiment of this commitment. The rugs can be machine-washed and tumble-dried, making them practical and durable, while the use of a single material (polypropylene or polyester) means they can be fully and easily recycled. Sustainable, sensible, and stylish to boot, the New Generation rugs are sure to complement any interior design.

### **Cradle to Cradle Certified® Silver**

Cradle to Cradle Certified® is the global standard for products that are safe, circular, and responsibly made. Balta home is very proud to be the first rug producer in the world to receive the Cradle to Cradle Certified® accreditation for machine-made area rugs. In September 2021, a wide range of Balta home rugs were awarded the Cradle to Cradle Certified® Silver level: this includes all products under the category 'New Generation Rugs 100% PP' and 'Machine-made 100% PP rugs'. The Cradle to Cradle Certified® label demonstrates our transparency and our ongoing commitment to making a positive impact on people and the planet through our product development and business activities. We are very proud to have reached this new milestone in our 'circular journey'.



Balta carpets, Marilyn

## Balta carpets

### Segment position <sup>(1)</sup>

Leader in Europe with top positions in the United Kingdom, Germany, and Central Eastern Europe

### Production plants

Sint-Baafs-Vijve and Tielt, Belgium (broadloom)  
Zelev, Belgium (carpet tiles)

### Distribution centres

Sint-Baafs-Vijve and Tielt, Belgium

### Distribution channels

Major retailers and wholesalers, such as specialised carpet stores, home improvement and furniture chains, DIY stores, independent retailers, and carpet fitters

### Brands

Balta carpets, Balta carpet tiles, ITC

### Website

[www.balta-carpets.com](http://www.balta-carpets.com)

## Residential



Balta carpet tiles, Graphite

(1) Management estimate

Balta carpets produces residential carpet tiles, as well as tufted, woven and non-woven broadloom carpets for the residential, commercial and event markets. Our collections, color patterns, and technical features always meet the demand of the customer, whatever their project or event: we deliver any volume of cutting-edge carpet solutions across the board, from entry-level products to premium applications.

Balta carpets has a strong pedigree in broadloom carpets, and a reputation for delivering excellence. In Europe, we are the market leader in terms of volume, boasting a polypropylene production that is second to none. This has also cemented our position in the UK, one of the largest residential markets in the world. On the European continent, finally, our polyamide broadloom carpets are a preferred option in premium residential projects that value aesthetics and performance.

#### Connecting carpet and comfort

Ever ready to embrace new styles and trends, Balta carpets has introduced novel products and collections that can extend the indoors to the outdoors, offering increased softness and organic forms that lend themselves well to carpeting, and a next-gen secondary backing that incorporates recycled yarn for enhanced sustainability.

#### Flooring for the environment

Now more than ever, Balta is dedicated to producing environmentally-friendly products that meet the increasingly stringent demands and growing awareness of more sustainable lifestyles. That is why we have invested considerably in the increased and innovative use of recycled materials in our carpeting. A green case in point is Looper back, our brand-new secondary backing, which is constructed from 100% recycled polypropylene, creating a perpetual forward cycle that lets nothing go to waste.

*ITC, Sprinkle*



*Balta carpet tiles, Diva*



## Commercial

In its state-of-the-art production plant in Zele (BE), modulyss designs and procures high-quality carpet tiles for the international commercial markets. The company is active in Europe, the United States (through Bentley Mills), Asia-Pacific, Latin America, and the Middle East. Its core mission is to inspire its customers, capturing their imagination with unique and creative carpet tiles.

### Sustainable and sound

At modulyss, our customers' sense of wellbeing has always been a key factor. That is why we take into consideration important factors such as spatial planning, acoustics, and underfoot comfort, while designing products that offer a smarter and more sustainable choice. It is no surprise, then, that we currently have 219 Cradle to Cradle Certified® products on sale. One such solution is our Cradle to Cradle Certified® Gold-level ecoBack, which closes the loop on our carpet tiles: completely free of PVC and bitumen, and fully recyclable, the new carpet backing incorporates a polyolefin-based layer that contains at least 75% recycled materials. Going the extra mile, we also thought of the people who fit and install our ecoBack products: thanks to their low weight and high flexibility, the tiles are a breeze to cut, handle and put into place, ensuring a smooth and safe installation.

### The story behind the product

In terms of its product design, modulyss distinguishes itself by focusing on the power of stories. Collection groups such as Handcraft, DSGN and First, the brand prides itself on developing ideas and narratives that help designers conceptualise and coordinate their creative projects, giving voice to their unique vision or style. In 2021, for example, modulyss launched the Heritage collection, which is made up of 5 complementary carpet tile designs (Cobbles, Haze, Dune, Meadow and Polder) that were inspired by the archetypal landscapes of Flanders. The ability to mix and match products allows interior designers and architects to easily create different layouts and demonstrates the outstanding flexibility of modulyss carpet tiles.

modulyss

#### Segment position <sup>(1)</sup>

No. 3 in Europe

#### Production plant and distribution centre

Zele, Belgium

#### Distribution channels

Architects, designers, contractors and distributors (main segments: offices, education, healthcare, and hospitality)

#### Brands

modulyss®

#### Website

[www.modulyss.com](http://www.modulyss.com)

(1) Management estimate

## Bentley

### Segment position <sup>(1)</sup>

A leader in the premium United States commercial segment

### Production plant and distribution centre

Los Angeles, United States

### Distribution channels

Architects, designers, and contractors (offices, education, healthcare, and hospitality)

### Brand

Bentley®

### Website

[www.bentleymills.com](http://www.bentleymills.com)

## arc edition

### Segment position <sup>(1)</sup>

One of the leaders in Europe, with a top position in Central Eastern Europe

### Production plant and distribution centre

Tielt, Belgium

### Distribution channels

Commercial customers (including offices, education, health care, and hospitality), specialised retail groups, and wholesale

### Brand

arc edition®

### Website

[www.arcedition.com](http://www.arcedition.com)

For more than 40 years, Bentley has been synonymous with style, service, quality and partnership, the driving forces behind its iconic brand. Backed by an industry-leading design team recognised for their consistent innovation, Bentley is a leading producer of premium carpet tiles and broadloom for commercial interiors.

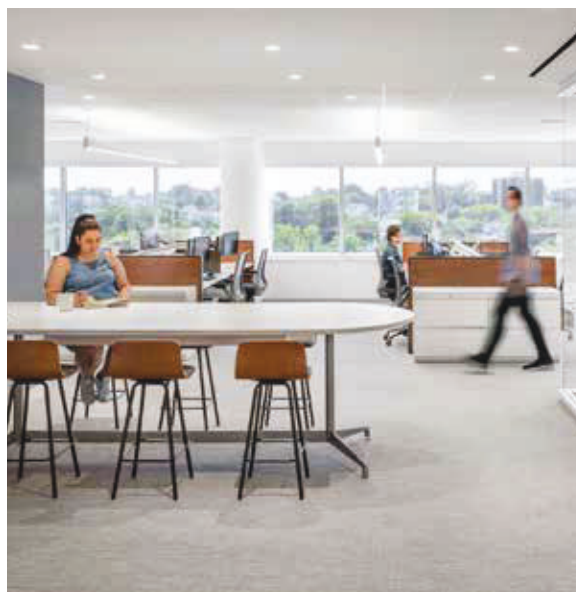
### Great growth

Bentley has long been the preferred brand of specifiers, architects, designers, and end-users. Its successes have been fuelled by unwavering support from the professional design community, its sharp focus on sustainability, and a comprehensive product portfolio that caters to the discerning customer. Bentley's impressive growth has also been accelerated by significant investments in its highly efficient production facilities, which received the Gold rating from the U.S. Green Building Council, showcasing the company's Leadership in Energy and Environmental Design (LEED).

Bentley has continued to expand its horizons with the commercial launch of its loose-lay Luxury Vinyl Tiles (LVT), which gives us a new edge in the competitive marketplace for hard surface flooring.

Partnering with sister brand modulyss in joint R&D and marketing projects, finally, Bentley continues to push the envelope in premium flooring solutions, delivering award-winning products that redefine quality and style.

Arc edition produces innovative and high-quality wall-to-wall carpet solutions for commercial environments. The brand invites flooring professionals, architects, designers, and specifiers to take full advantage of the creative potential of our high-performance flooring, which offers a perfectly balanced mix of function and form. Through our Service Collection, arc edition provides a wide choice of in-stock products suitable for use in demanding commercial environments, as well as bespoke Chromojet-printed carpets with the freedom to transform any space or room into a real statement piece.



*Bentley, Multiplay and Redacted*

## Non-Woven

Captiqs Event



*Captiqs*

**Segment position <sup>(1)</sup>**

European mid-level player

**Production plant and distribution centre**

Oudenaarde, Belgium

**Distribution channels**

Specialised B2B converters, event organisers and traditional distributors

**Brand**

Captiqs®

**Website**

[www.captiqs.com](http://www.captiqs.com)

Captiqs is a foremost European producer of technical and residential nonwovens, made from virgin and recycled polypropylene and polyester staple fibres. Captiqs offers durable, breathable, and bonded non-woven solutions for a wide spectrum of applications such as automotive and construction, events, insulation, linings, carpet backing, advertising banners, and much more. Through its innovative and dynamic approach, Captiqs is able to produce high-quality non-wovens to meet our customers' most exacting needs.

Our polypropylene-related business is vertically integrated to allow full control at every stage of the production process, from raw material to finished non-wovens. All of our operations are compliant with both the ISO 9001 and ISO 14001 management systems.



Captiqs Automotive

<sup>(1)</sup> Management estimate

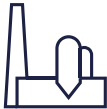
# BALTA GROUP IN NUMBERS

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## Worldwide

**8** PLANTS in the world  **2** DISTRIBUTION CENTRES

 **136** COUNTRIES WE SELL INTO

**1,003,100 m<sup>2</sup>** TOTAL MANUFACTURING FOOTPRINT 

= 200 Football pitches

## Financial



**€ 634m<sup>(1)</sup>**

REVENUE 2021

Adjusted EBITDA Margin

**13.7%**

Adjusted EBITDA<sup>(2)</sup>

**€ 87m**

## Renewable energy



**61,125**

Solar panels on 5 factory roofs in Belgium

= **10.8 GWh/year**

= The electricity consumption of 3,000 Belgian households



**-2,561 mio kg**

CO<sub>2</sub> per year

## People

**4,029**

EMPLOYEES WORLDWIDE



**50+**

NUMBER OF NATIONALITIES

(1) The revenue of 2021 includes € 357.5m of revenue from the discontinued operations (Rugs, Res PP and Non-Woven).

(2) The Adjusted EBITDA of 2021 includes € 43.9m of Adjusted EBITDA from the discontinued operations (Rugs, Res PP and Non-Woven).

# BALTA GROUP WORLDWIDE





ASIA

TURKEY  
**Uşak**  
—  
Balta home

*Our strong international presence is highlighted by the more than 50 nationalities working at 10 sites worldwide, on 3 different continents.*



*modulyss, Fashion&*

# MANAGEMENT REPORT

We are pleased to report to you on the consolidated operations of LSF9 Balta Issuer S.à r.l. ('The company' or 'Balta Issuer') and its subsidiaries ('the Group') with respect to the period ended on 31 December 2021.

## HISTORY OF THE COMPANY

LSF9 Balta Issuer S.à r.l. ('The Company') is a private limited liability company (société à responsabilité limitée) incorporated on 22 June 2015 under the laws of Luxembourg as a public limited liability company (société anonyme). The Company has its Registered Office in 15, Boulevard Friedrich Wilhelm Raiffeisen, L-1882 Luxembourg and is registered in the R.C.S. Luxembourg with number B 198084. The Company was established for the principal purpose of holding and financing the Balta Group.

On 14 June 2015, LSF9 Balta Investments S.à r.l., a subsidiary of the Company, entered into a sale and purchase agreement to purchase from Balta Luxembourg S.à r.l. (the 'Seller') all of the issued and outstanding share capital of Balta Finance S.à r.l. ('Balta Finance'), the former parent entity of the Balta Group and its subsidiaries, and certain intercompany loans between Balta Finance (as borrower) and the Seller (as lender). The closing of the acquisition of Balta Finance was reached on 11 August 2015 ('completion Date').

On 14 June 2017, The Company's corporate form changed from S.A. (société anonyme) to S.à r.l. (société à responsabilité limitée).

The Balta Group was founded in 1964 in Belgium. In more than 50 years since its foundation, it has grown into one of the largest European soft-flooring companies, producing rugs, residential broadloom, commercial broadloom, carpet tiles and non-woven fabrics for the European and international markets.

On 22 March 2017, the Group acquired 98.39% of the Bentley Group of companies, a leader in premium commercial tiles and broadloom carpets for commercial interiors in the US market. On 31 May 2017, the Group acquired the remaining shares of Bentley and gained a 100% control over Bentley as of that moment.

LSF9 Balta Issuer S.à r.l. was a wholly-owned subsidiary of LSF9 Balta Midco S.à r.l., which was in turn controlled indirectly by Lone Star Fund IX.

On 30 May 2017, LSF9 Balta Midco S.à r.l. through intermediate holdings, contributed the Group in a newly Belgian created company Balta Group NV which became the sole shareholder of the Company. The new Parent company, Balta Group NV, is publicly listed on Euronext as from 14 June 2017.

On 28 November 2021, Balta NV entered into a binding agreement to sell its Rugs, Residential polypropylene and Non-Woven businesses, together with the Balta brand (the 'Disposal' or the Discontinued Operations), to Victoria PLC.

## HIGHLIGHTS AND KEY FIGURES CONTINUING OPERATIONS

The continuing operations delivered full year 2021 consolidated revenue of € 276.8m, up 7.1% versus 2020 and Consolidated Adjusted EBITDA of € 43.0m, up 13.2% year on year. Consolidated Adjusted EBITDA margin of 15.5% was up from 14.7% the year before. The discontinued operations delivered full year 2021 consolidated revenue of € 357.5m, up 17.8% versus 2020 and Consolidated Adjusted EBITDA of € 43.9m, up 46.7% year on year. Consolidated Adjusted EBITDA margin of 12.3% was up from 9.9% the year before.

(€ million)	FY 2021	FY 2020	% Change
Revenue continuing operations	276.8	258.4	7.1%
Adjusted EBITDA continuing operations <sup>(1)</sup>	43.0	38.0	13.2%
Adjusted EBITDA Margin continuing operations	15.5%	14.7%	84bps
Adjusted Operating Profit continuing operations <sup>(1)</sup>	25.8	20.7	24.6%
Operating Profit continuing operations	19.8	13.0	53.1%
Profit for the period from continuing operations	(16.6)	(17.0)	(2.7%)
Profit for the period from discontinued operations	(112.7)	4.4	(2661.2%)

*(1) Adjusted Operating Profit and Adjusted EBITDA are non-GAAP measures as defined in Note 1.25.*

The loss for continuing operations for 2021 includes the net of tax impact of the € 6.0m non-recurring expenses for integration and restructuring. In the absence of such events, the normalized loss for the period would have been € 5.7m. Similarly, the continuing profit for 2020 includes a net non-recurring expense of € 7.8m, resulting in a normalized loss of € 7.9m.



*Balta, Naomi Collection*

## NET DEBT AND LEVERAGE<sup>(1)</sup>

Reported Net Debt at the end of 2021 of € 330.7m includes a € 45.6m IFRS 16 impact. The reported figure in 2020 was € 283.2m, including a € 36.4m IFRS 16 impact. This increase is explained by (i) higher working capital (mainly as a result of cost increases in raw materials, energy and transportation, and a partial reversal of the strong working capital reduction during 2020), (ii) non-cash increase of IFRS 16 debt due to lease contract extensions, and (iii) one off costs associated with the maturity extension of the SSN and with the Disposal. Our Net Debt exclusive IFRS 16 impact increased by € 38.2m. Leverage has decreased from 4.2x at the end of 2020 to 3.6x, as the result of the higher Adjusted EBITDA.



Balta, Fara collection

(€ million)	December 31, 2021			December 31, 2020		
	Non current	Current	Total	Non current	Current	Total
Senior Secured Notes	233.7	6.7	240.5	233.9	3.4	237.4
Bank and other borrowings for continued operations	18.1	55.0	73.0	19.9	64.6	84.6
Less: Cash and Cash equivalents for continued operations	-	(51.4)	(51.4)	-	(104.4)	(104.4)
Adjusted for capitalized financing fees	1.3	0.4	1.7	1.4	2.0	3.3
Bank and other borrowings for discontinued operations	22.4	2.4	24.9	25.1	2.5	27.6
Less: Cash and Cash equivalents from discontinued operations	-	(3.9)	(3.9)	-	(1.8)	(1.8)
Adjusted for capitalized financing fees	0.3	0.1	0.3	0.3	0.0	0.3
<b>Net Debt (excl. IFRS 16 Impact)</b>	<b>275.7</b>	<b>9.4</b>	<b>285.1</b>	<b>280.6</b>	<b>(33.7)</b>	<b>246.9</b>
Adjusted EBITDA (excl. IFRS 16) for continued operations			37.0			32.1
Adjusted EBITDA (excl. IFRS 16) for discontinued operations			41.5			27.3
<b>Leverage</b>			<b>3.6x</b>			<b>4.2x</b>
IFRS 16 impact continued operations	25.6	5.5	31.1	17.3	4.4	21.7
IFRS 16 impact discontinued operations	10.9	3.6	14.5	12.2	2.5	14.7
<b>Reported Net Debt</b>	<b>312.2</b>	<b>18.5</b>	<b>330.7</b>	<b>310.1</b>	<b>(26.9)</b>	<b>283.2</b>

(1) Leverage excluding IFRS 16 impact but including sale and leaseback transactions

## BUSINESS REVIEW

(€ million, unless otherwise mentioned)	FY 2021	FY 2020	% change	o/w organic growth	o/w FX
Commercial	198.1	190.5	4.0%		
Residential PA <sup>(1)</sup>	78.7	67.9	15.9%		
<b>Consolidated Revenue</b>	<b>276.8</b>	<b>258.4</b>	<b>7.1%</b>	<b>8.8%</b>	<b>(1.7)%</b>
Commercial	32.3	30.6	5.6%		
Residential PA <sup>(1)</sup>	10.7	7.3	45.2%		
<b>Consolidated Adjusted EBITDA</b>	<b>43.0</b>	<b>38.0</b>	<b>13.2%</b>	<b>15.9%</b>	<b>(2.7)%</b>
Commercial	16.3%	16.1%			
Residential PA <sup>(1)</sup>	13.5%	10.8%			
<b>Consolidated Adjusted EBITDA Margin</b>	<b>15.5%</b>	<b>14.7%</b>			

(1) Residential PA is comprised of residential PA and tiles

### COMMERCIAL

Full year Revenue for 2021 increased by 4% to € 198.1m (€ 190.5m 2020). The Commercial markets were less severely hit by the first lock downs in 2020 than the retail oriented businesses, but have been experiencing a slower rebound. The US and Europe were able to slightly increase sales as restrictions on indoor construction sites eased and projects started up again towards the later part of 2021, but are still awaiting the return to pre-COVID-19 levels.

Full year Adjusted EBITDA for 2021 increased to € 32.3m or 16.3% (€ 30.6m or 16.1% in 2020). The division was able to maintain margins thanks to the swift implementation of price increases to address cost inflation and to the strong results from NEXT initiatives.

Fourth quarter Revenue for 2021 of € 56.2m increased from € 45.5m in 2020 or +23.5%. Adjusted EBITDA margin for Q4 2021 reduced to 16.7% from the unusually high 21.1% in Q4 2020 due to strongly increased cost of raw materials, energy and transport. We continue to manage our cost structure very closely, while fixed costs have returned to a more normal pre-COVID-19 level. NEXT has continued to deliver cost reductions, helping to offset cost inflation, and will be followed by BEYOND.

### RESIDENTIAL PA

Full year Revenue for 2021 increased by 15.9% to € 78.7m (€ 67.9m 2020). The growth in sales is mostly driven by the increased price levels and a move to higher value products.

Full year Adjusted EBITDA of € 10.7m was up 45.2% (€ 7.3m 2020) with an Adjusted EBITDA margin of 13.5%, a significant improvement versus 10.8% in 2020. The early implementation of price increases, fixed costs remaining on prior year level and margin enhancements from NEXT initiatives, contributed to the increase in EBITDA margin against the backdrop of cost inflation.

Fourth quarter Revenue for 2021 was € 20.6m, which represents a YOY decrease of -2.1% (Q4 2020 Revenue of € 21.1m) driven by lower volumes. Adjusted EBITDA margin for Q4 2021 of 11.9% was down from a very strong 15.7% in Q4 2020, due to the significant cost inflation. A reduction of fixed costs and improvements from NEXT initiatives helped to partially offset these impacts.

## DISCONTINUED OPERATIONS

For our Discontinued Operations full year Revenue for 2021 was € 357.5m, an increase of 17.8% over 2020 (€ 303.5m in 2020). Most of this increase came from our Rugs division, which was able to increase share of wallet with existing customers, ship more products directly to North America and grow their e-commerce business.

Full year Adjusted EBITDA for 2021 grew 46.7% to € 43.9m (vs a highly COVID-19-impacted 2020 result of € 29.9m) with Adjusted EBITDA margin of 12.3%, up from 9.9% in 2020. The margin improvement was supported by the volume increase in Rugs across all major regions, a sizable price increase and only a moderate increase in fixed costs.

Fourth quarter Revenue for 2021 of € 87.8m was up 3.9% (€ 84.5m Q4 2020), mainly due to the successful implementation of price increases. Adjusted EBITDA margin for Q4 2021 was 11.4%, which represents a reduction from the very strong 17.8% we reported in Q4 2020. The gross margin dropped despite favourable sales pricing due to the significant raw material, energy and transport cost inflation. Fixed costs were in line with Q4 2020.



