

IMPORTANT NOTICE

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached prospectus (the “Prospectus”), whether received via email, accessed from an internet page or otherwise received as a result of electronic communication, and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the Prospectus. In accessing the Prospectus, you agree to be bound by the following terms and conditions and each of the restrictions set out in the Prospectus, including any modifications to them from time to time, each time you receive any information from the Underwriters, the Company or the Selling Shareholder (as each term is defined in the Prospectus) as a result of such access.

Confirmation of your representation: By accessing this Prospectus you have confirmed to the Underwriters, the Company and the Selling Shareholder, that (i) you have understood and agree to the terms set out herein, (ii) (a) you and the electronic mail address you have provided are not located in the United States, its territories and possessions or (b) you are a person that is a “qualified institutional buyer” (“QIB”) within the meaning of Rule 144A under the U.S. Securities Act of 1933 (the “U.S. Securities Act”), (iii) you consent to delivery by electronic transmission, (iv) you will not transmit the Prospectus (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the consent of the Underwriters and (v) you acknowledge that you will make your own assessment regarding any legal, taxation or other economic considerations with respect to your decision to purchase Shares (as defined in the Prospectus).

You are reminded that the Prospectus has been delivered to you on the basis that you are a person into whose possession this Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver this Prospectus, electronically or otherwise, to any other person and in particular to any U.S. address. Failure to comply with this directive may result in a violation of the U.S. Securities Act or the applicable laws of other jurisdictions.

Restrictions: NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

ANY SHARES BEING SOLD HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE U.S. SECURITIES ACT TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QIB THAT IS ACQUIRING SUCH SHARES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBs, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER RULE 144 UNDER THE U.S. SECURITIES ACT, IF AVAILABLE OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE U.S. SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

THE ATTACHED PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. DISTRIBUTION OR REPRODUCTION OF THE ATTACHED PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OR THE APPLICABLE SECURITIES LAWS OF OTHER JURISDICTIONS.

Under no circumstances shall this Prospectus constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Shares in any jurisdiction in which such offer, solicitation or sale would be unlawful. Recipients of this Prospectus who intend to subscribe for or purchase any Shares are reminded that any such subscription or purchase may only be made on the basis of the information contained in the Prospectus.

This Prospectus is being distributed only to and is directed only at persons in member states of the European Economic Area (with the exception of Belgium) who are “qualified investors” within the meaning of Article 2(1)(e) of the Prospectus Directive (Directive 2003/71/EC). In the United Kingdom, this Prospectus is being distributed only to and is directed only at (i) persons who are outside the United Kingdom; (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Order”); or (iii) high net worth entities falling within Article 49(2)-(d) of the Order (all such persons in (ii) and (iii) being referred to as “relevant persons”). The Shares are available only to, and any invitation, offer or agreement to purchase or otherwise acquire the Shares will be engaged in only with, relevant persons. Any person who is within the United Kingdom and not a relevant person should not act or rely on this Prospectus or any of its contents.

This Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Underwriters, any person who controls any of the Underwriters, the Company or the Selling Shareholder, any director, officer, employee or agent of any of them or any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version of the Prospectus.



Balta Group NV

Wakkensteenweg 2, 8710 Wielsbeke, Belgium

Offering of approximately €145 million newly issued Shares (representing a maximum of 10,943,396 Shares based on the low end of the Price Range) and up to 6,265,625 existing Shares

Listing of all Shares on Euronext Brussels

The shares of the Company (the “Shares”) being offered by the Company and the Selling Shareholder are herein referred to as the “Offer Shares.” This prospectus (the “Prospectus”) relates to the (i) issuance by Balta Group NV (the “Company”), a public limited liability company organized under the laws of Belgium, of such number of newly issued Shares having no nominal value as is necessary to raise gross proceeds of approximately €145 million (the “Primary Tranche”) and (ii) offering by LSP9 Balta Holdco S.à r.l. (the “Selling Shareholder”) of up to 6,265,625 existing Shares (based on the high end of the price range) (the “Secondary Tranche”, together with the Primary Tranche, the “Offer Shares”). The Offer Shares are being offered in: (i) an initial public offering to retail and institutional investors in Belgium (the “Belgian Offering”); (ii) a private placement in the United States to persons who are reasonably believed to be “qualified institutional buyers” or “QIBs” (as defined in Rule 144A (“Rule 144A”) under the U.S. Securities Act of 1933 (the “U.S. Securities Act”)), in reliance on Rule 144A or pursuant to another exemption from or transaction not subject to the registration requirements under the U.S. Securities Act; and (iii) private placements to institutional investors in the rest of the world (collectively, the “Offering”). The Offering outside the United States will be made in compliance with Regulation S (“Regulation S”) under the U.S. Securities Act.

The aggregate number of Offer Shares sold in the Secondary Tranche may be increased by option up to 15% of the aggregate number of Offer Shares initially offered (the “Increase Option”). Any decision to exercise the Increase Option will be communicated, at the latest, on the date of the announcement of the Offer Price.

The Selling Shareholder is expected to grant Deutsche Bank AG, London Branch, as stabilization manager (the “Stabilization Manager”), on behalf of itself and the Underwriters (as defined herein), an option to purchase additional Shares in an aggregate amount equal to up to 15% of the number of Offer Shares sold in the Offering (including pursuant to any effective exercise of the Increase Option) at the Offer Price (as defined below) to cover over-allotments or short positions, if any, in connection with the Offering (the “Over-allotment Option”). The Over-allotment Option will be exercisable for a period of 30 days following the Listing Date (as defined below). As used herein, the term “Offer Shares” shall include any over-allotted Shares (unless the context requires otherwise). Within one week after the end of the Stabilization Period (as defined below), information in relation to stabilization activities, if any, will be made public.

An investment in the Offer Shares involves substantial risks and uncertainties. Prospective investors should read the entire document, and, in particular, should see “Risk Factors” beginning on page 22 for a discussion of certain factors that should be considered in connection with an investment in the Shares, including, risks related to the fact that the Company is active in various countries and would be exposed if important export markets of the Company, such as the U.S. (28% of total pro forma 2016 sales) or the U.K. (22% of total pro forma 2016 sales), became subject to economic slowdown or trade restrictions and risks related to leverage and debt obligations of the Company, whereby the Company aims for a post-IPO leverage ratio of 2.5:1 upon a successful Offering including a minimum Primary Tranche of €137.6 million net proceeds. All of these factors should be considered before investing in the Offer Shares. Prospective investors must be able to bear the economic risk of an investment in the Shares and should be able to sustain a partial or total loss of their investment. See “Summary—Section D—Risks” and “Risk Factors.”

PRICE RANGE: €13.25 TO €16.00 PER OFFER SHARE

The price per Offer Share (the “Offer Price”) will be determined during the Offering Period (as defined herein) through a bookbuilding process in which only institutional investors may participate. The Offer Price, the number of Offer Shares sold in the Offering and the allocation of Offer Shares to retail investors is expected to be made public by a Company press release on or about June 13, 2017 and in any event no later than the first business day after the end of the Offering Period. The Offer Price will be a single price in Euros, exclusive of the Belgian tax on stock exchange transactions, and of costs, if any, charged by financial intermediaries for the submission of applications. The Offer Price is expected to be between €13.25 and €16.00 per Offer Share (the “Price Range”). The Offer Price may be set within the Price Range or below the lower end of the Price Range but will not exceed the higher end of the Price Range.

The offering period (the “Offering Period”) will begin on May 31, 2017 and is expected to end no later than 1 p.m. (CET) on June 13, 2017, subject to early closing, provided that the Offering Period will in any event be open for at least six business days from the availability of this Prospectus. However, in accordance with the possibility provided for in Article 3, § 2 of the Royal Decree of May 17, 2007 on primary market practices, the Company expects the subscription period for the retail offering to end on June 12, 2017, the day before the end of the institutional bookbuilding period, due to the timing and logistical constraints associated with the centralization of the subscriptions placed by retail investors with the Joint Lead Managers (as defined below) and with other financial institutions. Any early closing of the Offering Period will be announced by means of a Company press release, and the dates for each of pricing and allocation, publication of the Offer Price and results of the Offering, conditional trading and closing of the Offering will in such case be adjusted accordingly. The Company and the Selling Shareholder reserve the right to withdraw the Offering or to reduce the maximum number of Offer Shares at any time prior to the allocation of the Offer Shares. If the maximum number of Offer Shares is reduced, such reduction would be applied first to the Secondary Tranche. Any withdrawal of the Offering or reduction of the number of Offer Shares will be announced by means of a Company press release, through electronic information services such as Reuters or Bloomberg, and in a supplement to this Prospectus. The minimum size of the Offering corresponds to the Primary Tranche, i.e., €137.6 million net proceeds, below which the Offering will not be completed.

The Underwriters (as defined below) will use reasonable efforts to deliver the newly issued Shares to retail investors in Belgium, individual persons residing in Belgium and to investors subject to Belgian income tax on legal entities (*rechtspersonenbelasting/impôt des personnes morales*), in this order of priority. No tax on stock exchange transactions is due on the subscription of newly issued Shares (see “Taxation—Belgian Taxation—Tax on Stock Exchange Transactions”).

Prior to the Offering, there has been no public market for the Shares. An application will be made to list the Shares on Euronext Brussels under the symbol “BALTA.” Trading of the Shares on Euronext Brussels is expected to commence, on an “if-and-when-issued and/or delivered” basis, on or about June 14, 2017 (the “Listing Date”).

Delivery of the Offer Shares is expected to take place in book-entry form against payment therefor in immediately available funds on or about June 16, 2017 (the “Closing Date”) to investors’ securities accounts *via* Euroclear Belgium, the Belgian central securities depository. See “The Offering—Form of the Offer Shares and Delivery.”

This document constitutes an offer and listing prospectus for purposes of Article 3 of Directive 2003/71/EC of the European Parliament and of the Council of the European Union (as amended, including by Directive 2010/73/EU, the “Prospectus Directive”) and has been prepared in accordance with Article 20 of the Belgian Law of June 16, 2006 on the public offering of securities and the admission of securities to trading on a regulated market, as amended (the “Prospectus Law”). The English version of this Prospectus was approved by the Belgian Financial Services and Markets Authority (the “FSMA”) on May 30, 2017.

A supplement to this Prospectus will be published in accordance with Article 34 of the Prospectus Law in the event (i) the Offering Period is extended, (ii) the lower limit of the Price Range is decreased or the Offer Price is set below the lower end of the Price Range, (iii) the maximum number of Offer Shares is reduced, including due to an early closing of the Offering Period without placement of the total number of shares or (iv) the underwriting agreement is not executed or is executed but subsequently terminated.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any of the Offer Shares in any jurisdiction or to any person to whom it would be unlawful to do so.

The Shares have not been and will not be registered under the U.S. Securities Act or the applicable securities laws of any state or other jurisdiction of the United States and may not be offered, sold, pledged or transferred within the United States, except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Prospective purchasers are hereby notified that sellers of the Shares may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. For a description of certain restrictions on transfer of the Shares, see “Transfer Restrictions.”

Joint Global Coordinators and Joint Bookrunners

J.P. Morgan

Joint Bookrunner

Barclays

Joint Lead Managers

ING

Deutsche Bank

KBC Securities

Prospectus dated May 30, 2017

TABLE OF CONTENTS

	Page
IMPORTANT INFORMATION	ii
PRESENTATION OF FINANCIAL AND OTHER INFORMATION	vi
INDUSTRY AND MARKET DATA	x
ENFORCEMENT OF CIVIL LIABILITIES	xi
FORWARD-LOOKING STATEMENTS	xii
EXCHANGE RATES	xiv
SUMMARY	1
RISK FACTORS	22
USE OF PROCEEDS	37
DIVIDENDS AND DIVIDEND POLICY	38
DILUTION	39
CAPITALIZATION AND INDEBTEDNESS	40
Working Capital Statement	41
UNAUDITED PRO FORMA FINANCIAL INFORMATION	42
SELECTED CONSOLIDATED FINANCIAL INFORMATION	60
Consolidated Income Statement	61
Consolidated Statement of Financial Position	61
Consolidated Statement of Cash Flows	62
Non-IFRS Financial Data	62
Reconciliations of Non-IFRS Financial Data to Financial Statements	63
OPERATING AND FINANCIAL REVIEW AND PROSPECTS	64
INDUSTRY	100
BUSINESS	110
MANAGEMENT AND CORPORATE GOVERNANCE	132
PRINCIPAL AND SELLING SHAREHOLDER AND GROUP STRUCTURE	143
RELATED PARTY TRANSACTIONS	149
DESCRIPTION OF SHARE CAPITAL AND ARTICLES OF ASSOCIATION	151
TAXATION	159
Belgian Taxation	159
Certain U.S. Federal Income Tax Considerations	165
THE OFFERING	169
PLAN OF DISTRIBUTION	174
TRANSFER RESTRICTIONS	180
LEGAL MATTERS	182
INDEPENDENT AUDITORS	183
CERTAIN DEFINITIONS	184
INDEX TO FINANCIAL STATEMENTS	F-1

IMPORTANT INFORMATION

Responsibility Statement

In accordance with Article 61, §1 and §2 of the Prospectus Law, the Company, represented by its Board of Directors, assumes responsibility for the completeness and accuracy of all of the contents of this Prospectus. Certain sections of this Prospectus relating to (i) the description of the Selling Shareholder and its shareholding in the Company on page 142; and (ii) the description of the Over-allotment Option granted by the Selling Shareholder on page 175 have been drafted on the basis of the information provided by the Selling Shareholder. The Selling Shareholder also assumes responsibility for these (and only these) sections of the Prospectus.

Having taken all reasonable care to ensure that such is the case, each of the Company (for the entirety of this Prospectus) and the Selling Shareholder (only with respect to the sections for which it assumes responsibility) attests that the information contained in this Prospectus is, to the best of its knowledge and belief, accurate and complete in all material respects and in accordance with the facts and contains no omission likely to affect its import.

None of J.P. Morgan Securities plc (“J.P. Morgan”), Deutsche Bank AG, London Branch (“Deutsche Bank”), Barclays Bank PLC (“Barclays”), ING Belgium SA/NV (“ING”) or KBC Securities NV (“KBC Securities”) (altogether, the “Underwriters”) makes any representation or warranty, express or implied, as to, or assume any responsibility for, the accuracy or completeness or verification of the information in this Prospectus, and nothing in this Prospectus is, or shall be relied upon as, a promise or representation by the Underwriters, whether as to the past or the future. Accordingly, the Underwriters disclaim, to the fullest extent permitted by applicable law, any and all liability, whether arising in tort, contract or otherwise, in respect of this Prospectus or any such statement.

Prospectus Approval

Without prejudice to the responsibility of the Company for inconsistencies between the different language versions of the Prospectus or the Summary of the Prospectus, the FSMA approved the English version of this Prospectus on May 30, 2017 in accordance with Article 23 of the Prospectus Law. The FSMA’s approval does not imply any opinion by the FSMA on the suitability and quality of the Offering or on the status of the Company. This Prospectus has been prepared in English and translated into Dutch. The Summary of the Prospectus has also been translated into French. The Company is responsible for the consistency between the Dutch, French and English versions of the Summary of the Prospectus. In the case of discrepancies between the different versions of this Prospectus, the English version will prevail. However, the translations may be referred to by investors in transactions with the Company.

Supplement to the Prospectus

The information in this Prospectus is as of the date printed on the front cover, unless expressly stated otherwise. The delivery of this Prospectus at any time does not imply that there has been no change in the Company’s business or affairs since the date hereof or that the information contained herein is correct as of any time subsequent to the date hereof. In accordance with Article 34 of the Prospectus Law, in the event of a significant new factor, material mistake or inaccuracy relating to the information included in this Prospectus which is capable of affecting the assessment of the Offer Shares during the period from the date of approval of the Prospectus to the Listing Date, a supplement to this Prospectus shall be published. Any supplement is subject to approval by the FSMA in the same manner as this Prospectus and must be made public in the same manner as this Prospectus.

If a supplement to the Prospectus is published, investors will have the right to withdraw their orders made prior to the publication of the supplement. Such withdrawal must be done within the time period set forth in the supplement (which shall not be shorter than two business days after publication of the supplement).

Stabilization

In connection with the Offering, Deutsche Bank AG, London Branch or its affiliates will act as Stabilization Manager on behalf of itself and the Underwriters and may engage in transactions that stabilize, maintain or otherwise affect the price of the Shares or any options, warrants or rights with respect to, or other interest in, the Shares or other securities of the Company for up to 30 days from the Listing Date (the “Stabilization Period”). These activities may support the market price of the Shares at a level higher than that which might otherwise prevail. Stabilization will not be executed above the Offer Price. The Stabilization Manager and its agents are not required to engage in any of these activities and, as such, there is no assurance that these activities will be undertaken; if undertaken, the Stabilization Manager or its agents may discontinue any of these activities at any time and they must terminate at the end of the 30-day period mentioned above.

Within one week of the end of the Stabilization Period, the following information will be made public in accordance with Article 5 of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on Market Abuse and Article 6.3 of the Commission Delegated Regulation (EU) 2016/1052 of 8 March 2016 supplementing Regulation

(EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the conditions applicable to buy-back programmes and stabilisation measures: (i) whether or not stabilization was undertaken; (ii) the date at which stabilization started; (iii) the date on which stabilization last occurred; (iv) the price range within which stabilization was carried out, for each of the dates on which stabilization transactions were carried out; (v) the final size of the Offering, including the result of the Stabilization and the exercise of the Over-allotment Option and the Increase Option, if any; and (vi) the trading venue on which the stabilization transactions were carried out, where applicable.

Availability of the Prospectus

This Prospectus is available to retail investors in Belgium in English and Dutch. The Summary of the Prospectus will be made available in French. The Prospectus will be made available to investors at no cost at the Company's registered office, located at Wakkensteenweg 2, 8710 Wielsbeke, Belgium, and can be obtained by retail investors in Belgium on request from KBC Telecenter at +32 (0)3 283 29 70, Bolero Orderdesk at +32 800 628 16 and ING at +32 (0)2 464 60 01 (NL) or +32 (0)2 464 60 04 (EN) or +32 (0)2 464 60 02(FR).

Subject to selling and transfer restrictions, the Prospectus is also available to investors in Belgium in English and Dutch, and the Summary of the Prospectus is available in French, on the following websites: www.baltagroup.com, www.kbc.be/balta, www.bolero.be/nl/balta, www.kbcsecurities.be, www.bolero.be, www.ing.be/equitytransactions, www.ing.be/transactionsdactions and www.ing.be/aandelentransacties.

The posting of the Prospectus on the Internet does not constitute an offer to sell or a solicitation of an offer to buy any of the Shares to or from any person in any jurisdiction in which it is unlawful to make such offer or solicitation to such person. The electronic version may not be copied, made available or printed for distribution. Information on the Company's website (www.baltagroup.com) or any other website does not form part of the Prospectus.

Other Company Information and Documentation

The Company's deed of incorporation is filed and the Company must file its coordinated Articles of Association and all other deeds that are to be published in the annexes to the Belgian State Gazette with the clerk's office of the commercial court of Ghent, division Kortrijk, where they are available to the public. Balta Group NV is registered with the register of legal entities (Ghent, division Kortrijk) under enterprise number 0671.974.626. A copy of the Company's most recent Articles of Association will also be available on its website.

In accordance with Belgian law, the Company must also prepare audited annual statutory and consolidated financial statements. The annual statutory financial statements, together with the report of the Board of Directors and the audit report of the statutory auditor, as well as the consolidated financial statements, together with the report of the Board of Directors and the audit report of the statutory auditor thereon, will be filed with the National Bank of Belgium, where they will be available to the public. Furthermore, as a listed company, the Company must publish an annual financial report (comprised of the financial information to be filed with the National Bank of Belgium and a responsibility statement) and a semi-annual financial report (comprised of condensed financial statements, the report of the statutory auditor, if audited or reviewed, and a responsibility statement). These reports will be made publicly available on the Company's website.

All regulated information on the Company will be made available on STORI, the Belgian central storage mechanism, which is operated by the FSMA and can be accessed via stori.fsma.be or www.fsma.be. As a listed company, the Company must also disclose "inside information," information about its shareholder structure and certain other information to the public. In accordance with the Belgian Royal Decree of November 14, 2007 relating to the obligations of issuers of financial instruments admitted to trading on a Belgian regulated market (*Koninklijk besluit betreffende de verplichtingen van emittenten van financiële instrumenten die zijn toegelaten tot de verhandeling op een gereguleerde markt/Arrêté royal relatif aux obligations des émetteurs d'instruments financiers admis aux négociations sur un marché réglementé*), Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on Market Abuse and the Commission Implementing Regulation (EU) 2016/1055 of 29 June 2016 laying down implementing technical standards with regard to the technical means for appropriate public disclosure of inside information and for delaying the public disclosure of inside information, such information and documentation will be made available through the Company's website, press releases, the communication channels of Euronext Brussels, on STORI or a combination of these means. All press releases published by the Company will be made available on its website.

The Company has agreed that, for so long as any of the Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, the Company will, during any period in which the Company is neither subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934 (the "U.S. Exchange Act") nor exempt from reporting pursuant to Rule 12g3-2(b) under the U.S. Exchange Act, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, on the request of such holder, beneficial owner or prospective purchaser, the information required to be provided to such persons pursuant to Rule 144A(d)(4) under the U.S. Securities Act. The Company is not currently subject to the periodic reporting requirements of the U.S. Exchange Act.

NOTICE TO INVESTORS

In making an investment decision, investors must rely on their own assessment, examination, analysis and enquiry of the Company, the terms of the Offering and the contents of this Prospectus, including the merits and risks involved. Any purchase of the Offer Shares should be based on the assessments that an investor may deem necessary, including the legal basis and consequences of the Offering, and including possible tax consequences that may apply, before deciding whether or not to invest in the Offer Shares. In addition to their own assessment of the Company and the terms of the Offering, investors should rely only on the information contained in this Prospectus, including the risk factors described herein.

Investors must also acknowledge that: (i) they have not relied on the Underwriters or any person affiliated with the Underwriters in connection with any investigation of the accuracy of any information contained in this Prospectus; and (ii) they have relied only on the information contained in this Prospectus, and that no person has been authorized to give any information or to make any representation concerning the Company or its subsidiaries or the Shares (other than as contained in this Prospectus) and, if given or made, any such other information or representation should not be relied upon as having been authorized by the Company, the Selling Shareholder or the Underwriters.

None of the Company, the Selling Shareholder or the Underwriters, or any of their respective representatives, is making any representation to any offeree or purchaser of the Offer Shares regarding the legality of an investment in the Offer Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser. Each investor should consult with his or her own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Offer Shares.

No person has been authorized to give any information or to make any representation in connection with the Offering other than those contained in this Prospectus, and, if given or made, such information or representation must not be relied upon as having been authorized. Without prejudice to the Company's obligation to publish supplements to the Prospectus when legally required (as described below), neither the delivery of this Prospectus nor any sale made at any time after the date hereof shall, under any circumstances, create any implication that there has been no change in the Company's affairs since the date hereof or that the information set forth in this Prospectus is correct as of any time since its date.

The Underwriters are acting exclusively for the Company and the Selling Shareholder and no one else in connection with the Offering. They will not regard any other person (whether or not a recipient of this document) as their respective clients in relation to the Offering and will not be responsible to anyone other than the Company and the Selling Shareholder for providing the protections afforded to their respective clients nor for giving advice in relation to the Offering or any transaction or arrangement referred to herein.

The distribution of this Prospectus and the Offering may, in certain jurisdictions, be restricted by law, and this Prospectus may not be used for the purpose of, or in connection with, any offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. This Prospectus does not constitute an offer to sell, or an invitation of an offer to purchase, any Offer Shares in any jurisdiction in which such offer or invitation would be unlawful. The Company, the Selling Shareholder and the Underwriters require persons into whose possession this Prospectus comes to inform themselves of and observe all such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. None of the Company, the Selling Shareholder or the Underwriters accepts any legal responsibility for any violation by any person, whether or not a prospective purchaser of Shares, of any such restrictions. The Company, the Selling Shareholder and the Underwriters reserve the right in their own absolute discretion to reject any offer to purchase Shares that the Company, the Selling Shareholder, the Underwriters or their respective agents believe may give rise to a breach or violation of any laws, rules or regulations.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES

The Offer Shares have not been and will not be registered under the U.S. Securities Act and are being offered and sold: (i) in the United States only to persons who are reasonably believed to be QIBs in reliance on Rule 144A or pursuant to another exemption from or transaction not subject to the registration requirements under the U.S. Securities Act; and (ii) outside the United States in compliance with Regulation S. Prospective investors are hereby notified that sellers of the Offer Shares may be relying on the exemption from the registration requirements of Section 5 of the U.S. Securities Act provided by Rule 144A. For certain restrictions on the transfer of the Offer Shares, see "*Transfer Restrictions*."

The Offer Shares have not been recommended by any U.S. federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Prospectus. Any representation to the contrary is a criminal offense in the United States.

In the United States, this Prospectus is being furnished on a confidential basis solely for the purpose of enabling a prospective investor to consider purchasing the particular securities described herein. The information contained in this Prospectus has been provided by the Company and other sources identified herein. Distribution of this Prospectus to any person other than the offeree specified by the Underwriters or their representatives, and those persons, if any, retained to

advise such offeree with respect thereto, is unauthorized, and any disclosure of its contents, without the Company's prior written consent, is prohibited. Any reproduction or distribution of this Prospectus in the United States, in whole or in part, and any disclosure of its contents to any other person is prohibited. This Prospectus is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for, or otherwise acquire, the Offer Shares.

NOTICE TO INVESTORS IN THE EUROPEAN ECONOMIC AREA

An offer to the public of any Offer Shares may not be made in any Member State of the European Economic Area ("EEA") other than an offer to the public in Belgium unless the Prospectus has been (i) approved by the competent authority in such Member State or passported and (ii) published in accordance with the Prospectus Directive as implemented in such Member State. This Prospectus has been prepared on the basis that all offers of Offer Shares, other than the offers contemplated in Belgium, will be made pursuant to an exemption under the Prospectus Directive, as implemented in Member States of the EEA, from the requirement to produce a prospectus for offers of Offer Shares. Accordingly, any person making or intending to make any offer within the EEA of Offer Shares which are the subject of the placement contemplated in this Prospectus should only do so in circumstances in which no obligation arises for the Company, the Selling Shareholder or the Joint Global Coordinators to produce a prospectus for such offer. Neither the Company, the Selling Shareholder nor the Joint Global Coordinators have authorized, nor do the Company, the Selling Shareholder or the Joint Global Coordinators authorize, the making of any offer of Offer Shares through any financial intermediary, other than offers made by the Joint Global Coordinators which constitute the final placement of Offer Shares contemplated in this Prospectus.

The Offer Shares have not been, and will not be, offered to the public in any Member State of the EEA that has implemented the Prospectus Directive, except for Belgium (a "Relevant Member State"). Notwithstanding the foregoing, an offering of the Offer Shares may be made in a Relevant Member State:

- to any legal entity that is a qualified investor as defined in the Prospectus Directive;
- to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Joint Global Coordinators for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive, if applicable.

provided that no such offer of Offer Shares shall result in a requirement for the publication by the Company, the Selling Shareholder or the Joint Global Coordinators of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression "offer to the public" in relation to any Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offering and the Offer Shares so as to enable an investor to decide to purchase Offer Shares, as that definition may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

NOTICE TO INVESTORS IN THE UNITED KINGDOM

Offers of the Offer Shares pursuant to the Offering are only being made to persons in the United Kingdom who are "qualified investors" or otherwise in circumstances which do not require publication by the Company of a prospectus pursuant to section 85(1) of the U.K. Financial Services and Markets Act 2000, as amended.

Any investment or investment activity to which the Prospectus relates is available only to, and will be engaged in only with, persons who (i) are investment professionals falling within Article 19(5) or (ii) fall within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc.") of the U.K. Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or other persons to whom such investment or investment activity may lawfully be made available (together, "relevant persons"). Persons who are not relevant persons should not take any action on the basis of the Prospectus and should not act or rely on it.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Balta Group NV (the “Company”) was incorporated on March 1, 2017. At the completion of the Reorganization, Balta Group NV will own 100% of the shares of LSF9 Balta Issuer S.A., the current holding company for Balta’s operations and the company through which it carries out its operations through various direct and indirect subsidiaries organized in the jurisdictions in which Balta operates.

LSF9 Balta Issuer S.A. was incorporated on June 22, 2015 in connection with the acquisition of the Group by Lone Star Fund IX, which closed on August 11, 2015. In connection with this acquisition, Lone Star Fund IX, through intermediate holding companies, made an indirect equity investment of €140.0 million in the Group through a combination of ordinary equity and preferred equity certificates. In addition, on July 23, 2015, LSF9 Balta Issuer S.A. issued €290.0 million of 7.75% Senior Secured Notes due 2022 (the “Senior Secured Notes”).

Prior to the acquisition by Lone Star Fund IX, the parent entity of the Group was Balta Finance S.à r.l., which as a result of the acquisition was merged into LSF9 Balta Investments S.à r.l., a subsidiary of LSF9 Balta Issuer S.A. Other than the insertion of new holding companies into the Group structure, and financing activities in connection with the acquisition, there were no changes to the scope of the Group’s operations included in the consolidation perimeter of the consolidated financial information as listed below for the years ended December 31, 2016 and 2015.

Prior to the acquisition of the Group by Lone Star Fund IX, LSF9 Balta Issuer S.A. had no operating activities and a full parent-subsidiary relationship (as defined by IAS 27/IFRS 10) did not exist amongst all component entities being combined. As a result, consolidated financial information for the Group could not be presented at the LSF9 Balta Issuer S.A. level for any period prior to the acquisition. Therefore, the unaudited combined financial statements of LSF9 Balta Issuer S.A. and its subsidiaries as of and for the year ended December 31, 2015 listed below aggregates the consolidated results of Balta Finance S.à r.l. and its subsidiaries as of and for the period from January 1, 2015 to August 10, 2015 and the consolidated results of LSF9 Balta Issuer S.A. and its subsidiaries as of and for the period from August 11, 2015 to December 31, 2015, as if LSF9 Balta Issuer S.A. had ownership of Balta Finance S.à r.l. for the entire twelve month period ended December 31, 2015. This presentation enables the reader to view the business as a whole and provides meaningful and relevant information that the Company’s Directors believe is useful in evaluating the Group’s on-going operations, in the same manner as the Group’s management views and operates the business.

Consequently, the consolidated financial information in this Prospectus, unless otherwise stated, has been derived or extracted from:

- the unaudited consolidated financial statements of LSF9 Balta Issuer S.A. and its subsidiaries as of and for the three months ended March 31, 2017;
- the audited consolidated financial statements of LSF9 Balta Issuer S.A. and its subsidiaries as of and for the year ended December 31, 2016;
- the audited consolidated financial statements of LSF9 Balta Issuer S.A. and its subsidiaries as of and for the period from August 11, 2015 to December 31, 2015;
- the unaudited combined financial statements of LSF9 Balta Issuer S.A. and its subsidiaries as of and for the year ended December 31, 2015;
- the audited consolidated financial statements of Balta Finance S.à r.l. and its subsidiaries as of and for the year ended December 31, 2014; and
- the audited consolidated financial statements of BPS Parent, Inc. and its subsidiaries as of and for the year ended January 1, 2017

(together, the “Consolidated Financial Statements”).

The unaudited consolidated financial statements of LSF9 Balta Issuer S.A. and its subsidiaries as of and for the three months ended March 31, 2017 have been prepared in accordance with IAS 34. The audited consolidated financial statements of LSF9 Balta Issuer S.A. and its subsidiaries as of and for the year ended December 31, 2016 and as of and for the period from August 11, 2015 to December 31, 2015 as well as the consolidated financial statements of Balta Finance S.à r.l. and its subsidiaries as of and for the year ended December 31, 2014 have all been prepared in accordance with IFRS, and have been audited by PricewaterhouseCoopers, *Société coopérative*, as indicated in their reports included herein.

The unaudited combined financial statements of LSF9 Balta Issuer S.A. and its subsidiaries as of and for the year ended December 31, 2015 have been prepared on the basis described therein, and they have been reported on in accordance with ISAE 3000 (revised) (*Assurance Engagements other than Audits or Reviews of Historical Financial Information*) by PricewaterhouseCoopers, *Société coopérative*, as indicated in their report included herein.

The unaudited consolidated financial statements of LSF9 Balta Issuer S.A. and its subsidiaries as of and for the three months ended March 31, 2017 have been prepared in accordance with IAS 34 and reviewed by PricewaterhouseCoopers, *Société coopérative*.

This Prospectus also includes the consolidated financial statements of BPS Parent, Inc., and its subsidiaries, as of and for the year ended January 1, 2017, which have been audited by Moss Adams LLP and prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), as indicated in its report included herein. BPS Parent, Inc. is the parent company of Bentley Mills, Inc., which was acquired by the Group on March 22, 2017, when it acquired the Bentley group of companies. Where used herein “Bentley” refers to Bentley Mills, Inc. or where the context requires, the Bentley group of companies. For more information on the acquisition of Bentley and the Reorganization of the Group associated with the acquisition, see “*Business—Overview*,” “*Operating and Financial Review and Prospects—Recent Developments*,” and “*Principal and Selling Shareholder and Group Structure—Reorganization*.”

Financial information published by the Company after the closing of the Offering in furtherance of its on-going disclosure obligations will include consolidated financial statements of the Company in accordance with IFRS.

Rounding adjustments have been made in calculating some of the financial information included in this Prospectus. As a result, figures shown as totals in some tables may not be exact arithmetic aggregations of the figures that precede them.

No facts have been omitted from the aforementioned information which would render the reproduced information inaccurate or misleading.

Pro Forma Financial Information

Where indicated herein, and particularly in “*Unaudited Pro Forma Financial Information*,” this Prospectus includes unaudited pro forma financial information of LSF9 Balta Issuer S.A. and its subsidiaries to reflect the acquisition of Bentley by the Group. The unaudited pro forma financial information has been derived from the audited consolidated financial statements of LSF9 Balta Issuer S.A. and its subsidiaries as of and for the year ended December 31, 2016, adjusted to give effect to (i) the acquisition of Bentley by the Group, (ii) U.S. GAAP to IFRS differences as well as alignment to the financial presentation and accounting policies of the Group, and (iii) pro forma adjustments presenting the transaction and financing, and are prepared in accordance with the basis of preparation as described in the notes to the unaudited pro forma financial information.

The unaudited pro forma consolidated statement of financial position as of December 31, 2016 gives effect to the acquisition as if it had occurred on December 31, 2016 and the unaudited pro forma consolidated income statement for the year ended December 31, 2016 gives effect to the acquisition as if it had occurred on January 1, 2016.

The unaudited pro forma financial information has been prepared on the basis described therein and has not been audited; however, it has been reported on in accordance with ISAE 3420 (*Assurance Engagements to Report on the compilation of Pro Forma Financial Information included in a Prospectus*) by PricewaterhouseCoopers, *Société coopérative*, as indicated in their report included herein.

The unaudited pro forma financial information is for informational purposes only and should not be considered indicative of actual results that would have been achieved had the acquisition of Bentley been completed on the date indicated and do not purport to indicate the Group’s future consolidated results of operations or financial position. The actual results may differ significantly from those reflected in the unaudited pro forma financial information for a number of reasons, including, but not limited to, differences in assumptions used to prepare the unaudited pro forma financial information.

The unaudited pro forma financial information should be read in conjunction with the information contained in “*Use of Proceeds*,” “*Selected Consolidated Financial Information*,” “*Operating and Financial Review and Prospects*,” “*Principal and Selling Shareholder and Group Structure—Reorganization*” and the Consolidated Financial Statements appearing elsewhere in this Prospectus. For the avoidance of doubt, the unaudited pro forma financial information presented herein includes information from the audited consolidated financial statements of BPS Parent, Inc. and its subsidiaries, which are also separately incorporated herein, but such information is not included in the historical financial information provided with respect to LSF9 Balta Issuer S.A. or its predecessor entity, Balta Finance S.à r.l.

Non-IFRS Financial Measures

This Prospectus contains non-IFRS measures and ratios, including:

- Adjusted Operating Profit;
- Adjusted EBITDA;
- Adjusted EBITDA Margin;

- Net Debt;
- Net Debt/Adjusted EBITDA;
- Pro Forma Adjusted EBITDA; and
- Net Debt/Pro Forma Adjusted EBITDA,

which are not required by, or presented in accordance with IFRS.

Adjusted Operating Profit is defined as operating profit / (loss) adjusted for (i) the impact of the purchase price allocation on (a) raw material expenses and (b) changes in inventories, (ii) gains on assets disposal, (iii) legal claims, (iv) integration and restructuring expenses and (v) impairment and write-off.

Adjusted EBITDA is defined as operating profit / (loss) adjusted for (i) the impact of the purchase price allocation on (a) raw material expenses and (b) changes in inventories, (ii) gains on assets disposal, (iii) legal claims, (iv) integration and restructuring expenses, (v) depreciation / amortization and (vi) impairment and write-off.

Adjusted EBITDA Margin is defined as Adjusted EBITDA divided by revenue.

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 liabilities with related parties, reverse factoring, and accrued commitment fees, and (iii) cash and cash equivalents.

Net Debt/Adjusted EBITDA is defined as Net Debt divided by Adjusted EBITDA.

Pro Forma Adjusted EBITDA is defined as operating profit / (loss) adjusted for (i) depreciation and amortization, (ii) impairments and write-offs, (iii) results from acquisitions and disposals, (iv) gain from discontinued operations, (v) legal costs and (vi) integration and restructuring expenses, pro forma for the Bentley acquisition, as if this had occurred at the beginning of the period.

Net Debt/Pro Forma Adjusted EBITDA is defined as Net Debt divided by Adjusted EBITDA, pro forma for the Bentley acquisition, as if this had occurred at the beginning of the period.

The Company presents non-IFRS measures because it believes that they and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. The non-IFRS measures may not be comparable to similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of the Company's operating results as reported under IFRS. Non-IFRS measures such as Adjusted Operating Profit, Adjusted EBITDA, Adjusted EBITDA Margin, Net Debt, Net Debt/Adjusted EBITDA, Pro Forma Adjusted EBITDA and Net Debt/Pro Forma Adjusted EBITDA are not measurements of performance or liquidity under IFRS or any other generally accepted accounting principles. In particular, you should not consider these non-IFRS measures as an alternative to: (i) Revenue, operating profit or profit for the period (as determined in accordance with IFRS) as a measure of the Company's operating performance or (ii) any other measures of performance under generally accepted accounting principles. Some of the limitations of the non-IFRS measures are:

- they do not reflect the Company's cash expenditures or future requirements for capital expenditure or contractual commitments;
- they do not reflect changes in, or cash requirements for, the Company's working capital needs; and
- they do not reflect the significant interest expense, or the cash requirements necessary, to service interest or principal payments on the Company's debts.

For a reconciliation of Adjusted Operating Profit, Adjusted EBITDA, Adjusted EBITDA Margin, Net Debt, and Net Debt/Adjusted EBITDA to the most comparable IFRS item, see "*Selected Consolidated Financial Information—Reconciliations of Non-IFRS Financial Data.*"

Material Contracts

Certain material contracts of the Group are described in "*Operating and Financial Review and Prospects—Liquidity and Capital Resources—Capital Resources*" and "*Related Party Transactions.*" Other than the contracts described in these sections, there are no material contracts, other than contracts entered into in the ordinary course of business, to which the Group is a party, for the periods under review.

Other Information

In this Prospectus, references to the “Company” are to Balta Group NV, and references to “Balta,” “Group,” “we,” “us” or “our” are, prior to the Reorganization, to LSF9 Balta Issuer S.A. and its subsidiaries, not including Bentley, and following the Reorganization and at Closing, to the Company and its subsidiaries, including Bentley.

References to “Euros,” “Euro,” “EUR” or “€” are to the common currency of the member states of the EU that are part of the Eurozone. References to the “United Kingdom” or the “UK” are to the United Kingdom of Great Britain and Northern Ireland, and references to “British Pound,” “Pound sterling,” “GBP” or “£” are to the lawful currency of the United Kingdom. References to the “United States” or the “U.S.” are to the United States of America and references to “U.S. dollars,” “\$” or “USD” are to the lawful currency of the United States. References to “Turkey” are to the Republic of Turkey, and references to “Turkish Lira” or “TRY” are to the lawful currency of Turkey.

INDUSTRY AND MARKET DATA

The prospectus includes market share, economic and industry data, which were obtained by the Company from industry publications and surveys, industry reports prepared by consultants, internal surveys and customer feedback. The market and industry data have primarily been derived and extrapolated from reports provided by Euroconstruct, Freedonia Group, Inc. (“Freedonia”), BMCW Associates (“BMCW”), MarketLine, Market Insights LLC and Catalina Research.

The third party sources the Company has used generally state that the information they contain has been obtained from sources believed to be reliable. These third-party sources also state, however, that the accuracy and completeness of such information is not guaranteed and that the projections they contain are based on significant assumptions. As the Company does not have access to the facts and assumptions underlying such market data, or statistical information and economic indicators contained in these third-party sources, the Company is unable to verify such information. Thus while the information has been accurately reproduced with no omissions that would render it misleading, and the Company believes it to be reliable, the Company cannot guarantee its overall accuracy or completeness.

In addition, certain information in this Prospectus is not based on published data obtained from independent third parties or extrapolations therefrom, but rather is based upon the Company’s best estimates, which are in turn based upon information obtained from trade and business organizations and associations, consultants and other contacts within the industries in which the Company competes, information published by competitors, and the Company’s own experience and knowledge of conditions and trends in the markets in which the it operates.

The Company cannot assure you that any of the assumptions that it has made while compiling this data from third party sources are accurate or correctly reflect the Company’s position in the industry and none of our internal estimates have been verified by any independent sources. None of the Company, the Selling Shareholder or the Underwriters makes any representation or warrants as to the accuracy or completeness of this information. None of the Company, the Selling Shareholder or the Underwriters has independently verified this information and, while the Company believes it to be reliable, none of the Company, the Selling Shareholder or the Underwriters can guarantee its accuracy. The Company confirms that all third-party data contained in this Prospectus has been accurately reproduced and, so far as the Company is aware and able to ascertain from information published by that third-party, no facts have been omitted that would render the reproduced information inaccurate or misleading.

Macroeconomic Data and Market Drivers

All data relating to macroeconomic performance and country growth perspectives has been derived from analysis provided by the European Commission (via Eurostat), unless otherwise noted.

Data relating to the prospects and size of the European construction market has been derived from Euroconstruct. For the purposes of the Euroconstruct data, Europe comprises the following countries: Austria, Belgium, the Czech Republic, Denmark, Finland, France, Germany, Hungary, Ireland, Italy, Netherlands, Norway, Poland, Portugal, Slovakia, Spain, Sweden, Switzerland and the United Kingdom.

Data relating to global flooring demand and the construction market, including new construction and renovation, has been derived from Freedonia. For the purposes of the Freedonia data, Western Europe comprises the following countries: Germany, France, Italy, United Kingdom, Spain, the Netherlands, Belgium, Austria, Denmark, Finland, Greece, Ireland, Norway, Portugal, Sweden, Switzerland, Iceland, Luxembourg, Malta, Andorra, Liechtenstein, Monaco, San Marino, Channel Islands, Faeroe Islands, Greenland, Isle of Man and Svalbard, and Eastern Europe comprises the following countries: Russia, Poland, Ukraine, Albania, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Kosovo, Latvia, Lithuania, Macedonia, Moldova, Montenegro, Poland, Romania, Serbia, Slovakia and Slovenia.

The Company may refer to certain geographic regions using diverging definitions from those heretofore mentioned. See “*Certain Definitions.*”

Market Size

Unless otherwise noted, all data relating to the size of the global flooring market, as well as the historical and forecasted growth of these markets, is derived from Freedonia. Freedonia makes a distinction between the resilient, non-resilient and soft-flooring markets. The non-resilient category is subsequently further subdivided into the ceramic, wood and laminates market.

In order to determine the market size for the commercial carpet tile market, management relied upon data provided by BMCW.

Market Share

In order to calculate the Company’s market share, management has used market data to measure the relative size of a geographic or product market, after which management divided the revenue of the particular Company segment or product by the corresponding market data provided by the relevant third-party source.

ENFORCEMENT OF CIVIL LIABILITIES

The Company is a public limited liability company incorporated under the laws of Belgium. Most of its directors and members of its Management Committee live outside the United States and a majority of the Company's assets and of the assets of these individuals are located outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon these individuals or the Company or to enforce against them judgments obtained in the United States based on the civil liability provisions of the U.S. securities laws. There is uncertainty as to the enforceability in Belgium of original actions or actions for enforcement of judgments of United States courts of civil liabilities predicated solely upon the federal securities laws of the United States.

FORWARD-LOOKING STATEMENTS

This Prospectus contains “forward-looking statements” within the meaning of the securities laws of certain jurisdictions, including statements under the captions “*Summary*,” “*Risk Factors*,” “*Operating and Financial Review and Prospects*,” “*Industry*,” “*Business*” and in other sections. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the words “believes,” “estimates,” “anticipates,” “expects,” “intends,” “may,” “will,” “plans,” “continue,” “on-going,” “potential,” “predict,” “project,” “target,” “seek” or “should” or, in each case, their negative or other variations or comparable terminology or by discussions of strategies, plans, objectives, targets, goals, future events or intentions. These forward-looking statements appear in a number of places throughout this Prospectus. Forward-looking statements include statements regarding intentions, beliefs or current expectations concerning, among other things, results of operations, prospects, growth, strategies and dividend policy and the industry in which the Company operates. In particular, certain statements are made in this Prospectus regarding management’s estimates of future growth.

By their nature, forward-looking statements involve known and unknown risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. You should not place undue reliance on these forward-looking statements. Any forward-looking statements are made only as of the date of this Prospectus, and the Company does not intend, and does not assume any obligation, to update forward-looking statements set forth in this Prospectus.

Many factors may cause the Company’s results of operations, financial condition, liquidity and the development of the industries in which the Company competes to differ materially from those expressed or implied by the forward-looking statements contained in this Prospectus.

These factors include:

- the Company’s ability to successfully anticipate and identify trends in consumer preferences;
- high competition in the soft-flooring industry;
- duplication and reproduction of designs, innovations and products by competitors;
- consumer preferences and changing trends in flooring solutions;
- economic conditions, particularly to the extent such conditions impact consumer confidence and the residential and commercial renovation and construction markets;
- dependence on a limited number of raw material suppliers;
- fluctuations in the pricing of raw materials;
- the Company’s lack of formal sales arrangements with a substantial majority of its customers;
- the Company’s dependence on several significant customers;
- fluctuations in currency exchange rates;
- exposure to currency hedging risks;
- the Company’s ability to attract new customers and retain existing customers as a result of disruptions to the production or delivery of its products;
- the Company’s ability to attract and retain senior management and other key employees;
- any significant damage to one of the Company’s facilities resulting in a production disruption;
- operational risks in emerging markets;
- the Company’s ability to manage its existing business and integrate acquired businesses as a result of future growth;
- manufacturing defects, liability claims or adverse publicity;
- the Company’s ability to comply with environmental and other regulations and obtain government permits and approvals;

- increased costs of labor, labor disputes, work stoppages or union organizing activity which could have a negative impact on the Company's operations;
- the failure of or significant disruptions to the Company's information systems and software;
- complete or partial uninsured losses;
- changes in tax rates, tax liabilities or tax accounting rules;
- changes in how the tax authorities view the Company's structure;
- the Company's reliance on third parties for various services, including the transportation of products and the provision of raw materials;
- legal and regulatory compliance risks, including economic sanctions and export control laws in various jurisdictions;
- the Company's substantial leverage and debt service obligations;
- restrictive debt covenants that may limit the Company's ability to finance future operations and capital needs;
- the Company's medium term objectives in relation to certain metrics such as revenue growth, Adjusted Operating Profit and cash flow; and
- other risks associated with the Shares and the Offering discussed under "*Risk Factors*."

These risks and others described under "*Risk Factors*" are not exhaustive. New risks can emerge from time to time, and it is not possible to predict all such risks, nor can the Company assess the impact of all such risks on its business or the extent to which any risks, or combination of risks and other variables, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, you should not rely on forward-looking statements as a prediction of actual results.

EXCHANGE RATES

The following table sets forth, for the periods and dates indicated, certain information regarding the daily reference exchange rate published by the European Central Bank for U.S. dollars, expressed in U.S. dollars per Euro, rounded to the nearest four decimal places (the “ECB Daily Reference Rate”). No representation is made that U.S. dollar amounts have been, could have been or could be converted into Euro, or vice versa, at such exchange rates or at any other exchange rate.

	U.S. dollars per one Euro			
	Period End ⁽¹⁾	Average ⁽²⁾	High	Low
Year				
2012	1.3194	1.2848	1.3454	1.2089
2013	1.3791	1.3281	1.3814	1.2768
2014	1.2141	1.3285	1.3953	1.2141
2015	1.0887	1.1095	1.2043	1.0552
2016	1.0541	1.1069	1.1569	1.0364
2017 (through May 29)	1.1188	1.0738	1.1243	1.0385
Month				
January 2017	1.0755	1.0614	1.0755	1.0385
February 2017	1.0597	1.0643	1.0808	1.0513
March 2017	1.0691	1.0685	1.0889	1.0514
April 2017	1.0930	1.0723	1.0930	1.0578
May 2017 (through May 29)	1.1188	1.1044	1.1243	1.0860

(1) Represents the exchange rate on the last business day of the applicable period.

(2) Represents the average of the ECB Daily Reference Rates on the last business day of each month during the relevant one-year and interim periods and, with respect to monthly information, the average of the ECB Daily Reference Rates on each business day for the relevant period.

SUMMARY

Summaries are made up of disclosure requirements known as “Elements.” These Elements are numbered in Sections A – E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and company. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and company, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of “Not applicable.”

Section A—Introduction and warnings

Element	Disclosure requirement
A.1	Introduction and warnings This summary must be read as an introduction to this Prospectus and is provided to aid investors when considering whether to invest in the Shares, but is not a substitute for this Prospectus. Any decision to invest in the Shares should be based on consideration of this Prospectus as a whole. Following the implementation of the relevant provisions of the Prospectus Directive in each Member State of the EEA, no civil liability will attach to the persons responsible for this summary in any such Member State solely on the basis of this summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or it does not provide, when read together with the other parts of this Prospectus, key information in order to aid investors when considering whether to invest in the Shares. Where a claim relating to this Prospectus is brought before a court in a Member State of the EEA, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating this Prospectus before the legal proceedings are initiated.
A.2	Consent for use of the prospectus for subsequent resale Not applicable. The Company does not consent to the use of the Prospectus for the subsequent resale or final placement of securities by financial intermediaries.

Section B—Company

Element	Disclosure requirement
B.1	The legal and commercial name of the Company The legal name of the Company is Balta Group NV. It carries out its business under the name of Balta and associated registered trademarks.
B.2	Domicile and legal form of the Company The Company is a public limited liability company incorporated in the form of a <i>société anonyme/ naamloze vennootschap</i> under Belgian law. It is registered with the legal entities register of Ghent, Kortrijk division, under enterprise number 0671.974.626. The Company’s registered office is located at Wakkensteenweg 2, 8710 Wielsbeke, Belgium.
B.3	Current operations and principal activities of the Company and the principal markets in which it competes The Company is one of the leading European manufacturers of soft flooring, which includes rugs for the consumer home furnishing market as well as broadloom and carpet tiles for the residential and commercial markets. In 2016, the Company believes it was the largest manufacturer in Europe of machine-made rugs, as well as the largest manufacturer in Europe of residential broadloom in each case by volume, and the second largest manufacturer worldwide of machine-made rugs by volume. In 2016, the Company was also the third largest manufacturer in Europe of commercial carpet tiles by volume, according to BMCW. The Company’s traditional core markets are the United Kingdom, Germany and France, with an increasingly growing presence in Central and Eastern Europe as well as in the United States, which, with the acquisition of Bentley in March 2017, is now the Company’s largest country by sales. The Company has a long history of creativity and innovation in the soft-flooring industry, having pioneered several trends in rugs and carpeting,

including mass production of flatweave and shaggy rugs. The Company uses its innovative product development process to design, manufacture and distribute its products to a broad range of retailers and wholesalers in over 133 countries, collaborating closely with its customers to develop products adapted to local preferences and tailored to consumers' tastes. The Company believes its customers value its product innovation, the consistent quality of its products, its ability to reliably deliver high volume orders on time and in full and its responsive customer service and support.

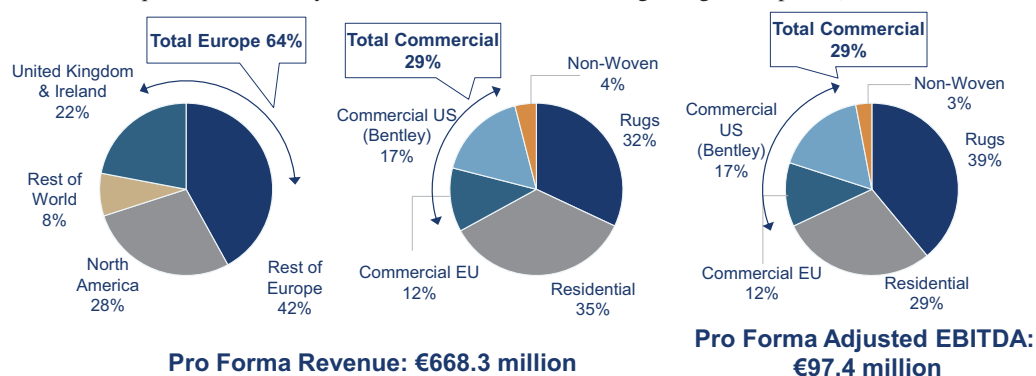
The Company operates six highly automated, flexible and efficient manufacturing facilities located in Belgium (in addition to one warehousing facility), which are strategically positioned to minimize transportation costs and improve delivery lead times to our end-markets. The Company's Belgian operations benefit from extensive know-how built up over 50 years, a strong heritage of textiles craftsmanship and a high level of automation. In addition, the Company owns two high capacity manufacturing facilities in Turkey, which specialize in low-cost production of labor-intensive rugs and benefit from Group know-how. The Company's two U.S. distribution centers are strategically located in Dalton and Calhoun, Georgia.

The Company's acquisition of Bentley, one of the leading providers of premium carpet tile and broadloom carpet in the United States, provides it a platform for expansion in the U.S. commercial segment. Bentley's broad product range and client base complement the Company's offerings and provide future opportunities for growth. Bentley operates its main manufacturing facility near Los Angeles, California, which comprises manufacturing and warehouse space in close proximity, to maximize production flexibility and efficiency.

The Company operates its business through four segments, which are organized by product and sales channel:

- **Rugs**, which generated €214.5 million of revenue and €38.0 million of Adjusted EBITDA for the year ended December 31, 2016 (17.7% Adjusted EBITDA Margin). The Company designs, manufactures and distributes a broad range of machine-made rugs to major retailers (such as home improvement, furniture, specialist, discount and DIY stores) and wholesalers.
- **Residential**, which generated €236.8 million of revenue and €28.4 million of Adjusted EBITDA for the year ended December 31, 2016 (12.0% Adjusted EBITDA Margin). The Company designs, manufactures and distributes branded broadloom carpets (*Balta Carpets* and *ITC* brands) and tiles to major retailers and wholesalers.
- **Commercial**, which generated €80.1 million of revenue and €12.1 million of Adjusted EBITDA for the year ended December 31, 2016 (15.1% Adjusted EBITDA Margin). The Company designs, manufactures and distributes modular carpet tiles mainly for offices and public projects through the Company's *modulyss* brand and broadloom carpets mainly for the hospitality sector through its *arc edition* brand to architects, designers, contractors and distributors. The acquisition of Bentley broadens the Company's Commercial product portfolio and gives it access to the U.S. commercial carpet market. For the year ended December 31, 2016, Bentley generated €110.7 million of revenue and €16.0 million of Adjusted EBITDA.
- **Non-Woven**, which generated €26.3 million of revenue and €2.9 million of Adjusted EBITDA for the year ended December 31, 2016 (11.1% Adjusted EBITDA Margin). The Company designs, manufactures and distributes specialized fabrics for insulation, lining, cars, carpet backing and banners through its *Captiqs* brand. In addition, 48% of the division's output in millions of square meters is for captive use while 14% is for soft flooring for events such as fairs and expositions.

The following charts show the breakdown of the Company's revenues by geography and segment and Adjusted EBITDA by segment for the year ended December 31, 2016 (in each case, on a pro forma basis to reflect the acquisition of Bentley, as if this had occurred at the beginning of the period):



Short and Medium Term Objectives

The Company has identified the following short and medium term objectives:

Short Term Objectives

- *Revenue growth*: mid- to high single digit percentage point sales growth, underpinned by low teens sales growth in Rugs, low- to mid-single digit percentage point sales decline in Residential, hampered in the near term due to depreciation of the British pound; mid-teens percentage point sales growth in Commercial and Non-Woven, including expected upside from cross-selling following the acquisition of Bentley;
- *Adjusted EBITDA*: modest margin decline mainly driven by impact of depreciation of the British pound on the UK Residential business including depreciation as a percentage of revenue slightly below historical levels; and
- *Cash flow*: capital expenditure in the low forties with improvement in net working capital below historical rates.

Medium Term Objectives

- *Revenue growth*: mid-single digit percentage point sales growth, despite the lower British pound foreign exchange rates after the Brexit referendum negatively affecting a portion of the sales compared to the first half of 2016, underpinned by single digit sales growth in Rugs, Commercial and Non-Woven, including expected upside from cross-selling following the acquisition of Bentley as well as Residential growth in line with the western European residential renovation market, even if hampered in the near term due to depreciation of the British pound;
- *Adjusted EBITDA*: gradual margin improvement, aiming for a run-rate Adjusted EBITDA Margin of approximately above 15% by 2020, including depreciation as a percentage of revenue slightly below historical levels; and
- *Cash flow*: capital expenditure slightly below historical levels with a slight improvement in working capital.

B.4a Significant recent trends affecting the Company and the industries in which it operates

The Company's results of operations, financial condition and liquidity have been influenced in the periods discussed in this Prospectus by the following events, facts, developments and market characteristics. The Company believes that the following factors are likely to continue to influence its operations in the future.

- The Company's results of operations are affected by macroeconomic conditions, as well as the conditions affecting consumer spending on soft-floor coverings in the markets in which it operates. Such conditions include levels of employment, consumer confidence, inflation, growth in gross domestic product, real disposable income, currency exchange and interest rates, home prices, housing market fluctuations and the availability of consumer credit. Overall economic conditions typically have a direct impact on the specific markets that drive the Company's business, although market sensitivity varies, depending on the product. For example, the effects of an economic downturn on new construction tend to be more pronounced than the effects on the redecoration and renovation market. During an economic downturn, raw material prices typically decrease, which can mitigate the adverse effect of potential volume decreases. The Company also believes that its expansion in the United States, the Middle East, Central Asia and Latin America will increase its geographic and product diversification, and thereby allows it to further mitigate the impact of changes in local and regional economic conditions and consumer preferences.
- The Company has significant exposure to the value of the British pound, the U.S. dollar and the Turkish lira. Consequently, its 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, EUR/GBP and EUR/TRY exchange rates. Changes in foreign exchange rates also have a long-term impact on the Company's sales volumes.
- The Company's results of operations are impacted by the prices it pays for the raw materials it uses to manufacture its products. In 2016, raw materials expenses represented 46.5% of the Company's revenue. The Company is generally able to pass on increases in the costs of its raw materials to its customers, and its customers, in turn, typically also request price decreases when the raw material costs decrease. As there is typically a time delay in the Company's ability to pass through raw materials price increase, changes in the cost of raw materials typically have a short-term impact on the Company's gross margin and gross profit. However, the impact on its long term performance has been limited.

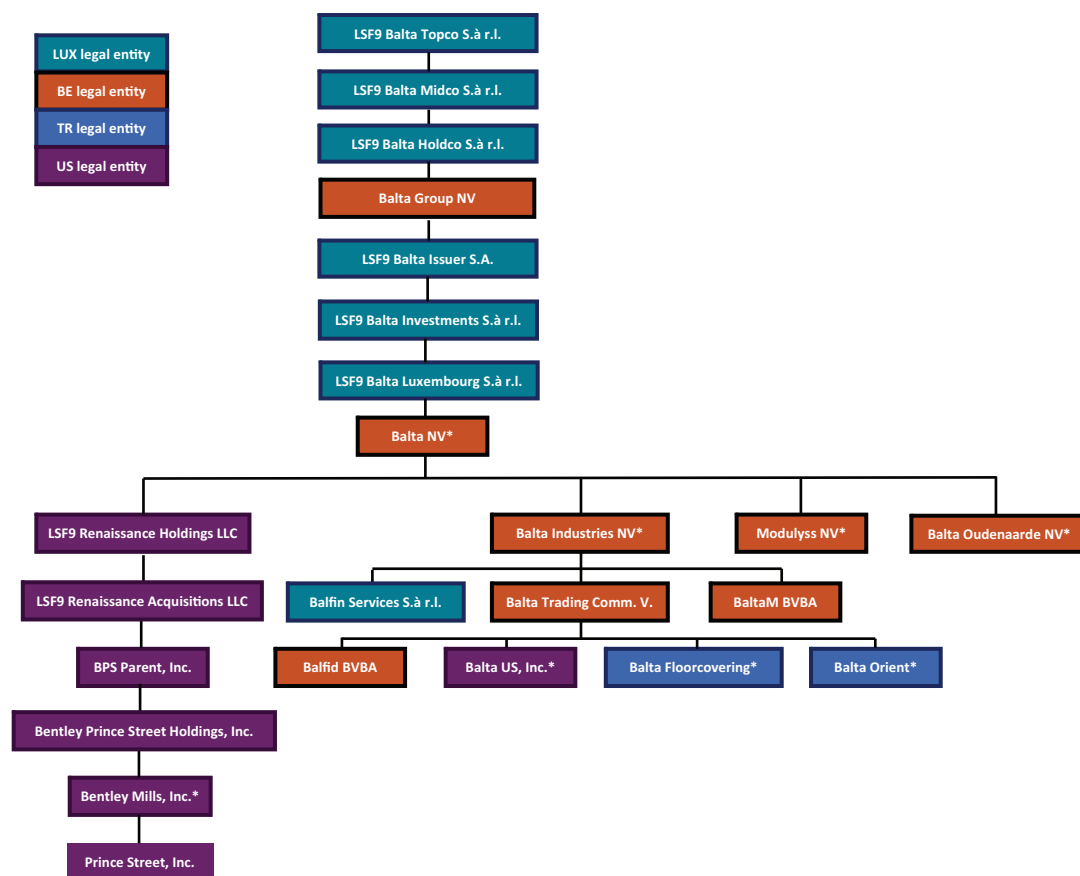
- Consumers typically base their decision to purchase the Company's products on a broad range of preferences, including color, design, texture, shape, dimensions, pile height and density, price and other structural and technical features. The Company seeks to design its soft-flooring products to appeal to such end consumer tastes at specific price points. The Company believes the depth and quality of its customer relationships are fundamental to its ability to anticipate and respond to future design trends and demand.
- With its current operating model and infrastructure, the Company has the capacity to use its product design, development, re-engineering and manufacturing capabilities to increase efficiency and to continue to develop new products with lower production costs. The Company's ability to implement manufacturing efficiency programs influences its gross profit margin. Furthermore, the Company seeks to reduce production costs by streamlining its product offering through product and SKU rationalization, which will enable the Company to use a single machine for one design for a longer period of time and reduce the number of times it is required to reset the production line. Although the streamlining of its product collections, including SKU rationalization, reduce overall revenue, the Company believes that these measures have allowed, and will continue to allow, it to reduce operating costs by making more efficient use of its manufacturing, sales and marketing resources, thereby improving its profit margins and better positioning the Company for profitable growth going forward.
- The Company operates a business-to-business sales model and therefore does not access the end-consumer directly. The quality of the relationship between the Company and its customers is important to retain and grow its business. Although design, quality and price are key factors, other factors influence the Company's relationship with its customers, such as performance track record, including product innovation, on-time delivery, payment terms and operational efficiency. The Company is also highly focused on ensuring product and per-customer profitability, as opposed to solely increasing sales volume, which can periodically have a short-term consequential negative effect on revenue.
- The Company offers an extensive range of soft flooring in a variety of designs across each of its three core product segments. Because the margins on the Company's products may vary, changes in the mix of our product sales have a direct impact on its total revenue and profitability.
- The Company's sales have historically been slightly higher in September, October and November, reflecting consumer trends of undertaking indoor improvements in preparation for winter. The Company intentionally builds up inventories during the months of June and July in preparation for the fall increase in demand and the annual shutdown of the majority of the Company's manufacturing facilities in August. As a result, the Company's trade working capital is higher during the summer months compared to the rest of the year.
- While the Company seeks to grow organically, it also continues to assess the market for additional acquisition targets that may similarly complement its market positioning or product portfolio.

