BALTA GROUP NV

Statutory auditor's report to the general shareholders' meeting on the annual accounts for the year ended 31 December 2019

23 April 2020

STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING OF THE COMPANY BALTA GROUP NV ON THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2019

We present to you our statutory auditor's report in the context of our statutory audit of the annual accounts of Balta Group (the "Company"). This report includes our report on the annual accounts, as well as the other legal and regulatory requirements. This forms part of an integrated whole and is indivisible.

We have been appointed as statutory auditor by the general shareholders' meeting of 1 March 2017, following the proposal formulated by the board of directors, following the recommendation by the audit committee. Our mandate will expire on the date of the general shareholders' meeting which will deliberate on the annual accounts for the year ended 31 December 2019. We have performed the statutory audit of the annual accounts of Balta Group NV for 3 consecutive years.

Report on the annual accounts

Unqualified opinion

We have performed the statutory audit of the annual accounts of the Company, which comprise the balance sheet as at 31 December 2019, and the profit and loss account for the year then ended, and the notes to the annual accounts, characterised by a balance sheet total of EUR 472,240,525.30 and a profit and loss account showing a profit for the year of EUR 88,780.98.

In our opinion, the annual accounts give a true and fair view of the Company's net equity and financial position as at 31 December 2019, and of its results for the year then ended, in accordance with the financial-reporting framework applicable in Belgium.

Basis for unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Belgium. Furthermore, we have applied the International Standards on Auditing (ISAs) as approved by the IAASB which are applicable to the year-end and which are not yet approved at the national level. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the annual accounts" section of our report. We have fulfilled our ethical responsibilities in accordance with the ethical requirements that are relevant to our audit of the annual accounts in Belgium, including the requirements related to independence.

We have obtained from the board of directors and Company officials the explanations and information necessary for performing our audit.

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

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Emphasis of matter - subsequent event

As far as the outbreak of COVID 19 is concerned, we draw your attention to point 3 ("Information concerning significant events after the year-end) of the directors' report and to C 16 other documents of the annual accounts in which the board of directors expresses its view that, although the consequences thereof may have a significant impact on the Company's operations in 2020, such consequences do not have a material impact on the Company's financial position for the year ended 31 December 2019. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment testing on participations in affiliated companies

Description of the key audit matter

The participations in affiliated companies of Balta Group NV as at 31 December 2019 consist of a participation in LSF9 Balta Issuer S.à.r.l. for an amount of EUR 468,927,446.90.

We consider the impairment testing on participations in affiliated companies as most significant to our audit because of the fact that they represent a substantial amount of the total assets. Additionally, such impairment assessment involves significant judgement by management, in case of a permanent reduction in value, with respect to the future results and cash flow generation of the underlying entity.

How our audit addressed the key audit matter

For the evaluation of the impairment testing on the participation in LSF9 Balta Issuer S.à.r.l, we have obtained management's assessment whereby the value in use has been considered.

In evaluating management's impairment assessment, we focused on the reasonableness and impact of key assumptions including cash flow forecasts of LSF9 Balta Issuer S.à.r.l and its subsidiaries, discount rate, long term growth rate of revenue and EBITDA margin.

In assessing the reasonableness of the assumptions used by management we involved our internal valuation experts. Additionally, we have assessed whether the valuation models used have been consistently applied as part of the overall financial closing process.

Our findings

Whilst recognizing that cash flow forecasting and impairment assessment are all inherently judgmental, we found that the assumptions used by management, in evaluating whether a permanent reduction in value exists, are reasonable.

Responsibilities of the board of directors for the preparation of the annual accounts

The board of directors is responsible for the preparation of annual accounts that give a true and fair view in accordance with the financial-reporting framework applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the board of directors is responsible for assessing the Company'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 directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Statutory auditor's responsibilities for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 ISAs 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 annual accounts.