Balta, Satino Dolce

(€ million, unless otherwise mentioned)	FY 2021	FY 2020	% change	o/w organic growth	o/w FX
Consolidated Revenue	357.5	303.5	17.8%	17.8%	0.0%
Consolidated Adjusted EBITDA	43.9	29.9	46.7%	46.7%	0.0%
Consolidated Adjusted EBITDA Margin	12.3%	9.9%			

## FINANCIAL REVIEW

(€ thousands)	2021	2020 <sup>(2)</sup>
Revenue	276,814	258,356
Raw material expenses	(114,514)	96,232
Changes in inventories	9,655	(4,373)
Employee benefit expenses	(83,056)	(75,013)
Other income	1,044	1,158
Other expenses	(46,970)	(45,945)
<b>Adjusted EBITDA <sup>(1)</sup></b>	<b>42,974</b>	<b>37,950</b>
Depreciation/amortisation	(17,143)	(17,227)
<b>Adjusted Operating Profit <sup>(1)</sup></b>	<b>25,831</b>	<b>20,723</b>
Integration and restructuring expenses	(5,993)	(7,770)
<b>Operating profit / (loss)</b>	<b>19,838</b>	<b>12,954</b>
Finance income	1	1
Finance expenses	(28,294)	(25,493)
<b>Net finance expenses</b>	<b>(28,294)</b>	<b>(25,492)</b>
<b>Profit / (loss) before income taxes</b>	<b>(8,456)</b>	<b>(12,538)</b>
Income tax benefit / (expense)	(8,127)	(4,508)
<b>Profit / (loss) for the period from continuing operations</b>	<b>(16,583)</b>	<b>(17,047)</b>
Profit / (loss) for the period from discontinued operations	(112,712)	4,401
<b>Profit / (loss) for the period</b>	<b>(129,295)</b>	<b>(12,646)</b>

(1) Adjusted Operating Profit and Adjusted EBITDA are non-GAAP measures as defined in Note 1.25.

(2) Restated for the impact of the Discontinued Operations in accordance with IFRS 5.

### NON-RECURRING ITEMS

The net impact of non-recurring items on 2021 net result was negative € 6.0m (€ 0.17 per share), as compared to negative € 7.8m (€ 0.22 per share) in 2020. The expense in the current period is mainly driven by the one-off cost related to the extension of our Senior Secured Notes during Q1 2021.

### NET FINANCING COSTS

The net financing cost of € 28.3m (€ 25.5m 2020), primarily represents the interest expense on external borrowings. This increase is mainly driven by a one-off recognition of the remaining capitalized expenses on former Senior Secured Notes of € 2.5m in the Statement of comprehensive income, which became necessary in line with the notes re-financing in Q1 2021.

### TAXATION

The Group reported a tax expense for 2021 of € 8.1m (€ 4.5m 2020) based on an overall loss before tax of € 8.5m (loss before tax of € 12.5m for 2020). The tax expense is mainly driven by both de-recognition of deferred tax assets after the Disposal and by the non-recognition of a deferred tax asset for exceptional costs.

### FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks, including market risk (mainly foreign exchange rate risk and commodity price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial and commodity markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group's financial risk management is described in Note 26 of the Consolidated Financial Statements.

## OTHER REVIEW

### EARNING ENHANCEMENT PROGRAMS

#### NEXT (actual Balta Group)<sup>(5)</sup>

At the end of 2018, we launched our holistic, three-year transformation and earnings enhancement program called NEXT. Today, we are pleased to report that the program has been a resounding success, surpassing the initial ambitious targets formed three years ago. Through the efficient implementation of Commercial Excellence, Procurement Excellence and Lean strategies in our 8 plants, we managed to drive our top-line growth and improve our profitability.

- Revenue enhancement initiatives such as e-commerce in Rugs, focus on new growth segments for Bentley, our direct-route-to-market in modulyss and the continued launch of additional innovative and sustainable products in all divisions, generated € 122m incremental Revenues vs. 2018, of which € 54m in 2021 in spite of challenging global logistics conditions;
- Cost improvements through lean and procurement initiatives, drove € 17m EBITDA savings vs. 2018, of which € 4m in 2021.



*Balta Carpets, Natural Embrace*

#### BEYOND (Continuing Operations)

Continuing the strong legacy of our NEXT-program, we have outlined a 4-year roadmap called BEYOND, which consists of three courses of action:

- Increased focus on Sustainability through innovative products and production processes;
- Incremental drive for Efficiency through further lean and procurement initiatives;
- Emphasis on Agility through digital initiatives such as e-commerce.

The BEYOND program will be detailed at the end of H1 2022.

#### ENVIRONMENTAL AND PERSONNEL MATTERS

In 2021, the continuing operations employed an average of 1,158 employees (expressed in full-time equivalents) compared to 1,137 employees per 2020. All efforts are undertaken to ensure that all health and safety measures are in compliance with legal requirement, that appropriate training and career development opportunities are identified and that consultation with employees or their representatives continues at all levels when decisions are taken that are likely to affect employee's interest.

#### RESEARCH AND DEVELOPMENT

One of the competitive advantages of our business is our long history of creativity and innovation. We aim to leverage our research and development to continually optimize our production capacity and provide designs that appeal to our customers. We closely monitor trends in product design and innovation through continuous testing and analysis, with a focus on anticipating our customers' preferences and market developments. The continuing operations incurred € 4.9m of research and development expenses during the 12 months ended in December 31 2021 compared to the € 4.4m of research and development expenses during the 12 months ended in December 31 2020 which are included in the Statement of comprehensive income as other expenses.

#### PROSPECTS AND INFORMATION REGARDING CIRCUMSTANCES THAT COULD MATERIAL AFFECT THE DEVELOPMENT OF THE GROUP

Our potential for future business success and operating profitability must be considered in light of the risks, uncertainties, expenses and difficulties typically encountered by recently organized or combined companies. If we fail to address these risks, uncer-

<sup>(5)</sup> See Glossary for definition of NEXT Key Assumptions and Impacts

tainties and difficulties or to manage these expenses adequately, our business, financial condition and operating results may be materially adversely affected and may differ materially from your expectations based on the historical and pro forma financial information provided in this Annual Report.

### EVENTS AFTER REPORTING DATE

Balta Group was pleased to announce that it has completed the sale of its Rugs, Residential polypropylene (Residential PP) and Non-Woven businesses, together with the Balta brand, to Victoria PLC (the Transaction, the Divested Businesses) on 4 April 2022. With the closing of the transaction, Balta Group has also settled the tender offer for its senior secured notes and refinanced other debt facilities (see below). Post completion, the group has outstanding senior secured notes of € 132m, a sale and lease back facility of € 20m and an undrawn RCF facility of € 45m.

In preparation of and conditioned upon completion of the Disposal discussed above, LSF9 Balta Issuer S.à r.l. announced on 3 March 2022 that it was offering to purchase for cash any and all of its € 234,027,888 Senior Secured Notes due 2024 (the 'Notes'), exchange any and all of the Notes for new senior secured notes (the 'New Notes') and soliciting consents (the 'Consent Solicitation') to vote in favour of certain amendments to the terms of the Notes and the indenture governing the Notes (the 'Proposed Amendments') from holders of the Notes ('Noteholders'). More than 90% of the holders of the principal amount of the Notes participated in the Tender Offer and/or Exchange Offer and so the Notes will remain outstanding as a single tranche as amended by the Proposed Amendments, for an amount of € 130m due in 2024.

The Proposed Amendments, amended the Indenture to decrease the redemption price of the Notes during the period on or after March 15, 2023 to (but excluding) the date of redemption, to 100% of the principal amount thereof plus accrued and unpaid interest and Additional Amounts.

Next to that, the € 61m European Super Senior Revolving Credit Facility was repaid and replaced by an undrawn € 45m Super Senior Revolving Credit Facility to be used by the full remaining continuing operations. Finally, the \$ 18.0m revolving credit facility was also repaid in full and was terminated as the Bentley group is now allowed to draw under the € 45m Super Senior Revolving Credit Facility.

Following the events in Ukraine that started in the first quarter of 2022, several economic sanctions against Russia were taken by both Europe and the US. The direct impact on the Balta Group was limited as we have no direct sourcing from Russia (nor Ukraine) and sales into Russia is only a negligible part of the group sales. New sales towards Russia are put on hold until further notice. The indirect impacts in terms of raw material prices, general inflation, interest rates are assessed on a daily basis and proportional measures are implemented.

### DISCHARGE

The Board of Managers requests the Partners of the Group to approve the Consolidated Financial Statements as attached hereto and to grant discharge to the Board of Managers and to the statutory auditors for the exercise of their mandate during the last financial year.

The Consolidated Financial Statements of the Group have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS). These Group Consolidated Financial Statements were authorized for issue by the Board of Managers on April 25 2022. 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 this Financial Statements.

### BOARD OF MANAGERS

The Board of Managers of LSF9 Balta Issuer S.à r.l. is as follows:

#### **Cyrille Ragoucy**

Manager

Start of mandate: 26 August 2018

#### **Emmanuel Rigaux**

Manager

Start of mandate: 6 October 2021

#### **Jean-Philippe Kuhn**

Manager

Start of mandate: 16 June 2017

#### **Amandine Le Floch**

Manager

Start of mandate: 18 November 2020

The statutory auditors are PricewaterhouseCoopers Société Coopérative, 2, Rue Gerhard Mercator, B.P. 1443, L-1014 Luxembourg.



# SUMMARY OF MAIN RISKS

At Balta, risk management is an inherent part of doing business. The summary below, though not exhaustive, provides an overview of the main risks we were able to identify. While we take mitigating actions, we cannot guarantee that such risks will not materialize.

## MARKET COMPETITION

The global flooring market is competitive and each of our divisions face competition from other soft flooring manufacturers as well as hard flooring alternatives.

The key to our competitiveness is our ability to identify and respond to rapidly changing consumer preferences which require us to frequently renew our designs and product mixes, and to continuously innovate.

There is a clear upward trend in digital acceleration. In order to capture growing online demand and reduce cost-to-serve, we need to engage with customers, secure online presence, deploy new digital sales channels and build adequate e-commerce capabilities.

## CUSTOMER DEPENDENCY

Our main customers consist of large retailers and wholesalers with a substantial buying power. In 2021, our top three customers accounted for 17.9 % of our revenue. We strive to successfully retain our key customers as they represent an important part of our

sales. Moreover, we are dependent on our customers' continued success in their own markets. In line with normal industry practice, we have no formal contracts with the majority of our customers. We typically deal with our customers on a non-exclusive basis without minimum purchase obligations.

## GENERAL MACRO-ECONOMIC AND GEOPOLITICAL EVENTS & TRADE REGULATIONS

Product demand depends significantly on consumer confidence and factors impacting both the residential and commercial renovation as well as the construction markets. With production and distribution facilities in Belgium, Turkey and the United States, and sales in over 136 countries, we are exposed to geopolitical risk on both the demand and supply side.

As the United Kingdom represents 16% of our 2021 revenues, mainly resulting from our Residential business, the Group was exposed to the consequences of the United Kingdom's exit from the European Union (Brexit). The Group is translating the impact of the

Brexit-deal into practical measures and will continue to do so going forward. Management has also performed a number of assessments on our logistics flows and adapted some processes accordingly.

In October 2020, we expanded to EU AEOF (Authorized Economic Operator), a certification for full authorization (combining AEOS and AEOC), which certifies us to securely organize and protect our supply chains from threats. The Belgian customs authorities have audited all of our production sites in Belgium. AEOF has been part our plan to mitigate risks when exporting to the UK and is applicable for export to all non-EU countries.

These certifications help to secure the continuation of a premium worldwide delivery service.

To be in possession of this certificate allows membership of the Custom Trade Partnership Against Terrorism (CTPAT), a US Customs and Border Protection (CBP) voluntary private-public partnership program. CTPAT ensures that goods in the supply chain are legitimate and legal from manufacturer through to end-users. While it was originally set up to protect supply chains in the US from terrorist activity and illegal trade, it does minimize the potential risk for Balta when trading internationally.

Since the UK ceased to be a member of the EU as of 1 January 2021, Balta has further aligned with the requirements of the Common Foreign and Security Policy (CFSP). This is the organized, agreed foreign policy of the EU which encompasses security and defense diplomacy and actions. CFSP only deals with a specific part of the EU's external relations. Its domains include Trade and Commercial Policy as well as other areas such as funding to third countries. We will generally trade with the UK under CFSP status.

Additionally, measures have been taken to help protect the revenue stream from a potential devaluation of the pound sterling by combining pricing mechanisms and hedging contracts. Increased import duties or sanctions against the import of particular goods in certain countries could pose barriers to the success of our business.

## SUPPLIER RISK

A major supplier has informed Bentley Mills of its plans to cease production of Nylon 6.6 carpet fiber by July of 2022. Some product ranges and collections are impacted by this decision.

Management has assessed the impact of this decision on the net realizable value of inventory and the proper actions have been taken to mitigate the risks for the existing and future business. Per 31 December 2021, these actions will be put into effect when deemed necessary.

## LEGAL AND COMPLIANCE

Failure to comply with the laws of the countries we do business with may result in a delay or temporary suspension of our sales and operations which may impact our financial position. Insufficient precautions or awareness regarding safeguarding confidential matters in our highly competitive market may lead to competitive disadvantages, loss of business intelligence and reputation damage.

## PUBLICITY AND REPUTATION

We may be affected by product recall or liability claims or otherwise be subject to adverse publicity.

## EMPLOYEES

Our ability to successfully execute our strategy depends on our efforts in attracting, retaining and developing our employees.

If the relationship with our employees or trade unions were to deteriorate, this could have an adverse impact on our business.

The COVID-19 outbreak came as an unprecedented event which disrupted our way of life and caused increased stress and anxiety for employees everywhere. The Company has explored options on how to provide additional physical and emotional support to its employees during this period of uncertainty. By focusing on delivering effective communication only, we addressed the impact of agile and remote working.

## RAW MATERIALS AND SUPPLY CHAIN

We use large quantities of raw materials for which we depend on a limited number of suppliers. Most of these suppliers are large companies and can exert substantial supplier power. We have long-standing relationships with our key suppliers.

In 2021, raw material expenses represented 47,3% of our revenues. The key raw materials used were polypropylene, yarn, latex and polyamide. Together they represented approximately 70% of our total raw material expenses.

Raw material prices can be volatile and depend on factors that are often beyond our control. This includes, but is not limited to, local supply and demand balance, general economic conditions and fluctuations in commodity prices. The majority of our price agreements with customers do not include raw material price indexation mechanisms.

Reference is made to commodity price risk, as described under Note 26 of the section Financial Risk Management in the Financial Statements.

## PRODUCTION AND LOGISTICS

The ability to produce and deliver products on time is key to both attracting new and retaining existing customers. Disruptions at our manufacturing or distribution facilities may occur and could result in temporary shortfalls in production, late or incomplete deliveries or an increase in our cost of sales. We may incur losses that are completely or partially uninsured. We do not have our own transportation facilities and depend on third-party service providers for a timely delivery of our products.

## IT

Failure of our IT platform could hamper our ability to process orders on time. With the use of our IT platform, we manage our operations (including sales, customer service, logistics and administration). We have a complex and heterogeneous application landscape that consists of certain systems from prior acquisitions that have only been partially integrated, which could trigger operational risks.

Businesses are also contending with increasing cyber-crime-related incidents, which require us to maintain adequate cyber security. Any failure to do so may adversely affect our operations.

Organizations are increasingly investing in digital transformation. Key technologies such as intelligent automation, artificial intelligence, low code application development, and technological decision may guard businesses against future disruptions. Falling behind on these trends could lead to an increased vulnerability to disruptions and a disadvantage in competitiveness.

## FINANCIAL

Our activities expose us to a variety of financial risks including, but not limited to, currency risk, interest rate risk, credit risk and liquidity risk. Part of our sales and purchases are denominated in currencies other than the euro. Key currencies include pound sterling, US dollar and Turkish lira. The fluctuation of these currencies versus the euro may impact our results. Additionally, a devaluation of currencies versus the euro for countries where our competitors manufacture or source raw materials, such as Turkey or Egypt, may have an impact on our competitiveness. Some of our external borrowings carry interest at a variable rate.

Not all the credit risk exposure towards our customers is covered by our external credit insurance agreements.

Amongst others, a reduction in external credit limits might cause the existing factoring not to be available at existing levels or cost going forward. Changes in our own credit rating could detrimentally affect our working capital and liquidity.

Our external financing agreements include obligations, restrictions and covenants, which may have an adverse effect on our business, financial situation and operational result if we would be unable to meet these. More details on this can be found in Note 26 of the section Financial Risk Management in the Financial Statements.

### **Changes in tax legislation or accounting rules could affect future results**

Changes in assumptions underlying the carrying value of our assets could result in an impairment of such assets, including intangible assets such as goodwill.

In March 2021, Balta received strong support for its February 2021 exchange offer (the 'Exchange Offer') on its 7.75% Senior Secured Notes due September 2022 ('Existing Notes'). Eligible holders of Existing Notes validly tendered 99.22% of aggregate principal amount, to exchange the Existing Notes for new Senior Secured Notes with a maturity of 31 December 2024. Consents were received to (i) substantially remove all covenants, other obligations and certain events of default under the indenture of the Existing Notes, (ii) amend the existing indenture and the Existing Notes such that (A) all guarantors are released from their obligations under the existing guarantees, (B) all liens in collateral granted for the benefit of the existing noteholders are released, (C) the interest rate applicable to the Existing Notes is reduced to 3.00% per annum and (D) the maturity date of the Existing Notes is extended to 31 December, 2030.

Consequently, the maturity of our € 61m European super Senior Secured Notes Revolving Credit Facility automatically extended to 30 June 2024. The Exchange Offer substantially improved Balta's debt maturity profile and will enable Balta to further execute its strategy. We continue to monitor the markets closely to identify the best possible window for future refinancing of our debt, at the right time and under the right terms and conditions. Reference is made to the risk factors referred to in Note 27 of the section 'Financial Risk Management' in the Financial Statements.

## BEYOND PROGRAMME

As a successor to our transformational programme called 'NEXT', we are launching the 'BEYOND' programme. This programme is designed to deliver a significant improvement in earnings over a four-year period. The key initiatives focus on sustainability through innovative products and processes, increasing cost competitiveness through Lean initiatives and Procurement savings and agility through digital initiatives such as e-commerce. While our BEYOND initiatives are essential to reinforce our competitive position and drive margin improvement, we may be delayed or fall below our expectations on the anticipated improvements in earnings.

## SUSTAINABILITY

Customer expectations on delivering sustainable products are increasingly demanding and challenging. The risk of not meeting new technology and sustainability requirements and missing out on market developments may lead to competitive disadvantages as well as significant loss of share. Failing to integrate sustainability as a part of the Group strategy can affect future competitiveness, long-term value creation and Group longevity. In the near future, the carpets and rugs industry will be confronted with more stringent legislation about Extended Producer Responsibility (EPR). In order to implement these new regulations Balta will need to engage with national and international sector federations. Balta also has a Sustainability Committee that monitors effective management of sustainability within the Group. Global warming or the effect of climate change has resulted in new material climate-related risks (physical and transition risks, mobility and transport, sourcing raw materials, etc.) which may have significant impacts on our reputation, access to finance, cost of complying with new regulations, business profitability and long-term resilience.

## COVID-19

Pandemics such as COVID-19 have the capacity to severely impact the Group's earnings by interrupting supply chains, reducing demand and disrupting the workforce. The Group addressed short-term COVID-19 risks by securing financial stability, achieving a lower and more agile cost structure, adapting operations, engaging with customers and increasing resilience.

There is no doubt that the pandemic has caused permanent changes in the way individuals live, the way the government serves citizens and how businesses operate. Making it possible to face mid- and long-term risks, the Group also closely screens changes in the global economy, technology evolution, shifts in societal norms and consumer behaviour, and reframes the enterprise so it is ready for the new value-based economy.



*Balta home, Mira*



# FINANCIAL STATEMENTS

# 1. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## FOR THE PERIOD ENDED 31 DECEMBER

(€ thousands)	Note	2021	2020 <sup>(2)</sup>
<b>I. CONSOLIDATED INCOME STATEMENT</b>			
Revenue	NOTE 4	276,814	258,356
Raw material expenses		(114,514)	(96,232)
Changes in inventories	NOTE 15	9,655	(4,373)
Employee benefit expenses	NOTE 6	(83,056)	(75,013)
Other income	NOTE 7	1,044	1,158
Other expenses	NOTE 7	(46,970)	(45,945)
Depreciation / amortisation	NOTE 8	(17,143)	(17,227)
<b>Adjusted Operating Profit<sup>(1)</sup></b>		<b>25,831</b>	<b>20,723</b>
Integration and restructuring expenses	NOTE 9	(5,993)	(7,770)
<b>Operating profit / (loss)</b>		<b>19,838</b>	<b>12,954</b>
Finance income	NOTE 10	1	1
Finance expenses	NOTE 10	(28,294)	(25,493)
<b>Net finance expenses</b>		<b>(28,294)</b>	<b>(25,492)</b>
<b>Profit / (loss) before income taxes</b>		<b>(8,456)</b>	<b>(12,538)</b>
Income tax benefit / (expense)	NOTE 11	(8,127)	(4,508)
<b>Profit / (loss) for the period from continuing operations</b>		<b>(16,583)</b>	<b>(17,047)</b>
Profit / (loss) for the period from discontinued operations	NOTE 39	(112,712)	4,401
<b>Profit / (loss) for the period</b>		<b>(129,295)</b>	<b>(12,646)</b>
<i>Attributable to:</i>			
Equity holders		(129,295)	(12,646)
Non-controlling interest		-	-
<b>II. CONSOLIDATED OTHER COMPREHENSIVE INCOME</b>			
<i>Items in other comprehensive income that may be subsequently reclassified to P&amp;L</i>			
Exchange differences on translating foreign operations		8,804	(10,335)
Changes in fair value of hedging instruments qualifying for cash flow hedge accounting		(117)	116
<i>Items in other comprehensive income that will not be reclassified to P&amp;L</i>			
Changes in deferred taxes		(17)	(4)
Changes in employee defined benefit obligations		125	167
<b>Other comprehensive income for the period, net of tax, for continuing operations</b>		<b>8,796</b>	<b>(10,056)</b>
Total comprehensive income from discontinued operations		(10,049)	(10,870)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>(130,548)</b>	<b>(33,572)</b>
<b>Basic and diluted earnings per share from continuing operations attributable to the ordinary equity holders of the company</b>	NOTE 34	<b>(0.12)</b>	<b>(0.12)</b>

(1) Adjusted Operating Profit / Operating profit / (loss) are non-GAAP measures as defined in Note 1.25.  
(2) Restated for the impact of the Discontinued Operations in accordance with IFRS 5.