The above factors are discussed in further detail under "*Operating and Financial Review and Prospects—Significant Factors Affecting Our Results of Operations.*"

B.5 Description of the Group and the Company's position within the Group

Balta operates its business through its direct and indirect subsidiaries in the various jurisdictions in which Balta operates.

LSF9 Balta Issuer S.A. is the current holding company for Balta's operations and the company through which Balta carries out these operations. The Company will, at the completion of the Offering, hold 100% of the shares of LFS9 Balta Issuer S.A. and thus be the new ultimate parent company of the operational activities of Balta (including the recently acquired Bentley group). An organizational chart of the Balta Group, including Bentley, and its Luxembourg shareholders subsequent to the reorganization described in this Prospectus but prior to the Offering is shown below.



Notes: Operating companies are indicated with an asterisk.

Balta Oudenaarde NV's shareholding includes ex-bearer shares representing 4.63589% of ordinary shares of the entity, for which the legal owner could not be identified when the company's shares were converted from bearer to registered form pursuant to Belgian law in December 2015. These shares were thus required to be deposited with the Belgian Deposit & Consignment Register to be held pending identification of the owner. Pursuant to Belgian law, the company will have the right to buy back such shares which have been deposited with the Belgian Deposit & Consignment Register, if the restitution of these shares has not been claimed by their respective rightful owners by 31 December 2025. Currently no legal rights can be exercised with respect to these shares.

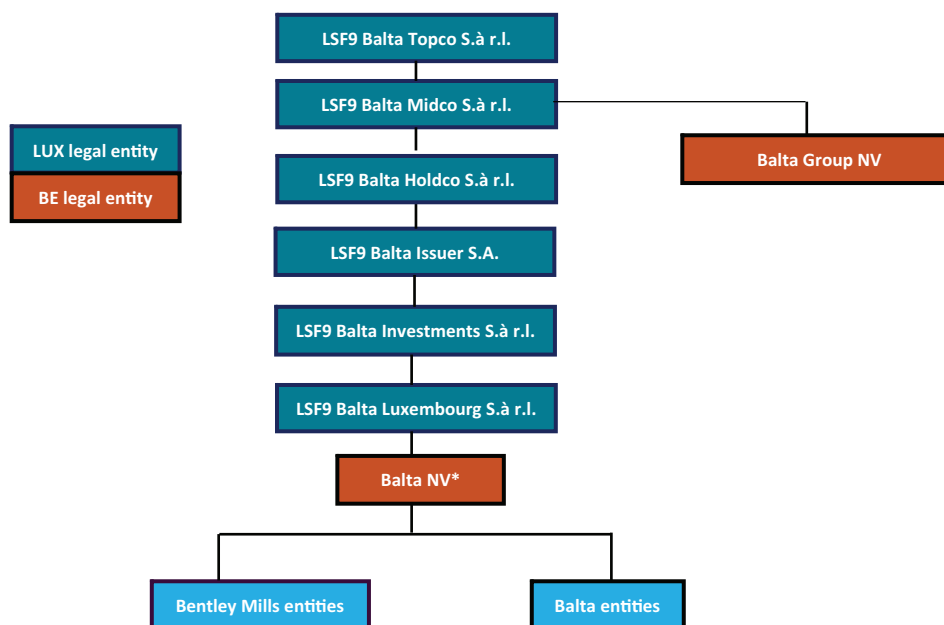
Marc Dessein and Christophe Vanderbauwhede each hold one share of Balta Floorcovering and Balta Orient, respectively, pursuant to Turkish legislation requiring a minimum level of management ownership.

All other entities are wholly owned or majority owned by the immediate parent entity shown, with minor shareholdings by other entities within the Balta Group.

B.6

Relationship with major shareholders

At the date of this Prospectus, LSF9 Balta Holdco S.à r.l. holds all the shares in LSF9 Balta Issuer S.A. The current organizational chart is shown below, which includes the Balta Group entities and its relationship to its Luxembourg shareholders, LSF9 Balta Holdco S.à r.l., LSF9 Balta Midco S.à r.l. (a *société à responsabilité limitée* governed by the laws of the Grand Duchy of Luxembourg, having its registered office at 33, rue du Puits Romain, L-8070 Bertrange, Grand Duchy of Luxembourg and registered with the Luxembourg Register of Commerce and Companies under number B197722) and LSF9 Balta Topco S.à r.l. (a *société à responsabilité limitée* governed by the laws of the Grand Duchy of Luxembourg, having its registered office at 33, rue du Puits Romain, L-8070 Bertrange, Grand Duchy of Luxembourg and registered with the Luxembourg Register of Commerce and Companies under number B197708).



Note: Operating companies are indicated with an asterisk.

Subject to and immediately prior to the completion of the Offering, a reorganization will be implemented pursuant to which LSF9 Balta Holdco S.à r.l. will contribute all the shares in LSF9 Balta Issuer S.A. to the Company's capital by way of a contribution in kind. As result thereof, LSF9 Balta Holdco S.à r.l. will become a direct controlling shareholder of the Company, with the Company in turn holding 100% of the shares of LSF9 Balta Issuer S.A.

Immediately following the completion of the Offering, assuming a full placement of the Offer Shares in the Primary and the Secondary Tranche (including full exercise of the Over-allotment Option and of the Increase Option) and that the Offer Price is at the mid-point of the Price Range, Lone Star Fund IX will have an indirect interest in approximately 37.8% of the Shares.

As shown above, the ultimate indirect controlling shareholder of the Company is the Lone Star entity LSF9 Balta Topco S.à r.l.

B.7

Summary historical key financial information

The summary consolidated financial information as of and for the three months ended March 31, 2017 and 2016 and as of and for the years ended December 31, 2016, 2015 and 2014 has been extracted, without material adjustments, from the Consolidated Financial Statements, included elsewhere in this Prospectus. The unaudited consolidated financial statements of LSF9 Balta Issuer S.A. and its subsidiaries as of and for the three months ended March 31, 2017 have been prepared in accordance with IAS 34. The audited consolidated financial statements of LSF9 Balta Issuer S.A. and its subsidiaries as of and for the year ended December 31, 2016 and as of and for the period from August 11, 2015 to December 31, 2015 as well as the consolidated financial statements of Balta Finance S.à r.l. and its subsidiaries as of and for the year ended December 31, 2014 have all been prepared in accordance with IFRS, and have been audited by PricewaterhouseCoopers, Société coopérative, as indicated in their reports included herein. The unaudited combined financial statements of LSF9 Balta Issuer S.A. and its subsidiaries as of and for the year ended December 31, 2015 have been prepared on the basis described therein however, they have been reported on in accordance with ISAE 3000 (revised) (Assurance Engagements other than Audits or Reviews of Historical Financial Information) by PricewaterhouseCoopers, Société coopérative, as indicated in their report included herein. The unaudited consolidated financial statements of LSF9 Balta Issuer S.A. and its subsidiaries as of and for the three

months ended March 31, 2017 have been prepared in accordance with IAS 34 and reviewed by PricewaterhouseCoopers, Société coopérative. For the avoidance of doubt, the audited consolidated financial statements of BPS Parent, Inc., and its subsidiaries as of and for the year ended January 1, 2017, which have been audited by Moss Adams LLP and are also separately incorporated herein, do not form a part of the historical financial information provided with respect to LSF9 Balta Issuer S.A. or its predecessor entity, Balta Finance S.à r.l.

During the period under review and through to the date of this Prospectus, the significant changes to the Issuer's financial condition and operating results were primarily a result of (1) the acquisition of the Balta Group by Lone Star Fund IX as described in "Operating and Financial Review and Prospects—Significant Factors Affecting Our Results of Operations—Acquisitions and Disposals—Acquisition of the Group by Lone Star Fund IX" below and (2) the acquisition of Bentley and the Reorganization, as described in "Principal and Selling Shareholder and Group Structure—Reorganization."

Consolidated Income Statement

	For the three months ended March 31, ⁽²⁾		For the year ended December 31,		
	2017	2016	2016	2015 ⁽¹⁾	2014
			(€ thousands)		
Revenue	155,534	147,842	557,685	556,822	519,529
Raw material expenses	(75,796)	(71,666)	(259,472)	(269,675)	(256,794)
Changes in inventories	5,378	5,069	6,055	(17,405)	9,033
Employee benefits expenses	(35,480)	(34,285)	(130,054)	(133,446)	(128,191)
Other income	2,340	1,195	8,171	10,879	10,960
Other expenses	(31,869)	(29,063)	(101,017)	(97,403)	(89,388)
Depreciation, amortization	(7,074)	(7,106)	(28,666)	(24,098)	(24,802)
Adjusted operating profit	13,033	11,985	52,701	25,674	40,347
Gains on asset disposals	—	1,610	1,610	—	530
Legal claims	—	—	—	—	557
Integration and restructuring expenses	(4,223)	(1,277)	(5,128)	(33,687)	(3,189)
Impairment and write-off	—	—	—	—	(12,689)
Operating profit / (loss)	8,810	12,318	49,183	(8,013)	25,556
Finance income	7	18	57	79	2,367
Finance expenses	(7,548)	(7,436)	(28,608)	(38,541)	(34,543)
Net financial expenses	(7,541)	(7,419)	(28,552)	(38,462)	(32,176)
Profit / (loss) before income taxes	1,268	4,900	20,632	(46,475)	(6,620)
Income tax income / (expense)	(1,110)	(2,440)	4,713	2,949	7,856
Profit / (loss) for the period from					
Continuing Operations	158	2,460	25,345	(43,526)	1,236
Profit / (loss) for the period from discontinued operations	—	—	—	—	—
Profit / (loss) for the period	158	2,460	25,345	(43,526)	1,236

(1) The financial information in the "2015" column of these tables has been extracted, without material adjustment, from the unaudited combined financial statements of LSF9 Balta Issuer S.A. and its subsidiaries as of and for the year ended December 31, 2015, prepared on the basis described therein and reported on in accordance with ISAE 3000 (revised) (*Assurance Engagements other than Audits or Reviews of Historical Financial Information*). These numbers include the following effects of the purchase price allocation performed following the acquisition of Balta Finance: a negative €10.8 million impact on raw material expenses, a negative €14.9 million impact on changes in inventories, and a positive €9.6 million impact on income tax income / (expense). The impact of the purchase price allocation on operating profit / (loss) was negative €25.7 million and the impact of the purchase price allocation on the profit / (loss) for the period was negative €16.1 million. Therefore, in the absence of purchase price allocation, operating profit would have been €17.7 million and the loss for the period would have been €27.5 million.

(2) The financial information for the three months ended March 31, 2017 and 2016 has been extracted without material adjustment from the unaudited consolidated financial statements of LSF9 Balta Issuer S.A. and its subsidiaries as of and for the three months ended March 31, 2017.

Consolidated Statement of Financial Position

	As of March 31, ⁽²⁾		As of December 31,		
	2017	2016	2016	2015 ⁽¹⁾	2014
			(€ thousands)		
Total non-current assets	542,053	434,066	445,375	434,334	211,302
Total current assets	266,172	223,922	236,318	222,257	241,208
Total assets	808,224	657,988	681,693	656,590	452,510
Total equity	134,754	120,597	136,319	(18,900)	(322,595)
Total non-current liabilities	484,308	369,678	369,519	505,283	598,498
Total current liabilities	189,163	167,713	175,856	170,207	176,607
Total liabilities	673,470	675,991	545,374	675,490	775,105
Total equity and liabilities	808,224	657,988	681,693	656,590	452,510

- (1) The financial information in the “2015” column of this table has been extracted, without material adjustment, from the unaudited combined financial statements of LSF9 Balta Issuer S.A. and its subsidiaries as of and for the year ended December 31, 2015, prepared on the basis described therein and reported on in accordance with ISAE 3000 (revised) (*Assurance Engagements other than Audits or Reviews of Historical Financial Information*).
- (2) The financial information for the three months ended March 31, 2017 and 2016 has been extracted without material adjustment from the unaudited consolidated financial statements of LSF9 Balta Issuer S.A. and its subsidiaries as of and for the three months ended March 31, 2017.

Consolidated Statement of Cash Flows

	As of and for the three months ended March 31, ⁽²⁾		As of and for the year ended December 31,		
	2017	2016	2016	2015 ⁽¹⁾	2014
			(€ thousands)		
Net profit / (loss) for the period from continuing operations	158	2,460	25,345	(43,526)	1,236
Net cash generated by operating activities	10,328	10,827	66,257	39,618	60,771
Net cash (used) / generated by investing activities	(76,722)	(5,971)	(35,569)	(309,739)	(25,263)
Net cash (used) / generated by financing activities	60,138	(14,947)	(30,163)	248,928	(16,862)
Cash, cash equivalents and bank overdrafts at the end of the period	39,732	35,369	45,988	45,462	66,654

- (1) The financial information in the “2015” column of this table has been extracted, without material adjustment, from the unaudited combined financial statements of LSF9 Balta Issuer S.A. and its subsidiaries as of and for the year ended December 31, 2015, prepared on the basis described therein and reported on in accordance with ISAE 3000 (revised) (*Assurance Engagements other than Audits or Reviews of Historical Financial Information*).
- (2) The financial information for the three months ended March 31, 2017 and 2016 has been extracted without material adjustment from the unaudited consolidated financial statements of LSF9 Balta Issuer S.A. and its subsidiaries as of and for the three months ended March 31, 2017.

Non-IFRS Financial Data

	For the three months ended March 31, ⁽⁹⁾		For the year ended December 31,		
	2017	2016	2016	2015 ⁽¹⁾	2014
			(€ thousands, except as otherwise noted)		
Adjusted Operating Profit ⁽²⁾	13,033	11,985	52,701	51,369	40,347
Adjusted EBITDA ⁽³⁾	20,107	19,091	81,367	75,467	65,149
Adjusted EBITDA Margin (%) ⁽⁴⁾	12.9%	12.9%	14.6%	13.6%	12.5%
Net Debt ⁽⁵⁾	385,009	275,404	268,511	273,952	101,463
Net Debt/Adjusted EBITDA ⁽⁶⁾	—	3.6x	3.3x	3.6x	1.6x
Pro Forma Adjusted EBITDA ⁽⁷⁾	98,978	—	—	—	—
Net Debt/Pro Forma Adjusted EBITDA ⁽⁸⁾	3.9x	—	—	—	—

- (1) The financial information in the “2015” column of this table has been extracted, without material adjustment, from the unaudited combined financial statements of LSF9 Balta Issuer S.A. and its subsidiaries as of and for the year ended December 31, 2015, prepared on the basis described therein and reported on in accordance with ISAE 3000 (revised) (*Assurance Engagements other than Audits or Reviews of Historical Financial Information*).

- (2) Adjusted Operating Profit is defined as operating profit / (loss) adjusted for (i) the impact of the purchase price allocation on (a) raw material expenses and (b) changes in inventories, (ii) gains on assets disposal, (iii) legal claims, (iv) integration and restructuring expenses and (v) impairment and write-off.
- (3) Adjusted EBITDA is defined as operating profit / (loss) adjusted for (i) the impact of the purchase price allocation on (a) raw material expenses and (b) changes in inventories, (ii) gains on assets disposal, (iii) legal claims, (iv) integration and restructuring expenses, (v) depreciation / amortization and (vi) impairment and write-off.
- (4) Adjusted EBITDA Margin is defined as Adjusted EBITDA divided by revenue.
- (5) Net Debt is defined as (i) Senior Secured Notes (Q1 2017: €278.5 million, Q1 2016: €276.1 million, 2016: €283.5 million, 2015: €283.7 million, 2014: nil) adjusted for the financing fees included in the carrying amount (Q1 2017: €12.5 million, Q1 2016: €14.9 million, 2016: €13.1 million, 2015: €15.5 million, 2014: nil), (ii) Senior Term Loan Facility (Q1 2017: €72.8 million) adjusted for the financing fees included in the carrying amount (Q1 2017: €2.3 million), (iii) Term Loan B (Q1 2017: €29.3 million) adjusted for the financing fees included in the carrying amount (Q1 2017: €1.6 million), (iv) Revolving Credit Facility (Q1 2017: €10.4 million), (v) Bank and other borrowings (Q1 2017: €17.3 million, Q1 2016: €19.8 million, 2016: €17.9 million, 2015: €20.3 million, 2014: €579.2 million) (vi) bank overdrafts (Q1 2017: €0.1 million), adjusted for liabilities with related parties (Q1 2017: nil, Q1 2016: nil, 2016: nil, 2015: nil, 2014: €405.1 million), reverse factoring (Q1 2017: nil, Q1 2016: nil, 2016: nil, 2015: nil, 2014: €5.9 million), and accrued commitment fees (Q1 2017: €0.1 million, Q1 2016: €0.1 million, 2016: nil, 2015: €0.1 million, 2014: €0.1 million), less (iii) cash and cash equivalents (Q1 2017: €39.7 million, Q1 2016: €35.4 million, 2016: €46.0 million; 2015: €45.5 million; 2014: €66.7 million).
- (6) Net Debt/Adjusted EBITDA is defined as Net Debt divided by last twelve months Adjusted EBITDA.
- (7) Pro Forma Adjusted EBITDA is defined as operating profit / (loss) adjusted for (i) depreciation and amortization, (ii) impairments and write-offs, (iii) results from acquisitions and disposals, (iv) gain from discontinued operations, (v) legal costs and (vi) integration and restructuring expenses, pro forma for the Bentley acquisition, as if this had occurred at the beginning of the period. Pro Forma Adjusted EBITDA shown here is calculated for the last twelve months ending March 31, 2017.
- (8) Net Debt/Pro Forma Adjusted EBITDA is defined as Net Debt divided by Adjusted EBITDA, pro forma for the Bentley acquisition, as if this had occurred at the beginning of the period. Pro Forma Adjusted EBITDA shown here is calculated for the last twelve months ending March 31, 2017.
- (9) The financial information for the three months ended March 31, 2017 and 2016 has been extracted without material adjustment from the unaudited consolidated financial statements of LSF9 Balta Issuer S.A. and its subsidiaries as of and for the three months ended March 31, 2017.

Reconciliations of Non-IFRS Financial Data to Financial Statements

	For the three months ended March 31, ⁽²⁾		For the year ended December 31,		
	2017	2016	2016	2015 ⁽¹⁾	2014
	(€ thousands, except as otherwise noted)				
Operating profit / (loss)	8,810	12,318	49,183	(8,013)	25,556
<i>Adjusted for:</i>					
Impact of purchase price allocation on raw material expenses	—	—	—	10,816	—
Impact of purchase price allocation on changes in inventories	—	—	—	14,879	—
Gains on asset disposals	—	(1,610)	(1,610)	—	(530)
Legal claims	—	—	—	—	(557)
Integration and restructuring expenses	4,223	1,277	5,128	33,687	3,189
Impairment and write-off	—	—	—	—	12,689
Adjusted Operating Profit	13,033	11,985	52,701	51,369	40,347
<i>Adjusted for:</i>					
Depreciation and amortisation	7,074	7,106	28,666	24,098	24,802
Adjusted EBITDA	20,107	19,091	81,367	75,467	65,149

- (1) The financial information in the “2015” column of this table has been extracted, without material adjustment, from the unaudited combined financial statements of LSF9 Balta Issuer S.A. and its subsidiaries as of and for the year ended December 31, 2015, prepared on the basis described therein and reported on in accordance with ISAE 3000 (revised) (*Assurance Engagements other than Audits or Reviews of Historical Financial Information*).
- (2) The financial information for the three months ended March 31, 2017 and 2016 has been extracted without material adjustment from the unaudited consolidated financial statements of LSF9 Balta Issuer S.A. and its subsidiaries as of and for the three months ended March 31, 2017.

B.8 Selected key pro forma financial information

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The unaudited pro forma consolidated income statement and the unaudited pro forma consolidated statement of financial position have been prepared on the basis of the notes set out below to illustrate the effect of the

acquisition of Bentley by the Group as if it had taken place at January 1, 2016. The unaudited pro forma financial information has been derived from the audited consolidated financial statements of LSF9 Balta Issuer S.A. and its subsidiaries as of and for the year ended December 31, 2016 and the unaudited consolidated financial statements of LSF9 Balta Issuer S.A. and its subsidiaries as of and for the three months ended March 31, 2017, adjusted to give effect to (i) the acquisition of Bentley by the Group, (ii) U.S. GAAP to IFRS differences as well as alignment to the financial presentation and accounting policies of the Group, and (iii) pro forma adjustments presenting the transaction and financing, and are prepared in accordance with the basis of preparation as described in the notes to the unaudited pro forma financial information. The unaudited pro forma financial information is for informational purposes only and should not be considered indicative of actual results that would have been achieved had the acquisition of Bentley by the Group been completed on the date indicated and do not purport to indicate the Group's future consolidated results of operations or financial position. The unaudited pro forma adjustments are based on available information and certain assumptions that Management believes are reasonable and give effect to events that are directly attributable to the acquisition and related transactions and which are factually supportable. The actual results and any future results may differ significantly from those reflected in the unaudited pro forma financial information for a number of reasons, including, but not limited to, differences in assumptions used to prepare the unaudited pro forma financial information.

Unaudited Pro Forma Consolidated Income Statement

For the three months ended March 31, 2017						
	LSF9 Balta Issuer S.A. IFRS (unaudited) (€ thousands) Note 2	BPS Parent, Inc. U.S. GAAP (unaudited) ⁽¹⁾ (\$ thousands) Note 3.1	BPS Parent, Inc. U.S. GAAP (unaudited) ⁽²⁾ (€ thousands) Note 1	U.S. GAAP to IFRS Adjustments (€ thousands) Note 3.2	Pro Forma Adjustments (€ thousands) Note 5	Pro Forma Consolidated Statement of Comprehensive Income (€ thousands) Total
I. Consolidated Income Statement						
Revenue	155,534	29,481	27,686	—	—	183,220
Raw material expenses	(75,796)	(11,877)	(11,154)	—	—	(86,950)
Changes in inventory	5,378	899	844	—	—	6,222
Employee benefits expenses	(35,480)	(8,266)	(7,763)	—	—	(43,243)
Other income	2,340	20	19	—	—	2,359
Other expenses	(31,869)	(7,142)	(6,707)	—	—	(38,576)
Depreciation, amortization	(7,074)	(1,384)	(1,300)	37	—	(8,337)
Adjusted Operating Profit	13,033	1,732	1,626	37	—	14,696
Gains on asset disposals	—	—	—	—	—	—
Integration and restructuring expenses	(4,223)	(10,376)	(9,744)	—	9,738	(4,229)
Operating profit / (loss)	8,810	(8,644)	(8,118)	37	9,738	10,467
Finance income	7	—	—	—	—	7
Finance expenses	(7,548)	(1,250)	(1,174)	—	(486)	(9,209)
Net financial expenses	(7,541)	(1,250)	(1,174)	—	(486)	(9,201)
Profit / (loss) before income taxes	1,268	(9,895)	(9,292)	37	9,252	1,266
Income tax benefit / (expense)	(1,110)	(343)	(322)	(14)	78	(1,369)
Profit / (loss) for the period from Continuing Operations	158	(10,238)	(9,615)	23	9,330	(103)
Profit / (loss) for the period from discontinued operations	—	—	—	—	—	—
Profit / (loss) for the period	158	(10,238)	(9,615)	23	9,330	(103)
<i>Attributable to:</i>						
Equity holders of the parent	158	(10,073)	(9,460)	23	9,180	(99)
Non-controlling interest	—	(164)	(154)	0	150	(4)

For the three months ended March 31, 2017						
	LSF9 Balta Issuer S.A. IFRS (unaudited) (€ thousands) Note 2	BPS Parent, Inc. U.S. GAAP (unaudited) ⁽¹⁾ (\$ thousands) Note 3.1	BPS Parent, Inc. U.S. GAAP (unaudited) ⁽²⁾ (€ thousands) Note 1	U.S. GAAP to IFRS Adjustments (€ thousands) Note 3.2	Pro Forma Adjustments (€ thousands) Note 5	Pro Forma Consolidated Statement of Comprehensive Income (€ thousands) Total
II. Consolidated Other Comprehensive Income⁽³⁾						
<i>Items in other comprehensive income that may be subsequently reclassified to P&L:</i>						
Exchange differences on translating foreign operations	(2,918)	—	—	—	—	(2,918)
Changes in fair value of hedging instruments qualifying for cash flow hedge accounting	90	—	—	—	—	90
<i>Items in other comprehensive income that will not be reclassified to P&L:</i>						
Changes in deferred taxes	(37)	—	—	—	—	(37)
Changes in employee defined benefit obligations	115	—	—	—	—	115
Other comprehensive income for the period, net of tax	(2,750)	—	—	—	—	(2,750)
Total comprehensive income for the period	2,592	(10,238)	(9,615)	23	9,330	(2,854)
Basic and diluted earnings per share from continuing operations attributable to ordinary equity holders⁽⁴⁾	0.01					(0.01)

(1) Under the same presentation as LSF9 Balta Issuer S.A. See “Unaudited Pro Forma Financial Information—Notes to the Unaudited Pro Forma Financial Information.”

(2) Converted at a rate of €1.00:\$1.0648.

(3) No translation adjustment computed as the acquisition is assumed to have occurred on December 31, 2016, for the statement of financial position, and on January 1, 2016 for the income statement. A pro forma balance sheet has not been prepared (and is not required) for March 31, 2017.

(4) The Company shall retain a 1% margin on an annual basis on its financing activities, which means that the majority of the net result are attributable to the holders of the PECs and not to the holders of the ordinary shares.

For the year ended December 31, 2016

	LSF9 Balta Issuer S.A. IFRS (audited) (€ thousands) Note 2	BPS Parent, Inc. U.S. GAAP (audited) ⁽¹⁾ (\$ thousands) Note 3.1	BPS Parent, Inc. U.S. GAAP (unaudited) ⁽²⁾ (€ thousands) Note 1	U.S. GAAP to IFRS Adjustments (€ thousands) Note 3.2	Pro Forma Adjustments (€ thousands) Note 5	Pro Forma Consolidated Statement of Comprehensive Income (€ thousands) Total
Revenue	557,685	122,495	110,665	—	—	668,350
Raw material expenses	(259,472)	(47,755)	(43,143)	—	—	(302,615)
Changes in inventory	6,055	1,628	1,471	—	—	7,525
Employee benefits expenses	(130,054)	(32,199)	(29,089)	—	—	(159,143)
Other income	8,171	—	—	—	—	8,171
Other expenses	(101,017)	(27,594)	(24,929)	—	1,024	(124,922)
Depreciation, amortization	(28,666)	(5,712)	(5,161)	144	—	(33,682)
Adjusted Operating Profit	52,701	10,863	9,814	144	1,024	63,684
Gains on asset disposals	1,610	(32)	(29)	—	—	1,581
Integration and restructuring expenses	(5,128)	—	—	—	(98)	(5,226)
Operating profit / (loss)	49,183	10,831	9,785	144	926	60,039
Finance income	57	0	0	—	—	57
Finance expenses	(28,608)	(926)	(836)	—	(6,104)	(35,548)
Net financial expenses	(28,552)	(926)	(836)	—	(6,104)	(35,491)
Profit / (loss) before income taxes	20,632	9,905	8,949	144	(5,178)	24,548
Income tax benefit/ (expense)	4,713	(3,614)	(3,265)	(52)	1,604	3,001
Profit / (loss) for the period from Continuing Operations	25,345	6,292	5,684	91	(3,574)	27,549
Profit / (loss) for the period from discontinued operations	—	—	—	—	—	—
Profit / (loss) for the period	25,345	6,292	5,684	91	(3,574)	27,549
<i>Attributable to:</i>						
Equity holders of the parent	25,345	6,191	5,593	90	(3,575)	27,453
Non-controlling interest	—	101	91	1	1	94
II. Consolidated Other Comprehensive Income⁽³⁾						
<i>Items in other comprehensive income that may be subsequently reclassified to P&L:</i>						
Exchange differences on translating foreign operations	(8,013)	—	—	—	—	(8,013)
Changes in fair value of hedging instruments qualifying for cash flow hedge accounting	(116)	—	—	—	—	(116)
<i>Items in other comprehensive income that will not be reclassified to P&L:</i>						
Changes in deferred taxes	285	—	—	—	—	285
Changes in employee defined benefit obligations	(882)	—	—	—	—	(882)
Other comprehensive income for the period, net of tax	(8,727)	—	—	—	—	(8,727)
Total comprehensive income for the period	16,618	6,292	5,684	91	(3,574)	18,822
Basic and diluted earnings per share from continuing operations attributable to ordinary equity holders⁽⁴⁾	1.5					1.6

(1) Under the same presentation as LSF9 Balta Issuer S.A. Please see note 3.1 below.

(2) Converted at a rate of €1.00:\$1.1069.

(3) No translation adjustment computed as the acquisition is assumed to have occurred on December 31, 2016, for the statement of financial position, and on January 1, 2016 for the income statement. A pro forma balance sheet has not been prepared for March 31, 2017.

(4) The Company shall retain a 1% margin on an annual basis on its financing activities, which means that the majority of the net result are attributable to the holders of the PECs and not to the holders of the ordinary shares.

Unaudited Pro Forma Consolidated Statement of Financial Position

	As of December 31, 2016							
	LSF9 Balta Issuer S.A. IFRS (audited) (€ thousands) Note 2	BPS Parent, Inc. U.S. GAAP (audited) ⁽¹⁾ (\$ thousands) Note 3.1	BPS Parent, Inc. U.S. GAAP (unaudited) ⁽²⁾ (€ thousands) Note 1	U.S. GAAP to IFRS Adjustments (€ thousands) Note 3.2	Pro Forma Adjustments relating to step 1 of acquisition on February 1, 2017 (€ thousands) Note 4.1	Provisional Fair Value of Net Assets (€ thousands) Note 4	Pro Forma Adjustments relating to step 2 of acquisition on March 22, 2017 (€ thousands) Note 4.2	Pro Forma Consolidated Statement of Financial Position (€ thousands) Total
<i>Property, plant and equipment</i>								
Land and buildings	169,203	497	471	—	—	471	—	169,674
Plant and machinery	115,016	9,719	9,220	—	—	9,220	—	124,236
Other fixtures and fittings, tools and equipment	15,019	4,507	4,275	—	—	4,275	—	19,294
Goodwill	124,673	—	—	—	—	—	81,826	206,499
Intangible assets	2,376	3,643	3,456	(554)	—	2,902	—	5,278
Deferred income tax assets	18,950	—	—	—	—	—	—	18,950
Trade and other receivables	138	788	748	—	—	748	—	886
Total non-current assets	445,375	19,153	18,170	(554)	—	17,616	81,826	544,816
Inventories	135,320	17,496	16,598	—	—	16,598	—	151,919
Derivative financial instruments	46	—	—	—	—	—	—	46
Trade and other receivables	54,930	15,002	14,232	—	—	14,232	—	69,162
Current income tax assets	34	—	—	—	—	—	—	34
Cash and cash equivalents ⁽⁴⁾	45,988	710	673	—	(282)	391	1,835	48,214
Total current assets	236,318	33,208	31,504	—	(282)	31,222	1,835	269,375
Total assets	681,693	52,361	49,674	(554)	(282)	48,838	83,661	814,192
Share capital	171	2	2	—	(2)	—	—	171
Share premium	1,260	21,100	20,017	—	(20,017)	—	—	1,260
Preferred equity certificates	138,600	—	—	—	—	—	—	138,600
Other comprehensive income	(7,063)	—	—	—	—	—	—	(7,063)
Retained earnings and other reserves	3,351	(2,040)	(1,935)	(352)	(9,502)	(11,788)	11,788	3,351
Total equity excluding non- controlling interest	136,319	19,062	18,084	(352)	(29,521)	(11,788)	11,788	136,319
Non-controlling interest ⁽³⁾	—	—	—	—	1,002	1,002	—	1,002
Total equity including non- controlling interest	136,319	19,062	18,084	(352)	(28,519)	(10,787)	11,788	137,321
Senior Secured Notes	279,277	—	—	—	—	—	—	279,277
Bank and other borrowings	15,388	—	—	—	39,028	39,028	71,871	126,286
Deferred income tax liabilities	69,775	725	688	(202)	361	847	—	70,623
Provisions for other liabilities and charges	—	1,886	1,789	—	—	1,789	—	1,789
Employee benefit obligations	5,079	477	453	—	—	453	—	5,532
Total non-current liabilities	369,519	3,089	2,930	(202)	39,389	42,117	71,871	483,507
Senior Secured Notes	4,234	—	—	—	—	—	—	4,234
Bank and other borrowings	2,614	14,591	13,842	—	(11,575)	2,267	—	4,881
Employee benefit obligations	31,246	3,754	3,561	—	—	3,561	—	34,807
Provisions for other liabilities and charges	64	300	285	—	—	285	—	349
Derivative financial instruments	162	—	—	—	—	—	—	162
Trade and other payables	131,562	10,232	9,707	—	1,045	10,752	—	142,314
Income tax liabilities	5,974	1,333	1,265	—	(622)	643	—	6,617
Total current liabilities	175,856	30,210	28,659	—	(11,152)	17,507	—	193,363
Total liabilities	545,374	33,299	31,590	(202)	28,237	59,625	71,871	676,870
Total equity and liabilities	681,693	52,361	49,674	(554)	(282)	48,838	83,659	814,192
Purchase price paid in cash	—	—	—	—	—	70,037	—	—
Total identifiable assets, liabilities and contingent liabilities excluding non-controlling interests	—	—	—	—	—	(11,789)	—	—
Goodwill	—	—	—	—	—	81,826	—	—

(1) Under the same presentation as LSF9 Balta Issuer S.A. See “Unaudited Pro Forma Financial Information—Notes to the Unaudited Pro Forma Financial Information.”

(2) Converted at a rate of €1.00:\$1.0541.

(3) Attributable to shares retained by Bentley management, which is expected to be bought out by the Balta Group.

B.9 Profit forecast or estimate

Not applicable. No profit forecast has been included in the Prospectus or otherwise published by the Company.

B.10 A description of the nature of any qualifications in the audit report on the historical financial information

Not applicable. There are no qualifications to the audit report on the historical financial information.

B.11 Working capital

In the Company's opinion, the working capital available prior to the Offering is sufficient for its present requirements, that is, for the next 12 months following the date of this Prospectus.

Section C—Shares

Element	Disclosure requirement
C.1	<p>Type and class of the securities being offered and admitted to trading</p> <p>The Offering relates to the (i) issuance by the Company of such number of newly issued Shares having no nominal value as is necessary to raise gross proceeds of approximately €145 million and (ii) offering by the Selling Shareholder of up to 6,265,625 existing Shares. The aggregate number of Offer Shares sold in the Secondary Tranche may, pursuant to the Increase Option, be increased by up to 15% of the aggregate number of Offer Shares initially offered. Any decision to exercise the Increase Option will be communicated, at the latest, on the date of the announcement of the Offer Price.</p> <p>The Shares are in registered or dematerialized form. The following ISIN code has been assigned to the Shares: ISIN: BE0974314461</p>
C.2	<p>Currency of the Shares</p> <p>The currency of the Shares is Euros.</p>
C.3	<p>Numbers of Shares issued</p> <p>As of the date of this Prospectus, the Company's share capital amounts to €61,500, represented by 61,500 Shares, each representing an identical fraction of the Company's share capital. Assuming that the Company will receive gross proceeds from the Primary Tranche in the amount of €145 million, and further assuming that the Offer Price is at the mid-point of the Price Range, the Company's share capital (including issue premium) will amount to €361 million as of the closing of the Offering, represented by 34,914,530 Shares.</p>
C.4	<p>Rights attached to the Shares</p> <p>All of the Shares have the same voting rights except that voting rights are suspended when such Shares are held by the Company as treasury shares.</p> <p>The Shares carry the right to participate in dividends and other entitlements declared after the Closing Date, in respect of the financial year ended December 31, 2017 and future years.</p>
C.5	<p>Restrictions on the free transferability of the Shares</p> <p>The Shares are freely transferable, subject to any transactional restrictions.</p>
C.6	<p>Applications for admission to trading on a regulated market and identity of all the regulated markets where the Shares are or are to be traded</p> <p>An application has been made to list the Shares on Euronext Brussels under the symbol "BALTA." Trading of the Shares on Euronext Brussels is expected to commence, on an "if-and-when-issued and/or delivered" basis, on or about June 14, 2017.</p>
C.7	<p>Dividend policy</p> <p>No dividends have been paid by the Company prior to the Offering. Subject to the availability of distributable reserves and any material external growth opportunities, the Company currently intends to pay a dividend of between 30% to 40% of its net profit for the year based on its consolidated IFRS financial statements (excluding IPO fees and commissions for 2017). For the 2017 financial year, the amount of any dividends would be calculated pro rata such that the Company would pay dividends only in respect of the portion of the financial year for which the Shares were listed on Euronext Brussels (based on the application of the dividend policy described above).</p> <p>The amount of any dividends and the determination of whether to pay dividends in any year may be affected by a number of factors, including the Company's business prospects, cash requirements, including related to</p>

any material external growth opportunities, and financial performance, the condition of the market and the general economic climate and other factors, including tax and other regulatory considerations.

The Offer Shares carry the right to participate in dividends declared after the Closing Date, in respect of the financial year ending December 31, 2017 and future years. All Shares participate equally in the Company's profits, if any. In general, the Company may only pay dividends with the approval of the Shareholders' Meeting, although pursuant to the Company's Articles of Association, the Board of Directors may declare interim dividends without shareholder approval. The right to pay such interim dividends is, however, subject to certain legal restrictions.

The maximum amount of the dividend that can be paid is determined by reference to the Company's stand-alone statutory accounts prepared in accordance with Belgian GAAP.

In addition, under Belgian law and the Articles of Association, before it can pay dividends, the Company must allocate an amount of 5% of its Belgian GAAP annual net profit (*nettowinst/bénéfices nets*) to a legal reserve in its stand-alone statutory accounts until the reserve equals 10% of the Company's share capital. The Company currently has no legal reserve. Accordingly, 5% of the Company's Belgian GAAP annual net profit during future years will need to be allocated to the legal reserve, limiting the Company's ability to pay out dividends to its shareholders.

Section D—Risks

Element	Disclosure requirement
D.1	<p><i>Risks Relating to the Company's Industry and Business</i></p> <p><i>The Company is subject to the following material risks:</i></p> <ul style="list-style-type: none"> • If the Company fails to identify and respond to consumer preferences and demand, its business, financial condition and results of operations could be materially adversely affected. Soft-flooring products are increasingly subject to changing consumer tastes and trends and must appeal to a broad range of consumers whose preferences cannot always be predicted. If the Company is unable to anticipate, identify or respond effectively to consumer preferences and demand, or successfully manage production and inventory levels for products that are in demand, it may experience back orders, order cancellations or overstock, any of which would have a negative effect on the Company's business. • The soft-flooring industry is highly competitive. There can be no assurance that the Company will be able to maintain its margins with respect to its competitors, particularly if new entrants gain access to one or more of its markets, or if competition intensifies for any other reason. Maintaining the Company's competitive position could also require additional investments in new products and new manufacturing facilities, or further development of its distribution network, marketing and sales activities. These competitive pressures could lead to reduced demand for the Company's products or force it to lower its prices. Such events could have a material adverse effect on the Company's business, financial condition and results of operations. • The Company's products are not commercially protected and are routinely reproduced by both its competitors and customers. The duplication of designs and innovations is a routine feature of the industry in which the Company operates, which functions on the continued renewal of products in accordance with constantly evolving consumer and market trends. As the Company has little recourse to prevent the reproduction of its products, if the Company's customers and competitors expand the reproduction of products that it has designed, and/or sell reproductions of its products to its customers at lower prices, the Company's market share and/or operating profit may decline, which could have a material adverse effect on its business, financial condition and results of operations. • If consumers choose alternative flooring solutions over soft-flooring products, the Company's business, financial condition and results of operations could be materially adversely affected. • The Company's industry is significantly affected by economic conditions, particularly to the extent such conditions impact consumer confidence and the residential and commercial renovation and construction markets. Economic activity remains dependent on highly accommodative macroeconomic policies and is subject to downside risks. Such trends are also influenced by overall economic growth and a large number of other economic and socio-political variables, including interest rates, governmental economic policies, public spending and allocations for infrastructure, or a combination of the above factors. Economic downturns could impact consumer confidence, and therefore discretionary spending habits, and could cause the industry to deteriorate in the future, which could have a material adverse effect on our business, financial condition and results of operations. In addition, the geographies in which the Company operates have been, and may continue to be, subject to significant political volatility. For

example, the United Kingdom formally notified the European Council of its intention to leave the EU on March 29, 2017. The effects of Brexit will depend on any agreements the United Kingdom makes to retain access to EU markets, and, while such impacts are difficult to predict, Belgian exports may be negatively affected. Any reduction in consumers' willingness or ability to spend due to Brexit-related changes in the economic environments of the United Kingdom and Europe could materially affect the Company's revenue. In addition, lack of clarity about future UK laws and regulations as the United Kingdom determines which EU laws to replace or replicate in the event of a withdrawal may increase costs associated with operating in either or both of the United Kingdom and Europe. In the year ended December 31, 2016, our sales in the United Kingdom represented €148.6 million, or 26.6% (22.2% on a pro forma basis to reflect the acquisition of Bentley) of our revenue, mainly comprised of sales in our Residential segment.

- **The Company is dependent on a limited number of raw materials suppliers.** The Company's manufacturing processes use large quantities of raw materials, and it is dependent upon the continued availability of raw materials for the manufacture of its products. An adverse change in the relationship with one of the Company's suppliers, more onerous terms (in particular payment terms), noncompliance with or changes to undertakings pursuant to its supply arrangements, the insolvency of a supplier, or the prospective acquisition of a supplier by one of its competitors could significantly impact our business, particularly if the Company is unable to find a substitute supplier under satisfactory terms or at all.
- **The Company's business is exposed to fluctuations in the pricing of raw materials.** Certain essential raw materials that we use may be subject to significant fluctuations in price and demand, and prices may increase to the point where these raw materials become prohibitively expensive and affect our profitability. In the event of a future increase in raw material prices or a contraction in the availability of raw materials, the Company may be unable to pass the resulting additional costs on to its customers in a timely manner, or at all, as it does not have a contractual right to pass such cost increases on to customers. A failure to otherwise mitigate increased costs could result in lower margins, customer loss or revenue reductions. Any of the foregoing could have a material adverse effect on the Company's business, financial condition and results of operations.
- **The Company does not have formal sales arrangements with a substantial majority of its customers, which may have a material adverse effect on the Company's business, financial condition and results of operations.**
- **The Company depends on several significant customers, and a loss of or a reduction in revenue derived from one or more of them may have a material adverse effect on the Company's business, financial condition and results of operations.** Despite having long-standing relationships with many of its key customers, there can be no assurance that the Company's purchasing arrangements will continue. This risk is compounded by the absence of formal contracts with a substantial majority of the Company's customers. The loss of a major customer, a reduction in revenue of a major customer for any reason, or a failure of a major customer to fulfil its financial or other obligations due to the Company could have a material adverse effect on its business, financial condition and results of operations.

The Company is also exposed to the following risks:

- The Company is exposed to risks associated with fluctuations in currency exchange rates.
- The Company's currency hedging exposes it to risks.
- Disruptions to the production or delivery of the Company's products could impact its ability to attract new customers and retain existing customers.
- The Company relies on its senior management and on its ability to attract and retain other key employees.
- Significant damage to any of the Company's facilities could cause a production disruption.
- The Company's business may confront elevated operational risks in emerging markets.
- The Company may fail to acquire other businesses, effectively integrate acquired businesses or successfully implement appropriate operational, financial and management systems and controls to achieve the benefits expected to result from such acquisitions.
- The Company may be affected by manufacturing defects or liability claims or may otherwise be subject to adverse publicity.
- The Company may fail to comply with environmental and other regulations or obtain government permits and approvals.
- Increased costs of labor, labor disputes, work stoppages or union organizing activity could have a negative impact on the Company's operations.

- The failure of or significant disruptions to the Company's information systems and software could adversely affect its operations.
- The Company may be subject to losses that might be completely or partially uninsured.
- Changes in tax rates, tax liabilities or tax accounting rules could affect future results.
- Changes in how tax authorities view the Company's structure could have an adverse impact on its operating results.
- The Company's reliance on third parties may subject it to risk and may disrupt or have an adverse impact on its operations.
- The Company's business could be affected by various legal and regulatory compliance risks, including those involving antitrust, anti-money laundering, anti-bribery or anti-corruption laws and regulations, sanctions and data protection and privacy laws and regulations.
- The medium term objectives included in this Prospectus may differ materially from the Company's actual results and investors should not place undue reliance on them.

Risks Relating to the Company's Capital Structure

The Company is subject to the following material risks:

- **The Company's leverage and debt service obligations could adversely affect its business.** The Company had a negative total equity in 2015 and 2014. While total equity was positive as of March 31, 2017, the Company remains highly leveraged with a ratio of net debt to equity of 2.8:1 or net debt to total assets of 47.6%. As of March 31, 2017 the Company had gross indebtedness of €424.7 million (a ratio of debt to equity of 3.9:1), including €nil million of drawings under the Revolving Credit Facility and €291.0 million of indebtedness represented by the Senior Secured Notes (including accrued interest), €17.3 million of finance lease liabilities, €75.1 million of indebtedness under the Senior Term Loan (including accrued interest), €30.9 million of amortizing term loan debt (including accrued interest), €10.4 million drawn under a revolving credit loan at Bentley and €0.1 million of bank overdraft. After adjusting for the Offering and the use of proceeds therefrom, the Company (including Bentley) would have had Net Debt of €247.4 million and an Net Debt/Adjusted EBITDA ratio of 2.5:1 as of December 31, 2016. The degree to which the Company will remain leveraged following the Offering could have important consequences for its shareholders. Additionally, the Company may incur substantial additional indebtedness in the future, including in connection with any future acquisition. Any such new debt could be at higher interest rates and may require the Company to comply with more onerous covenants, which could further restrict its business, prospects, financial condition and results of operations.
- **The Company is subject to restrictive debt covenants that may limit its ability to finance future operations and capital needs and to pursue business opportunities and activities.** The covenants to which the Company is subject could limit its ability to implement its strategy and may limit its ability to react to market conditions or pursue business opportunities and activities that may be in the Company's interest. In addition, the Company's ability to comply with these covenants and restrictions may be affected by events beyond its control. If the Company breaches any of these covenants or restrictions, it could be in default under the Senior Secured Notes, Senior Term Loan the Revolving Credit Facility Agreement or other indebtedness then outstanding.

D.3

Risks Relating to the Shares and the Offering

The Company is subject to the following material risks:

- **Following the completion of the Offering, assuming a full placement of the Offer Shares in the Secondary Tranche (including full exercise of the Over-allotment Option and the Increase Option) and that the Offer Price is at the mid-point of the Price Range, Lone Star Fund IX will have an indirect interest in at least 37.8% of the Shares.** Depending on its shareholding, the Selling Shareholder will, directly, have the power to nominate up to five of the Company's directors and determine certain decisions to be required to be approved by the shareholders' meeting. There can be no assurance that any matter which is to be put to the shareholders for decision will be resolved in a manner that other holders of the Shares would consider to be in their or our best interest. In addition, the Selling Shareholder may have an interest in pursuing acquisitions, divestitures, financings or other transactions that, in its judgment, could enhance its equity investment, even though such transactions may involve risks to other holders of the Shares.
- **There has been no prior public market for the Shares and the Shares may experience price and volume fluctuations.** There can be no assurance that an active trading market for the Shares will develop or, if developed, can be sustained or will be liquid following the closing of the Offering. Furthermore, the Offer Price is not necessarily indicative of the prices at which the Shares will subsequently trade on the

stock exchange. If an active trading market is not developed or maintained, the liquidity and trading price of the Shares could be adversely affected. In addition, the market price of the Shares may prove to be highly volatile and may fluctuate significantly in response to a number of factors, many of which are beyond our control, including new government regulation, variations in operating results in the Company's reporting periods, changes in financial estimates by securities analysts, changes in market valuation of similar companies, announcements by the Company or its competitors of significant contracts, acquisitions, strategic alliances, joint ventures, capital commitments or new services, loss of major customers, additions or departures of key personnel, any shortfall in revenue or net income or any increase in losses from levels expected by securities analysts, future issues or sales of ordinary shares, and stock market price and volume fluctuations. Any of these events could result in a material decline in the price of the Shares.

The Company is also exposed to the following risks:

- Future sales of substantial amounts of the Company's ordinary shares, or the perception that such sales could occur, could adversely affect the market value of the Shares.
- The Company may not be able to pay dividends in accordance with our stated dividend policy. There can be no assurance as to whether dividends or similar payments will be paid out in the future or, if they are paid, their amount.
- Investors may not be able to recover in civil proceedings for U.S. securities law violations.
- Investors resident in countries other than Belgium may suffer dilution if they are unable to participate in future preferential subscription rights offerings.
- Investors with a reference currency other than Euros will become subject to foreign exchange rate risk when investing in the Shares.
- Any sale, purchase or exchange of Shares may become subject to the Financial Transaction Tax.
- The Shares will be listed and traded on Euronext Brussels on an "if-and-when-issued and/or delivered" basis from the Listing Date until the Closing Date. Euronext Brussels NV/SA may annul all transactions effected in the Offer Shares if they are not issued and delivered on the Closing Date.
- Certain provisions of the Belgian Companies Code and the Articles of Association may affect potential takeover attempts and may affect the market price of the Shares.
- The market price of the Shares may fluctuate widely in response to various factors.

Section E—The Offering

Element	Disclosure requirement
E.1	<p>Net proceeds and expenses of the Offering</p> <p>Based on expected gross proceeds from the Primary Tranche of €145 million, the Company estimates that it will receive net proceeds from the Offering of approximately €137.6 million, following the deduction of fees and expenses and underwriting commissions (including discretionary incentive fees, if any) in the amount of approximately €7.4 million. Assuming a full placement of the Offer Shares (including the full exercise of the Increase Option), that the Offer Price is at the mid-point of the Price Range and that the Over-allotment Option is exercised in full, the Company will pay approximately €7.4 million in expenses and commissions from cash on hand.</p> <p>Assuming a full placement of the Offer Shares in the Secondary Tranche (including the full exercise of the Increase Option), that the Offer Price is at the mid-point of the Price Range and that the Over-allotment Option is exercised in full, the Selling Shareholder will receive aggregate gross proceeds from the Offering of approximately €159 million. The Company will not receive any of the proceeds of the Secondary Tranche, all of which will be paid to the Selling Shareholder.</p> <p>All fees and expenses related to the Offering will be divided pro rata between the Company and the Selling Shareholder based on the respective sizes of the Primary Tranche and Secondary Tranche.</p>
E.2a	<p>Use of proceeds</p> <p>A part of the net proceeds from the Primary Tranche will be contributed by the Company to the equity of LSF9 Balta Issuer S.A. (i.e. capital reserve) in view of (i) a repayment of debt by LSF9 Balta Issuer S.A. and (ii) the lending by LSF9 Balta Issuer S.A. to other Group companies for the payment of other debt.</p>

E.3 Terms and conditions of the Offering

The Offering relates to the (i) issuance by the Company of such number of newly issued Shares having no nominal value as is necessary to raise gross proceeds of approximately €145 million and (ii) offering by Selling Shareholder of up to 6,265,625 existing Shares. The Offering consists of (i) the Belgian Offering (i.e., an initial public offering to retail and institutional investors in Belgium); (ii) a private placement in the United States to persons who are reasonably believed to be “qualified institutional buyers” or “QIBs” (as defined in Rule 144A under the U.S. Securities Act), in reliance on Rule 144A or pursuant to another exemption from or transaction not subject to the registration requirements under the U.S. Securities Act; and (iii) private placements to institutional investors in the rest of the world. The Offering outside the United States will be made in compliance with Regulation S under the U.S. Securities Act.

The aggregate number of Offer Shares sold in the Secondary Tranche may, pursuant to the Increase Option, be increased by up to 15% of the aggregate number of Offer Shares initially offered. Any decision to exercise the Increase Option will be communicated, at the latest, on the date of the announcement of the Offer Price.

If the maximum number of Offer Shares has not been placed, the Primary Tranche will have priority to the Secondary Tranche up to net proceeds of €137.6 million. The minimum size of the Offering corresponds to the Primary Tranche (i.e. €137.6 million net proceeds) below which the Offering will not be completed. Any withdrawal of the Offering will be announced by means of a Company press release. If the Offering is withdrawn, the bank accounts of the retail investors having submitted purchase orders will not be debited.

The Offer Price will be determined on the basis of a bookbuilding process in which only institutional investors can participate, taking into account various relevant qualitative and quantitative elements, including but not limited to the number of Offer Shares requested, the size of purchase orders received, the quality of the investors submitting such purchase orders and the prices at which the purchase orders were made, as well as market conditions at that time. If the Price Range is modified, the change will be published by means of a Company press release. Any changes to narrow the Price Range will not void purchase orders that have already been submitted.

The Offering Period will begin on May 31, 2017 and is expected to close no later than 1 p.m. (CET) on June 13, 2017, subject to the possibility of an early closing, provided that the Offering Period will in any event be open for at least six business days from the availability of this Prospectus. The Prospectus will be made available as of the first day of the Offering Period. The Offering Period can be closed, at the earliest, six business days after the start of the Offering Period and, hence, prospective investors can submit their orders at least during six business days after the start of the Offering Period. However, in accordance with the possibility provided for in art. 3, § 2 of the Royal Decree of May 17, 2007 on primary market practices, the Company expects the subscription period for the retail offering to end on June 12, 2017, the day before the end of the institutional bookbuilding period, due to the timing and logistical constraints associated with the centralization of the subscriptions placed by retail investors with the Underwriters and with other financial institutions.

Any early closing of the Offering Period will be announced by means of a Company press release, and the dates for each of pricing, allocation, publication of the Offer Price and the results of the Offering, conditional trading and closing of the Offering will in such case be adjusted accordingly. The Offering Period can only be closed earlier in case of a coordinated action between the Underwriters. Prospective investors can submit their purchase orders during the Offering Period. Taking into account the fact that the Offering Period may be closed early, investors are invited to submit their applications as promptly as possible.

If an important new factor, material mistake or inaccuracy relating to information contained in the Prospectus, which could influence the investors' evaluation of the securities, occurs before the end of the Offering Period, a supplement to the Prospectus shall be published in accordance with Article 34 of the Prospectus Law.

A supplement to this Prospectus will be published in accordance with Article 34 of the Prospectus Law in the event (i) the Offering Period is extended, (ii) the lower limit of the Price Range is decreased or the Offer Price is set below the lower end of the Price Range, or (iii) the maximum number of Offer Shares is reduced, including due to an early closing of the Offering Period without placement of the total number of shares or (iv) the underwriting agreement is not executed or is executed but subsequently terminated.

If such supplement to the Prospectus is published, investors will have the right to withdraw their orders made prior to the publication of the supplement. Such withdrawal must be done within the time period set forth in the supplement (which shall not be shorter than two business days after publication of the supplement).

The Selling Shareholder is expected to grant to Deutsche Bank AG, London Branch, as Stabilization Manager, on behalf of itself and the Underwriters, an Over-allotment Option, i.e., an option to purchase additional Shares in an aggregate amount equal to up to 15% of the aggregate number of subscribed Offer Shares (including the Offer Shares sold pursuant to the effective exercise of the Increase Option) to cover over-allotments or short positions, if any, at the Offer Price. The Over-allotment Option may be exercised for a period of 30 days following the Listing Date.

The Closing Date is expected to be June 16, 2017 unless the Offering Period is closed earlier. The Offer Price must be paid by investors by authorizing their financial institutions to debit their bank accounts with such amount for value on the Closing Date, unless the Offering has been withdrawn.

E.4 Material interests to the Offering

Assuming placement of the maximum number of Offer Shares (including the full exercise of the Increase Option), that the Offer Price is at the mid-point of the Price Range and that the Over-allotment Option is exercised in full, the underwriting fees for the Primary and Secondary Tranche will be €6.5 million. This does not include any incentive fees which may be paid at the discretion of the Company and the Selling Shareholder. The underwriting fees of 2.15% of the gross proceeds of the Offering, plus any discretionary incentive fees up to 1.10% of the gross proceeds of the Offering, will be paid by the Company and the Selling Shareholder. The Company and the Selling Shareholder have also agreed to reimburse the Underwriters for certain expenses incurred by them in connection with the Offering.

Certain of the Underwriters and/or their respective affiliates have engaged or may in the future, from time to time, engage in commercial banking (including loans and credit facilities), investment banking and financial advisory and ancillary activities in the ordinary course of their business with the Company or any parties related to it, in respect of which they have received or may in the future receive customary fees and commissions.

The Company and/or other members of the Group have also entered into several agreements with a number of Underwriters (or their affiliates), including the following:

- In July 2015, Deutsche Bank, Barclays and an affiliate of ING acted as Joint Bookrunners and an affiliate of KBC Securities acted as Co-Manager with respect to the sale of the Senior Secured Notes, which will be partially repaid with the proceeds from this Offering.
- In August 2015, LSF9 Balta Issuer S.A. entered into a revolving credit facility agreement with an original principal amount of €40.0 million, with among others, Deutsche Bank, ING and an affiliate of KBC Securities as Mandated Lead Arrangers and Original Lenders.
- In March 2017, Deutsche Bank and an affiliate of J.P. Morgan acted as Original Lenders in connection with the Senior Term Loan, which will be fully repaid with the proceeds from this Offering.

Except as disclosed above, no other party has a material interest in the Offering other than the Company's management, the Selling Shareholder and the Company.

All fees and expenses related to the Offering will be divided pro rata between the Company and the Selling Shareholder based on the respective sizes of the Primary Tranche and Secondary Tranche.

E.5 Selling Shareholder and Lock-ups

The Company is expected to agree pursuant to the Underwriting Agreement (which is expected to be entered into on or about June 13, 2017) that it will not, and will procure that none of its subsidiaries will, for a period of 180 days from the Closing Date, without the prior written consent of the Joint Global Coordinators, acting on behalf of the Underwriters (subject to certain limited exceptions): (i) directly or indirectly, issue, offer, pledge, sell, contract to sell, sell or grant any option, right, warrant or contract to purchase, exercise any option to sell, purchase any option or contract to sell, or lend or otherwise transfer or dispose of any Shares or other shares of the Company, or any securities convertible into or exercisable or exchangeable for Shares or other shares of the Company, or file any registration statement under the U.S. Securities Act or any similar document with any other securities regulator, stock exchange or listing authority with respect to any of the foregoing; (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of any Shares or other shares of the Company, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Shares or other securities, in cash or otherwise; or (iii) publicly announce such an intention to effect any such transaction. The foregoing shall not apply to: (i) the issue of the Shares to be sold in the Offering; (ii) the issue of Shares in the context of the Reorganization, (iii) any corporate action in connection with a takeover offer, capital reorganization, legal merger, split up or similar transaction or process, in each case to the extent involving the Company; or (iv) the granting of awards in options or Shares by the Company or the issuance of Shares upon exercise of options granted by the Company pursuant to employee incentive schemes.

In addition, the Selling Shareholder is expected to agree pursuant to the Underwriting Agreement (which is expected to be entered into on or about June 13, 2017) that for a period of 180 days from the Closing Date, they will not, without the prior written consent of the Joint Global Coordinators, acting on behalf of the Underwriters (i) directly or indirectly, issue, offer, pledge, sell, contract to sell, sell or grant any option, right, warrant or contract to purchase, exercise any option to sell, purchase any option or contract to sell, or lend or otherwise transfer or dispose of any Shares or other shares of the Company, or any securities convertible into

or exercisable or exchangeable for Shares or other shares of the Company, or request or demand that the Company file any registration statement under the U.S. Securities Act or any similar document with any other securities regulator, stock exchange or listing authority with respect to any of the foregoing; or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of any Shares or other shares of the Company, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Shares or other securities, in cash or otherwise; or (iii) publicly announce such an intention to effect any such transaction. The restrictions to which the Selling Shareholder (and certain of its shareholders) are subject shall not prohibit the Selling Shareholder or its relevant shareholders from (i) disposing or lending of Shares for the purposes of the Offering; (ii) accepting a general offer for all of the ordinary share capital of the Company, giving an irrevocable commitment to accept such an offer, or disposing of shares to an offeror or potential offeror during the period of such an offer; (iii) any disposal required by law, regulation or a court of competent jurisdiction; and (iv) transferring Shares intra-group or intra-family and (v) transferring Shares to managers pursuant to management incentive schemes established prior to the Closing of the Offering and (v) any disposal for the purposes of pledging or charging any Shares to or for the benefit of the Margin Loan Lender in connection with a Margin Loan Facility; or (vi) any disposal for the purposes of transferring any Shares pursuant to any enforcement of the security over Shares granted by the Selling Shareholder to or for the benefit of the Margin Loan Lender in connection with a Margin Loan Facility.

In addition, officers and directors of the Company who will hold Shares immediately upon the Closing of the Offering are expected to agree pursuant to the Underwriting Agreement (which is expected to be entered into on or about June 13, 2017) that for a period of 360 days from the Closing Date, they will not, without the prior written consent of the Joint Global Coordinators, acting on behalf of the Underwriters (i) directly or indirectly, issue, offer, pledge, sell, contract to sell, sell or grant any option, right, warrant or contract to purchase, exercise any option to sell, purchase any option or contract to sell, or lend or otherwise transfer or dispose of any Shares or other shares of the Company, or any securities convertible into or exercisable or exchangeable for Shares or other shares of the Company, or request or demand that the Company file any registration statement under the U.S. Securities Act or any similar document with any other securities regulator, stock exchange or listing authority with respect to any of the foregoing; or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of any Shares or other shares of the Company, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Shares or other securities, in cash or otherwise; or (iii) publicly announce such an intention to effect any such transaction. The foregoing restrictions shall not apply to: (i) the granting of any pledge over Shares, provided that if such pledge is enforced the transferees of such Shares agree to be bound by the same restrictions as those assumed by the director or officer under the lock-up undertaking; (ii) any transfer of Shares following an exercise of an option referred to in this prospectus; (iii) any acceptance of a whole or partial takeover of the issued share capital of the Company or executing and delivering an irrevocable undertaking or commitment in connection with any such takeover; (iv) the implementation of a scheme of arrangement in respect of the Shares of the Company related to the acquisition by a third party of a stake in the Company; (v) taking up any rights granted in respect of a rights issue or other pre-emptive share offering by the Company; (vi) transferring Shares to any connected person (as defined in the UK Companies Act 2006); (vii) transferring Shares for bona fide purposes in the form of a gift to a trust whose beneficiaries (including any named discretionary beneficiaries) comprise connected persons (as defined in the UK Companies Act 2006); (viii) transferring or disposing of Shares where required to do so by law or by any competent authority or by order of a court of competent jurisdiction; (ix) any Shares or other securities in the Company acquired by the director or officer after the Closing Date; and (x) selling or otherwise disposing of Shares pursuant to a pro rata participation in a buy back offer by the Company to purchase back its own Shares extended to all holders of Shares, provided that, in the case of the carve-outs set in sub-clauses (vi) and (vii) above, the transferees of such Shares agree to be bound by the same restrictions as those assumed by the director or officer under the lock-up undertaking.

E.6 Dilution resulting from the Offering

As a result of the Offering, the economic interest and the voting interest of the Selling Shareholder will be diluted. The maximum dilution for the Selling Shareholder would be 39.7%, based on expected gross proceeds from the Primary Tranche of €145 million and assuming that the Offer Price is at the middle of the Price Range.

E.7 Estimated expenses charged to the investor by the Company or the Selling Shareholder

Not applicable. No fees or expenses in connection with the Offering will be charged to investors by the Company or the Selling Shareholder.

RISK FACTORS

The Offering and an investment in the Offer Shares involve a high degree of risk. You should carefully consider the risks and uncertainties described below, together with other information described elsewhere in this Prospectus, including our consolidated financial statements and the related notes contained elsewhere in this Prospectus, before you decide to purchase the Offer Shares. If any of the following risks or uncertainties actually occurs, our business, financial condition and results of operations could be materially adversely affected. Consequently, the price of the Offer Shares could decline and you could lose all or part of your investment in the Offer Shares. Although we believe that the risks and uncertainties described below are the most material risks and uncertainties facing our business and the Offer Shares, they are not the only ones relating to us and the Offer Shares. Additional risks and uncertainties could also have a material adverse effect on our business, financial condition, results of operations or prospects, and could negatively affect the price of the Offer Shares.

You should read and carefully review the entire Prospectus and should reach your own views before making an investment decision with respect to any Offer Shares. Furthermore, before making an investment decision with respect to any Offer Shares, you should consult your own stockbroker, bank manager, lawyer, auditor or other financial, legal and tax advisers and carefully review the risks associated with an investment in the Offer Shares and consider such an investment decision in light of your personal circumstances.

This Prospectus also contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks described below and elsewhere in this Prospectus. See “Forward-Looking Statements.”

Risks Related to Our Industry and Our Business

If we fail to identify and respond to consumer preferences and demand, our business, financial condition and results of operations could be materially adversely affected.