In performing our audit, we comply with the legal, regulatory and normative framework applicable to the audit of the annual accounts in Belgium. A statutory audit does not provide any assurance as to the Company's future viability nor as to the efficiency or effectiveness of the board of directors' current or future business management.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, 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 Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors;
- Conclude on the appropriateness of the board of directors' 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the annual accounts 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 statutory auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the audit committee 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 the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Responsibilities of the board of directors

The board of directors is responsible for the preparation and the content of the director's report and of the documents required to be deposited by virtue of the legal and regulatory requirements as well as for the compliance with the legal and regulatory requirements regarding bookkeeping, with the Companies' and Associations' Code as from 1 January 2020, and the Companies' Code until 31 December 2019 and the Company's articles of association.

Statutory auditor's responsibilities

In the context of our mandate and in accordance with the Belgian standard which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, the directors' report, certain documents required to be deposited by virtue of legal and regulatory requirements, as well as compliance with the articles of association and of certain requirements of the Companies' and Associations' Code as from 1 January 2020 and of the Companies' Code until 31 December 2019, and to report on these matters.

Aspects related to the directors' report

In our opinion, after having performed specific procedures in relation to the directors' report, the directors' report is consistent with the annual accounts for the year under audit, and it is prepared in accordance with the articles 3:5 and 3:6 of the Companies' and Associations' Code.

In the context of our audit of the annual accounts, we are also responsible for considering, in particular based on the knowledge acquired resulting from the audit, whether the directors' report is materially misstated or contains information which is inadequately disclosed or otherwise misleading. In light of the procedures we have performed, there are no material misstatements we have to report to you.

Statement related to the social balance sheet

The social balance sheet, to be deposited in accordance with article 3:12, §1, 8° of the Companies' and Associations' Code, includes, both in terms of form and content, the information required by virtue of this Code and does not present any material inconsistencies with the information we have at our disposition in our engagement.

Statement related to independence

- Our registered audit firm and our network did not provide services which are incompatible with the statutory audit of the annual accounts and our registered audit firm remained independent of the Company in the course of our mandate.
- The fees for additional services which are compatible with the statutory audit of the annual accounts referred to in article 3:65 of the Companies' and Associations' Code are correctly disclosed and itemized in the notes to the annual accounts.

Other statements

- Without prejudice to formal aspects of minor importance, the accounting records were maintained in accordance with the legal and regulatory requirements applicable in Belgium.
- The appropriation of results proposed to the general meeting complies with the legal provisions and the provisions of the articles of association.
- There are no transactions undertaken or decisions taken in breach of the Company's articles of association or the Companies' and Associations' Code as from 1 January 2020 and the Companies' Code until 31 December 2019 that we have to report to you.
- This report is consistent with the additional report to the audit committee referred to in article 7:99 §6, 4° of the Companies' and Associations' Code referring to article 11 of Regulation (EU) N° 537/2014.
- As explained in the director's report, the procedures in respect of a conflict of interests in the context of section 523 of the Belgian Companies' Code has been applied on 4 March 2019, 1 April 2019 and 16 April 2019 respectively. The decisions have the following property effects:

  Regarding the board of directors of 4 March 2019:

  Before the deliberation started, Mr Cyrille Ragoucy declared a conflict of interest, as defined in article 523 of the Belgian Companies' Code ("BCC"), concerning several items on the agenda related to his remuneration.

  The conflict results from the fact that Mr Ragoucy is both director of the Company and member of the management committee. The resolutions to be adopted envisage the approval of his 2020 remuneration package as managing director and interim-CEO and the approval of a Q3 and Q4 2018 variable remuneration, in accordance with his letter of appointment.

  In accordance with article 523 BCC, Mr Cyrille Ragoucy refrained from taking part in the deliberations and from voting on the resolutions. The statutory auditor of the Company will be informed of this conflict of interest.

  The board is of the opinion that the remuneration proposed is in accordance with market practice and justifiable for an interim managing director/CEO role with uncertain duration and limited benefits/notice period.

  The fixed monthly remuneration amounts to EUR 50.000 gross. The quarterly variable fee is linked to performance objectives determined by the board for each three months' reference period. Subject to satisfying all the performance objectives set by the board of directors, each quarterly variable fee may be a maximum of EUR 120.000 gross.