The accompanying Notes form an integral part of these Consolidated Financial Statements.

# 2. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## AS AT 31 DECEMBER

(€ thousands)	NOTE	2021	2020
Property, plant and equipment		105,943	312,288
<i>Of which IFRS 16 related right-of-use assets (excluding sale-and-leaseback)</i>		28,892	34,030
Land and buildings	NOTE 13	52,390	170,545
Plant and machinery	NOTE 13	47,134	131,624
Other fixtures and fittings, tools and equipment	NOTE 13	6,420	10,118
Goodwill	NOTE 5	101,110	189,952
Other intangible assets	NOTE 12	6,424	9,466
Deferred income tax assets	NOTE 14	4,592	8,259
Trade and other receivables	NOTE 16	537	815
<b>Total non-current assets</b>		<b>218,606</b>	<b>520,780</b>
Inventory	NOTE 15	62,812	125,072
Trade and other receivables	NOTE 16	23,824	50,581
Current income tax assets		9	334
Cash and cash equivalents	NOTE 17	51,394	106,289
Assets from discontinued operations	NOTE 39	329,983	-
<b>Total current assets</b>		<b>468,022</b>	<b>282,276</b>
<b>TOTAL ASSETS</b>		<b>686,628</b>	<b>803,056</b>
Share capital	NOTE 18	137,848	137,848
Share premium	NOTE 18	155,486	155,486
Other comprehensive income	NOTE 19	(4,835)	(13,630)
Retained earnings	NOTE 20	(18,534)	(1,950)
Elements of comprehensive income from discontinued operations		(162,767)	(40,006)
Other reserves		(14,283)	(14,283)
<b>Total equity</b>		<b>92,916</b>	<b>223,464</b>
Senior Secured Notes	NOTE 21	233,744	233,936
Bank and Other Borrowings	NOTE 22	43,687	74,513
<i>Of which IFRS 16 related lease liabilities (excluding sale-and-leaseback)</i>		25,620	29,515
Deferred income tax liabilities	NOTE 14	8,459	38,404
Provisions for other liabilities and charges	NOTE 29	2,025	2,487
Employee benefit obligations	NOTE 27	762	3,643
<b>Total non-current liabilities</b>		<b>288,678</b>	<b>352,982</b>
Senior Secured Notes	NOTE 21	6,714	3,425
Bank and Other Borrowings	NOTE 22	60,393	73,981
<i>Of which IFRS 16 related lease liabilities (excluding sale-and-leaseback)</i>		5,514	6,846
Derivative financial instruments	NOTE 25	(0)	103
Other payroll and social related payables	NOTE 28	14,572	33,837
Trade and other payables	NOTE 30	45,516	112,242
Income tax liabilities		621	3,020
Liabilities from discontinued operations	NOTE 39	177,218	-
<b>Total current liabilities</b>		<b>305,034</b>	<b>226,609</b>
<b>Total liabilities</b>		<b>593,712</b>	<b>579,592</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>686,628</b>	<b>803,056</b>

The accompanying Notes form an integral part of these Consolidated Financial Statements.

# 3. CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 31 DECEMBER

(€ thousands)	Note	2021	2020 <sup>(1)</sup>
<b>I. CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Net profit / (loss) from the period for continuing operations</b>		<b>(16,583)</b>	<b>(17,047)</b>
<i>Adjustments for:</i>			
Income tax expense / (income)	NOTE 11	8,127	4,508
Finance income		(0)	(1)
Financial expenses	NOTE 10	28,294	25,493
Depreciation / amortisation	NOTE 8	17,143	17,227
(Gain) / loss on disposal of non-current assets		(59)	(32)
Movement in provisions		565	1,288
Fair value of derivatives		(117)	116
<b>Cash generated before changes in working capital</b>		<b>37,370</b>	<b>31,554</b>
<i>Changes in working capital:</i>			
Inventories	NOTE 15	(16,799)	5,740
Trade receivables	NOTE 16	(2,415)	6,303
Trade payables	NOTE 30	5,717	(3,117)
Other working capital		1,712	(5,704)
<b>Cash generated after changes in working capital</b>		<b>25,585</b>	<b>34,775</b>
Net income tax (paid)		(5,406)	(4,706)
<b>Net cash generated / (used) by operating activities</b>		<b>20,179</b>	<b>30,070</b>
<b>II. CASH FLOW FROM INVESTING ACTIVITIES</b>			
Acquisition and disposal of property, plant and equipment	NOTE 13	(10,585)	(10,168)
Acquisition of intangibles	NOTE 12	(456)	(559)
Proceeds from non-current assets		72	32
<b>Net cash used by investing activities</b>		<b>(10,969)</b>	<b>(10,695)</b>
<b>III. CASH FLOW FROM FINANCING ACTIVITIES</b>			
Interest and other finance charges paid, net		(24,731)	(21,543)
Proceeds from borrowings with third parties	NOTE 24	-	95,873
Repayments of Senior Secured Notes		(243)	-
Repayments of borrowings with third parties	NOTE 24	(17,704)	(49,309)
<b>Net cash generated / (used) by financing activities</b>		<b>(42,678)</b>	<b>25,021</b>
<b>NET INCREASE/ (DECREASE) IN CASH AND BANK OVERDRAFTS</b>		<b>(33,469)</b>	<b>44,395</b>
Cash, cash equivalents and bank overdrafts at the beginning of the period for continuing operations		104,440	17,186
Exchange gains/(losses) on cash and cash equivalents		1,916	(2,477)
Financing and cash transactions between continued and discontinued operations		(21,494)	45,336
Cash, cash equivalents and bank overdrafts at the end of the period from continuing operations	NOTE 17	51,393	104,440
Cash from discontinued operations	NOTE 39	3,909	1,849

(1) Restated for the impact of the Discontinued Operations in accordance with IFRS 5.

The accompanying Notes form an integral part of these Consolidated Financial Statements.

# 4. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 31 DECEMBER

(€ thousands)	Share capital	Share premium	Other comprehensive income	Retained earnings	Other reserves <sup>(1)</sup>	Total	Elements of comprehensive income from discontinued operations	Total equity
<b>Balance 31 December 2019</b>	<b>137,848</b>	<b>155,486</b>	<b>(3,575)</b>	<b>15,116</b>	<b>(14,283)</b>	<b>290,592</b>	<b>(33,537)</b>	<b>257,056</b>
Profit / (loss) for the period	-	-	-	(17,047)	-	(17,047)	4,401	(12,646)
<b>Other comprehensive income</b>								
Exchange differences on translating foreign operations	-	-	(10,335)	-	-	(10,335)	(10,951)	(21,287)
Changes in fair value of hedging instruments qualifying for cash flow hedge accounting	-	-	116	(19)	-	97	-	97
Cumulative changes in deferred taxes	-	-	(4)	-	-	(4)	(41)	(45)
Cumulative changes in employee defined benefit obligations	-	-	167	-	-	167	122	290
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>-</b>	<b>-</b>	<b>(10,056)</b>	<b>(17,066)</b>	<b>-</b>	<b>(27,122)</b>	<b>(6,469)</b>	<b>(33,591)</b>
<b>Balance at 31 December 2020</b>	<b>137,848</b>	<b>155,486</b>	<b>(13,630)</b>	<b>(1,950)</b>	<b>(14,283)</b>	<b>263,471</b>	<b>(40,006)</b>	<b>223,464</b>

(1) Other reserves were created as a result of certain pre IPO transactions. Refer to the 2017 annual report for more information.

The accompanying Notes form an integral part of these Consolidated Financial Statements.

(€ thousands)	Share capital	Share premium	Other comprehensive income	Retained earnings	Other reserves <sup>(1)</sup>	Total	Elements of comprehensive income from discontinued operations	Total equity
<b>Balance 31 December 2020</b>	<b>137,848</b>	<b>155,486</b>	<b>(13,630)</b>	<b>(1,950)</b>	<b>(14,283)</b>	<b>263,471</b>	<b>(40,006)</b>	<b>223,464</b>
Profit / (loss) for the period	-	-	-	(16,583)	-	(16,583)	(112,712)	(129,295)
<b>Other comprehensive income</b>								
Exchange differences on translating foreign operations	-	-	8,804	-	-	8,804	(10,375)	(1,571)
Changes in fair value of hedging instruments qualifying for cash flow hedge accounting	-	-	(117)	-	-	(117)	-	(117)
Cumulative changes in deferred taxes	-	-	(17)	-	-	(17)	(116)	(133)
Cumulative changes in employee defined benefit obligations	-	-	125	-	-	125	442	568
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>-</b>	<b>-</b>	<b>8,796</b>	<b>(16,583)</b>	<b>-</b>	<b>(7,787)</b>	<b>(122,761)</b>	<b>(130,548)</b>
<b>Balance at 31 December 2021</b>	<b>137,848</b>	<b>155,486</b>	<b>(4,835)</b>	<b>(18,534)</b>	<b>(14,283)</b>	<b>255,683</b>	<b>(162,767)</b>	<b>92,916</b>

(1) Other reserves were created as a result of certain pre IPO transactions. Refer to the 2017 annual report for more information.

The accompanying Notes form an integral part of these Consolidated Financial Statements.

# 5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 1 ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. These policies have been consistently applied in the years presented, unless otherwise stated.

### NOTE 1.1. BASIS OF PREPARATION

#### Basis of preparation

These Consolidated Financial Statements of LSF9 Balta Issuer S.à r.l. ('the Company' or 'Balta Issuer' or 'Balta'), registered at 15, Boulevard Friedrich Wilhelm Raiffeisen, L-2411 Luxembourg (R.C.S. Luxembourg: B 198084) and its subsidiaries ('the Group') have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union. These include all IFRS standards and IFRIC interpretations issued and effective at 31 December 2021.

The Financial Statements of the Company for the period 1 January 2021 to 31 December 2021 comprise the Company and its subsidiaries (together referred to as 'the Group' and individually as 'Group entities').

These Consolidated Financial Statements are presented in EUR, which is the Group's presentation currency and the functional currency of the Company. All amounts in these Consolidated Financial Statements are presented in thousands of EUR, unless otherwise stated. Rounding adjustments have been made in calculating some of the financial information included in these Consolidated Financial Statements.

These Financial Statements are prepared on a going concern basis, i.e. assuming that operations will continue for the foreseeable future, that is at least the next 12 months.

Any events and/or transactions significant to an understanding of the changes since 31 December 2020 have been included in these notes to the Consolidated Financial Statements.

The preparation of Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements are disclosed in Note 2.

#### Impact of new standards

The below listed new standards, amendments and interpretations to standards have been issued. The Group intends to adopt these standards and interpretations if applicable and considered to be significant, when they become effective and mandatory.

The following **amendments** to standards are **mandatory** for the first time for the financial year beginning 1 January 2021 and have **been endorsed by the European Union**:

- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (effective 01/01/2021).** These amendments address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments are effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.
- **Amendment to IFRS 16 Leases COVID-19-Related Rent Concessions (effective 01/06/2020, with early application permitted).** If certain conditions are met, the Amendment would permit lessees, as a practical expedient, not to assess whether particular COVID-19-related rent concessions are lease modifications. Instead, lessees that apply the practical expedient would account for those rent concessions as if they were not lease modifications.

The following **new standards and amendments** have been issued, are **not mandatory** for the first time for the financial year beginning 1 January 2021 but have **been endorsed by the European Union**:

- **Amendments to IFRS 16 Leases COVID-19-Related Rent Concessions beyond 30 June 2021 (effective 01/04/2021, with early application permitted).** The amendments extend, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. In particular, the amendment permits a lessee to apply the practical expedient regarding COVID-19-related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022 (rather than only payments originally due on or before 30 June 2021). The amendment is effective for annual reporting periods beginning on or after 1 April 2021 (earlier

application permitted, including in financial statements not yet authorised for issue at the date the amendment is issued).

• **Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements (effective 1 January 2022).**

The package of amendments includes narrow-scope amendments to three Standards as well as the Board's Annual Improvements, which are changes that clarify the wording or correct minor consequences, oversights or conflicts between requirements in the Standards.

- **Amendments to IFRS 3 Business Combinations** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- **Amendments to IAS 16 Property, Plant and Equipment** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- **Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets** specify which costs a company includes when assessing whether a contract will be loss-making.
- **Annual Improvements 2018-2020** make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.

The following **amendments** have been issued, but are **not mandatory** for the first time for the financial year beginning 1 January 2021 and have **not been endorsed by the European Union**:

- **Amendments to IAS 1 'Presentation of Financial Statements: Classification of Liabilities as current or non-current' (effective 01/01/2023),** affect only the presentation of liabilities in the statement of financial position – not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. They:

- Clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the 'right' to defer settlement by at least twelve months and make explicit that only rights in place 'at the end of the reporting period' should affect the classification of a liability;
- Clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

• **Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies (effective 1 January 2023).**

The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies. The IAS 1 amendment requires companies to disclose their material accounting policy information rather than their significant accounting policies. Further, the amendment to IAS 1 clarifies that immaterial accounting policy information need not be disclosed. To support this amendment, the Board also amended IFRS Practice Statement 2, 'Making Materiality Judgements', to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted (subject to any local endorsement process).

• **Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (effective 1 January 2023).**

The amendment to IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted (subject to any local endorsement process).

• **Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective 1 January 2023).**

The amendments clarify how companies account for deferred tax on transactions such as leases and

decommissioning obligations. The main change in the amendments is an exemption from the initial recognition exemption of IAS 12.15(b) and IAS 12.24. Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Early adoption is permitted.

## **NOTE 1.2. CONSOLIDATION**

### **Subsidiaries**

Subsidiaries are all entities for which the Group is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

The Group applies the acquisition method to account for business combinations. The consideration paid reflects the fair value of the assets transferred, the liabilities assumed and the equity instruments issued. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration agreement (for example, variable consideration contingent on future events such as achievement of post-acquisition earnings targets or success of a significant project).

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Acquisition-related costs are expensed in the income statement.

The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest and previously held interest in the entity acquired. For each business combination, the Group

measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. The excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net recognised amount (generally at fair value) of the identifiable assets acquired and liabilities assumed is recognised as goodwill. Negative goodwill is recognised immediately in the income statement.

Intercompany transactions, balances and unrealised gains on transactions between Group entities are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred in which case the asset is impaired through the income statement. Accounting policies of subsidiaries are changed where necessary to ensure consistency with the policies adopted by the Group.

IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations) does not specify the treatment for the elimination of intercompany transaction between the discontinued and continuing operations. As an accounting policy Balta Group opts to eliminate intercompany transactions within the income statement between the discontinued and continuing operations. In line with the required elimination of all intercompany balances for the statement of financial position (IFRS 10).

### **Segment reporting**

Note 4 provides the Group's segment information, in line with IFRS 8. The Group will operate its remaining business through 2 segments, which are organised by product and sales channel. The Residential PA segment designs, manufactures and distributes branded broadloom carpets (ITC brand) and tiles to major retailers and wholesalers. The Commercial segment designs, manufactures and distributes modular carpet tiles mainly for offices and public projects through the Group's modulyss brand in Europe (Commercial Europe), the Bentley brand in the US (Commercial US), and broadloom carpets mainly for the hospitality sector through its arc edition brand to architects, designers, contractors and distributors.

Operating segments are reported in a manner consistent with the internal reporting provided to the Board and the Management Committee. Items that are provided on a monthly basis to the Management

Committee are revenues, Adjusted EBITDA, net inventory, accounts receivable and capital expenditure. The segment information provided in Note 4 has been selected on this basis. It follows that other items such as total assets and liabilities per segment are not reviewed internally and hence not disclosed. Interest income, interest expense and taxes are managed centrally and accordingly such items are not presented by segment as they are excluded from the measure of segment profitability. Please note that because of the announced binding agreement to sell our Rugs, Residential polypropylene and Non-Woven businesses (see Note 39), we simplified our reporting structure in 2021 resulting in only 2 reporting segments.

### NOTE 1.3. FOREIGN CURRENCY TRANSLATION Functional and presentation currency

Items included in the Financial Statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Consolidated Financial Statements are presented in EUR, which is the Group's functional and the Group's presentational currency. All amounts are stated in thousands of EUR unless otherwise stated.

#### Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or date of valuation, in case of items that are re-measured at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to cash and cash equivalents and borrowings, including borrowings, payables and receivables between Group entities that do not qualify as a net investment in a foreign operation are presented in the Consolidated statement of comprehensive income within 'Finance income' and 'Finance expenses'. All other foreign exchange gains and losses are presented in the Consolidated statement of comprehensive income within 'Other income' or 'Other expenses' which are part of the operating profit.

The principal exchange rates that have been used to prepare these Financial Statements are as follows:

	31 December 2021		31 December 2020	
	Closing	Average	Closing	Average
USD	1.1326	1.1827	1.2271	1.1422
TRY	14.6823	10.4408	9.0079	8.0140
GBP	0.8403	0.8596	0.8990	0.8897

#### Group entities

The results and financial position of Group entities (none of which have the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each Statement of financial position presented are translated at the closing or year-end rate;
- income and expenses for each Statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in 'Other comprehensive income'.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments (if any), are taken to 'Other comprehensive income'. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the Statement of comprehensive income as part of the gain or loss on sale.

Foreign exchange gains and losses that relate to borrowings and transactions between Group entities in a different currency compared to the functional currency, are presented in the Statement of comprehensive income within 'Finance income' and 'Finance expenses', if these borrowings do not qualify as a net investment in a foreign operation.

Foreign exchange gains and losses resulting from hedging instruments which are of a trading nature, are presented in 'Other comprehensive income' before they vest. At vesting date the results are recognised

in the Statement of comprehensive income within 'Finance income' and 'Finance expenses'.

Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

**NOTE 1.4. PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment are carried at acquisition cost less any accumulated depreciation and less any accumulated impairment loss. Cost of property, plant and equipment also includes the estimated cost of dismantling and removing the asset and restoring the site, to the extent that the provision is recognised under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Statement of comprehensive income during the financial period in which they are incurred.

Freehold land is not depreciated. Depreciation on other assets is calculated using the straight-line method, to allocate the costs over the estimated remaining useful lives, as follows:

<i>Industrial and administrative buildings</i>	
Structural work	40-50 years
Other elements	10-25 years
Machinery	10-33 years
Vehicles, transport equipment	5 years
Furniture, fittings and equipment	5-15 years

Owned cars are depreciated to a residual value of 20% of the initial cost.

Spare parts purchased for particular items of plant are capitalised and depreciated over the useful life not exceeding 4 years. Samples of products are capitalised and depreciated over 2 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting

period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Fair value adjustments as a result of Business Combinations are depreciated over the estimated remaining useful life of the applicable assets.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other income' or 'Other expenses' in the Statement of comprehensive income.

**NOTE 1.5. GOODWILL**

Goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Goodwill is tested annually for impairment and carried at cost in the underlying currency less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of a cash-generating unit include the carrying amount of goodwill relating to the cash-generating unit sold.

**NOTE 1.6. OTHER INTANGIBLE ASSETS**

**Trademarks**

Trademarks acquired in a business combination are recognised at fair value at the acquisition date. The fair market value is determined based on a net present value calculation corrected for the cost to be taken to further support the trademarks in the market. Trademarks have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of the trademarks over the shortest of their estimated useful lives or the period of the legal right which is for the current trademarks 10 years.

**Software and licenses**

Cost associated with acquiring software are capitalised at their cost price and are subsequently amortised over their estimated useful life using the straight line method, or over the term of the contract, if this is shorter. The useful life is usually estimated at 5 years.

Expenditure for acquired licenses are capitalised at their cost price and are subsequently amortised over their estimated useful life using the straight line method, or over the term of the contract, if this is shorter. The useful life is usually estimated at 5 years.

### **Internally generated software and other development costs**

Costs associated with maintaining computer software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of directly attributable overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which in general is between 3-5 years.

### **NOTE 1.7. IMPAIRMENT OF ASSETS**

Goodwill is not subject to amortisation and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. These values are generally determined based on discounted cash flow calculations. For the purposes of assessing impairment, assets are grouped at the lowest

levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

### **NOTE 1.8. DERIVATIVE FINANCIAL INSTRUMENTS**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The Group records all gains or losses resulting from changes in fair value of derivatives in the Statement of comprehensive income within 'Other income' or 'Other expenses' to the extent that they relate to operating activities and within 'Finance income' or 'Finance expenses' to the extent that they relate to the financing activities of the Group.

Derivative financial instruments used to hedge the exposure to variability in future cash flows are designated as hedges under cash flow hedge accounting. The effective portion of changes in fair value as from the designation date of the cash flow hedge is recorded in the cash flow hedge reserve, part of 'Other comprehensive income'. Amounts recorded in the cash flow hedge reserve will be recognised in the Statement of comprehensive income in the same period or periods during which the hedged forecast transaction affects the Statement of comprehensive income. In case of the hedge of a forecast sales transaction, this coincides with the date upon which the revenue and trade receivable is recognised.

When the underlying hedged transactions no longer meet the criteria for hedge accounting, the cumulative gain or loss on the hedging instrument that has been recognised in 'Other comprehensive income' from the period when the hedge was effective shall be reclassified from equity to profit or loss as a reclassification adjustment.

When the underlying hedged transaction is no longer expected to occur, the cumulative gains or loss on the hedging instrument that has been recognised in 'Other comprehensive income' from the period when the hedge was effective shall be reclassified from equity to profit or loss as a reclassification adjustment.

### **NOTE 1.9. INVENTORIES**

Inventories are stated at the lower of cost and net realisable value. Net realisable values are reviewed on

a regular basis and updated to reflect the estimated selling price less selling expenses, based on historical data and expectations. Cost is determined using the first-in, first-out ('FIFO') method. The cost of finished goods and work in progress comprises amongst other design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Based on a quantified methodology, provisions against the carrying value of inventories are recorded taking qualitative aspects into account including a lower of cost versus net realisable value assessment. These provisions are reviewed by management.

#### **NOTE 1.10. TRADE RECEIVABLES**

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less bad debt allowance. Trade receivables are reviewed on a continuing basis, if collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

The Group has applied IFRS 9 by applying the modified retrospective approach, by using the standard's simplified approach and calculated ECLs (Expected Credit Loss) based on lifetime expected credit losses. The Group has established a provision matrix. Trade receivables have been categorised by common characteristics that are representative of the customer's ability to pay (based on geographical region and type of customer such as retail, wholesale or construction & building, and delinquency status). The provision matrix is based on forecasted default rates published by Moody's, adjusted by scalar factors to reflect differences in the Group's view of current and expected economic conditions and historical conditions.