Soft-flooring products are increasingly subject to changing consumer tastes and trends and must appeal to a broad range of consumers whose preferences cannot always be predicted. The extent of our success depends in large part on our ability to follow, gauge and react to trends in home decoration and changing consumer preferences in a timely manner. In particular, as we continue to expand into new markets, we must continue to anticipate and meet the demands of new consumers who may have different tastes and follow different trends.

Our Rugs segment, and to a lesser extent our Residential and Commercial segments, are particularly influenced by rapidly changing consumer preferences as to product design and features, requiring us to maintain the constant renewal and innovation of our product mix. Rapid time to market for comparable or more innovative products is key to our competitiveness. We believe, on average, one-fifth of our gross margin in each of the past three years was generated by product launches or renewals in the relevant preceding twelve months.

If we are unable to anticipate, identify or respond effectively to consumer preferences and demand, or successfully manage production and inventory levels for products that are in demand, we may experience back orders, order cancellations or overstock, any of which would have a negative effect on our business. For example, in 2013, we temporarily lost market share in Germany due to the successful introduction of a new range of carpets by one of our competitors. There can be no assurance that we will be able to launch competitive products in a timely or successful manner in response to the launch of new products or in an effort to anticipate shifts in consumer demand. If we are compelled to alter our product mix in response to competition or consumer demand, in a way contrary to our broader business strategy, our margins could suffer. Furthermore, our failure to further refine our technology, including our e-commerce channels direct to customers, and develop and introduce new products attractive to the market could cause our reputation to suffer and our products to become uncompetitive or obsolete, which could reduce our market share and cause our sales to decline. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

The soft-flooring industry is highly competitive.

We face significant competition from local manufacturers of soft flooring as well as, predominantly in our Rugs and Commercial segments, non-European and international manufacturers. Certain of our competitors may have greater resources and access to capital than we do, which may afford them a competitive advantage in the innovation, production and distribution of new or existing products. The arrival of new competitors, new products or new technologies developed by competitors could also affect our competitive position. There can be no assurance that we will be able to maintain our margins with respect to our competitors, particularly if new entrants gain access to one or more of our markets, or if competition intensifies for any other reason. Maintaining our competitive position could also require additional investments in new products and new manufacturing facilities, or further development of our distribution network, marketing and sales activities. These competitive pressures could lead to reduced demand for our products or force us to lower our prices. Such events could have a material adverse effect on our business, financial condition and results of operations.

Our products are not commercially protected and are routinely reproduced by both our competitors and customers.

The duplication of designs and innovations is a routine feature of the industry in which we operate, which functions on the continued renewal of products in accordance with constantly evolving consumer and market trends. Furthermore, our production processes generally do not involve patented processes and the machines and the production lines we use are used across the industry and built by third parties. Therefore, although we retain two Belgian patents relating to our *modulyss* brand (used to demonstrate that the Group originated certain industry manufacturing processes) and registered trademarks over our brand names, we do not have any other material protections on our designs or products. In keeping with industry practice, as our designs are in general not registered, our products have historically been and may continue to be reproduced by our competitors. In addition, certain of our customers may elect, at their own discretion, to have products that we have designed and manufactured reproduced by our competitors. There can be no assurance that we will continue to produce sufficient new designs and products to compensate for the loss of revenue due to reproductions, or that such new designs and products will be comparably successful to our current designs and products. As we have little recourse to prevent the reproduction of our products, if our customers and competitors expand the reproduction of products that we have designed, and/or sell reproductions of our products to our customers at lower prices, our market share and/or operating profit may decline, which could have a material adverse effect on our business, financial condition and results of operations.

If consumers choose alternative flooring solutions over soft-flooring products, our business, financial condition and results of operations could be materially adversely affected.

There are a number of flooring alternatives that consumers may choose over soft-flooring products. These comprise resilient and non-resilient offerings, including flooring composed of ceramic, wood, laminate, vinyl or synthetic composites. Consumers may determine that they prefer a hard flooring alternative due to changes in market trends, technological advancements to hard flooring products, or personal preference. For example, German consumers have increasingly tended to prefer hard-flooring products, such as luxury vinyl tiles, which has adversely impacted our Residential sales volumes in that market over the past five years. There can be no assurance that the soft-flooring market will remain competitive with the hard flooring market, or that consumers will continue to purchase soft-flooring products in line with previous purchasing habits. To the extent consumers in any one market or over multiple markets opt for a non-soft-flooring solution, or if soft flooring were to fall out of favor in one or multiple markets, this could have a material adverse effect on our business, financial condition and results of operations.

Our industry is significantly affected by economic conditions, particularly to the extent such conditions impact consumer confidence and the residential and commercial renovation and construction markets.

The flooring industry depends significantly on consumer confidence and the residential and commercial redecoration, renovation and construction markets, which can be affected by the cyclical nature of the general economy. Our business tends to be influenced, in particular, by changes in consumer confidence, in disposable income, interest rates and the availability of credit, and in commercial and office occupancy rates. These factors can cause fluctuations in demand, and, as a result, in our sales volumes and margins.

For example, the global economic downturn in 2008 and 2009 had a negative impact on the flooring industry and on our business. The ensuing impact on Europe, from which we derive a substantial majority of our revenue, negatively impacted our business in Europe, including our profitability.

Economic activity remains dependent on highly accommodative macroeconomic policies and is subject to downside risks. The implementation of policies that are or are perceived to be less consumer-friendly may restrict economic recovery, and as such, there can be no assurance of a favorable change in consumer confidence. Such trends are also influenced by overall economic growth and a large number of other economic and socio-political variables, including interest rates, governmental economic policies, public spending and allocations for infrastructure, or a combination of the above factors. Further economic downturns could impact consumer confidence, and therefore discretionary spending habits, and could cause the industry to deteriorate in the future, which could have a material adverse effect on our business, financial condition and results of operations.

The geographies in which we operate have been, and may continue to be, subject to significant political volatility. For example, the United Kingdom held a referendum on June 23, 2016, to determine whether the United Kingdom should leave the European Union (the “EU”) or remain as a member state, and the outcome of that referendum was in favor of leaving the EU (commonly referred to as “Brexit”). Under Article 50 of the 2009 Lisbon Treaty (“Article 50”), the United Kingdom will cease to be a member state when a withdrawal agreement is entered into, or failing that, two years following the notification of an intention to leave under Article 50, unless the European Council (together with the United Kingdom) unanimously decides to extend this period. The United Kingdom has formally notified the European Council of its intention to leave the EU, on March 29, 2017. It is unclear how long it will take to negotiate a withdrawal agreement. Until the United Kingdom officially exits the EU, EU laws and regulations will continue to apply, and changes to the application of these laws and regulations are unlikely to occur during negotiations. However, due to the size and importance of the UK economy, the uncertainty and unpredictability concerning the United Kingdom’s legal, political and economic relationship with Europe after the United Kingdom exits, there may continue to be instability in the international markets, significant currency

fluctuations, and/or otherwise adverse effects on trade agreements or similar cross-border cooperation arrangements (whether economic, tax, fiscal, legal, regulatory or otherwise) for the foreseeable future, including beyond the date of the United Kingdom's withdrawal from the EU. The effects of Brexit will depend on any agreements the United Kingdom makes to retain access to EU markets, and, while such impacts are difficult to predict, Belgian exports may be negatively affected. In the year ended December 31, 2016, our sales in the United Kingdom represented €148.6 million, or 26.6% (22.2% on a pro forma basis to reflect the acquisition of Bentley) of our revenue, mainly comprised of sales in our Residential segment. Any reduction in consumers' willingness or ability to spend due to Brexit-related changes in the economic environments of the United Kingdom and Europe could materially affect our revenue. In addition, lack of clarity about future UK laws and regulations as the United Kingdom determines which EU laws to replace or replicate in the event of a withdrawal may increase costs associated with operating in either or both of the United Kingdom and Europe.

In addition, uncertainty around the upcoming elections in Germany and the United Kingdom, as well as the recent changes in administration in the United States and France, may increase volatility in currency exchange rates and market conditions. Furthermore, our exposure to non-European high growth regions such as the Middle East and Asia, which could counterbalance a potential negative impact of political volatility on consumer confidence in Europe and North America, is currently comparatively low. These developments, or the perception that any of them could occur, have had and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets, and could significantly reduce global market liquidity.

We are dependent on a limited number of raw materials suppliers.

Our manufacturing processes use large quantities of raw materials, and we are dependent upon the continued availability of raw materials for the manufacture of our products. We rely on a limited number of suppliers for certain essential raw materials, including polypropylene and polyamide granulates. Many of these suppliers are large and can exert substantial leverage over us through our purchasing arrangements, a change in which could impact our costs and profitability. We also rely on particular suppliers for the provision of certain yarns that confer a competitive advantage to the production and design of our products. If such suppliers were to cease or materially reduce their supply of goods to us, or significantly increase the price at which they sell their goods to us, there can be no assurance we would be able to find comparable or sufficient raw materials on a timely basis, at a competitive price, or at all. Moreover, we do not have formal contracts with the majority of our raw materials suppliers, as is common in the industry. An adverse change in the relationship with one of our suppliers, more onerous terms (in particular payment terms), noncompliance with or changes to undertakings pursuant to our supply arrangements, the insolvency of a supplier, or the prospective acquisition of a supplier by one of our competitors could significantly impact our business, particularly if we are unable to find a substitute supplier under satisfactory terms or at all. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

Our business is exposed to fluctuations in the pricing of raw materials.

Raw material expenses represented 46.5% of Balta's revenue for the year ended December 31, 2016. Certain essential raw materials that we use may be subject to significant fluctuations in price and demand, and prices may increase to the point where these raw materials become prohibitively expensive and affect our profitability. Fluctuations and price volatility, more broadly, may be due to a number of factors that are beyond our control, including the availability of supply (including supplier capacity constraints); general economic conditions; competitive demand by other industries for the same raw materials; and the availability of complementary and substitute materials. There can be no assurance that the essential raw materials that we require to manufacture our products will continue to be available at commercially reasonable prices in the future.

Certain of our raw materials, including polypropylene and polyamide granulates used in the creation of yarns, are derived from crude oil. Thus, while crude oil prices do not directly impact the cost of our products, fluctuations in the price of crude oil have in the past and may in the future lead to volatility in our raw material expenses in the longer term. In particular, the pricing of polypropylene granulates from key suppliers is based on market prices quoted by Bloomberg, which though quoted in Euro ultimately reflect crude oil prices which are quoted in U.S. dollars. As a result, fluctuations in currency and commodities exchanges can have a negative impact on our costs. The foregoing is compounded by demand from other industries for both polypropylene and polyamide granulates. See "*We are exposed to risks associated with fluctuations in currency exchange rates.*"

In the event of a future increase in raw material prices or a contraction in the availability of raw materials, we may be unable to pass the resulting additional costs on to our customers in a timely manner, or at all, as we do not have a contractual right to pass such cost increases on to our customers. A failure to otherwise mitigate increased costs could result in lower margins, customer loss or revenue reductions. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

We do not have formal sales arrangements with a substantial majority of our customers, which may have a material adverse effect on our business, financial condition and results of operations.

We do not have formal sales arrangements with a substantial majority of our customers, including many of our long-standing customers. We typically deal with our customers on a non-exclusive basis and with no minimum purchase obligations or fixed terms. In addition, as a result of the competitive markets in which we operate and the continued

consolidation of our customer base, our customers may be able to demand purchase arrangements that are less favorable to us or could simply elect to discontinue their purchases, which could materially adversely impact our business. To the extent any of our competitors offer more attractive purchasing terms to one or more of our customers, or if we attempt to materially increase margins, we may lose customers. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

We depend on several significant customers, and a loss of or a reduction in revenue derived from one or more of them may have a material adverse effect on our business, financial condition and results of operations.

Balta's top 10 customers are generally large and sophisticated retailers and wholesalers. For the year ended December 31, 2016, our top 10 customers accounted for 41% of our revenue, and our top three customers accounted for 24% of our revenue for the same period. Despite having long-standing relationships, and in certain cases, limited exclusivity arrangements, with many of our key customers, there can be no assurance that our purchasing arrangements will continue or exclusivity arrangements will not be shortened. This risk is compounded by the absence of formal contracts with a substantial majority of our customers.

Our profits are also dependent on a number of factors controlled by our customers, including our customers' ability to successfully develop their businesses as well as the choices our customers make regarding the sale and marketing of our products. To the extent our customers are constrained in their development or are unsuccessful in their marketing, sales or retail strategies, the foregoing could have a direct impact on our future growth and revenue. Furthermore, many of our significant customers, by virtue of their size and sophistication, have significant purchasing power and can often apply pricing pressure on their suppliers, including us, by resisting price increases, operating with reduced inventories or imposing new or revised requirements that may impact the customer-supplier relationship, including requirements related to safety, environmental, social and other sustainability issues. Compliance with the requirements imposed by significant customers may be costly and may have an adverse effect on our results of operations.

The loss of a major customer, a reduction in revenue of a major customer for any reason, or a failure of a major customer to fulfill its financial or other obligations due to us could have a material adverse effect on our business, financial condition and results of operations.

We are exposed to risks associated with fluctuations in currency exchange rates.

Changes to currency exchange rates may impact our profitability. For example, a significant strengthening of the U.S. dollar compared to the Euro could have an adverse effect on our operating results and financial condition, particularly in relation to the price of certain raw materials upon which we rely, including jute, polypropylene and polyamide granulates. The price of polypropylene and polyamide granulates may fluctuate with the price of crude oil, which is priced in U.S. dollars. A weakening of one or more of the foreign currencies in which we operate against the Euro necessarily reduces our revenue. Moreover, we may be unable to pass along increased costs to our customers or our customers may be less willing to purchase our products at higher prices. Conversely, our customers may demand that we reduce our prices where any changes in currency exchange rates may have been beneficial to our operations. Any increased costs or reduced revenue as a result of foreign currency fluctuations could affect our profits.

As a result of the international nature of our operations, we are subject to foreign exchange risk, including currency translation, transactional and operating exposure. In particular, the exchange rates between the Euro and the Pound sterling, the U.S. dollar and the Turkish lira have fluctuated significantly and may continue to do so in the future. As we report in Euro, we are subject to risks relating to the conversion into Euros of the statements of financial position and income statements of our subsidiaries in the United States and Turkey. In addition, we are subject to risks arising from outstanding nominal foreign currency financial and trade receivables or payables incurred prior but due to be settled after a change to the relevant exchange rate, which impact our current cash flows.

Changes in currency exchange rates may also have a long-term impact on demand for our products. For example, we may become less competitive outside the Eurozone if the Euro were to strengthen, due to the higher prices that customers and consumers outside the Eurozone may have to pay for our products. In particular, the strengthening of the Euro relative to the Pound sterling may make our products more expensive relative to those of our competitors located in the United Kingdom. In addition, our operations in Turkey currently produce labor-intensive products. If the Turkish lira strengthens, the cost of our Turkish operations may increase.

We may not be able to manage effectively the currency risks we face, and volatility in currency exchange rates may have a material adverse effect on our consolidated financial statements and may have an adverse effect on our results. See "Operating and Financial Review and Prospects—Significant Factors Affecting Our Results of Operations—Foreign Exchange Rate Fluctuations." Significant and sustained movements in exchange rates could have a material adverse effect on our business, financial condition and results of operations.

Our currency hedging exposes us to risks.

Although it is impossible to hedge against all currency risks, we have used derivative financial instruments in order to seek to reduce the substantial effects of currency fluctuations on our cash flows and financial condition. We have entered into, and may continue to enter into, forward exchange contracts to hedge our residual exposure to the Pound sterling and may enter into forward exchange contracts to hedge residual exposure to the U.S. dollar and Turkish lira.

As with all hedging instruments, there are risks associated with the use of such instruments. While limiting to some degree our risk from fluctuations in currency exchange rates by utilizing such hedging instruments, we potentially forgo benefits that might result from other fluctuations in currency exchange rates. We are also exposed to the risk that our counterparties to hedging contracts will default on their obligations. We manage exposure to counterparty credit risk by limiting the counterparties to major international banks and financial institutions meeting established credit guidelines. However, any default by such counterparties might have an adverse effect on our business, financial condition and results of operation.

Disruptions to the production or delivery of our products could impact our ability to attract new customers and retain existing customers.

Our ability to produce and deliver our products on time is a significant element in attracting new customers and retaining existing customers. On-time delivery is particularly important to our large retail and wholesale customers. We do not own transportation infrastructure and accordingly deliver our products through third-party services. We are therefore dependent upon the timely performance of these third-party service providers. Our ability to deliver products on time may be adversely affected by events or circumstances beyond our control, including, but not limited to, unforeseen events causing the shutdown of one or more of our production facilities, unforeseen increases in order volumes as a result of changes to the competitive landscape or otherwise, the failure of third-party freight carriers to meet scheduled delivery times, any prolonged shortage of freight capacity or other extended disruption of transport services, disruptions to transportation infrastructure, including roads or rail networks, or the failure of our IT platform. If we are unable to produce and deliver our products in accordance with the time table specified by our customers and maintain our on-time service delivery record, we may be unable to attract new customers or retain existing customers, which in turn could have a material adverse effect on our business, financial condition and results of operations.

We rely on our senior management and on our ability to attract and retain other key employees.

Our future performance depends to a significant degree upon the continued contributions of our senior management team—a concentrated group of highly experienced individuals, many of whom have a deep institutional knowledge of our Company, customers, business and industry. The loss of any member of our senior management team could significantly harm our ability to operate effectively. To the extent that the services of members of our senior management team may be unavailable for any reason, we would be required to hire other personnel to manage and operate our Company. There can be no assurance that we would be able to locate or employ such senior personnel on acceptable terms or on a timely basis.

Our future success also depends upon our ability to identify, attract, develop and retain qualified employees, including those with long-standing relationships with our suppliers and customers and those with relevant technical expertise. We compete with other companies to recruit and hire from a limited pool of potential employees with the required skill set and/or industry experience due to, among other things, a shortage of potential employees with the requisite skills and experience in the industry. In addition, the training of new employees requires a large amount of our time and resources.

If one or more of our key personnel resigns to join a competitor, the loss of such personnel and any resulting loss of existing or potential customers to any such competitor could harm our business. Our failure to maintain competitive compensation packages, including equity incentives, may also be disruptive to our business. In addition, we may be unable to prevent the disclosure or use of our technical knowledge, practices or procedures by departed personnel. If we cannot attract, train and retain qualified personnel or retain our senior management, this could have a material adverse effect on our business, financial condition and results of operations.

Significant damage to any of our facilities could cause a production disruption.

Balta has eight manufacturing facilities in Belgium and Turkey, and Bentley has one manufacturing facility in California, United States. Our facilities generally specialize in a particular product line, making it difficult to replace production in one facility with production from another. Should a disruption occur at one or more of these production facilities, we could experience temporary shortfalls in production, an increase in our production costs, or quality issues, which could have a materially adverse effect on our results of operations.

The production at our plants could be adversely affected by extraordinary events, including fire, explosion, release of high-temperature steam or water, structural collapse, machinery failure, chemical spill, mechanical failure, extended or extraordinary maintenance, road construction or closures of primary access routes, earthquake, flood, windstorm or other

severe weather conditions. Although we carry insurance covering losses at these facilities and insurance to cover interruptions in our business, that insurance is subject to limitations such as deductibles and maximum liability amounts and therefore may not cover all of our losses or recover the business which our customers may have placed with our competitors. We may incur losses that are outside of the coverage of our insurance policies. In the future, we may not be able to obtain insurance coverage at current levels or at all, and our premiums may increase significantly on the coverage that we maintain. As a result, we could experience significant losses if any of our manufacturing facilities were damaged or ceased operation for any other reason, and there can be no assurance that we would be able to completely or partially use our other production facilities to compensate for or mitigate the effects of any such shutdowns. Any disruptions at our production facilities could compromise our production capacity or quality control and thereby have a material adverse effect on our business, financial condition and results of operations.

Our business may confront elevated operational risks in emerging markets.

As a result of our manufacturing facilities in Turkey and our intention to increase our market share in certain emerging markets, our commercial and financial results may be directly or indirectly affected by an unfavorable change in the economic, political or regulatory environment in the countries where we manufacture or sell our products. Emerging markets may be subject to greater economic and political instability, in addition to greater exposure to social unrest and infrastructure complications, than more mature markets.

For example, on July 15, 2016 the Turkish government was subject to an attempted coup by a group within the Turkish army. The Turkish government and the Turkish security forces (including the Turkish army) took control of the situation in a short period of time and the ruling government remained in control. Although our operations in Turkey have not been materially affected, and we maintain business disruption insurance, the political and social circumstances surrounding the attempted coup and its aftermath (including the ratings downgrade of Turkey) could have a negative impact on the Turkish economy, including the value of the Turkish lira.

In addition, as a result of recent political volatility between Russia, the United States and the European Union, which has resulted in the implementation of sanctions against the importation of certain goods into Russia, the significant devaluation of the Russian ruble, and a correlative decline in Russian consumers' purchasing power, we experienced a gradual decline in our revenue derived from Russia and Ukraine from €17.2 million in 2013 to €8.5 million in 2016.

Our business therefore may be adversely affected by certain economic, regulatory or political conditions, which may be more pronounced or more frequent in emerging markets, including the aforementioned political and financial instability, as well as other factors such as: financial crises; inflation or hyperinflation; currency devaluations; expatriation of cash; civil unrest; acts of terrorism; wars; international conflicts; difficulties in enforcement of contractual obligations; difficulties in adopting, complying with or changes in applicable local and international laws or regulations (including environmental laws and regulations and permit and authorization regimes and as a result of new interpretations and more rigorous enforcement, as well as anti-corruption, anti-money laundering and economic sanctions laws and regulations); nationalization of property without fair compensation; corruption and extortion; and greater and tighter government regulation on cross-border trading, production and pricing. Furthermore, emerging markets may not possess the full business, legal and regulatory infrastructure that would generally exist in more mature economies, which may impact our ability to contend with any of the foregoing. In addition, the taxation, currency and customs legislation within such markets is subject to varying interpretations and changes, which can occur frequently and unpredictably.

Any such conditions or instability could impact our operations and result in additional expenditure and other commercial and financial impacts in order to comply with or adapt to such conditions or instability. Consequently, this could have a material adverse effect on our business, financial condition and results of operations.

We may fail to acquire other businesses, effectively integrate acquired businesses or successfully implement appropriate operational, financial and management systems and controls to achieve the benefits expected to result from such acquisitions.

Our strategy is to participate in the consolidation of the global rugs and soft flooring industry and regularly evaluate acquisition opportunities. The success of this strategy depends on our ability to identify suitable targets, such as in respect of our recent acquisition of Bentley. We may not complete future acquisitions at all, or not on the terms as contemplated, due to antitrust constraints or for other reasons. For example, the purchase price demanded for a future acquisition, or the costs relating to such acquisition may turn out to be higher than is justified. We also may not achieve the integration of future acquisitions, including Bentley, as expeditiously as expected and may not be able to realize anticipated cost savings, synergies, future earnings or other benefits that we intend to achieve from acquisitions.

Our ability to integrate and manage acquired businesses effectively and to handle any future growth will depend upon a number of factors including the size of the acquired businesses, the quality of the acquired management, the nature and geographical locations of their operations, and the resulting complexity of integrating their operations. We cannot guarantee that our acquisition of Bentley or any future acquisition will yield benefits that are sufficient to justify the expenses we incur. Any inability to successfully integrate acquired businesses could have a material adverse effect on the implementation of our strategy.

Acquisitions could also give rise to a number of other risks, such as:

- unexpected loss of key employees of the acquired operations, or impairing our relationship with current employees or employees of such acquired operations;
- extraordinary or unexpected legal, regulatory, contractual or other costs;
- difficulties in integrating the financial, operational and managerial standards, processes, procedures and controls of the acquired business with those of our existing operations;
- challenges in managing the increased scope, geographical diversity and complexity of our operations (including technologies, product lines and personnel);
- mitigating contingent and/or assumed liabilities;
- loss of customers and/or suppliers; and
- control issues in relation to acquisitions through joint ventures and other arrangements where we do not exercise sole control.

The materialization of any of the risks described above could have a material adverse effect on our business, financial condition and results of operations.

We may be affected by manufacturing defects or liability claims or may otherwise be subject to adverse publicity.

The success of our business depends on the quality and reliability of our products and our customer relations. In the event that our products repeatedly fail to satisfy our customers' requirements, our reputation and sales volumes could suffer. We may be required to manufacture at our own expense replacement products if they fail to meet our customers' standards, expectations and/or the applicable health and safety standards of the country in which a product is distributed, and we may be subject to product liability claims in connection with the foregoing. We may incur significant expenditures as a result of product recalls or product liability claims. We may also suffer other commercial and financial consequences in connection with manufacturing defects or product liability claims, including fines and payments to customers in respect of destroyed inventory, out-of-stock penalties and consumer complaints. Furthermore, if our products fail to meet our customers' specifications, the customer relationship may be terminated.

Any manufacturing defects or product liability claim against us could also subject us to adverse publicity. In addition, we may be subject to adverse publicity relating to other matters, including, but not limited to, product quality, brands, complaints, production facilities and employee relationships. Adverse publicity may negatively impact our reputation, regardless of whether the allegations are valid. The negative impact of adverse publicity relating to any of our products, brands or production facilities may extend far beyond the product, brand or facility involved to affect some or all of our other products, brands and facilities. Any such adverse publicity may have a material adverse effect on our business, financial condition and results of operations.

We may fail to comply with environmental and other regulations or obtain government permits and approvals.

We are required to obtain and comply with numerous permits, approvals, licenses and certificates from the respective government authorities of each jurisdiction in which we operate, particularly in relation to health, safety (including the security of our facilities) and environmental regulations. The process of obtaining and renewing necessary permits can be lengthy and complex. In addition, such permits or approvals may be subject to denial, revocation or modification under various circumstances. Failure to obtain or comply with the conditions of permits or approvals, or failure to comply with applicable laws or regulations, may result in the delay or temporary suspension of our operations and sales and may subject us to penalties and other sanctions.

The environmental, health, hygiene and safety regulations with which we must comply relate primarily to industrial safety, carbon and other emissions, and discharge of chemicals or dangerous substances (including industrial waste and chemicals used in our production processes, such as dyes); their use, production, traceability, handling, transport, storage and elimination or exposure to such substances; and the remediation of industrial sites and environmental clean-up. Legislation in these areas typically has become broader and stricter over time, and enforcement has tended to increase (resulting also in contractual obligations and responsibilities in these areas being imposed on the Company). In addition, new environmental legislation or regulations, if enacted, or changed interpretations of existing laws may elicit claims that historical routine modification activities at our facilities violated applicable laws and regulations. Complying with these regulations may require us to incur significant expense, especially in relation to spillages of dyes and other chemicals. We cannot predict the amounts of any increases in capital expenditure or operating expenses that we may incur to comply with applicable environmental or other regulatory requirements, or whether we will be able to pass on these costs to our customers through price increases. Additionally, the tightening of regulations applicable to certain substances that we use could force us to use more expensive substances, change our formulations and decrease the profitability of our products.

It is difficult to anticipate changes to the foregoing laws and regulations or to their interpretation, which could lead to significant expense or investment. If we are unable to obtain or comply with required permits and approvals for our operations, or in the event of the possible imposition of fines or undertaking of capital investments in the aforementioned cases, this could have a material adverse effect on our business, financial condition and results of operations.

Increased costs of labor, labor disputes, work stoppages or union organizing activity could have a negative impact on our operations.

As of December 31, 2016, Balta had 3,282 full time equivalents (“FTEs”), predominantly in Belgium (2,517), the United States (57) and Turkey (653). As of December 31, 2016, Bentley had 366 FTEs, all of whom were located in the United States. Our ability to meet our labor needs while controlling labor costs is subject to many external factors, including competition for and availability of qualified personnel in a given market, the comparative efficiency of our logistics and transport operations and the productivity of our manufacturing plants, unemployment levels within those markets, wage rates, union membership levels and activity among our employees and changes in employment and labor or other workplace regulation (including the repeal of or changes to Belgian measures aimed at addressing unemployment). Our labor costs could also increase due to, among other things, any potential re-characterization of independent contractors as employees or other challenge to employment or compensation arrangements with our personnel. If we were unable to pass on such higher costs to our customers or otherwise mitigate such increases, these higher labor costs could have a material adverse effect on our business, financial condition and results of operations.

Maintaining good relationships with our employees, unions and other employee representatives is crucial to our operations. As a result, any deterioration of the relationships with our employees, increased costs of Belgian and international labor, including the costs of employee benefits plans, labor disputes, work stoppages or union organizing activity, could delay or impede production and have a material adverse effect on our financial condition and operations. A substantial majority of our manufacturing employees in Belgium and the United States are covered by collective bargaining agreements or represented by trade unions or local work councils. As a result, we often incur costs attributable to periodic renegotiation of those agreements, which may be difficult to project. We are also subject to the risk that strikes or other conflicts with organized personnel may arise or that we may become the subject of union organizing activity at our facilities that do not currently have union representation. Prolonged negotiations, conflicts or related activities could also lead to costly work stoppages and loss of productivity. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations. The Group has not experienced any major disruptions in the period under review. In July 2015 there was a two day work stoppage by 10 employees in support of their supervisor which was resolved after mutual agreement that the Group would improve information sharing with employees.

The failure of or significant disruptions to our information systems and software could adversely affect our operations.

Our business is dependent on the effective operation of our information technology, databases, telecommunications networks, computer systems and other infrastructure, in particular the IT platform we use to manage our operations, including sales, customer service, logistics and administration. For many of our segments, we have a complex and heterogeneous application landscape that in part consists of certain systems from prior acquisitions that have only been partially integrated, which could trigger certain operational risks relating to resource allocation and adequate support teams. We are also contending with an increasing number of cybercrime-related incidents, including ransomware, phishing emails and software-embedded Trojan horses. Any failure of our information technology networks and systems could result in unforeseen expenses, disrupt our operations and adversely affect our relationships with our customers, suppliers and others. In addition, our information systems may be subject to damage or unanticipated interruptions from fire, flood, storms and other natural disasters, power loss, computer system or network failures, operator negligence, physical or electronic loss of data, security breaches, computer viruses, telecommunications failures, vandalism or other extraordinary events. Any such failure, damage or interruption could have a material adverse effect on our business, financial condition and results of operations.

We may be subject to losses that might be completely or partially uninsured.

We maintain insurance policies with respect to certain operating risks, including product liability, damage to property (including buildings, plants, machinery and stock, including as a result of catastrophic events such as fire, flood, storms and earthquakes), business disruption, industrial accidents, and directors’ and officers’ liability. There can be no assurance that the level of insurance we maintain is appropriate for the risks to our business or adequate to cover all potential claims. Certain types of losses may not be covered by our insurance policies and may be either completely or partially uninsurable or not insurable on commercially reasonable terms. A completely or partially uninsured loss suffered by us could have a material adverse effect on our business, financial condition and results of operations.

Changes in tax rates, tax liabilities or tax accounting rules could affect future results.

As a multinational group, we are subject to taxation in various jurisdictions. Significant judgment is required to determine worldwide tax liabilities, including, among other reasons, because tax laws and regulations in effect in the various countries in which we operate do not always provide clear and definitive guidelines. Our effective tax rates and tax exposure could be affected by changes in the composition of our earnings in countries or jurisdictions with higher or lower tax rates,

changes to transfer pricing rules, changes in the valuation of our deferred tax assets and liabilities, our ability to utilize tax losses and tax credits, changes to interest deductibility or other changes in the tax laws and the way such tax laws are applied by tax administrations (possibly with retroactive effect), including through tax arrangements issued by the relevant competent tax authorities.

Non-recoverable value-added tax ("VAT") rates could increase in the future in other countries in which we operate. If we do not increase the prices of our products to match the increase in VAT, our profitability margins will be negatively impacted. If we pass the increase in VAT on to our customers by raising the prices of our products, the demand for our products may decline, materially and adversely affecting our business, financial condition and results of operations. Furthermore, we have VAT risks arising out of the operating activities in the normal course of business and typical acquisition-related VAT risks relating to prior acquisitions and reorganizations.

Certain markets in which we operate have transfer pricing mechanisms that require transactions involving associated companies to be at arm's length. Arrangements between members of our group, such as intra-group transactions involving management services, royalties, information technology service fees, cash-pooling arrangements, intra-group loans and consultancy fees, are typically carried out on an arm's-length basis. However, if the tax authorities in any relevant jurisdiction do not regard such arrangements as being made on an arm's-length basis and successfully challenge those arrangements, the amount of tax payable by the relevant member or members of the group, in respect of both current and previous years, may increase materially and penalties or interest may be payable. Furthermore, any failure to file transfer pricing documentation evidencing the outcome of applied pricing principles, should they be requested by the relevant tax authorities, may result in penalties.

In addition, we are subject to regular audits of our income tax returns by the tax authorities in Belgium and the various countries in which we operate. From time to time various governments together with the European Union and the Organization for Economic Co-operation and Development make substantive changes to tax rules and the application of rules to companies, including changes potentially impacting our ability to defer taxes on international earnings. We regularly assess the likelihood of favorable or unfavorable outcomes in tax audits and amendments to tax laws and regulations in order to determine the adequacy of our provision for income taxes. Although we believe our tax estimates are reasonable, there can be no assurance that any final determination will not be materially different from the treatment reflected in our historical income tax provisions and accruals. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

Changes in how tax authorities view our structure could have an adverse impact on our operating results.

Our effective tax rate and tax liability is based on the application of current income tax laws, regulations and treaties. Although to date, tax authorities have not questioned our interpretation of the application of current laws, regulations and treaties, these authorities could challenge our interpretation in the future, resulting in an additional tax liability or adjustment to our income tax provision that could increase our effective tax rate. In addition, tax laws, regulations or treaties enacted in the future may cause us to revalue our deferred tax assets and result in a material increase to our effective tax rate. A change in relevant income tax laws, regulations or treaties or an adverse interpretation of these items by tax authorities could result in an audit adjustment or revaluation of our deferred tax assets that may cause our effective tax rate and tax liability to be higher than what is currently presented in the consolidated financial statements, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our reliance on third parties may subject us to risk and may disrupt or have an adverse impact on our operations.

We rely upon third parties for various services, including for the transportation of our products and for the provision of certain of our raw materials. Although we specify performance standards with our suppliers and providers, we do not ultimately control their performance, which may make our operations vulnerable to their performance failures. In addition, our failure to adequately monitor and regulate the performance of our third-party vendors could subject us to additional risk. Reliance on third parties also makes us vulnerable to changes in our vendors' businesses, financial condition and other matters outside of our control, including their violations of laws or regulations, which could increase our exposure to liability or otherwise increase the costs associated with the operation of our business. The failure of our providers to perform as expected or as contractually required could have a negative effect on our reputation with our customers and could result in significant disruptions and costs to our operations and to the services we provide to our clients, which could have a material adverse effect on our business, financial condition and results of operations.

Our business could be affected by various legal and regulatory compliance risks, including those involving antitrust, anti-money laundering, anti-bribery or anti-corruption laws and regulations, sanctions and data protection and privacy laws and regulations.

We are subject to various legal and regulatory requirements and risks in the countries in which we have facilities or sell our products, involving compliance with antitrust, anti-money laundering, anti-bribery and anti-corruption laws and regulations, including the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act and sanctions imposed by international organizations or individual nations. Where applicable, these laws restrict or prohibit transactions with certain

countries, and with certain companies and individuals identified on lists maintained by the U.S. government, the European Union, various EU Member States and other governments. We are also subject to data protection and privacy laws and regulations. In recent years, there has been a general increase in both the frequency and severity of enforcement under such laws. We may be unaware of developments in such laws and regulations and any of our employees, contractors, agents and licensees or third party suppliers and providers involved in our sales may take actions in violation of such policies, any of which may subject to legal or regulatory action by foreign or domestic governments or regulators.

Our existing compliance controls may not be sufficient in order to prevent or detect inadequate practices, fraud and violations of law by our intermediaries, consultants, sales agents and employees. In the case that any intermediaries, consultants, sales agents or employees with whom we cooperate receive or grant inappropriate benefits or use corrupt, fraudulent or other unfair business practices, we could be confronted with legal sanctions, penalties, loss of orders and harm to our reputation. Especially given our worldwide operations, group structure, size and the extent of our cooperation with intermediaries, consultants and sales agents, our internal controls, policies and risk management may not be adequate.

We have instituted a formal anti-corruption and anti-bribery policy and intend to further develop our mandatory policies with respect to sanctions and export controls. However, the current absence of all of these compliance policies may make it more difficult to monitor and control all of our global activities, especially with respect to sales made through third-party agents whom we do not directly control. In addition, when implemented, these internal policies and procedures may be ineffective to ensure compliance with these laws and regulations. Failure to comply with these laws could expose us to civil and criminal prosecution and penalties, enforcement actions, the imposition of fines or export or economic sanctions against us, or reputational damage, all of which could materially and adversely affect our business, financial condition and results of operations.

The medium term objectives included in this Prospectus may differ materially from our actual results and investors should not place undue reliance on them.

The medium term objectives included in this Prospectus may differ materially from our actual results and investors should not place undue reliance on them. The medium term objectives described under “*Business—Medium Term Objectives*” and elsewhere are management’s objectives for medium term revenue growth, Adjusted Operating Profit and cash flow. The Company has not defined, and does not intend to define, “medium term,” and these objectives should not be read as indicating that we are targeting such metrics for any particular fiscal year. These medium term objectives are based upon a number of assumptions (including the success of our business strategies), which are inherently subject to significant business, operational, economic and other risks, many of which are outside of our control. For example, our immediate executive team has significant experience in the broader sector, but they have not been responsible for our strategy for the long term. Accordingly, such assumptions may change or may not materialize at all. In addition, unanticipated events may adversely affect the actual results that we can achieve in future periods whether or not our assumptions relating to the medium term otherwise prove to be correct. As a result, our actual results may vary materially from these medium term objectives and investors should not place undue reliance on them.

Risks Related to Our Capital Structure

Our leverage and debt service obligations could adversely affect our business.

The Company’s leverage and debt service obligations could adversely affect its business. The Company had a negative total equity in 2015 and 2014. While total equity was positive as of March 31, 2017, the Company remains highly leveraged with a ratio of net debt to equity of 2.8:1 or net debt to total assets of 47.6%. As of March 31, 2017, including Bentley the Company had gross indebtedness of €424.7 million (a ratio of debt to equity of 3.9:1), including € nil million of drawings under the Revolving Credit Facility and €291.0 million of indebtedness represented by the Senior Secured Notes (including accrued interest), €17.3 million of finance lease liabilities, €75.1 million of indebtedness under the Senior Term Loan (including accrued interest), €30.9 million of amortizing term loan debt (including accrued interest), €10.4 million drawn under a revolving credit loan at Bentley and €0.1 million of bank overdrafts. For more information on our indebtedness including Bentley, see “*Operating and Financial Review and Prospects—Liquidity and Capital Resources.*” After adjusting for the Offering and the use of proceeds therefrom, we (including Bentley) would have had Net Debt of €247.4 million and an Net Debt/Adjusted EBITDA ratio of 2.5:1 as of December 31, 2016. See also “*Unaudited Pro Forma Financial Information.*”

The degree to which we will remain leveraged following the Offering could have important consequences for our shareholders, including, but not limited to:

- increasing our vulnerability to, and reducing our flexibility to respond to, general adverse economic and industry conditions, including interest rate fluctuations;
- requiring us to dedicate a substantial portion of our cash flow from operations to the payment of principal of, and interest on, indebtedness, thereby reducing the availability of such cash flow for other purposes, such as to pay dividends or to fund working capital, capital expenditures, acquisitions, joint ventures, or other general corporate purposes;

- limiting our flexibility in planning for, or reacting to, changes in our business and the competitive environment and industry in which we operate;
- impeding our ability to pursue an acquisition strategy;
- placing us at a competitive disadvantage as compared to our competitors that are not as highly leveraged;
- limiting our ability to borrow additional funds and increasing the cost of any such additional financings;
- making it more difficult for us to satisfy our repayment obligations with respect to the Senior Secured Notes at maturity in September 2022; and
- making it more difficult for us to satisfy our repayment obligations with respect to the Senior Term Loan at maturity in March 2022.

Any of these or other consequences or events could have a material adverse effect on our business, financial condition and results of operations.

Additionally, we may incur substantial additional indebtedness in the future, including in connection with any future acquisition. Although the Senior Secured Notes Indenture, the Senior Term Loan Agreement and the Revolving Credit Facility Agreement (each as defined in “*Operating and Financial Review and Prospects—Liquidity and Capital Resources—Financing Arrangements*” below) contain restrictions on our ability to incur additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions and, under certain circumstances, the amount of indebtedness that can be incurred in compliance with these restrictions is substantial. Under the Senior Secured Notes Indenture, in addition to specified permitted debt, we would be allowed to incur additional debt so long as on a pro forma basis our Fixed Charge Coverage Ratio is at least 2.00 to 1.00. Our Fixed Charge Coverage Ratio is calculated as Consolidated EBITDA (as defined in the Senior Secured Notes Indenture) of LSF9 Balta Issuer S.A. for the four most recent fiscal quarters for which internal financial statements are available, divided by Fixed Charges (as defined in the Senior Secured Notes Indenture) of LSF9 Balta Issuer S.A., which generally consist of interest expenses and preferred stock dividends, for the same period. The calculation of the Fixed Charge Coverage Ratio is made on the basis set out in the Senior Secured Notes Indenture and may give effect to certain pro forma adjustments as permitted thereunder (including with respect to anticipated cost savings and cost reduction synergies). In addition, the Senior Secured Notes Indenture does not limit our ability to incur obligations that do not constitute indebtedness under those restrictions. If we incur new debt or other obligations, the risks associated with our substantial indebtedness described above will increase. Any such new debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict its business, prospects, financial condition and results of operations. Additional debt incurrence capacity under the Senior Term Loan Agreement and the Revolving Credit Facility is substantially consistent with the Senior Secured Notes Indenture.

We are subject to restrictive debt covenants that may limit our ability to finance future operations and capital needs and to pursue business opportunities and activities.

The Senior Secured Notes Indenture, Senior Term Loan Agreement and the Revolving Credit Facility contain covenants that restrict, among other things, our ability to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- create or permit to exist certain liens;
- make certain restricted payments, including dividends or other distributions;
- prepay or redeem subordinated debt or equity;
- make certain investments or acquisitions, including participation in joint ventures;
- engage in certain transactions with affiliates;
- sell, lease or transfer certain assets;
- merge or consolidate with other entities; and
- impair the security interests for the benefit of the creditors.

All of these limitations are subject to significant exceptions and qualifications. Despite these exceptions and qualifications, the covenants to which we are subject could limit our ability to implement our strategy and may limit our ability to react to market conditions or pursue business opportunities and activities that may be in our interest.

In addition, our ability to comply with these covenants and restrictions may be affected by events beyond our control. These include prevailing economic, financial and industry conditions. If we breach any of these covenants or restrictions, we could be in default under the Senior Secured Notes, the Senior Term Loan Agreement, the Revolving Credit Facility Agreement or other indebtedness then outstanding. Upon the occurrence of any event of default under the Senior Secured Notes the Senior Term Loan Agreement or the Revolving Credit Facility Agreement, the relevant creditors could elect to declare the debt, together with accrued and unpaid interest and other fees, if any, immediately due and payable and proceed against any collateral securing that debt. Borrowings under other debt instruments that contain cross-acceleration or cross-default provisions also may be accelerated or become payable on demand. If our creditors accelerate the payment of those amounts, our assets may not be sufficient to repay in full to repay in full those amounts and to satisfy all other liabilities which would be due and payable.

Risks Relating to the Shares and the Offering

Following the completion of the Offering, we will continue to be indirectly partially owned by the Selling Shareholder, and its interests may conflict with our interests or the interests of the holders of the Shares.

Immediately following the completion of the Offering, assuming a full placement of the Offer Shares in the Secondary Tranche (including full exercise of the Over-allotment Option and of the Increase Option) and that the Offer Price is at the mid-point of the Price Range, Lone Star Fund IX will have an indirect interest in at least 37.8% of the Shares. Depending on its shareholding, LSF9 Balta Holdco S.à r.l. will, indirectly, have the power to nominate up to five of the Company's directors and to determine certain decisions to be required to be approved by our shareholders. Therefore, there can be no assurance that any matter which is to be put to the shareholders for decision will be resolved in a manner that other holders of the Shares would consider to be in their or our best interest. In addition, the Selling Shareholder may have an interest in pursuing acquisitions, divestitures, financings or other transactions that, in its judgment, could enhance its equity investment, even though such transactions may involve risks to other holders of the Shares.

There has been no prior public market for the Shares and the Shares may experience price and volume fluctuations.

Prior to the Offering, there has been no public trading market for the Shares. There can be no assurance that an active trading market for the Shares will develop or, if developed, can be sustained or will be liquid following the closing of the Offering. Furthermore, the Offer Price is not necessarily indicative of the prices at which the Shares will subsequently trade on the stock exchange. If an active trading market is not developed or maintained, the liquidity and trading price of the Shares could be adversely affected.

Subject to the minimum offer size, the actual number of Shares placed, will be confirmed on our website and by press release together with the Offer Price. As a result, only a reduced number of Shares could be available for trading on the market which could limit the liquidity of the Shares.

Publicly traded securities from time to time experience significant price and volume fluctuations that may be unrelated to the operating performance of the companies that have issued them. In addition, the market price of the Shares may prove to be highly volatile and may fluctuate significantly in response to a number of factors, many of which are beyond our control, including new government regulation, variations in operating results in our reporting periods, changes in financial estimates by securities analysts, changes in market valuation of similar companies, announcements by us or our competitors of significant contracts, acquisitions, strategic alliances, joint ventures, capital commitments or new services, loss of major customers, additions or departures of key personnel, any shortfall in revenue or net income or any increase in losses from levels expected by securities analysts, future issues or sales of ordinary shares, and stock market price and volume fluctuations. Any of these events could result in a material decline in the price of the Shares.

Future sales of substantial amounts of our ordinary shares, or the perception that such sales could occur, could adversely affect the market value of the Shares.

The Company, the Selling Shareholder and certain members of management are expected to agree pursuant to the Underwriting Agreement (which is expected to be entered into on or June 13, 2017) that, subject to certain exceptions, they will not, without the prior written consent of the Joint Global Coordinators, issue, offer or sell any ordinary shares of the Company or securities convertible or exchangeable into ordinary shares of the Company for a period of 180 days, and 360 days in the case of management, following the Closing Date, as described in "Plan of Distribution." Following the expiration of these lock-up provisions, future sales of the Shares could be made by us, the Selling Shareholder or the relevant members of our Management Committee. If the Company were to raise funds through additional equity offerings, this could cause dilution for its shareholders to the extent they do not participate. Moreover, sales of a substantial number of Shares by any such party or parties to the Underwriting Agreement, or the perception that such sales could occur, could adversely affect the market price of the Shares.

We may not be able to pay dividends in accordance with our stated dividend policy.

Subject to the availability of distributable reserves, computed on the basis of our stand-alone financial statements, and any material external growth opportunities, we currently intend to pay a dividend of 30% to 40% of our net profit for the

year based on our consolidated IFRS financial statements (excluding IPO fees and commissions for 2017). For the 2017 financial year, the amount of any dividends would be calculated pro rata such that the Company would pay dividends only in respect of the portion of the financial year for which the Shares were listed on Euronext Brussels (based on the application of the dividend policy described in the preceding sentence). There can be no assurance, however, that we will make dividend payments in the future. The payment of dividends will depend on factors such as our business prospects, cash requirements, including related to any material external growth opportunities, and financial performance, the condition of the market and the general economic climate, and other factors, including tax and other regulatory considerations. Furthermore, as the Company itself is a holding company and does not perform any operating activities, our ability to pay dividends and the level of any dividends is subject to the extent to which it receives funds, directly or indirectly, from our subsidiaries. We are also subject to certain financial covenants pursuant to our Senior Secured Notes and our Revolving Credit Facility that limit the payment of dividends.

In addition, under Belgian law and the Articles of Association, before it can pay dividends, the Company must allocate an amount of 5% of its Belgian GAAP annual net profit (*nettowinst/bénéfices nets*) to a legal reserve in its stand-alone statutory accounts until the reserve equals 10% of the Company's share capital. The Company's legal reserve currently does not meet this requirement nor will it meet the requirement at the time of the closing of the Offering. Accordingly, 5% of our Belgian GAAP annual net profit during future years will need to be allocated to the legal reserve, limiting the Company's ability to pay out dividends to its shareholders.

As a consequence of these factors, there can be no assurance as to whether dividends or similar payments will be paid out in the future or, if they are paid, their amount.

Investors may not be able to recover in civil proceedings for U.S. securities law violations.

Most of our directors and members of our Management Committee live outside the United States, therefore a substantial portion of our assets and of the assets of these individuals are located outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon these individuals or us or to enforce against them judgments obtained in the United States based on the civil liability provisions of the U.S. securities laws. In addition, there is uncertainty as to the enforceability in Belgium of original actions or actions for enforcement of judgments of U.S. courts of civil liabilities predicated solely upon the federal securities laws of the United States.

Investors resident in countries other than Belgium may suffer dilution if they are unable to participate in future preferential subscription rights offerings.

Under Belgian law, shareholders have a waivable and cancellable preferential subscription right to subscribe pro rata to their existing shareholdings to the issuance, against a contribution in cash, of new shares or other securities entitling the holder thereof to new shares. The exercise of preferential subscription rights by certain shareholders not residing in Belgium may be restricted by applicable law, practice or other considerations, and such shareholders may not be entitled to exercise such rights. In particular, there can be no assurance that we will be able to establish an exemption from registration under the U.S. Securities Act, and we are under no obligation to file a registration statement with respect to any such preferential subscription rights or underlying securities or to endeavor to have a registration statement declared effective under the U.S. Securities Act. Shareholders in jurisdictions outside Belgium who are not able or not permitted to exercise their preferential subscription rights in the event of a future preferential subscription rights offering may suffer dilution of their shareholdings.

Investors with a reference currency other than Euros will become subject to foreign exchange rate risk when investing in the Shares.

The Shares are, and any dividends to be announced in respect of the Shares will be, denominated in Euro. An investment in the Shares by an investor whose principal currency is not the Euro exposes the investor to currency exchange rate risk that may impact the value of the investment in the Shares or any dividends.

Any sale, purchase or exchange of Shares may become subject to the Financial Transaction Tax.

On February 14, 2013, the EU Commission adopted a proposal for a Council Directive (the "Draft Directive") on a common financial transaction tax ("FTT"). The intention is for the FTT to be implemented via an enhanced cooperation procedure in 11 EU member states (Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Spain, Slovakia and Slovenia). In December 2015, Estonia withdrew from the group of states willing to introduce the FTT (the "Participating Member States").

Pursuant to the Draft Directive, the FTT will be payable on financial transactions provided at least one party to the financial transaction is established or deemed established in a Participating Member State and there is a financial institution established or deemed established in a Participating Member State which is a party to the financial transaction, or is acting in the name of a party to the transaction. The FTT shall, however, not apply to (inter alia) primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006, including the activity of underwriting and subsequent allocation of financial instruments in the framework of their issue.

The rates of the FTT shall be fixed by each Participating Member State but for transactions involving financial instruments other than derivatives shall amount to at least 0.1% of the taxable amount. The taxable amount for such transactions shall in general be determined by reference to the consideration paid or owed in return for the transfer. The FTT shall be payable by each financial institution established or deemed established in a Participating Member State which is either a party to the financial transaction, or acting in the name of a party to the transaction or where the transaction has been carried out on its account. Where the FTT due has not been paid within the applicable time limits, each party to a financial transaction, including persons other than financial institutions, shall become jointly and severally liable for the payment of the FTT due.

Investors should therefore note, in particular, that any sale, purchase or exchange of Shares will be subject to the FTT at a minimum rate of 0.1% provided the above-mentioned prerequisites are met. The investor may be liable to pay this charge or reimburse a financial institution for the charge, and/or the charge may affect the value of the Shares. The issuance of new Shares should not be subject to the FTT.

The Draft Directive is still subject to negotiation among the Participating Member States and therefore may be changed at any time. Moreover, once the Draft Directive has been adopted (the “Directive”), it will need to be implemented into the respective domestic laws of the Participating Member States and the domestic provisions implementing the Directive might deviate from the Directive itself.

Investors should consult their own tax advisors in relation to the consequences of the FTT associated with subscribing for, purchasing, holding and disposing of the Shares.

The Shares will be listed and traded on Euronext Brussels on an “if-and-when-issued and/or delivered” basis from the Listing Date until the Closing Date. Euronext Brussels NV/SA may annul all transactions effected in the Offer Shares if they are not issued and delivered on the Closing Date.

From the Listing Date until the Closing Date, the Shares will be listed and traded on Euronext Brussels on an “if-and-when-issued and/or delivered” basis, meaning that trading of the Shares will begin prior to the closing of the Offering. The Closing Date is expected to occur on the second Euronext Brussels trading day following the Listing Date (i.e. on a “T+2” basis). Investors that wish to enter into transactions in the Offer Shares prior to the Closing Date, whether such transactions are effected on Euronext Brussels or otherwise, should be aware that the closing may not take place on the expected date, or at all, if certain conditions or events referred to in the Underwriting Agreement (as defined herein) are not satisfied or waived or do not occur on or prior to such date. Euronext Brussels NV/SA may annul all transactions effected in the Shares if they are not issued and delivered on the Closing Date. Euronext Brussels NV/SA cannot be held liable for any damage arising from the listing and trading on an “if-and-when-issued and/or delivered” basis as of the Listing Date until the Closing Date.

Certain provisions of the Belgian Companies Code and the Articles of Association may affect potential takeover attempts and may affect the market price of the Shares.

There are several provisions of Belgian company law, certain other provisions of Belgian law and the Articles of Association, such as those relating to the obligation to disclose significant shareholdings, merger control and authorized capital, that may apply and may make it more difficult for an unsolicited tender offer to succeed. See “*Description of Share Capital and Articles of Association—Legislation and Jurisdiction.*” These provisions could discourage potential takeover attempts that other shareholders may consider to be in their best interest and could adversely affect the market price of the Shares. These provisions may also have the effect of depriving the shareholders of the opportunity to sell their Shares at a premium.

The market price of the Shares may fluctuate widely in response to various factors.

Publicly traded securities from time to time experience significant price and volume fluctuations that may be unrelated to the results of operation or the financial condition of the companies that have issued them. In addition, the market price of the shares may prove to be highly volatile and may fluctuate significantly in response to a number of factors, many of which are beyond our control, including:

- market expectations for our financial performance;
- actual or anticipated fluctuations in our business, results of operations and financial condition;
- changes in the estimates of our results of operations by securities analysts;
- investor perception of the impact of the Offering on us and our shareholders;
- potential or actual sales of blocks of shares in the market or short selling of shares;

- the entrance of new competitors or new products in the markets in which we operate;
- volatility in the market as a whole or investor perception of our industries and competitors;
- changes in market valuation of similar companies;
- announcements by us or our competitors of significant contracts;
- acquisitions, strategic alliances, joint ventures, capital commitments or new products or services;
- loss of major customers;
- additions or departures of key personnel;
- any shortfall in revenue or net income or any increase in losses from levels expected by securities analysts;
- future issues or sales of ordinary shares;
- stock market price and volume fluctuations;
- new government regulation;
- general economic, financial and political conditions; and
- any of the risks mentioned above.

The market price of the Shares may be adversely affected by most of the preceding or other factors regardless of our actual results of operations and financial condition.

USE OF PROCEEDS

Based on expected gross proceeds from the Primary Tranche of approximately €145 million, the Company will receive an estimated net proceeds from the Offering of approximately €137.6 million, following the deduction of underwriting commissions (including discretionary incentive fees, if any) in the amount of approximately €4.7 million and expenses in the amount of approximately €2.7 million. Assuming a full placement of the Offer Shares (including the full exercise of the Increase Option), that the Offer Price is at the mid-point of the Price Range, the Company will pay approximately €7.4 million in expenses and commissions from cash on hand.

Net proceeds from the Primary Tranche will be used for (i) a repayment of debt by LSF9 Balta Issuer S.A. and (ii) the lending by LSF9 Balta Issuer S.A. to other Group companies for the payment of other debt. For more detail on these loans see “*Related Party Transactions*.” The debt to be repaid is primarily related to the acquisition of the Bentley group of companies, and includes: (i) €41.3 million, comprised of (1) partial repayment of a revolving credit loan and overdrafts and (2) a term loan, each acquired via the acquisition of the Bentley group of companies; (ii) full repayment of the Senior Term Loan (including accrued interest) in the amount of €75.1 million; and (iii) partial repayment of €21.2 million of the Senior Secured Notes. This debt repayment will result in a significant deleveraging of the Balta Group, with the objective of a post-IPO Net Debt/Adjusted EBITDA ratio of 2.5:1, down from 3.9:1 (including Bentley) as of March 31, 2017. Repayment of the Senior Term Loan and Bentley debt are of a particular priority for the Company. However, irrespective of the Offering, in the Company’s opinion, the working capital currently available to the Company is sufficient for its present requirements, that is, for the next 12 months following the date of this Prospectus.

Assuming a full placement of the Offer Shares in the Secondary Tranche (including the full exercise of the Increase Option), that the Offer Price is at the mid-point of the Price Range and that the Over-allotment Option is exercised in full, the Selling Shareholder will receive aggregate gross proceeds from the Offering of approximately €159 million. The Company will not receive any of the proceeds of the Secondary Tranche, all of which will be paid to the Selling Shareholder.

All fees and expenses related to the Offering will be divided pro rata between the Company and the Selling Shareholder based on the respective sizes of the Primary Tranche and Secondary Tranche.

DIVIDENDS AND DIVIDEND POLICY

Dividends

The Offer Shares carry the right to participate in dividends declared after the Closing Date, in respect of the financial year ending December 31, 2017 and future years.. All Shares participate equally in the Company's profits, if any. In general, the Company may only pay dividends with the approval of the Shareholders' Meeting, although pursuant to the Company's Articles of Association, the Board of Directors may declare interim dividends without shareholder approval. The right to pay such interim dividends is, however, subject to certain legal restrictions.

The maximum amount of the dividend that can be paid is determined by reference to the Company's stand-alone statutory accounts prepared in accordance with Belgian GAAP.

In addition, under Belgian law and the Articles of Association, before it can pay dividends, the Company must allocate an amount of 5% of its Belgian GAAP annual net profit (*nettowinst/bénéfices nets*) to a legal reserve in its stand-alone statutory accounts until the reserve equals 10% of the Company's share capital. The Company currently has no legal reserve. Accordingly, 5% of the Company's Belgian GAAP annual net profit during future years will need to be allocated to the legal reserve, limiting the Company's ability to pay out dividends to its shareholders.

The shareholders of the Company have resolved, prior to the commencement of the Offering and subject to the effective completion of the Company's capital increase by means of a contribution in kind, upon a capital reduction, each with effect immediately prior to the closing of the Offering, which will result in distributable reserves being created in the amount of €150 million. No capital contributions will be repaid to the shareholders in the context of this capital reduction. The reserves created as a result of the capital reduction will not be distributable until two months following publication in the Annexes of the Belgian State Gazette of an excerpt of the notarial deed recording satisfaction of this condition precedent to which this capital reduction was made. Accordingly, the Company will be entitled to make distributions to shareholders out of these distributable reserves even in the absence of Belgian GAAP annual net profit for the relevant year. The Company is not required to allocate any portion of these distributable reserves to the legal reserve referred to above.

Assuming that the Company will receive gross proceeds from the Primary Tranche in the amount of €145 million, and further assuming that the Offer Price is at the mid-point of the Price Range, the Company's share capital (including issue premium) will amount to €361 million as of the closing of the Offering. Distributable reserves will amount to €150 million and there will be no legal reserve, as of the closing of the Offering.

Dividend Policy

No dividends have been paid by the Company prior to the Offering. Subject to the availability of distributable reserves and any material external growth opportunities, the Company currently intends to pay a dividend of between 30% to 40% of its net profit for the year based on its consolidated IFRS financial statements (excluding IPO fees and commissions for 2017). For the 2017 financial year, the amount of any dividends would be calculated pro rata such that the Company would pay dividends only in respect of the portion of the financial year for which the Shares were listed on Euronext Brussels (based on the application of the dividend policy described below)

The amount of any dividends and the determination of whether to pay dividends in any year may be affected by a number of factors, including the Company's business prospects, cash requirements, including related to any material external growth opportunities, and financial performance, the condition of the market and the general economic climate and other factors, including tax and other regulatory considerations. See "*Risk Factors—We may not be able to pay dividends in accordance with our stated dividend policy.*" As a consequence of these factors, there can be no assurance as to whether dividends or similar payments will be paid in the future or, if they are paid, their amount.

DILUTION

As a result of the issuance of Offer Shares to be sold by the Company in the Primary Tranche, the economic interest and the voting interest of the Selling Shareholder will be diluted. The maximum dilution for the Selling Shareholder would be 39.7%, based on expected gross proceeds from the Primary Tranche of €145 million and assuming that the Offer Price is at the mid-point of the Price Range.

The following table presents the ownership of the Shares, 1) immediately prior to the closing of the Offering; 2) giving effect to the Reorganization as described in “*Principal and Selling Shareholder and Group Structure—Reorganization*” and the Offering, assuming (i) a full placement of the Offer Shares in the Primary and Secondary Tranches (excluding the Increase Option) and (ii) that the Offer Price is at the mid-point of the Price Range; 3) giving effect to the Reorganization as described in “*Principal and Selling Shareholder and Group Structure—Reorganization*” and the Offering, assuming (i) a full placement of the Offer Shares in the Primary and Secondary Tranches (excluding the Increase Option), (ii) that the Offer Price is at the mid-point of the Price Range and (iii) assuming full exercise of the Over-allotment Option and 4) giving effect to the Reorganization as described in “*Principal and Selling Shareholder and Group Structure—Reorganization*” and the Offering, assuming (i) a full placement of the Offer Shares in the Primary and Secondary Tranches, including the Increase Option), (ii) that the Offer Price is at the mid-point of the Price Range and (iii) assuming full exercise of the Over-allotment Option:

	Shares Owned At the Date of this Prospectus		Shares Owned After the Closing of the Reorganization		Shares Owned After the Closing of the Offering, Assuming Full Exercise of Over-Allotment Option		Shares Owned Assuming Exercise of the Increase Option and Full Exercise of Over- Allotment Option	
	Number	%	Number	%	Number	%	Number	%
Lone Star Fund IX								
• LSF9 Balta Midco S.à r.l.	61,499	99.99	0	0	0	0	0	0
• LSF9 Balta Holdco S.à r.l.	1	0.01	25,000,000	100	15,729,567	45	13,195,234	38
Management	0	0	0	0	1,116,693	3	940,787	3
Public	0	0	0	0	18,068,269	52	20,778,510	60
Total	61,500	100	25,000,000	100	34,914,530	100	34,914,530	100

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth the cash and cash equivalents, the capitalization and the indebtedness of LSF9 Balta Issuer S.A. as of March 31, 2017 (i) on an actual basis and (ii) as adjusted to give effect to the Reorganization described in “Principal and Selling Shareholder and Group Structure—Reorganization” and the Offering, assuming a full placement of the Offer Shares (including the full exercise of the Increase Option), that the Offer Price is at the mid-point of the Price Range, and that all proceeds from the Primary Tranche are made available to LSF9 Balta Issuer S.A. by Balta Group NV via a capital contribution and applied as described in “Use of Proceeds.” Based on expected gross proceeds from the Primary Tranche of €145 million, the Company estimates that it will receive net proceeds from the Offering of approximately €137.6 million, following the deduction of underwriting commissions in the amount of approximately €4.7 million and expenses in the amount of approximately €2.7 million (assuming a full placement of the Offer Shares (including the full exercise of the Increase Option), that the Offer Price is at the mid-point of the Price Range and that the Over-allotment Option is exercised in full).

This table should be read in conjunction with “Use of Proceeds,” “Selected Consolidated Financial Information” and “Operating and Financial Review and Prospects” and the consolidated financial statements and related notes included elsewhere in this Prospectus.