  Each of the other directors stated that he/she did not have any direct or indirect conflicting interest of a patrimonial nature with a resolution or operation upon which the board of directors will decide during this meeting or as referred to under article 523 of the Belgian Companies Code.

Regarding the board of directors of 1 April 2019:

Cyrille Ragoucy declared that he has a conflict of interest as referred to in Article 523 of the Belgian Companies' Code, given that he acts as counterparty of the Company with respect to the Independent Service Agreement and the PSU Agreement. He did not participate in the deliberation and decision-taking.

Each of the remaining directors declared that he or she had, neither directly nor indirectly, any interest of a patrimonial nature which could be contrary to the resolutions to be passed at this meeting or the transactions contemplated thereby, or referred to in Article 523 of the Belgian Companies' Code.

The purpose of the Independent Service Agreement is to bind Mr Cyrille Ragoucy in his capacity as CEO of the Company for a longer term, with the PSU Agreement giving him a financial long term incentive, as the remuneration under the PSU Agreement will be linked to the financial performances of the Company. Given that the CEO fulfils one of the key functions within the Company, the board of directors deems the entering into of the Independent Service Agreement and the PSU Agreement justified.

The financial consequences of the Independent Service Agreement and the PSU Agreement are substantially as follows:

- Independent Service Agreement: (a) a fixed remuneration of EUR 700.000 per year, (b) a variable fee of up to 80% of the fixed remuneration, in accordance with the terms of the Independent Service Agreement, (c) participation in the 2019 LTIP, and (d) several other advantages (in kind) (such as a company car and a mobile phone).
- PSU Agreement: the grant of 200.000 Performance Share Units in accordance with the PSU Agreement.

The board of directors believes the conditions of the Independent Service Agreement and the PSU Agreement are in line with market practice for a position of this nature and the skills of Mr Ragoucy.

Regarding the board of directors of Monday 16 April 2019:

Before the deliberation started, Mr Cyrille Ragoucy declared a conflict of interest, as defined in article 523 of the Belgian Companies' Code ("BCC"), concerning the following items on the agenda: the approval of the Q1 2019 bonus for the CEO and approval of the 2019 Long Term Incentive Plan.

The conflict results from the fact that the aforementioned director is eligible for a quarterly variable fee for his role as managing director and interim-CEO of the Company, and the aforementioned director is, together with the other members of the management committee, beneficiary of the 2019 LTIP. The resolution to be adopted envisages the approval of the Q1 2019 bonus and the approval of the 2019 LTIP possibly granting shares linked to the reaching of certain performance criteria.

In accordance with article 523 BCC, Mr Ragoucy refrained from taking part in the deliberations and from voting on those resolutions.

The implementation of the LTIP is in the interest of the Company as it is intended to facilitate the recruiting and retaining of personnel of outstanding ability. The variable remuneration encourages the contribution of the interim managing director/CEO to the strategy of the Company.

The board is of the opinion that the variable remuneration is in accordance with market practice and justifiable for an interim managing director/CEO role with uncertain duration and limited benefits/notice period.

The interim managing director/CEO is eligible to receive a quarterly variable fee with respect to performance during each three months' period of his appointment. The performance objectives applicable with respect to each three months' reference period are determined by the board. Subject to satisfying all the performance objectives set by the board of directors, each quarterly variable fee may be a maximum of EUR 120.000 gross.

The number of shares to be granted under the 2019 LTIP will depend on the share price reaching a defined target.

Each of the other directors stated that he/she did not have any direct or indirect conflicting interest of a patrimonial nature in respect of a resolution or operation upon which the board of directors will decide during this meeting or as referred to under article 523 BCC.

Ghent, 23 April 2020

The statutory auditor
PwC Bedrijfsrevisoren BV / PwC Reviseurs d'Entreprises SRL
represented by

Peter Opsomer
Bedrijfsrevisor / Réviseur d'Entreprises