In addition to this general approach, the Group includes individually managed exposures on a case-by-case basis if not covered by the ECL model, and reflecting additional risk factors not yet included in the ECL model.

#### **NOTE 1.11. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include cash on hand, deposits held on call with banks, other short-term

highly liquid investments and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the Statement of financial position.

#### **NOTE 1.12. SHARE CAPITAL**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### **NOTE 1.13. GOVERNMENT GRANTS**

Government grants are recognised at their fair value when there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the Statement of comprehensive income within 'Other income' over the period necessary to match them with the costs that they are intended to compensate against.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the Statement of comprehensive income on a straight-line basis over the expected useful lives of the related assets.

#### **NOTE 1.14. TRADE PAYABLES**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Supplier finance arrangements are recognised as a financial liability unless the original trade payable is extinguished or its terms are significantly modified to the extent that it qualifies for derecognition under IFRS 9 (we refer to de-recognition of financial assets and liabilities in Note 1.17).

#### **NOTE 1.15. CLASSIFICATION LIABILITY OR EQUITY**

Some instruments that have the legal form of a liability are, in substance, equity. A financial instrument is

classified as a financial liability or an equity instrument depending on the substance of the arrangement rather than the legal form. Liabilities arise when the issuer is contractually obligated to deliver cash or another financial asset to the holder. An instrument is an equity instrument only if the issuer has no such obligation, i.e. it has an unconditional right to avoid settlement in cash or another financial asset. The ability to defer payment is not enough to achieve equity classification, unless payment can be deferred indefinitely. Generally, an obligation for the entity to deliver its own shares is not a financial liability because an entity's own shares are not considered its financial assets. An exception to this is where an entity is obliged to deliver a variable number of its own equity instruments.

#### **NOTE 1.16. SENIOR SECURED NOTES, BANK AND OTHER BORROWINGS**

Senior Secured Notes and bank and other borrowings are recognised initially at fair value, net of transaction costs incurred. They are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

#### **NOTE 1.17. DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement;
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where IFRS 9 derecognition criteria are not met, the receivables continue to be recognised in the Statement of financial position, while the proceeds received by the Group under any financing/factoring arrangements are recognised as a financial liability.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or when the existing liability is transferred to a different lender and the Group obtains a legal release from the initial lender, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective amounts is recognised in the Statement of comprehensive income.

The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least ten percent different from the discounted present value of the remaining cash flows of the original financial liability.

#### **NOTE 1.18. CURRENT AND DEFERRED INCOME TAX**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except to the extent that it relates to items recognised in 'Other comprehensive income' or directly in 'Equity'. In this case the tax is also recognised in 'Other comprehensive income' or directly in 'Equity', respectively.

The current income tax charge is calculated based on the tax laws enacted or substantively enacted at the Statement of financial position date in the countries where the Group entities operate and generate taxable income. In line with paragraph 46 of IAS 12 'income taxes', management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate based on amounts expected to be paid to the tax authorities. This evaluation is made for tax periods open for audit by the competent authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements. However, the deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred

income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the Statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. Deferred tax is not discounted.

IFRIC 23 'Uncertainty over income tax treatments' (effective 1 January 2019). This interpretation clarifies the accounting for uncertainties in income taxes. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over whether tax assessed by a Group will be accepted by the tax authority. It is applied to both current and deferred tax where there is uncertainty over a Group's tax position. Balta made a detailed assessment of all tax uncertainties within the Group having the following implications on the accounting policies:

- a. It has decided whether to consider its uncertain tax positions (UTPs) individually or collectively, based on which approach provided the best predictions of the resolution of the uncertainties with the tax authority;
- b. It has assumed that the tax authority will examine the position (if entitled to do so) and will have full knowledge of all the relevant information;
- c. On a case-by-case basis, the Group has decided to recognise a UTP (group of UTPs) using either the most

likely amount or the expected value, depending on which is thought to give a better prediction of the resolution of each (group of) UTP(s), to reflect the likelihood of an adjustment being realised on examination.

#### **NOTE 1.19. PROVISIONS**

Provisions for restructuring expenses, legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

#### **NOTE 1.20. EMPLOYEE BENEFITS**

##### **Pension obligations**

IAS 19 distinguishes between two types of post-employment benefit plans:

- Defined contribution plans (DC plans) are post-employment benefit plans under which an enterprise pays fixed contributions into a separate entity (a fund or group insurance contract) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current or prior periods;
- Defined benefit plans (DB plans) are post-employment benefit plans other than defined contribution plans.

Group entities operate one defined benefit plan for a group of managers and various pension schemes funded through payments to insurance companies.

Because of the Belgian legislation applicable to 2nd pillar pension plans (so-called 'Law Vandebroucke'), all Belgian defined contribution plans have to be considered under IFRS as defined benefit plans. Law Vandebroucke states that in the context of defined contribution plans, employers must guarantee a minimum return of 3.75% on employee contributions and 3.25% on employer contributions. However, shortly before year-end 2015, a change in the Belgian Law was enacted resulting in a decrease of the guaranteed return from 3.25% to a minimum interest rate defined based upon the Belgian 10-year interest rate but within the range 1.75% - 3.25%. The new rate (1.75% at 31 December 2021 and 31 December 2020) applies for the years after 2015 on future contributions and also on the accumulated past contributions as from 31 December 2015 if the financing organisation does not guarantee a certain result on contributions until retirement age. If the organisation does guarantee such a result, the historical rates still apply.

Because of this minimum guaranteed return, the employer is exposed to a financial risk: further contributions could be required if the return on the assets is not sufficient to reach the minimum benefits to be paid. The Group has plans that are financed through insurance contracts. The projected unit credit method has been used as the actuarial technique to measure the defined benefit obligation. Note that for the bonus plans, a simplified approach is applied as it is not possible to predict future bonuses (which define future contributions). The fair value of the plan assets is based on §113 of IAS 19 and is defined as the present value of the retirement capitals guaranteed by the insurance company (using the tariffs as set out by the insurance company). The discount rate used takes into account the investment risk of financial institutions by referring to financial single A-bonds. Therefore an additional gap is added to the Defined Benefit Obligation ('DBO') discount rate which reflects the difference between AA-rated corporate bonds and single A-rated corporate bonds. At 31 December 2021 this gap was 35 basis points.

#### **Other post-employment obligations**

The Group does not have other post-employment obligations.

#### **Termination benefits**

Termination benefits are payable when employment is terminated by the Group before the normal retirement

date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises a liability and expense for termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

In Belgium, the system of early retirement pensions ensures that elderly people who are dismissed by their employer or who are encouraged to terminate their employment and who fulfil certain conditions, are eligible to receive supplementary unemployment allowance, paid by their former employer, on top of the unemployment allowances paid by social security. This benefit is generally paid until the normal retirement age, which is 65 years.

Within the Group, several former employees benefit from the system of 'early retirement fee or pension', based on several Belgian Collective Labour Agreements (CLAs) in place for the sector (textielnijverheid en breiwerk/ industrie textile et de la bonneterie) or specifically for the Group. These CLAs describe the potential for employees in the sector to benefit from 'early retirement fee or pension', the creation of a sector fund (fonds voor bestaanszekerheid/fonds de sécurité d'existence), part-time work, education and training, etc. Certain CLAs exist for blue-collar workers and others for white-collar workers.

For those early retirement fees or pensions which are directly paid out by the employer, a provision should be made under IAS 19, determined as the present value of the best estimate of future cash flows. The discount rate used is based on the return on high-quality corporate bonds (AA rated) of a maturity equivalent to the duration of the liabilities. The changes in pension liabilities are accounted for through Other comprehensive income when the changes relate to a change in actuarial assumptions from one year to another.

#### **Bonus plans**

Bonuses received by company employees and management are based on pre-defined Group and individual target achievement. The estimated amount of the bonus is recognised as an expense in the period the bonus is earned.

### **Share-based payments**

An equity-settled share-based payment transaction is a transaction in which the Group receives services as consideration for its own shares (or share options). The fair value of the services received in exchange for the grant of the shares (or share options) measured by reference to the grant date fair value of the shares (or share options), is recognised as an expense over the vesting period.

When share-based payment plans are cash-settled: the goods or services acquired and the liability are measured at the fair value of the liability. Until the liability is settled, the fair value of the liability is re-measured at the end of each reporting period and at the date of settlement with any changes in fair value recognised in profit and loss for the period.

### **Short-term employee benefits**

These include wages, salaries and social security contributions, paid annual leave and sick leave, bonuses and non-monetary benefits, and are taken as an expense in the relevant period. All company managers are eligible for bonuses that are based on indicators including personal performance and key financial targets. The amount of the bonus is recognised as an expense, based on an estimation made at the end of the reporting period.

## **NOTE 1.21. REVENUE RECOGNITION**

### **Revenue from contracts**

IFRS 15 Revenue from contracts with customers supersedes IAS 18 Revenue, IAS 11 Construction Contracts and a number of revenue-related interpretations. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new standard establishes a five-step model to account for revenue arising from contracts with customers. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The five steps are to identify the contract(s) with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to each performance obligation and recognise revenue as each performance obligation is satisfied.

Balta has assessed each of the revenue streams from an IFRS 15 revenue recognition perspective (as

disclosed in Note 4) and has concluded that IFRS 15 does not have an impact on the amount and timing of revenue recognition. In adopting IFRS 15, the Group has considered the following:

### **Recognition of revenue from distinct performance obligations**

The Group has analysed its contracts with customers to determine all its performance obligations. Performance obligations arising from the Group's sales contracts are mainly order-driven customer deliveries related to the sale of goods. Services mostly have an ancillary role in the Group's business operations, or they complement deliveries of goods. The Group did not identify any distinct performance obligations that should be accounted for in accordance with IFRS 15.

### **Variable considerations**

Some contracts with customers provide volume rebates, financial discounts, price concessions or a right of return for quality claims. Revenue from these sales are recognised based on the price specified in the contract, net of returns and allowances, trade discounts and volume rebates. During a financial year, the presentation of the effect of a variable price component can be based on management's judgement of discount drivers, for example the sales quantity reached with a given customer during the year. IFRS 15 does not change the principles applied by the Group to the determination or allocation of the transaction price.

### **Recognising revenue as each performance obligation is satisfied**

According to IFRS 15, revenue is recognised in the period during which the customer assumes control of the delivered goods. The Group delivers goods under contractual terms based on internationally accepted delivery conditions (Incoterms) and has concluded that the transfer of risks and rewards generally coincides with the transfer of control at a point in time under Incoterms. Consequently, the timing of revenue recognised for the sales of its products does not change under IFRS 15.

### **Warranty obligations**

The Group provides assurance-type warranties that the products sold comply with agreed-upon specifications. These warranties do not qualify as a separate service (performance obligations) and hence will continue to be accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets, consistent with past practice.

**Interest income**

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables are recognised using the original effective interest rate.

**Dividend income**

Dividend income is recognised when the right to receive payment is established.

**Impairment losses on trade receivables or contract assets**

The Group applies IFRS 9 in relation to the impairment losses on trade receivables (refer to Note 1.10). The Group has no significant contract balances where either the Group has performed the Performance Obligation (PO) for which no billing has occurred yet, or alternatively has received advance payments for which the PO has not been satisfied.

**NOTE 1.22. LEASES**

The Group leases certain property, plant and equipment.

IFRS 16 'Leases' (effective 1 January 2019). As of 1 January 2019, the Group changed its accounting policies to adopt IFRS 16. IFRS 16 has replaced IAS 17 Leases, and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a lease (on-balance sheet) and an operating lease (off-balance sheet). IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a right-of-use asset for virtually all lease contracts. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Under the IFRS 16 adoption method chosen by the Group (modified retrospective approach), prior years are not restated to conform to the new policies. Hence, Balta Group opted to measure the right-of-use asset at an amount equal to the lease liability at opening (no prepaid nor accrued lease expenses). Consequently, the year-over-year changes in profit, assets and liabilities and cash flows are impacted by the new policies.

The new accounting standard results in almost all leases being recognised on the balance sheet (except for low-value assets or leases with a lease term of 12 months or less which are accounted for in the Statement of comprehensive income).

Under the new standard, an asset (the right-to-use asset) and a liability to make lease payments (the lease liability) are recognised. The right-to-use asset of the leased assets are capitalised under property, plant and equipment and comprises the net present value of the lease. The corresponding lease liability is subdivided into current (lease payment within 12 months) and non-current liabilities. For each lease contract at the application date, an estimate has been made for the duration of the contract including an optional lease period in case there is reasonable certainty that the option would be extended.

Lease terms remain unchanged, unless an occurrence of a significant event or a significant change in circumstances that are in control of the lessee impacted the duration of the lease, in that case, the lease term will be reassessed.

The Group also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessments made applying IAS 17 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

At the commencement date of a lease, lessees recognise a lease liability (i.e. a liability to make lease payments), and a right-of-use asset (i.e. an asset representing the right to use the underlying asset over the lease term). The lease liabilities are recognised at the present value of the remaining lease payments. The right-of-use asset is depreciated over the term of the lease. Interest expense is recognised on the lease liability. The lease liability is remeasured upon the occurrence of certain events (e.g. a change in the lease term or a change in future lease payments resulting from a change in index). Such remeasurements of the lease liability will generally be recognised as an adjustment to the right-of-use asset.

The Group applies the lease recognition exemptions for short-term leases and leases for which the underlying asset is of low value. The Group elects, by class of underlying asset, not to separate non-lease components from lease components and instead accounts for

each lease component and any associated non-lease component as one single lease component.

In relation to Balta's financing agreements, the documentation provides for the effect of changes in accounting standards to be neutralised. As such, the application of IFRS 16 has no consequences for the Group's financing. We will continue to calculate Leverage in line with the definition in our financing agreements.

#### **NOTE 1.23. DIVIDEND DISTRIBUTION**

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's Financial Statements in the period in which the dividends are approved by the Company's shareholders.

#### **NOTE 1.24. CASH FLOW STATEMENT**

The cash flows of the Group are presented using the indirect method. This method reconciles the movement in cash for the reporting period by adjusting net profit for the year for any non-cash items and changes in working capital, and identifying investing and financing cash flows for the reporting period.

#### **NOTE 1.25. NON-GAAP 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 IFRS 16.

**Adjusted Earnings per share** is defined as profit / (loss) for the period 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) non-recurring finance expenses and (v) non-recurring tax effects, divided by the number of shares of Balta Issuer.

**Adjusted EBITDA** is defined as operating profit / (loss) adjusted for (i) the impact of the purchase price

allocation mainly on changes in inventories, (ii) gains on asset disposals, (iii) integration and restructuring expenses, (iv) depreciation / amortisation 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 inventories, (ii) gains on asset disposals, (iii) integration and restructuring expenses and (iv) impairment and write-off.

**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 capitalised 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 capitalised 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 IFRS 16 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 'cannibalisation 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)

## NOTE 2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The amounts presented in the Financial Statements involve the use of estimates and assumptions about the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions will seldom equal the related actual results. The estimates and assumptions that could have an impact on the Financial Statements are discussed below.

### Goodwill

The amount of goodwill initially recognised as a result of a business combination is dependent on the allocation of the purchase price to the fair value of the identifiable assets acquired and the liabilities assumed. The determination of the fair value of the assets and liabilities is based, to a considerable extent, on management's judgement. Allocation of the purchase price affects the results of the Group as finite life intangible assets are amortised, whereas indefinite life intangible assets, including goodwill, are not amortised and could result in differing amortisation charges based on the allocation to indefinite life and finite life intangible assets.

### Impairment testing

IFRS requires management to undertake an annual test for impairment of indefinite life assets and, for finite life assets, to test for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of:

- growth in Adjusted EBITDA, calculated as adjusted operating profit before depreciation and amortisation;
- timing and quantum of future capital expenditure;
- long-term growth rates;
- the selection of discount rates to reflect the risks involved.

Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect the Group's impairment evaluation and hence its results. The Group's review includes the key assumptions related to sensitivity in the cash flow projections. Further details are provided in Note 5.

### Income taxes

The Group operates in various tax jurisdictions and therefore has to determine tax positions under respective local tax laws and tax authorities' views which can be complex and subject to different interpretations between taxpayers and local tax authorities. The Group incurs costs centrally which are allocated to subsidiaries in different jurisdictions and which exposes the Group to inherent tax risks, as is the case for all companies operating in an international context. Based on these tax risks, management performed a detailed assessment for uncertain tax positions which resulted in provisions recorded for these uncertainties, in line with IFRIC 23.

IFRIC 23 'Uncertainty over income tax treatments' (effective 1 January 2019). This interpretation clarifies the accounting for uncertainties in income taxes. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over whether tax assessed by a Group will be accepted by the tax authority. It is applied to both current and deferred tax where there is uncertainty over a Group's tax position. Balta made a detailed assessment of all tax uncertainties within the Group having the following implications on the accounting policies:

- a. It has decided whether to consider its uncertain tax positions (UTPs) individually or collectively, based on which approach provided the best predictions of the resolution of the uncertainties with the tax authority;
- b. It has assumed that the tax authority will examine the position (if entitled to do so) and will have full knowledge of all the relevant information;
- c. On a case-by-case basis the Group has decided to recognise a UTP (group of UTPs) using either the most likely amount or the expected value, depending on which is thought to give a better prediction of the resolution of each (group of) UTP(s), to reflect the likelihood of an adjustment being realised on examination.

The total IFRIC 23 provision for the continuing operations amounts to € 2.7m for 2021 compared to € 2.8m last year while it amounts to € 5.9m for the discontinued operations in both 2021 and 2020.

The Group has tax credits in respect of losses carried forward and Dividend Received Deduction (relief for dividend payments by qualifying EU subsidiaries to qualifying EU parent companies, to avoid double taxation of dividend income). These tax credits can be used to offset against future taxable profits. The valuation of this asset depends on a number of judgemental assumptions regarding the future taxable profits of different Group subsidiaries in different jurisdictions and on the outcome of tax planning strategies. These estimates are made prudently based on current knowledge and reasonable long-term projections. Were circumstances to change, and the final tax outcome would be different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

#### **Trade receivables**

In applying IFRS 9, the Group makes significant judgements in determining the realisable value with respect to trade receivables. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the lifetime expected credit losses, the Group has established a provision matrix. The Group included the following parameters: the probability of default and the exposure at default (including estimated coverage by credit insurance). In order to approximate these parameters, the trade receivables have been categorised based on common characteristics (mainly geographical area, type of customer and the days past due). The provision matrix is based on forecasted default rates published by Moody's, adjusted by scalar factors to reflect differences in the Group's view of current and expected economic conditions and historical conditions. In addition to this generalised approach, the Group included individually managed exposures on a case-by-case basis, if not covered by the ECL model.

#### **Customer rebates**

The Group also needs to make some judgements in determining accruals for customer rebates as presented in the Statement of Financial Position, 'Other payables'. When estimating the rebates payable, the Group uses all available information, including historical and forecast results and takes into consideration the type of customer, the type of transaction and the specifics of each arrangement. Refer to revenue recognition, Note 1.21.

### NOTE 3 RECONCILIATION OF NON-GAAP MEASURES

The table below shows the impact of non-recurring items on the Combined statement of comprehensive income for the period and reconciles the reported information and the non-GAAP measures as presented in these Financial Statements.

(€ thousands)	2021	2020 <sup>(2)</sup>
Revenue	276,814	258,356
Raw material expenses	(114,514)	(96,232)
Changes in inventories	9,655	(4,373)
Employee benefit expenses	(83,056)	(75,013)
Other income	1,044	1,158
Other expenses	(46,970)	(45,945)
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b>42,974</b>	<b>37,950</b>
Depreciation/amortisation	(17,143)	(17,227)
<b>Adjusted Operating Profit<sup>(1)</sup></b>	<b>25,831</b>	<b>20,723</b>
Integration and restructuring expenses	(5,993)	(7,770)
<b>Operating profit / (loss)</b>	<b>19,838</b>	<b>12,954</b>
Finance income	1	1
Finance expenses	(28,294)	(25,493)
<b>Net finance expenses</b>	<b>(28,294)</b>	<b>(25,492)</b>
<b>Profit / (loss) before income taxes</b>	<b>(8,456)</b>	<b>(12,538)</b>
Income tax benefit / (expense)	(8,127)	(4,508)
<b>Profit / (loss) for the period from continuing operations</b>	<b>(16,583)</b>	<b>(17,047)</b>
Profit / (loss) for the period from discontinued operations	(112,712)	4,401
<b>Profit / (loss) for the period</b>	<b>(129,295)</b>	<b>(12,646)</b>

<sup>(1)</sup> Adjusted Operating Profit and Adjusted EBITDA are non-GAAP measures as defined in Note 1.25.  
<sup>(2)</sup> Restated for the impact of the Discontinued Operations in accordance with IFRS 5.

Several non-recurring items had a material impact on our 2021 net income of the continuing operations. The impact of these events amounts to a net expense of € 6.0m (€ 0.04 per share), as compared to € 7.8m (€ 0.06 per share) in 2020. The 2021 expense is mainly driven by the one-off cost related to the extension of our Senior Secured Notes during Q1 2021.

## NOTE 4 SEGMENT REPORTING

Segment information is presented in respect of the Group's business segments as defined earlier. The performance of the segments is reviewed by the Group's chief operational decision-making body, which is the Management Committee. Please note

that because of the announced binding agreement to sell our Rugs, Residential polypropylene and Non-Woven businesses (see Note 39), we simplified our reporting structure in 2021 resulting in only 2 reporting segments.