Capitalization

	Actual as of March 31, 2017	As adjusted for the Offering and Reorganization (€ thousands)	As adjusted
Current debt	2,202	(934)	1,268
Guaranteed	—	—	—
Secured	2,097	(934)	1,163
Unguaranteed/ unsecured	105	—	105
Non-Current debt	406,266	(132,787)	273,479
Guaranteed	—	—	—
Secured	406,266	(132,787)	273,479
Unguaranteed/ unsecured	—	—	—
Total indebtedness⁽¹⁾⁽²⁾	408,468	(133,721)	274,747
Share capital, share premium and capital reserves ⁽³⁾	1,431	277,227	278,658
Preferred equity certificates ⁽³⁾	138,600	(138,600)	—
Other comprehensive income	(9,813)	—	(9,813)
Retained earnings and other reserves	3,508	—	3,508
Total shareholders’ equity	133,727	138,627	272,354
Non-controlling interest ⁽⁴⁾	1,027	(1,027)	—
Total equity	134,754	137,600	272,354
Capitalization	543,222	3,879	547,101

- (1) The carrying amount of the debt is equal to €408.5 million. This corresponds to a net debt of €385.0 million when excluding capitalized financing fees (€16.4 million), commitment fees (€0.1 million).
- (2) When adjusted for the Offering and Reorganization, the total indebtedness decreases by €133.7 million. This corresponds to a decrease in debt of €137.6 million as a result of applying the net proceeds from the Offering to repay debt, and an increase of the carrying amount of the debt as a result of recycling €3.9 million of capitalized financing fees to the income statement upon extinguishment of debt.
- (3) Share capital, share premium and capital reserve will increase by €276.2 million following the Offering. This is due to (i) €137.6 million capital increase in cash resulting from the subscription of the Primary Tranche, (ii) €138.6 million contribution of preferred equity certificates into the equity of LSF9 Balta Issuer S.A. and (iii) €1.0 million contribution of minority investment in Bentley into the equity of LSF9 Balta Issuer S.A. (without issuing new shares).
- (4) Following the Bentley Management Buy-Out, the non-controlling interest will cease to exist due to contribution of the minority investment in Bentley into the capital reserve of LSF9 Balta Issuer S.à r.l. See “Principal and Selling Shareholder and Group Structure—Reorganization—Bentley Management Buy-out.”

Net Indebtedness

	Actual as of March 31, 2017	As adjusted for the Offering and Reorganization (€ thousands)	As adjusted
Cash and cash equivalents	39,732	—	39,732
Liquidity	39,732	—	39,732
Current bank debt	105	—	105
Current portion of non-current debt	3,364	(861)	2,503
Other current financial debt	118	—	118
Current financial debt	3,587	(861)	2,726
Net current financial indebtedness	(36,145)	(861)	(37,006)
Non-current bank loans	126,394	(111,614)	14,780
Bonds Issued ⁽¹⁾	278,488	(21,246)	257,241
Non-current financial indebtedness	404,881	(132,860)	272,021
Net financial indebtedness	368,737	(133,721)	235,016

(1) The line item “Bonds Issued” contains both the current (-€1.4 million) and the non-current portion (€279.9 million) of the Senior Secured Notes.

Prior to the closing of the Offering, LSF9 Balta Holdco S.à r.l. owns all of the ordinary shares of LSF9 Balta Issuer S.A. Pursuant to the Reorganization, the Company will become subject to and with effect immediately prior to the closing of the Offering, the new ultimate parent company of the operational activities of the Balta Group.

After the completion of the Offering, the Company (on an individual, statutory basis) will have a share capital/premium for an amount of €145 million, and distributable reserves for an amount of €150 million (created by capital reduction), assuming that the Company will receive gross proceeds from the Primary Tranche in the amount of €145 million, and further assuming a full placement of the Offer Shares (including the full exercise of the Increase Option) at the mid-point of the Price Range.

Working Capital Statement

In the Company’s opinion, the working capital available prior to the Offering is sufficient for its present requirements, that is, for the next 12 months following the date of this Prospectus.

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The unaudited pro forma consolidated income statement has been prepared on the basis of the notes set out below to illustrate the effect of the acquisition of Bentley by the Group as if it had taken place on January 1, 2016 and the unaudited pro forma consolidated statement of financial position has been prepared on the basis of the notes set out below to illustrate the effect of the acquisition of Bentley by the Group as if it had taken place at December 31, 2016.

The unaudited pro forma financial information has been derived from the audited consolidated financial statements of LSF9 Balta Issuer S.A. and its subsidiaries as of and for the year ended December 31, 2016 and the unaudited consolidated interim financial statements of LSF9 Balta Issuer S.A. and its subsidiaries as of and for the three months ended March 31, 2017, adjusted to give effect to (i) the acquisition of Bentley by the Group, (ii) U.S. GAAP to IFRS differences as well as alignment to the financial presentation and accounting policies of the Group, and (iii) pro forma adjustments presenting the transaction and financing, and are prepared in accordance with the basis of preparation as described in the notes to the unaudited pro forma financial information.

The unaudited pro forma financial information is for informational purposes only and should not be considered indicative of actual results that would have been achieved had the acquisition of Bentley by the Group been completed on the date indicated and do not purport to indicate the Group's future consolidated results of operations or financial position. The unaudited pro forma adjustments are based on available information and certain assumptions that Management believes are reasonable and give effect to events that are directly attributable to the acquisition and related transactions and which are factually supportable. The actual results and any future results may differ significantly from those reflected in the unaudited pro forma financial information for a number of reasons, including, but not limited to, differences in assumptions used to prepare the unaudited pro forma financial information.

The unaudited pro forma financial information should be read in conjunction with "Presentation of Financial and Other Information," "Use of Proceeds," "Selected Consolidated Financial Information," "Operating and Financial Review and Prospects," "Principal and Selling Shareholder and Group Structure—Reorganization" and the Consolidated Financial Statements included in this Prospectus.

Readers should note that the adjustments made to adjust U.S. GAAP to IFRS are based upon the limited information available to date, are preliminary and are subject to change once more detailed information is obtained. However, some material differences may exist between U.S. GAAP and IFRS that have not been disclosed because the effect would have been reversed through pro forma adjustments and would not have an effect on the final figures. In addition, some differences have not been addressed as part of the conversion exercise when they related to items that will be re-measured at fair value as part of the forthcoming purchase price allocation exercise, as detailed below.

The unaudited pro forma financial information does not constitute financial statements within the meaning of Luxembourg Law of December 19, 2002, as amended. The report of PricewaterhouseCoopers, Société Coopérative on the unaudited pro forma financial information as required by Directive 2003/71/EC of the European Parliament and the council of November 4, 2003 on the Prospectus to be published when securities are offered to public or admitted to trading, as amended and its implementing measures is set out on the following pages of this Prospectus. The unaudited pro forma financial information has not been prepared in accordance with the requirements of Regulation S-X under the U.S. Securities and Exchange Act of 1934. Neither the adjustments nor the resulting pro forma financial information have been audited.

Rounding adjustments to the nearest whole number have been made, therefore figures shown as totals may not be exact arithmetic aggregations of the figures that precede them.

Independent assurance report from the *Réviseur d'entreprises agréé* on the compilation of pro forma financial information included in a prospectus

To the Board of Directors of
LSF9 Balta Issuer S.A.

We have completed our assurance engagement to report on the compilation of the pro forma financial information of LSF9 Balta Issuer S.A. (the "Company") by the Company's Board of Directors. The pro forma financial information consists respectively of the pro forma consolidated statement of financial position as of 31 December 2016, the pro forma consolidated statement of comprehensive income for the year then ended and the pro forma consolidated statement of comprehensive income for the three-month period ended 31 March 2017 and related notes as set out on pages 49 to 63 of the prospectus issued in relation to the offering of shares of Balta Group NV (the "Prospectus"). The applicable criteria on the basis of which the Company's Board of Directors has compiled the pro forma financial information are specified in item 20.2 of Annex I and items 1 to 6 of Annex II of Commission Regulation (EC) N°809/2004 relating to information contained in prospectuses, as amended (the "Prospectus Regulation"), and described in the basis of preparation attached to the pro forma financial information (the "Applicable Criteria").

The pro forma financial information has been compiled by the Company's Board of Directors to illustrate what the statement of financial position and the statement of comprehensive income of the Company, on a consolidated basis, might look like if EPS Parent, Inc. and its subsidiaries ("Bentley Mills") had been acquired by the Company respectively as at 31 December 2016 for the pro forma consolidated statement of financial position as of 31 December 2016 and as at 1 January 2016 for the pro forma consolidated statement of comprehensive income for the year then ended and for the pro forma consolidated statement of comprehensive income for the three-month period ended 31 March 2017. As part of this process, information about the Company's consolidated statement of financial position and consolidated statement of comprehensive income has been extracted by the Company's Board of Directors from the Company's consolidated financial statements as of and for the year ended 31 December 2016 on which an audit report has been published and from the Company's Consolidated Interim Financial Statements for the period ended 31 March 2017 on which a review report has been prepared. Information about Bentley Mills' balance sheet and statement of income has been extracted by the Company's Board of Directors from the consolidated financial statements of Bentley Mills as of and for the year ended 1 January 2017 on which an audit report has been published and from unaudited Bentley Mill's quarterly report for the period ended 31 March 2017.

Responsibility of the Company's Board of Directors for the pro forma financial information

The Board of Directors is responsible for compiling the pro forma financial information on the basis of the Applicable Criteria.



Responsibilities of the Réviseur d'entreprises agréé

Our responsibility is to express an opinion, as required by item 20.2 of Annex I of the Prospectus Regulation, about whether the pro forma financial information has been compiled, in all material respects, by the Board of Directors on the basis of the Applicable Criteria.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the *Institut des Réviseurs d'Entreprises*. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Company's Board of Directors has compiled, in all material respects, the pro forma financial information on the basis of the Applicable Criteria.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of an entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Board of Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgment, having regard to our understanding of the nature of the entity, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

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

Opinion

In our opinion,

- the pro forma financial information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of the Company.

We have complied with the independence and other ethical requirements of the Code of Ethics for *Réviseurs d'entreprises agréés*, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

We apply International Standard on Quality Control 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Restriction of use of the report

This report is required by the Prospectus Regulation and is provided solely for the purpose of being included in the Prospectus to comply with the requirements of the Prospectus Regulation and for no other purpose.

The pro forma financial information of the Company has not been prepared in accordance with the requirements of Regulation S-X of the United States of America (the "US") Securities and Exchange Commission or generally accepted practices in the US.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 30 May 2017

A handwritten signature in black ink, appearing to read "Vincent Ball", written over a circular stamp or seal.

Vincent Ball

Unaudited Pro Forma Consolidated Interim Income Statement

	For the three months ended March 31, 2017					
	LSF9 Balta Issuer S.A. IFRS (unaudited) (€ thousands) Note 2	BPS Parent, Inc. U.S. GAAP (unaudited) ⁽¹⁾ (\$ thousands) Note 3.1	BPS Parent, Inc. U.S. GAAP (unaudited) ⁽²⁾ (€ thousands) Note 1	U.S. GAAP to IFRS Adjustments (€ thousands) Note 3.2	Pro Forma Adjustments (€ thousands) Note 5	Pro Forma Consolidated Statement of Comprehensive Income (€ thousands) Total
I. Consolidated Income Statement						
Revenue	155,534	29,481	27,686	—	—	183,220
Raw material expenses	(75,796)	(11,877)	(11,154)	—	—	(86,950)
Changes in inventory	5,378	899	844	—	—	6,222
Employee benefits expenses	(35,480)	(8,266)	(7,763)	—	—	(43,243)
Other income	2,340	20	19	—	—	2,359
Other expenses	(31,869)	(7,142)	(6,707)	—	—	(38,576)
Depreciation, amortization	(7,074)	(1,384)	(1,300)	37	—	(8,337)
Adjusted Operating Profit	13,033	1,732	1,626	37	—	14,696
Gains on asset disposals	—	—	—	—	—	—
Integration and restructuring expenses ...	(4,223)	(10,376)	(9,744)	—	9,738	(4,229)
Operating profit / (loss)	8,810	(8,644)	(8,118)	37	9,738	10,467
Finance income	7	—	—	—	—	7
Finance expenses	(7,548)	(1,250)	(1,174)	—	(486)	(9,209)
Net financial expenses	(7,541)	(1,250)	(1,174)	—	(486)	(9,201)
Profit / (loss) before income taxes	1,268	(9,895)	(9,292)	37	9,252	1,266
Income tax benefit / (expense)	(1,110)	(343)	(322)	(14)	78	(1,369)
Profit / (loss) for the period from Continuing Operations	158	(10,238)	(9,615)	23	9,330	(103)
Profit / (loss) for the period from discontinued operations	—	—	—	—	—	—
Profit / (loss) for the period	158	(10,238)	(9,615)	23	9,330	(103)
<i>Attributable to:</i>						
Equity holders of the parent	158	(10,073)	(9,460)	23	9,180	(99)
Non-controlling interest	—	(164)	(154)	0	150	(4)
II. Consolidated Other Comprehensive Income⁽³⁾						
<i>Items in other comprehensive income that may be subsequently reclassified to P&L:</i>						
Exchange differences on translating foreign operations	(2,918)	—	—	—	—	(2,918)
Changes in fair value of hedging instruments qualifying for cash flow hedge accounting	90	—	—	—	—	90
<i>Items in other comprehensive income that will not be reclassified to P&L:</i>						
Changes in deferred taxes	(37)	—	—	—	—	(37)
Changes in employee defined benefit obligations	115	—	—	—	—	115
Other comprehensive income for the period, net of tax	(2,750)	—	—	—	—	(2,750)
Total comprehensive income for the period	2,592	(10,238)	(9,615)	23	9,330	(2,854)
Basic and diluted earnings per share from continuing operations attributable to ordinary equity holders⁽⁴⁾						
	0.01					(0.01)

(1) Under the same presentation as LSF9 Balta Issuer S.A. See “Unaudited Pro Forma Financial Information—Notes to the Unaudited Pro Forma Financial Information.”

(2) Converted at a rate of €1.00:\$1.0648.

- (3) No translation adjustment computed as the acquisition is assumed to have occurred on December 31, 2016, for the statement of financial position, and on January 1, 2016 for the income statement. A pro forma balance sheet has not been prepared (and is not required) for March 31, 2017.
- (4) The Company shall retain a 1% margin on an annual basis on its financing activities, which means that the majority of the net result are attributable to the holders of the PECs and not to the holders of the ordinary shares.

For the year ended December 31, 2016						
	LSF9 Balta Issuer S.A. IFRS (audited) (€ thousands) Note 2	BPS Parent, Inc. U.S. GAAP (audited) ⁽¹⁾ (\$ thousands) Note 3.1	BPS Parent, Inc. U.S. GAAP (unaudited) ⁽²⁾ (€ thousands) Note 1	U.S. GAAP to IFRS Adjustments (€ thousands) Note 3.2	Pro Forma Adjustments (€ thousands) Note 5	Pro Forma Consolidated Statement of Comprehensive Income (€ thousands) Total
Revenue	557,685	122,495	110,665	—	—	668,350
Raw material expenses	(259,472)	(47,755)	(43,143)	—	—	(302,615)
Changes in inventory	6,055	1,628	1,471	—	—	7,525
Employee benefits expenses	(130,054)	(32,199)	(29,089)	—	—	(159,143)
Other income	8,171	—	—	—	—	8,171
Other expenses	(101,017)	(27,594)	(24,929)	—	1,024	(124,922)
Depreciation, amortization	(28,666)	(5,712)	(5,161)	144	—	(33,682)
Adjusted Operating Profit	52,701	10,863	9,814	144	1,024	63,684
Gains on asset disposals	1,610	(32)	(29)	—	—	1,581
Integration and restructuring expenses	(5,128)	—	—	—	(98)	(5,226)
Operating profit / (loss)	49,183	10,831	9,785	144	926	60,039
Finance income	57	0	0	—	—	57
Finance expenses	(28,608)	(926)	(836)	—	(6,104)	(35,548)
Net financial expenses	(28,552)	(926)	(836)	—	(6,104)	(35,491)
Profit / (loss) before income taxes	20,632	9,905	8,949	144	(5,178)	24,548
Income tax benefit/ (expense)	4,713	(3,614)	(3,265)	(52)	1,604	3,001
Profit / (loss) for the period from Continuing Operations	25,345	6,292	5,684	91	(3,574)	27,549
Profit / (loss) for the period from discontinued operations	—	—	—	—	—	—
Profit / (loss) for the period	25,345	6,292	5,684	91	(3,574)	27,549
<i>Attributable to:</i>						
Equity holders of the parent	25,345	6,191	5,593	90	(3,575)	27,453
Non-controlling interest	—	101	91	1	1	94
II. Consolidated Other Comprehensive Income⁽³⁾						
<i>Items in other comprehensive income that may be subsequently reclassified to P&L:</i>						
Exchange differences on translating foreign operations	(8,013)	—	—	—	—	(8,013)
Changes in fair value of hedging instruments qualifying for cash flow hedge accounting	(116)	—	—	—	—	(116)
<i>Items in other comprehensive income that will not be reclassified to P&L:</i>						
Changes in deferred taxes	285	—	—	—	—	285
Changes in employee defined benefit obligations	(882)	—	—	—	—	(882)
Other comprehensive income for the period, net of tax	(8,727)	—	—	—	—	(8,727)
Total comprehensive income for the period	16,618	6,292	5,684	91	(3,574)	18,822
Basic and diluted earnings per share from continuing operations attributable to ordinary equity holders⁽⁴⁾	1.5					1.6

(1) Under the same presentation as LSF9 Balta Issuer S.A. Please see note 3.1 below.

(2) Converted at a rate of €1.00:\$1.1069.

- (3) No translation adjustment computed as the acquisition is assumed to have occurred on December 31, 2016, for the statement of financial position, and on January 1, 2016 for the income statement. A pro forma balance sheet has not been prepared (and is not required) for March 31, 2017.
- (4) The Company shall retain a 1% margin on an annual basis on its financing activities, which means that the majority of the net result are attributable to the holders of the PECs and not to the holders of the ordinary shares.

Unaudited Pro Forma Consolidated Statement of Financial Position

As of December 31, 2016								
	LSF9 Balta Issuer S.A. IFRS (audited) (€ thousands) Note 2	BPS Parent, Inc. U.S. GAAP (audited) ⁽¹⁾ (\$ thousands) Note 3.1	BPS Parent, Inc. U.S. GAAP (unaudited) ⁽²⁾ (€ thousands) Note 1	U.S. GAAP to IFRS Adjustments (€ thousands) Note 3.2	Pro Forma Adjustments relating to step 1 of acquisition on February 1, 2017 (€ thousands) Note 4.1	Provisional Fair Value of Net Assets (€ thousands) Note 4	Pro Forma Adjustments relating to step 2 of acquisition on March 22, 2017 (€ thousands) Note 4.2	Pro Forma Consolidated Statement of Financial Position (€ thousands) Total
<i>Property, plant and equipment</i>								
Land and buildings	169,203	497	471	—	—	471	—	169,674
Plant and machinery . . .	115,016	9,719	9,220	—	—	9,220	—	124,236
Other fixtures and fittings, tools and equipment . . .	15,019	4,507	4,275	—	—	4,275	—	19,294
Goodwill	124,673	—	—	—	—	—	81,826	206,499
Intangible assets	2,376	3,643	3,456	(554)	—	2,902	—	5,278
Deferred income tax assets	18,950	—	—	—	—	—	—	18,950
Trade and other receivables	138	788	748	—	—	748	—	886
Total non-current assets	445,375	19,153	18,170	(554)	—	17,616	81,826	544,816
Inventories	135,320	17,496	16,598	—	—	16,598	—	151,919
Derivative financial instruments	46	—	—	—	—	—	—	46
Trade and other receivables	54,930	15,002	14,232	—	—	14,232	—	69,162
Current income tax assets	34	—	—	—	—	—	—	34
Cash and cash equivalents	45,988	710	673	—	(282)	391	1,835	48,214
Total current assets	236,318	33,208	31,504	—	(282)	31,222	1,835	269,375
Total assets	681,693	52,361	49,674	(554)	(282)	48,838	83,661	814,192
Share capital	171	2	2	—	(2)	—	—	171
Share premium	1,260	21,100	20,017	—	(20,017)	—	—	1,260
Preferred equity certificates	138,600	—	—	—	—	—	—	138,600
Other comprehensive income	(7,063)	—	—	—	—	—	—	(7,063)
Retained earnings and other reserves	3,351	(2,040)	(1,935)	(352)	(9,502)	(11,788)	11,788	3,351
Total equity excluding non-controlling interest	136,319	19,062	18,084	(352)	(29,521)	(11,788)	11,788	136,319
Non-controlling interest ⁽³⁾	—	—	—	—	1,002	1,002	—	1,002
Total equity including non-controlling interest	136,319	19,062	18,084	(352)	(28,519)	(10,787)	11,788	137,321

As of December 31, 2016

	LSF9 Balta Issuer S.A. IFRS (audited) (€ thousands) Note 2	BPS Parent, Inc. U.S. GAAP (audited) ⁽¹⁾ (\$ thousands) Note 3.1	BPS Parent, Inc. U.S. GAAP (unaudited) ⁽²⁾ (€ thousands) Note 1	U.S. GAAP to IFRS Adjustments (€ thousands) Note 3.2	Pro Forma Adjustments relating to step 1 of acquisition on February 1, 2017 (€ thousands) Note 4.1	Provisional Fair Value of Net Assets (€ thousands) Note 4	Pro Forma Adjustments relating to step 2 of acquisition on March 22, 2017 (€ thousands) Note 4.2	Pro Forma Consolidated Statement of Financial Position (€ thousands) Total
Senior Secured Notes	279,277	—	—	—	—	—	—	279,277
Bank and other borrowings	15,388	—	—	—	39,028	39,028	71,871	126,286
Deferred income tax liabilities	69,775	725	688	(202)	361	847	—	70,623
Provisions for other liabilities and charges	—	1,886	1,789	—	—	1,789	—	1,789
Employee benefit obligations	5,079	477	453	—	—	453	—	5,532
Total non-current liabilities	369,519	3,089	2,930	(202)	39,389	42,117	71,871	483,507
Senior Secured Notes	4,234	—	—	—	—	—	—	4,234
Bank and other borrowings	2,614	14,591	13,842	—	(11,575)	2,267	—	4,881
Employee benefit obligations	31,246	3,754	3,561	—	—	3,561	—	34,807
Provisions for other liabilities and charges	64	300	285	—	—	285	—	349
Derivative financial instruments	162	—	—	—	—	—	—	162
Trade and other payables	131,562	10,232	9,707	—	1,045	10,752	—	142,314
Income tax liabilities	5,974	1,333	1,265	—	(622)	643	—	6,617
Total current liabilities	175,856	30,210	28,659	—	(11,152)	17,507	—	193,363
Total liabilities	545,374	33,299	31,590	(202)	28,237	59,625	71,871	676,870
Total equity and liabilities	681,693	52,361	49,674	(554)	(282)	48,838	83,659	814,192
Purchase price paid in cash	—	—	—	—	—	70,037	—	—
Total identifiable assets, liabilities and contingent liabilities excluding non- controlling interests	—	—	—	—	—	(11,789)	—	—
Goodwill	—	—	—	—	—	81,826	—	—

(1) Under the same presentation as LSF9 Balta Issuer S.A. Please see note 3.1 below.

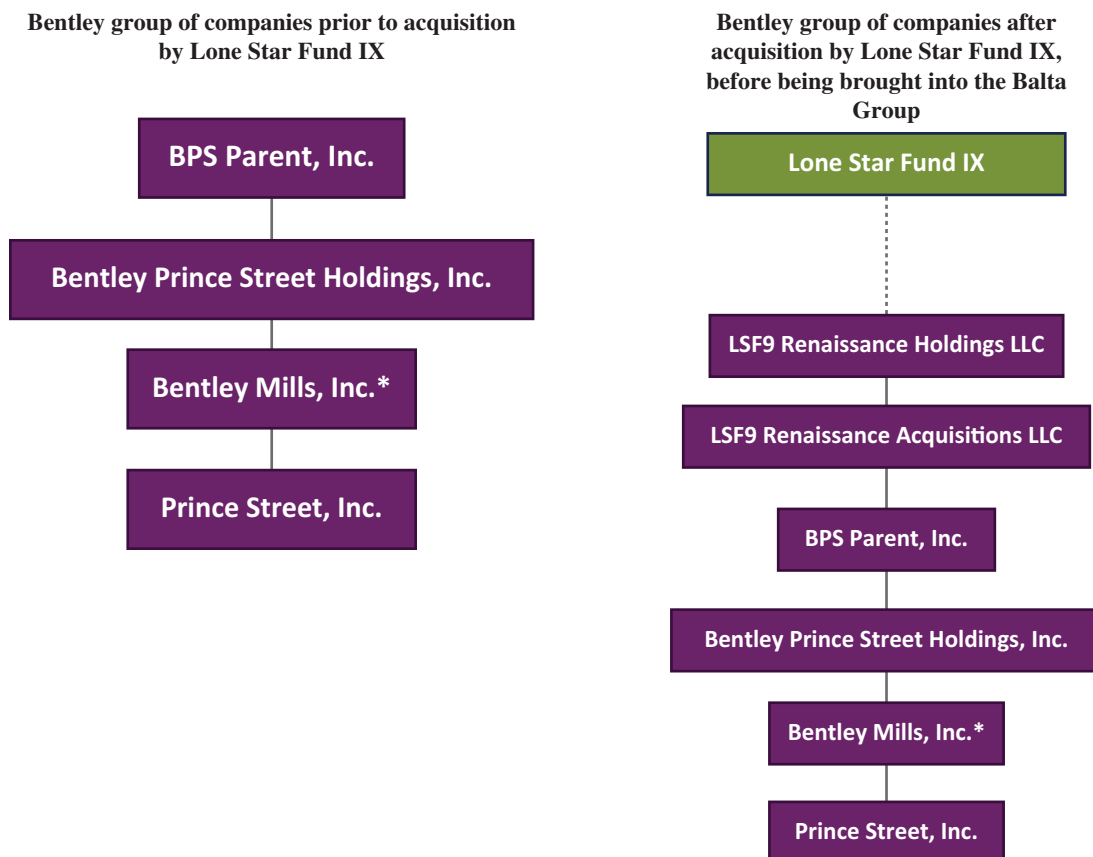
(2) Converted at a rate of €1.00:\$1.0541.

(3) Attributable to shares retained by Bentley management, which is expected to be bought out by the Balta Group.

Notes to the Unaudited Pro Forma Financial Information

Introduction

As described herein in “Principal and Selling Shareholder and Group Structure—Reorganization,” BPS Parent, Inc., the indirect parent company of Bentley Mills, Inc. and its subsidiaries (Bentley Prince Street Holdings Inc., Bentley Mills Inc., and Prince Street Inc.) were (indirectly) acquired by Lone Star Fund IX on February 1, 2017 from Dominus Capital, L.P. in exchange for cash consideration. Lone Star Fund IX (indirectly) acquired 98.39% of the voting rights whilst Bentley Management acquired the remaining 1.61% of the voting rights.



Note: Operating companies are indicated with an asterisk. Entities to be wound up as part of the Reorganization not shown. Financial statements were consolidated at the level of BPS Parent, Inc. and that entity holds participations.

As of February 1, 2017, the number of outstanding shares of BPS Parent, Inc. amount to 20,980 shares at a par value of \$0.10 per share. Additional paid-in capital amounts to \$21.1 million as of February 1, 2017. BPS Parent, Inc. has also awarded share options to employees, officers, consultants, and non-employee directors of the Bentley group of companies to purchase BPS Parent, Inc. common stock. At February 1, 2017, 50,000 shares were reserved for issuance, however upon acquisition by Lone Star Fund IX, the shares were transferred, the options were cancelled and option holders were compensated. The total consideration paid by LSF9 Renaissance Acquisitions LLC to share and option holders of BPS Parent Inc. was approximately \$95.4 million (€90.5 million when converted at a rate of \$1.0541 per Euro).

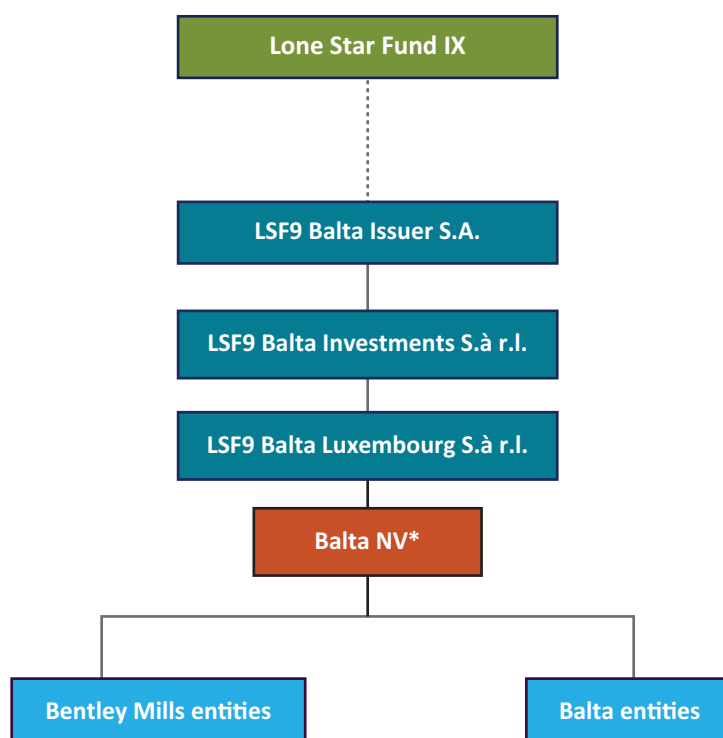
In order to finance (i) the consideration paid, (ii) the repayment in full of legacy debt at the level of Bentley and (iii) the payment of transaction fees and expenses, the following sources of financing were raised on February 1, 2017:

- an equity contribution of \$73.5 million (€69.8 million when converted at a rate of \$1.0541 per Euro) by LSF9 Renaissance Super Holdings LP;
- a management contribution of \$1.2 million (€1.1 million when converted at a rate of \$1.0541 per Euro) in equity;
- the issuance of a term loan at the level of BPS Parent Inc. for an amount of \$33.0 million (€31.3 million when converted at a rate of \$1.0541 per Euro); and
- a drawdown of \$11.1 million (€10.5 million when converted at a rate of \$1.0541 per Euro) on a revolving credit facility of \$18.0 million at the level of BPS Parent Inc.

(for purposes of these notes, the “Bentley Financing”).

On March 22, 2017, the Bentley group of companies was brought into the Balta Group as described in “*Principal and Selling Shareholder and Group Structure—Reorganization.*” The consideration paid by LSF9 Balta Issuer S.A. was equal to \$74 million (€70.0 million when converted at a rate of \$1.0541 per Euro) in order to match the equity contribution made by Lone Star Fund IX as described above. The consideration paid by the Balta Group (the equity value) is lower than the consideration paid by Lone Star Fund IX due to the fact that the amount of debt assumed by the Balta Group is higher than the amount of debt assumed by Lone Star Fund IX. This is the result of the refinancing that took place on February 1, 2017, whereby existing debt of Bentley was repaid and replaced by a higher level of new debt, as explained above. Whilst the ratio of the debt to equity has changed as result of the refinancing on February 1, 2017, the enterprise value has remained unchanged. The acquisition by the Balta Group on March 22, 2017 was financed by the issuance of a Senior Term Loan for an amount of €75.0 million at the level of LSF9 Balta Issuer S.A. (for purposes of these notes, “Balta Group Financing”). See “*Operating and Financial Review and Prospects—Liquidity and Capital Resources—Financing Arrangements—Senior Term Loan Agreement.*”

Position of Bentley group of companies with respect to LSF9 Balta Issuer S.A. after being brought into the Balta Group but prior to the Offering

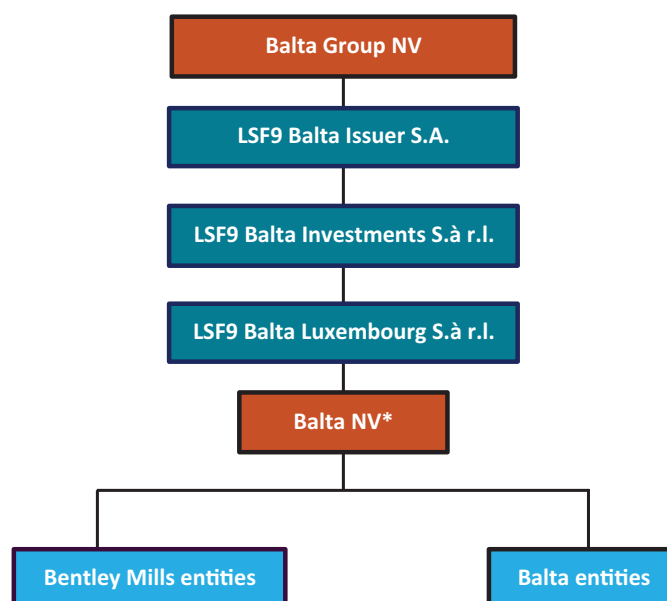


Note: Operating companies are indicated with an asterisk. Financial statements are currently consolidated at the level of LSF9 Balta Issuer S.A. “Bentley Mills entities” denotes the hierarchy of Bentley companies after the acquisition by Lone Star Fund IX, as shown above. See “Principal and Selling Shareholder and Group Structure—Group Structure” for a structure chart detailing the subsidiaries referred to here as “Balta entities.”

On March 23, 2017, the shares were transferred from LSF9 Balta Issuer S.A. to its subsidiary Balta NV, which has become the indirect parent entity of Bentley.

The unaudited pro forma financial information has been prepared to show the material impact of the acquisition of Bentley on the historical financial information of the Balta Group, as if it had occurred as of January 1, 2016 with respect to the unaudited pro forma consolidated income statement, and as of December 31, 2016 with respect to the unaudited pro forma consolidated statement of financial position.

**Position of Bentley group of companies with respect to LSF9 Balta Issuer S.A.
and Balta Group N.V. after the Offering and Reorganization**



Note: Operating companies are indicated with an asterisk. Financial statements are currently consolidated at the level of LSF9 Balta Issuer S.A. “Bentley Mills entities” denotes the hierarchy of Bentley companies after the acquisition by Lone Star Fund IX, as shown above. See “*Principal and Selling Shareholder and Group Structure—Group Structure*” for a structure chart detailing the subsidiaries referred to here as “Balta entities.”

The unaudited pro forma financial information has been prepared in accordance with the basis of preparation described in the accompanying notes below. As the acquisition was only recently completed, pro forma adjustments are based upon available information and certain assumptions that management believes are reasonable.

Based on its nature, this unaudited pro forma financial information is presented for illustrative purposes only, addresses only a hypothetical situation and, therefore, does not represent the Group’s actual financial position or results of operations after completion of the acquisition of Bentley nor is it indicative of future operating results.

This unaudited pro forma financial information includes the following notes:

- Note 1—Basis of preparation
- Note 2—Historical financial information
- Note 3—Adjustments to the historical financial information of BPS Parent, Inc.
- Note 3.1—Presentation
- Note 3.2—Conversion from U.S. GAAP to IFRS and accounting policies alignment
- Note 4—Pro forma adjustments to the statement of financial position
- Note 4.1—Pro forma adjustments to the statement of financial position related to the acquisition of Bentley by Loan Star Fund IX
- Note 4.2—Pro forma adjustments to the statement of financial position related to the acquisition of Bentley by the Balta Group
- Note 5—Pro forma adjustments to the income statement
- Note 5.1—Pro forma adjustments related to finance expenses
- Note 5.2—Pro forma adjustments related to management fees, transaction fees and expenses
- Note 5.3—Impact of pro forma adjustments on income taxes
- Note 6—Pro Forma Segment Information

The purchase price allocation for the acquisition of Bentley has not yet been performed. The final purchase price allocation will be performed at a later date and will address all identifiable assets acquired and liabilities assumed in accordance with IFRS 3: “*Business Combinations*”. The adjustments reflect the excess of consideration over the net assets adjusted for IFRS, as shown in note 4.1 below.

Note 1—Basis of preparation

The unaudited pro forma financial information has been established in application of European Commission Regulation EC No 809/2004, using the acquisition method in accordance with IFRS. The unaudited pro forma financial information has been prepared in thousands of Euros. The unaudited pro forma consolidated statement of financial position as of December 31, 2016 gives effect to the acquisition of Bentley as if it had occurred on December 31, 2016 and the unaudited pro forma consolidated income statement for the year ended December 31, 2016 and the unaudited pro forma consolidated interim income statement gives effect to the acquisition of Bentley as if it had occurred on January 1, 2016.

The unaudited pro forma financial information combines the two step acquisition of the Bentley group of companies and assumes both transactions took place at the same date. No audited consolidated financial statements are available for entities in the Bentley group above BPS Parent, Inc. because the entities only recently were incorporated. See “*Business—Overview*” for a detailed structure chart. The financial information of BPS Parent, Inc. and its subsidiaries has been added to the unaudited pro forma financial information in the pro forma adjustments line items.

The unaudited pro forma financial information reflects the application of pro forma adjustments that are directly attributable and factually supportable and are based upon available information and are certain assumptions described in the accompanying notes hereto, that management believes are reasonable under the given circumstances. Therefore the unaudited pro forma financial information does not reflect any integration expenses that may be incurred in connection with the acquisition of Bentley and also does not reflect any cost savings potentially realizable from the elimination of certain expenses or from synergies that may be achieved once the acquisition of Bentley is complete. The unaudited pro forma financial information does not reflect any purchase price allocation as described in note 4.1.

The consolidated income statement and consolidated interim income statement of BPS Parent, Inc. and its subsidiaries has been converted into Euros using the average USD/EUR exchange rate as used by the Balta Group for the corresponding period; the statement of financial position has been converted using the closing rate at December 31, 2016. For the consolidated income statement these values are €1.00:\$1.1069 for the twelve months ended December 31, 2016 and €1.00:\$1.0648 for the consolidated interim income statement for the three months ended March 31, 2017, and for the closing rate at December 31, 2016 the value is €1.00:\$1.0541. As a consequence, no currency translation differences are computed as the acquisition of Bentley is assumed to have occurred on December 31, 2016 for the unaudited pro forma consolidated statement of financial position. Also, the audited consolidated financial statements for BPS Parent, Inc. and its subsidiaries exclude any currency translation differences.

The unaudited pro forma financial information reflects the tax effect of the adjustments described in notes 3 and 4 below: (1) for adjustments related to BPS Parent, Inc. and its subsidiaries, an effective tax rate of 36.48% has been used for the year ended December 31, 2016 and March 31, 2017, corresponding to the effective tax rates derived from BPS Parent, Inc.’s audited consolidated financial statements for the same period and under the assumption that a tax consolidation will be established for U.S. based entities for the resulting group. These rates have been used for U.S. GAAP and policy alignment adjustments; and (2) for adjustments related to acquisition and transaction costs, and based on a preliminary allocation of those costs amongst Balta Group legal entities, a statutory tax rate of 31.47% has been used for the items incurred at the Luxembourg level, a statutory tax rate of 33.99% has been used for the items incurred at the Belgium level and a statutory tax rate of 38.00% has been used for those incurred in the United States with respect to the respective effect on the current and deferred taxes of that entity and under the assumption that a tax consolidation will be established for U.S. based entities for the resulting group.

Note 2—Historical financial information

The unaudited pro forma financial information has been derived from and should be read in conjunction with the following documents:

- the audited consolidated financial statements of LSF9 Balta Issuer S.A. and its subsidiaries as of and for the year ended December 31, 2016, prepared in accordance with IFRS as adopted by the European Union;
- the audited consolidated financial statements of BPS Parent, Inc. and its subsidiaries as of and for the year ended January 1, 2017, prepared in accordance with U.S. GAAP;
- the unaudited consolidated interim financial statements of LSF9 Balta Issuer S.A. and its subsidiaries as of and for the three months ended March 31, 2017, prepared in accordance with IAS 34, ‘Interim financial reporting’; and

- the unaudited consolidated interim financial statements of BPS Parent, Inc. and its subsidiaries as of and for the three months ended April 2, 2017, prepared in accordance with U.S. GAAP.

See “*Presentation of Financial and Other Information.*”

Note 3—Adjustments to the historical financial information of BPS Parent, Inc.

Note 3.1—Presentation

Certain reclassifications have been made to the audited consolidated financial statements of BPS Parent, Inc. and its subsidiaries as of and for the year ended January 1, 2017 (for the purposes of this note 3, the “Bentley Statements”), in order to align the presentation of the BPS Parent, Inc. information to the presentation of the audited consolidated financial statements of LSF9 Balta Issuer S.A. and its subsidiaries as of and for the year ended December 31, 2016.

For the statement of financial position as of January 1, 2017, the reclassifications reflected in the unaudited pro forma financial information include the following (indicative amounts in euro are presented between brackets using an exchange rate of \$1.0541 per Euro):

- As reported in the Bentley Statements, “Acquisition intangibles, net” of \$3.4 million (€3.2 million) consisting of trade names and customer relationships, and \$0.2 million (€0.2 million) of “Other assets” (non-current) relating to emission and operating permits have been reclassified to “Intangible assets.” Furthermore, \$3.0 million (€2.8 million) relating to samples was reclassified from “Other assets” (non-current) to “Other fixtures and fittings, tools and equipment” and \$0.8 million (€0.8 million) relating to security deposits for leased buildings was reclassified from “Other assets” (non-current) to “Non-current trade and other receivables.”
- As reported in the Bentley Statements, “Accounts receivable, net of allowances” of \$14.0 million (€13.3 million), “Other receivables” of \$0.2 million (€0.2 million) and “Prepaid expenses and other current assets” of \$0.9 million (€0.9 million) have been reclassified as “Trade and other receivables.”
- As reported in the Bentley Statements, \$0.3 million (€0.3 million) of deferred financing costs which are classified as “Prepaid expenses and other current assets” have been reclassified as “Bank and other borrowings.” “Bank and other borrowings” also reflects a line of credit of \$6.0 million (€5.7 million) and the current portion of Bentley’s long-term debt, net of a debt discount of \$7.7 million (€7.3 million) plus \$1.1 million (€1.0 million) of cash overdraft.
- As reported in the Bentley Statements, \$3.8 million (€3.6 million) of current and \$0.5 million (€0.5 million) of non-current employee-related obligations which are reported as “Accrued liabilities” have been reclassified as “Employee benefit obligations.”
- As reported in the Bentley Statements, \$1.9 million (€1.8 million) of non-current and \$0.3 million (€0.3 million) current warranty provisions which are reported as “Accrued liabilities” have been reclassified as “Provisions for other liabilities and charges.”
- As reported in the Bentley Statements, \$8.3 million (€7.8 million) of “Accounts payable” and \$1.9 million (€1.8 million) of “Accrued liabilities” have been reclassified as “Trade and other payables.”
- The classification of deferred tax assets and deferred tax liabilities as reported in the Bentley Statements follows the classification of the asset or liability to which they relate (as either current or non-current). However, deferred taxes are presented as non-current in the statement of financial position of LSF9 Balta Issuer S.A. and its subsidiaries and “Deferred tax liabilities” are presented net of assets and liabilities when relating to the same tax jurisdiction. Thus, \$0.9 million (€0.9 million) of non-current deferred tax assets and the \$1.6 million (€1.5 million) of non-current deferred income taxes reported in the Bentley Statements have been reclassified as “Deferred tax liabilities.”

For the income statement for the year ended January 1, 2017, the reclassifications include the following (indicative amounts in euro are presented between brackets using an exchange rate of \$1.1069 per Euro):

- As reported in the Bentley Statements, \$126.0 million (€113.8 million) of “Product sales” and negative \$4.9 million (€4.4 million) of “Discounts, returns and allowances” has been reclassified as “Revenue.”
- As reported in the Bentley Statements, \$1.3 million (€1.2 million) of “Royalties” has been reclassified as “Other expenses.”

- As reported in the Bentley Statements, some items classified within “Cost of sales” have been reclassified as follows: (1) \$16.3 million (€14.7 million), mainly relating to wages and other benefits of hourly workers and management, has been reclassified to “Employee benefit expenses;” (2) \$14.8 million (€13.3 million), mainly relating to the factory lease (\$2.3 million), general supplies (\$1.7 million), repair and maintenance (\$1.0 million), and other expenses such as utilities, insurance, etc. has been reclassified to “Other expenses;” and (3) \$1.4 million (€1.3 million) has been reclassified to “Depreciation/amortization,” as it does not relate to production costs.

For the unaudited consolidated interim income statement for the three months ended April 2, 2017, the reclassifications include the following (indicative amounts in euro are presented between brackets using an exchange rate of \$1.0648 per Euro):

- As reported in the Bentley Statements, \$30.5 million (€28.6 million) of “Product sales” and negative \$1.3 million (€1.2 million) of “Discounts, returns and allowances” has been reclassified as “Revenue.”
- As reported in the Bentley Statements, \$0.3 million (€0.3 million) of “Royalties” has been reclassified as “Other expenses.”
- As reported in the Bentley Statements, some items classified within “Cost of sales” have been reclassified as follows: (1) \$3.6 million (€3.4 million), mainly relating to wages and other benefits of hourly workers and management, has been reclassified to “Employee benefit expenses;” (2) \$4.2 million (€3.9 million), mainly relating to the factory lease (\$0.6 million), general supplies (\$0.6 million), repair and maintenance (\$0.2 million), and (\$2.8 million) other expenses such as utilities, insurance, etc. has been reclassified to “Other expenses;” and (3) \$0.5 million (€0.5 million) has reclassified to “Depreciation/amortization,” as it does not relate to production costs.

Note 3.2—Conversion from U.S. GAAP to IFRS and accounting policies alignment

The Bentley Statements have been prepared in accordance with U.S. GAAP. For the purposes of preparing the unaudited pro forma financial information, the Bentley Statements have been adjusted for known, material differences between U.S. GAAP and IFRS. Some material differences could not be estimated reliably; they have been described hereafter as part of the material known differences but have not resulted in a pro forma adjustment for the reasons detailed below. In addition, some differences have not been addressed when they related to items that will be re-measured at fair value as part of the forthcoming purchase price allocation exercise, as described in note 4.1.

The known, material differences identified in the context of the preparation of the unaudited pro forma financial information are:

Non-contractual customer relations

In 2012, BPS Parent, Inc. recognized in accordance with U.S. GAAP, an intangible asset of \$1.27 million (€1.2 million when converted at a rate of \$1.0541 per Euro) with respect to non-contractual customer relations in the context of a previous sale of Bentley and the associated purchase price allocation. However, in accordance with the accounting policies of the Balta Group, an intangible asset for non-contractual customer relations should not be recognized separately from goodwill, since they do not arise from contractual or other legal rights and are not separable.

This accounting policy alignment for non-contractual customer relations has resulted in (1) the de-recognition of €0.6 million of non-contractual customer relations under “Intangibles” and a related deferred tax effect of €0.2 million on the unaudited pro forma consolidated statement of financial position as of December 31, 2016 and (2) the de-recognition of the related depreciation expense of €0.1 million and a resulting tax effect of €0.05 million in the unaudited pro forma consolidated income statement for the year ended December 31, 2016.

For the three months ended March 31, 2017, there has been de-recognition of the related depreciation expense of €0.04 million and a resulting tax effect of €0.01 million in the unaudited pro forma consolidated income statement.

Property, plant and equipment

Property, plant and equipment acquired in the 2012 transaction noted above, were recorded on the acquisition date at fair value and were subsequently depreciated using the straight line method over their remaining useful lives, which were reassessed at the acquisition date and were estimated to range between 2 to 16 years. All other Property, plant and equipment acquired since then has been depreciated using the straight-line method over their estimated useful lives of 3 to 10 years. However, this application of depreciation is different to the accounting policies of the Balta Group, which depreciates machinery over 10 to 33 years, vehicles and transport equipment over 5 years, and furniture, fittings and equipment over 5 to 15 years.

However, since the fair value and the remaining useful lives of the Property, plant and equipment acquired in the 2012 transaction was reassessed in 2012 and all other Property, plant and equipment was acquired after 2012, no adjustment has been recorded in the unaudited pro forma consolidated financial statements for aligning the accounting policies with respect to the useful lives for Property, plant and equipment. However, the fair value of the acquired assets and the reassessment of their remaining useful lives will be performed in the future in accordance with requirements of IFRS 3: “Business Combinations”.

Note 4—Pro forma adjustments

Pro forma adjustments are based upon available information and certain preliminary estimates and assumptions, as well as certain pro forma assumptions, which the Balta Group management believes are reasonable. In particular it is assumed that the financings associated with the acquisition of Bentley took place on January 1, 2016. The unaudited pro forma financial information does not reflect adjustments or tax effects that would result from the exit of Bentley group entities from their tax consolidation groups. However, it is assumed that the Bentley group entities would be included in a tax consolidation together with BPS Parent, Inc.

Actual amounts related to the Bentley Financing may vary from the estimated amounts in the unaudited pro forma consolidated financial information due to, among other factors, (1) any variance in consideration paid when allowing for the final accounting treatment of the merger into the Balta Group (a provision has been made in escrow for this purpose) and (2) any variance in final transaction fees and expenses.

Note 4.1—Pro forma adjustments to the statement of financial position related to the acquisition of Bentley by Lone Star Fund IX

The acquisition of Bentley by Lone Star Fund IX on February 1, 2017 resulted in a refinancing of the Bentley debt, leading to an increase in Bank and other borrowings of €27.5 million.

The non-current portion of the Bank and other borrowings increased by €39.0 million, as a result of the following:

- €30.1 million: issuance of a term loan at the level of BPS Parent, Inc. for an amount of \$33.0 million (€31.3 million, of which €30.1 million presented as non-current debt and €1.2 million presented as current debt);
- €10.5 million: drawdown of \$11.1 million on a revolving credit facility of \$18.0 million at the level of BPS Parent, Inc.; and
- (€1.6) million capitalized financing fees incurred in relation to the issuance of the term loan and revolving credit facility at the level of BPS Parent, Inc.

The decrease of €11.6 million of the current portion of the Bank and other borrowings can be broken down as follows:

- €13.5 million repayment of existing lines of credit at the level of Bentley, offset by:
 - (€0.7) million release of capitalized financing fees linked to the existing lines of credit (recognized as expense upon extinguishment of the debt); and
 - (€1.2) million current portion of the (new) term loan at the level of BPS Parent, Inc.

As a result of the refinancing described above, the cash and cash equivalents have been reduced by €0.3 million on a pro form basis:

- €40.2 million new Bentley financing, comprised of:
 - €41.8 million resulting from the Bentley Financing; and
 - (€1.6 million) debt issuance costs related to the term loan and revolving credit facility;
- (€40.5) million acquisition of BPS Parent, Inc. by Lone Star Fund IX and the repayment of old Bentley financing, comprised of:
 - €70.9 million equity contribution in cash (of which €1.1 million was contributed by Bentley management);

- (€90.5 million) consideration transferred by Lone Star Fund IX;
- (€13.5 million) repayment existing lines of Bentley credit; and
- (€7.4 million) for transaction costs incurred in relation to the initial acquisition.

As part of the pro forma adjustments, deferred income tax liabilities have been increased by €0.4 million whilst income tax liabilities have been reduced by €0.6 million. The net decrease in tax liabilities of €0.2 million is driven by the release of capitalized financing fees linked to the legacy financing which was repaid in full on February 1, 2017.

The pro forma adjustment of €1.0 million on trade and other payables reflects the portion of the transaction fees which remained unpaid at the date of acquisition.

When taking into account the impact of the pro forma adjustments as described above, the provisional fair value of the net liabilities acquired is equal to €11.8 million. This is equal to €48.8 million of assets acquired less €59.6 million of liabilities assumed and less a non-controlling interest of €1.0 million.

The purchase price allocation required under IFRS 3: “*Business Combinations*” has not yet been performed because the acquisition of Bentley was only completed on March 22, 2017 and therefore management of the Balta Group has only recently had full access to all information of BPS Parent Inc. and its subsidiaries and has not yet been able to complete a fair value analysis of the identifiable assets and liabilities acquired. As such, the fair value of the identifiable assets, liabilities and contingent liabilities acquired are provisional. The purchase price allocation exercise will be performed at a later stage and may result in adjustments to provisional values as a result of completing the initial accounting from the acquisition date. We expect differences primarily in the valuation of intangible assets, property, plant and equipment and inventory.

Consequently, the provisional goodwill—before purchase price allocation—is equal to €81.8 million, i.e. the sum of the consideration paid to Lone Star Fund IX of €70.0 million and the provisional fair value of the net liabilities assumed of €11.8 million.

When using the actual exchange rates as of March 22, 2017, the purchase price paid amounts to €68.3 million, the total identifiable assets, liabilities and contingent liabilities amount to €11.3 million and the non-controlling interest amounts to €1.0 million. This results in the recognition of goodwill for an amount of €80.7 million in the consolidated interim financial statements as of March 31, 2017.

Regarding Contingent liabilities, based on BPS Parent, Inc. disclosures and the preliminary analysis performed by Bentley management, the Balta Group has not identified any material legal claim, tax dispute or environmental risk that would lead us to believe material Contingent liabilities would need to be recognized in the statement of financial position. However, as our analysis continues, recognition of such Contingent liabilities may be identified and recognized in accordance with the requirements of IFRS 3: “*Business Combinations*”.

Note 4.2—Pro forma adjustments to the statement of financial position related to the acquisition of Bentley by the Balta Group

The acquisition of Bentley by the Balta Group on March 22, 2017 was financed by the issuance of a Senior Term Loan for an amount of €75.0 million at the level of LSF9 Balta Issuer S.A. €3.1 million of financing fees have been incurred and capitalized, leading to an increase in Bank and other borrowings of €71.9 million.

The consideration paid by LSF9 Balta Issuer S.A. was equal to \$74 million (€70.0 million when converted at a rate of \$1.0541 per Euro) in order to match the equity contribution made in the acquisition on February 1, 2017 as described above. It follows that the amount of cash and cash equivalents has been increased on a pro forma basis by €1.8 million.

Note 5—Pro forma adjustments to the income statement

Note 5.1—Pro forma adjustments related to finance expenses

In the pro forma consolidated income statement, the finance expenses have been adjusted to reflect the changes in financing structure as described above. The increase in finance expenses of €6.1 million for the year ended December 31, 2016 can be broken down as follows:

- €4.4 million interest charges on the €75 million Senior Term Loan issued by LSF9 Balta Issuer S.A.;
- €1.8 million interest charges on the new term loan at the level of BPS Parent Inc.;
- €0.7 million interest charges on the new revolving credit facility at the level of BPS Parent Inc.; and

- (€0.8) million reversal of interest charges on existing credit lines at the level of Bentley that were repaid in full on February 1, 2017.

A similar approach has been taken in order to prepare the pro forma consolidated interim income statement. The increase in finance expenses of €0.5 million for the period ended March 31, 2017 can be broken down as follows:

- €1.0 million interest charges on the €75 million Senior Term Loan issued by LSF9 Balta Issuer S.A.;
- €0.2 million interest charges on the new term loan at the level of BPS Parent Inc.;
- €0.02 million interest charges on the new revolving credit facility at the level of BPS Parent Inc.; and
- (€0.7) million reversal of interest charges on existing credit lines at the level of Bentley that were repaid in full on February 1, 2017.

Note 5.2—Pro forma adjustments related to management fees, transaction fees and expenses

For the year ended as of December 31, 2016, other expenses have been reduced by €1.1 million. This is mainly driven by management fees invoiced Dominus Capital to Bentley. Such fees will not be invoiced going forward by the Balta Group and hence they have been eliminated on a pro forma basis. In addition, on a pro forma basis, we have reclassified €0.1 million of legal and professional fees from ‘other expenses’ to ‘integration and restructuring expenses’ to more accurately reflect the nature of these costs.

For the period ended March 31, 2017, the historical financial statements of BPS Parent Inc. include €9.7 million of costs related to the acquisition. These acquisition costs have been recognized on the line item “Integration and restructuring expenses” and, by their nature, are not expected to have a recurring impact on the financial performance going forward. Therefore, the €9.7 million of acquisition costs have been reversed on a pro forma basis.

Note 5.3—Impact of pro forma adjustments on income taxes

For the year ended December 31, 2016, the income tax benefit has been increased by €1.6 million on a pro forma basis. This amount can be broken down as follows:

- €1.9 million tax benefit in relation to the €6.1 million increase in financing expenses; and
- (€0.3) million reduction in tax benefit as a result of the reversal of €1.0 million of management fees.

Similarly, for the period ended March 31, 2017, the income tax benefit has been increased by €0.1 million on a pro forma basis driven by the tax benefit in relation to the €0.5 million increase in financing expenses.

Note 6—Pro forma segment information

The Company operates its business through four segments, which are organized by product and sales channel: Rugs, Residential, Commercial and Non-Woven. Bentley will be included in the Commercial segment.

The following table shows the breakdown of the Company's revenues by geography and segment and Adjusted EBITDA by segment for the year ended December 31, 2016 (in each case, on a pro forma basis to reflect the acquisition of Bentley, as if this had occurred at the beginning of the period):

	Period ended March 31, 2017	Period ended December 31, 2016
	(€ thousands)	
Revenue by segment	183,220	668,350
Rugs	63,377	214,545
Residential	63,132	236,758
Commercial	49,833	190,715
<i>Of which:</i>		
Commercial Europe	22,147	80,050
Commercial US (Bentley)	27,686	110,665
Non-Woven	6,878	26,332
Revenue by geography	183,220	668,350
Europe	113,907	429,580
North America	54,960	184,508
<i>Of which:</i>		
Balta	27,274	73,843
Bentley	27,686	110,665
Rest of World	14,353	54,262
Adjusted EBITDA by segment	23,033	97,366
Rugs	11,188	37,969
Residential	5,097	28,411
Commercial	5,898	28,065
<i>Of which:</i>		
Commercial Europe	2,972	12,066
Commercial US (Bentley)	2,926	15,999
Non-Woven	850	2,921

The following table shows the breakdown of the Company's capital expenditure, net inventory and trade receivables by segment for the year ended December 31, 2016 (in each case, on a pro forma basis to reflect the acquisition of Bentley, as if this had occurred at the beginning of the period):

	Period ended December 31, 2016
	(€ thousands)
Capital expenditure by segment	43,028
Rugs	16,119
Residential	12,460
Commercial	13,718
<i>Of which:</i>	
Commercial Europe	6,259
Commercial US (Bentley)	7,459
Non-Woven	732
Net inventory by segment	151,919
Rugs	63,642
Residential	52,718
Commercial	31,944
<i>Of which:</i>	
Commercial Europe	15,346
Commercial US (Bentley)	16,598
Non-Woven	3,614
Trade receivables by segment	55,050
Rugs	17,263
Residential	16,502
Commercial	19,874
<i>Of which:</i>	
Commercial Europe	6,149
Commercial US (Bentley)	13,725
Non-Woven	1,411

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The summary consolidated financial information as of and for the three months ended March 31, 2017 and 2016 and as of and for the years ended December 31, 2016, 2015 and 2014 has been extracted, without material adjustments, from the Consolidated Financial Statements, included elsewhere in this Prospectus. The unaudited consolidated financial statements of LSF9 Balta Issuer S.A. and its subsidiaries as of and for the three months ended March 31, 2017 have been prepared in accordance with IAS 34. The audited consolidated financial statements of LSF9 Balta Issuer S.A. and its subsidiaries as of and for the year ended December 31, 2016 and as of and for the period from August 11, 2015 to December 31, 2015 as well as the consolidated financial statements of Balta Finance S.à r.l. and its subsidiaries as of and for the year ended December 31, 2014 have all been prepared in accordance with IFRS, and have been audited by PricewaterhouseCoopers, Société coopérative, as indicated in their reports included herein. The unaudited combined financial statements of LSF9 Balta Issuer S.A. and its subsidiaries as of and for the year ended December 31, 2015 have been prepared on the basis described therein however, they have been reported on in accordance with ISAE 3000 (revised) (Assurance Engagements other than Audits or Reviews of Historical Financial Information) by PricewaterhouseCoopers, Société coopérative, as indicated in their report included herein. The unaudited consolidated financial statements of LSF9 Balta Issuer S.A. and its subsidiaries as of and for the three months ended March 31, 2017 have been prepared in accordance with IAS 34 and reviewed by PricewaterhouseCoopers, Société coopérative. For the avoidance of doubt, the audited consolidated financial statements of BPS Parent, Inc., and its subsidiaries as of and for the year ended January 1, 2017, have been audited by Moss Adams LLP and which are also separately incorporated herein, do not form a part of the historical financial information provided with respect to LSF9 Balta Issuer S.A. or its predecessor entity, Balta Finance S.à r.l.

In addition, there could be significant differences between IFRS and U.S. GAAP, as applied to the Company. The Company neither describes the differences between IFRS and U.S. GAAP nor reconciles its IFRS financial information to U.S. GAAP. Therefore, such information is not available to investors, and investors should consider this in making their investment decision. Rounding adjustments have been made in calculating some of the financial information included in this Prospectus. As a result, figures shown as totals in some tables may not be exact arithmetic aggregations of the figures that precede them.

The selected consolidated financial information presented below should be read in conjunction with “Operating and Financial Review and Prospects” and historical Consolidated Financial Statements included elsewhere in this Prospectus.

During the period under review and through to the date of this Prospectus, the significant changes to the Issuer’s financial condition and operating results were primarily a result of (1) the acquisition of the Balta Group by Lone Star Fund IX as described in “Operating and Financial Review and Prospects—Significant Factors Affecting Our Results of Operations—Acquisitions and Disposals—Acquisition of the Group by Lone Star Fund IX” below and (2) the acquisition of Bentley and the Reorganization, as described in “Principal and Selling Shareholder and Group Structure—Reorganization.”

Consolidated Income Statement

	For the three months ended March 31, ⁽²⁾		For the year ended December 31,		
	2017	2016	2016	2015 ⁽¹⁾	2014
	(€ thousands)				
Revenue	155,534	147,842	557,685	556,822	519,529
Raw material expenses	(75,796)	(71,666)	(259,472)	(269,675)	(256,794)
Changes in inventories	5,378	5,069	6,055	(17,405)	9,033
Employee benefits expenses	(35,480)	(34,285)	(130,054)	(133,446)	(128,191)
Other income	2,340	1,195	8,171	10,879	10,960
Other expenses	(31,869)	(29,063)	(101,017)	(97,403)	(89,388)
Depreciation, amortization	(7,074)	(7,106)	(28,666)	(24,098)	(24,802)
Adjusted operating profit	13,033	11,985	52,701	25,674	40,347
Gains on asset disposals	—	1,610	1,610	—	530
Legal claims	—	—	—	—	557
Integration and restructuring expenses	(4,223)	(1,277)	(5,128)	(33,687)	(3,189)
Impairment and write-off	—	—	—	—	(12,689)
Operating profit / (loss)	8,810	12,318	49,183	(8,013)	25,556
Finance income	7	18	57	79	2,367
Finance expenses	(7,548)	(7,436)	(28,608)	(38,541)	(34,543)
Net financial expenses	(7,541)	(7,419)	(28,552)	(38,462)	(32,176)
Profit / (loss) before income taxes	1,268	4,900	20,632	(46,475)	(6,620)
Income tax income / (expense)	(1,110)	(2,440)	4,713	2,949	7,856
Profit / (loss) for the period from Continuing Operations	158	2,460	25,345	(43,526)	1,236
Profit / (loss) for the period from discontinued operations	—	—	—	—	—
Profit / (loss) for the period	158	2,460	25,345	(43,526)	1,236

(1) The financial information in the “2015” column of these tables has been extracted, without material adjustment, from the unaudited combined financial statements of LSF9 Balta Issuer S.A. and its subsidiaries as of and for the year ended December 31, 2015, prepared on the basis described therein and reported on in accordance with ISAE 3000 (revised) (Assurance Engagements other than Audits or Reviews of Historical Financial Information). These numbers include the following effects of the purchase price allocation performed following the acquisition of Balta Finance: a negative €10.8 million impact on raw material expenses, a negative €14.9 million impact on changes in inventories, and a positive €9.6 million impact on income tax income / (expense). The impact of the purchase price allocation on operating profit / (loss) was negative €25.7 million and the impact of the purchase price allocation on the profit / (loss) for the period was negative €16.1 million. Therefore, in the absence of purchase price allocation, operating profit would have been €17.7 million and the loss for the period would have been €27.5 million.

(2) The financial information for the three months ended March 31, 2017 and 2016 has been extracted without material adjustment from the unaudited consolidated financial statements of LSF9 Balta Issuer S.A. and its subsidiaries as of and for the three months ended March 31, 2017.

Consolidated Statement of Financial Position

	As of March 31, ⁽²⁾		As of December 31,		
	2017	2016	2016	2015 ⁽¹⁾	2014
	(€ thousands)				
Total non-current assets	542,053	434,066	445,375	434,334	211,302
Total current assets	266,172	223,922	236,318	222,257	241,208
Total assets	808,224	657,988	681,693	656,590	452,510
Total equity	134,754	120,597	136,319	(18,900)	(322,595)
Total non-current liabilities	484,308	369,678	369,519	505,283	598,498
Total current liabilities	189,163	167,713	175,856	170,207	176,607
Total liabilities	673,470	675,991	545,374	675,490	775,105
Total equity and liabilities	808,224	657,988	681,693	656,590	452,510

(1) The financial information in the “2015” column of this table has been extracted, without material adjustment, from the unaudited combined financial statements of LSF9 Balta Issuer S.A. and its subsidiaries as of and for the year ended December 31, 2015, prepared on the basis described therein and reported on in accordance with ISAE 3000 (revised) (Assurance Engagements other than Audits or Reviews of Historical Financial Information).

(2) The financial information for the three months ended March 31, 2017 and 2016 has been extracted without material adjustment from the unaudited consolidated financial statements of LSF9 Balta Issuer S.A. and its subsidiaries as of and for the three months ended March 31, 2017..