(€ thousands)	2021	2020 <sup>(2)</sup>
<b>Revenue by segment for continuing operations</b>	<b>276,815</b>	<b>258,356</b>
Commercial	198,098	190,461
Residential PA	78,716	67,895
<b>Discontinued Operations</b>	<b>357,480</b>	<b>303,477</b>
<b>Revenue by geography for continuing operations</b>	<b>276,815</b>	<b>258,356</b>
Europe	115,222	108,852
North America	139,064	132,707
Rest of World	22,529	16,796
<b>Discontinued Operations</b>	<b>357,480</b>	<b>303,477</b>
<b>Adjusted EBITDA by segment <sup>(1)</sup> for continuing operations</b>	<b>42,974</b>	<b>37,950</b>
Commercial	32,312	30,607
Residential PA	10,662	7,344
<b>Discontinued Operations</b>	<b>43,919</b>	<b>29,946</b>
<b>Net Capital expenditure by segment for continuing operations</b>	<b>10,969</b>	<b>10,695</b>
Commercial	6,245	5,424
Residential PA	4,724	5,271
<b>Discontinued Operations</b>	<b>18,014</b>	<b>15,499</b>
<b>Net inventory by segment for continuing operations</b>	<b>62,812</b>	<b>46,153</b>
Commercial	38,748	31,545
Residential PA	24,064	14,608
<b>Discontinued Operations</b>	<b>114,987</b>	<b>78,919</b>
<b>Trade receivables by segment for continuing operations</b>	<b>23,961</b>	<b>19,053</b>
Commercial	18,808	16,009
Residential	5,153	3,044
<b>Discontinued Operations</b>	<b>25,556</b>	<b>23,279</b>

(1) We refer to Note 1.25 where we provide a glossary of the non-GAAP measures.  
(2) Restated for the impact of the Discontinued Operations in accordance with IFRS 5.

Given the international sales footprint of the Group, 98% of revenue is realised outside Belgium for the continuing operations, with sales in Belgium being equal to around € 4.6m in 2021 (2020: € 3.8m).

All revenue mentioned in the table above reflects the revenue related to contracts with customers,

recognised in accordance with IFRS 15. The Group has recognised this revenue at a point in time, in accordance with the accounting policies as disclosed in Note 1.21.

We have no customers that represent more than 10% of total sales for continuing operations.

## NOTE 5 GOODWILL

The goodwill represents, amongst other things, the value of the longstanding customer relationships, the Group's market position, brand and reputation, as well as the value of the Group's workforce.

The goodwill impairment test is performed at the level of a cash-generating unit ('CGU') or a group of cash-generating units ('CGUs'), which is the lowest level at which goodwill is monitored for internal management purposes. Our CGUs are generally in line with our segments, with our Commercial segment broken down into our European activity and our US activity.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the CGUs that are expected to benefit most from the business combination. Consequently, the goodwill arising from the acquisition of Balta Finance (€ 124.7m) has been solely allocated to Rugs (€ 94.3m) and Commercial Europe (€ 30.4m), whilst the goodwill arising from the acquisition of Bentley has been allocated to Commercial US (€ 70.7m). The Rugs business is part of the discontinued operations and is tested separately in the accordance with IFRS 5. We refer to Note 39 for more information. Whilst no goodwill has been allocated to Residential PA, the assets of this CGU have been tested for impairment using the same approach as the impairment testing for goodwill.

The impairment testing has been performed as at 30 September 2021. The assets and liabilities comprising the CGU for the continuing operations have not changed significantly since the most recent valuation and were not significantly impacted by the announcement of the Disposal in November (see Note 39).

Based on the comparison of the 'value in use' (derived using discounted cash flow analysis) and the carrying amount (book value of capital employed) per CGU as at 30 September 2021, the Group has been able to demonstrate that the recoverable amount exceeds the carrying amount and hence the goodwill is not impaired for the continued operations. The 'value in use' calculations use cash flow projections (which include EBITDA, working capital movements, capital expenditure and taxes) and are based on financial projections covering a five-year period. Estimates beyond this five-year period are calculated using a growth rate that reflects

the long-term growth rate applicable to the CGU, moderated to reflect management's view of long-term earnings across the cycle.

Key assumptions on which management has based its determinations of the 'value in use' include terminal value growth rates of 1% for Commercial Europe and Commercial US (2020: 1%) and an after-tax discount rate of 8.2% (2020: 7.9%).

The 'value in use' is mainly driven by the terminal value which is particularly sensitive to changes in the assumptions on the terminal value growth rate and discount rate. Discount rates are based on the weighted average cost of capital. This weighted average cost of capital is benchmarked with comparable competitors. Terminal value growth rates take into consideration external macroeconomic sources of data and industry-specific trends. The table below includes the CGUs to which goodwill has been allocated and presents the value these two assumptions need to be independently in order to reduce the 'value in use' to the carrying amount.

Sensitivity analysis per CGU	Minimal growth rate	Maximum discount rate
Commercial Europe	0.6%	8.5%
Commercial US	(16.5%)	16.2%

Movements compared to the prior year for the continuing operations relate solely to changes in exchange rate while the goodwill allocated to the discontinued operations was written down in accordance with IFRS 5 (we refer to Note 39 for more information).

## NOTE 6 EMPLOYEE BENEFIT EXPENSES

The following table sets forth employee benefit expenses for the years ended 31 December 2021 and 2020:

(€ thousands)	2021	2020
<b>Total employee benefit expenses for continuing operations</b>	<b>83,056</b>	<b>75,013</b>
Wages and salaries	58,480	53,489
Social security costs	16,117	13,873
Pension costs	1,999	1,977
Other employee benefit expenses	6,459	5,673
<b>Total discontinued operations</b>	<b>83,593</b>	<b>75,634</b>

Employee benefit expenses increased due to fact that last year we used the available government unemployment support programmes in Belgium, the UK, France and Germany for the vast majority of our workforce in those countries mainly during the period March to May 2020 in combination with salary and wage indexation. The total amounts to € 83.1m for the continuing operations, compared to € 75.0m as at 31 December 2020.

The average number of employees in 2021 and 2020 were 1,158 and 1,137 respectively (both in full-time equivalents) for the continuing business. Part-time employees are included on a proportionate basis.

	2021	2020
<b>Average number of total employees for continuing operations</b>	<b>1,158</b>	<b>1,137</b>
Average number of employees – blue collar	801	780
Average number of employees – white collar	357	357
<b>Total average number of employees discontinued operations</b>	<b>2,673</b>	<b>2,706</b>

## NOTE 7 OTHER INCOME AND EXPENSES

(€ thousands)	2021	2020
<b>Other income for continuing operations</b>	<b>1,044</b>	<b>1,158</b>
Foreign exchange gains	6	3
Rental income from solar rooftop installations	631	641
Sales of energy certificates	14	4
Grants	43	476
Gain on sale of fixed assets	59	32
Other	292	1
<b>Total discontinued operations</b>	<b>2,235</b>	<b>4,540</b>
<b>Other expenses for continuing operations</b>	<b>46,970</b>	<b>45,945</b>
Services and other goods	20,143	20,315
Selling expenses	26,616	23,555
Foreign exchange losses	284	306
Real estate tax	710	934
Other	(783)	836
<b>Total discontinued operations</b>	<b>68,766</b>	<b>52,855</b>

Other income from continuing operations largely comprises a gain in relation to rental payments received from third parties who lease the space to install solar panels.

Some costs can be recharged to external parties for which the income was presented under 'Other income'.

Other expenses for the continuing operations increased by € 1.0m to € 46.8m for the year ended 31 December 2021 from € 45.8m for the year ended 31 December 2020. The main component of other expenses is services and other goods which mainly include electricity and gas, maintenance and repair and interim blue collars. Selling expenses mainly include freight and commissions. The credit amount on 'other' within the 'Other expenses' mainly relates to a reversal of IFRS 9 provision (we refer to Note 16 for more info).

The costs of research and development are also included in 'Other expenses'.

The continuing operations incurred € 4.9m of research and development expenses during the 12 months ended 31 December 2021 (2020: € 4.4m). One of the competitive advantages of our business is our long history of creativity and innovation. The Group aims to leverage research and development to continually optimise the production capacity and provide designs that appeal to our customers. Trends in product design and innovation are closely monitored through continuous testing and analysis, with a focus on anticipating customers' preferences and market developments.

## NOTE 8 DEPRECIATION / AMORTISATION

The components of depreciation and amortisation can be summarised as follows:

(€ thousands)	2021	2020
<b>Depreciation/amortisation for continuing operations</b>	<b>17,143</b>	<b>17,227</b>
Amortisation of intangible assets	1,441	1,550
Depreciation property, plant and equipment	15,702	15,677
<b>Total discontinued operations</b>	<b>21,755</b>	<b>22,810</b>

Depreciation/amortisation amounts to € 17.1m for the continuing operations, a decrease of € 0.1m compared to 2020.

## NOTE 9 INTEGRATION AND RESTRUCTURING EXPENSES

The total integration and restructuring expenses incurred in 2021 amount to € 6.0m (2020: € 7.8m). This comprises various items that are considered by management as non-recurring or unusual by nature.

(€ thousands)	2021	2020
<b>Integration and restructuring expenses</b>	<b>5,994</b>	<b>7,770</b>
Corporate restructuring	5,929	3,958
Strategic advisory services	-	2,178
Other	64	1,633
<b>Total discontinued operations</b>	<b>5,843</b>	-

The 2021 expense for the continuing operations is mainly driven by the one-off cost related to the extension of our Senior Secured Notes during Q1 2021 whereas the 2020 expense was mainly for advisory fees related to the NEXT-programme in the first half of the year (€ 2.2m) and for amending and extending our financing (€ 4.0m).

## NOTE 10 FINANCE EXPENSES

(€ thousands)	2021	2020
<b>TOTAL FINANCE EXPENSES</b>	<b>28,294</b>	<b>25,493</b>
Interest expense on Senior Secured Notes	23,313	20,140
Interest expense on Senior Term Loan Facility (€ 35m)	-	120
Interest expense on Lease liabilities	1,688	1,831
Interest expense on Bank borrowings	2,178	1,981
Foreign exchange result on intercompany transactions	30	436
Other finance costs	1,086	986
<b>Total discontinued operations</b>	<b>3,711</b>	<b>3,720</b>

The net finance expense for the continuing operations amounts to € 28.3m in 2021, and primarily contains the interest related to external borrowings (Senior Secured Notes, [Super Senior] Revolving Credit Facility and Leasing obligations). Refer to Notes 21 until 23 for a description of these facilities. The net cost increased compared to 2020 due to a one-off recognition of the remaining capitalised expenses on former Senior Secured Notes of € 2.5m in the Statement of comprehensive income, which became necessary in line with the notes re-financing in Q1 2021. On top of that, an amount of € 1.7m of financing costs has been capitalised with regards to the revised Senior Secured Notes (see Note 21).

Other finance costs mainly relate to factoring, commitment fees and other bank-related charges. The effective interest expense for the Senior Secured Notes comprises cash interest of € 18.2m, PIK interest of € 1.8m and the amortisation of capitalised financing fees of € 3.4m which includes the one-off recognitions as explained in the previous paragraph.

## NOTE 11 INCOME TAX BENEFIT / EXPENSE

(€ thousands)	2021	2020
<b>Income tax benefit / (expense) for continuing operations</b>	<b>(8,127)</b>	<b>(4,508)</b>
Current tax	(3,767)	(3,432)
Deferred tax	(4,360)	(1,076)
<b>Total discontinued operations</b>	<b>3,129</b>	<b>985</b>
<b>Income tax benefit / (expense) for continuing operations</b>	<b>(8,127)</b>	<b>(4,508)</b>
Income tax calculated at Luxembourg tax rate (24.94%)	2,115	3,128
Rate differential due to transactions with foreign entities	(56)	(181)
Disallowed expenses	(3,003)	(2,310)
Tax losses for which no deferred tax asset is recognised	(1,866)	(4,352)
Taxation of untaxed reserves	(265)	(535)
Reversal of previously recognized tax assets	(5,249)	-
Other	197	(259)
<b>Total discontinued operations</b>	<b>3,129</b>	<b>985</b>

The continuing operations reported a tax expense for 2021 of € 8.2m (tax expense of € 4.5m for 2020) based on a loss before tax of € 8.4m (2020: loss of € 12.4m). The tax expense is mainly driven by both derecognition of deferred tax assets after the Disposal and by the non-recognition of a deferred tax asset for exceptional costs.

## NOTE 12 OTHER INTANGIBLE ASSETS

(€ thousands)	Trademark	Software and licences	Internally generated intangible assets	Total
<b>Opening net book value at 1 January 2020</b>	<b>7,530</b>	<b>1,384</b>	<b>1,443</b>	<b>10,357</b>
Additions	-	727	1,759	2,486
Disposals	-	(5)	-	(5)
Amortisation charge	(951)	(896)	(864)	(2,710)
Exchange differences	(636)	(24)	-	(661)
<b>Closing net book value 31 December 2020</b>	<b>5,943</b>	<b>1,186</b>	<b>2,338</b>	<b>9,466</b>
Cost or fair value	9,508	6,646	10,864	27,018
Accumulated amortisation, impairment and other adjustments	(3,565)	(5,460)	(8,526)	(17,551)
<b>Closing net book value 31 December 2020</b>	<b>5,943</b>	<b>1,186</b>	<b>2,338</b>	<b>9,466</b>
<b>Opening net book value at 1 January 2021</b>	<b>5,943</b>	<b>1,186</b>	<b>2,338</b>	<b>9,466</b>
Discontinued operations in opening balance	-	(1,042)	(1,454)	(2,497)
Additions	-	43	413	456
Disposals	-	-	(79)	(79)
Amortisation charge	(1,042)	(15)	(384)	(1,441)
Exchange differences	508	11	-	519
<b>Closing net book value at 31 December 2021</b>	<b>5,408</b>	<b>183</b>	<b>834</b>	<b>6,425</b>
Cost or fair value	10,301	1,203	3,088	14,593
Accumulated amortisation, impairment and other adjustments	(4,893)	(1,020)	(2,254)	(8,168)
<b>Closing net book value at 31 December 2021 for continuing operations</b>	<b>5,408</b>	<b>183</b>	<b>834</b>	<b>6,425</b>
<b>Closing net book value at 31 December 2021 for discontinued operations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The trademark of € 5.4m relates to the acquisition of Bentley. The intangible assets were set to zero for the discontinued operations as part of application of IFRS 5 (we refer to Note 39 for more info).

The total amortisation expense for the continuing operations of € 1.4m (2020: € 1.5m) is included in the line 'Depreciation, amortisation and impairment' in the Statement of comprehensive income.

## NOTE 13 PROPERTY, PLANT AND EQUIPMENT

(€ thousands)	Land and buildings	Plant and machinery	Other Equipment	Total
<b>Opening net book value at 1 January 2020</b>	<b>186,173</b>	<b>138,807</b>	<b>12,614</b>	<b>337,594</b>
Additions	1,074	16,304	8,558	25,936
Disposals	(1,475)	(108)	(140)	(1,723)
Transfers	(414)	926	(512)	-
Depreciation charge	(10,055)	(18,519)	(10,010)	(38,583)
Exchange differences	(4,757)	(5,786)	(393)	(10,935)
<b>Closing net book value at 31 December 2020</b>	<b>170,546</b>	<b>131,624</b>	<b>10,118</b>	<b>312,288</b>
Cost or fair value	266,590	527,136	37,200	830,925
Accumulated depreciation, impairment and other adjustments	(96,044)	(395,512)	(27,081)	(518,637)
<b>Closing net book value at 31 December 2020</b>	<b>170,546</b>	<b>131,624</b>	<b>10,118</b>	<b>312,288</b>
<b>Opening net book value at 1 January 2021</b>	<b>170,546</b>	<b>131,624</b>	<b>10,118</b>	<b>312,288</b>
Discontinued operations in opening balance	(126,245)	(85,746)	(4,152)	(216,143)
Additions	12,576	6,168	5,792	24,536
Disposals	(56)	(235)	(225)	(515)
Transfers	256	240	(496)	-
Depreciation charge	(5,051)	(5,838)	(4,813)	(15,702)
Exchange differences	363	921	195	1,479
<b>Closing net book value at 31 December 2021</b>	<b>52,390</b>	<b>47,134</b>	<b>6,420</b>	<b>105,943</b>
Cost or fair value	87,681	175,241	14,890	277,812
Accumulated depreciation, impairment and other adjustments	-35,291	-128,107	-8,471	-171,869
<b>Closing net book value at 31 December 2021 for continuing operations</b>	<b>52,390</b>	<b>47,134</b>	<b>6,420</b>	<b>105,943</b>
<b>Closing net book value at 31 December 2021 for discontinued operations</b>	<b>119,012</b>	<b>56,604</b>	<b>1,832</b>	<b>177,448</b>

In 2021, a total of € 24.5m has been added for the continuing operations. The main investments in 2021 were in land and other buildings. We refer to note 39 for more info on the assets of the discontinued operations and the application of IFRS 5.

The total depreciation expense for the continuing operations of € 15.7m (2020: € 15.7m) has been charged to 'Depreciation and amortisation' in the Statement of comprehensive income.

(€ thousands)	Right-of-use assets	Owned PP&E	Total PP&E
<b>As at 31 December 2020</b>	<b>90,651</b>	<b>221,637</b>	<b>312,288</b>
Discontinued operations in opening balance sheet	(41,070)	(175,073)	(216,143)
Additions	13,025	11,511	24,536
Disposals	(56)	(459)	(515)
Depreciations	(10,766)	(4,936)	(15,702)
FX impact	1,030	448	1,479
<b>As at 31 December 2021</b>	<b>52,815</b>	<b>53,128</b>	<b>105,943</b>

(€ thousands)	2021	2020
<b>Right-of-use assets – Land and Buildings</b>	<b>50,108</b>	<b>85,749</b>
Cost – Capitalised leases	80,271	138,694
Accumulated depreciation	(30,163)	(52,945)
<b>Total Discontinued operations</b>	<b>39,107</b>	
<b>Right-of-use assets – Plant and machinery</b>	<b>2,707</b>	<b>4,902</b>
Cost – Capitalised leases	4,559	7,230
Accumulated depreciation	(1,852)	(2,328)
<b>Total Discontinued operations</b>	<b>1,963</b>	
<b>Right-of-used assets – Total leased Property, Plant &amp; Equipment</b>	<b>52,815</b>	<b>90,651</b>
Cost – Capitalised leases	84,830	145,924
Accumulated depreciation	(32,015)	(55,272)
<b>Total Discontinued operations</b>	<b>41,070</b>	

The Group's assets which are pledged as security for the borrowings are described in Notes 21 and 22.

## NOTE 14 DEFERRED INCOME TAX ASSETS AND LIABILITIES

IFRS requires the deferred taxes for each jurisdiction to be presented as a net asset or liability. Offsetting deferred tax liabilities from one jurisdiction against deferred tax assets of another jurisdiction is not allowed. The table below presents the net deferred tax position in accordance with these presentation principles.

(€ thousands)	2021	2020
<b>Total Deferred tax assets for continuing operations</b>	<b>4,592</b>	<b>8,259</b>
Deferred tax assets to be reversed after more than 12 months	4,282	7,700
Deferred tax assets to be reversed within 12 months	311	558
<b>Total discontinued operations</b>	<b>2,852</b>	
<b>Total Deferred tax liabilities for continuing operations</b>	<b>(8,459)</b>	<b>(38,404)</b>
Deferred tax liabilities to be reversed after more than 12 months	(7,515)	(34,120)
Deferred tax liabilities to be reversed within 12 months	(944)	(4,284)
<b>Total discontinued operations</b>	<b>(28,707)</b>	
<b>Net deferred tax liabilities</b>	<b>(3,867)</b>	<b>(30,145)</b>

The movement in the net deferred tax positions can be summarised as follows:

(€ thousands)	2021	2020
<b>At 1 January</b>	<b>(30,145)</b>	<b>(30,324)</b>
Discontinued operations in opening balance	30,792	-
Exchange differences	(137)	554
Other comprehensive income	(17)	(45)
Income statement charge	(4,360)	(331)
<b>At 31 December</b>	<b>(3,867)</b>	<b>(30,145)</b>

In contrast to the table above, the table below shows the movement in deferred taxes on a gross basis, i.e. without netting deferred tax liabilities and deferred tax assets within the same jurisdiction.

## DEFERRED TAX ASSETS

(€ thousands)	Tax losses carried forward	Deferred income sale-and-leaseback	Intangible assets	Borrowings	Employee benefits	Inventory	Provisions	Other	Total
<b>At 1 January 2020</b>	<b>27,644</b>	<b>1,476</b>	<b>28</b>	<b>1,350</b>	<b>1,195</b>	<b>2,462</b>	<b>1,684</b>	<b>1,452</b>	<b>37,290</b>
(Charged)/credited to the income statement	(6,768)	(236)	(28)	-	(78)	(1,126)	108	(40)	(8,168)
Exchange differences	(434)	-	-	-	(31)	(122)	(154)	(66)	(806)
Other comprehensive income	-	-	-	-	(44)	-	-	-	(44)
Adoption of accounting policy	-	-	-	-	-	-	-	-	-
<b>At 31 December 2020</b>	<b>20,442</b>	<b>1,239</b>	<b>0</b>	<b>1,350</b>	<b>1,041</b>	<b>1,214</b>	<b>1,638</b>	<b>1,346</b>	<b>28,272</b>
<b>At 1 January 2021</b>	<b>20,442</b>	<b>1,239</b>	<b>0</b>	<b>1,350</b>	<b>1,041</b>	<b>1,214</b>	<b>1,638</b>	<b>1,346</b>	<b>28,272</b>
Discontinued operations in opening balance	(13,164)	(1,239)	(0)	(1,350)	(882)	(996)	1	(1,808)	(19,438)
(Charged)/credited to the income statement	(352)	-	-	-	2	67	(275)	1,563	1,005
Exchange differences	-	-	-	-	-	25	119	-	144
Other comprehensive income	-	-	-	-	(17)	-	-	-	(17)
Other movement	-	-	-	-	-	-	-	-	-
<b>At 31 December 2021</b>	<b>6,926</b>	<b>0</b>	<b>(0)</b>	<b>-</b>	<b>144</b>	<b>310</b>	<b>1,483</b>	<b>1,102</b>	<b>9,965</b>

In assessing the realizability of deferred tax assets, management considers the extent to which it is probable that the deferred tax asset will be realised. The ultimate realisation of deferred tax assets is dependent on the generation of future taxable profits during the periods in which those temporary differences and tax loss carryforwards become deductible. Management considers the expected reversal of deferred tax liabilities and projected future taxable income in making this assessment. Based on the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is probable the Group will realise the benefits of these deductible differences. As of 31 December 2021, the Group has certain tax losses subject to significant limitations. For those losses, deferred tax assets are not recognised, as it is not probable that gains will be generated to offset those losses. Uncertain tax positions, as described in Note 2, are taken into account when recognising deferred tax assets and liabilities.