Consolidated Statement of Cash Flows

	As of and for the three months ended March 31, ⁽²⁾		As of and for the year ended December 31,		
	2017	2016	2016	2015 ⁽¹⁾	2014
	(€ thousands)				
Net profit / (loss) for the period from continuing operations . . .	158	2,460	25,345	(43,526)	1,236
Net cash generated by operating activities	10,328	10,827	66,257	39,618	60,771
Net cash (used) / generated by investing activities	(76,722)	(5,971)	(35,569)	(309,739)	(25,263)
Net cash (used) / generated by financing activities	60,138	(14,947)	(30,163)	248,928	(16,862)
Cash, cash equivalents and bank overdrafts at the end of the period	39,732	35,369	45,988	45,462	66,654

- (1) The financial information in the “2015” column of this table has been extracted, without material adjustment, from the unaudited combined financial statements of LSF9 Balta Issuer S.A. and its subsidiaries as of and for the year ended December 31, 2015, prepared on the basis described therein and reported on in accordance with ISAE 3000 (revised) (*Assurance Engagements other than Audits or Reviews of Historical Financial Information*).
- (2) The financial information for the three months ended March 31, 2017 and 2016 has been extracted without material adjustment from the unaudited consolidated financial statements of LSF9 Balta Issuer S.A. and its subsidiaries as of and for the three months ended March 31, 2017.

Non-IFRS Financial Data

	For the three months ended March 31, ⁽⁹⁾		For the year ended December 31,		
	2017	2016	2016	2015 ⁽¹⁾	2014
	(€ thousands, except as otherwise noted)				
Adjusted Operating Profit ⁽²⁾	13,033	11,985	52,701	51,369	40,347
Adjusted EBITDA ⁽³⁾	20,107	19,091	81,367	75,467	65,149
Adjusted EBITDA Margin (%) ⁽⁴⁾	12.9%	12.9%	14.6%	13.6%	12.5%
Net Debt ⁽⁵⁾	385,009	275,404	268,511	273,952	101,463
Net Debt/Adjusted EBITDA ⁽⁶⁾	—	3.6x	3.3x	3.6x	1.6x
Pro Forma Adjusted EBITDA ⁽⁷⁾	98,978	—	—	—	—
Net Debt/Pro Forma Adjusted EBITDA ⁽⁸⁾	3.9x	—	—	—	—

- (1) The financial information in the “2015” column of this table has been extracted, without material adjustment, from the unaudited combined financial statements of LSF9 Balta Issuer S.A. and its subsidiaries as of and for the year ended December 31, 2015, prepared on the basis described therein and reported on in accordance with ISAE 3000 (revised) (*Assurance Engagements other than Audits or Reviews of Historical Financial Information*).
- (2) Adjusted Operating Profit is defined as operating profit / (loss) adjusted for (i) the impact of the purchase price allocation on (a) raw material expenses and (b) changes in inventories, (ii) gains on assets disposal, (iii) legal claims, (iv) integration and restructuring expenses and (v) impairment and write-off.
- (3) Adjusted EBITDA is defined as operating profit / (loss) adjusted for (i) the impact of the purchase price allocation on (a) raw material expenses and (b) changes in inventories, (ii) gains on assets disposal, (iii) legal claims, (iv) integration and restructuring expenses, (v) depreciation / amortization and (vi) impairment and write-off.
- (4) Adjusted EBITDA Margin is defined as Adjusted EBITDA divided by revenue.
- (5) Net Debt is defined as (i) Senior Secured Notes (Q1 2017: €278.5 million, Q1 2016: €276.1 million, 2016: €283.5 million, 2015: €283.7 million, 2014: nil) adjusted for the financing fees included in the carrying amount (Q1 2017: €12.5 million, Q1 2016: €14.9 million, 2016: €13.1 million, 2015: €15.5 million, 2014: nil), (ii) Senior Term Loan Facility (Q1 2017: €72.8 million) adjusted for the financing fees included in the carrying amount (Q1 2017: €2.3 million), (iii) Term Loan B (Q1 2017: €29.3 million) adjusted for the financing fees included in the carrying amount (Q1 2017: €1.6 million), (iv) Revolving Credit Facility (Q1 2017: €10.4 million), (v) Bank and other borrowings (Q1 2017: €17.3 million, Q1 2016: €19.8 million, 2016: €17.9 million, 2015: €20.3 million, 2014: €579.2 million) (vi) bank overdrafts (Q1 2017: €0.1 million), adjusted for liabilities with related parties (Q1 2017: nil, Q1 2016: nil, 2016: nil, 2015: nil, 2014: €405.1 million), reverse factoring (Q1 2017: nil, Q1 2016: nil, 2016: nil, 2015: nil, 2014: €5.9 million), and accrued commitment fees (Q1 2017: €0.1 million, Q1 2016: €0.1 million, 2016: nil, 2015: €0.1 million, 2014: €0.1 million), less (iii) cash and cash equivalents (Q1 2017: €39.7 million, Q1 2016: €35.4 million, 2016: €46.0 million; 2015: €45.5 million; 2014: €66.7 million).
- (6) Net Debt/Adjusted EBITDA is defined as Net Debt divided by last twelve months Adjusted EBITDA.
- (7) Pro Forma Adjusted EBITDA is defined as operating profit / (loss) adjusted for (i) depreciation and amortization, (ii) impairments and write-offs, (iii) results from acquisitions and disposals, (iv) gain from discontinued operations, (v) legal costs and (vi) integration and restructuring expenses, pro forma for the Bentley acquisition, as if this had occurred at the beginning of the period. Pro Forma Adjusted EBITDA shown here is calculated for the last twelve months ending March 31, 2017.
- (8) Net Debt/Pro Forma Adjusted EBITDA is defined as Net Debt divided by Adjusted EBITDA, pro forma for the Bentley acquisition, as if this had occurred at the beginning of the period. Pro Forma Adjusted EBITDA shown here is calculated for the last twelve months ending March 31, 2017.
- (9) The financial information for the three months ended March 31, 2017 and 2016 has been extracted without material adjustment from the unaudited consolidated financial statements of LSF9 Balta Issuer S.A. and its subsidiaries as of and for the three months ended March 31, 2017.

Reconciliations of Non-IFRS Financial Data to Financial Statements

	For the three months ended March 31, ⁽²⁾		For the year ended December 31,		
	2017	2016	2016	2015 ⁽¹⁾	2014
	(€ thousands, except as otherwise noted)				
Operating profit / (loss)	8,810	12,318	49,183	(8,013)	25,556
<i>Adjusted for:</i>					
Impact of purchase price allocation on raw material expenses ...	—	—	—	10,816	—
Impact of purchase price allocation on changes in inventories ...	—	—	—	14,879	—
Gains on asset disposals	—	(1,610)	(1,610)	—	(530)
Legal claims	—	—	—	—	(557)
Integration and restructuring expenses	4,223	1,277	5,128	33,687	3,189
Impairment and write-off	—	—	—	—	12,689
Adjusted Operating Profit	13,033	11,985	52,701	51,369	40,347
<i>Adjusted for:</i>					
Depreciation and amortisation	7,074	7,106	28,666	24,098	24,802
Adjusted EBITDA	20,107	19,091	81,367	75,467	65,149

- (1) The financial information in the “2015” column of this table has been extracted, without material adjustment, from the unaudited combined financial statements of LSF9 Balta Issuer S.A. and its subsidiaries as of and for the year ended December 31, 2015, prepared on the basis described therein and reported on in accordance with ISAE 3000 (revised) (*Assurance Engagements other than Audits or Reviews of Historical Financial Information*).
- (2) The financial information for the three months ended March 31, 2017 and 2016 has been extracted without material adjustment from the unaudited consolidated financial statements of LSF9 Balta Issuer S.A and its subsidiaries as of and for the three months ended March 31, 2017.

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion should be read together with, and is qualified in its entirety by reference to, the unaudited consolidated financial statements of LSF9 Balta Issuer S.A. and its subsidiaries as of and for the three months ended March 31, 2017, the audited consolidated financial statements of LSF9 Balta Issuer S.A. and its subsidiaries as of and for the year ended December 31, 2016, the unaudited combined financial statements of LSF9 Balta Issuer S.A. and its subsidiaries as of and for the year ended December 31, 2015 and the audited consolidated financial statements of Balta Finance S.à r.l. and its subsidiaries as of and for the year ended December 31, 2014, and the notes related thereto, in each case included elsewhere in this Prospectus. The following discussion should also be read in conjunction with “Presentation of Financial and Other Information” and “Selected Consolidated Financial Information.”

In the discussion below, the yearly data reflects the Balta Group operations, excluding Bentley, unless otherwise noted. Any pro forma information should be read in conjunction with “Unaudited Pro Forma Financial Information.” The following discussion also contains trend information and forward looking statements. Actual results could differ materially from those discussed in these forward looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly under “Forward-Looking Statements” and “Risk Factors.”

Overview

We are one of the leading European manufacturers of soft flooring, which includes rugs for the consumer home furnishing market as well as broadloom and carpet tiles for the residential and commercial markets. In 2016, we believe we were the largest manufacturer in Europe of machine-made rugs, as well as the largest manufacturer in Europe of residential broadloom, in each case by volume, and the second largest manufacturer worldwide of machine-made rugs by volume. In 2016, we were also the third largest manufacturer in Europe of commercial carpet tiles by volume, according to BMCW.

Our traditional core markets are the United Kingdom, Germany and France, with an increasingly growing presence in Central and Eastern Europe as well as in the United States, which, with the acquisition of Bentley on March 22, 2017, is now our largest country by sales. We have a long history of creativity and innovation in the soft-flooring industry, having pioneered several trends in rugs and carpeting, including mass production of flatweave and shaggy rugs. We use our innovative product development process to design, manufacture and distribute our products to a broad range of retailers and wholesalers in over 133 countries, collaborating closely with our customers to develop products adapted to local preferences and tailored to consumers’ tastes. We believe our customers value our product innovation, the consistent quality of our products, our ability to reliably deliver high volume orders on time and in full and our responsive customer service and support.

We operate six highly automated, flexible and efficient manufacturing facilities located in Belgium (in addition to one warehousing facility), which are strategically positioned to minimize transportation costs and improve delivery lead times to our end-markets. Our Belgian operations benefit from extensive know-how built up over 50 years, a strong heritage of textiles craftsmanship and a high level of automation. In addition, we own two high capacity manufacturing facilities in Turkey, which specialize in low-cost production of labor-intensive rugs and benefit from Group know-how. Our two U.S. distribution centers are strategically located in Dalton and Calhoun, Georgia.

Our acquisition of Bentley, one of the leading providers of premium carpet tile and broadloom carpet in the United States, provides us a platform for expansion in the U.S. commercial segment. Bentley’s broad product range and client base complement our offerings and provide future opportunities for growth. Bentley operates its main manufacturing facility near Los Angeles, California, which comprises manufacturing and warehouse space in close proximity, to maximize production flexibility and efficiency.

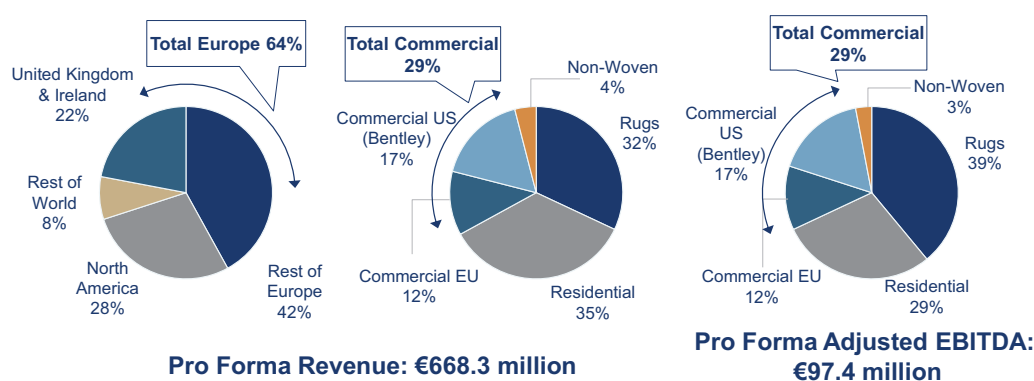
We operate our business through four segments, which are organized by product and sales channel:

- **Rugs**, which generated €214.5 million of revenue and €38.0 million of Adjusted EBITDA for the year ended December 31, 2016 (17.7% Adjusted EBITDA Margin). We design, manufacture and distribute a broad range of machine-made rugs to major retailers (such as home improvement, furniture, specialist, discount and DIY stores) and wholesalers.
- **Residential**, which generated €236.8 million of revenue and €28.4 million of Adjusted EBITDA for the year ended December 31, 2016 (12.0% Adjusted EBITDA Margin). We design, manufacture and distribute branded broadloom carpets (*Balta Carpets* and *ITC* brands) and tiles to major retailers and wholesalers.
- **Commercial**, which generated €80.1 million of revenue and €12.1 million of Adjusted EBITDA for the year ended December 31, 2016 (15.1% Adjusted EBITDA Margin). We design, manufacture and distribute modular carpet tiles mainly for offices and public projects through our *modulyss* brand and broadloom carpets mainly for the hospitality sector through our *arc edition* brand to architects, designers, contractors and distributors.

The acquisition of Bentley broadens our Commercial product portfolio and gives us access to the U.S. commercial carpet market. For the year ended December 31, 2016, Bentley generated €110.7 million of revenue and €16.0 million of Adjusted EBITDA.

- **Non-Woven**, which generated €26.3 million of revenue and €2.9 million of Adjusted EBITDA for the year ended December 31, 2016 (11.1% Adjusted EBITDA Margin). We design, manufacture and distribute specialized fabrics for insulation, lining, cars, carpet backing and banners through our *Captiqs* brand. In addition, 48% of the division's output in millions of square meters is for captive use while 14% is used for soft flooring for events such as fairs and expositions.

The following charts show the breakdown of our revenues by geography and segment and Adjusted EBITDA by segment for the year ended December 31, 2016 (in each case, on a pro forma basis to reflect the acquisition of Bentley, as if this had occurred at the beginning of the period):



Significant Factors Affecting Our Results of Operations

Our results of operations, financial condition and liquidity have been influenced in the periods discussed in this Prospectus by the following events, facts, developments and market characteristics. We believe that these factors are likely to continue to influence our operations in the future.

Macroeconomic Factors

General Economic Condition and Industry Environment

Our results of operations are affected by macroeconomic conditions, as well as the conditions affecting consumer spending on soft-floor coverings in the markets in which we operate. Such conditions include levels of employment, consumer confidence, inflation, growth in gross domestic product, real disposable income, currency exchange and interest rates, home prices, housing market fluctuations and the availability of consumer credit. All of the markets in which we operate were adversely impacted by the global economic downturn and instability that started in 2008. While Brexit has so far had a limited impact on our United Kingdom revenues, continued weakening of the British pound could negatively impact demand for our products in the United Kingdom by making our products more expensive relative to those of our competitors who have a larger proportion of their cost base in British pounds. We hedge our exposure to EUR/GBP exchange rate fluctuations, as described below under “—Foreign Exchange Rate Fluctuations”, and we are also able to re-engineer products to achieve a suitable price point while maintaining margins. See “Risk Factors—Risks Related to Our Industry and Our Business—Our industry is significantly affected by economic conditions, particularly to the extent such conditions impact consumer confidence and the residential and commercial renovation and construction markets.”

Overall economic conditions typically have a direct impact on the specific markets that drive our business, although market sensitivity varies, depending on the product. We believe the performance of our Residential and Commercial segments is driven by renovation, redecoration and construction projects. Based on a Freedonia 2017 study, we believe that approximately 76% of the European and North American flooring market in 2015 was renovation driven, whilst 24% of the demand for flooring was driven by new construction, transportation equipment and others.

The effects of an economic downturn on new construction tend to be more pronounced than the effects on the redecoration and renovation market. Therefore, our Residential and Commercial segments tend to be more sensitive to unfavorable economic conditions. By contrast, our Rugs segment is typically less affected by economic downturns due to the perception of rugs as an affordable interior design product, the purchase of which is not dependent on larger construction or renovation projects. Generally speaking, the vast majority of our total sales are for decorative and refurbishment purposes, which are less cyclical than for the new construction market. In 2016, 12% of our pro forma Adjusted EBITDA was attributable to new construction, which we believe to be cyclical, while 39% is attributable to decoration and 3% to non-woven, which we believe to be non-cyclical, the remainder of 46% is attributable to renovation and refurbishment which we see as having low cyclicity.

During an economic downturn, raw material prices typically decrease, which can mitigate the adverse effect of potential volume decreases. We also believe that our expansion in the United States, the Middle East, Central Asia and Latin America will increase our geographic and product diversification, and thereby allow us to further mitigate the impact of changes in local and regional economic conditions and consumer preferences.

Foreign Exchange Rate Fluctuations

We have significant exposure to the value of the British pound, the U.S. dollar and the Turkish lira. On a pro forma basis, for the year ended December 31, 2016, taking into account the Bentley acquisition as if it had occurred on January 1, 2016, 16% of our revenue would have been denominated in British pounds, 25% of our revenue would have been denominated in U.S. dollars and 6% of our revenue would have been denominated in Turkish lira. 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, EUR/GBP and EUR/TRY exchange rates. The proportion of our revenue recognized 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. For instance, many of our sales in the United Kingdom are invoiced in Euro. See “*Risk Factors—Risks Related to Our Industry and Our Business—We are exposed to risks associated with fluctuations in currency exchange rates.*”

Our Consolidated Financial Statements are prepared in Euro. 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 Euro. A portion of our assets, liabilities, revenue and costs are denominated in various currencies other than Euro, principally USD, GBP and TRY. As a result, our consolidated results of operations, which are reported in Euro, are affected by currency exchange rate fluctuations. The majority of foreign exchange gains and losses are recorded in other comprehensive income.

Transaction risk arises when our subsidiaries execute transactions in a currency other than their functional currency. We mitigate this risk through four primary methods. First, for USD, we historically have been able to match cash inflows and cash outflows, resulting in a natural hedge between assets and liabilities. The natural hedge position is assessed on a semi-annual basis, whereby the amount of our remaining exposure is closely monitored. Our USD exposure is expected to increase following the acquisition of Bentley and taking into account our further growth ambitions in the US. This increased exposure will be mitigated by applying the existing foreign exchange hedging policy on the USD cash flows. Secondly, we have also entered into commercial arrangements with two of our key customers to review the impact of EUR/GBP and EUR/TRY fluctuations and with the potential to adjust prices accordingly. Thirdly, we also use forward exchange contracts to hedge our residual exposure to GBP. Finally, even with respect to commercial arrangements that do not provide for exchange rate-based price-adjustment mechanisms, our established relationships with our customers imply that both positive and negative currency fluctuations are generally passed on through price revisions over the medium term. See “*Qualitative and Quantitative Disclosure About Market Risk—Foreign Exchange Risk.*”

Fluctuations in the value of the USD and TRY relative to the Euro typically have a short-term impact on our gross margin as on the revenue side both we and our customers seek to adjust prices in response to foreign currency fluctuations. On the expense side, both we and our suppliers also seek to adjust prices. As a significant percentage of certain of our suppliers’ costs are fixed in U.S. dollars, foreign exchange rates relative to the U.S. dollar influence the prices we pay for some of our raw materials. In addition, our industry is competitive and elastic, as demonstrated by price rebalancing across the industry in response to foreign currency and raw material price fluctuations. Changes in foreign exchange rates also have a long-term impact on our sales volumes. For example, if there is long-term depreciation of the Euro, our sales volumes may increase as we become more competitive in non-Eurozone markets. In contrast, a long-term strengthening of the Euro may decrease our volumes and price competitiveness in non-European markets.

Raw Materials Expenses

Our results of operations are impacted by the prices we pay for the raw materials we use to manufacture our products. In 2016, raw materials expenses represented 46.5% of our revenue. We are generally able to pass on increases in the costs of our raw materials to our customers, and our customers, in turn, typically also request price decreases when our raw material costs decrease. As there is typically a time delay in our ability to pass through raw materials price increase, changes in the cost of raw materials typically have a short-term impact on our gross margin and gross profit. However, the impact on our long term performance has been limited.

The principal raw materials we use are:

- Polypropylene granulates, which are used in the manufacture of our rugs, broadloom and carpet tiles. Total raw material expenses associated with polypropylene granulates in 2016 amounted to €74.7 million.
- Yarn, which is used in the manufacture of our rugs, broadloom and carpet tiles. Total raw material expenses associated with yarn in 2016 amounted to €70.1 million.

- Latex, which is used in the manufacture of our rugs, broadloom and carpet tiles. Total raw material expenses associated with latex in 2016 amounted to €21.3 million.
- Polyamide granulates, which are used in the manufacture of our commercial broadloom and carpet tiles. Total raw material expenses associated with polyamide granulates in 2016 amounted to €15.8 million.

In 2016, polypropylene granulates, yarn, latex and polyamide granulates represented 72% of our raw material expenses and approximately 50% of our purchases from our suppliers of services and goods. The remainder of our diverse raw materials are non-critical and amounted to approximately €78 million in 2016.

The prices we pay for raw materials can be highly variable, depending on a number of factors, including, but not limited to, the following:

- the availability of supply, including supplier capacity constraints;
- general economic conditions globally and in particular markets;
- fluctuations in commodity prices, particularly crude oil, since certain granulates used in the production of our products are crude oil-based, including polypropylene and polyamide;
- whether the relevant supply agreement contains provisions that reduce our exposure to volatility in raw material prices and whether the purchase price is adjusted in advance or in arrears under the relevant supply agreement;
- the demand of other industries for the same raw materials; and
- the availability of substitute materials.

We typically see the impact of changes in raw material prices on our results of operations after three to five months. Ultimately, we expect that any benefits we do realize from lower raw material prices will be limited, as we typically pass on changes to these costs to our customers.

Consumer Preference and Demand

Consumers choose to purchase our products based on their decision to build new housing and commercial buildings or decorate and renovate existing structures. We estimate that, on average, approximately 32% of our revenue each year is generated by decoration projects, approximately 51% is driven by renovation and refurbishment projects, while the construction of new housing and commercial buildings represents, on average, approximately 13% of our annual revenue.

Consumers typically base their decision to purchase our products on a broad range of preferences, including color, design, texture, shape, dimensions, pile height and density, price and other structural and technical features. The countries in which we sell soft-flooring have different consumer preferences, demands and trends, primarily as a result of diverse cultural histories, climate, lifestyles and economic conditions. We seek to design our soft-flooring products to appeal to such end consumer tastes at specific price points.

We believe the depth and quality of our customer relationships are fundamental to our ability to anticipate and respond to future design trends and demand. To keep up with customer demand for new products, we have introduced a large number of new products during the period under review, which we believe has been a contributing factor in the growth of our business and operating results. Over a fifth of our gross profit in each of 2016, 2015 and 2014 was derived from products introduced within the preceding 12 months.

We seek to follow trends closely, using a systematic approach to collection planning, and maintaining a short design-to-product cycle. We have the ability to set up our machines and re-engineer our production facilities, as well as increase our production capacity to manufacture new and different products in response to changing trends and consumer preferences. In addition, the breadth of our product offerings and our ability to redeploy our machines to make new designs makes us less subject to the success or failure of any given collection.

Cost Base and Operational Improvements

With our current operating model and infrastructure, we have the capacity to use our product design, development, re-engineering and manufacturing capabilities to increase efficiency and to continue to develop new products with lower production costs. Our ability to implement manufacturing efficiency programs influences our gross profit margin. For example, we have introduced measures such as automation, waste-reduction programs, pooling of machine operators across several production lines, optimization of production allocation across plants and resource allocation to lower-cost

environments. Over 2015 and 2016 we also invested €4.0 million in an automated “ultra-sonic cutting” line in our Zele, Belgium plant, which has significantly improved efficiency and increased production capacity for our manufacture of commercial carpet tiles. Additionally, we continue to invest in our yarn manufacturing to further strengthen our overall vertical integration. During 2016, we invested €5.0 million to expand our in-house yarn manufacturing capacity in Turkey, which is expected to lead to annual cost savings from the beginning of 2017 of approximately €2.0 million by reducing our yarn purchases from external providers.

The acquisition of Bentley will create cross-selling opportunities. We will leverage Bentley’s existing logistics network and sales force to accelerate the introduction of our *modulyss*-branded commercial carpet tiles in the U.S. market. This will be done in a relatively seamless process without requiring additional material investments or changes in the manufacturing process. Furthermore, because Bentley’s products focus on a different, more premium, segmentation of the commercial market, we can introduce the existing *Bentley* brand to our global customer base without significant additional investments in our product mix and without cannibalizing our current market positioning. At the same time, Balta’s expertise in manufacturing and design efficiencies can feed back into Bentley’s operations, with the potential to improve margins in established sales.

Furthermore, we seek to reduce production costs by streamlining our product offering through product and stock-keeping unit (“SKU”) rationalization, which will enable us to use a single machine for one design for a longer period of time and reduce the number of times we are required to reset the production line. We believe that these measures have allowed, and will continue to allow, us to reduce operating costs by making more efficient use of our manufacturing, sales and marketing resources, thereby improving our profit margins and better positioning us for profitable growth going forward.

Business Relationships and Customer Success

We operate a business-to-business sales model and therefore do not access the end-consumer directly. Therefore, we rely on our customers’ ability to sell and market our products effectively in order to increase our revenue and generate sustainable cash flows given, as our customers grow, they tend also to increase their orders with us. We thus maintain strong relationships with our customers and work side-by-side with them to help increase store traffic and grow their business.

The quality of the relationship between us and our customers is important to retain and grow our business. Although design, quality and price are key factors, other factors influence our relationship with our customers, such as performance track record, including product innovation, on-time delivery, payment terms and operational efficiency. We are also highly focused on ensuring product and per-customer profitability, as opposed to solely increasing sales volume, which can periodically have a short-term consequential negative effect on revenue.

Product and Geographic Mix

We offer an extensive range of soft flooring in a variety of designs across each of our three core product segments. Because the margins on our products may vary, changes in the mix of our product sales have a direct impact on our total revenue and profitability. We typically achieve higher margins on sales in our Rugs and Commercial segments, and, as a result, growth in these segments relative to our Residential and Non-Woven segments generally results in improved overall profitability.

The margins in our Rugs segment are typically higher than the margins in our Residential segment because our Rugs segment is more vertically integrated, which results in a higher portion of our Rugs segment’s yarn consumption being manufactured in-house, thereby reducing production costs. In addition, the sales price per square meter of our rugs is typically higher than that of our broadloom products because the production of rugs requires an additional manufacturing step, and consumers are less price-sensitive as rugs are more affordable, trend-driven products compared with broadloom. The margins in our Commercial segment are also typically higher than the margins in our Residential segment because commercial broadloom and tiles are often of better quality, more innovative and offer multiple features, such as fire and stain resistance, or dust filtration, which typically results in higher sales prices. The acquisition of Bentley broadens our Commercial product portfolio and gives us access to the United States commercial carpet market. See “—*Acquisitions and Disposals*” below.

In 2016, we sold our products in over 133 countries globally. The United Kingdom and Germany are our largest markets, representing 27% and 17% of our revenue, respectively, for the year ended December 31, 2016. While historically our largest territories have been in Europe, North America represents a growing market for our products and, taking into account the Bentley acquisition, will be our largest market going forward. North America represented 13% of our revenue for the year ended December 31, 2016. On a pro forma basis, for the year ended December 31, 2016, taking into account the Bentley acquisition as if it had occurred on January 1, 2016, our North American operations would have represented 28% of our revenue, with the United Kingdom accounting for 22% and Germany for 14% of our revenue, respectively.

Seasonality and Working Capital

Our sales have historically been slightly higher in September, October and November, reflecting consumer trends of undertaking indoor improvements in preparation for winter. We intentionally build up inventories during the months of June and July in preparation for the fall increase in demand and the annual shutdown of the majority of our manufacturing facilities in August. As a result, our trade working capital is higher during the summer months compared to the rest of the year.

As at December 31, 2016, 2015 and 2014, our trade working capital was €80.0 million, €76.1 million and €83.9 million, respectively. Expressed as a percentage of our revenue, our trade working capital ratio was 14.3%, 13.7% and 16.2% in the years ended December 31, 2016, 2015 and 2014, respectively.

Acquisitions and Disposals

Acquisition of Bentley

On March 22, 2017 we completed the acquisition of Bentley, a U.S. soft flooring manufacturer based in Los Angeles, California, which will broaden our manufacturing and customer base for our Commercial segment. For more information see “—Recent Developments” below.

While we seek to grow organically, we also continue to assess the market for additional acquisition targets that may similarly complement our market positioning or product portfolio.

Acquisition of the Group by Lone Star Fund IX

On August 11, 2015, the Group was acquired by Lone Star Fund IX. The purchase price allocation (“Purchase Price Allocation” or “PPA”) in connection with the acquisition of the Group by Lone Star Fund IX had a significant effect on our results of operations for the year ended December 31, 2015.

The purchase price paid by Lone Star Fund IX for the Group on August 11, 2015 was €272.8 million, as compared to a net asset value of €71.2 million as of that date. Consequently, the preliminary goodwill, before Purchase Price Allocation, was equal to €201.6 million. In accordance with IFRS 3: “*Business Combinations*,” the total purchase price was allocated to the identifiable assets and liabilities. As a result of the Purchase Price Allocation, €77.0 million of the preliminary goodwill was allocated to identifiable assets and liabilities, and the excess amount of €124.7 million was included in goodwill. See Section 13 to the unaudited combined financial statements for the year ended December 31, 2015 included elsewhere in this Prospectus.

The table below reflects the impact of the Purchase Price Allocation on the income statement for the year ended December 31, 2015:

	For the year ended December 31, 2015		
	Before	PPA	After
		(€ thousands)	
Revenue	556,822	—	556,822
Raw material expenses ⁽¹⁾	(258,859)	(10,816)	(269,675)
Changes in inventories ⁽²⁾	(2,525)	(14,879)	(17,405)
Employee benefits expenses	(133,446)	—	(133,446)
Other income	10,879	—	10,879
Other expenses	(97,403)	—	(97,403)
Depreciation, amortization	(24,098)	—	(24,098)
Adjusted operating profit	51,369	(25,695)	25,674
Gains on asset disposals	—	—	—
Legal claims	—	—	—
Integration and restructuring expenses	(33,687)	—	(33,687)
Impairment and write-off	—	—	—
Operating profit / (loss)	17,682	(25,695)	(8,013)
Finance income	79	—	79
Finance expenses	(38,541)	—	(38,541)
Net financial expenses	(38,462)	—	(38,462)
Profit / (loss) before income taxes	(20,780)	(25,695)	(46,475)
Income tax benefit / (expense) ⁽³⁾	(6,688)	9,637	2,949
Profit / (loss) for the period from Continuing Operations	(27,468)	(16,058)	(43,526)
Profit / (loss) for the period from discontinued operations	—	—	—
Profit / (loss) for the period	(27,468)	(16,058)	(43,526)

(1) Adjustment mainly reflects a non-cash charge of €11.3 million which was directly attributable to the fair value step-up of the inventory of raw materials and work in progress.

(2) Adjustment mainly reflects a non-cash charge of €14.9 million which was directly attributable to the fair value step-up of the inventory finished goods.

- (3) Adjustment reflects €8.7 million reversal of deferred tax liabilities recognized at the acquisition of the Group by Lone Star Fund IX, mainly in connection with the fair value step-up of inventory that was been recognized. In addition, an incremental tax provision of €0.9 million was been recognized.

In addition, integration and restructuring expenses associated with the acquisition of the Group by Lone Star Fund IX, together with expenses related to the Company's proposed IPO in 2015 (which equalled €10.4 million), amounted to €31.2 million in the year ended December 31, 2015.

Prior to the acquisition of the Group by Lone Star Fund IX, LSF9 Balta Issuer S.A. had no operating activities and a full parent-subsidiary relationship (as defined by IAS 27/IFRS 10) did not exist amongst all component entities being combined. As a result, consolidated financial information for the Group could not be presented at the LSF9 Balta Issuer S.A. level for any period prior to the acquisition. Therefore, the unaudited combined financial statements of LSF9 Balta Issuer S.A. and its subsidiaries as of and for the year ended December 31, 2015 listed below aggregates the consolidated results of Balta Finance S.à r.l. and its subsidiaries for the period from January 1, 2015 to August 10, 2015 and the consolidated results of LSF9 Balta Issuer S.A. and its subsidiaries as of and for the period from August 11, 2015 to December 31, 2015, as if LSF9 Balta Issuer S.A. had ownership of Balta Finance S.à r.l. for the entire twelve month period ended December 31, 2015. This presentation enables the reader to view the business as a whole and provides meaningful and relevant information that the Company's Directors believe is useful in evaluating the Group's on-going operations, in the same manner as the Group's management views and operates the business.

Description of Key Components of Our Income Statement

Revenue

Revenue consists of revenue, excluding taxes, on sales of our products, as well as transportation costs and customs duties that are invoiced to customers, net of rebates, discounts and intragroup sales.

We recognize revenue typically at the time the risks and rewards are transferred, provided that the amount of revenue can be reliably measured and is likely to be collected.

Raw materials expenses

Raw materials expenses represent expenses incurred by us in connection with the purchase of raw materials used in the production of our soft-floor coverings. Management records raw material expenses on a gross basis; a portion of these expenses is impacted by changes in inventories.

Changes in inventories

Change in inventories represents increases or decreases in work in progress and finished goods held in inventory. It also includes inventory write-downs in order to ensure that inventories are stated at the lower of cost and net realizable value.

Employee benefits expenses

Employee benefit expenses consist of wages and salaries, social security costs and pension costs (including cash disbursements as part of both defined contribution plans and early retirement plans, but excluding certain provisions associated with these plans).

Other income

Other income includes foreign exchange gains, rendered services (mainly income related to social security incentives and sale of waste), and grants and other items such as income from solar panels.

Other expenses

Other expenses mainly include services and other goods (such as energy, transportation, maintenance, rent and services), interim labor expenses, selling expenses (sales commissions, marketing), foreign exchange losses, management fees and real estate taxes.

Depreciation and amortization

Depreciation and amortization includes depreciation of property, plant and equipment, amortization of intangible fixed assets and the recognition of income realized on the sale and leaseback of an operating plant. Intangible fixed assets subject to amortization include trademarks and licenses.

Integration and restructuring expenses

Integration and restructuring expenses comprises various items which are considered by management as non-recurring or unusual in nature. For the period under review these mainly include corporate restructuring expenses, business restructuring expenses, acquisition related expenses, idle IT costs, strategic advisory services as well as other one-off restructuring expenses and non-operating expenses.

Impairment and write-off

Impairment and write-off relates to charges recorded to the carrying amount of the property, plant and equipment, intangible assets and working capital to bring these amounts in line with the estimated recoverable amounts of such assets.

Finance income

Finance income includes interest income on current assets, including the fair value measurement for interest rate swaps and foreign exchange results from intercompany transactions. Finance income includes interest on certain intercompany debt historically owed to parent companies above the Company.

Finance expenses

Finance costs include interest expense on bank borrowings, related party borrowings and interest rate swaps, expenses associated with debt modification and foreign exchange results from intercompany transactions.

Income tax benefit / (expense)

Income tax benefit / (expense) comprises both current and deferred taxes.

Non-IFRS Measures

Adjusted Operating Profit is defined as operating profit / (loss) adjusted for (i) the impact of the purchase price allocation on (a) raw material expenses and (b) changes in inventories, (ii) gains on assets disposal, (iii) legal claims, (iv) integration and restructuring expenses and (v) impairment and write-off.

Adjusted EBITDA is defined as operating profit / (loss) adjusted for (i) the impact of the purchase price allocation on (a) raw material expenses and (b) changes in inventories, (ii) gains on assets disposal, (iii) legal claims, (iv) integration and restructuring expenses, (v) depreciation / amortization and (vi) impairment and write-off.

Adjusted EBITDA margin is defined as Adjusted EBITDA divided by revenue.

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 liabilities with related parties, reverse factoring, and accrued commitment fees, and (iii) cash and cash equivalents.

Net Debt/Adjusted EBITDA is defined as Net Debt divided by Adjusted EBITDA.

The Company presents non-IFRS measures because it believes that they and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. The non-IFRS measures may not be comparable to similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of the Company's operating results as reported under IFRS. See "*Presentation of Financial and Other Information—Non-IFRS Financial Measures*" and "*Selected Consolidated Financial Information—Reconciliations of Non-IFRS Financial Data*."

Recent Developments

In a series of transactions completed in March, 2017, the Balta Group acquired the Bentley group of companies, of which Bentley Mills, Inc. a Los Angeles, California-based manufacturer of modular carpet tile, broadloom and rugs for the commercial market, is the operating company. As described throughout this Prospectus, Bentley now forms a specific U.S. sub-segment of our Commercial segment, allowing the expansion of our *modulyss* brand into the United States and allowing our entry into the premium commercial carpet tile market with the *Bentley* brand. Prior to February 2017, Bentley was owned by the private investor Dominus Capital, L.P. The group was first acquired by Lone Star Fund IX, which then transferred it to the Balta Group on March 22, 2017. The transaction is not subject to approval of competition authorities. See "*Business*" and "*Principal and Selling Shareholder and Group Structure—Reorganization*."

The Bentley executive leadership team will remain in place. From a financial reporting perspective, Bentley will be reported on within our Commercial segment, and thus the most immediate integration priority is in relation to financial

systems and implementing common closing and reporting processes. We are currently organizing a project management office and engaging external advisors to assist in completing this process. A purchase price allocation exercise will be performed in the course of 2017. Given that the date of closing is just before the end of the quarter, no preliminary PPA exercise has been performed so far.

Results of Operations

Results of Operations for the Three Months Ended March 31, 2017 and 2016

The following table sets forth certain income statement data for the three months ended March 31, 2017 and 2016:

	For the three months ended March 31,			
	2017		2016	
	(€ thousands)	% of total revenue	(€ thousands)	% of total revenue
Revenue	155,534	100.0	147,842	100.0
Raw material expenses	(75,796)	48.7	(71,666)	48.5
Changes in inventories	5,378	3.5	5,069	3.4
Employee benefits expenses	(35,480)	22.8	(34,285)	23.2
Other income	2,340	1.5	1,195	0.8
Other expenses	(31,869)	20.5	(29,063)	19.7
Depreciation, amortization	(7,074)	4.5	(7,106)	4.8
Adjusted operating profit	13,033	8.4	11,985	8.1
Gains on asset disposals	—	—	1,610	1.1
Legal claims	—	—	—	—
Integration and restructuring expenses	(4,223)	2.7	(1,277)	0.9
Impairment and write-off	—	—	—	—
Operating profit / (loss)	8,810	5.7	12,318	8.3
Finance income	7	0.0	18	0.0
Finance expenses	(7,548)	4.9	(7,436)	5.0
Net financial expenses	(7,541)	4.8	(7,419)	5.0
Profit / (loss) before income taxes	1,268	0.8	4,900	3.3
Income tax benefit / (expense)	(1,110)	0.7	(2,440)	1.7
Profit / (loss) for the period from Continuing Operations	158	0.1	2,460	1.7
Profit / (loss) for the period from discontinued operations	0	—	0	—
Profit / (loss) for the period	158	0.1	2,460	1.7

Revenue

The following table sets forth our revenue for the three months ended March 31, 2017 and 2016 by segment and geography:

	For the three months ended March 31,		Change	
	2017	2016	(€ thousands)	%
	(€ thousands)	(€ thousands)	(€ thousands)	%
Revenue	155,534	147,842	7,693	5.2
<i>By Segment:</i>				
Rugs	63,377	54,187	9,190	17.0
Residential	63,132	66,153	(3,021)	(4.6)
Commercial	22,148	20,344	1,804	8.9
Non-Woven	6,877	7,157	(280)	(3.9)
Total Revenue	155,534	147,842	7,693	5.2
<i>By Geography:</i>				
Europe	113,908	115,004	(1,096)	(1.0)
North America	27,274	20,276	6,998	34.5
Rest of the World	14,352	12,561	1,791	14.3
Total Revenue	155,534	147,842	7,693	5.2

Our revenue increased by €7.7 million, or 5.2%, to €155.5 million for the three months ended March 31, 2017 from €147.8 million for the three months ended March 31, 2016. The growth was driven by the strong performance of our Rugs and

Commercial divisions, balanced by a decrease of 2.5% on a constant currency basis in the revenue of the Residential division compared to a strong first quarter in 2016. The weakening of the pound sterling offset a portion of the Group's organic growth, with implemented price increases partially offsetting the decline in revenue from the UK. Group revenue for the three months ended March 31, 2017, calculated on a last twelve months pro forma basis, was equal to €679.3 million.

Revenue by segment

Rugs: Our revenue from Rugs increased by €9.2 million, or 17.0%, to €63.4 million for the three months ended March 31, 2017 from €54.2 million for the three months ended March 31, 2016. The increase in revenue was primarily due to strong growth across geographic regions, driven by continued growth in North America (31% over the relevant period) and the successful introduction of new products in Europe.

Residential: Our revenue from Residential decreased by €3.0 million, or 4.6%, to €63.1 million for the three months ended March 31, 2017 from €66.2 million for the three months ended March 31, 2016. The decrease in revenue was primarily due to a weakening of the pound sterling in the wake the Brexit vote, and challenging market conditions in Germany and France, where market demand for carpet has decreased. The Company has responded to this by upscaling our product mix such that the impact of a decrease in demand is less pronounced on revenue and margin. In the division's main market, the UK, organic growth was positive (up 0.3%), driven by the success of new, higher quality products for which Balta charges a premium.

Commercial: Our revenue from Commercial increased by €1.8 million, or 8.9%, to €22.1 million for the three months ended March 31, 2017 from €20.3 million for the three months ended March 31, 2016. This increase in revenue was primarily due to 13% organic growth in the sale of commercial tiles and 5% organic growth in the sale of broadloom carpet as our business continued to gain market share from competitors. The growth is driven by a combination of both increased volumes and increased average net sales price resulting from the upscaling of our product mix. This growth reflects continued investment in product development as well as a more direct sales approach which is increasingly gaining traction outside the European market, with strong performance in North America, South America and Asia Pacific, which will be supplemented going forward by our investment in Bentley.

The revenue from Bentley standalone operations increased by €3.3 million, or 13.3% to €27.7 million for the three months ended March 31, 2017 from €24.4 million for the three months ended March 31, 2016. Including the impact of Bentley, revenue from our Commercial segment for the three months ended March 31, 2017, would have been €49.8 million.

Non-Woven: Our revenue from Non-Woven decreased by €0.3 million, or 3.9%, to €6.9 million for the three months ended March 31, 2017 from €7.2 million for the three months ended March 31, 2016. The decrease in revenue was primarily due to an increased focus on high margin technical applications, for example, in geotextiles.

Revenue by geography

Europe: Our revenue from Europe decreased by €1.1 million, or 1.0%, to €113.9 million for the three months ended March 31, 2017 from €115.0 million for the three months ended March 31, 2016. This decrease was entirely due to the weakening of the pound sterling, which had a negative effect of €2.4 million on revenue during the first quarter of 2017. On a constant currency basis, however, we were able to increase our revenue in Central and Eastern Europe, Benelux, Southern Europe and Scandinavia, which counterbalanced the currency impact. Revenue decreased in Germany and France due to challenging market conditions.

North America: Our revenue from North America increased by €7.0 million, or 34.5%, to €27.3 million for the three months ended March 31, 2017 from €20.3 million for the three months ended March 31, 2016. This increase was due to the continued growth of our Rugs and Commercial divisions. Including the impact of Bentley, our revenue from North America for the three months ended March 31, 2017, would have been €55.0 million.

Rest of the World: Our revenue from the rest of the world increased by €1.8 million, or 14.3%, to €14.4 million for the three months ended March 31, 2017 from €12.6 million for the three months ended March 31, 2016. This increase was due to the growth of our Rugs division, in particular in Latin America and Africa.

Raw material expenses

Raw material expenses increased by €4.1 million, or 5.8%, to €75.8 million for the three months ended March 31, 2017 from €71.7 million for the three months ended March 31, 2016. This increase was due to higher sales volumes. Raw material expenses for the three months ended March 31, 2017 represented 48.7% of revenue, as compared to 48.5% for the three months ended March 31, 2016. Including the impact of Bentley, our raw material expenses for the three months ended March 31, 2017, would have been €87.0 million, representing 47.5% of revenue.

Changes in inventories

Changes in inventories of work in progress and finished goods increased by €0.3 million to €5.4 million for the three months ended March 31, 2017 from €5.1 million for the three months ended March 31, 2016. Including the impact of Bentley, our changes in inventories for the three months ended March 31, 2017, would have been €6.2 million.

Employee benefit expenses

The following table sets forth employee benefit expenses for the three months ended March 31, 2017 and 2016:

	For the three months ended March 31,			
	2017	2016	Change	
	(€ thousands)		(€ thousands)	%
Employee benefit expenses	35,480	34,285	1,195	3.5
Of which				
Wages and salaries	25,251	24,187	1,064	4.4
Social security costs	8,167	8,215	(48)	(0.6)
Pension costs	398	362	36	10.0
Other employee benefit expenses	1,664	1,521	143	9.4

Employee benefit expenses increased by €1.2 million, or 3.5%, to €35.5 million for the three months ended March 31, 2017 from €34.3 million for the three months ended March 31, 2016. This increase was primarily due to the addition of employees (3,686 compared to 3,490 (in FTE's)), mainly in our Rugs division to support further growth. Including the impact of Bentley, our employee benefit expenses for the three months ended March 31, 2017, would have been €43.2 million, representing 23.6% of revenue.

Other income and expenses

The following table sets forth other income and expenses for the three months ended March 31, 2017 and 2016:

	For the three months ended March 31,			
	2017	2016	Change	
	(€ thousands)		(€ thousands)	%
Other income	2,340	1,195	1,145	95.8
Of which				
Foreign exchange gains	1,443	544	899	165.3
Payroll tax incentive	—	—	—	—
Rental income from solar rooftop installations	350	357	(7)	(1.9)
Grants	48	145	(97)	(67.0)
Other	498	149	349	234.4
Other expenses	31,869	29,063	2,805	9.7
Of which				
Services and other goods	19,279	17,275	2,004	11.6
Selling expenses	8,864	9,403	(539)	(5.7)
Foreign exchange losses	1,529	177	1,352	764.1
Real estate tax	2,170	2,201	(31)	(1.4)
Other	26	8	18	226.6

Other income increased by €1.1 million, or 95.8%, to €2.3 million for the three months ended March 31, 2017 from €1.2 million for the three months ended March 31, 2016. This increase was due to an increase of €0.9 million in foreign exchange gains. However, the net amount of foreign exchange gains (presented as Other income) and foreign exchange losses (presented as Other expenses) is equal to a net expense of €0.1 million for the three months ended March 31, 2017, as compared to a net income of €0.4 million for the three months ended March 31, 2016.

Other expenses increased by €2.8 million, or 9.7%, to €31.9 million for the three months ended March 31, 2017 from €29.0 million for the three months ended March 31, 2016. For the three months ended March 31, 2017, the largest components of services and other goods were electricity and gas (€5.9 million), maintenance and repair (€2.2 million) and interim blue collar workers (€2.7 million). Selling expenses principally included freight expenses (€5.7 million) and commissions (€1.1 million). For the three months ended March 31, 2016, the largest components of services and other goods were electricity and gas (€5.7 million), maintenance and repair (€2.9 million) and interim blue collar workers (€1.8 million). Selling expenses principally included freight expenses (€5.4 million) and commissions (€1.2 million).

Depreciation and amortization

The following table sets forth depreciation and amortization for the three months ended March 31, 2017 and 2016:

	For the three months ended March 31,			
	2017	2016	Change	
	(€ thousands)		(€ thousands)	%
Depreciation / amortization	<u>7,074</u>	<u>7,106</u>	<u>(32)</u>	<u>(0.4)</u>
<i>Of which</i>				
Amortization Intangible assets	0	0	0	0
Depreciation property, plant and equipment	7,423	7,455	(32)	(0.4)
Release deferred revenue sale & lease back	(349)	(349)	0	0

Depreciation / amortization remained stable at €7.1 million for the three months ended March 31, 2017 when compared to the three months ended March 31, 2016. The release of deferred revenue on sale and lease back relates to the gradual recognition of the capital gain realized on the sale and lease back of one of our facilities in 2014. Including the impact of Bentley, our depreciation / amortization for the three months ended March 31, 2017, would have been €8.3 million.

Integration and restructuring expenses

The following table sets forth integration and restructuring expenses for the three months ended March 31, 2017 and 2016. This comprises various items which are considered by management to be non-recurring or unusual in nature.

	For the three months ended March 31,	
	2017	2016
	(€ thousands)	
Corporate restructuring	373	628
Business restructuring	—	490
Acquisition-related expenses	980	—
Idle IT costs	503	—
Strategic advisory services	2,369	128
Other	—	30
Integration and restructuring expenses	4,223	1,277

Integration and restructuring expenses increased by €2.9 million to €4.2 million for the three months ended March 31, 2017 from €1.3 million for the three months ended March 31, 2016. This increase was due to (i) an additional €2.2 million of strategic advisory expenses, incurred in connection with the Company's decision to consider various opportunities in the capital markets to finance its growth; (ii) acquisition-related expenses of €1.0 million in relation to the acquisition of Bentley in March 2017; (iii) partially offset by a decrease in corporate restructuring expenses of €0.3 million in relation to legal and tax services; and (iv) incremental (idle) IT costs of €0.5 million in relation to a legacy IT system used for a limited number of activities. The legacy IT system requires incremental costs for extended licenses and premium vendor support assistance given that the original support timeline has been surpassed. These incremental costs are temporary as we begin to migrate the legacy system to the new platform already used by the Group.

Finance income and expenses

Net finance expenses increased by €0.1 million, or 1.7%, to €7.5 million for the three months ended March 31, 2017 from €7.4 million for the three months ended March 31, 2016. Finance expenses are driven by interest on the Senior Secured Notes, but also include interest charges on the financial leasing debt, commitment fees on the Revolving Credit Facility and interest charges attributable to the factoring and forfaiting agreements.

Income tax benefit / (expense)

The following table sets forth the income tax for the three months ended March 31, 2017 and 2016:

	For the three months ended March 31,			
	2017	2016	Change	
	(€ thousands)		(€ thousands)	%
Income tax benefit / (expense)	(1,110)	(2,440)	1,330	54.5
Of which				
Current tax	(261)	(372)	110	29.7
Deferred tax	(849)	(2,068)	1,220	59.0

Income tax expense decreased by €1.3 million, or 54.5%, to €1.1 million for the three months ended March 31, 2017 from €2.4 million for the three months ended March 31, 2016. The €1.1 million corresponds to an effective tax rate of approximately 30% when adjusting the profit before tax for non-tax deductible expenses (mainly strategic advisory expenses incurred as explained above). For the period ended March 31, 2016, the tax expenses were relatively higher as a percentage of the profit before tax as a result of the inability to recognize a portion of the interest expenses incurred in certain subsidiaries of the Group due to inefficiencies in the Group's structure. These inefficiencies were reduced in the course of 2016, resulting in a reduction of the effective tax rate as from 2017.

Adjusted Operating Profit and Adjusted EBITDA

The following table sets forth our reconciliation of Adjusted Operating Profit and Adjusted EBITDA to operating profit for the periods indicated:

	For the three months ended March 31,			
	2017		2016	
	(€ thousands)	% of total revenue	(€ thousands)	% of total revenue
Operating profit / (loss)	8,810	5.7	12,318	8.3
<i>Adjusted for:</i>				
Gains on asset disposals	—	—	(1,610)	1.1
Legal claims	—	—	—	—
Integration and restructuring expenses	4,223	2.7	1,277	0.9
Impairment and write-off	—	—	—	—
Adjusted Operating Profit	13,033	8.4	11,985	8.1
<i>Adjusted for:</i>				
Depreciation / amortization	7,074	4.5	7,106	4.8
Adjusted EBITDA	20,107	12.9	19,091	12.9

Adjusted Operating Profit increased by €1.0 million, or 8.7%, to €13.0 million for the three months ended March 31, 2017 from €12.0 million for the three months ended March 31, 2016. Adjusted EBITDA increased by €1.0 million, or 5.3%, to €20.1 million for the three months ended March 31, 2017 from €19.1 million for the three months ended March 31, 2016. This increase is mainly driven by top line growth, in particular in our Rugs and Commercial divisions, counterbalanced by the expected impact of the depreciation of the pound sterling on our Residential segment. Group Adjusted EBITDA, calculated on a last twelve months pro forma basis ending March 31, 2017, was equal to €99.0 million. Adjusted EBITDA Margin is equal to 12.9% for the three months ended March 31, 2017 and has remained unchanged compared to the three months ended March 31, 2016. This performance is better than expected for 2017, given the impact of the depreciation of the pound sterling on our Residential segment EBITDA. However, excluding the impact of the depreciation in the pound sterling, Adjusted EBITDA Margin would have grown 19.7% between 2016 and 2017.

Bentley's standalone Adjusted EBITDA increased by €0.6 million, or 25.6% to €2.9 million for the three months ended March 31, 2017 from €2.3 million for the three months ended March 31, 2016. Including the impact of Bentley, our Adjusted EBITDA Margin would have been 12.6% and our Adjusted Operating Profit would have been €14.7 million for the three months ended March 31, 2017.

See “*Presentation of Financial and Other Information—Non-IFRS Financial Measures.*” For a reconciliation of Adjusted Operating Profit, Adjusted EBITDA and Adjusted EBITDA Margin to the most comparable IFRS item, see “*Selected Consolidated Financial Information—Reconciliations of Non-IFRS Financial Data.*”

Results of Operations for the Years Ended December 31, 2016 and 2015

The following table sets forth certain income statement data for the years ended December 31, 2016 and 2015:

	For the year ended December 31,			
	2016		2015	
	(€ thousands)	% of total revenue	(€ thousands)	% of total revenue
Revenue	557,685	100.0	556,822	100.0
Raw material expenses	(259,472)	46.5	(269,675)	48.4
Changes in inventories	6,055	1.1	(17,405)	3.1
Gross Profit	304,267	54.6	269,743	48.4
Employee benefits expenses	(130,054)	23.3	(133,446)	24.0
Other income	8,171	1.5	10,879	2.0
Other expenses	(101,017)	18.1	(97,403)	17.5
Depreciation, amortization	(28,666)	5.1	(24,098)	4.3
Gains on asset disposals	1,610	0.3	—	—
Legal claims	—	—	—	—
Integration and restructuring expenses	(5,128)	0.9	(33,687)	6.0
Impairment and write-off	—	—	—	—
Operating profit / (loss)	49,183	8.8	(8,013)	1.4
Finance income	57	0.0	79	0.0
Finance expenses	(28,608)	5.1	(38,541)	6.9
Net financial expenses	(28,552)	5.1	(38,462)	6.9
Profit / (loss) before income taxes	20,632	3.7	(46,475)	8.3
Income tax benefit / (expense)	4,713	0.8	2,949	0.5
Profit / (loss) for the period from Continuing Operations	25,345	4.5	(43,526)	7.8
Profit / (loss) for the period from discontinued operations	—	—	—	—
Profit / (loss) for the period	25,345	4.5	(43,526)	7.8

Revenue

The following table sets forth our revenue for the years ended December 31, 2016 and 2015 by segment and geography:

	For the year ended December 31,		Change	
	2016	2015		
	(€ thousands)	(€ thousands)	(€ thousands)	%
Revenue	557,685	556,822	863	0.2
<i>By Segment:</i>				
Rugs	214,545	204,076	10,469	5.1
Residential	236,758	247,495	(10,737)	(4.3)
Commercial	80,050	79,243	807	1.0
Non-Woven	26,332	26,008	324	1.2
Total Revenue	557,685	556,822	863	0.2
<i>By Geography:</i>				
Europe	429,580	439,873	(10,293)	(2.3)
North America	73,843	64,229	9,614	15.0
Rest of the World	54,262	52,720	1,542	2.9
Total Revenue	557,685	556,822	863	0.2

Our revenue increased by €0.9 million, or 0.2%, to €557.7 million for the year ended December 31, 2016 from €556.8 million for the year ended December 31, 2015. The increase in revenue was primarily due to an increase in sales volumes in our Rugs and Commercial segments, partially offset by lower sales volumes in our Residential segment, particularly in Germany and Central and Eastern Europe. On a pro forma basis, for the year ended December 31, 2016, taking into account the Bentley acquisition as if it had occurred on January 1, 2016, our revenue would have been €668.4 million, including €110.7 million of revenue from Bentley for the year ended December 31, 2016.

Revenue by segment

Rugs: Our revenue from Rugs increased by €10.5 million, or 5.1%, to €214.5 million for the year ended December 31, 2016 from €204.1 million for the year ended December 31, 2015. This increase was driven by strong performance in North America (increasing by 14% over the relevant period) and Europe (increasing by 6% over the relevant period). North America is a strategic focus of the Rugs division and our continued investments in business development, product development and expanding customer relationships are reflected in the Rug segment's financial performance. The growth in revenue in Europe, still our largest region, was driven by strong performance in Western Europe, including France, the UK and Scandinavia.

Residential: Our revenue from Residential decreased by €10.7 million, or 4.3%, to €236.8 million for the year ended December 31, 2016 from €247.5 million for the year ended December 31, 2015. Aside from unfavorable market conditions in Germany and Central and Eastern Europe, this decrease was driven by our strategy aimed at improving margins as opposed to revenue and by the devaluation of the pound sterling. In 2016, we successfully introduced higher margin products that partially offset the adverse impact of foreign exchange movements. Similarly, we successfully defended our pricing levels to retain the benefits from benign raw material prices.

Commercial: Our revenue from Commercial increased by €0.8 million, or 1.0%, to €80.1 million for the year ended December 31, 2016 from €79.2 million for the year ended December 31, 2015. Sales in commercial tiles grew by 4% as a result of strong performance in Eastern Europe (the segment's largest market) and Asia Pacific. 2016 was a year of transition for Balta's sales of commercial tiles in the UK following the decision to terminate an agency agreement and to build a direct sales approach. As a result, volume growth in the UK market was moderate. Revenue in Commercial Broadloom decreased by 5% due to a combination of (i) an intentional shift away from low-margin mass market products towards higher margin (but lower volume) products and (ii) weaker performances in Germany and France. The former is evidenced by an increase in average sales prices due to an increased share of higher margin Chromojet-printed carpets while the latter is partially offset by a strong performance in Central and Eastern Europe, which continued to be the most important region for the sale of commercial broadloom.

Non-Woven: Our revenue from Non-Woven increased by €0.3 million, or 1.2%, to €26.3 million for the year ended December 31, 2016 from €26.0 million for the year ended December 31, 2015. This increase reflected our strategy to increasingly focus on high margin technical applications.

Revenue by geography

Europe: Our revenue from Europe decreased by €10.3 million, or 2.3%, to €429.6 million for the year ended December 31, 2016 from €439.9 million for the year ended December 31, 2015. This decrease was due to a 5% decline of revenue in Europe in our Residential division, in particular in the United Kingdom (where the introduction of high margin products had only partially offset the adverse impact of a weaker pound sterling), Germany and Central and Eastern Europe.

North America: Our revenue from North America increased by €9.6 million, or 15.0%, to €73.8 million for the year ended December 31, 2016 from €64.2 million for the year ended December 31, 2015. This increase was due to the continued strong growth of our rugs business in North America (increasing by 14% over the relevant period).

Rest of the World: Our revenue from the rest of the world increased by €1.5 million, or 2.9%, to €54.2 million for the year ended December 31, 2016 from €52.7 million for the year ended December 31, 2015. This increase was due to the growth of our Rugs revenue, in particular in Latin America.

Raw material expenses

Raw material expenses decreased by €10.2 million, or 3.8%, to €259.5 million for the year ended December 31, 2016 from €269.7 million for the year ended December 31, 2015. Excluding the impact of the Purchase Price Allocation, raw material expenses increased by €0.6 million, or 0.2%, from €258.9 million for the year ended December 31, 2015. In the absence of the Purchase Price Allocation, raw material expenses expressed as a percentage of revenue remained stable at 46.5%.

Changes in inventories

Inventory of work in progress and finished goods increased from €68.7 million for the year ended December 31, 2015 to €74.8 million for the year ended December 31, 2016. The increase of €6.1 million is presented in the income statement as a change in inventory and reflected both growth in revenue in our Rugs divisions. An important portion of this growth was in North America where a large portion of sales related to outdoor rugs which were shipped to customer warehouses in the course of the first months of the year. Such products are typically produced in the last months of the previous year and await shipping in our warehouses at December 31st.

Gross profit

Gross profit increased by €34.5 million, or 12.8%, to €304.3 million for the year ended December 31, 2016, from €269.7 million for the year ended December 31, 2015. Excluding the impact of the Purchase Price Allocation, gross profit increased by €8.8 million, or 3.0%, from €295.4 million for the year ended December 31, 2015.

Employee benefit expenses

The following table sets forth employee benefit expenses for the years ended December 31, 2016 and 2015:

	For the year ended December 31,		Change	
	2016	2015	(€ thousands)	%
	(€ thousands)			
Employee benefit expenses	130,054	133,446	(3,392)	(2.5)
<i>Of which</i>				
Wages and salaries	92,289	95,995	(3,706)	(3.9)
Social security costs	29,974	30,859	(885)	(2.9)
Pension costs	1,603	1,327	276	20.8
Other employee benefit expenses	6,188	5,265	923	17.5

Employee benefit expenses decreased by €3.4 million, or 2.5%, to €130.1 million for the year ended December 31, 2016 from €133.4 million for the year ended December 31, 2015.

The decrease in employee benefit expenses was triggered by a difference in the presentation of payroll tax incentives for night or shift work, whereby the Group can benefit from a partial exemption of payment of withholding tax due on wages paid to workers in team or night shifts. The salary withholding tax is retained on the remuneration paid but the amount of tax retained does not have to be paid in full to the tax authorities.

In 2015, €4.9 million of such incentives were presented as part of “other income” while in 2016, the equivalent amount was equal to €5.4 million and was deducted from employee benefit expenses. On a like for like basis, employee benefit expenses have therefore increased slightly, in line with the slight increase in the average number of employees (from 3,233 to 3,238 (in FTEs)) and salary costs during the period.

Other income and expenses

The following table sets forth other income and expenses for the years ended December 31, 2016 and 2015:

	For the year ended December 31,		Change	
	2016	2015	(€ thousands)	%
	(€ thousands)			
Other income	8,171	10,879	(2,708)	(24.9)
<i>Of which</i>				
Foreign exchange gains	3,800	1,186	2,614	220.4
Payroll tax incentive	—	4,931	(4,931)	(100.0)
Rental income from solar rooftop installations	1,410	1,463	(53)	(3.6)
Grants	602	171	431	252.1
Other	2,358	3,127	(769)	(24.6)
Other expenses	101,017	97,403	3,614	3.7
<i>Of which</i>				
Services and other goods	67,772	61,531	6,241	10.1
Selling expenses	28,824	32,647	(3,823)	(11.7)
Foreign exchange losses	2,253	59	2,194	3,719.2
Real estate tax	2,156	2,644	(488)	(18.5)
Other	12	522	(510)	(97.7)

Other income decreased by €2.7 million, or 24.9%, to €8.2 million for the year ended December 31, 2016 from €10.9 million for the year ended December 31, 2015. The decrease was due to the reclassification of the payroll tax incentive from other income in 2015 to employee benefit expenses in 2016 (as explained above), partially offset by an increase in foreign exchange gains. Other income is comprised of €3.8 million in relation to foreign exchange movements, of which €2.8 million is realized income on the settlement of forward exchange contracts entered into as part of our hedging policy, and €1.4 million in rental payments received from renting certain rooftops to a solar development company. The residual component of other income, €3.0 million and €3.3 million in 2016 and 2015, respectively, is in relation to grants, the re-charge of certain expenses incurred, the sale of waste and the de-recognition of old credit notes to issue for potential commercial settlements.

Other expenses increased by €3.6 million, or 3.7%, to €101.0 million for the year ended December 31, 2016 from €97.4 million for the year ended December 31, 2015. For the year ended December 31, 2016, the largest components of services and other goods were electricity and gas (€21.1 million), maintenance and repair (€10.4 million) and interim blue collar workers (€7.0 million). Selling expenses principally included freight expenses (€20.8 million) and commissions

(€3.8 million). For the year ended December 31, 2015, the largest components of services and other goods were electricity and gas (€22.4 million), maintenance and repair (€6.3 million) and interim blue collar workers (€5.2 million), with selling expenses principally including freight expenses (€20.6 million) and commissions (€4.7 million).

Depreciation and amortization

The following table sets forth depreciation and amortization for the years ended December 31, 2016 and 2015:

	For the year ended December 31,		Change	
	2016	2015	(€ thousands)	%
	(€ thousands)			
Depreciation / amortization	28,666	24,098	4,568	19.0
<i>Of which</i>				
Amortization Intangible assets	785	680	105	15.4
Depreciation property, plant and equipment	29,276	24,813	4,463	18.0
Release deferred revenue sale & lease back	(1,395)	(1,395)	—	—

Depreciation / amortization increased by €4.6 million, or 19.0%, to €28.7 million for the year ended December 31, 2016 from €24.1 million for the year ended December 31, 2015. The increase in depreciation charges was primarily a consequence of the fair value step-up on buildings recorded in 2015 as part of the Purchase Price Allocation.

The release of deferred revenue sale and lease back in each period related to the gradual recognition of the capital gain realized on the sale and lease back of one of our facilities in 2014. This deferred revenue is recognized on a straight line basis over a 12 year period as partial offset to depreciation charges over the period of the lease. The annual amount recognized in the income statement is €1.4 million, with the balance of deferred income equal to €12.9 million as at December 31, 2016.

Integration and restructuring expenses

The following table sets forth integration and restructuring expenses for the years ended December 31, 2016 and 2015. This comprises various items which are considered by management to be non-recurring or unusual in nature.

	For the year ended December 31,	
	2016	2015
	(€ thousands)	
Corporate restructuring	1,920	1,195
Business restructuring	670	—
Acquisition-related expenses	—	31,143
Idle IT costs	703	—
Strategic advisory services	1,324	1,060
Other	496	290
Integration and restructuring expenses	5,128	33,687

Integration and restructuring expenses decreased by €28.6 million to €5.1 million for the year ended December 31, 2016. This decrease was primarily due to the absence of acquisition-related expenses in 2016, which amounted to €31.1 million in 2015 following the acquisition of Balta Finance mid-2015. In 2016, corporate restructuring expenses were equal to €1.9 million and reflected costs in relation to changes in senior management. In 2015, corporate restructuring expenses were equal to €1.2 million and were primarily related to legal and tax services aimed at a potential simplification of the group structure by further aligning legal entity structure to business segment. Expenses for business restructuring were equal to €0.7 million in 2016, which comprised a fee paid to terminate an agency agreement in the United Kingdom as part of the strategy to further develop our *modulyss* brand in Europe through a direct sales approach. In addition, given the minor share of wool in our raw material mix, the decision was taken to close the wool spinning department and, going forward, to buy wool yarns from third party suppliers. In 2016, we incurred €0.7 million of incremental (idle) IT costs in relation to a legacy IT system used for a limited number of activities within the Group. The legacy system triggers incremental costs for extended licenses and premium vendor support assistance given that the original support timeline has been surpassed. These incremental costs are temporary, given that the company has started a project to migrate the legacy system to a new platform already used by the majority of business activities elsewhere in the Group. Finally, €1.3 million of strategic advisory expenses were incurred in 2016 (as compared to €1.1 million in 2015) in relation to non-recurring tax, legal and financial advisory services.

Finance income and expenses

Finance income was stable at €0.1 million in each of the years ended December 31, 2016 and 2015.

Finance expenses decreased by €9.9 million, or 25.8%, to €28.6 million for the year ended December 31, 2016 from €38.5 million for the year ended December 31, 2015. The decrease in finance expenses was due to the new financing structure which was put in place in August 2015. Since then, finance expenses are driven by interest on the Senior Secured Notes and

also include interest charges on the financial leasing debt, commitment fees on the Revolving Credit Facility (as defined below) and interest charges attributable to the factoring and forfaiting agreements. The main driver of the decrease in finance expenses is a decrease of €4.4 million in foreign exchange losses on intercompany transactions and the absence of the interest on related party debt in 2016 whilst such debt triggered an interest expense of €12.0 million recognized in 2015. In 2015, the Group had a Euro-denominated borrowing agreement of approximately €20 million between a Belgian entity of the Group and its Turkish subsidiary. This intercompany debt was the main driver for the important foreign exchange gains/losses recorded in 2015. This intercompany debt was extinguished in December 2015 through a capital increase in the Turkish subsidiary. As a result of this, the Group is no longer faced with significant foreign exchange losses on intercompany positions. Of the net financial expenses for 2016, €25.2 million related to cash expenses while €3.3 million relates to non-cash expenses, comprising the write-off of capitalized financing fees and unrealized foreign exchange losses related to the agreement described immediately above.

In 2015, non-cash finance expenses of €17.4 million were recorded in relation to intercompany transactions. This comprised €12.0 million of interest expenses on a shareholder loan between Balta Finance S.à r.l. and Balta Luxembourg S.à r.l. and €5.4 million of non-cash foreign currency losses in relation to Euro-denominated intercompany balances between a Belgian entity and its Turkish subsidiary. The shareholder loan was transferred from Balta Luxembourg S.à r.l. to Balta Investments S.à r.l. Consequently, the associated debt held by Balta Finance S.à r.l. and the receivable held by Balta Investments S.à r.l. became intercompany positions, as a result of which interest income/expense thereon is eliminated in consolidation in 2016.

Even though intercompany balances are eliminated in consolidation, translating the Turkish entity's financial statements from its functional currency to the reporting currency does not reverse the foreign currency losses. Instead, translating the foreign entity's financial statements into the reporting currency generates an equivalent gain within the cumulative translation adjustment account, a component of other comprehensive income.

Income tax benefit / (expense)

The following table sets forth the income tax for the years ended December 31, 2016 and 2015:

	For the year ended December 31,		Change	
	2016	2015	(€ thousands)	%
	(€ thousands)			
Income tax benefit / (expense)	4,713	2,949	1,764	59.8
<i>Of which</i>				
Current tax	(3,014)	(1,571)	(1,443)	91.9
Deferred tax	7,727	4,520	3,207	71.0

Income tax benefit increased by €1.8 million to €4.7 million for the year ended December 31, 2016 from a €2.9 million benefit for the year ended December 31, 2015. This increase was driven in part by the recognition of a deferred tax asset of €10.8 million in relation to tax credits for which the recognition criteria were not previously met. Excluding the impact of the Purchase Price Allocation, income tax benefit / (expense) increased by €11.4 million, or 170.5%, from a €6.7 million expense for the year ended December 31, 2015.

Current tax expense increased by €1.4 million to €3.0 million for the year ended December 31, 2016 from €1.6 million for the year ended December 31, 2015. The increase was due to tax losses in certain subsidiaries having been offset by statutory gains in those subsidiaries as a result of positive performance of our *modulyss* product. In 2015, the Group was able to offset positive results in these subsidiaries with tax losses carried forward from previous years which resulted in a lower current tax rate. Excluding the impact of the Purchase Price Allocation, deferred tax benefit increased by €11.9 million from a €4.2 million expense for the year ended December 31, 2015. This increase was driven in part by the recognition of a deferred tax asset of €10.8 million in relation to tax credits for which the recognition criteria were not previously met.

Adjusted Operating Profit and Adjusted EBITDA

The following table sets forth our reconciliation of Adjusted Operating Profit and Adjusted EBITDA to operating profit for the periods indicated:

	For the year ended December 31,					
	2016		2015		2015	
	(€ thousands)	% of total revenue	(€ thousands)	% of total revenue	(€ thousands)	% of total revenue
Operating profit / (loss)	49,183	8.8	17,682	3.2	(8,013)	1.4
<i>Adjusted for:</i>						
Impact of PPA on raw material expenses	—	—	—	—	10,816	1.9
Impact of PPA on changes in inventories	—	—	—	—	14,879	2.7
Gains on asset disposals	(1,610)	0.3	—	—	—	—
Legal claims	—	—	—	—	—	—
Integration and restructuring expenses	5,128	0.9	33,687	6.0	33,687	6.0
Impairment and write-off	—	—	—	—	—	—
Adjusted Operating Profit	52,701	9.4	51,369	9.2	51,369	9.2
<i>Adjusted for:</i>						
Depreciation / amortization	28,666	5.1	24,098	4.3	24,098	4.3
Adjusted EBITDA	81,367	14.6	75,467	13.6	75,469	13.6

Adjusted Operating Profit increased by €1.3 million, or 2.6%, to €52.7 million for the year ended December 31, 2016 from €51.4 million for the year ended December 31, 2015. Adjusted EBITDA increased by €5.9 million, or 7.8%, to €81.4 million for the year ended December 31, 2016 from €75.5 million for the year ended December 31, 2015, mainly due to the continued growth of our Rugs and Commercial segments and the successful introduction of higher margin products in our Residential segment, which partially offset the adverse impact of foreign exchange movements. Similarly, we successfully defended our pricing levels to retain the benefits from benign raw material prices. Adjusted EBITDA Margin increased from 13.6% to 14.6% over the same period.

On a pro forma basis, for the year ended December 31, 2016, taking into account the Bentley acquisition as if it had occurred on January 1, 2016, our Adjusted EBITDA would have been €97.4 million, with an Adjusted EBITDA Margin of 14.6%, including €16.0 million of Adjusted EBITDA from Bentley for the year ended December 31, 2016.

See “Presentation of Financial and Other Information—Non-IFRS Financial Measures.” For a reconciliation of Adjusted Operating Profit, Adjusted EBITDA and Adjusted EBITDA Margin to the most comparable IFRS item, see “Selected Consolidated Financial Information—Reconciliations of Non-IFRS Financial Data.”

Results of Operations for the Years Ended December 31, 2015 and 2014

The following table sets forth certain income statement data for the years ended December 31, 2015 and 2014:

	For the year ended December 31,			
	2015	% of total	2014	% of total
	(€ thousands)	revenue	€ thousands	revenue
Revenue	556,822	100.0	519,529	100.0
Raw material expenses	(269,675)	48.4	(256,794)	49.4
Changes in inventories	(17,405)	3.1	9,033	1.7
Gross profit	269,743	48.4	271,768	52.3
Employee benefits expenses	(133,446)	24.0	(128,191)	24.7
Other income	10,879	2.0	10,960	2.1
Other expenses	(97,403)	17.5	(89,388)	17.2
Depreciation, amortization	(24,098)	4.3	(24,802)	4.8
Gains on asset disposals	—	—	530	0.1
Legal claims	—	—	557	0.1
Integration and restructuring expenses	(33,687)	6.0	(3,189)	0.6
Impairment and write-off	—	—	(12,689)	2.4
Operating profit / (loss)	(8,013)	1.4	25,556	4.9
Finance income	79	0.0	2,367	0.5
Finance expenses	(38,541)	6.9	(34,543)	6.6
Net financial expenses	(38,462)	6.9	(32,176)	6.2
Profit / (loss) before income taxes	(46,475)	8.3	(6,620)	1.3
Income tax income	2,949	0.5	7,856	1.5
Profit / (loss) for the period from continuing operations	(43,526)	7.8	1,236	0.2
Profit / (loss) for the period from discontinued operations	—	—	—	—
Profit / (loss) for the period	(43,526)	7.8	1,236	0.2

Revenue

The following table sets forth our revenue for the years ended December 31, 2015 and 2014 by segment and geography:

	For the year ended December 31,		Change	
	2015	2014	(€ thousands)	%
	(€ thousands)	(€ thousands)	(€ thousands)	%
Revenue	556,822	519,529	37,293	7.2
<i>By Segment:</i>				
Rugs	204,076	181,544	22,532	12.4
Residential	247,495	239,148	8,347	3.5
Commercial	79,243	69,904	9,339	13.4
Non-Woven	26,008	28,933	(2,925)	(10.1)
<i>By Geography:</i>				
Europe	439,873	428,049	11,824	2.8
North America	64,229	43,611	20,618	47.3
Rest of the World	52,720	47,869	4,851	10.1

Our revenue increased by €37.3 million, or 7.2%, to €556.8 million for the year ended December 31, 2015 from €519.5 million for the year ended December 31, 2014. The increase in revenue was primarily due to growth in our Rugs division, our Commercial division and our Residential division. The revenue growth was partially offset by a decrease in our Non-Woven division.

Revenue by segment

Rugs: Our revenue from Rugs increased by €22.5 million, or 12.4%, to €204.1 million for the year ended December 31, 2015 from €181.5 million for the year ended December 31, 2014. This increase was driven by strong business development with key customers in the United States and the launch of a specific U.S. product range, supported by increased production by our Turkish facility. This increase was also supported by positive foreign exchange translation effects. However, despite the improved trading in the U.S., the economic recovery in continental Europe remained soft.

Residential: Our revenue from Residential increased by €8.3 million, or 3.5%, to €247.5 million for the year ended December 31, 2015 from €239.1 million for the year ended December 31, 2014. This increase was attributable to increased sales volumes in the United Kingdom driven by successful business development and the general economic recovery, partially offset by lower sales volumes in continental Europe and Russia due to difficult market conditions.

Commercial: Our revenue from Commercial increased by €9.3 million, or 13.4%, to €79.2 million for the year ended December 31, 2015 from €69.9 million for the year ended December 31, 2014. This increase was due to strong volume growth in all key regions, driven by the launch of new products and the strengthening of the sales team.

Non-Woven: Our revenue from Non-Woven decreased by €2.9 million, or 10.1%, to €26.0 million for the year ended December 31, 2015 from €28.9 million for the year ended December 31, 2014. This decrease was due to our decision to rationalize some low margin product ranges, which was implemented during 2014.

Revenue by geography

Europe: Our revenue from Europe increased by €11.8 million, or 2.8%, to €439.9 million for the year ended December 31, 2015 from €428.0 million for the year ended December 31, 2014. This increase was due to growth across all segments in this geographic area and particularly in the United Kingdom, driven by an increase in the value of the Pound sterling.

North America: Our revenue from North America increased by €20.6 million, or 47.3%, to €64.2 million for the year ended December 31, 2015 from €43.6 million for the year ended December 31, 2014. This increase was driven by our Rugs segment and affected by strong business development with key customers and the launch of a specific U.S. product range, which was supported by increased capacity in our Turkish manufacturing capacity.

Rest of the World: Our revenue from the rest of the world increased by €4.9 million, or 10.1%, to €52.7 million for the year ended December 31, 2015 from €47.9 million for the year ended December 31, 2014. This increase was due to increased sales in the Middle East, in particular by our Residential segment.

Raw material expenses

Raw material expenses increased by €12.9 million, or 5.0%, to €269.7 million for the year ended December 31, 2015 from €256.8 million for the year ended December 31, 2014. The increase in raw material expenses primarily reflected a value step-up of inventory recorded in the context of Purchase Price Allocation, amounting to €10.8 million. The carrying value of inventories was increased to their market value less the cost to bring the products to market. As this value is higher than our inventory valuation policies, this value step-up should be considered one-off. Excluding the impact of the Purchase Price Allocation, raw material expenses increased by €2.1 million, or 0.8%, to €258.9 million for the year ended December 31, 2015, driven by increased sales volumes, partially offset by decreases in the averages prices of granulates and latex.

When excluding the non-cash impact of the Purchase Price Allocation, raw material expenses for the year ended December 31, 2015 were equal to €258.9 million and represented 46.5% of revenue, as compared to 49.4% for the year ended December 31, 2014.

Changes in inventories

As explained above, under “—Raw materials expenses,” and itemized on the income statement, the fair value step-up of inventory was equal to €25.7 million for the year ended December 31, 2015, of which €10.8 million related to raw materials and €14.9 million to work in progress and finished goods. The latter was recorded in changes in inventories.

Changes in inventories decreased by €26.4 million to a €17.4 million expense for the year ended December 31, 2015, from a €9.0 million gain for the year ended December 31, 2014. Excluding the impact of the Purchase Price Allocation, changes in inventories decreased by €11.5 million to a €2.5 million expense for the year ended December 31, 2015, reflecting the decrease of inventory of work in progress and finished goods to €68.7 million as of December 31, 2015 from €71.3 million as of December 31, 2014.

Gross profit

Gross profit decreased by €2.1 million, or 0.8%, to €269.7 million for the year ended December 31, 2015, from €271.8 million for the year ended December 31, 2014. Excluding the impact of the Purchase Price Allocation, gross profit increased by €23.6 million, or 8.7%, to €295.4 million for the year ended December 31, 2015.

Employee benefit expenses

The following table sets forth employee benefit expenses for the years ended December 31, 2015 and 2014:

	For the year ended December 31,		Change	
	2015 (€ thousands)	2014 (€ thousands)	(€ thousands)	%
Employee benefit expense	133,446	128,191	5,255	4.1
<i>Of which</i>				
Wages and salaries	95,995	91,296	4,699	5.1
Social security costs	30,859	30,419	440	1.4
Pension costs	1,327	1,269	58	4.6
Other employee benefit expenses	5,265	5,206	59	1.1

Employee benefit expenses increased by €5.3 million, or 4.1%, to €133.4 million for the year ended December 31, 2015 from €128.2 million for the year ended December 31, 2014. The increase was primarily due to an increase in headcount and labor required to produce the required increase in volume of product produced.

Other income and expenses

The following table sets forth other income and expenses for the years ended December 31, 2015 and 2014:

	For the year ended December 31,		Change	
	2015 (€ thousands)	2014 (€ thousands)	(€ thousands)	%
Other income	10,879	10,960	81	(0.7)
<i>Of which</i>				
Foreign exchange gains	1,186	1,393	(207)	(14.9)
Payroll tax incentive	4,931	4,968	(37)	(0.7)
Rental income from solar rooftop installations	1,463	1,545	(82)	(5.3)
Grants	171	675	(504)	(74.7)
Other	3,127	2,380	(747)	31.4
Other expenses	97,403	89,388	8,015	9.0
<i>Of which</i>				
Services and other goods	61,531	58,896	2,635	4.5
Selling expenses	32,647	26,385	6,262	23.7
Foreign exchange losses	59	650	(592)	(90.9)
Real estate tax	2,644	2,950	(306)	(10.4)
Other	522	506	16	3.2

Other income was largely stable, decreasing by €0.1 million, or 0.7%, to €10.9 million for the year ended December 31, 2015 from €11.0 million for the year ended December 31, 2014. The main component of other income is the payroll tax incentive for night or shift work, which is a partial exemption of payment of withholding tax due on wages paid to workers in team or night shifts. The salary withholding tax is retained on the remunerations paid but the amount of tax so retained must not be fully paid to the tax authorities. Other income also comprises foreign exchange gains, and rental payments received from renting certain rooftops to a solar development company. The residual component of other income, €3.3 million and €3.1 million for the years ended December 31, 2015 and 2014, respectively, is in relation to grants, the re-charge of certain expenses incurred, the sale of waste and the derecognition of old credit notes to issue for potential commercial settlements.

Other expenses increased by €8.0 million, or 9.0%, to €97.4 million for the year ended December 31, 2015 from €89.4 million for the year ended December 31, 2014. Services and other goods for the year ended December 31, 2015 mainly comprises electricity and gas (€22.4 million), maintenance and repair (€6.3 million) and interim blue collar workers (€5.2 million). Selling expenses mainly comprise freight (€20.6 million) and commissions (€4.7 million). Services and other goods for the year ended December 31, 2014 were mainly comprised of electricity and gas (€21.5 million), maintenance and repair (€8.9 million) and costs related to interim blue collar workers (€3.7 million). Selling expenses mainly comprised freight (€19.1 million) and commissions (€3.9 million).

Depreciation and amortization

The following table sets forth depreciation and amortization for the years ended December 31, 2015 and 2014:

	For the year ended December 31,		Change	
	2015	2014	(€ thousands)	%
	(€ thousands)			
Depreciation / amortization	24,098	24,802	(704)	(2.8)
<i>Of which</i>				
Amortization Intangible assets	680	1,008	(328)	(32.5)
Depreciation property, plant and equipment	24,813	24,840	(27)	(0.1)
Release deferred revenue sale & lease back	(1,395)	(1,046)	(349)	33.4

Depreciation / amortization was largely stable, decreasing by €0.7 million, or 2.8%, to €24.1 million for the year ended December 31, 2015 from €24.8 million for the year ended December 31, 2014. The release of deferred revenue sale and lease back related to the gradual recognition of the capital gain realized on the sale and lease back of one of our facilities in 2014. This deferred revenue was recognized as partial offset to depreciation charges over the period of the lease.

Integration and restructuring expenses

The following table sets forth integration and restructuring expenses for the years ended December 31, 2015 and 2014. This comprises various items which are considered by management to be non-recurring or unusual in nature.

	For the year ended December 31,	
	2015	2014
	(€ thousands)	
Corporate restructuring	1,195	—
Business restructuring	—	272
Acquisition-related expenses	31,143	1,939
Idle IT costs	—	980
Strategic advisory services	1,060	—
Other	290	—
Integration and restructuring expenses	33,687	3,189

Integration and restructuring expenses increased by €30.5 million, to €33.7 million for the year ended December 31, 2015 from €3.2 million for the year ended December 31, 2014. This increase was driven by an increase of €29.2 million in acquisition-related expenses. This amount comprised expenses related to the purchase of the Balta Group by Lone Star Fund IX, expenses associated with the issuance of the Senior Secured Notes and aborted IPO expenses.

Impairment and write-off

We perform an annual impairment test during which the value of the future cash flows of each cash-generating unit is compared with the carrying amounts of the related net assets. This led to impairment charges of nil for the year ended December 31, 2015 and €12.7 million for the year ended December 31, 2014. The €12.7 million for the year ended December 31, 2014 consisted of: €9.2 million impairment on plant and equipment in relation to the cash generating unit *ITC*, €3.0 million write-off on inventory and €0.5 million impairment in relation to samples for slow running collections.

Finance income and expenses

Finance income decreased by €2.3 million, or 96.7%, to €0.1 million for the year ended December 31, 2015 from €2.4 million for the year ended December 31, 2014. For the year ended December 31, 2014, finance income was impacted by a positive change in the fair value measurement of interest rate swaps which matured in June 2014; there was no such impact for the year ended December 31, 2015.

Finance expenses increased by €4.0 million, or 11.6%, to €38.5 million for the year ended December 31, 2015 from €34.5 million for the year ended December 31, 2014. The increase in finance expenses was mainly due to an increased cost of borrowing, with the cost of the Senior Secured Notes issued in 2015 exceeding the cost of the bank borrowings which were repaid using the proceeds of these notes.

Income tax benefit / (expense)

The following table sets forth the income tax for the years ended December 31, 2015 and 2014:

	For the year ended December 31,		Change	
	2015	2014	(€ thousands)	%
	(€ thousands)			
Income tax benefit / (expense)	2,949	7,856	(4,907)	(62.5)
<i>Of which</i>				
Current tax	(1,571)	(1,664)	93	5.6
Deferred tax	4,520	9,520	(5,000)	(52.5)

Income tax benefit decreased by €4.9 million, or 62.5%, to €2.9 million for the year ended December 31, 2015 from €7.9 million for the year ended December 31, 2014, driven by the impact of non-recurring transaction fees associated with the acquisition of the Group by Lone Star Fund IX. In 2014, the income tax benefit was driven by (i) the reversal of deferred tax liabilities which was recorded following the recognition of an impairment and write-off charge of €12.7 million, and (ii) the recognition of deferred tax assets following the implementation of a contract manufacturing agreement between Balta Industries NV and Balta Oudenaarde NV. Excluding the impact of the Purchase Price Allocation, income tax benefit decreased by €14.6 million, or 184.8%, to a €6.7 million expense for the year ended December 31, 2015.

Current tax expense decreased by €0.1 million, or 5.6%, to €1.6 million for the year ended December 31, 2015 from €1.7 million for the year ended December 31, 2014. For the year ended December 31, 2015, the Company incurred certain significant non-recurring transaction and restructuring fees. These fees are the main driver of the loss in 2015 and have not been partially offset by the recognition of a deferred tax asset, which is why the income tax benefit is relatively small as compared to the loss before tax of the period.

Adjusted Operating Profit and Adjusted EBITDA

The following table sets forth our reconciliation of Adjusted Operating Profit and Adjusted EBITDA to operating profit for the periods indicated:

	For the year ended December 31,					
	2015		2015		2014	
	(Before Purchase Price Allocation)		(After Purchase Price Allocation)			
	(€ thousands)	% of total revenue	(€ thousands)	% of total revenue	(€ thousands)	% of total revenue
Operating profit / (loss)	17,682	3.2	(8,013)	1.4	25,556	4.9
<i>Adjusted for:</i>						
Impact of PPA on raw material expenses	—	—	10,816	1.9	—	—
Impact of PPA on changes in inventories	—	—	14,879	2.7	—	—
Gains on asset disposals	—	—	—	—	(530)	0.1
Legal claims	—	—	—	—	(557)	0.1
Integration and restructuring expenses	33,687	6.0	33,687	6.0	3,189	0.6
Impairment and write-off	—	—	—	—	12,689	2.4
Adjusted Operating Profit	51,369	9.2	51,369	9.2	40,347	7.8
<i>Adjusted for:</i>						
Depreciation / amortization	24,098	4.3	24,098	4.3	24,802	4.8
Adjusted EBITDA	75,467	13.6	75,467	13.6	65,149	12.5

Adjusted Operating Profit increased by €11.0 million, or 27.3%, to €51.4 million for the year ended December 31, 2015 from €40.3 million for the year ended December 31, 2014. Adjusted EBITDA increased by €10.3 million, or 15.8%, to €75.5 million for the year ended December 31, 2015 from €65.1 million for the year ended December 31, 2014 mainly due to strong growth in our Rugs segment, driven by successful business development with key customers in the United States and enabled by the design of a specific U.S. product range, the strengthening of the commercial team and supported by increased capacity in our Turkish facility. Similarly, revenues in our commercial segment increased by 13% as a result of the launch of new products and the strengthening of the sales team. In our Residential segment, the growth in Adjusted EBITDA was driven by our UK business. Across all segments, the business benefited from an improved underlying macro-economic environment in the United Kingdom and United States, including favorable foreign exchange movements of the Euro against the U.S. dollar and the British pound, and our ability to retain a portion of the benefits associated with lower raw material prices, as described above. Adjusted EBITDA Margin increased to 13.6% from 12.5% over the same period.

See “Presentation of Financial and Other Information—Non-IFRS Financial Measures.” For a reconciliation of Adjusted Operating Profit, Adjusted EBITDA and Adjusted EBITDA Margin to the most comparable IFRS item, see “Selected Consolidated Financial Information—Reconciliations of Non-IFRS Financial Data.”

Liquidity and Capital Resources

Capital Resources

Our primary sources of liquidity are cash flows from operations and our non-recourse factoring and forfaiting agreements and the Revolving Credit Facility Agreement. Bentley's primary sources of liquidity are cash flows from operations, a revolving credit loan and a swing loan.

As of March 31, 2017, including Bentley, we had net debt of €385.0 million. This consisted of €290 million in Senior Secured Notes (described below), €1.0 million accrued interest on the Senior Secured Notes, €17.3 million of financial leasing debt, €75.0 million drawn under the Senior Term Loan Facility Agreement (described below), €0.1 million accrued interest related to the Senior Term Loan Facility Agreement, €30.9 million amortizing term loan debt, €10.4 million drawn under a revolving credit facility, €0.1 million of uncleared cheques, less cash and cash equivalents of €39.7 million.

As of December 31, 2016, excluding Bentley, we had net debt of €268.5 million. This consisted of €290 million in Senior Secured Notes (described below), €6.6 million accrued interest on the Senior Secured Notes, and €17.9 million of financial leasing debt, less cash and cash equivalents of €46.0 million. When including Bentley, and taking into account the acquisition debt incurred, net debt pro forma for the acquisition of Bentley was equal to €384.2 million at that date. This included €75.0 million drawn under the Senior Term Loan Facility Agreement (described below) as well as the following debt of Bentley: €31.3 million amortizing term loan debt, €10.5 million drawn under a revolving credit facility and €1.1 million of uncleared cheques. On a pro forma basis, total cash and cash equivalents as of December 31, 2016 was equal to €48.2 million.

Financing Arrangements

As of the Issue Date, our principal financing arrangements consist of the Senior Secured Notes, the Revolving Credit Facility and the Senior Term Loan, which are described in further detail below. The acquisition of Bentley and the Reorganization are not anticipated to have an impact on any debt covenants in our financing arrangements.

Senior Secured Notes

On August 3, 2015, LSF9 Balta Issuer S.A. (the "Issuer") issued €290,000,000 in aggregate principal amount of 7.75% senior secured notes due 2022 (the "Senior Secured Notes"). The Senior Secured Notes accrue interest at the rate of 7.75% per annum. The Senior Secured Notes will mature on September 15, 2022. The Senior Secured Notes are listed on the Luxembourg Stock Exchange and have been admitted to trading on the Euro MTF market.

The Senior Secured Notes were issued pursuant to a New York law governed indenture dated August 3, 2015, (as amended or supplemented from time to time, the "Senior Secured Notes Indenture") among the Senior Secured Notes Issuer, the Guarantors, U.S. Bank Trustees Limited as trustee, Elavon Financial Services DAC (formerly Elavon Financial Services Limited) as security agent and registrar and Elavon Financial Services DAC, U.K. Branch (formerly Elavon Financial Services Limited, U.K. Branch) as principal paying agent and transfer agent.

At the date of issuance, Balta faced volatile macro-economic conditions and market backdrop mainly due to the Greece sovereign debt crisis and macro concerns about China. Since then, debt markets have eased and now offer higher volumes and lower pricing. As a consequence, the Senior Secured Notes' yields have materially improved with a yield-to-worst of 3.20% and a trading value of 109.6, as of May 11, 2017. This combined with redemption options under the current bond documentation could offer the Company an opportunity to consider its refinancing options, although no firm refinancing plan has been confirmed to date and ability to refinance in the future will remain subject to market conditions.

Guarantees and Security

The Senior Secured Notes are guaranteed on a senior secured basis by LSF9 Balta Investments S.à r.l., Balta NV, Balta Industries NV, Balta Oudenaarde NV and Modulys NV (for the purposes of this section, the "Guarantors") and are secured by, first-ranking security interests over the following collateral:

- the issued shares of the Guarantors;
- the issued preferred equity certificates of the Issuer and Balta Investments S.à r.l.;
- certain bank accounts of the Guarantors;
- certain moveable assets of certain of the Guarantors;
- certain intra-group loans and receivables of the Guarantors; and
- a business pledge with respect to the business of Balta Industries NV, Balta Oudenaarde NV and Modulys NV.

Change of Control Offer

Upon the occurrence of a change of control (as defined in the Senior Secured Notes Indenture), the Senior Secured Notes Indenture requires the Issuer to offer to repurchase the Senior Secured Notes at 101% of their aggregate principal amount, plus accrued and unpaid interests and additional amounts, if any, to the date of purchase.

Optional Redemption

At any time prior to September 15, 2018, the Issuer may redeem all or a portion of the Senior Secured Notes at a redemption price equal to 100% of the principal amount of the Senior Secured Notes redeemed, plus a “make-whole” premium as of, and accrued and unpaid interest and additional amounts, if any, to the date of redemption. In addition, at any time prior to September 15, 2018, the Issuer may redeem up to 40% of the aggregate principal amount of the Senior Secured Notes at a redemption price equal to 107.750% of the principal amount of the Senior Secured Notes redeemed, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption, with the net cash proceeds of an equity offering of the Issuer or any parent entity, subject to certain conditions set out in the Senior Secured Notes Indenture. In addition, at any time prior to September 15, 2018, the Issuer may redeem during each 12-month period up to 10% of the aggregate principal amount of the Senior Secured Notes then outstanding at a redemption price equal to 103% of the principal amount of the Senior Secured Notes redeemed, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption.

On or after September 15, 2018, the Issuer may on any one or more occasions redeem all or a part of the Senior Secured Notes at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest and additional amounts, if any, on the Senior Secured Notes redeemed, to the applicable date of redemption, if redeemed during the twelve-month period beginning on September 15 of the years indicated below:

<u>Date</u>	<u>Notes</u>
2018	103.8750%
2019	101.9375%
2020 and thereafter	100.0000%

Covenants

The Senior Secured Notes Indenture contains customary covenants that restrict, among other things, the ability of the Issuer and its restricted subsidiaries to,

- incur or guarantee additional indebtedness and issue certain preferred stock;
- create or permit to exist certain liens;
- make certain restricted payments, including dividends or other distributions;
- prepay or redeem subordinated debt or equity;
- make certain investments or acquisitions, including participation in joint ventures;
- engage in certain transactions with affiliates;
- sell, lease or transfer certain assets including stock of restricted subsidiaries;
- guarantee debt of the Issuer or any Guarantor without also guaranteeing the Senior Secured Notes;
- create certain restrictions on the ability of restricted subsidiaries to pay dividends or make other payments to the Issuer or a restricted subsidiary;
- create unrestricted subsidiaries;
- merge or consolidate with other entities or transfer all or substantially all of the Issuer and its restricted subsidiaries' assets or a Guarantor's assets; and
- impair the security interests for the benefit of the creditors.

Pursuant to customary provisions for high-yield notes contained in the Senior Secured Notes Indenture, the Issuer and its restricted subsidiaries may make certain restricted payments. In particular, under a customary restricted payments build-up basket, which is based on 50% of the Issuer's consolidated net income (as defined in the Senior Secured Notes Indenture), the Issuer and its restricted subsidiaries may, among others, pay dividends, repurchase equity or make other

payments to shareholders of the Issuer. The Issuer and its restricted subsidiaries may also make restricted payments under its restricted payments general basket of the greater of €15.0 million and 3.8% of total assets, and Issuer and its restricted subsidiaries may make uncapped restricted payments provided that the Consolidated Net Leverage Ratio does not exceed 2.75 to 1.0. Consolidated Net Leverage Ratio under the Senior Secured Notes Indenture means total Indebtedness (as defined in the Senior Secured Notes Indenture) of LSF9 Balta Issuer S.A. (other than bona fide hedging obligations not for speculative purposes), less cash and Cash Equivalents (as defined in the Senior Secured Notes Indenture), each on the date of determination, divided by Consolidated EBITDA (as defined in the Senior Secured Notes Indenture) for the most recently ended four fiscal quarters for which internal financial statements are available immediately preceding such date of determination. The calculation of the Consolidated Net Leverage Ratio is made on the basis set out in the Senior Secured Notes Indenture and may give effect to certain pro forma adjustments as permitted thereunder (including with respect to anticipated cost savings and cost reduction synergies). The availability of the above baskets for restricted payments is subject to the absence of a default or event of default occurring under the Senior Secured Notes Indenture.

Events of Default

The Senior Secured Notes Indenture also provides for certain events of default, including cross-acceleration and cross-payment defaults with respect to indebtedness with a principal amount of at least €20.0 million. Upon any event of default under the Senior Secured Notes Indenture, the Trustee or the holders of at least 25% in aggregate principal amount of the then outstanding Senior Secured Notes may declare all of the Senior Secured Notes to be immediately due and payable. Upon certain events of default related to insolvency, all of the then outstanding Senior Secured Notes will become immediately due and payable without further action or notice.

Revolving Credit Facility

On August 3, 2015, the Issuer and LSF9 Balta Investments S.à r.l. entered into a revolving credit facility agreement (as amended or supplemented from time to time, the “Revolving Credit Facility Agreement”), which provides for up to €45.0 million of committed financing (the “Revolving Credit Facility”) and, subject to the restrictions on debt incurrence set out therein, uncommitted financing which ranks pari passu with or junior to such committed financing, all of which can be drawn by way of loans or by way of letters of credit or ancillary facilities. Amounts drawn under the Revolving Credit Facility may be used for working capital and other general corporate purposes of the Group, including permitted acquisitions, operational restructurings and permitted reorganizations of the Group. The Revolving Credit Facility will terminate on August 11, 2021.

The Revolving Credit Facility bears interest at a rate per annum equal to LIBOR or, in relation to any loan in euro, EURIBOR plus a margin of 3.75% per annum, subject to a margin ratchet based on the Total Net Leverage Ratio. Total Net Leverage Ratio under the Revolving Credit Facility Agreement has the same meaning given to the term Consolidated Net Leverage Ratio under the Senior Secured Notes Indenture, with certain additional limitations on the ability to give pro forma effect to anticipated cost savings and cost reduction synergies.

Guarantees and Security

The Revolving Credit Facility Agreement is guaranteed by the Issuer and the Guarantors that guarantee the Senior Secured Notes and is secured on the same Collateral that secures the Senior Secured Notes.

The Revolving Credit Facility also provides that (i) the aggregate consolidated EBITDA (as defined in the Revolving Credit Facility Agreement) of the Guarantors (provided that for this purpose where any Guarantor has negative earnings before interest, tax, depreciation and amortization (calculated on the same basis as Consolidated EBITDA) its earnings before interest, tax, depreciation and amortization shall be deemed zero) is required to exceed 80% of the restricted group's consolidated EBITDA and (ii) the aggregate of the total assets (excluding good will and intra-Group items) of the Guarantors is required to exceed 70% of the total assets of the restricted group, tested annually. Subject to the Agreed Security Principles (as defined below), the Issuer shall procure, on an annual basis, that any other member of the restricted group required to become an additional Guarantor in order to ensure compliance with the guarantor coverage test accedes to the Revolving Credit Facility as a Guarantor.

Voluntary and Mandatory Prepayments

Subject to certain conditions, the borrowers may voluntarily prepay their utilizations or permanently cancel all or part of the available commitments under the Revolving Credit Facility Agreement upon three business days' prior written notice. In addition to any voluntary prepayments, the Revolving Credit Facility Agreement requires mandatory prepayment in full or in part in certain circumstances, and if applicable, cancellation, including upon a change of control (as defined in the Revolving Credit Facility Agreement) or a sale of all or substantially all of the assets of the restricted group whether in a single transaction or a series of related transactions or upon a Notes Repurchase (as defined in the Revolving Credit Facility Agreement) and on a pro rata basis where the Notes Repurchase (when taken together with all other Notes Repurchases) exceeds 50% of the original aggregate principal amount of the Initial Notes (as defined in the Revolving Credit Facility Agreement) unless certain conditions are met.

Covenants

The Revolving Credit Facility Agreement contains incurrence covenants that are substantially the same as those applicable to the Senior Secured Notes. The Revolving Credit Facility Agreement also contains customary affirmative and negative covenants and a springing Total Net Leverage Ratio financial covenant (as determined in accordance with the Revolving Credit Facility Agreement), requiring the Issuer to ensure that (to the extent tested) the Total Net Leverage Ratio as at the end of each relevant quarter period does not exceed 6.50:1. The financial covenant shall only apply to the extent that the aggregate principal amount of all outstanding loans under the Revolving Credit Facility and all outstanding cash drawings under any ancillary facilities on the last day of the applicable relevant quarter period is greater than 30% of the total commitments in respect of the Revolving Credit Facility as at the end of the relevant quarter period. In the event that the financial covenant is not complied with when tested, such non-compliance may be cured with the cash proceeds of additional shareholder funding up to four times over the life of the Revolving Credit Facility.

Events of Default

The Revolving Credit Facility contains customary events of default (subject in certain cases to agreed grace periods, thresholds and other qualifications) including, among others, non-payment; a cross default with respect to indebtedness of any member of the restricted group above a certain threshold; misrepresentation; breach of the financial covenant (when tested); breach of other obligations; unlawfulness; repudiation, audit qualification, failure to comply with the intercreditor arrangement, material adverse change and insolvency related events of default that are substantially the same as those applicable to the Senior Secured Notes, the occurrence of which would allow the lenders to accelerate all or part of the outstanding utilizations and/or terminate their commitments and/or declare all or part of their utilizations payable on demand and/or declare that cash cover in respect of letters of credit and ancillary facilities is immediately due and payable.

Governing Law

The Revolving Credit Facility Agreement and any non-contractual obligation arising out of or in connection with it are governed by and construed and enforced in accordance with English law although the incurrence covenants and additional events of default, which are included in the Revolving Credit Facility Agreement and replicate those contained in the Senior Secured Notes Indenture, will be interpreted in accordance with New York law (without prejudice to the fact that the Revolving Credit Facility is governed by, and shall be enforced in accordance with, English law).

Agreed Security Principles

The guarantees and security to be provided will be given in accordance with certain agreed security principles set out in the Revolving Credit Facility Agreement. The agreed security principles embody recognition by all parties that there may be certain legal and practical difficulties in obtaining security from all Guarantors in every jurisdiction in which Guarantors are incorporated.

Senior Term Loan Agreement

On March 16, 2017, the Issuer and certain of its subsidiaries entered into a senior term loan agreement (the “Senior Term Loan Agreement”), which provides for a €75.0 million senior term loan facility (the “Senior Term Loan”) and, subject to the restrictions on debt incurrence set out therein, uncommitted financing which ranks pari passu with or junior to such initial facility. The proceeds of the initial drawings of the Senior Term Loan were used to repay certain subordinated vendor loans incurred by the Issuer to finance the acquisition of Bentley and to pay related fees and expenses. The Senior Term Loan Agreement will mature on March 22, 2022.

The Senior Term Loan bears interest at a rate per annum equal to EURIBOR plus a margin of 5.00% per annum, subject to a margin ratchet based on the Consolidated Senior Secured Net Leverage Ratio (as defined in the Senior Term Loan Agreement).

The Senior Term Loan Agreement is guaranteed by the Issuer and the Guarantors that guarantee the Senior Secured Notes and is secured on the same Collateral that secures the Senior Secured Notes. The Senior Term Loan Agreement contains the same guarantor coverage test as the Revolving Credit Facility Agreement.

Voluntary and Mandatory Prepayments

Subject to certain conditions, the borrowers may voluntarily prepay their utilizations or permanently cancel all or part of the Senior Term Loan upon three business days’ prior written notice. In addition to any voluntary prepayments, the Senior Term Loan Agreement requires mandatory prepayment in full or in part in certain circumstances, and if applicable, cancellation, including upon a change of control (as defined in the Senior Term Loan Agreement) or a sale of all or substantially all of the assets of the restricted group whether in a single transaction or a series of related transactions or from the proceeds of asset sales (to the extent such prepayment is required pursuant the equivalent covenant in respect of the Senior Secured Notes).

Covenants

The Senior Term Loan Agreement contains incurrence covenants that are substantially the same as those applicable to the Senior Secured Notes. The Senior Term Loan Agreement also contains customary affirmative and negative covenants.

Events of Default

The Senior Term Loan Agreement contains customary events of default substantially the same as those in the Revolving Credit Facility Agreement.

Governing Law

The Senior Term Loan Agreement and any non-contractual obligation arising out of or in connection with it are governed by and construed and enforced in accordance with English law although the incurrence covenants and additional events of default, which are included in the Senior Term Loan Agreement and replicate those contained in the Senior Secured Notes Indenture, will be interpreted in accordance with New York law (without prejudice to the fact that the Senior Term Loan Agreement is governed by, and shall be enforced in accordance with, English law).

Agreed Security Principles

The guarantees and security to be provided will be given in accordance with certain agreed security principles set out in the Senior Term Loan Agreement substantially the same as those in the Revolving Credit Facility Agreement.

Intercreditor Agreement

On August 3, 2015, the Issuer and certain of its subsidiaries entered into a intercreditor agreement to govern, among other things, the relationships and relative priorities among the secured creditors (for the purposes of this section, the “Intercreditor Agreement”). The purpose of the Intercreditor Agreement is to regulate, among other things the relative ranking of certain indebtedness of the Issuer and each of its subsidiaries that incurs any liability or provides any guarantee (for the purposes of this section, the “Debtors”), the relative ranking of certain security granted by the Debtors, when payments can be made in respect of certain indebtedness of the Debtors, when enforcement actions can be taken in respect of that indebtedness, the terms pursuant to which that indebtedness will be subordinated upon the occurrence of certain insolvency events, turnover provisions and when security and guarantees will be released to permit a sale of the collateral. The Intercreditor Agreement provides that the creditors in respect of the Revolving Credit Facility Agreement will benefit from any proceeds of enforcement of security in priority to other creditors of the Issuer and its subsidiaries.

The Intercreditor Agreement is governed by English law.

Bentley Financing Arrangements

BPS Parent, Inc. and other subsidiaries entered into a \$51.0 million syndicated credit facility (for the purpose of this section, the “Fifth Third Credit Agreement”) with Fifth Third Bank and other financial institutions (for the purpose of this section, the “Lenders”) on February 1, 2017. The credit facilities under the Fifth Third Credit Agreement consist of: (i) a five year revolving credit facility of \$18.0 million which will be due and payable on January 31, 2022, and availability is governed by a borrowing base, and (ii) a five year term loan facility of \$33.0 million, also scheduled to mature on January 31, 2022, requiring quarterly payments. 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 favor 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.

Cash Flows

The following table sets forth our cash flows as of and for the three months ended March 31, 2017 and 2016 and the years ended December 31, 2016, 2015 and 2014:

	As of and for the three months ended March 31,		As of and for the year ended December 31,		
	2017	2016	2016	2015	2014
	(€ thousands)				
Net profit / (loss) for the period from continuing operations	158	2,460	25,345	(43,526)	1,236
Net cash generated by operating activities	10,328	10,827	66,257	39,618	60,771
Net cash used by investing activities	(76,722)	(5,971)	(35,569)	(309,739)	(25,263)
Net cash (used) / generated by financing activities	60,138	(14,947)	(30,163)	248,928	(16,862)
Cash, cash equivalents and bank overdrafts at the end of the period	39,732	35,369	45,988	45,462	66,654

Cash Flow generated by Operating Activities

Cash flow generated by operating activities decreased by €0.5 million to €10.3 million for the three months ended March 31, 2017 from €10.8 million for the three months ended March 31, 2016. The cash flow has been positively impacted by an increase in Adjusted EBITDA (€1.0 million) and a reduction in working capital (€4.0 million). These benefits have been offset by an increase in non-recurring expenses (€2.9 million) and an increase in taxes paid (€2.9 million).

Cash flow generated by operating activities increased by €26.6 million to €66.3 million for the year ended December 31, 2016 from €39.6 million for the year ended December 31, 2015. The increase was due to better trading performance and comparatively lower integration and restructuring expenses as explained earlier.

Cash flow generated by operating activities decreased by €21.2 million to €39.6 million for the year ended December 31, 2015 from €60.8 million for the year ended December 31, 2014. When eliminating the impact of the acquisition of the Group by Lone Star Fund IX and associated restructuring fees, the recurring cash flow from operations was equal to €73.3 million, an increase of €12.5 million over the year ended December 31, 2014, reflecting the improved performance of the business.

Cash Flow from / used in Investing Activities

For the three months ended March 31, 2017, cash used in investing activities was equal to €76.7 million, as compared to €6.0 million in the same period in 2016. This can be broken down as follows: (i) €8.5 million of capital expenditure (compared to €7.6 million for the three months ended March 31, 2016), (ii) an outflow of €0.1 million in proceeds from disposals (compared to an outflow of €1.6 million for the three months ended March 31, 2016) and (iii) €68.3 million paid to acquire Bentley.

In 2016, cash flow used in investing activities was comprised of €38.0 million of capital expenditure and proceeds from disposals of €2.4 million consisting primarily of the disposal of an obsolete felt line used to produce fibers and the disposal of equipment belonging to the wool spinning department that was closed for a total of €35.6 million for the year ended December 31, 2016, a decrease of €1.3 million from the previous year.

Excluding the €272.8 million paid as the net consideration for the acquisition of the Group by Lone Star Fund IX in 2015, the cash flow used in investing activities for the year ended December 31, 2015 was €36.9 million, compared to €28.5 million in 2014. The cash flow used in investing activities was comprised of capital expenditures (as described below under “—Capital Expenditures.”

Cash Flow from / used in Financing Activities

Net cash generated by financing activities for the three months ended March 31, 2017 was equal to €60.1 million, as compared to an outflow of €14.9 million for the three months ended March 31, 2016. This can be broken down as follows: (i) €75.0 million of proceeds raised by entering into the Senior Term Loan. The latter was used to fund the acquisition of Bentley and to pay all transaction and financing-related expenses. The partial overfunding of €1.8 million was kept as cash on the balance sheet, (ii) an outflow €14.3 million of interest paid, similar to the interest charges in the same period in 2016; (iii) an outflow of €0.6 million of capital repayments in relation to finance leasing debt, similar to the repayments in the same period in 2016.

Cash used in financing activities was €30.2 million for the year ended December 31, 2016, compared to cash generated by financing activities of €248.9 million for the year ended December 31, 2015. The financing activities for the year ended December 31, 2016 comprised €27.7 million of interest payments and other finance charges paid on the Senior Secured Notes and a €2.4 million repayment of financial leasing debt.

Cash flow from financing activities was €248.9 million for the year ended December 31, 2015, as compared to cash flow used in financing activities of €16.9 million for the year ended December 31, 2014. The increase reflected €140.0 million of proceeds from the issuance of capital and preferred equity certificates by LSF9 Balta Issuer S.A., and €290.0 million of proceeds from the issuance of Senior Secured Notes in 2015 by LSF9 Balta Issuer S.A., which in turn were offset by €158.0 million in capital repayments in respect of all outstanding borrowing in full as at August 11, 2015, €16.4 million in transaction fees in respect of the Senior Secured Notes, and €6.7 million in interest charges in respect of the Senior Secured Notes.

Working Capital

The following table sets forth the components of our working capital as of March 31, 2017 and 2016 and December 31, 2016, 2015 and 2014, respectively:

	As of March 31,		As of December 31,		
	2017	2016	2016	2015	2014
			(€ millions)		
Inventories	158.9	135.4	135.3	129.4	126.9
Net trade receivables	51.8	39.1	41.3	32.9	37.0
Trade payables	(115.8)	(96.6)	(96.6)	(86.1)	(79.9)
Net trade working capital	94.8	77.8	80.0	76.2	83.9
Other working capital	(54.4)	(55.8)	(58.4)	(60.1)	(64.0)
Total working capital	40.4	22.0	21.6	16.1	19.9

Net trade working capital was €94.8 million (13.9% of last twelve month revenue, calculated on a pro forma basis) and €77.8 million (13.8% of last twelve month revenue, calculated on a pro forma basis) as of March 31, 2017 and 2016, respectively, and €80.0 million (14.3% of revenue), €76.2 million (13.7% of revenue) and €83.9 million (16.2% of revenue) as of December 31, 2016, 2015 and 2014, respectively. The increase in net trade working capital of €14.1 million at the end of the first quarter of 2017, as compared to December 31, 2016 was driven by the acquisition of Bentley. Acquiring Bentley has had the following impact as of March 31, 2017: a €15.9 million increase in inventories, a €12.7 million increase in net trade receivables and a €10.4 million increase in trade payables, representing a €12.7 million increase in net trade working capital which was 11.1% of last twelve month revenue generated by Bentley. Excluding the impact of Bentley, Balta standalone net trade working capital is equal to 13.4% of last twelve month revenue.

Total working capital increased in absolute terms over the periods under review primarily as a result of a growth in revenue, together with an increased importance of sales of outdoor rugs during the first months of the year, requiring a larger inventory position as of December 31.

Other working capital primarily consists of current employee benefit obligations, accrued charges and deferred income. Other working capital was €58.4 million, €60.1 million and €64.0 million as of December 31, 2016, 2015 and 2014, respectively. Other working capital fell over the periods under review primarily as a result of a decrease in accrued charges and deferred income.

Other working capital can be broken down as follows:

	As of March 31,		As of December 31,		
	2017	2016	2016	2015	2014
			(€ millions)		
Current portion of employee benefit obligations ⁽¹⁾	(34,071)	(32,219)	(31,246)	(31,554)	(29,815)
Accrued charges and deferred income ⁽²⁾	(30,964)	(32,373)	(33,369)	(38,220)	(42,573)
Current income tax liabilities	(4,227)	(5,204)	(5,974)	(4,831)	(2,349)
Other payables	(1,757)	(51)	(1,573)	(49)	1
Other amounts receivable	14,088	10,692	11,799	12,618	9,103
<i>Of which</i>					
Current portion	14,088	10,692	11,661	12,528	9,103
Non-current portion	—	—	138	91	—
Prepayments and accrued income	2,381	2,137	1,945	1,124	1,577
Current income tax assets	21	117	34	28	19
Derivative financial instruments	7	1,144	46	786	—
Other working capital	(54,522)	(55,757)	(58,388)	(60,097)	(64,037)

(1) An important component of other working capital are the social liabilities (labelled as “employee benefit obligations”), the majority of which are short term liabilities. Short term social liabilities include recurring wages, salaries, social security taxes, bonuses and other allowances for current employees whereby services have been rendered and recognized as an expense on the income statement but cash has not been paid. This is part of the company’s normal payroll cash cycle. We refer to Note 26 Employee Benefit Obligations in the 2016 Annual Report for a full breakdown of these liabilities.

(2) The accrued charges and deferred income are driven by (i) accrued customer rebates, and (ii) deferred income of sale and leaseback. Customer rebates are primarily based on customers achieving defined sales targets over a specified period of time. The Company estimates the cost of these rebates based on the likelihood of the rebate being achieved and recognizes the cost as a deduction from revenue when such revenue is recognized. Rebate programs are monitored on a regular basis and adjusted as required. Deferred income is driven the capital gain realized on the sale and lease back of one of the Group’s manufacturing facilities in 2014. This deferred revenue is recognized on a straight line basis over a 12 year period as partial offset to depreciation charges over the period of the lease. The annual amount recognized in the income statement is €1.4 million. The balance sheet amount of deferred income was equal to €12.5 million as at March 31, 2017, €12.9 million as at December 31, 2016, €13.9 million as at March 31, 2016, €14.3 million as at December 31, 2015 and €15.7 million as at December 31, 2014.

Deferred Tax Assets and Liabilities

The table below shows the deferred tax assets and liabilities as presented on the balance sheet after netting deferred tax liabilities and deferred tax assets within the same jurisdiction.

	As of March 31,		As of December 31,		
	2017	2016	2016	2015	2014
	(€ thousands)				
Deferred tax assets	18,613	8,732	18,950	8,573	6,484
Deferred tax liabilities	(70,663)	(69,792)	(69,775)	(67,879)	(34,342)

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. The significant increase in deferred tax liability recorded in 2015 is due to the fair value step-up in the context of the purchase price allocation. This fair-value step-up was performed in accordance with IFRS 3: “*Business Combinations*,” hence increasing the carrying amount in the consolidated financial statements, but did not impact the carrying amounts in the tax books or the future cash taxes payable. This temporary difference will gradually be reversed over the remaining lifetime of the assets which were affected by the fair value step-up.

Capital Expenditures

During the periods under review, we made investments in two principal types of capital expenditures: (i) maintenance capital expenditures (including investments in buildings, health and safety, information technology and capital expenditures related to the preparation of samples that we send to prospective and existing customers in connection with the marketing of our products) and (ii) growth and innovation capital expenditures, which include discretionary investments in new property, plant and equipment, new construction, upgrades and other long lived assets, with a typical payback period between two and four years. Examples of historical growth and innovation capital expenditures include new looms and automatic tufting machines to support increased demand and improve efficiency, increased extrusion capacity for the production of yarns, and cabling and heatsetting equipment for the finishing of yarn produced internally. The timing of such investments is discretionary. During recent years, we chose to invest in discretionary projects due to anticipated pick-up in market demand.

The following table shows a breakdown of our capital expenditure for the three months ended March 31, 2017 and 2016 and the years ended December 31, 2016, 2015 and 2014:

	For the three months ended March 31,				For the year ended December 31,					
	2017		2016		2016		2015		2014	
	(€ millions)	% of total revenue	(€ millions)	% of total revenue	(€ millions)	% of total revenue	(€ millions)	% of total revenue	(€ millions)	% of total revenue
Maintenance	4.3	2.7	4.5	3.1	22.2	3.8	20.6	2.9	18.6	1.9
Growth and Innovation	4.2	2.7	3.1	2.1	15.8	3.0	16.3	3.7	9.9	3.6
Total Capital Expenditure	8.5	5.5	7.6	5.2	37.9	6.8	36.9	6.6	28.5	5.4

During the period under review, our discretionary capital expenditures included:

- in 2014, a €2.9 million investment in new looms to increase production capacity in order to support growth of our Rugs segment, as well as a €1.3 million investment in an tufting machine for our commercial tile segment in order to expand our product offering with more advanced patterns;
- in 2015, a €5.9 million investment in new looms to increase production capacity in order to support growth of our Rugs segment in the United States, as well as an additional €2.0 million investment to upgrade the finishing and packing line in one of our Rugs plants;
- in 2015 and 2016, a €3.3 million investment over 2015 and 2016 to upgrade our cabling and heat set capacity in our Tielt plant to support the treatment of new technology soft and shiny yarns, in order to meet growing demand for soft carpets and improve the Residential segment’s product mix;
- in 2016, a €5.0 million investment to expand our in-house yarn manufacturing capacity in Turkey, which is anticipated to reduce our dependence on external yarn suppliers and increase margins in our Rugs segment; and
- in 2015 and 2016, a €3.9 million investment in an automated “ultra-sonic cutting” line and automatic packaging line in our Zele, Belgium plant, which has significantly improved efficiency and increased production capacity for our manufacture of commercial carpet tiles.

For the three months ended March 31, 2017, our capital expenditures were €8.5 million compared to €7.6 million during for the three months ended March 31, 2016. On an annualized basis this is slightly below our expectations for 2017. Our capital expenditures for the three months ended March 31, 2017 comprised: €4.2 million of growth and innovation capital expenditures and €4.3 million of maintenance capital expenditures (including €1.9 million of samples). Of our total capital expenditures for the period, €2.3 million was incurred in our Rugs segment, €3.1 million was incurred in our Residential segment, €2.9 million was incurred in our Commercial segment and €0.1 million was incurred in our Non-Woven segment.

For the year ended December 31, 2016, our capital expenditures were €37.9 million compared to €36.9 million during for the year ended December 31, 2015 and €28.5 million for the year ended December 31, 2014. The increase in capital expenditures over these periods primarily resulted from the expansion of our showroom in the United States, investments in our information technology infrastructure and major overhauls to various pieces of equipment. For the year ended December 31, 2016, on a pro forma basis for the Bentley Acquisition, our capital expenditures were €45.5 million, comprised of €25.7 million in maintenance capital expenditure and €19.8 million in growth and innovation capital expenditure. This value excludes €2.4 million in proceeds from disposals which would reduce total capital expenditure to €43.1 million.

Our capital expenditures for the year ended December 31, 2016 comprised: €15.9 million of growth and innovation capital expenditures and €22.2 million of maintenance capital expenditures (including €8.0 million of samples). Of our total capital expenditures for the period, €16.3 million were incurred in our Rugs segment, €14.6 million were incurred in our Residential segment, €6.3 million were incurred in our Commercial segment and €0.7 million were incurred in our Non-Woven segment.

Our capital expenditures for the year ended December 31, 2015 comprised: €16.3 million of growth and innovation capital expenditures and €20.6 million of maintenance capital expenditures (including €9.6 million of samples), partially offset by €0.5 million of proceeds realized from disposals. Of our total capital expenditures for the period, €16.6 million were incurred in our Rugs segment, €15.3 million were incurred in our Residential segment, €4.9 million were incurred in our Commercial segment and €0.2 million were incurred in our Non-Woven segment.

Our capital expenditures for the year ended December 31, 2014 comprised: €9.9 million of growth and innovation capital expenditures and €18.6 million of maintenance capital expenditures (including €8.2 million of samples). Of our total capital expenditures in 2014, €10.4 million were incurred in our Rugs segment; €12.0 million were incurred in our Residential segment; €5.5 million were incurred in our Commercial segment; and €0.3 million were incurred in our Non-Woven segment. We also realized proceeds on sale of property in our Residential segment of €3.0 million in 2014.

In the years ended December 31, 2016, 2015 and 2014 our capital expenditures were 6.8%, 6.6%, and 5.4%, of our revenue, respectively. Excluding our extraordinary investment in the expansion of our Turkish yarn manufacturing capacity, our capital expenditures in 2016 would have represented 5.5% of our revenue. We believe that, based on current capacity configuration and as a result of having invested substantial amounts in our manufacturing plants in recent years, we will be able to increase production volumes without substantial incremental capital expenditure going forward. Thus, we anticipate capital expenditures will slowly taper down and stabilize at between five and six percent of revenue.

As of December 31, 2016, the future aggregate minimum lease payments for buildings and machinery under non-cancellable operating leases were €10.5 million. This represents the total current firm commitments for future capital investments at this time.

Material Contractual Commitments

The table below summarizes our material contractual obligations and their maturity profiles as of March 31, 2017:

	Less than 6 months	Between 6 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	(€ thousands)				
Finance lease liabilities	(1,410)	(1,407)	(2,106)	(3,995)	(10,665)
Senior Secured Notes	(16,993)	(17,035)	(33,687)	(174,024)	(301,238)
Trade and other payables	(148,565)	—	—	—	—
Gross settled derivative financial instruments—outflows	(31,754)	(1,421)	—	—	—
Gross settled derivative financial instruments—inflows	31,257	1,399	—	—	—
Total	(167,465)	(18,464)	(35,793)	(178,019)	(311,903)

The table above reflects all contractually fixed pay-offs for settlement, repayments and interest resulting from recognized financial liabilities. For more information on our Revolving Credit Facility and Senior Secured Notes please see “—Liquidity and Capital Resources—Financing Arrangements” above.

Off-Balance Sheet Items

We have from time to time used certain off-balance sheet arrangements for capital commitments in relation to the acquisition of certain machines, contracts for raw material commitments and gas and electricity, or for leases and operating lease agreements. As of December 31, 2016, our capital commitments were €2.4 million, relating to machinery and

equipment. As of December 31, 2016, our fixed price purchase commitments for electricity and gas, for deliveries in 2017, were equal to €11.5 million. As of December 31, 2016, our fixed price commitments for raw materials, for deliveries in 2017, are equal to €66.0 million.

In addition, we lease a number of buildings and various pieces of equipment and machinery. As of December 31, 2016, the future aggregate minimum lease payments under non-cancellable operating leases were €10.5 million.

Except as disclosed above, we do not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our financial condition, revenues, expenses, results of operations, liquidity, capital expenditures or capital resources.

Qualitative and Quantitative Disclosure About Market Risk

Foreign Exchange Risk

We operate internationally and are exposed to foreign exchange risk arising from various factors, primarily with respect to GBP, USD and TRY. 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, EUR/GBP and EUR/TRY exchange rates. The proportion of our revenue recognized 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. For instance, a portion of our sales in the United Kingdom are invoiced in Euro.

Our Consolidated Financial Statements are prepared in Euro. 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 Euro. A portion of our assets, liabilities, revenue and costs are denominated in various currencies other than Euro, principally GBP, USD and TRY. As a result, our consolidated results of operations, which are reported in Euro, are affected by currency exchange rate fluctuations.

Transaction risk arises when our subsidiaries execute transactions in a currency other than their functional currency. We mitigate this risk through four primary methods. First, for USD, we historically have been able to match cash inflows and cash outflows, resulting in a natural hedge between assets and liabilities. The natural hedge position is assessed on a semi-annual basis, whereby the amount of our remaining exposure is closely monitored. Secondly, we have also entered into commercial arrangements with two of our key customers to review the impact of EUR/GBP and EUR/TRY fluctuations and with the potential to adjust prices accordingly. Thirdly, we also use forward exchange contracts to hedge our residual exposure to GBP. Essentially, we forecast the percentage of our GBP denominated cash that is not subject to a price adjustment mechanism on a rolling five month basis and close forward contracts to ensure it is hedged by month of exposure. In 2016, the Balta Group invoiced approximately €148.6 million to customers in the UK and Ireland, of which 26% was in EUR and 27% was in GBP adjusted for the GBP/EUR exchange rate. The remaining 47% is in the scope of our GBP hedging policy. Finally, even with respect to commercial arrangements that do not provide for exchange rate-based price-adjustment mechanisms, our established relationships with our customers imply that both positive and negative currency fluctuations are generally passed on through price revisions over the medium term.

Commodity Price Risk

We are exposed to fluctuations in the price of major raw material commodities used in the manufacturing process. Our key raw materials are polypropylene granulates, yarn, latex and polyamide granulates. In 2016, raw material expenses represented 46.5% of our revenue. We are generally able to pass on increases in the cost of raw materials to customers, and customers, in turn, typically also request price decreases when raw material costs decrease. As there is typically a time delay in our ability to pass through raw materials price increases, changes in the cost of raw materials typically have a short-term impact on our gross margin. However, the impact on long term performance has been limited. If the commodity prices of polypropylene and polyamide had been 10% higher (lower), profit after tax and equity for the year ended December 31, 2016 would have been €4.0 million lower (higher) (year ended December 31, 2015: €4.1 million) in the absence of any mitigating actions taken by management. This impact has been determined by multiplying the volumes of both granulates and yarns purchased on an annual basis with a 10% variance on the average purchase price of polypropylene and polyamide for the year. The sensitivity calculation takes into account the time lag between purchasing polypropylene and polyamide and recognizing the raw material expenses against sales.

Interest Rate Risk

Our interest rate risk principally relates to external indebtedness that bear interest at variable rates. Our main source of debt financing, the Senior Secured Notes, carry interest at a fixed rate. The other sources of debt financing are subject to variable interest rates. We currently do not use interest rate swaps in respect of our financing.

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. If a credit limit needs to be increased, the approval of the CFO is required. 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 and forfaiting of the trade receivables whereby the insolvency risk has been transferred to the counterparty. Historical default rates did not exceed 0.1% for 2015 and 2016. Trade receivables are spread over a number of countries and counterparties. For the year ended 31 December 2016, our top ten largest counterparties together accounted for 31.8% of our total 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.