As of 31 December 2021, total tax credits amounted to € 362.1m, resulting in a potential deferred tax asset of € 90.0m of which the continuing operations only recognised € 6.9m at the end of 2021. The majority of the tax credits in 2020 and 2021 are incurred at the level of the Group entities in Belgium, where there is no expiry date regarding the tax credits.

## DEFERRED TAX LIABILITIES

(€ thousands)	Property, plant and equipment	Intangible assets	Inventory	Other	Total
<b>At 1 January 2020</b>	<b>(62,344)</b>	<b>(1,762)</b>	<b>(2,404)</b>	<b>(1,104)</b>	<b>(67,614)</b>
Charged/(credited) to the income statement	6,871	(204)	325	845	7,837
Exchange differences	1,510	108	(278)	20	1,360
<b>At 31 December 2020</b>	<b>(53,963)</b>	<b>(1,859)</b>	<b>(2,357)</b>	<b>(239)</b>	<b>(58,417)</b>
<b>At 1 January 2021</b>	<b>(53,963)</b>	<b>(1,859)</b>	<b>(2,357)</b>	<b>(239)</b>	<b>(58,417)</b>
Discontinued operations in opening balance	47,491	556	2,110	73	50,231
Charged/(credited) to the income statement	(5,494)	122	32	25	(5,315)
Exchange differences	(271)	(81)	-	21	(330)
<b>At 31 December 2021</b>	<b>(12,236)</b>	<b>(1,262)</b>	<b>(214)</b>	<b>(120)</b>	<b>(13,832)</b>

Deferred income tax liabilities have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are permanently reinvested. Aggregate unremitted earnings are equal to € 215.8m as of 31 December 2021 for the continuing operations (as compared to € 200.1m as of 31 December 2020). Adding up the gross amounts of deferred tax assets (€10.0m) and gross amount of deferred tax liabilities (€13.8m) results in a net deferred tax liability position at 31 December 2021 of €3.9m.

## NOTE 15 INVENTORIES

The table below provides a breakdown of total inventories as at 31 December:

(€ thousands)	2021	2020
<b>TOTAL INVENTORIES FOR CONTINUING OPERATIONS</b>	<b>62,812</b>	<b>125,072</b>
Raw materials and consumables	25,327	52,548
Work in progress	13,175	14,853
Finished goods	24,310	57,670
<b>Total Discontinued operations</b>	<b>114,987</b>	

Inventories decreased from € 125.1m to € 62.8m. The decrease is mainly explained by the fact that in 2020 the inventory still contained € 78.9m of inventories linked to the discontinued operations while in 2021 these have been isolated. Without this isolation, inventory would have shown an increase mainly due to the increase in raw material prices.

The continuing operations increased the provision for obsolete inventory in 2021 by € 1.8m compared to an increase of € 0.9m in 2020 which is included in the Consolidated Statement of Comprehensive income under 'Raw materials used' and 'Changes in inventories of finished goods and work in progress'.

The sum of raw material expenses and changes in inventories recognised as expenses in 2021 amounts to € 104.9m for the continuing operations as compared to € 100.6m in 2020.

The Group's assets pledged as security for the Senior Secured Notes and borrowings are described in Notes 21 to 22.

## NOTE 16 TRADE AND OTHER RECEIVABLES

(€ thousands)	2021	2020
<b>TOTAL TRADE AND OTHER RECEIVABLES FOR CONTINUING OPERATIONS</b>	<b>24,361</b>	<b>51,396</b>
<b>Trade and other receivables (non-current) for continuing operations</b>	<b>537</b>	<b>815</b>
Other amounts receivable	537	815
<b>Total discontinued operations</b>	<b>176</b>	
<b>Trade and other receivables (current) for continuing operations</b>	<b>23,824</b>	<b>50,581</b>
Net trade receivables	23,961	42,335
Trade receivables	24,631	46,625
Less: Bad debt allowance	(670)	(4,291)
Prepayments and accrued income	262	2,085
Other amounts receivable	(399)	6,162
<b>Total discontinued operations</b>	<b>30,408</b>	

The fair value of trade and other receivables approximates their carrying amount as the impact of discounting is not significant. As part of its normal course of business, the Group has entered into non-recourse factoring agreements with financial parties. The Group has derecognised the accounts receivable for which substantially all risk and rewards of ownership have been transferred excluding reserves that are still on the balance sheet.

Current trade and other receivables have decreased from € 50.1m per 31 December 2020 to € 23.7m as of 31 December 2021. This is mainly due to the separation of the discontinued operations in 2021, otherwise the current trade and other receivables would have shown an increase mainly caused by implemented price increases.

As of 31 December 2021, net trade receivables that were past due amounted to € 1.6m.

The Group uses credit insurance as a means to transfer the credit risk related to trade receivables. Furthermore, our trade receivables portfolio is very diversified, in terms of both segmentation and client base, which mitigates the credit risk. The credit quality of the trade receivables that are neither past due nor impaired is good.

The carrying amounts for the Group's trade and other receivables are denominated in the following currencies:

(€ thousands)	2021	2020
<b>TOTAL TRADE AND OTHER RECEIVABLES FOR CONTINUING OPERATIONS</b>	<b>24,361</b>	<b>51,396</b>
EUR	8,882	18,639
USD	15,393	18,613
GBP	86	9,858
TRY	-	4,313
<b>Total discontinued operations</b>	<b>30,583</b>	

The Group is monitoring the recoverability of trade and other receivables on a case-by-case assessment. In addition, the Group has applied IFRS 9, by applying the modified retrospective approach and by using the standard's simplified approach and calculated ECLs (Expected Credit Loss) based on lifetime expected credit losses. The Group has established a provision matrix. Trade receivables have been categorised by common characteristics that are representative of the customer's abilities to pay (based on geographical region and type of customers such as retail, wholesale or construction & building, and delinquency status). The provision matrix is based on forecasted default rates published by Moody's, adjusted by scalar factors to reflect differences in the Group's view of current and expected economic conditions and historical conditions.

(€ thousands)	Not due or less than 15 days past due	More than 15 days past due	Total
<b>At 31 December 2020</b>			
Expected loss rate	7.1%	48.9%	
Gross carrying amount – trade receivables	44,229	2,396	46,625
<b>Loss allowance</b>	<b>3,120</b>	<b>1,171</b>	<b>4,291</b>
<b>At 31 December 2021 for continuing operations</b>			
Expected loss rate	1.9%	28.4%	
Gross carrying amount – trade receivables	23,864	767	24,631
<b>Loss allowance</b>	<b>452</b>	<b>218</b>	<b>670</b>

Movements in the Group's bad debt allowance with respect to trade receivables are as follows:

(€ thousands)	2021	2020
<b>At 1 January for continuing operations</b>	<b>(4,291)</b>	<b>(2,738)</b>
Discontinued operations in opening balance	2,905	
Increase in loss allowance recognised in profit or loss during the year	(0)	(1,835)
Receivables written off during the year as uncollectible	24	222
Unused amounts reversed	751	3
FX difference	(58)	58
<b>At 31 December for continuing operations</b>	<b>(670)</b>	<b>(4,291)</b>

The movement in the loss allowance is mainly explained by fact that the discontinued operations were still included in the prior figures while they were separated in the current year. On top of that, we reversed around € 0.8m of loss allowance as a result of improved forecasted default rates published by Moody's. The creation and release of allowances for impaired receivables have been included in 'Other income/expenses' in the Statement of comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. As at 31 December 2021 the continuing operations hold no collateral (letters of credit and corporate or bank guarantees).

## NOTE 17 CASH AND CASH EQUIVALENTS

(€ thousands)	2021	2020
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>51,394</b>	<b>106,289</b>
Cash at bank and on hands	36,801	83,243
Cash in subsidiaries outside the EU	14,593	23,046
Of which in countries with legal restrictions	-	580
<b>Total discontinued operations</b>	<b>3,909</b>	

The credit quality of the banks and financial institutions is disclosed in Note 26. The Group's assets pledged as security for the Senior Secured Notes and borrowings are described in Notes 21 and 22.

## NOTE 18 SHARE CAPITAL AND SHARE PREMIUM

The legal issued share capital of the Group is € 137.8m divided into 137,677,446 ordinary shares without a nominal value. All shares issued are fully paid, as is a share premium of € 155.5m.

## NOTE 19 OTHER COMPREHENSIVE INCOME

Components of 'Other comprehensive income' ('OCI') are items of income and expenses (including reclassification adjustments) that are not recognised in the Statement of comprehensive income as required or permitted by other IFRSs. The Group has other comprehensive income which mainly relates to the re-measurement of post-employee defined benefit obligations, the gains and losses arising from translating the Financial Statements of foreign entities and the changes in the fair value of hedging instruments.

The movements in OCI are summarised in the table below:

(€ thousands)	2021	2020
<b>Items in OCI that may be subsequently reclassified to P&amp;L</b>	<b>(6,807)</b>	<b>(15,494)</b>
<b>Cumulative translation reserves as of 31 December</b>	<b>(6,655)</b>	<b>(15,459)</b>
Cumulative translation reserves at beginning of the period	(15,459)	(36,780)
Discontinued operations in opening balance		31,656
Exchange differences on translating foreign operations	8,804	(10,335)
<b>Cumulative changes in fair value of hedging instruments as of 31 December</b>	<b>(152)</b>	<b>(35)</b>
Cumulative changes in fair value of hedging instruments at beginning of the period	(35)	(151)
Changes in fair value of hedging instruments during the period	(117)	116
<b>Items in OCI that will not be reclassified to P&amp;L</b>	<b>1,972</b>	<b>1,864</b>
<b>Changes in deferred tax at 31 December</b>	<b>(966)</b>	<b>(949)</b>
Changes in deferred taxes at beginning of the period	(949)	(318)
Discontinued operations in opening balance		(627)
Changes in deferred taxes during the period	(17)	(4)
<b>Changes in employee defined benefit obligations at 31 December</b>	<b>2,939</b>	<b>2,813</b>
Changes in employee defined benefit obligations at beginning of the period	2,813	137
Discontinued operations in opening balance		2,509
Changes in employee defined benefit obligations during the period	125	167
<b>TOTAL OTHER COMPREHENSIVE INCOME FOR CONTINUING OPERATIONS AT 31 DECEMBER</b>	<b>(4,835)</b>	<b>(13,630)</b>
<b>TOTAL OTHER COMPREHENSIVE INCOME FOR DISCONTINUED OPERATIONS AT 31 DECEMBER</b>	<b>(54,456)</b>	<b>(44,408)</b>

## CASH FLOW HEDGE ACCOUNTING

The movement schedule below summarises the amounts recorded in the cash flow hedge reserve and the portion that was recognised in the Statement of comprehensive income in relation to contracts that were settled in December 2021. The amounts recognised in the Statement of comprehensive income have been presented as 'Other income' – see Note 7.

(€ thousands)	2021	2020
<b>Cash flow hedge reserve, ending balance</b>	<b>(152)</b>	<b>(35)</b>
Opening balance	(35)	(151)
Amounts recorded in the cash flow hedge reserve	(195)	309
Amounts recognised in the income statement	78	(193)

## EMPLOYEE DEFINED BENEFIT OBLIGATIONS

The Group operates defined benefit pension plans. The changes in pension liabilities are accounted for through Other comprehensive income when the changes relate to a change in actuarial assumptions from one year to another.

In the past, several insurance companies have decided to reduce the technical interest rate on group insurance contracts to a level below the minimum return guaranteed by law for Belgian defined contribution pension plans. Because the employer has to guarantee the statutory minimum return on these plans, not all actuarial and investment risks relating to these plans are transferred to the insurance company or pension fund managing the plans. Therefore these plans do not meet the definition of defined contribution plans under IFRS and should by default be classified as defined benefit plans. Refer to Note 27 for further details.

The liability has been measured using a discount rate of 0.80% for 2021 and 0.35% for 2020.

## DEFERRED TAXES

The changes in pension liabilities also affect deferred taxes. When the change in pension liabilities is recorded through Other comprehensive income, the related deferred tax charge is also recorded in Other comprehensive income.

## NOTE 20 RETAINED EARNINGS

(€ thousands)	2021	2020
<b>At 1 January for continuing operations</b>	<b>(1,950)</b>	<b>15,116</b>
Reclassified from OCI	-	(19)
Profit / (loss) for the year allocated to equity owners	(16,583)	(17,047)
<b>At 31 December for continuing operations</b>	<b>(18,534)</b>	<b>(1,950)</b>

Retained earnings may be distributed to shareholders upon the decision of a general meeting of shareholders, taking into account the restrictions as defined in the Senior Secured Debt Facilities and the restrictions which are imposed by law. Five percent of the net profit of the year of the Company is allocated to an undistributable legal reserve. This deduction ceases to be compulsory when such reserves amount ten percent of the issued share capital of the Company.

## NOTE 21 SENIOR SECURED NOTES

(€ thousands)	2021	2020
<b>TOTAL SENIOR SECURED NOTES FOR CONTINUING OPERATIONS</b>	<b>240,458</b>	<b>237,361</b>
<b>Non-Current portion</b>	<b>233,744</b>	<b>233,936</b>
Of which: gross debt	234,657	234,900
Of which: capitalised financing fees	(913)	(964)
<b>Current portion</b>	<b>6,714</b>	<b>3,425</b>
Of which: accrued interest	7,169	5,360
Of which: capitalised financing fees	(456)	(1,935)

On 3 August 2015, LSF9 Balta Issuer S.à r.l. issued € 290.0m aggregate principal amount of Senior Secured Notes with an interest rate of 7.75% as part of the financing of the acquisition of Balta Finance S.à r.l. and its subsidiaries. The maturity date of the Senior Secured Notes is 15 September 2022. In June, July and August 2017, the Group performed a partial repayment of € 55.1m in total.

Balta Group announced on 2 February 2021 that it has entered into an agreement with noteholders representing c. 52% of the aggregate principal amount of the 7.75% Senior Secured Notes due 2022 (the 'Existing Notes') issued by LSF9 Balta Issuer S.à r.l. (the 'Issuer'), to tender their Existing Notes in an exchange

offer (the 'Exchange Offer') for new Senior Secured Notes with a maturity of 31 December 2024 (the 'New Notes'), to vote in favour of certain amendments to the terms of the Existing Notes and the indenture governing the Existing Notes (the 'Existing Indenture') by way of a consent solicitation ('Consent Solicitation') and to support the commencement of a scheme of arrangement under Part 26 of the UK Companies Act 2006 or an analogous legal process in the United Kingdom (the 'Scheme') (the 'Scheme Solicitation').

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 was further extended to 30 June 2024. We refer to the subsequent paragraph (Note 40), for the offer that was launched in March 2022.

Interest on the Senior Secured Notes accrues at the rate of 7.75% per annum and is payable semi-annually in arrears on 15 March and 15 September of each year, commencing on 15 March 2016. As part of the above-mentioned extension, a PIK interest of 1% per annum was added.

Costs related to the issuance of Senior Secured Notes have been included in the carrying amount and are amortised through the Statement of comprehensive income over the term of the debt in accordance with the effective interest method. It follows that the amount of capitalised financing fees expensed during 2021 is equal to € 3.4m. This amount is largely driven by the one-off recognition of the remaining capitalised expenses on former Senior Secured Notes due 2022 of € 2.5m in the Statement of comprehensive income, while an amount of € 1.7m of financing costs have been capitalised with regards to the revised Senior Secured Notes.

The current portion of the debt associated with the Senior Secured Notes relates to accrued interest payable at the next interest payment date, the PIK interest and the portion of the capitalised financing fee that will be amortised through the Statement of comprehensive income over the next 12 months.

Security agreements have been entered into which collectively secure the Senior Secured Notes and accrued interest on the Senior Secured Notes. Under the Senior Secured Notes indenture, the Group is subject to quarterly reporting requirements and certain limitations on restricted payments and debt incurrence. The Senior Secured Notes are secured by first-ranking security interests over a number of assets which mainly relate to shares of the guarantors and certain intra-Group loans and receivables of the guarantors. In 2020, additional securities were issued in favour of the noteholders and the European Super Senior Revolving Credit Facility banks with respect to the Belgium real estate property in Waregem and Sint-Baafs-Vijve. The Group retains full ownership and operating rights for the assets pledged. In the event of a default of repayment of the Senior Secured Notes and related interest payments, the noteholders may enforce against the pledged assets.

The collateral also secures the European Super Senior Revolving Credit Facility (see Note 22) and certain hedging obligations. Under the terms of the Intercreditor Agreement, in the event of enforcement of the security over the collateral, holders of the Senior Secured Notes will receive proceeds from the enforcement of the collateral only after indebtedness in respect of the European Super Senior Revolving Credit Facility and certain hedging obligations have been repaid in full. Any such proceeds will, after all obligations under the European Super Senior Revolving Credit Facility and such hedging obligations have been repaid from such recoveries, be applied pro rata in repayment of all obligations under the Indenture and any other obligations that are permitted to be secured over the collateral under the Indenture on an equal and rateable basis.

We confirm that we have complied with all covenants over the reporting period.

## NOTE 22 BANK AND OTHER BORROWINGS

The table below provides an overview of the bank and other borrowings that existed on 31 December 2021 and 31 December 2020:

(€ thousands)	2021	2020
<b>TOTAL BANK AND OTHER BORROWINGS FOR CONTINUING OPERATIONS</b>	<b>104,081</b>	<b>148,493</b>
<b>Non-current portion</b>	<b>43,687</b>	<b>74,513</b>
Other lease liabilities	25,620	29,515
Sale-and-leaseback liabilities	18,405	45,674
Of which: capitalised financing fees related to the sale-and-leaseback	(338)	(676)
<b>Current portion for continuing operations</b>	<b>60,393</b>	<b>73,981</b>
Other lease liabilities	5,467	6,846
Sale-and-leaseback liabilities	1,924	4,390
Of which: capitalised financing fees related to the sale-and-leaseback	(48)	(84)
Bentley RCF	7,960	7,342
Super Senior RCF	45,090	55,486
<b>Total for discontinued operations</b>	<b>39,413</b>	

In relation to Balta's financing agreements, the documentation provides for the effect of changes in accounting standards to be neutralised. As such, the application of IFRS 16 has no consequences for the Group's financing. We will continue to calculate Leverage in line with the definition in our financing agreement (excluding IFRS 16 except for sale-and-leasebacks).

### BANK BORROWINGS

On 3 August 2015, LSF9 Balta Issuer S.à r.l. and LSF9 Balta Investments S.à r.l. entered into a six-year agreement providing for a € 40.0m European Super Senior Revolving Credit Facility; which was increased to € 45.0m in 2016, € 68.0m in 2017 and eventually lowered again to € 61.0m in January 2020.

On 18 July 2017, Balta renegotiated the agreement and obtained more favourable commercial terms in respect of its European Super Senior Revolving Credit Facility, including a reduction of the margin from the original 3.75% p.a. in August 2015 to an average margin below 2.00% p.a. at current leverage.

The European Super Senior Revolving Credit Facility is secured by first-ranking security interests over the collateral, which also secures the Senior Secured Notes and the guarantees. Under the European Super Senior Revolving Credit Facility, a lender may make available an ancillary facility, such as overdrafts, guarantees, short-term loan facilities, derivatives or foreign exchange facilities subject to the satisfaction of certain conditions precedent, to a borrower or an affiliate of a borrower in place of all or part of its unutilised commitment under the European Super Senior Revolving Credit Facility. Amounts drawn under the European Super Senior Revolving Credit Facility may be used for working capital and other general corporate purposes of the Restricted Group (as defined in the contract), operational restructurings or permitted reorganisations of the Group.

The agreement contains customary and certain deal-specific affirmative loan style covenants and restrictive covenants such as a springing financial covenant (based on total net leverage ratio) and an annual guarantor coverage test. The European Super Senior Revolving Credit Facility is also guaranteed by each Guarantor. In 2020, additional securities were issued in favour of the noteholders and the European Super Senior Revolving Credit Facility banks with respect to the Belgium real estate property in Waregem and Sint-Baafs-Vijve. Under the terms of the Intercreditor Agreement, in the event of enforcement of the security over the collateral, holders of the Senior Secured Notes and the Senior Term Loan Facility banks will receive proceeds from the enforcement of the collateral only after indebtedness in respect of the European Super Senior Revolving Credit Facility and certain hedging obligations have been repaid in full.

On 9 October 2020, Balta signed agreements with each of its lenders under its existing European Super Senior Revolving Credit Facility to amend and extend the maturity date from 11 August 2021 to at least 30 June 2022. The maturity date was further extended to 30 June 2024 after the successful amendment and extension of the Senior Secured Notes as described in Note 21. We refer to Note 40 for more info on the subsequent events regarding the Super Senior Revolving Credit Facility.

We confirm that we have complied with all covenants over the reporting period.

### BENTLEY FINANCING ARRANGEMENTS

BPS Parent Inc. and other subsidiaries entered into a \$ 51.0m syndicated credit facility (the 'Fifth Third Credit Agreement') with Fifth Third Bank and other financial institutions (the 'Lenders') on 1 February 2017. The credit facilities under the Fifth Third Credit Agreement consist of: (i) a five-year revolving credit facility of \$ 18.0m which will be due and payable on 31 January 2022, and availability is governed by a borrowing base, and (ii) a five-year senior term loan facility of \$ 33.0m ('Bentley Term Loan'), with the latter repaid in 2017. Obligations under the Fifth Third Credit Agreement are secured by a security interest on substantially all assets of BPS Parent Inc. and its subsidiaries in favour of the Lenders. The Fifth Third Credit Agreement contains affirmative and negative covenants with respect to BPS Parent Inc. and its subsidiaries and other payment restrictions. Certain of the covenants limit indebtedness and investments of BPS Parent Inc. and its subsidiaries and require the maintenance of certain financial ratios defined in the Fifth Third Credit Agreement. As a precautionary measure, to address our short-term liquidity and working capital needs, on 11 March 2020, we drew the full \$ 18.0m under the revolving credit facility. During Q4 2020, we repaid half of the outstanding amount. In December 2021, the revolving credit facility was extended until June 2022 for an amount of \$ 15.0m. We refer to Note 40 for more info on the subsequent events regarding this revolving credit facility.

We confirm that we have complied with all covenants over the reporting period.

### FACTORING

As part of its normal course of business, the Group has entered into non-recourse receivables factoring agreements, whereby it may sell trade receivables arising from its normal course of business at face value less certain reserves and fees. The credit risk related to the factored receivables has been transferred to the factoring company, who in turn has transferred this risk to a credit insurance company. Under the non-recourse agreements, the Group collects payments from its customers on behalf of the factoring company to which it has factored its receivables. Given that substantially all of the risks and rewards of ownership have been transferred, the trade receivables assigned to the factoring companies have been derecognised from the Statement of financial position.

In 2021 the continuing operations continue to recognise a portion of the receivables to the extent of its continuing involvement, in accordance with IFRS 9 (€ 7.5m).

The Group is also party to an Accounts Receivables Purchase Agreement with a financial institution, in the framework of a supply chain financing programme offered by a large customer. Under the agreement, the Group offers to sell some or all of its accounts receivable due from this customer to the financial institution. Given the non-recourse nature of the agreement, the accounts receivable are derecognised at the moment the cash is received.

## NOTE 23 LEASES

The lease liabilities have decreased from € 85.7m as of 31 December 2020 to € 51.0m as of 31 December 2021. This decrease is mainly caused by the isolation of the leases related to the discontinued operations for an amount of € 42.3m. At the end of 2021, the corresponding lease liability related to IFRS 16 (excluding sale-and-leaseback) amounts to € 31.0m.

The liability was measured at the present value of the remaining lease payments, discounted at a predetermined discount rate. Balta applied several discount rates, depending on the type of asset (buildings or machines), lease term, geographical area, risk premium (from 1.80% to 3%) and the variability of the base rate (based on the market swap rates of 31 December 2018). The applied incremental borrowing rate depends on the geographical environment and the remaining

duration of the agreement. For contracts in Europe, this is between 0 and 1.4%. While in the US, the incremental borrowing rate is 4.7%.

The leasing agreements under IFRS 16 have a remaining term between 1 and 8 years. We relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2021.

In relation to Balta's financing agreements, the documentation provides for the effect of changes in accounting standards to be neutralised. As such, the application of IFRS 16 has no consequences for the Group's financing. We will continue to calculate Leverage in line with the definition in our financing agreement.

Carrying amounts of lease liabilities and the movements in 2021:

(€ thousands)	IFRS 16 excl sale-and-leaseback	Sale-and- leaseback	Total
<b>At 31 December 2020</b>	<b>36,362</b>	<b>49,304</b>	<b>85,665</b>
Discontinued operations in opening balance	(14,768)	(27,555)	(42,324)
Additions	12,825	-	12,825
Financing fees	-	48	48
Accretion of interest	1,013	645	1,659
Payments	(6,363)	(2,445)	(8,808)
FX impact	1,965	-	1,965
<b>At 31 December 2021</b>	<b>31,033</b>	<b>19,998</b>	<b>51,030</b>
Current lease liability	5,412	1,931	7,343
Non-current lease liability	25,620	18,067	43,687
<b>TOTAL LEASE LIABILITY</b>	<b>31,033</b>	<b>19,998</b>	<b>51,030</b>

(€ thousands)	2021	2020
<b>TOTAL PRESENT VALUE OF LEASE LIABILITIES (EXCLUDING CAPITALIZED FINANCING FEES) FOR CONTINUING OPERATIONS</b>	<b>51,417</b>	<b>86,425</b>
No later than 1 year	7,391	10,581
Later than 1 year and no later than 5 years	29,860	44,067
Later than 5 years	14,166	31,777
<b>TOTAL DISCONTINUED OPERATIONS</b>	<b>39,758</b>	

The Group uses foresight in determining the lease term where the contract contains options to extend or terminate the lease. Besides the impact on the business, criteria such as penalties and leasehold

improvements are considered in this analysis. Variable lease payments are not included in the measurement of lease liabilities.

## NOTE 24 NET DEBT RECONCILIATIONS

The following table sets out an analysis of net debt and the movements in net debt:

€ thousands	Liabilities from financing activities		Cash and Cash equivalents				Total gross financial debt continuing operations	Cash and Cash equivalents continuing operations	Total net financial debt continuing operations
	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			
<b>Net debt at 31 December 2020</b>	<b>(234,900)</b>	<b>(5,360)</b>	<b>(37,630)</b>	<b>(6,141)</b>	<b>(55,486)</b>	<b>(7,342)</b>	<b>(346,860)</b>	<b>104,440</b>	<b>(242,420)</b>
Cashflows	-	-	-	-	-	-	-	(54,962)	<b>(54,962)</b>
Repayments of borrowings with third parties	243	-	-	7,219	10,485	-	<b>17,947</b>	-	<b>17,947</b>
Other non-cash movements (includ. FX movements)	-	(1,809)	(6,396)	(8,415)	(89)	(618)	<b>(17,326)</b>	1,916	<b>(15,410)</b>
<b>Net debt at 31 December 2021</b>	<b>(234,657)</b>	<b>(7,169)</b>	<b>(44,026)</b>	<b>(7,336)</b>	<b>(45,090)</b>	<b>(7,960)</b>	<b>(346,239)</b>	<b>51,394</b>	<b>(294,845)</b>

The table above does not include the movements in capitalised financing fees, or the interest paid (see Notes 21 to 23). The amounts per 31 December 2020 were restated to separate the discontinued operations (detailed below).

€ thousands	Cash and Cash equivalents		
	Total gross financial debt discontinued operations	Cash and Cash equivalents discontinued operations	Total net financial debt discontinued operations
<b>Net debt at 31 December 2020</b>	<b>(42,654)</b>	<b>1,849</b>	<b>(40,805)</b>
Cashflows	-	1,837	<b>1,837</b>
Repayments of borrowings with third parties	<b>3,888</b>	-	<b>3,888</b>
Other non-cash movements	<b>(991)</b>	223	<b>(768)</b>
<b>Net debt at 31 December 2021</b>	<b>(39,758)</b>	<b>3,909</b>	<b>(35,848)</b>

## NOTE 25 ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS

The following table presents the carrying amounts and fair values of each category of financial assets and financial liabilities for the continuing operations:

	Fair value hierarchy	2021	2021	2020	2020
(€ thousands)		Carrying amount	Fair value	Carrying amount	Fair value
<b>Assets as per statement of financial positions</b>		<b>75,754</b>	<b>75,754</b>	<b>157,685</b>	<b>157,685</b>
<b>Loans and receivables</b>		<b>75,754</b>	<b>75,754</b>	<b>157,685</b>	<b>157,685</b>
Trade and other receivables		24,361	24,361	51,396	51,396
Cash and cash equivalents	LEVEL 1	51,394	51,394	106,289	106,289
<b>Assets at fair value through OCI</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Foreign exchange derivative financial instruments	LEVEL 2	-	-	-	-
<b>Liabilities as per statement of financial positions</b>		<b>390,055</b>	<b>382,148</b>	<b>498,200</b>	<b>484,915</b>
<b>Financial liabilities measured at amortised cost</b>		<b>390,055</b>	<b>382,148</b>	<b>498,097</b>	<b>484,812</b>
Senior Secured Notes	LEVEL 1	240,458	232,551	237,361	224,076
Bank and other borrowings	LEVEL 2	104,081	104,081	148,493	148,493
Trade and other payables		45,516	45,516	112,242	112,242
<b>Financial liabilities measured at fair value through OCI</b>		<b>(0)</b>	<b>(0)</b>	<b>103</b>	<b>103</b>
Foreign exchange derivative financial instruments	LEVEL 2	(0)	(0)	103	103

Different valuation levels have been defined as follows:

- Level 1: are valuations derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: are valuations derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);
- Level 3: are valuations derived from inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The fair values of the Senior Secured Notes are based on a Level 1 estimate. The fair values of all other financial instruments, with the exception of cash- and cash equivalents, have been determined using Level 2 estimates. The fair values of the forward foreign exchange contracts have been determined using forward exchange rates that are quoted in an active market. The effects of discounting are generally insignificant for Level 2 derivatives. For trade and other receivables, as well as trade and other payables, the carrying amount is considered to be a good estimate of the fair value, given the short-term nature of these items.

There were no changes in valuation techniques during the period.

## **NOTE 26 FINANCIAL RISK MANAGEMENT**

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and commodity price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The objective is to identify, quantify, manage and then monitor events or actions that could lead to financial losses. Derivative financial instruments are used to hedge certain risk exposures at Group level.

The Group applied hedge accounting on the derivative financial instruments relating to foreign exchange risk for the periods covered in the Financial Statements.

### **QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK**

#### **Foreign exchange risk**

We have significant exposure to the value of the U.S. dollar for the continuing operations. Consequently, our financial results have been, and in the future will likely continue to be, subject to currency transaction and translation effects resulting from fluctuations in exchange rates, primarily the EUR/USD. The proportion of our revenue recognised in each currency does not exactly correspond with the revenue derived from each geography, as we sometimes invoice customers in currencies other than their local currency.

Our Consolidated Financial Statements are prepared in EUR. We are therefore exposed to translation risk on the preparation of our Consolidated Financial Statements when we translate the Financial Statements of our subsidiaries which have a functional currency other than EUR. A portion of our assets, liabilities, revenue and costs are denominated in various currencies other than EUR, principally USD. As a result, our Consolidated statement of comprehensive income, which is reported in EUR, are affected by currency exchange rate fluctuations.

Changes in foreign exchange rates may have a long-term impact on our sales volumes. For example, if there is a long-term depreciation of the EUR, our sales volumes may increase as we become more competitive in non-Eurozone markets. In contrast, a long-term strengthening of the EUR may decrease our volumes and price competitiveness in non-European markets.

The following table presents the main Statement of financial position items affected by foreign exchange risk.

(€ thousands)	EUR	GBP	USD	TRY	TOTAL
<b>31 December 2021 Net exposure for continuing operations</b>	<b>9,733</b>	<b>3,385</b>	<b>17,120</b>	<b>0</b>	<b>30,238</b>
Trade and other receivables	8,882	86	15,393	-	24,361
Cash and cash equivalents	25,820	4,558	21,016	-	51,394
Trade and other payables	(24,969)	(1,259)	(19,288)	-	(45,516)
<b>Total for discontinued operations</b>	<b>(42,838)</b>	<b>(1,026)</b>	<b>(5,010)</b>	<b>1,109</b>	<b>(47,765)</b>

(€ thousands)	EUR	GBP	USD	TRY	TOTAL
<b>31 December 2020 Net exposure</b>	<b>14,982</b>	<b>7,597</b>	<b>19,845</b>	<b>3,019</b>	<b>45,443</b>
Trade and other receivables	18,613	9,858	18,613	4,313	51,396
Cash and cash equivalents	76,284	3,616	26,213	176	106,289
Trade and other payables	(79,914)	(5,877)	(24,980)	(1,471)	(112,242)

The following table presents the sensitivity analysis of the year-end Statement of financial position in GBP, USD and TRY if the EUR were to weaken by 10%.

(€ thousands)	2021	2020
<b>GBP denominated</b>	<b>(1,601)</b>	<b>(1,292)</b>
Changes in fair value derivative financial instruments	(1,978)	(2,136)
Changes in carrying amount of monetary assets and liabilities	376	844
<b>USD denominated</b>	<b>1,902</b>	<b>2,205</b>
Changes in fair value derivative financial instruments	-	-
Changes in carrying amount of monetary assets and liabilities	1,902	2,205
<b>TRY denominated</b>	<b>-</b>	<b>335</b>
Changes in fair value derivative financial instruments	-	-
Changes in carrying amount of monetary assets and liabilities	-	335

The following table presents the sensitivity analysis of the year-end Statement of financial position in GBP, USD and TRY in case the EUR were to strengthen by 10%:

(€ thousands)	2021	2020
<b>GBP denominated</b>	<b>1,310</b>	<b>1,057</b>
Changes in fair value derivative financial instruments	1,618	1,747
Changes in carrying amount of monetary assets and liabilities	(308)	(691)
<b>USD denominated</b>	<b>(1,556)</b>	<b>(1,804)</b>
Changes in fair value derivative financial instruments	-	-
Changes in carrying amount of monetary assets and liabilities	(1,556)	(1,804)
<b>TRY denominated</b>	<b>-</b>	<b>(274)</b>
Changes in fair value derivative financial instruments	-	-
Changes in carrying amount of monetary assets and liabilities	-	(274)

### COMMODITY PRICE RISK

We are exposed to fluctuations in the price of the major raw materials used in the manufacturing process.

In 2021, mainly due to a combination of higher prices, raw material expenses represented 41.4% of the continuing operations revenue compared to 37.2% last year. As there is typically a time delay in the Group's ability to pass through raw materials price increases, changes in the cost of raw materials typically have an impact on the Group's gross margin.

If the commodity prices of our main raw materials had been 10% higher (lower), in the absence of any mitigating actions taken by management, adjusted EBITDA would have been approximately € 5m lower (higher) for the continuing operations. This impact has been determined by multiplying the volumes of our main raw materials purchased on an annual basis by a 10% variance on the average purchase price for the year. The sensitivity calculation takes into account the typical time lag between purchasing raw materials and recognising the raw material expenses against sales.

When we hedge, we might do so by entering into fixed-price contracts with our suppliers. No such arrangements were entered into in 2021 or 2020.

### INTEREST RATE RISK

Our interest rate risk principally relates to external indebtedness that bears interest at variable rates. Excluding IFRS 16 (except for sale-and-leasebacks), only the amounts that we borrow under the European Super Senior Revolving Credit Facility and the amounts under our factoring arrangements are subject to variable interest rates, as the Senior Secured Notes carry interest at a fixed rate. We therefore did not use interest rate swaps in respect of our financing during the current reporting period. The following table presents the sensitivity analysis of the interest expenses and income when there is a 25 bps shift in the Euro yield curve.

(€ thousands)	25 bps downward shift in EUR yield curve	25 bps upward shift in EUR yield curve
<b>TOTAL IMPACT ON INTEREST EXPENSES/INCOME</b>	<b>0</b>	<b>0</b>
Non-derivative floating rate financial liabilities	-	-

The impact is zero for the continuing operations as the relevant Euribor is below zero and floored at zero and thus an increase or decrease of 25 bps has no impact.

### Qualitative and quantitative disclosures about credit risk

Our credit risk is managed on a Group-wide basis. We assess the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual credit limits are set based on historical experience, in-depth knowledge of the customer and in close cooperation with the business unit manager. These credit limits are regularly reviewed by the business unit managers and by finance management. In addition, we have obtained credit insurance to cover a large portion of the credit default risk. Finally, credit risk is also mitigated through non-recourse factoring of the trade receivables where the credit risk has been transferred to the counterparty. Trade receivables are spread over a number of countries and counterparties. There is no large concentration of trade receivables. For derivative financial assets, credit quality has been assessed based on the Fitch rating of the counterparty. All our forward exchange contracts are over the counter with a financial institution as counterparty.

Default rates did not exceed 1% for 2021 and 2020.

Excess liquidities are invested for very short periods and are spread over a limited number of banks, all enjoying a satisfactory credit rating. For cash at bank and short-term bank deposits, the table below gives an overview of credit ratings for banks used by the Group.

(€ thousands)	2021	2020
<b>TOTAL CASH AND BANK EQUIVALENTS FOR CONTINUING OPERATIONS</b>	<b>51,394</b>	<b>106,289</b>
A rating	51,394	105,731
BB Rating	-	555
B Rating	-	2
<b>Total discontinued operations</b>	<b>3,909</b>	

### Qualitative and quantitative disclosures about liquidity risk

We monitor cash flow forecasts and liquidity requirements centrally, ensuring that we have sufficient cash to meet operational needs while maintaining sufficient headroom on our committed borrowing facilities at all times so that we do not breach borrowing limits or covenants on any of our borrowing facilities.

The operating activities of our subsidiaries and their cash inflows are our main source of liquidity. Our cash pooling system enables us to benefit from the surplus funds of certain subsidiaries to cover the financial requirements of other subsidiaries. We invest surplus cash in interest-bearing current accounts and short-term cash deposits, selecting instruments with appropriate maturities or the liquidity to provide sufficient headroom as determined by the above-mentioned forecasts.

In order to meet our cash outflow obligations, we use cash flows generated from operating activities and credit facilities with financial institutions if necessary. In addition, we have entered into factoring agreements with financial institutions where cash is made available to us in consideration for certain trade receivables generated by us.

The principal financing arrangements that are in place at 31 December 2021 are the Senior Secured Notes (see Note 21), European Super Senior Revolving Credit Facility (see Note 22) and capital lease agreements (see Note 23).

The following table reflects all contractually fixed pay-offs for settlement, repayments and interest resulting from recognised financial liabilities. The amounts disclosed are undiscounted net cash outflows, based on the market conditions existing at 31 December 2021.

(€ thousands)	Less than 6 months	Between 6 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<b>TOTAL AT 31 DECEMBER 2021 FOR CONTINUING OPERATIONS</b>	<b>(111,611)</b>	<b>(12,849)</b>	<b>(240,322)</b>	<b>(22,395)</b>	<b>(15,966)</b>
Senior Secured Notes	(9,096)	(9,142)	(232,857)	-	(1,800)
Bentley RCF	(7,960)	-	-	-	-
Super Senior RCF	(45,090)	-	-	-	-
Lease liabilities	(3,696)	(3,696)	(7,465)	(22,395)	(14,166)
Trade and other payables	(45,516)	-	-	-	-
Gross settled derivative financial instruments – outflows	(14,051)	(1,033)	-	-	-
Gross settled derivative financial instruments – inflows	13,799	1,021	-	-	-

Our external financing agreements include obligations, restrictions and covenants, which may have an adverse effect on our business, financial situation and results of operations if we are unable to meet these. We refer to the subsequent event section of this report (Note 40) for more information.

In particular, the European Super Senior Revolving Credit Facility includes a springing Leverage covenant at 6.5x. However, this is only tested at the end of a quarter and provided more than 30% of the European Super Senior Revolving Credit Facility is used at that

time which was the case at the end of December 2021. The leverage at the end of the year was 3.6x. The \$ 18m revolving credit facility at BPS Parent Inc. includes a local leverage and fixed charge coverage covenant, providing ample headroom.

The following table reflects all contractually fixed pay-offs for settlement, repayments and interest resulting from recognised financial liabilities. The amounts disclosed are undiscounted net cash outflows, based on the market conditions existing at 31 December 2020.

(€ thousands)	Less than 6 months	Between 6 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<b>TOTAL AT 31 DECEMBER 2020</b>	<b>(190,445)</b>	<b>(15,287)</b>	<b>(244,777)</b>	<b>(33,791)</b>	<b>(34,055)</b>
Senior Secured Notes	(9,102)	(9,102)	(234,900)	-	-
Bentley RCF	(7,342)	-	-	-	-
Super Senior RCF	(55,486)	-	-	-	-
Lease liabilities	(6,183)	(6,177)	(9,877)	(33,791)	(34,055)
Trade and other payables	(112,242)	-	-	-	-
Gross settled derivative financial instruments – outflows	(15,610)	(723)	-	-	-
Gross settled derivative financial instruments – inflows	15,521	716	-	-	-

A key factor in maintaining a strong financial profile is our credit rating which is affected by, among other factors, our capital structure, profitability, ability to generate cash flows, geographic and customer diversification and our competitive position. Our current corporate credit ratings from Moody's Investor Service (Moody's) and Standard & Poor's Ratings Services (S&P) are as follows:

	2021	2021	2020	2020
	Moody's	S&P	Moody's	S&P
Long-term issue rating Senior Secured Notes	Caa1	B-	Caa1	B-
Corporate rating	B3	B-	B3	B-

On 10 August 2015, Moody's assigned a 'B2' rating to the € 290m Senior Secured Notes issued by LSF9 Balta Issuer S.à r.l., the previous parent holding company of the Group, following a review of the final bond documentation. In June 2017, following the IPO, the ratings were upgraded to 'B1' to reflect the strengthening of the Group's financial profile, increased transparency as a public company, strengthened corporate governance arrangements and enhanced access to equity capital markets. In November 2018, the rating was downgraded to 'B2' with a negative outlook on the back of financial performance. In the course of April 2020, Moody's decided to further downgrade the corporate rating to 'B3' and the Senior Secured Notes to 'Caa1' both with a negative outlook mainly referring to the uncertainties caused by the outbreak of COVID-19 and the challenges that Balta may face in refinancing its near-term debt maturities. In March 2021, Moody's affirmed the B3 corporate family rating (CFR) of LSF9 Balta Issuer S.a r.l. (Balta) and B3-PD probability of default rating (PDR). At the same time Moody's assigned a Caa1 rating to the new guaranteed senior secured notes due 2024. The Caa1 rating on the existing senior secured notes will be withdrawn. The outlook was changed to stable from negative after Balta successfully managed to extend the maturity dates of its Senior Secured Notes and the European Senior Secured Revolving Credit Facility to 2024.

On 14 September 2015, S&P assigned its 'B' long-term corporate credit rating to LSF9 Balta Investments S.à r.l. At the same time, S&P assigned its 'B' long-term issue rating to the € 290m Senior Secured Notes and

its 'BB-' long-term issue rating to the € 68m European Super Senior Revolving Credit Facility. In July 2017, the corporate rating was increased to 'B+' and the long-term issue rating to 'BB' to reflect the improvements in the Group's financial credit metrics following the use of net proceeds from the IPO to repay part of the Group's debt. In November 2018, on the back of financial performance, the corporate rating was reduced to 'B' and the long-term issue rating on the European Super Senior Revolving Credit Facility to 'BB-'. In March 2020, S&P decided to further downgrade the ratings for the Senior Secured Notes and the Balta Group to 'B-' due to cash flow generation uncertainty and refinancing risks with a negative outlook. On 22 February 2021, S&P revised the Company's outlook from negative to positive after Balta successfully managed to extend the maturity dates of its Senior Secured Notes and the European Senior Secured Revolving Credit Facility to 2024.

#### CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the dividends paid to shareholders, issue new shares or sell assets to reduce debt. The Group is closely monitoring its financial performance to comply with financial covenants. Refer to Notes 21 to 22 for further details.

## NOTE 27 EMPLOYEE BENEFIT OBLIGATIONS

The Group operates a pension plan and provides for pension liabilities. These benefits have been measured in compliance with IAS 19 revised and in accordance with the Group accounting policies described in Note 1.20. The liability was measured using a discount rate of 0.80% and 0.35% in 2021 and 2020, respectively.