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 undrawn 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 the resultant cash inflows are our main source of liquidity. Our cash pooling system enables us to benefit from surplus fund 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 sufficient 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 whereby cash is made available to us in consideration for the sale of certain trade receivables generated by us.

Our primary sources of liquidity have historically been our cash flows from operations, our non-recourse factoring agreements and the Revolving Credit Facility Agreement. The principal financing arrangements that were in place as of March 31, 2017 are the Senior Secured Notes, the Senior Term Loan Agreement, the Fifth Third Credit Agreement, the Revolving Credit Facility and capital lease agreements.

Factoring and Forfaiting Agreements

As part of its normal course of business, the Group has entered into two non-recourse receivables financing agreements, whereby it may sell trade receivables arising from the normal course of business at face value less certain reserves and fees. The insolvency 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. Trade receivables factored by the Group are typically a substantial percentage of trade receivables, but actual levels vary over time, due to liquidity needs and the nature of the receivables, thus factored balances at any point in time are not necessarily representative of amounts factored in the past, or which may be factored in the future. Given that the risks and rewards of ownership have been transferred, the trade receivables assigned to the factoring companies have been derecognized from the Group's statement of financial position. Under the non-recourse agreements, the Group merely collects payments from its customers on behalf of the factoring company to which it has factored its receivables.

Whilst the factoring agreements described above relate to the portfolio of credit insured trade receivables, the Group has also entered into a forfaiting agreement where a financial institution agrees to purchase (forfeit) on a revolving basis the receivables from individually identified debtors. The credit risk related to these receivables is fully transferred from the Group to the financial institution and, as a result, the financial institution bears the risk of non-payment by the debtor. The Group has been mandated to collect the forfeited receivables for the account of and on behalf of the financial institution. The eligible portion of the trade receivables that have been transferred and financed under this agreement have been derecognized from the Group's statement of financial position. The Group continues to recognize a portion of the receivables to the extent of its continuing involvement, in accordance with IAS 39 "Financial instruments: recognition and measurement."

Critical Accounting Estimates and Judgments

Our consolidated financial statements are prepared in accordance with IFRS. The amounts presented in our consolidated financial statements involve the use of estimates and assumptions about the future. Estimates and judgments 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. Changes in the economic environment, financial markets and any other parameters used in determining such estimates and judgments could cause actual results to differ and the estimates and assumptions will seldom equal the related actual results.

Our accounting policies are further described in Note 3 to our audited consolidated financial statements as of and for the year ended December 31, 2016 included elsewhere in this Prospectus. We believe the following policies to be the most significant policies that require management to consider matters that are inherently uncertain or to make subjective and complex judgments.

Impairment

We test for impairment annually. Our impairment analysis is performed at the level of cash generating units (“CGUs”), comparing the estimated recoverable amounts with the carrying amount of the property, plant and equipment, intangible assets and working capital. As of December 31, 2016, we used a post-tax discount rate of 7.9% and a long-term growth rate of 2.0%.

A sensitivity analysis has been performed on the fair value less cost to sell calculations for our various CGU at September 30, 2016:

- Rugs CGU. An increase in the post-tax discount rate of 2.6% or a reduction in the long-term growth rate of 2.4% would remove the remaining headroom.
- Balta Carpets CGU (polypropylene broadloom produced for the Residential segment). An increase in the post-tax discount rate of 3.1% or a reduction in the long-term growth rate of 2.8% would remove the remaining headroom.
- ITC CGU (polyamide broadloom produced for the Residential segment). An increase in the post-tax discount rate of 5.8% or a reduction in the long-term growth rate of 5.2% would remove the remaining headroom.
- Commercial CGU. An increase in the post-tax discount rate of 21.5% or a reduction in the long-term growth rate of 17.0% would remove the remaining headroom.
- Non-Woven CGU. An increase in the post-tax discount rate of 32.7% or a reduction in the long-term growth rate of 23.7% would remove the remaining headroom.

The assets and liabilities comprising the CGUs have not changed significantly since the most recent calculation. In addition, there are no indications that recoverable amounts have decreased. The relatively small headroom for the Rugs segment is a direct result of the acquisition of the Group by Lone Star Fund IX and is not driven by changes in the underlying business performance. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the cash-generating units that are expected to benefit most from the business combination. Consequently, the goodwill resulting from the Lone Star Fund IX transaction (€124.7 million) was been solely allocated to the Rugs (€94.3 million) and Commercial (€30.4 million) segments.

Income taxes

We had tax credits in respect of losses, definitively taxed income (*definitief belaste inkomsten*) and notional interest deduction. These tax credits can be used to offset against future taxable profits totalling €461.3 million as of March 31, 2017, resulting in a maximum potential deferred tax asset of €152.1 million as of March 31, 2017, of which we have only recognized €25.5 million. The valuation of this asset depends on a number of judgments and 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 based on current knowledge and reasonable long-term projections. If circumstances change and the final tax outcome is 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.

Collection of trade receivables

We make judgments in determining the bad debt allowance with respect to trade receivables when there is objective evidence that we will not be able to collect all amounts due according to the original terms of receivables. The amount of the bad debt allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The estimated future cash flow is determined based upon the significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

INDUSTRY

There is no single source of third-party data for the flooring and soft-flooring markets. Accordingly, in preparing this overview, we have used data from several third-parties as well as management estimates. The Company cannot assure you that any of the assumptions that it has made while compiling this data from third party sources are accurate or correctly reflect the Company's position in the industry and none of our internal estimates have been verified by any independent sources. None of the Company, the Selling Shareholder or the Underwriters makes any representation or warrants as to the accuracy or completeness of this information. None of the Company, the Selling Shareholder or the Underwriters has independently verified this information and, while the Company believes it to be reliable, none of the Company, the Selling Shareholder or the Underwriters can guarantee its accuracy. The Company confirms that all third-party data contained in this Prospectus has been accurately reproduced and, so far as the Company is aware and able to ascertain from information published by that third-party, no facts have been omitted that would render the reproduced information inaccurate or misleading. See "Industry and Market Data."

Key Demand Drivers for Rugs and Carpets

We believe each of our four major business segments: Rugs, Residential, Commercial and Non-Woven, has its own underlying trends and demand drivers.

We view our Rugs business as a part of the wider furniture and floor coverings market. As such rugs are fundamentally consumer goods and the global market is driven by the global consumer trends, including disposable income and demographic trends, as well as affordability and consumer appeal of the products. Many of these indicators have recently been positive, with consumer confidence and disposable income steadily increasing since 2013.

Global GDP growth					
	2013	2014	2015	2016	2017F
	% GDP growth				
United Kingdom	1.9	3.1	2.2	2.0	1.4
Germany	0.6	1.6	1.5	1.8	1.9
Eastern Europe	4.0	3.7	4.4	2.3	2.7
Western Europe	0.3	1.6	2.0	1.7	1.5
United States	1.7	2.4	2.6	1.6	2.3
World	2.6	2.8	2.8	2.5	2.8



Source: Global Insights, 2017; Bloomberg; EIU.

(1) The total value of personal disposable income at constant market prices, rebased to 2005, over total population.

The principal socio-economic and demographic trends affecting the performance of the global rugs industry include:

- Growth of residential rental market.** Home rugs are considered a highly individualized item while being easily replaceable and affordable; therefore as populations increasingly rely on transient rental accommodation of varying design, rugs are replaced more frequently than in the past.
 - In Europe, rental homes as a share of the total residential housing market has risen over 3% over the past ten years (source: Eurostat, Distribution of population by tenure status, February 2017).
 - In the US, since 2006, 9.7 million more renter households have been created, compared to only 942,000 owner households (source: IPE Real Estate, Residential US: Renting the American Dream, December 2016).
- Increasing population mobility.** The EU's population is increasingly mobile. Over the five year period from 2007 to the end of 2011, residential mobility (i.e. the percentage of the population who have moved homes) reached 17.6% in the EU, with mobility rates the highest in the Nordics, with Sweden at 40.2%, but also

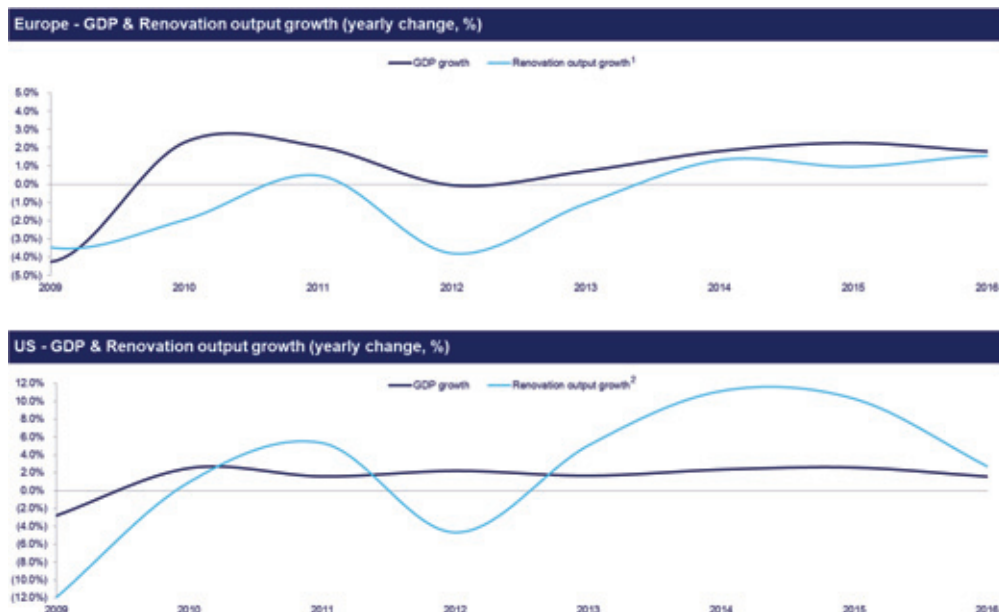
reaching 30.8% in the UK (source: Eurostat, People in the EU: who are we and how do we live, 2015). Residential mobility is driven by different factors for different populations, including the accessibility of educational, career or retirement opportunities as well as the availability and price attractiveness of dwellings for rent or purchase and the impact of living conditions on overall quality of life.

- *Trend towards smaller households in developed countries.* Historically, as socio-economic indicators improve and individuals hold more independent income, traditional multi-generational households fragment with younger members moving out to live on their own or in two-person households. According to Eurostat, the average size of households in Europe has decreased since 2005 with the share of single person households increasing 4.1% to 33.4% of all European households as of 2015, while the share of four person households has declined by 1.8% over the same period and it is expected to decline further. (source: Eurostat, People in the EU: who are we and how do we live, 2015). Freedonia has charted similar household size decreases in North America over the same period. This trend increases the overall demand for housing and associated décor, including rugs.
- *Urbanization trends, particularly in the developing world.* Globalization and economic development in emerging markets continue to drive the movement of peoples away from rural areas into urban centers and in the developed world these trends are expanding the size of existing conurbations beyond suburbs into exurbs. Existing urban housing infrastructure is increasingly strained around the world, compelling increasing new construction and renovation projects. Between 2005 and 2016, urbanization ratios have been increasing across all key regions (e.g. Europe: 69.2% in 2005 and 71.2% in 2016; North America: 79.9% in 2005 and 81.8% in 2016; Asia: 37.4% in 2005 and 45.3% in 2016) (source: BMI Research, Urbanization Rates database, February 2017). As with the increase in smaller households, this increasing construction creates new spaces which will need to be furnished by a larger supply of rugs.

In addition to demography and socio-economic factors, because home décor is a matter of personal choice, style and preference which can be influenced by cultural trends, the growth in the rugs market is also influenced by the cyclicity of fashion trends and the increasing acceptability of spending rising amounts on interior design and particularly refreshing one's home furnishings for the sake of change. Machine-woven rugs are more affordable than hand-woven rugs for consumers and thus supporting the cyclical adoption of new fashion trends and growth in the size of the rug market.

Our Residential and Commercial segments represent an important part of the global flooring market, which in addition to soft flooring, also includes two types of hard flooring materials: resilient (vinyl, linoleum, cork and rubber) and non-resilient (ceramic, wood and laminate). The flooring industry depends heavily on consumer confidence and the performance of the residential and commercial renovation and new construction markets, which in turn are affected by the cyclical nature of the general global economy as well as particular local circumstances. Given the linkage between flooring and construction, the flooring market tends to be influenced, in particular, by changes in interest rates, the availability of credit and government expenditure, as well as commercial occupancy rates, household formation and population growth.

The performance of the renovation market, while being more resilient than new construction, remains linked to the same underlying economic trends and consumer sentiment that impact overall consumption.

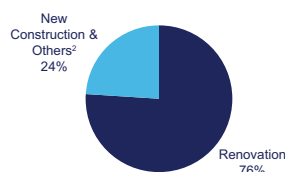


Source: Global Insights 2017; Euroconstruct (82nd, 76th, 72nd and 68th conferences); US Census Bureau.

- (1) Real change in percentage, amongst the 19 Euroconstruct countries and including residential and non-residential renovation.
- (2) Including residential renovation only.

In 2015, approximately 76% of European and North American flooring market demand was driven by renovation activities, with the remainder driven by new construction and other end-markets (e.g. automotive).

Flooring demand¹ : New vs. renovation (m m²)



Source: Freedonia, World Flooring & Carpets, 2017.

(1) As of 2015, including Europe and North America.

(2) Includes New Construction and Transportation Equipment & Other end markets.

The non-woven segment has a diverse end-market exposure, including: (1) captive use and external sales for carpets backings, (2) events and fairs and (3) automotive and other technical uses (including geotextiles for drainage and filtration and printing materials for advertising banners).

Rugs Market

As a product category, rugs can be defined very broadly, including area rugs, as well as entrance mats, bathroom mats and carpet stair runners, among other similar coverings. The Group currently operates only in the area rugs segment of the market. Area rugs are typically used in residential settings as a decorative complement to non-resilient and resilient hard floors. Rugs may also be used to adjust the acoustic features of a room, insulate floors or as a safety buffer in the event of slips and falls. Freedonia estimates 57% of homes in Europe and North America feature hard flooring on which a rug can be used.

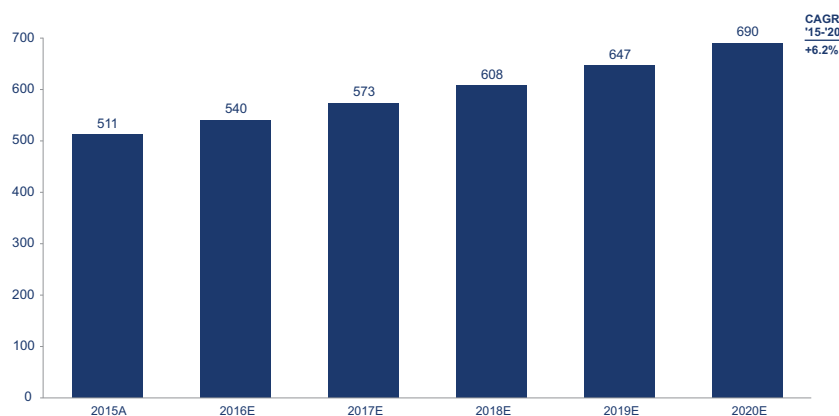
Rugs are used throughout the home, including living rooms, bedrooms, kitchens and even as outdoor decoration, and thus one consumer may purchase many rugs. In considering such a purchase, four factors are usually taken into account by consumers: (i) aesthetics (color and design), (ii) “touch” qualities (i.e. softness, thickness, warmth), (iii) ease of maintenance and durability over time and (iv) price point. Finally, the consumers choose the best value for money rug for their budget.

Retailers are currently expanding their rugs offerings as rugs require comparatively little shelf space while requiring limited attention from sales personnel. Rugs can generate additional revenue and store traffic for furniture retailers because rugs can be presented as a style complement to beds, sofas, cabinetry and other traditional pieces of furniture. Moreover, rugs are both easy to replace and are more economical to replace than larger items as fashion trends and consumer tastes change every few years. Whereas historically rugs were viewed as an infrequent investment or even a once-in-a-lifetime purchase, today’s customers tend to upgrade their interior decoration with new rugs every four to six years irrespective of other renovation works.

Rugs are either handmade or machine-made, covering a very broad range of price points. The recent improvements in the quality of machine-made rugs, combined with a reduction of manufacturing costs, have led to an increase in machine-made rugs in comparison to handmade rugs. We solely operate in the machine-made rugs segment.

As part of the wider global furniture and floor coverings market, rugs demand is expected to experience a strong growth rate in the next few years. The growth will be driven by the positive demographic trends noted above, the increasing attention towards the quality and diversity of interior design and the growing affordability of machine-woven rugs.

Global furniture & floor coverings market value forecast (\$bn)



Source: MarketLine Global Furniture & Floor Coverings 2016. Data for 2016 to 2020 is estimated.

Since 2011, there has been substantial growth in the U.S. market for rugs, driven by an increase in the sales of new build and existing homes coupled with the growing trend for hard flooring solutions in the U.S. residential market (source: Catalina Research, U.S. Floor Coverings: Industry trends and end-use market analysis). Consumers are actively purchasing area rugs to accent and complement installations of ceramic tile, vinyl sheet and tiles and wood flooring. According to Market Insights LLC, the total market size of area rugs (including bathmats) valued at mill sell price has increased from \$2.5 billion in 2011 to \$3.0 billion in 2016, with a further expected increase to \$3.4 billion in 2021. There is also increasing demand for rugs for outdoor use, corresponding to increase in the use of outdoor spaces such as decks and patios as extension of their living space for entertaining and dining. Balta is considered as a pioneer of this product category and is a clear leader in this market segment with our flatweave products (source: Roland Berger, US Rugs Market Expansion Compendium).

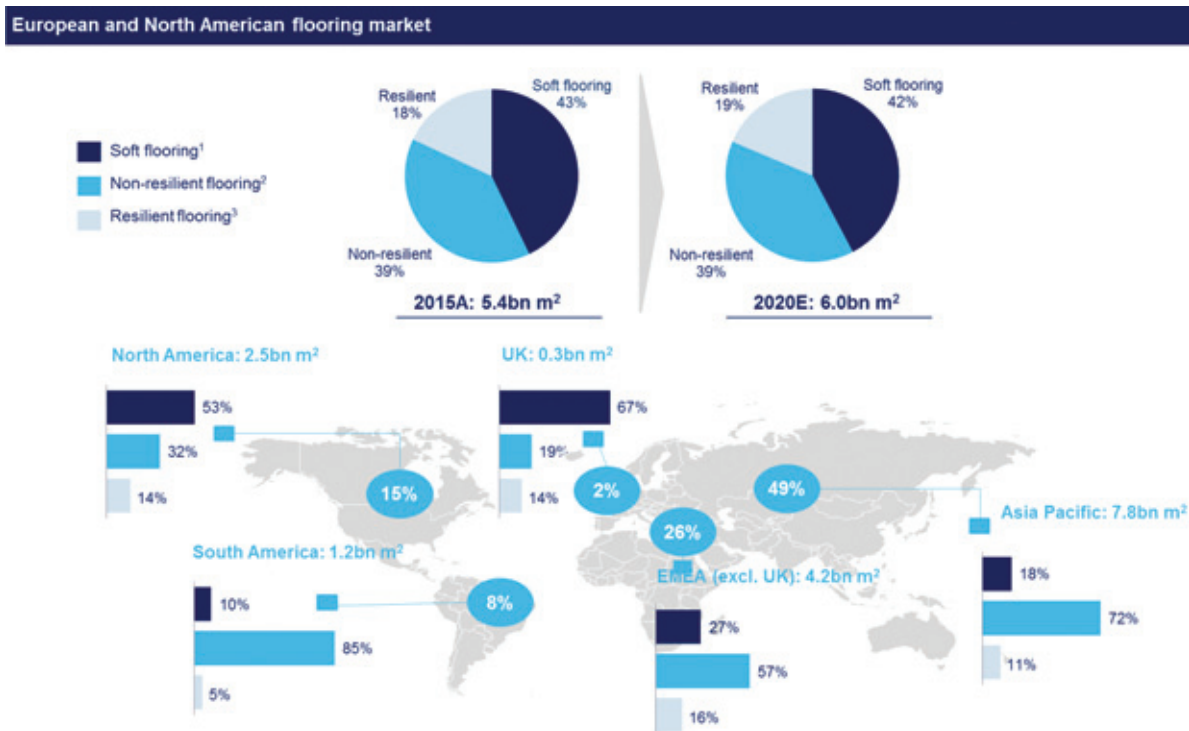
Global Flooring Market

The global flooring market is comprised of three main product categories:

- soft-floor covering (carpets and rugs): woven and tufted broadloom and carpet tiles, carpets for aircraft and automobiles, and other soft-flooring products (including the rugs market described above);
- non-resilient hard surface flooring: ceramic tiles, laminate and wood flooring; and
- resilient hard surface flooring: vinyl and other similar products.

According to Freedonia, in 2015, the total demand volume of the global flooring market was 16.0 billion square meters, with a total market value of approximately \$236 billion. North America and Europe together account for 33.6% of total flooring demand and 64% of global soft flooring demand.

Flooring consumption patterns vary across geographies due to climate and cultural preferences. In North America and the United Kingdom, soft-flooring is by far the largest category of total flooring demand. In EMEA (excluding the United Kingdom), which includes the warm climates of the Middle East and Africa, as well as the warmer geographies of South America and Asia, non-resilient hard flooring (primarily ceramic tile) dominates demand.

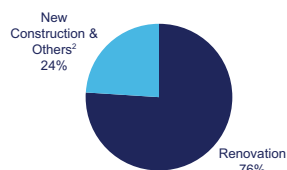


Source: Freedonia, World Flooring & Carpets, 2017. Unless otherwise indicated, data is as of 2015.

- (1) Includes bath mats, door mats, area rugs, auto & aircraft carpets and artificial grass.
- (2) Includes wood, laminate and ceramics.
- (3) Includes vinyl.

In 2015, approximately 76% of European and North American flooring market demand was driven by renovation activities, with the remainder driven by new construction and other end-markets (e.g. automotive).

Flooring demand¹ : New vs. renovation (m m²)

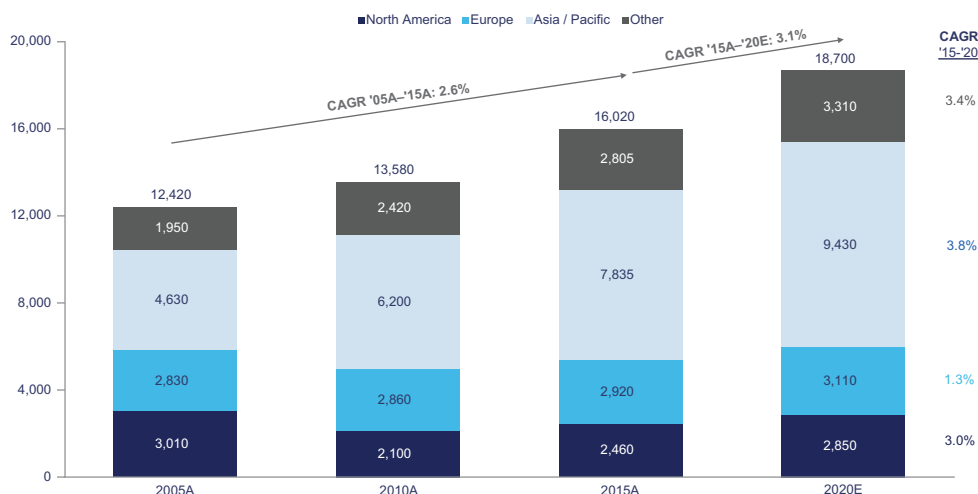


Source: Freedonia, World Flooring & Carpets, 2017.

- (1) As of 2015, including Europe and North America.
- (2) Includes New Construction and Transportation Equipment & Other end markets.

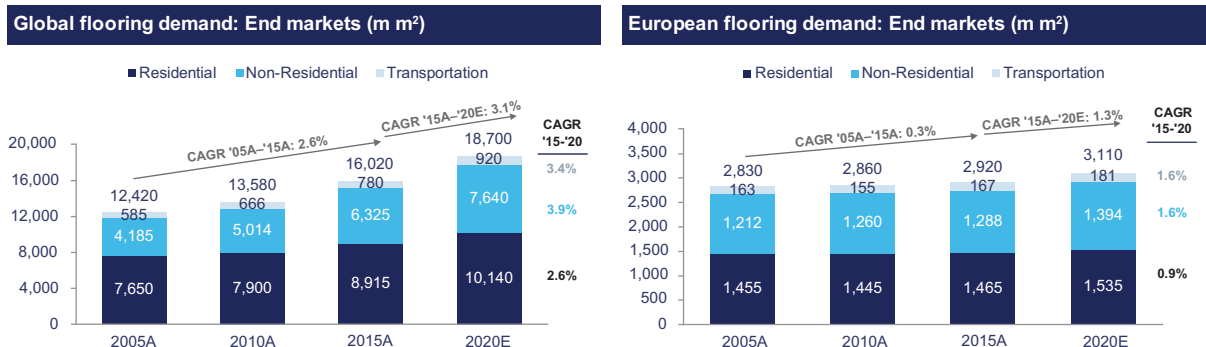
As illustrated by the chart below, the outlook for total flooring demand is positive, with an expected compound annual growth rate (“CAGR”) of 3.1% between 2015 and 2020, compared to a CAGR of 2.6% between 2005 and 2015. North American demand is expected to be higher than flooring demand in Europe as a result of a faster acceleration of housing construction. European flooring demand is expected to grow at a CAGR of 1.3% from 2015 to 2020, driven by both new construction and renovation projects that are expected to stem from an improving macroeconomic environment.

Global flooring market (m m²)



Source: Freedonia, World Flooring & Carpets, 2017.

The majority of flooring is used for residential or commercial purposes (approximately 95% taken together in 2015, according to Freedonia), although transport uses also comprise a small end-market for flooring products.

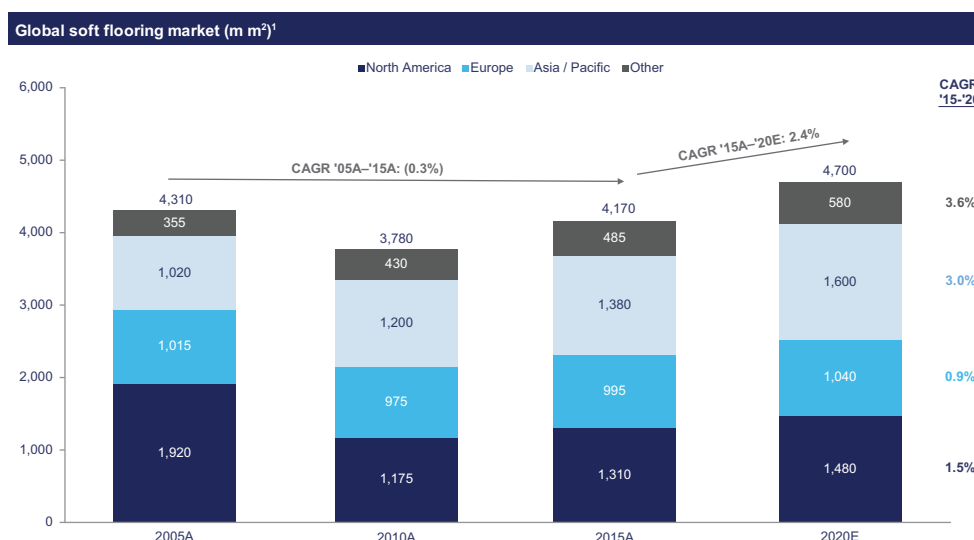


Source: Freedonia, World Flooring & Carpets, 2017.

According to Freedonia, the global flooring demand continued to thrive even in the wake of the 2008 global financial crisis, with steady growth driven by continued demand in emerging markets in Asia-Pacific (CAGR of 6%), Latin America (CAGR of 4%) and Middle East/Africa (CAGR of 5%) between 2005 and 2010.

Soft Floorings Market

The Company operates within the soft-flooring sub-segment a market which represented a volume of 4.2 billion square meters globally in 2015. In Europe specifically that year, demand for soft-flooring totalled 995 million square meters, compared to 1.3 billion square meters in North America. As illustrated by the chart below, the global soft-flooring market decreased slightly by a CAGR of 0.3% between 2005 and 2015, which was mainly a result of the slowing global economies in North America and Europe. With the expected further economic recovery for both geographies, the global soft-flooring market is expected to grow by a CAGR of 2.4% from 2015 to 2020.



Source: Freedonia, World Flooring & Carpets, 2017.

(1) World demand for carpets and rugs includes products not produced by the Group.

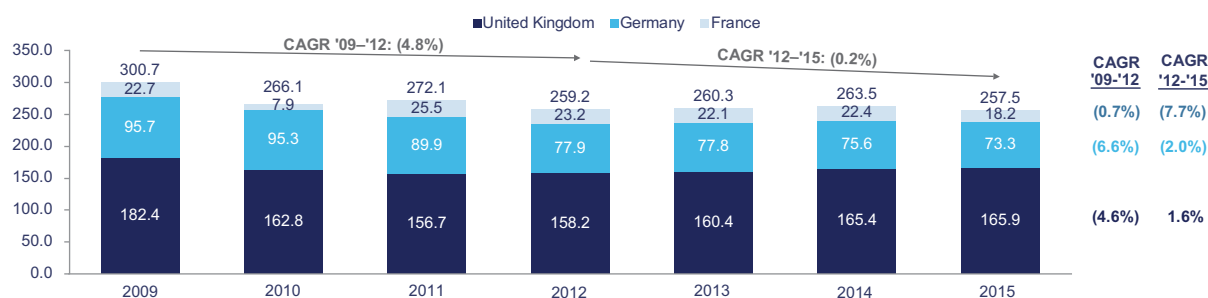
Residential and Commercial Broadloom and Carpet Tiles Markets

Broadloom (single piece carpeting) and carpet tiles are used as a primary soft-floor covering product. Broadloom and carpet tiles are popular for their comfort and texture, noise reduction, heat retention and shock absorption, ease of installation and competitive pricing compared with resilient and non-resilient hard flooring products.

The market for broadloom and carpet tiles can be divided into residential and commercial sub-segments. Residential broadloom and carpet tiles are focused on the interior design styles of residential housing, with demand typically driven by the decoration or redecoration of a room or house, and replacement cycles usually triggered by aesthetics, design or cleanliness. Commercial broadloom and carpets tiles are tailored to public spaces, such as office buildings, government institutions, hospitals and schools, with demand the result of larger renovation or construction projects. The carpet tiles market has recently benefitted from the increased popularity of modular carpet systems for offices.

Demand for broadloom and carpet tiles has fallen alongside new construction and renovation projects in the wake of the 2008 global financial crisis. However, as the economy and consumer confidence are expected to recover across key markets, demand for broadloom and carpet tiles is also expected to increase.

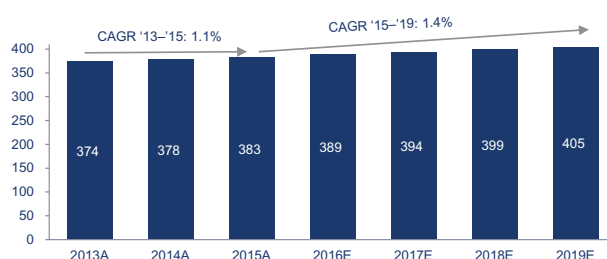
European core broadloom and carpet tiles market (m²)



Source: Eurostat; BMCW, 2017. Market size is assumed to be equal to imports plus local production minus exports.

The United Kingdom, the largest European broadloom and carpet tiles market, has shown positive growth in the last few years as part of Europe's recent economic recovery. The volume of renovation projects, the main driver behind the residential carpeting market, is expected to remain relatively flat in Europe in the next few years.

Residential renovation output in Europe¹ (€bn)



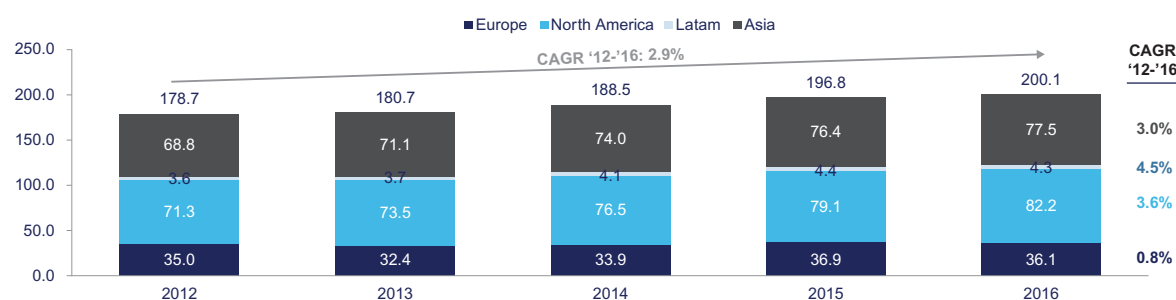
Source: 82nd Euroconstruct conference.

(1) As defined by the 19 Euroconstruct countries.

Commercial Carpet Tiles

The Group, particularly after the acquisition of Bentley, has a major presence in the commercial (non-residential) carpet tile market. As illustrated by the chart below, the global (excluding Africa) non-residential carpet tiles market totaled 200 million square meters in 2016 and grew at a CAGR of approximately 2.9% from 2012 to 2016.

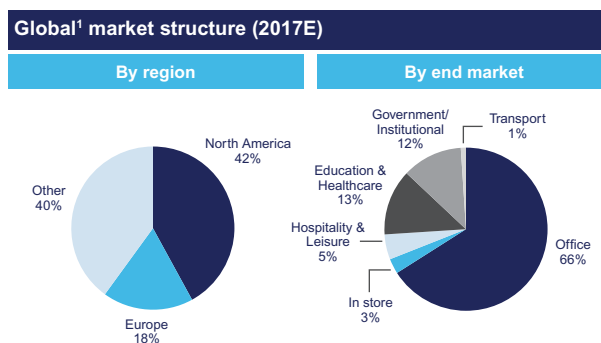
Global non-residential¹ carpet tiles market (m²)



Source: BMCW, 2017.

(1) Non-residential includes corporate/commercial office, in store, hospitality & leisure, education & healthcare, government/institutional, and transport space.

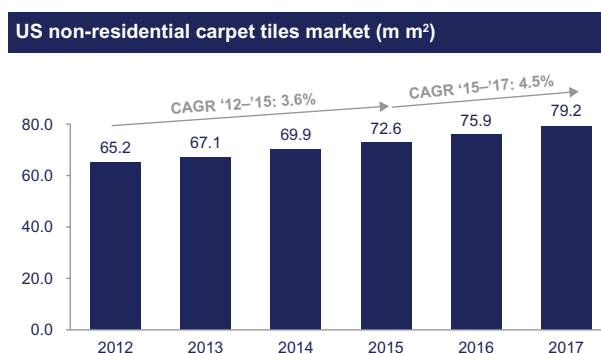
The global non-residential flooring market, of which commercial carpet tiles is a part, is mainly oriented towards the office spaces (66%), with smaller percentages of use in the education and health care sectors (13%) and by governments and institutions (12%). North America and Europe are the regions with the largest demand, representing 42% and 18% of the market, respectively.



Source: BMCW, 2017.

(1) Includes Europe, North America, Latin America, Asia, Australia and New Zealand as defined by BMCW.

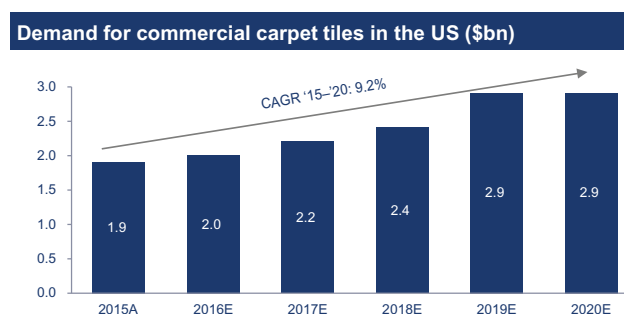
The market for commercial carpet tiles in Europe is expected to grow by 3.3% in 2017 compared to 2016, due to the expected recovery of the macroeconomic environment in Europe and the increased popularity of modular flooring solutions, particularly in office spaces. By volume, the United Kingdom and Ireland accounted for 42% of the European commercial carpet tiles market in 2015, followed by France and Germany, according to BMCW.



Source: BMCW, 2017.

(1) Europe includes Southern, Western, Central and Eastern Europe as defined by BMCW.

The U.S. commercial flooring market is mainly oriented towards the educational (30%), commercial (21%), office (20%) and health care (14%) end-markets, according to BMCW. The specific market for commercial carpet tiles in the United States is expected to grow by 9.2% annually until 2020, driven by increasing recognition of the advantageous features of carpet tiles—including ease of installation and replacement, a low initial installation cost, low maintenance cost, favorable impacts on acoustics, air quality and energy efficiency and design flexibility, among others—and supported by strong growth in the educational, health care, lodging and amusement/recreation sectors.



Source: Market Insights LLC, US Floor Report 2017.

Non-Woven Market

Non-woven products are used in a broad range of applications and have different underlying end markets and trends compared to other flooring products. Products include carpets for temporary floorcovering purposes, such as promotional and/or large-scale events (trade fairs and expositions), carpet backings, vinyl backing, automotive parts (mats, wheel arch liners), geotextiles (drainage and filtration) and printing (advertising banners).

Competitive Positioning

Rugs

The rugs market is highly fragmented as a result of the diverse products (handmade versus machine-made, natural fibers versus synthetic fibers) covered by the market and variable pricing.

We believe we are the world's second largest manufacturer of machine-made rugs by volume, behind Oriental Weavers (based in Egypt) and the largest manufacturer in Europe. Other leading manufacturers of machine-made rugs include Merinos (based in Turkey), Mohawk Industries (based in the United States) and various other Turkish manufacturers based mainly in the Gaziantep region. We do not face significant competition from Chinese and other Asian importers since they are less focused on the manufacturing of machine-made rugs. Most of our rugs are produced for low and moderate price points, which address the largest share of the market.

Residential

We believe we were the largest manufacturer in Europe of residential broadloom in 2016. In particular, we believe we have leading residential broadloom market shares of approximately 20% in the United Kingdom (the largest European market for broadloom) and approximately 31% in Germany. Our main competitors in the United Kingdom are Victoria plc (based in the United Kingdom), Cormar Carpets (based in the United Kingdom) and Furlong Flooring (based in the United Kingdom & Ireland). Our main competitors in Germany are Dura, Vorwerk and Infloor.

Commercial

We believe we were one of the largest manufacturers of commercial broadloom and carpet tiles in Western Europe in 2016. According to BMCW, we had over 5.0% market share in the United Kingdom, over 10.0% market share in France, over 10.0% market share in Benelux, and over 20.0% market share in Central and Eastern Europe in commercial carpet tiles in 2016.

Following our acquisition and integration of Domo Floorcovering in 2010, we have become the third largest manufacturer of commercial carpet tiles, with a 10% market share by value in Europe, according to BMCW. According to the same publication, Interface is the largest player in this segment with a market share of approximately 31% by value, followed by Desso (part of the Tarkett Company), with an approximately 23% market share by value.

Our *modulyss* brand is one of the main players of the European commercial carpet tiles market and offers a product price from €8 to €22 per square meter, covering 94% of the market demand in volume terms (according to BMCW). Main competitors include Forbo Tessera, Balsan, Burmatex and Tapibel on the lower and medium-end of the market based on price per meter, and Desso (part of the Tarkett Company), Interface, Milliken, Shaw Floors and Anker on the medium and higher-end of the market.

Following the acquisition of Bentley, we have entered the U.S. commercial carpet and rug market, worth approximately \$3.1 billion per year (according to Catalina Research, U.S. Floor Coverings: Industry trends and end-use market analysis), segmented across three main price ranges:

The lower tier, or sales priced at less than \$20 per square yard, represents approximately \$1.5 billion of sales per year and includes companies such as Shaw Floors, J+J Flooring Group, Mohawk and Beaulieu America. Balta plans to enter this segment via introducing its existing *modulyss* brand to the U.S. market. Production in this tier is focused on functional product reproducible at high volumes. The medium tier, or sales priced between \$20 and \$25 per square yard, represents approximately \$1.0 billion of sales per year. Production in this tier adds aesthetic elements producing a unique product at a relatively lower price point but at high volumes, generally for corporate uses. The Bentley *Bentley* brand has been actively increasing its presence in this tier and now competes with Interface, Milliken and Tandus (part of the Tarkett Company). The higher, upscale tier, or sales priced above \$25 per square yard, represents approximately \$1.0 billion of sales per year. The Bentley *Bentley* brand has long been active in this market and competes with Atlas and Masland Carpet. This tier produces carpeting with the most durable and premium materials with manufacturers focused on margin advantages, rather than production volume.



Source: Catalina Research; Management estimates. Segmentation based on Management estimates.

According to BMCW, Bentley accounted for approximately 3% of total U.S. commercial carpet market, while the leading companies like Interface, Shaw and Mohawk accounted for 30%, 29% and 11%, respectively.

BUSINESS

Overview

We are one of the leading European manufacturers of soft flooring, which includes rugs for the consumer home furnishing market as well as broadloom and carpet tiles for the residential and commercial markets. In 2016, we believe we were the largest manufacturer in Europe of machine-made rugs, as well as the largest manufacturer in Europe of residential broadloom, in each case by volume, and the second largest manufacturer worldwide of machine-made rugs by volume. In 2016, we were also the third largest manufacturer in Europe of commercial carpet tiles by volume, according to BMCW.

Our traditional core markets are the United Kingdom, Germany and France, with an increasingly growing presence in Central and Eastern Europe as well as in the United States, which, with the acquisition of Bentley on March 22, 2017, is now our largest country by sales. We have a long history of creativity and innovation in the soft-flooring industry, having pioneered several trends in rugs and carpeting, including mass production of flatweave and shaggy rugs. We use our innovative product development process to design, manufacture and distribute our products to a broad range of retailers and wholesalers in over 133 countries, collaborating closely with our customers to develop products adapted to local preferences and tailored to consumers' tastes. We believe our customers value our product innovation, the consistent quality of our products, our ability to reliably deliver high volume orders on time and in full and our responsive customer service and support.

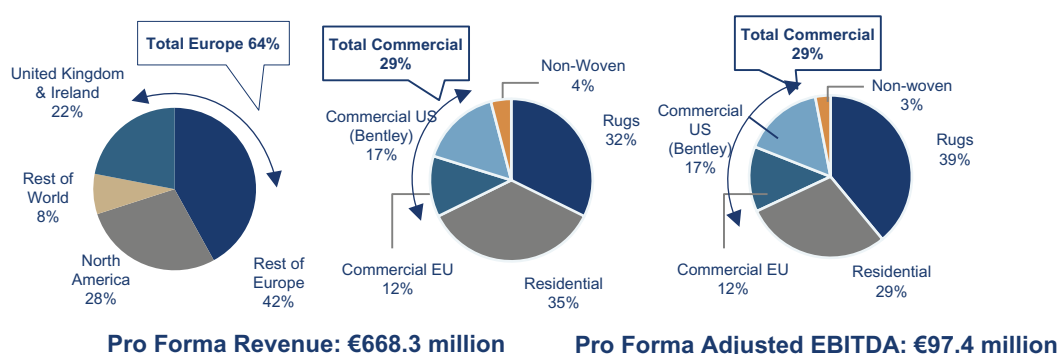
We operate six highly automated, flexible and efficient manufacturing facilities located in Belgium (in addition to one warehousing facility), which are strategically positioned to minimize transportation costs and improve delivery lead times to our end-markets. Our Belgian operations benefit from extensive know-how built up over 50 years, a strong heritage of textiles craftsmanship and a high level of automation. In addition, we own two high capacity manufacturing facilities in Turkey, which specialize in low-cost production of labor-intensive rugs and benefit from Group know-how. Our two U.S. distribution centers are strategically located in Dalton and Calhoun, Georgia.

Our acquisition of Bentley, one of the leading providers of premium carpet tile and broadloom carpet in the United States, provides us a platform for expansion in the U.S. commercial segment. Bentley's broad product range and client base complement our offerings and provide future opportunities for growth. Bentley operates its main manufacturing facility near Los Angeles, California, which comprises manufacturing and warehouse space in close proximity, to maximize production flexibility and efficiency.

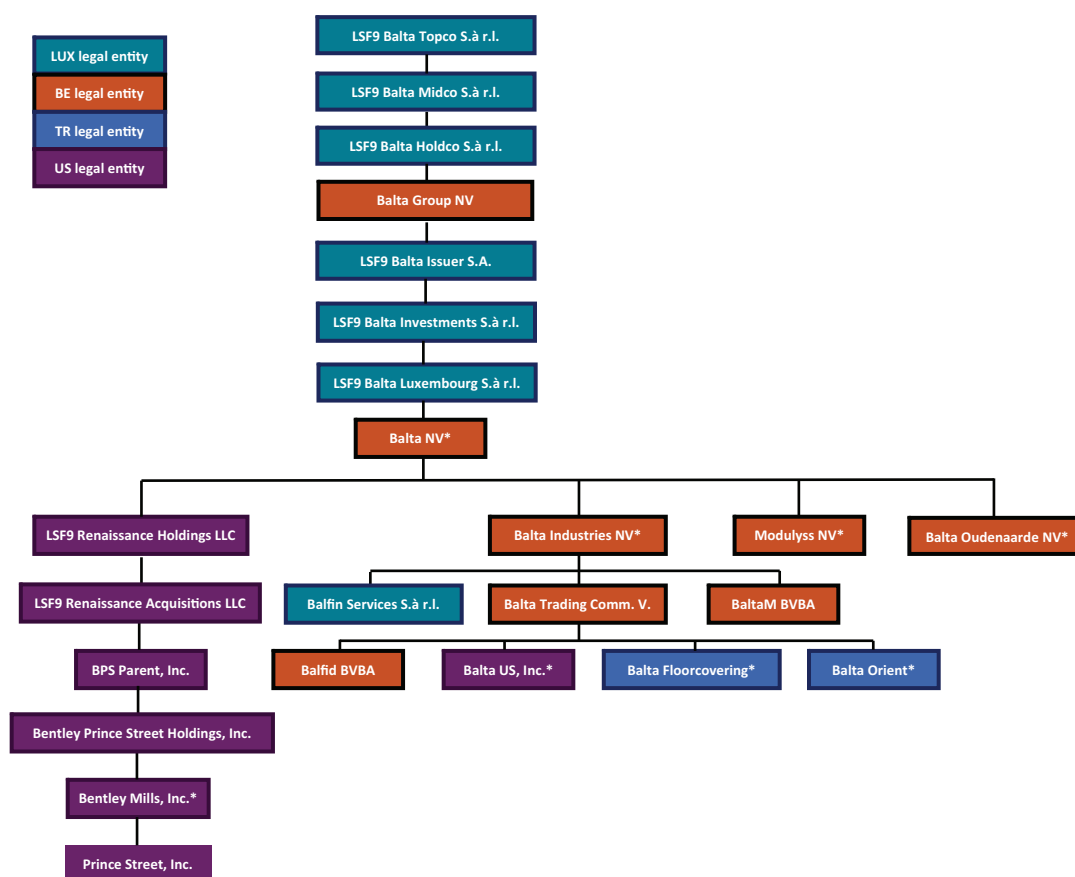
We operate our business through four segments, which are organized by product and sales channel:

- **Rugs**, which generated €214.5 million of revenue and €38.0 million of Adjusted EBITDA for the year ended December 31, 2016 (17.7% Adjusted EBITDA Margin). We design, manufacture and distribute a broad range of machine-made rugs to major retailers (such as home improvement, furniture, specialist, discount and DIY stores) and wholesalers.
- **Residential**, which generated €236.8 million of revenue and €28.4 million of Adjusted EBITDA for the year ended December 31, 2016 (12.0% Adjusted EBITDA Margin). We design, manufacture and distribute branded broadloom carpets (*Balta Carpets* and *ITC* brands) and tiles to major retailers and wholesalers.
- **Commercial**, which generated €80.1 million of revenue and €12.1 million of Adjusted EBITDA for the year ended December 31, 2016 (15.1% Adjusted EBITDA Margin). We design, manufacture and distribute modular carpet tiles mainly for offices and public projects through our *modulyss* brand and broadloom carpets mainly for the hospitality sector through our *arc edition* brand to architects, designers, contractors and distributors. The acquisition of Bentley broadens our Commercial product portfolio and gives us access to the U.S. commercial carpet market. For the year ended December 31, 2016, Bentley generated €110.7 million of revenue and €16.0 million of Adjusted EBITDA.
- **Non-Woven**, which generated €26.3 million of revenue and €2.9 million of Adjusted EBITDA for the year ended December 31, 2016 (11.1% Adjusted EBITDA Margin). We design, manufacture and distribute specialized fabrics for insulation, lining, cars, carpet backing and banners through our *Captiqs* brand. In addition, 48% of the division's output in millions of square meters is for captive use while 29% is used for soft flooring for events such as fairs and expositions.

The following charts show the breakdown of our revenues by geography and segment and Adjusted EBITDA by segment for the year ended December 31, 2016 (in each case, on a pro forma basis to reflect the acquisition of Bentley, as if this had occurred at the beginning of the period):



An organizational chart of the Balta Group, including Bentley, and its Luxembourg shareholders subsequent to the Reorganization but prior to the Offering is shown below.



Notes: Operating companies are indicated with an asterisk.

Balta Oudenaarde NV's shareholding includes ex-bearer shares representing 4.63589% of ordinary shares of the entity, for which the legal owner could not be identified when the company's shares were converted from bearer to registered form pursuant to Belgian law in December 2015. These shares were thus required to be deposited with the Belgian Deposit & Consignment Register to be held pending identification of the owner. Pursuant to Belgian law, the company will have the right to buy back such shares which have been deposited with the Belgian Deposit & Consignment Register, if the restitution of these shares has not been claimed by their respective rightful owners by 31 December 2025. Currently no legal rights can be exercised with respect to these shares.

Marc Dessein and Christophe Vanderbauwhede each hold one share of Balta Floorcovering and Balta Orient, respectively, pursuant to Turkish legislation requiring a minimum level of management ownership.

All other entities are wholly owned or majority owned by the immediate parent entity shown, with minor shareholdings by other entities within the Balta Group.

Key Strengths

Global leader in decorative rugs and a European leader in carpets

We believe we are one of the leading European manufacturers by sales volume of machine-made rugs, residential broadloom and commercial carpet tiles. In 2016, we believe we were the largest manufacturer and distributor of machine-made rugs in Europe, as well as the largest actor in the European and the UK residential broadloom market. We believe that we are also one of the largest manufacturers and distributors of commercial broadloom and carpet tiles in Western Europe. Following the acquisition of Bentley, we expect to continue building a strong position in the North American commercial carpets market. On a standalone basis, Balta's Adjusted EBITDA grew at a CAGR of 11.8% and revenue grew at a CAGR of 3.6% (3.1% on a constant currency basis) from 2014 to 2016. On a constant currency basis (i.e. adjusting for depreciation of the British pound), Balta standalone revenue grew by 2.3% and Adjusted EBITDA grew by 17.1% for the year ended December 31, 2016.

Rugs

We believe we hold the top position in the European rugs market and a second place position globally, while also leading in the outdoor rugs segment in the United States. Our leadership position is supported by (i) best-in-class innovation and design capabilities, (ii) strategic product development partnerships with several of the largest interior decoration retailers, (iii) an extensive product portfolio with an emphasis on the "value-for-money" proposition and tailored for specific country tastes and price segments and (iv) the quality, efficiency and reliability of our manufacturing footprint.

We are actively developing our presence in the U.S. (more than doubling our sales volume since 2012, not including Bentley) where we see substantial growth opportunities in the mid-term. The quality of our offering for the U.S. market is evidenced by the success of our *flatweave* rugs, which are currently the best-selling product in the U.S. outdoor rugs segment. We plan to further develop our presence in the U.S. rugs market both organically and through strategic acquisitions, as we have done in our Commercial segment with the recent acquisition of Bentley, which has opened the U.S. commercial carpets market to that segment of our business (as described below).

Residential

In the residential carpeting segment, we believe we hold top positions in Europe, the UK, Germany and Central and Eastern Europe. Our strengths lie in (i) our excellent reputation as product development and manufacturing partner, (ii) our extensive product range spanning various price points, and (iii) our excellence in creativity and design. The renovation-driven nature of our Residential segment results in sales usually driven by specific retailers. As in our Rugs segment, we develop product development partnerships with key large retailers, while adopting a more service-oriented strategy with independent retailers, for example, producing designs on their behalf.

In the residential carpets segment, we have historically focused on the UK market, one of the largest residential carpet markets globally, with a strong traditional preference for carpets as a flooring solution. We believe that in 2016 we were the largest player in the UK residential carpets market with a market share by volume of 20%. The market itself continues to be highly fragmented, and dominated by continental Europe-based producers (together holding over 70% of the market).

Commercial

In the European commercial tiles market, we view ourselves as active challengers. Our brand *modulyss* holds the third position in the European commercial tiles market with an 13% market share by volume in 2016. As a result of our acquisition of Domo Floorcovering in 2010, we hold the leading position in the Central and Eastern Europe region, with a dominant position in selected markets such as the Czech Republic and Poland, including over 50% market share by volume in Poland. We plan to further develop our *modulyss* brand in Europe through a direct sales approach, by leveraging our broad product portfolio, competitively covering all major price segments and by continuing to foster the best-in-class design capabilities (e.g. product concepts such as Nature or Mix and Match allowing design freedom to architects and designers) and manufacturing capabilities (fully automated cutting and packaging line allowing for a seamless look and iTuft machines allowing for complex and contemporary design). As a result of the acquisition of Bentley we have entered the U.S. commercial carpets market, one of the largest and most actively developing carpet markets globally. As the *Bentley* brand is a leader in premium commercial tiles and broadloom, we plan to leverage Bentley's sales and distribution platform and customer relationships to further penetrate the mass-market segment of the U.S. market with our *modulyss* tiles.

Due to the functional nature of the commercial market, our route-to-market strategy in the commercial segment is to focus on building strong relationships with specifiers (i.e. architects, designers, flooring contractors) who, rather than end users, often are the individuals making flooring decisions for commercial spaces. As of 2016, together Balta Group and Bentley have established relationships with over 7,000 specifiers.

Attractive consumer and carpet market dynamics driving long-term demand

We believe that we have a well-balanced end-market exposure, with approximately 39% of pro forma Adjusted EBITDA generated by the lifestyle-driven home decoration market, approximately 46% of pro forma Adjusted EBITDA generated by residential and commercial renovation and refurbishment projects and approximately 12% of pro forma Adjusted EBITDA driven by new housing construction. The remainder of our Adjusted EBITDA is accounted for by our non-woven products.

We view rugs as an important part of the home decoration and furniture market which is driven by customer appeal, design and creativity features rather than purely technical or pricing characteristics. Rugs are one the easiest and most efficient ways to improve interior decoration and complement hard flooring solutions. Their appeal to customers is driven by the ease of purchase (relatively small size, easy to deliver, no need for special installation, availability via online platforms), affordability (the average price of rugs is relatively low compared to other interior design improvement options), as well as attractive characteristics such as warmth, a soft feel and a beneficial effect on acoustics. The wide array of designs, shapes, styles and product specifications available on the market provides end-customers and interior designers with the opportunity to find a product which can suit any residential environment and design style. We believe that the coalescence of these features have led to transformational changes in consumer patterns over the last few decades. Whereas historically rugs were viewed as an infrequent investment or even once-in-a-lifetime purchase, today's customers tend to upgrade their interior decoration with new rugs every four to six years irrespective of other renovation works.

We also see positive underlying trends in our residential and commercial carpets markets, driven by relatively stable economic growth and healthier renovation and construction markets, as well as customer stickiness to carpets and tiles as compared to other flooring solutions. We believe we have a broadly diversified geographic presence with optimal exposure in the following core carpets and rugs markets:

United Kingdom

For cultural and historical reasons, broadloom represents a significant share of the total floor covering market in the United Kingdom. In recent years, we have seen an increase in redecoration and a rising housing market within the UK economy. We have operated in the United Kingdom for over 40 years and have developed a diverse product offering to fit the preferences of the UK market and our relevant customer base, while also continuing to adapt to new market trends, such as the growing preference for premium carpet products (e.g. super soft, where we have improved our product mix with *Satino* brand carpets constructed using ultrafine nylon yarn developed in-house) and lower stock commitments resulting in the increasing demand for cut-length broadloom. We also believe that our Commercial segment will benefit from the increased focus on the expansion of our direct sales capabilities in the United Kingdom and that our Residential segment will benefit from a similar drive to enhance relationships with independent retailers in the UK.

Rest of Europe

We believe there is significant potential for growth in the rest of the European market, especially through our Commercial segment. As a result of our acquisition of Domo Floorcovering in 2010, which had a historically strong customer network in Central and Eastern Europe, we currently maintain an active presence in these markets, in particular in the key markets of Poland and the Czech Republic. We also continue to focus on our core Western European markets of France and Germany, where we see substantial growth potential generated by our roll-out of direct sales capabilities.

United States

Our rugs sales in the United States have continued to increase as we broaden our customer base and tailor our product portfolio. We have observed an increasing trend among our U.S. customers to view rugs as a fashionable design item that functions as a key element of interior decoration in homes, outdoor spaces and offices. As a result, we have implemented a directional growth strategy in the U.S. market that is now oriented towards increasing our market share in the indoor rugs as we plan to leverage our strong relationships with furniture and DIY retail chains and the success of our *flatweave* outdoor rugs.

The acquisition of Bentley, which is entirely focused on the commercial segment with both carpet tiles and broadloom, will strongly reinforce our presence in the commercial space. The acquisition of Bentley will also facilitate the promotion of our *modulyss* brand in the U.S. market by leveraging Bentley's strong distribution platform. We expect the U.S. commercial carpet and tiles market to experience continued growth driven by strong non-residential repair/remodeling and new construction demand, as well as underlying demographic trends driving the demand for soft flooring from health care, educational and hospitality clients.

Rest of the World

We see substantial opportunities to develop our sales outside of the traditional European and North American markets. In particular, consumer trends appear to be driving the growing penetration of rugs in Asia and South America, which are approaching levels of developed markets. We also see the potential to grow our presence across all key segments in the Middle East region. To support this expansion, we plan to leverage our strong relationships with certain global customers.

Operational excellence creates strong barriers to entry

We believe that our vertically and horizontally integrated facilities, continual investment in efficiency and strategic footprint constitute our significant competitive advantages and provide significant barriers to entry into the markets in which we operate.

Differentiated business model with a high level of vertical and horizontal integration

The flexibility and effectiveness of our manufacturing tools has enabled us to develop a differentiated business model with a high level of vertical and horizontal integration. This integration creates an important competitive edge, as it enhances our global innovation leadership, our unmatched speed of execution and our competitive cost positions.

We believe that the high level of vertical integration of our yarn production is a key strength of our business. Our internal yarn capacity has grown further from 2014 to 2016, with each additional kilogram of internally sourced yarns allowing us to realize raw materials cost savings. Moreover, our insourcing of yarns and colorings allows for faster introduction of new designs and products to the market, which creates a substantial competitive edge in the constantly changing lifestyle-driven rugs market. Limited dependence on third-party suppliers for critically important raw materials has also allowed us to gain a reputation as a very reliable partner for major rug retailers.

Our operations have a high level of horizontal integration with manufacturing capabilities in all three major soft flooring production techniques (weaving, tufting and needle punching). Our expertise in all three of the principal production methods is an important driver behind the breadth and completeness of our product offering.

Additionally, our facility with needle punching enables in-house production of needle felted backings for our rugs and carpets, which allows us to consistently produce high quality products in a cost-efficient manner and also enables us to introduce innovative solutions to the market ahead of the competition.

Efficiency is an integral part of Balta's DNA

We also believe that our special focus on cost efficient and lean operations is an important part of our business culture which we have maintained and developed since the inception of the business over 50 years ago. The structural competitiveness of our manufacturing footprint is further transformed into cost advantages as we run the business with an efficiency mindset, constantly looking for opportunities to extract productivity gains.

We operate highly automated, flexible and efficient manufacturing facilities and are constantly looking for opportunities to further improve our production efficiency and level of automation. A few recent examples include investments in an ultrasonic automatic cutting line, which has allowed us to double our capacity of modular floor coverings, a Chromojet printer and automated warehouses.

In order to maximize efficiencies and minimize costs, each of our manufacturing facilities specializes in the production of particular products. Our rugs are predominantly manufactured in our facilities in St-Baafs-Vijve, Waregem and Avelgem in Belgium, as well as in Uşak in Turkey, which specializes in the manufacture of more labor-intensive rugs. Our broadloom carpets are predominantly manufactured in Tielt, St-Baafs-Vijve and Oudenaarde in Belgium and our carpet tiles are predominantly manufactured in Zele, Belgium. The manufacturing facility near Los Angeles, California is currently focused on the production of Bentley's commercial carpets and tiles.

Strategically located manufacturing base with attractive scale

We have six manufacturing facilities located in Belgium, two in Turkey and one in the U.S. (as a result of the acquisition of Bentley).

Our facilities located in Belgium are strategically positioned in the center of Europe to minimize transportation costs and improve delivery lead times to our end-markets. Our Belgian operations benefit from extensive know-how built over 50 years.

Our recently expanded, high-capacity manufacturing facilities in Turkey specialize in low-cost production of labor-intensive rugs and benefit from easier access to sources of raw materials, such as polypropylene granulates and yarns. Additionally, we have access to additional land in Turkey which provides us the opportunity for potential further expansion although we do not have any current plans in this regard.

The location of our production and distribution facilities, for example, the strategic location of our Dalton and Calhoun, Georgia warehouses, part of a large carpet industry hub, allows us to easily access our key markets and helps to minimize end-product transportation costs and delivery lead times to provide a best-in-class service to our customers.

Bentley operates a sizeable production facility in California with state-of-the art equipment, optimized layout and flexible production capabilities allowing the minimization of manufacturing costs while ensuring high product quality and customer service. The Bentley facility also has significant available capacities which is expected to support further growth of both the *Bentley* brand and the Group's other growth initiatives in the U.S. market.

This streamlined and focused infrastructure allows us to also benefit from economies of scale, particularly in relation to purchasing, manufacturing and transportation costs.

Furthermore, our facilities have been designed in such a way that the allocation of production can be efficiently managed across production sites and our machinery can be utilized and redeployed for a significant number of specific products, allowing us to react more effectively to changes in demand, customer preferences or design trends. The current layout of our manufacturing facilities also allows us to increase production capacity with limited investment, in response to increasing demand in growing markets.

Excellence in design and product innovation

As our end customers become more sophisticated and demand high quality on multiple metrics, we believe that their choice of rug and carpet supplier will become more complex. We consistently work to provide our customers with the technical features (including ease of maintenance, convenience of use and acoustics) they demand in products made of the best quality materials (impacting softness and durability) with the best color, design and finishing in the industry.

We believe we have a long and successful track record of developing on-trend, innovative and highly creative products, including original designs that meet a range of aesthetic and technical market demands. We have pioneered multiple product trends and have continuously prioritized the development of our product development capabilities, particularly as they relate to cultural specificities and technological advancements.

In our Rugs segment, we continue to introduce new product collections and trends every year with at least two new collections replacing between 25% and 35% of the existing product offering per annum. We believe on average, one-fifth of our gross margin in each of the past three years was generated by product launches or renewals in the relevant preceding twelve months. In addition, our innovations strengthen our pricing power due to the design and quality features of our products, while our regular collection updates allow us to pass on any changes in the cost structure to our customers.

Product creation and product development are decentralized with dedicated teams in each division, and are managed by 46 professionals across the Group in Europe and the United States, 27 of which are purely dedicated to product design and aesthetics. Our product development and design activities are multifaceted as we position ourselves at the forefront of the market. Our design team regularly attends key furniture and home textile fairs (e.g. Domotex in Hannover, Maison & Objet in Paris, as well as other leading furniture fairs in Milan and, Cologne) and visits furniture and home decoration stores across Europe and North America on an ongoing basis to test the relevance and attractiveness of our designs. We commission trend spotting consultants and engage with our customers' design and product development specialists to track key design trends and evolution of consumer tastes. In Rugs, we also offer customized ranges and customer-specific products for the standard product lines of larger customers, such as Ikea and Lowe's. At the start of the design phase of the development of a particular customized range or product, we ensure that we have exclusivity over the supply of that customized range or product to the relevant customer, usually for a temporary period (e.g. 3 years), after which we will continue to be a supplier on a non-exclusive basis.

Our innovation leadership is made possible by our vertical integration into yarn production, given it is the critical stage where coloring and feel features of the product are defined. Our continued investment in insourcing of yarn not only stabilizes a key supply chain, but supports our position as an industry trendsetter and helps to insulate us from the risk of replication or reverse engineering of our products.