The annual pension cost, relating to the pension plan is disclosed in Note 6.

The employee benefit obligations recognised in the Financial Statements are detailed below:

(€ thousands)	2021	2020
<b>TOTAL EMPLOYEE BENEFIT OBLIGATIONS FOR CONTINUING OPERATIONS</b>	<b>863</b>	<b>3,950</b>
Pension plans	530	3,070
Provisions early retirement pension	333	880
<b>Discontinued operations</b>	<b>2,645</b>	
<b>TOTAL EMPLOYEE BENEFIT OBLIGATIONS FOR CONTINUING OPERATIONS</b>	<b>863</b>	<b>3,950</b>
Non current	762	3,643
Current	101	307
<b>Discontinued operations</b>	<b>2,645</b>	

### PENSION PLANS: OVERVIEW

Pension plans have been put in place for management and are financed through employer contributions which increase depending on seniority (base contribution of 3.75% of pensionable salary, increasing by 0.5% for every 5 years of service rendered within the Group up to a maximum contribution rate of 5.75%). This plan also includes a 'death in service' benefit amounting to twice the pensionable salary. Several pension plans are in place for white-collar workers and are financed through fixed employer contributions. In addition, as part of the bonus policy for members of management, a portion of the bonus is awarded via employer contributions to a pension plan scheme.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets.

### Pension plans: valuation methodology

The pension and bonus plans described above have been classified as defined benefit. The valuation of the pension and bonus plans has been performed in accordance with IAS 19.

We refer to Note 1.20 concerning the valuation methodology which has been used. The liability is based on the difference between the present value of the 'defined benefit obligation', taking into account the minimum return and a discount factor, less the fair value of any plan assets at the relevant date.

### Pension plans: main valuation assumptions

The main assumptions used to perform the valuation are described below:

	2021	2020
Discount rate BE	0.80%	0.35%
Retirement age	65 years	65 years
Mortality	MR/FR-5	MR/FR-5

For the year ended 31 December 2021, the defined benefit obligation, taking into account the tax effect, amounts to € 7.3m (2020: € 7.8m) and the offset by plan assets of € 6.2m (2020: € 6.7m).

## NOTE 28 OTHER PAYROLL AND SOCIAL RELATED PAYABLES

(€ thousands)	2021	2020
<b>TOTAL OTHER PAYROLL AND SOCIAL RELATED PAYABLES FOR CONTINUING OPERATIONS</b>	<b>14,572</b>	<b>33,837</b>
Holiday pay	5,460	15,912
Social security taxes	1,922	3,876
Salaries and wages payable	5,869	9,277
Early retirement provision	101	307
Group insurance	(0)	2
Withholding taxes	529	1,055
Other	692	3,409
<b>Discontinued operations</b>	<b>22,993</b>	

Other payroll and social related payables decreased from € 33.9m as of 31 December 2020 to € 14.6m as of 31 December 2021. The decrease can mainly be explained by the isolation of the discontinued operations.

## NOTE 29 PROVISIONS FOR OTHER LIABILITIES AND CHARGES

(€ thousands)	Asset retirement obligation	Warranty	Total
<b>At 1 January 2021 for continuing operations</b>	<b>970</b>	<b>1,517</b>	<b>2,487</b>
Discontinued operations in opening balance	-	-	-
Unused amounts reversed	(154)	-	<b>(154)</b>
Exchange differences	68	88	<b>156</b>
Amounts used	-	(464)	<b>(464)</b>
<b>At 31 December 2021 for continuing operations</b>	<b>884</b>	<b>1,141</b>	<b>2,025</b>

(€ thousands)	2021
Non-current	2,025
Current	-
	<b>2,025</b>

The provision for other liabilities and charges decreased by € 0.5m to € 2.0m for the year ended 31 December 2021.

**NOTE 30 TRADE AND OTHER PAYABLES**

(€ thousands)	2021	2020
<b>Trade and other payables</b>	<b>45,516</b>	<b>112,242</b>
Trade payables	38,606	85,455
Accrued charges and deferred income	6,484	26,050
Other payables	426	738
<b>Total discontinued operations</b>	<b>82,257</b>	

Trade payables as of 31 December 2021 of € 35.9m include the amounts for outstanding invoices (€ 28.5m, as compared to € 67.9m as of 31 December 2020) and invoices to be received in relation to goods and services received during the current period (€ 7.4m, as compared to € 15.0m as of 31 December 2020). The main reason for the decrease is the fact that in the 2020 numbers the discontinued operations were still included while they have been separated in the 2021 numbers.

Accrued charges and deferred income mainly relate to accrued charges for customer discounts (€ 3.2m, as compared to € 13.6m as of 31 December 2020) and various other costs.

**NOTE 31 SHARE-BASED PAYMENTS**

The Company has a long-term incentive plan for certain employees, which depends on the share price reaching a defined target. As this moment, the options are 'out-of-the-money'. Refer to the remuneration report, part of the 'Corporate Governance Statement'.

**NOTE 32 GOVERNMENT GRANTS**

The Group's government grants relate to incentives given by Belgian authorities based on the Group's investment, environmental and employment policies.

The main incentives received comprise:

- Environmental grants: the Group receives government allowances on a yearly basis in the framework of legislative measures put into place in order to ascertain the competitiveness of industries covered by the EU Emission Trading System (the allowances for 'carbon leakage'). In 2021, € 1.0m has been received in this framework, compared to € 1.5m in 2020.
- Investment grants: the Group was granted € 0.1m in 2020 for the development of alternative polyolefins for bitumen of which it received € 0.05m in 2021.

## NOTE 33 EARNINGS PER SHARE

### BASIC AND DILUTED EARNINGS PER SHARE

(€ thousands)	2021	2020
<b>BASIC AND DILUTED EARNINGS PER SHARE</b>		
<b>Net result from continuing operations</b>	<b>(16,583)</b>	<b>(17,047)</b>
Percentage of net result from continuing operations attributable to holders of ordinary and diluted shares	100%	100%
Net result from continuing operations attributable to holders of ordinary and diluted shares	(16,583)	(17,047)
Weighted average number of ordinary and diluted shares outstanding (in thousands)	137,848	137,848
<b>Net result per share attributable to holders of ordinary and diluted shares (in Euro) from continuing operations</b>	<b>(0.12)</b>	<b>(0.12)</b>
Net result from discontinued operations attributable to holders of ordinary shares	(112,712)	4,401
Weighted average number of ordinary and diluted shares outstanding (in thousands)	137,848	137,848
<b>Net result per share attributable to holders of ordinary and diluted shares (in Euro) from discontinued operations</b>	<b>(0.82)</b>	<b>0.03</b>
<b>Net result per share attributable to holders of ordinary and diluted shares (in Euro) from continuing and discontinued operations</b>	<b>(0.94)</b>	<b>(0.09)</b>

In accordance with IAS 33, basic earnings per share is calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

### ADJUSTED EARNINGS PER SHARE

The results for 2021 and 2020 included some non-recurring items which affected the earnings per share calculation. From a management perspective, we calculated an adjusted earnings per share which excluded the impact of non-recurring items.

(€ thousands)	2021	2020
<b>ADJUSTED EARNINGS PER SHARE <sup>(1)</sup></b>		
<b>Net result from continuing operations</b>	<b>(16,583)</b>	<b>(17,047)</b>
Normalisation adjustments:	11,875	10,714
<b>Adjusted Net Result from continuing operations</b>	<b>(4,708)</b>	<b>(6,333)</b>
Percentage of net result from continuing operations attributable to holders of ordinary and diluted shares	100%	100%
Net result from continuing operations attributable to holders of ordinary and diluted shares	(4,708)	(6,333)
Weighted average number of ordinary and diluted shares outstanding (in thousands)	137,848	137,848
<b>Net result per share attributable to holders of ordinary and diluted shares (in Euro) from continuing operations</b>	<b>(0.03)</b>	<b>(0.05)</b>
Net result from discontinued operations	(112,712)	4,401
Normalisation adjustments:	125,815	0
<b>Adjusted Net Result from discontinued operations</b>	<b>13,104</b>	<b>4,401</b>
Weighted average number of ordinary and diluted shares outstanding (in thousands)	137,848	137,848
<b>Net result per share attributable to holders of ordinary and diluted shares (in Euro) from discontinued operations</b>	<b>0.10</b>	<b>0.03</b>
<b>Net result per share attributable to holders of ordinary and diluted shares (in Euro) from continuing and discontinued operations</b>	<b>0.06</b>	<b>(0.01)</b>

(1) We refer to the Note 1.25 in which we provide a glossary of the non-GAAP measures and Note 3.

The loss for continuing operations for 2021 includes the net of tax impact of the € 6.0m non-recurring expenses for integration and restructuring (see note 9) and non-recurring tax effects amounting to € 7.4m (see Note 11). In the absence of such events, the normalised loss for the period would have been € 4.7m. Similarly, the continuing profit for 2020 includes a net of tax impact non-recurring expense of € 7.7m and non-recurring tax effects amounting to € 4.9m (see Note 11), resulting in a normalized loss of € 6.3m.

The Group or a direct subsidiary or a person, acting in its own name but on behalf of the Company, has not acquired shares of the Company.

#### **NOTE 34 DIVIDENDS PER SHARE**

Our focus remains on deleveraging and investing in the business further, the Board will not propose a dividend for the year.

#### **NOTE 35 COMMITMENTS**

##### **ENERGY**

Our fixed price purchase commitments for electricity and gas, for deliveries in 2022 and 2023, are equal to € 3.2m as of 31 December 2021 for the continuing operations compared to an amount of € 4.2m as of 31 December 2020 for the full Balta Group.

##### **CAPITAL EXPENDITURES**

As of 31 December 2021, € 5.2m capital commitments are outstanding for the continuing operations compared to € 3.6m as of 31 December 2020.

## NOTE 36 LIST OF CONSOLIDATED COMPANIES

The subsidiaries and jointly controlled entities of LSF9 Balta Issuer S.à r.l., the Group's percentage of interest and the Group's percentage of control of the active companies are presented below.

	2021		2020	
	% of interest	% of control	% of interest	% of control
<b>Continuing operations</b>				
<b>Belgium</b>				
Balta NV <sup>(1)</sup>	100%	100%	100%	100%
modulyss NV	100%	100%	100%	100%
Balfid BV (liquidated in 2021)	0%	0%	100%	100%
<b>Luxembourg</b>				
Balfin Services S.à r.l.	100%	100%	100%	100%
LSF9 Balta Luxembourg S.à r.l.	100%	100%	100%	100%
LSF9 Balta Investment S.à r.l.	100%	100%	100%	100%
<b>USA</b>				
LSF9 Renaissance Holdings LLC	100%	100%	100%	100%
LSF9 Renaissance Acquisitions LLC	100%	100%	100%	100%
BPS Parent, Inc.	100%	100%	100%	100%
Bentley Prince Street Holdings, Inc.	100%	100%	100%	100%
Bentley Mills, Inc.	100%	100%	100%	100%
Prince Street, Inc.	100%	100%	100%	100%
<b>Discontinued operations</b>				
<b>Belgium</b>				
Balta Industries NV <sup>(2)</sup>	100%	100%	100%	100%
Balta Oudenaarde NV	95%	100%	95%	100%
<b>Turkey</b>				
Balta Orient Tekstil Sanayi Ve Ticaret A.S.	100%	100%	100%	100%
Balta Floorcovering Yer Dös, emeleri San.ve Tic A.S.	100%	100%	100%	100%
<b>USA</b>				
Balta USA, Inc.	100%	100%	100%	100%
<b>United Kingdom</b>				
Balta Floorcovering UK	100%	100%	100%	100%

<sup>(1)</sup> Part of the activities (including some headquarter staff) will be carved into the newly created entity named Balta Services BV and will be sold to Victoria PLC.  
<sup>(2)</sup> The Residential PA activities will be carved into the newly created entity named ITC Co and the latter will not be sold to Victoria PLC.

Balta Floorcovering UK, with company registration 11978782, a subsidiary of our Company, is taking advantage of exemption from audit in accordance with section 479A of the Companies Act 2006 of the United Kingdom and is therefore exempted from the requirement of this Act.

## NOTE 37 RELATED PARTY TRANSACTIONS

The Company may enter into transactions with its shareholders and other entities owned by its shareholders in the ordinary course of business. Those transactions include, among others, financing agreements and professional, advisory, consulting and other corporate services. In 2018, a contract was signed with a related party of the main shareholder, the impact on the 2020 and 2021 financials is limited.

The Company has entered into arrangements with a number of its subsidiaries and affiliated companies in the course of its business. These arrangements relate to manufacturing, sales transactions, service transactions and financing agreements and were conducted at market prices. Transactions between the Company and its subsidiaries, which are related parties, have been eliminated in the consolidation and are accordingly not disclosed in this Note.

### KEY MANAGEMENT COMPENSATION

Key management means the Group's Management Committee, which consists of people having authority and responsibility for planning, directing and controlling the activities of the Group. Key management compensation includes all fixed and variable remuneration and other benefits which are presented in other expenses and long-term employee benefits which are presented in integration and restructuring.

(€ thousands)	2021	2020
<b>TOTAL KEY MANAGEMENT COMPENSATION</b>	<b>3,445</b>	<b>3,580</b>
Short-term employee benefits	3,229	3,404
Long-term employee benefits	0	0
Board compensation	170	154
Share-based payments	46	22
<b>Total Discontinued operations</b>	<b>2,166</b>	

Refer to the 'Corporate Governance Report' for information with respect to the remuneration of Directors and members of the Group's Management Committee.

There were no other transactions with related parties.

## NOTE 38 FEES PAID TO THE GROUP'S AUDITORS

(€ thousands)	2021	2020
<b>Audit services</b>	<b>559</b>	<b>535</b>
Audit of the Group pursuant to legislation	558	535
<b>Non-audit services</b>	<b>349</b>	<b>124</b>
Tax services	64	80
Other services	285	44
<b>TOTAL FEES PAID TO THE GROUP'S AUDITOR</b>	<b>908</b>	<b>659</b>

## NOTE 39 DISCONTINUED OPERATIONS

On 28 November 2021, Balta entered into a binding agreement to sell its Rugs, Residential polypropylene and Non-Woven businesses, together with the Balta brand (the 'Disposal' or the Discontinued Operations), to Victoria PLC. Management has analysed whether criteria were met to present these businesses as discontinued operations. These criteria have been realised in November 2021.

As a result, discontinued operations are shown as one line item in the financial statements as detailed below. The discontinued balance sheet items are presented at lower of the fair value less cost-to-sell and the carrying amount, in accordance with IFRS 5. This resulted in a write-off of the goodwill for the full amount of goodwill that was allocated to our Rugs business (€ 94.3m). On top of that, we incurred an additional write-off on intangible and tangible assets for an amount of € 32.4m including a € 6.0m reversal of deferred tax liabilities triggered by the write-off.

Intercompany transactions between the continuing and discontinued operations have been eliminated.

	For the year ended 31 December
(€ thousands)	2021
<b>ASSETS AND LIABILITIES OF THE DISCONTINUED OPERATIONS</b>	
Property, plant and equipment	177,448
<i>Of which IFRS 16 related right-of-use assets (excluding sale-and-leaseback)</i>	12,985
Land and buildings	119,012
Plant and machinery	56,604
Other fixtures and fittings, tools and equipment	1,832
Other intangible assets	0
Deferred income tax assets	2,852
Trade and other receivables	176
<b>Total non-current assets</b>	<b>180,475</b>
Inventory	114,987
Trade and other receivables	30,408
Current income tax assets	204
Cash and cash equivalents	3,909
<b>Total current assets</b>	<b>149,509</b>
<b>TOTAL ASSETS</b>	<b>329,983</b>
Bank and Other Borrowings	33,305
<i>Of which IFRS 16 related lease liabilities (excluding sale-and-leaseback)</i>	10,879
Deferred income tax liabilities	28,707
Employee benefit obligations	2,422
<b>Total non-current liabilities</b>	<b>64,434</b>
Bank and Other Borrowings	6,108
<i>Of which IFRS 16 related lease liabilities (excluding sale-and-leaseback)</i>	3,579
Derivative financial instruments	298
Other payroll and social related payables	22,993
Trade and other payables	82,257
Income tax liabilities	1,128
<b>Total current liabilities</b>	<b>112,784</b>
<b>TOTAL LIABILITIES</b>	<b>177,218</b>

(€ thousands)	For the year ended 31 December	
	2021	2020
<b>I. CONSOLIDATED INCOME STATEMENT</b>		
Revenue	357,480	303,477
Raw material expenses	(185,324)	(138,095)
Changes in inventories	21,898	(11,487)
Employee benefit expenses	(83,593)	(75,634)
Other income	2,235	4,540
Other expenses	(68,766)	(52,855)
Depreciation / amortisation	(21,755)	(22,810)
<b>Adjusted Operating Profit<sup>(1)</sup></b>	<b>22,175</b>	<b>7,135</b>
Integration and restructuring expenses	(5,843)	-
Selling cost to incur	(1,728)	-
Impairment and write off	(126,735)	-
<b>Operating profit / (loss)</b>	<b>(112,130)</b>	<b>7,135</b>
<b>Net finance expenses</b>	<b>(3,711)</b>	<b>(3,720)</b>
<b>Profit / (loss) before income taxes</b>	<b>(115,841)</b>	<b>3,415</b>
Income tax benefit / (expense)	3,129	985
<b>Profit / (loss) for the period from discontinued operations</b>	<b>(112,712)</b>	<b>4,401</b>
<b>Basic and diluted earnings per share from discontinued operations attributable to the ordinary equity holders of the company</b>	<b>(0.12)</b>	<b>0.12</b>

(1) Adjusted Operating Profit / Operating profit / (loss) are non-GAAP measures as defined in Note 1.25.

(€ thousands)	Note	For the year ended 31 December	
		2021	2020
<b>CONDENSED CASHFLOW STATEMENT OF DISCONTINUED OPERATIONS</b>			
<b>Net cash generated / (used) by operating activities</b>		<b>4,484</b>	<b>49,524</b>
<b>Net cash used by investing activities</b>		<b>(18,014)</b>	<b>(15,499)</b>
<b>Net cash generated / (used) by financing activities</b>		<b>(6,126)</b>	<b>11,316</b>
<b>NET INCREASE/ (DECREASE) IN CASH AND BANK OVERDRAFTS</b>		<b>(19,657)</b>	<b>45,340</b>
Cash, cash equivalents and bank overdrafts at the beginning of the period		1,849	2,055
Exchange gains/(losses) on cash and cash equivalents		223	(210)
Financing and cash transactions between continued and discontinued operations		21,494	(45,336)
Cash, cash equivalents and bank overdrafts at the end of the period	NOTE 17	3,909	1,849

## **NOTE 40** EVENTS AFTER THE REPORTING PERIOD

Balta Group was pleased to announce that it has completed the sale of its Rugs, Residential polypropylene (Residential PP) and Non-Woven businesses, together with the Balta brand, to Victoria PLC (the Transaction, the Divested Businesses) on 4 April 2022. With the closing of the transaction, Balta Group has also settled the tender offer for its senior secured notes and refinanced other debt facilities (see below). Post completion, the Group has outstanding senior secured notes of € 132m, a sale-and-leaseback facility of € 20m and an undrawn RCF facility of € 45m.

In preparation of and conditioned upon completion of the Disposal discussed above, LSF9 Balta Issuer S.à r.l announced on 3 March 2022 that it was offering to purchase for cash any and all of its € 234,027,888 Senior Secured Notes due 2024 (the 'Notes'), exchange any and all of the Notes for new Senior Secured Notes (the 'New Notes') and soliciting consents (the 'Consent Solicitation') to vote in favour of certain amendments to the terms of the Notes and the indenture governing the Notes (the 'Proposed Amendments') from holders of the Notes ('Noteholders'). More than 90% of the holders of the principal amount of the Notes participated in the Tender Offer and/or Exchange Offer and so the Notes will remain outstanding as a single tranche as amended by the Proposed Amendments, for an amount of € 130m due in 2024.

The Proposed Amendments, amended the Indenture to decrease the redemption price of the Notes during the period on or after March 15 2023 to (but excluding) the date of redemption, to 100% of the principal amount thereof plus accrued and unpaid interest and Additional Amounts.

Next to that, the € 61m European Super Senior Revolving Credit Facility was repaid and replaced by an undrawn € 45m Super Senior Revolving Credit Facility to be used by the full remaining continuing operations. Finally, the \$ 18.0m revolving credit facility was also repaid in full and was terminated as the Bentley Group is now allowed to draw under the € 45m Super Senior Revolving Credit Facility.

Following the events in Ukraine that started in the first quarter of 2022, several economic sanctions against Russia were taken by both Europe and the US. The direct impact on the Balta Group was limited as we have no direct sourcing from Russia (nor Ukraine) and sales into Russia is only a negligible part of the group sales. New sales towards Russia are put on hold until further notice. The indirect impacts in terms of raw material prices, general inflation, interest rates are assessed on a daily basis and proportional measures are implemented.



## Audit report

To the Partner of  
**LSF9 Balta Issuer S.à r.l.**

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## Report on the audit of the consolidated financial statements

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### Our opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of LSF9 Balta Issuer S.à r.l. (the “Company”) and its subsidiaries (the “Group”) as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

#### *What we have audited*

The Group’s consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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### Basis for opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the “Commission de Surveillance du Secteur Financier” (CSSF). Our responsibilities under the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the “Responsibilities of the “Réviseur d’entreprises agréé” for the audit of the consolidated financial statements” section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements. We have fulfilled our other ethical responsibilities under those ethical requirements.

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### Other information

The Board of Managers is responsible for the other information. The other information comprises the information stated in the annual report including the Management report but does not include the consolidated financial statements and our audit report thereon.

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Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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### **Responsibilities of the Board of Managers for the consolidated financial statements**

The Board of Managers is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Managers determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Managers is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Managers either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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### **Responsibilities of the “Réviseur d’entreprises agréé” for the audit of the consolidated financial statements**

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;



- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Managers;
- conclude on the appropriateness of the Board of Managers' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

## **Report on other legal and regulatory requirements**

The Management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

PricewaterhouseCoopers, Société coopérative  
Represented by

Luxembourg, 26 April 2022

Anne Derouané

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