We continuously strive to become the supplier of choice for our customers. We believe that we have recently been particularly successful in achieving the mass roll-out of *flatweave* and *shaggy* rugs, ultimately "creating" new markets and product categories in our industry. Our outdoor *flatweave* products have particularly appealed to customers in the United States, increasing our share of that market.

Strategic product development partner for major blue-chip customers

We often act as a product development and manufacturing partner with our major customers. We have made considerable investments in machinery to make possible wide-ranging permutations of color, texture, layout and shape options, further facilitated by yarn in-sourcing. Continuous product innovation, new designs, and the flexibility of our manufacturing processes to accommodate these designs and bespoke orders are particularly valued by our customers to drive their retail store traffic and sales. Our manufacturing flexibility also reduces the risk of overstocking less popular designs and products. Our vertically integrated business model including insourcing of yarn extrusion allows for the immediate introduction of new designs and innovation into mass production and creates a significant competitive edge. We are constantly reviewing our product offering through the tracking of sales performance and customer reaction on each product, aiming to understand which design works best for consumers and what is the optimal regular offering of new products.

Balta Group, together with Bentley, benefits from a diverse and loyal customer base of approximately 4,700 customers, largely consisting of international retailers and wholesalers across a variety of geographies. The Group has developed deep and longstanding relationships of more than 15 years with many of the largest global and European retailers and wholesalers of interior decoration products and soft flooring such as Breno, Carpetright, Hammer / TTL, Headlam, Ikea, Kibek, Maguires Group, Tapis Saint Maclou, Steinhoff Group, Tedox and V.K.G. Group. Our expansion into the United States benefits from relationships with The Home Depot, Lowe's and Ikea, among others.

Key blue chip customers			
Client	Relationship length (years)	Product development	Countries covered
Large Rug Customer	>30	✓	50 countries
	>20	✓	Germany
	>20	✓	Germany
	>20	✓	16 countries
	>20	✓	Germany
	>14	✓	US / Canada / Mexico
	>9	✓	US / Canada
	>7	✓	US / Canada / Mexico
	>4	✓	US
	>2	✓	US

The majority of Bentley's sales are to dealers, such as Sherland and Farrington and Century Carpet, with which it has long-standing relationships. Bentley's sales team works with these dealers to ultimately develop relationships with end users. Large end users include LAX Airport, NBC Universal, University of North Carolina, Nordstrom, Time Warner Cable, Staples Center and Blackrock.

Key customers treat us as a trusted supplier and strategic partner: they share with us information and draw on our expertise for the development of innovative, cost-efficient and high-quality products. In particular, we share our design expertise and awareness of cultural preferences to develop innovative products to satisfy the local end customers' aesthetic and technical demands. Our investments in machinery facilitate flexibility in the design of our products and allow us to quickly adapt to key clients' demands based on end customers' preferences among a myriad of color, texture, layout and shape options, so we can deliver the most up-to-date products to our clients in the shortest time possible. Reciprocally, we benefit from these collaborations by gaining greater understanding of consumer demand.

We believe our customers value (i) our constant production innovation, (ii) the consistent quality of our products, (iii) our ability to reliably deliver high volumes on time and in full, and (iv) our responsive customer service and support. We typically manufacture our stock based on the sales forecasts of our key customers, which helps us manage inventories and reduce the risk of obsolete stock. In our Rugs and Residential segments, a small proportion of sales are made-to-order. In the Commercial segment, such made-to-order sales can at times comprise over half our sales, due to the project-based nature of the business, which further reduces our inventory risk. This relationship of trust and partnership acts as an effective barrier to entry for other manufacturers lacking our breadth of local presence, manufacturing base and expertise.

Broad distribution network and sales force with direct access to specifiers

Our products are sold to consumers in over 133 countries and we adopt specific routes-to-market for each particular segment and geographic region. Our Rugs business mainly focuses on global accounts such as large interior decoration retailers, for which we are usually not only a supplier, but also an important product development and supply chain partner. We are moving to the "account manager" type of client relationship with major customers as we further extend, deepen and roll-out our partnership agreements on a global scale. In the residential carpets market, we have strong relationships with major retail chains and wholesalers, and we are increasingly paying attention to direct relationships with smaller independent retailers and builders. We currently have connections to over 2,000 such businesses. In the Commercial segment we focus on direct sales to project contractors and specifiers (designers and architects) as we roll-out a specialized sales force focusing entirely on these customer groups. Together, Balta Group and Bentley currently have relationships with approximately 7,000 such specifiers, including approximately 2,900 contactors. We are also aiming to build global relationships with major global corporate accounts to create recurring business at a global level. We are also actively investing in samples which we consider to be an important tool to promote our brand within the designer and architect community, and enable us to optimize our sales expenses. Our recent investment in cut-length capabilities will allow us to increase our market share in this segment of the Residential market and further support our sales volumes and margins. As stated earlier, we also plan to leverage Bentley's strong sales force and existing relationships to develop sales channels for our *modulyss* brand in North America.

As of December 31, 2016, Balta employed 74 sales professionals dedicated to selling our products. They are currently spread over eight countries (Belgium, the United States, the United Kingdom, the Netherlands, France, Germany,

the United Arab Emirates and Singapore), enabling us to adapt to local differences and better understand the needs of each market and region. We also engage a network of 39 independent sales agents covering specific geographies to supplement the work of the sales team on the regular payroll. Additionally, each business segment has its own sales team, specializing in that segment's product offerings. Bentley has an equally knowledgeable sales organization, including 57 sales representatives and 6 independent agents, managed by 4 regional vice presidents. The sales team includes four sales associates dedicated to managing approximately 170 national accounts. Forty-five percent of the Bentley sales force are recent hires (since 2013) from within the industry.

Well-invested asset base with a track record of profitable growth

During the three years ended December 31, 2016, we have made considerable investments in our facilities in Belgium and Turkey, totaling €24.3 million. See “*Operating and Financial Review and Prospects—Liquidity and Capital Resources—Capital Expenditures*.” Additional production capacities at our Turkish facilities, which are focused on more labor-intensive rugs production, have allowed us to improve our cost position and enabled the active expansion of our rugs sales in the United States.

We have a history of stable financial performance through varying economic conditions, largely due to our focus on the decoration and renovation market, which has historically experienced steadier growth and is less vulnerable to economic cycles than the new build market. We estimate that approximately 85% of our Adjusted Operating Profit in 2016 was generated by decoration, renovation and refurbishment projects.

We have a track record of Adjusted EBITDA Margin improvement, which is mainly a result of (i) a number of strategic initiatives to reduce our fixed cost base and improve our operational efficiency and (ii) product mix optimization towards more profitable rugs and tiles markets. For example, within our Rugs segment, lean operations and cost effectiveness is part of the segment strategic framework. Each year, a cost reduction and cost effectiveness plan is developed, executed and monitored. Key areas of focus are (i) raw material savings, (ii) energy savings, (iii) labor (e.g. automation of finishing lines, robotization) and (iv) continuous waste reduction and recuperation (mainly via extrusion).

In the past three years, and accounting for the acquisition of Bentley, we have been able to increase our Adjusted EBITDA margin by 2.1%, generating €97 million in Adjusted EBITDA (including Bentley). Furthermore, we have been able to generate operating cash flows (measured as Adjusted EBITDA subtracted by changes in working capital and gross capital expenditures) of €34.1 million, €37.8 million and €37.5 million for the years ended December 31, 2016, 2015 and 2014, respectively.

We will continue to focus on profitability and have a number of margin improvements and cost efficiency initiatives in place, including:

- the up scaling of our insourcing of yarn production;
- investment in automation and new technologies;
- further specialization of our production facilities; and
- focusing on a continuous stream of smaller scale improvement and de-bottlenecking projects.

Upgraded and highly experienced management team, ready to take the company to the next level

We have a strong and experienced management team combining an extensive expertise in the flooring and home decoration markets with an enthusiasm and clear determination to drive the business forward. Our Management Committee, led by Tom Debusschere (Chief Executive Officer) and comprising Tom Gysens (Chief Financial Officer), Marc Dessein (Managing Director, Rugs), Lieven Vandendriessche (Managing Director, European Carpets and Tiles) and Ralph Grogan (Managing Director, Bentley), was largely renewed over the last 12 months following the acquisition by Lone Star Fund IX. Our management currently shares a clear strategy and vision for the business to strengthen its leadership positions and deliver profitable growth.

In addition, our divisional management teams have extensive experience in the home decoration and soft flooring industry, and their collective industry knowledge, technical expertise, and customer and supplier relationships will enable them to continue to grow our business and execute our strategies.

Strategy

Our vision and major strategic objective is to bring our customers beautiful design and high quality at an affordable price. We view ourselves as a true partner which can generate value for customers in a sustainable way. Our goal is to be the global leader in machine-made rugs, a leading carpet manufacturer for the European residential market and an active challenger in North American and European commercial carpet and tiles markets.

We intend to achieve these objectives by (i) strengthening our market leading positions across our core segments by focusing on innovation and product development, expanding our sales channels and exploring new markets for our products, (ii) continuing to focus on operational excellence and cost efficiency, and (iii) selectively seeking complementary acquisition opportunities.

Consolidate and strengthen market leading position across our core segments

We aim to be the global leader in machine-made rugs, the European leader in residential broadloom and tiles and an active challenger in North American and European commercial carpet markets. We benefit from industry know-how built over more than 50 years, strong customer relationships and product design, innovation and technical expertise, which we intend to use to further consolidate and strengthen our market positions.

Rugs

In 2016, we believe we were the largest European and the second largest global manufacturer and distributor of machine-made rugs by volume. We aim to be the global leader by sales volume as we leverage our strong relationships and enhance our product development cooperation with major retailers to win a larger share of their orders, outperform market growth in Western Europe, and continue to further penetrate the Middle Eastern, Asian, South American and Australian markets, taking advantage of the positive consumer trends in these regions. We also view the U.S. market as the key growth driver for the next phase of our development and we plan to leverage our strong position in the outdoor rugs segment and further expand our market share in indoor rugs through (i) new product development, (ii) further adaptation of our products to local tastes, and (iii) continuous engagement and collaboration with existing and new customers. Continuous operational improvements and production capacity expansion in Turkey and Belgium, as well as further investments in our yarn insourcing capacity will enable additional growth opportunities in the Rugs segment. Finally, we plan to focus on developing our e-commerce sales.

Residential

In 2016, we believe we were the largest European manufacturer and distributor of residential broadloom carpeting with the leading position in the British and German markets, which are the largest in Europe. We aim to further strengthen our market leading position in the core European markets by broadening our distribution channels through new routes to market, focusing on developing a more active presence in certain fast growing market niches, and consolidating our existing design capability, marketing and leading customer service. For example, in the UK market, we are investing in cut-length capabilities to gain market share in the fast-growing independent retail market. We are also actively investing in the development of new products across different price points to further improve our product mix. In particular, in 2016 we have developed innovative soft polyamide (PA) and polypropylene (PP) ranges allowing us to gain leading positions in the rising high-end soft carpet segment.

Commercial

We believe that we are one of the largest manufacturers and distributors of commercial broadloom carpet and carpet tiles in Western Europe and, with the acquisition of Bentley, we are now one of the leading manufacturers in the U.S. premium commercial carpet market niche segment. We aim to become a European leader as well as a global leader by sales volume in the commercial broadloom and tiles market. We plan to take advantage of the supportive industry trends and growing demand for modular systems across the wide group of commercial customers (including offices, education, health care and hospitality) and leverage the Bentley acquisition to bring our *modulyss* brand into the U.S. market and reciprocally use the Bentley know-how in the premium space to upgrade the *modulyss* product mix to the high- and mid-price segments of the European market. Our distribution strategy is focused on the further roll-out of the direct sales model for *modulyss* and the introduction of this approach to develop *arc edition*'s route-to-the-market. We have developed a number of production improvement initiatives that are designed to support our growth plans. The ongoing development of our in-house production of solution dyed nylon yarn with superior technical features will allow us to enter new markets and premium segments, while investing in new tuft technology (iTuft, ColorPoint) is expected to drive our sales in the attractive segment of more complex and multi-color carpet tiles.

Continued focus on cost-effective production

We will continue to invest in our manufacturing facilities while prioritizing the cost-effectiveness and flexibility of our production methods. Our previous investments have enabled us to achieve lower cost and more highly automated manufacturing, which has led to improvements in our cost competitiveness and production capacity. We intend to continue the optimization of our production processes through further automation in both our Rugs and Commercial segment. We have already invested in automatic tile cutting, and we hope to leverage internal know-how by pooling machine operators across multiple production lines and improving of product group allocation across our manufacturing facilities.

We simultaneously intend to focus on margins by optimizing our product mix, first, investing in the fast growing high-end soft carpet market and developing new technology yarns to create an innovative, premium soft range for our Residential segment; and second, by scaling up our existing in-house productions of yarns and investing in our in-house capacity to produce solution-dyed nylon yarns.

The improvement in the efficiency of and specialization in our manufacturing facilities will allow us to optimize our existing capacity to keep pace with the underlying growth in our core markets. Over the past few years, we have reduced the number of SKUs in our product portfolio and increased our production volumes, including via the expansion of our facilities in Turkey, which enhances our rug manufacturing capabilities at relatively low cost. Consequently, we have been able to improve profitability and streamline our operational structure. As the global economic outlook improves, we believe that we are well placed to engage in further capacity expansion.

Strong growth potential through targeted organic initiatives and further market consolidation

Organic initiatives

We believe that we have a platform for sustainable profitable growth with considerable scope for further value creation. As described above, we will continue optimizing our product mix, including continuous innovation and product development across different price points and selective investment in new technologies and machinery. We will also continue the development of additional distribution channels, the roll-out of opportunities in less penetrated markets, and increase production capacity at our Turkish manufacturing facilities.

Market consolidation

In line with our historical strategy, we intend to participate in the consolidation of the global rugs and soft flooring industry in a disciplined manner and regularly evaluate acquisition opportunities. We believe that despite recent consolidation activity, the European and North American rug and carpet markets still remain quite fragmented with numerous smaller scale companies accounting for substantial part of the market. We strongly believe that we can optimize our business structure by complementing our existing structure with targeted acquisitions, as we have done in the past with the acquisitions of Bentley and Domo Floorcovering.

Our acquisition strategy focuses on targets that allow for synergistic operational or commercial integration into our business in a financially sustainable and commercially attractive way. Going forward we will continue to focus on targets enjoying a strong market position in their core markets, having a complementary market positioning or product portfolio, and providing access to untapped markets or distribution channels. We conduct a rigorous financial and commercial analysis of potential targets and apply a disciplined approach to valuation.

We intend to leverage the practices we developed when integrating past acquisitions and implement a well-planned and structured transition, focused on the rationalization of product offerings, the improvement of product efficiencies, the integration of manufacturing facilities and the streamlining of overhead cost structures.

Over the last year, our management has demonstrated a proven track record of strategic investments, delivering on strategic targets and the execution of M&A projects. Our team has initiated a number of strategic initiatives aiming at (i) extending our geographic and routes-to-market reach, (ii) expanding our manufacturing, warehousing and distribution footprint and capabilities and (iii) positioning the Group for the future growth.

History

We were founded in 1964 in Sint-Baafs-Vijve, Belgium, initially specializing in the manufacturing of textile products. In the 50 years since our foundation, we have grown into one of the largest European soft-flooring companies, producing rugs, residential broadloom, commercial broadloom and carpet tiles and non-woven fabrics for the European and international markets.

In the 1990s, we began implementing a strategy of internationalization and diversification, broadening our product offerings, developing our manufacturing footprint and pioneering innovative production techniques to advance new products and designs. This strategy led to a period of rapid organic and external growth.

Since then, we have initiated a period of strategic repositioning, expanding into new markets and geographies and completing a series of strategic investments and dispositions, focusing our business on quality, innovative soft-flooring products for a range of end markets. In 2010, we acquired Domo Floorcovering to substantially strengthen the position of our Residential segment in Central and Eastern Europe, as well as to add the design, manufacture and distribution of carpet tiles and non-woven products to our product portfolio. It also enabled us to develop a high volume, low-cost broadloom manufacturing facility in Oudenaarde, Belgium, giving us ample capacity for further growth in our Residential segment. In addition, during the course of 2012 and 2013, we significantly expanded our Turkish production capacity to facilitate the further growth of our Rugs segment in Europe, the United States, the Middle East, Central Asia and Latin America. We also divested certain non-core businesses, including our wall-covering activities and our 50% interest in a laminate hard flooring and medium-density fiberboard joint venture in 2013. On August 11, 2015 Lone Star Fund IX acquired a controlling interest in the parent entity of the Balta Group. In 2016, Tom Debusschere was appointed Chief Executive Officer and Tom Gysens was appointed Chief Financial Officer, bringing to the Group extensive industry experience. On March 22, 2017, we acquired

Bentley, a U.S. based commercial carpet manufacturer. The Bentley portfolio of premium carpet tile and broadloom carpets significantly increases our production and sales presence in the United States, which helps further diversify the markets in which we operate as well as deepening our expertise in the commercial soft flooring market.

Short and Medium Term Objectives

The Company has set the following short and medium term objectives, which we aim to achieve by executing our strategy as described in “—*Strategy*.”

We have not defined, and do not intend to define, “short term” or “medium term.” These short term or medium term financial objectives should not be read as forecasts or projections for any particular year or period, but are merely objectives that result from the pursuit of our strategy. We can provide no assurances that these objectives can be met or that our strategy can be implemented, and the actual results could differ materially. The objectives have been determined based on trends, data, assumptions and estimates that our management considers reasonable as of the date of this Prospectus but which may change as a result of uncertainties related to its economic, financial or competitive environment and as a result of future business decisions, as well as the occurrence of certain factors, including but not limited to, those described in “*Forward-Looking Statements*” and “*Risk Factors*.” Investors are urged not to place undue reliance on any of the statements set out below.

Short Term Objectives

- *Revenue growth*: mid- to high single digit percentage point sales growth, underpinned by low teens sales growth in Rugs, low- to mid-single digit percentage point sales decline in Residential, hampered in the near term due to depreciation of the British pound; mid-teens percentage point sales growth in Commercial and Non-Woven, including expected upside from cross-selling following the acquisition of Bentley;
- *Adjusted EBITDA*: modest margin decline mainly driven by impact of depreciation of the British pound on the UK Residential business including depreciation as a percentage of revenue slightly below historical levels; and
- *Cash flow*: capital expenditure in the low forties with improvement in net working capital below historical rates.

Medium Term Objectives

- *Revenue growth*: mid-single digit percentage point sales growth, despite the lower British pound foreign exchange rates after the Brexit referendum negatively affecting a portion of the sales compared to the first half of 2016, underpinned by single digit sales growth in Rugs, Commercial and Non-Woven, including expected upside from cross-selling following the acquisition of Bentley as well as Residential growth in line with the western European residential renovation market, even if hampered in the near term due to depreciation of the British pound;
- *Adjusted EBITDA*: gradual margin improvement, aiming for a run-rate Adjusted EBITDA margin of approximately above 15% by 2020, including depreciation as a percentage of revenue slightly below historical levels; and
- *Cash flow*: capital expenditure slightly below historical levels with a slight improvement in working capital.

Products

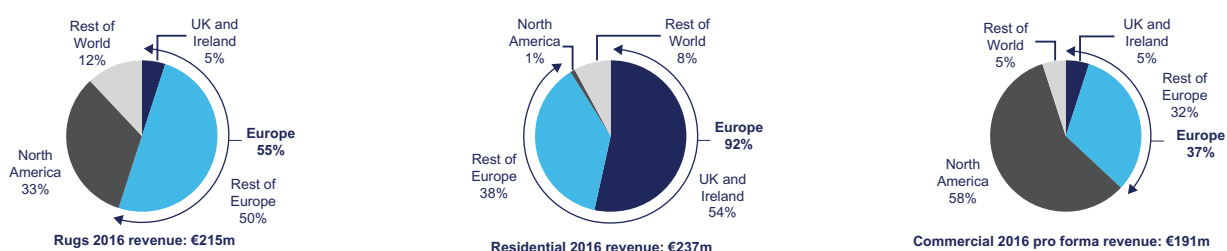
Our product offerings align with our four operating segments, Rugs, Residential, Commercial and Non-Woven. We believe our Rugs, Residential and Commercial segments each offer one of the largest and broadest product portfolios in their respective sectors in Europe, while our Non-Woven segment produces a broad range of niche products for a variety of end markets. Our vertically integrated business model including insourcing of yarns allows for immediate introduction of new designs and innovation in our production lines and complements our horizontal expertise across production techniques to create a significant competitive edge.

The following table shows our revenue and Adjusted EBITDA by segment for the years ended December 31, 2016, 2015 and 2014:

	For the year ended December 31,								
	2016 ⁽¹⁾			2015			2014		
	Revenue (€ millions)	% of total revenue	Adjusted EBITDA (€ millions)	Revenue (€ millions)	% of total revenue	Adjusted EBITDA (€ millions)	Revenue (€ millions)	% of total revenue	Adjusted EBITDA (€ millions)
Rugs	214.5	32.1	38.0	204.1	36.6	34.2	181.5	34.9	30.8
Residential	236.7	35.5	28.4	247.5	44.4	27.7	239.2	46.0	23.2
Commercial	190.7	28.5	28.1	79.2	14.2	11.2	69.9	13.5	7.9
Non-Woven	26.3	3.9	2.9	26.0	4.8	2.4	28.9	5.6	3.2
Total	668.3	100.0	97.4	556.8	100.0	75.5	519.5	100.0	65.1

(1) Pro forma basis to reflect the acquisition of Bentley. Without Bentley, for the year ended December 31, 2016, the Commercial segment generated €80.1 million in revenue and €12.1 million in Adjusted EBITDA.

The following charts indicate the geographic mix of our revenue in each of our three largest segments, Rugs, Residential and Commercial (including Bentley), for the year ended December 31, 2016:

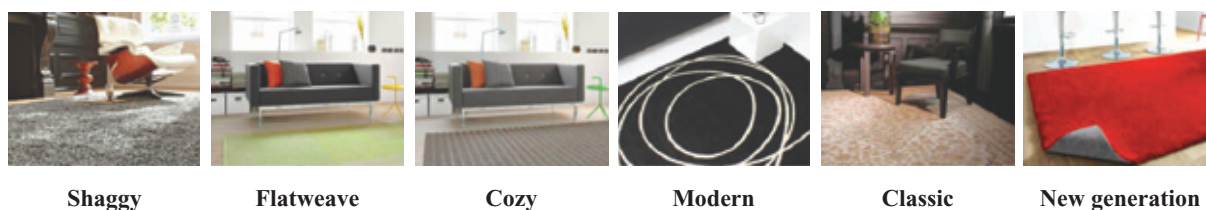


Rugs

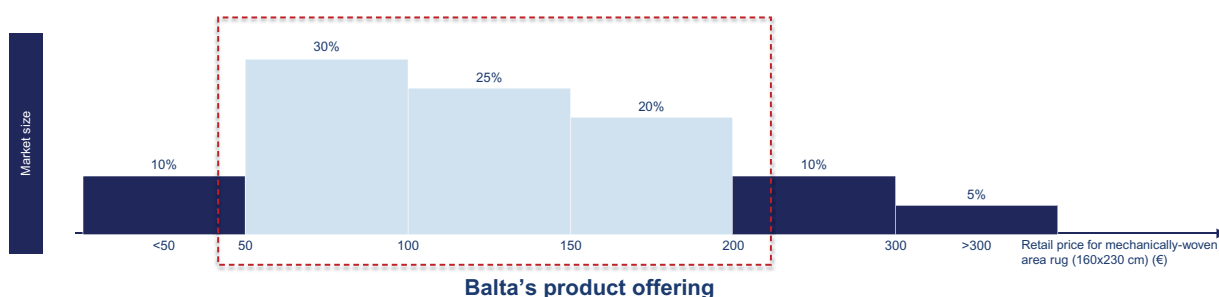
Our Rugs segment designs, manufactures and distributes a broad range of machine-made rugs to international retailers (such as specialist, home improvement, furniture, discount and DIY stores) and to wholesalers. We focus on area rugs for use by consumers in nearly every room of a home. We also design certain of our products for outdoor use.

The products in our Rugs segment are almost entirely white label, meaning they are unbranded and not labeled as *Balta* products, and include the following product families: *shaggy* (woven high-pile), *flatweave* (woven and flat without a distinctive raised pile), *cozy* (densely woven mid-pile rugs), *modern* (design-centric), *classic* (design-centric) and *new generation* (100% single material, washable and foldable). Each product family comprises a broad range of qualities, colors, designs and price points. *Shaggy* and *flatweave* rugs continue to account for the highest proportion of our revenue, while in recent years *cozy* rugs have become increasingly popular. In addition, we are one of the leading suppliers of outdoor *flatweave* rugs to the United States.

The following images show examples of the key products in our Rugs segment:



Our rugs are principally sold to leading retailers, such as Ikea, Lowe's, THD, Target, Carpetright, BUT and Steinhoff Group. Orders are generally placed on a recurring basis with approximately six month purchase forecasts. We generally target the lower to mid-price range in the market, which comprises the majority of rugs sold.



The customer base of the Rugs segment consists of a number of clients with whom we have had a relationship for an average period of more than 15 years. Our three largest markets for rugs sales in 2016 were the United States, Germany and France.

Residential

Our Residential segment designs, manufactures and distributes an extensive range of tufted broadloom carpets, in addition to woven broadloom and carpet tiles, to major retailers and wholesalers, such as specialized carpet, home improvement and furniture chains, building markets, independent retailers and installers. Our carpets are manufactured from synthetic and natural fibers, in both traditional and contemporary designs, at various price points for the mass market. New products and product families are released to the market on a regular basis across a range of price points, weights and colorations to meet specific customer requirements.

Our Residential products are branded to distinguish ourselves from our competitors. We have two key brands, *Balta Carpets* (polypropylene carpets) and *ITC* (polyamide carpets). Each brand comprises a number of sub-brands that identify collections that typically correlate to a specific design or technical element. The use of two primary brands makes our product lines easily identifiable and creates advertising efficiencies.

The following images show examples of our key products in our Residential segment:



Tufted Broadloom



Woven Broadloom



Tiles

The majority of the business that we conduct through our Residential segment consists of selling large carpet rolls to large retailers or wholesalers, such as Carpetright, Headlam, Hammer / TTL and the Maguires Group. However, through our *Crown Floors* brand, we also cater for the growing demand for cut length carpet by independent retailers in the United Kingdom. The customer base of the Residential segment consists of a number of Europe's largest flooring companies with whom we have had a relationship for an average period of more than 15 years. In 2016, 92% of our revenue from the Residential segment was generated from European sales, with 54% attributable to the United Kingdom & Ireland and 17% attributable to Germany. With our acquisition of Domo Floorcovering in 2010, we have strengthened our market leading position in the Residential sector and enabled deeper penetration into Central and Eastern European markets.

Commercial

Our Commercial segment manufactures and distributes modular carpet tiles and broadloom to a broad range of non-residential end markets, including offices, hospitality, leisure and public infrastructure.

Our Commercial products are sold through two brands: *modulyss*, providing modular carpet tiles for offices and public projects, and *arc edition*, providing commercial broadloom for the leisure, hospitality and office sectors, with both brands comprising over 25 product families each. *arc edition* offers a range of both standardized and bespoke products for flooring professionals, architects and designers, focusing on premium quality as a function of durability, appearance retention and safety compliance. The *arc edition* brand stresses flexibility and innovation, and includes an app which allows professionals to simulate color, design and texture combinations. It is in association with bespoke *arc edition* products that we use our Chromojet high resolution printing system to create specific designs for our customers. Our broadloom products benefit from the cost effectiveness of our vertical integration as well as design and sales teams shared with our successful *modulyss* brand, as well as the technological expertise gleaned from implementing certain innovations from our Non-Woven segment.

Under *modulyss* we typically manufacture modular 50cm x 50cm square carpet tiles, although we have introduced *New Shapes*, providing multiple texture, color and layout combinations. We have also introduced *Alpha*, a new low-price range, and two design-focused collections that are produced with the iTuft machine, a specialized piece of equipment which is able to manufacture high-end products with more complex and detailed patterns. Tiles represent a majority of our revenue for our Commercial segment, representing 68.7% of our Commercial revenue as compared to 31.3% for broadloom in the year ended December 31, 2016, excluding Bentley.

The following images show examples of our key products in our Commercial segment:



Tiles (modulyss)



Broadloom (arc edition)

As Commercial products are typically purchased in the course of commercial renovation or construction, we distribute our Commercial products through two primary channels: direct sales to end users (comprising approximately 45% of *modulyss* sales by volume) and indirect sales through independent contractors or distributors (comprising approximately 55% of *modulyss* sales by volume). In each case, our sales and marketing strategy is premised on building relationships with architects, engineers, interior designers and contracting firms who often make or substantially influence purchasing decisions. We have also increasingly focused on higher margin products specified directly by architects and designers. As these are project-driven purchases, they are often purchased approximately one year in advance of installation.

Bentley is an iconic U.S. brand offers over 175 carpet styles, including both broadloom and carpet tile offerings. Bentley distributes its products across multiple channels, including through architecture and design firms, flooring contractors, commercial real estate management firms and national accounts. It has provided flooring for high profile locations and events including presidential libraries and inaugurations. Strong relationships with its diverse customer base give Bentley exposure to a variety of end markets, including a range of corporate businesses (representing 71.6% of Bentley's revenue in 2016) as well as education, government and healthcare sectors (representing 10%, 6.5% and 4.4%, respectively, of Bentley's revenue in 2016). Bentley also has broad geographic coverage, with sales across all regions of the United States, but significant opportunity to grow in the western and southern United States.

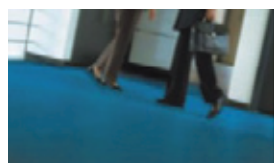
Pro forma for the acquisition of Bentley, *modulyss* would have represented 29% of our Commercial segment revenue in 2016, with *arc edition* representing 13% and *Bentley* representing 58%.

Non-Woven

The Non-Woven segment manufactures and distributes needle-punched non-woven products, made from virgin and recycled polypropylene and polyester staple fibers, for automotive (structural parts and liners), event (trade fairs and exhibitions) and other technical (geotextiles, printing, carpet backing) end markets, in addition to a substantial part for captive use.

Sold through our *Captiqs* brand, the segment is focused on products we believe are more profitable, having phased out niche products such as artificial grass products. Our Non-Woven products tend to be purpose-driven, including sales to retailers, event organizers, soft-flooring manufacturers, part manufacturers and original equipment manufacturers. We have recently strengthened our non-woven offerings into various technical business segments, including automotive, geotextiles, building, backing and printing. In 2016, €9.3 million of our Non-Woven revenue derived from the sale of expo carpets and products for home use, and €17.0 million of our Non-Woven revenue derived from the sale of non-woven products for technical and industrial applications. 48% of our non-woven production (measured in square meters) is captively used as carpet backing for other segments' product offerings. As a consequence, because this carpet backing is transferred at cost to our other segments, a portion of the Adjusted Operating Profit generated by our Non-Woven production is captured in the other segments.

The following images show examples of our key products in our Non-Woven segment:

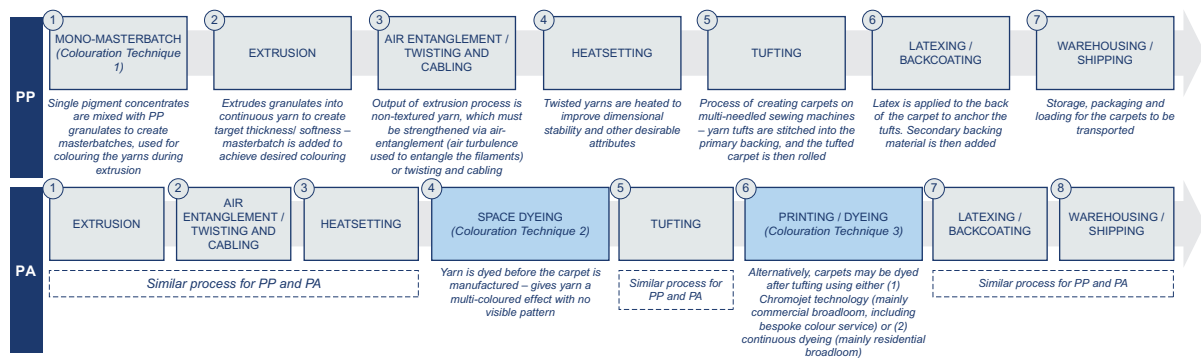


Manufacturing Processes for Rugs, Broadloom and Carpet Tiles

We are horizontally integrated, understanding all major production technologies (weaving, tufting, and needle punching). With approximately 70% of our yarn requirement extruded in-house, we are also to a large extent vertically integrated, allowing us to differentiate ourselves in the market not only through our end products but also through the characteristics of our yarns. This combination of horizontal and vertical integration not only spurs innovation but allows us to benefit from cost and time-to-market perspectives. The large majority of our broadloom carpets and carpet tiles are manufactured using the tufting technique, while the majority of our rugs are manufactured using the weaving technique. Some of our products are also produced using the needle punching technique.

Tufting

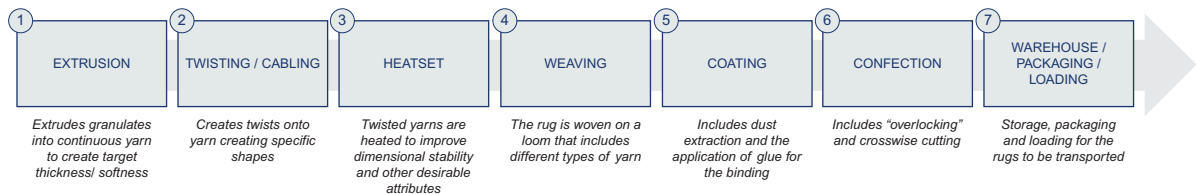
Our manufacturing process for the tufting technique is broadly summarized in the schematic below.



A tufting machine is essentially an industrial-scale sewing machine equipped with hundreds of needles working together to pull the yarn through a primary backing. Polypropylene carpets are typically tufted using pre-colored yarn which is first extruded from granulates mixed with pigment concentrates and subsequently processed to improve texture, stability and other desirable attributes. The carpets are generally routed directly to the finishing line once they have been tufted. In the case of polyamide carpets, color may be introduced after the tufting process during the print and dye process. At the finishing line, a latex compound is applied to the back of the carpeting to secure the yarns forming the pile. A high-quality latex compound is then applied to a secondary backing, which provides dimensional stability, and is pressed to the back of the carpet. It then passes through an oven where the latex is dried to lock the tufts in place.

Weaving

Our manufacturing process for the weaving technique is broadly summarized in the schematic below.



Weaving is performed mechanically using large looms. Polypropylene granulates are extruded after which specific characteristics, such as dimensional stability and volume, are added through the twisting/cabling and heat set process steps. Fibers (called "warps") are placed vertically on a frame and pulled tight enough to maintain tension while yarn is woven over, under or around them. After the weaving is complete, new fibers (called "wefts") are laid horizontally across the yarns, locking the warps into place.

Needle Punching

In the needle punching technique, layers or "batts" of loose fibers, often made up of different fiber types, are passed under rows of fast-moving needles with barbed points. These catch the fibers and punch them into a backing fabric to form a densely compressed felted or flat textured material. In some cases, the carpet is either heat-treated or impregnated with resin or latex to complete the bonding.

Production

Balta has eight production, warehousing and distribution facilities, of which six are in Belgium and two are in Turkey. Balta also has a warehousing and distribution center in Belgium and two such centers in Georgia, United States. Bentley has one manufacturing facility and a separate warehousing facility in California, United States. Our production facilities are specifically engineered to facilitate an automated, flexible and efficient production process while providing significant scope for additional capacity.

The following table shows the location of our production facilities, the production processes and the products they currently manufacture and/or warehouse:

	Tielt	St-Baafs-Vijve ⁽¹⁾	Waregem	Avelgem	Zeel	Oudenaarde ⁽²⁾	Usak (2 sites)	Sint Niklaas Warehouse	Dalton & Calhoun, GA Warehouses	Bentley Manufacturing Facility	Bentley Warehouse
Produces for	—Residential broadloom (PA) —Commercial broadloom (PA)	—Residential broadloom (PP) —Rugs (finishing)	—Rugs	—Rugs	—Residential tiles —Commercial tiles PA)	—Residential broadloom (PP & PA)	—Rugs			—Commercial broadloom —Commercial tiles	
Activities	—PA yarn production —Tufting —Print & Dye (PA) —Finishing —Warehousing —Shipping	—PP fiber production —PP yarn production —Tufting —Finishing —Warehousing —Shipping	—PP warp & weft production —Weaving	—PP yarn production —Weaving —Finishing —Warehousing —Shipping	—Tufting —Finishing —Warehousing —Shipping	—Tufting —Print & Dye (PA) —Finishing —Needle punching	—PP yarn production —Weaving —Finishing —Warehousing —Shipping	—Warehousing —Shipping	—Warehousing —Shipping	—Yarn preparation —Tufting —Dye & Dry —Tile precoat —Finishing	—Warehousing —Shipping
Machines	34 tuft	51 tuft	48 weaving (increasing to 51 in 2017)	24 weaving	10 tuft	21 tuft 5 needle punch 3 design machines	42 weaving			15 tuft	
Production Area	99,200m ² (Residential) 24,800m ² (Commercial)	76,000m ² (Rugs) 148,000m ² (Residential)	68,000m ²	116,000m ²	46,000m ² (including 36,800m ² for Commercial)	40,000m ²	102,000m ² (2 facilities, with an additional 343,000m ² of land available for expansion)	30,000m ²	33,100m ² (2 facilities taken together)	32,000m ²	93,000m ²
Property Type	Owned	Owned	Owned	Owned	Leased	Leased	Owned	Leased	Leased	Leased	Leased

Source: Company information

PP = Polypropylene

PA = Polyamide

(1) Includes head office.

(2) Oudenaarde is partly used as a contract manufacturer for Tielt and St-Baafs-Vijve for residential broadloom. In addition, Oudenaarde manufactures Non-Woven products.

For those facilities that that we lease, the lease terms are between six and 15 years.

We have optimized production platforms across our four segments, such that each facility largely focuses on the manufacture of products for a particular segment, supported by dedicated machinery and product design teams.

Our rugs are manufactured in our highly automated facilities in Avelgem, Waregem and St-Baafs-Vijve in Belgium, and in our two sites in Uşak in Turkey, which specialize in labor-intensive, cost-effective rugs production. Turkey accounted for approximately one-third of our rug production in 2016. Our rugs are woven on mechanical looms using polypropylene yarns and undergo a comprehensive finishing process, including quality control, length cutting, rolling, packing and labeling. A total investment of approximately €20.0 million over both 2012 and 2013 increased our rug production capacity in Turkey from 2.3 million square meters in 2012 to 7.6 million square meters in 2014 and presented a significant growth opportunity to further expand sales of our high labor-intensive rugs. The Turkish expansion has increased volume production, enabling us to expand our presence in our current markets, in particular in the United States. Between 2014 and 2016, continued investments in our Turkish facilities amounted to approximately €20.0 million in total, which further increased our production capacity in yarns, weaving and finishing.

Our Residential broadloom is produced in three Belgian facilities: Sint-Baafs-Vijve, Tielt and Oudenaarde. The Sint-Baafs-Vijve and Tielt manufacturing facilities produce their own yarn from which they manufacture broadloom carpets. The manufacturing facility in Oudenaarde, which procures yarn from the other facilities, specializes in the production of high volume broadloom at a lower cost.

Our Commercial broadloom is produced in Tielt for Balta and in Los Angeles, California, United States for Bentley.

Our Commercial and Residential tiles are produced, cut and boxed in our facility in Zele for Modulys and near Los Angeles for Bentley. We have recently invested in an automated ultrasonic cutting line, which has allowed us to double our capacity of modular floor coverings.

Bentley operates a LEED-EB Gold certified facility with a layout designed to maximize efficiency and production flexibility and includes significant available capacity to support further growth. In December 2016, Bentley added an Infinity ColorPoint tufting machine, which will create additional volume capacity in 2017 and will allow Bentley to manufacture products that it was previously unable to produce.

Our Non-Woven products are produced in Oudenaarde using the needle-punching technique.

We have the technological flexibility to increase production and recalibrate machines at all of our production facilities as needed, including accommodating changes to design and structure. This allows us to respond quickly and efficiently to changes in market trends and customer requirements while maintaining lower fixed costs. For our Rugs and Residential manufacturing process, we maintain extra capacity for our looms in order to limit the time spent recalibrating machines for different types of products, thereby permitting us to more swiftly meet customer demands and maintain lower fixed costs. Management has focused on continually improving cost efficiencies across our production process. To that end, we have established an investment program into our production facilities to achieve such efficiencies, including by implementing further automation, waste reduction schemes, pooling of machine operators across different production lines and streamlining product manufacturing allocation across our facilities.

Raw Materials

Raw material expenses represented €259.5 million, €258.9 million and €256.8 million for the years ended December 31, 2016, 2015 and 2014, respectively, and were 46.5%, 46.5% and 49.4%, of our total revenue for the years ended December 31, 2016, 2015 and 2014. Our key raw materials are polypropylene granulates, yarn, latex and polyamide granulates, with the relative percentage of these materials varying by products. Total raw material expenses associated with polypropylene granulates, yarn, latex and polyamide granulates in 2016 amounted to €74.7 million, €70.1 million, €21.3 million and €15.8 million, respectively.

We are focused on tightly controlling our raw materials costs by carrying out reviews and benchmarking analyses of suppliers and pricing so as to achieve the best possible terms and to facilitate the passing through of costs. For certain of our raw material suppliers that provide larger quantities of product, we have formalized contractual agreements that vary as to price, payment terms, quantities and duration. For other suppliers, we have informal purchasing arrangements. While our purchasing arrangements with our customers do not automatically allow for the pass through of raw material price increases, we have implemented a number of mechanisms to offset raw material cost inflation and currency fluctuation. We also have a central purchasing department that continuously supervises raw material procurement and monitors our supply chain costs, which include logistics and transport, the warehousing of raw materials and stock and purchasing overheads. See *“Operating and Financial Review and Prospects—Qualitative and Quantitative Disclosure About Market Risk.”*

We primarily source our petrochemical and synthetic raw materials from a select group of suppliers. We also rely on certain suppliers for the sole purchase of certain raw materials—in particular certain types of colored yarn—that are difficult to source otherwise, either due to lack of availability or quality concerns. For the year ended December 31, 2016, our top 10 suppliers accounted for 48.0% of our total raw material products.

For Bentley, raw material expenses were \$47.9 million, \$43.8 million and \$39.1 million for the years ended December 31, 2016, 2015 and 2014, respectively, or 39.1%, 38.8% and 39.3%, of its total revenue in each of those respective years. Bentley's key raw materials are nylon yarn type 6.6, thermoplastic and tile backings. Bentley's total purchases of yarn, latex, thermoplastic and tile backings in the year ended December 31, 2016 amounted to \$22.3 million, \$3.6 million, \$5.9 million and \$9.6 million, respectively.

For the year ended December 31, 2016, Bentley's top ten suppliers accounted for 91.6% of its total raw material product procurement.

Customers

Balta's customers principally include leading retailers (such as specialist, home improvement, furniture, discount and DIY stores) and wholesalers. We enjoy close and longstanding relationships with many of the top European retailers of soft-flooring, including Breno, Carpetright, Hammer / TTL, Headlam, Ikea, Kibek, Maguires Group, Tapis Saint Maclou, Steinhoff Group, Tedox and V.K.G.—Group, many of which we have a relationship for over 15 years. Our product development teams work closely with their counterparts at some of our key customers, collaborating on new collections and trends. Balta's expansion into the United States benefits from relationships with The Home Depot, Inc. and Lowe's, among others. Balta's top 10 customers represented 41% of our revenue for the year ended December 31, 2016, with the three largest customers representing an aggregate 24% of revenue. No single customer represented more than 12% of our revenue for the year ended December 31, 2016 (our largest customer being served by our Rugs segment). Outside the top 10 customers, we (including Bentley) have a diversified base of over 4,700 customers.

Bentley's customers include architectural and design firms, commercial real estate managers and flooring contractors, as well as approximately 170 national corporate accounts. Its customers are located across all regions of the United States. Bentley's top ten customers represented less than 20% of its total net sales in 2016. No single customer represented more than 4% of total net sales in 2016, and Bentley sold to over 2,200 active accounts (defined as an account with at least one shipment of goods in the relevant period) in 2016.

In keeping with industry practices, we do not have formal sales arrangements with a substantial majority of our customers. The purchase arrangements do not have standard terms and conditions, are typically on a non-exclusive basis, contain no minimum purchase obligations and do not have a fixed term or may be terminated on short notice.

Transportation & Delivery

Our products are distributed globally, with sales in over 133 countries in 2016. Transport of our products is organized with the objective of maintaining our on-time delivery record while managing transportation costs. We do not own our own transport infrastructure and accordingly use third-party service providers to transport products from our production facilities to the relevant warehouse or distribution center, as well as to our customers and end consumers. Where possible we consolidate shipments, which can lead to cost savings. In some instances, however, our customers collect products directly from the relevant production facility, warehouse or distribution center.

The majority of our transportation costs derive from the transportation of finished products to our customers. Rugs and commercial tiles are cost-effective to transport due to the products' relative size, weight and uniformity. In addition, the higher cost per square meter and lower volume per item allow such products to be distributed globally. Conversely, the large size and lower cost per square meter of our residential and commercial broadloom limits sales to European markets in close proximity to our Belgian manufacturing facilities.

The following table shows our revenue by geographic region for the years ended December 31, 2016, 2015 and 2014:

	For the year ended December 31,					
	2016 ⁽¹⁾		2015		2014	
	(€ thousands)	% of total revenue	(€ thousands)	% of total revenue	(€ thousands)	% of total revenue
Europe	430,416	64.4	439,873	79.0	428,049	82.4
North America	183,796	27.5	64,229	11.5	43,611	8.4
Rest of World	54,138	8.1	52,720	9.5	47,869	9.2
Total	668,350	100	556,822	100	519,529	100

(1) Pro forma basis to reflect the acquisition of Bentley.

Our logistics organization is structured to permit our customers to optimize their inventory levels. Our proximity to core markets such as the United Kingdom, France and Germany and the location of our distribution center in the United States has facilitated fast delivery times and high service levels. We also increase inventories in June and July to cover the summer closing of certain production facilities in August. Bentley's products are distributed globally, although the majority of its sales are in the United States, distributed throughout the country by third parties from its Los Angeles warehouse.

Product Design, 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.

Our product strategy depends on the constant renewal of our product mix, which represents a key differentiating factor for our operations. We regularly release new products and product families to the market—we believe on average, one-fifth of our gross margin in each of the past three years was generated by product launches or renewals in the relevant preceding twelve months. Our product design and development team has been an innovator, introducing a number of new products across our four core segments, including *flatweave* and *shaggy* rugs. Our product design and development team has also introduced improvements in our manufacturing technology, resulting in enhanced polypropylene characteristics as a material for the residential market and automated machinery that expedites the production process and significantly increases production capacity.

In the first stage of the product development process, our production creation teams define the collection statement, plan the color, theme, shape and finishing concepts and set the targeted price points. Insights from retail sales performance and customer feedback from previous collections are factored into this process. In their search for new ideas, the product creation teams systematically survey home interior and fashion trends and seek inspiration from a range of fields. They also work closely together with major customers, for example in our Rugs segment, to align the collection to the trends described in the relevant customer's "style guides."

In the second stage, the creative teams hand over their ideas to the technical product engineering and development teams. These teams focus on the practical aspects of achieving the designs, further developing the materials and production techniques, sometimes in close cooperation with external partners. Prototypes are thoroughly tested before sample collections are presented to our customers. Product development usually takes place over a six month period, dividing each year into two cycles.

Product creation and product development are decentralized in each division, and consist of 46 professionals across the Group. We have dedicated teams in both Europe and the United States. The product design and development team works closely with our marketing, legal, central purchasing, engineering and production teams to coordinate our product development strategy and to ensure the rapid development and launch of innovations and product upgrades. We believe we have a product renewal rate of 25 to 35% per year.

Bentley also has a strong track record of product innovation. It has in recent years focused on sustaining its high-end brand image as well as expanding into the mid-priced carpet tile segment, supported by investments in new tile and tufting equipment to improve its capabilities to implement its innovative designs across price points. Bentley's design team follows a disciplined design process to plan for new product introductions up to 18 months in advance. Weekly product planning meetings, which are attended by all executive personnel involved in product introductions, provide real-time visibility into Bentley's product pipeline. Each product is rigorously market tested prior to launch to ensure that it upholds the premium attributes that are core to the Bentley brand.

Marketing and Sales

Our products are sold to consumers primarily by distributors, retail chains, installers, specialized chains and independent stores. The type of each distribution channel used depends on the segment and geographic region. For example, in our Commercial segment, we have relationships with wholesalers and distributors who participate in tender offers in order to facilitate the use of our products in requests for proposals. While indirect sales remain the principal route to market in less core markets, we are in the process of shifting to a direct sales model in key markets such as the United Kingdom and Germany, with our sales team engaging with decision makers such as architects and designers to specify our products in the tender documentation and sales to contractors.

As of December 31, 2016, Balta employed 74 sales professionals dedicated to selling our products. They are currently spread over eight countries (Belgium, the United States, the United Kingdom, the Netherlands, France, Germany, the United Arab Emirates and Singapore), enabling us to adapt to local differences and better understand the needs of each market and region. We also engage a network of 39 independent sales agents covering specific geographies to supplement the work of the sales team on the regular payroll. Additionally, each business segment has its own sales team, specializing in that segment's product offerings. One of the strengths of our sales force is its knowledge of and ability to respond to the particular demands of the regions in which it operates. Furthermore, we are increasingly focusing on specific account management to better cover valued large clients' needs. Our sales professionals employ a variety of mechanisms dedicated to promote our products. These include the distribution of samples, advertisement in trade publications, participation in trade fairs, distribution of point of sales materials, and establishment of showrooms.

As of December 31, 2016, Bentley had 57 sales representatives and 6 independent sales agents, 45% of whom are recent hires (since 2013) from within the industry. They are managed by four regional vice presidents covering the entire continental United States. The sales team includes four sales associates dedicated to managing approximately 170 national accounts. In addition to its head office in Los Angeles, California, Bentley has five showrooms: San Francisco, California; Chicago, Illinois; Boston, Massachusetts; New York City, New York; and Washington, DC. Bentley's sales organization covers project specifiers such as architectural firms and commercial real estate managers, as well as flooring contractors which service diverse end users including large corporates, hospitality locations, retail organizations, healthcare providers, educational institutions and government entities. Bentley has also increased investments in samples to provide its sales representatives with the necessary marketing tools to showcase its product portfolio. Each year, Bentley launches a strategic brand campaign in conjunction with the NeoCon design trade show to highlight its new design portfolio.

Intellectual Property

As our industry is heavily reliant on the constant renewal of product mix, product innovation and production process optimization, we do not rely upon intellectual property as a significant component of our business model. We (including Bentley) have trademarked our various brand names and Balta Group holds two patents in Belgium in connection with our *modulyss* brand. Such protections are subject to local laws, and trademarks may be subject to national, EU and international registration, and the durations of such protection vary by country. We believe that we are not dependent on patents filed by third parties.

Employees

As of December 31, 2016, Balta Group had a total headcount of 3,494 employees, representing 3,283 FTEs. Of those FTEs, 145, or 4.4%, were temporary workers and 76.5% were based in our Belgian facilities and offices. The following table shows, for the periods under review, FTEs by geographical area:

	For the year ended December 31,		
	2016 ⁽¹⁾	2015	2014
Belgium	2,513	2,463	2,464
Turkey	653	620	559
United States	426	84	68
Other	57	49	36
Total	3,649	3,216	3,127

(1) Pro forma basis to reflect the acquisition of Bentley. Bentley had 366 FTEs as of December 31, 2016, all located in the United States.

We consider our relations with our employees to be good. The terms and conditions for employees, including working hours, termination rights and benefits, are governed by standard employee contracts together with, in certain circumstances, a variety of collective bargaining agreements. A substantial majority of our employees in Belgium and the United States are covered by collective bargaining agreements or represented by trade unions or local works councils. In Turkey, none of our employees are covered by collective bargaining agreements. Some of our collective bargaining agreements are for an indefinite duration, while a number of our collective bargaining agreements covering certain employees in Belgium (relating to non-recurrent bonuses) and the United States expire at the end of each calendar year.

Insurance

We have insurance policies in place that cover liability for public and product liability, death or injury to employees and damage to property, including buildings, plants, machinery and stock. We also have insurance coverage for business interruption.

We work closely with our insurance brokers to ensure that we maintain policies that are suitable for our business and industry. However, our insurance does not cover every potential risk associated with our business.

Information Technology and Data

Our IT platform is used to manage our operations, including design software, production, purchasing, sales, customer service, logistics and administration. For many of our segments, we have a complex and heterogeneous application landscape that in part consists of partially integrated systems from prior acquisitions. We support our IT systems through an in-house team of IT specialists.

We have taken appropriate measures to secure our systems and data by using standard IT security capability products. We have centralized backup data storage facilities as well as business continuity plans in place. We have not experienced any significant IT problems in recent years.

Legal Proceedings

We are subject to legal, administrative and regulatory proceedings in the ordinary course of our business. We believe that none of the legal, administrative or regulatory proceedings pending against us or with which we are threatened, individually or collectively, will have a material adverse effect on our consolidated financial position, results of operations or cash flow.

We made no provisions for legal claims or for restructuring for the year ended December 31, 2016. Provisions for restructuring are included under integration and restructuring expenses. The Company is not currently subject to any material legal proceedings.

Environmental and Health and Safety

In connection with our business, we are subject to environmental laws and regulations in each of the countries where we do business. These laws and regulations impose binding standards, in particular with respect to product safety, air pollution, carbon emissions, noise reduction, waste water, industrial waste, and may impose specific methods for eliminating wastes, or environmental clean-up. Many of these areas of regulation are subject to increasingly stricter levels of security and compliance, in particular relating to carbon emissions. Due to our handling of certain chemicals, we are also subject to safety and security requirements pursuant to various national security regulations of the various jurisdictions in which we operate.

Regulation of Our Business

We comply with a large number of regulations, standards and certifications in our various markets. These standards vary depending on the geographic region, the type of building in which a product is installed and the type of flooring. We have adopted a monitoring process to ensure that our products are in material compliance with all applicable regulations, standards and certifications. With respect to production and manufacturing in particular, we are subject to a number of EU and local regulations in Belgium, Turkey and the United States, which range in scope from the communication on chemicals in the supply chain to the labeling of fiber compositions, the evaluation of textile fiber mixtures, restrictions of use and authorization of chemicals used during our production cycle.

Mandatory and Non-Mandatory Standards

We are subject to two types of standards: mandatory standards based on legal requirements, and non-mandatory standards that we have chosen to comply with to respond to our customers' needs.

In most cases, compliance with mandatory standards must be certified by independent laboratories and/or organizations as well as by a governmental authority. Their principal objective is to ensure the safety and protect the health of end-users by demonstrating that the product complies with regulatory requirements, which relate primarily to fire-resistance, slip-resistance and limits on toxic fumes.

Non-mandatory standards are primarily testing standards to determine a product's technical characteristics such as acoustic properties or dimensional stability, and specifications relating to minimum thresholds for a specific use. These standards vary depending on the product and its intended use, such as schools, hospitals or homes. These standards allow buyers, decision-makers and end-users to be informed of the characteristics of our flooring in order to better differentiate between our products and those of our competitors. The technical specifications that we choose to communicate vary depending on the requirements of the market in question.

Especially in the commercial market, customers often stipulate compliance with non-mandatory standards in their order specifications. Moreover, compliance with non-mandatory standards is also required by certain national or municipal governments for the construction or renovation of buildings that will be used as public administrations or government agencies.

Standard Organizations and Standards Used in Other Jurisdictions

Standard organizations define the technical characteristics and performance that a product must meet, as well as the tests to be used.

At the international level, the principal organization in charge of publishing our applicable standards is the International Organization for Standardization ("ISO"). Compliance with ISO standards is based on the principles developed by the World Trade Organization, and is technically voluntary, although often required by architects and contractors, in particular for government contractors. Furthermore, agreements between ISO and the European Union enable the transposition of an ISO standard into a European standard.

In Europe, standards are established by the European Committee for Standardization ("CEN"). These standards, called "EN" standards, are mandatory when referenced by a European regulation.

European directives also define requirements for each product. “Harmonized” EN standards may be either mandatory or optional. They concern the health and safety of end-users as well as energy savings. If a product is shown to comply with certain harmonized standards, it is automatically deemed to comply with requirements under European directives.

Compliance with harmonized standards enables a manufacturer to obtain the “CE” label, governed by Regulation (EC) No. 305/2011 of April 24, 2011, which came into effect on July 1, 2013. We market our products in Europe under this label. The CE label indicates that we certify that the product complies with the various harmonized standards and that the flooring has undergone adequate testing. Among the mandatory harmonized standards, fire-retardant and fire-resistance standards, anti-slip standards and toxic emissions standards are the most important. For example, we comply with EN Standard 14041, which details requirements for resilient and laminate hard flooring and carpets.

In addition, we can be required to comply with standards issued by national organizations in various European Union member states. We are subject to national standards in the countries where we sell our products.

In the United States, environmental and workplace safety regulations are established at the federal level, whereas safety features such as fire resistance standards are generally regulated at the state or city level. However, the state of California, where Bentley’s operations are located, also has state-wide regulators and for environmental protection (waste, disposal, classification), air quality, water quality, occupational health and industrial emissions in addition to the Los Angeles County sanitation and hazardous waste regulations to which Bentley is also subject. These state and city level health and safety regulations, with which Bentley is fully compliant, often exceed federal standards. Furthermore, the operations of Bentley are LEED certified and its products are LEED and CRI Green Label Plus program compliant.

The American Society for Testing and Materials (“ASTM”) develops most of the non-mandatory standards applicable to flooring products in the United States. Both the federal and state governments may decide to adopt ASTM standards, thereby making them mandatory. ASTM standards are mandatory when referenced in federal or state regulations. Bentley also participates in the National Voluntary Laboratory Program and its quality laboratory is considered a NAVLAB. In the United States, we also meet the Health Product Declaration (“HPD”) standards. The HPD is a standard format for reporting product ingredients and associated health information. The HPD was developed by the Health Product Declaration Collaborative (“HPDC”) which is composed of product manufacturers and building experts. Since the end of 2016, our *modulyss* brand team is active in the HPDC and its technical working groups.

In Russia, flooring products must comply with numerous technical standards imposed by various federal laws and technical regulations, including, in particular, Federal Law No. 184-FZ on the verification and compliance system for flooring; Federal Law No. 123 of July 22, 2008 on fire safety standards; and Technical Regulations No. 123-FZ on fire safety requirements.

Countries such as Australia, New Zealand, Japan and China also develop standards as well as national regulations with which we may be required to comply. Finally, certain laboratories and private sector organizations have established procedures for labeling products that comply with certain standards. We actively participate with organizations such as ASTM, ISO and CEN in the process of developing standards.

MANAGEMENT AND CORPORATE GOVERNANCE

Overview

This section summarizes the rules and principles governing the Company's corporate governance structure, in accordance with the Belgian Companies Code, other relevant legislation, the Articles of Association and the Corporate Governance Charter.

The Company is committed to high standards of corporate governance and relies on the Belgian Code on Corporate Governance of March 12, 2009 (the "Corporate Governance Code") as a reference code. The Corporate Governance Code is based on a "comply or explain" approach. Belgian listed companies should follow the Corporate Governance Code, but may deviate from those of its provisions which are not otherwise contained in the Belgian Companies Code, provided they disclose the justification for any such deviation in the annual corporate governance statement included in the annual report.

The Board of Directors intends to comply with the Corporate Governance Code, except with respect to the following:

- the Articles of Association allow the Company to grant Shares, stock options and other securities vesting earlier than three years after their grant (see "*—Remuneration of Directors and Members of the Management Committee—Legal Constraints Applicable as of the Closing of the Offering*");
- certain members of the Management Committee are entitled in certain circumstances to severance pay higher than 18 months of remuneration (see "*—Remuneration of Directors and Members of the Management Committee—Termination Provisions*"); and
- the group of directors appointed upon proposal of LSF9 Balta Holdco S.à r.l., will constitute the majority of the directors (5 out of 9) in the post-Offering Board of Directors (see "*—Board of Directors—Board of Directors*").

The Company has adopted a corporate governance charter (the "Corporate Governance Charter"), conditional upon and with effect as of the closing of the Offering. The Company will review the Company's corporate governance at regular intervals and adopt any changes deemed necessary and appropriate.

The Company adopted certain changes to its Articles of Association at the extraordinary Shareholders' Meeting held on May 30, 2017), conditional upon and with effect as of the closing of the Offering (see "*Description of Share Capital and Articles of Association*").

The Articles of Association and the Corporate Governance Charter will be made available on the Company's website (www.baltagroup.com) and can be obtained free of charge at the Company's registered office after completion of the Offering.

Board of Directors

Powers and Responsibilities of the Board

The Board of Directors is vested with the power to perform all acts that are necessary or useful for the realization of the Company's purpose, except for those actions that are specifically reserved by law or the Articles of Association for the Shareholders' Meeting or other management bodies.

In particular, the Board of Directors is responsible for:

- defining general policy strategy of the Company and its subsidiaries;
- deciding on all major strategic, financial and operational matters of the Company;
- overseeing the management by the CEO and other members of the Management Committee; and
- all other matters reserved to and obligations imposed (including disclosure obligations) on the Board of Directors by law or the Articles of Association.

Within certain limits, the Board of Directors is entitled to delegate special clearly-defined powers to the CEO.

Composition of the Board of Directors

Pursuant to the Articles of Association, the Board of Directors must comprise at least five (5) members. As of the date of this Prospectus, the Board of Directors comprises six (6) members.

Subject to and effective as of the closing of the Offering, the Board of Directors will consist of nine (9) members.

The Articles of Association provide for nomination rights in favor of LSF9 Balta Holdco S.à r.l., as follows:

- For as long as LSF9 Balta Holdco S.à r.l. or a company affiliated therewith within the meaning of article 11 of the Belgian Companies Code, directly or indirectly, holds at least 50% of the total number of shares issued by the company, it is entitled to nominate at least five (5) directors to be appointed by the Shareholders' Meeting.
- For as long as LSF9 Balta Holdco S.à r.l. or a company affiliated therewith within the meaning of article 11 of the Belgian Companies Code, directly or indirectly, holds less than 50% but at least 40% of the total number of shares issued by the company, it is entitled to nominate four (4) directors to be appointed by the Shareholders' Meeting.
- For as long as LSF9 Balta Holdco S.à r.l. or a company affiliated therewith within the meaning of article 11 of the Belgian Companies Code, directly or indirectly, holds less than 40% but at least 30% of the total number of shares issued by the company, it is entitled to nominate three (3) directors to be appointed by the Shareholders' Meeting.
- For as long as LSF9 Balta Holdco S.à r.l. or a company affiliated therewith within the meaning of article 11 of the Belgian Companies Code, directly or indirectly, holds less than 30% but at least 20% of the total number of shares issued by the company, it is entitled to nominate two (2) directors to be appointed by the Shareholders' Meeting.
- For as long as LSF9 Balta Holdco S.à r.l. or a company affiliated therewith within the meaning of article 11 of the Belgian Companies Code, directly or indirectly, holds less than 20% but at least 10% of the total number of shares issued by the company, it is entitled to nominate one (1) director to be appointed by the Shareholders' Meeting.

Pursuant to the Articles of Association, if the direct or indirect shareholding of LSF9 Balta Holdco S.à r.l. or a company affiliated therewith within the meaning of article 11 of the Belgian Companies Code in the company falls below one of the aforementioned thresholds, LSF9 Balta Holdco S.à r.l. shall cause a director appointed upon its nomination to tender its, his or her resignation as director of the company with effect as of the date of the next annual Shareholders' Meeting, failing which the mandate of the director who was most recently appointed upon LSF9 Balta Holdco S.à r.l.'s nomination shall automatically terminate on the date of the next annual Shareholders' Meeting.

Although the term of office of directors under Belgian law is limited to six years (renewable), the Corporate Governance Code recommends that it be limited to four years. The Articles of Association limit the term of office of directors to four years. The appointment and renewal of directors is based on a recommendation of the Remuneration and Nomination Committee to the Board of Directors and is subject to approval by the Shareholders' Meeting, taking into account the nomination rights described above.

Pursuant to the Corporate Governance Code, at least half of the directors should be non-executive and at least three directors should be independent in accordance with the independence criteria set out in the Belgian Companies Code and the Corporate Governance Code. The composition of the Board of Directors effective as of the closing of the Offering complies with these recommendations.

As of January 1, 2023, at least one-third of the directors must be of the opposite gender. As illustrated below (see “—*Board of Directors—Board of Directors*”), the composition of the Board of Directors will already meet this requirement subject to and effective as of the closing of the Offering (i.e. the post-IPO board).

Functioning of the Board of Directors

In principle, the Board of Directors meets at least five (5) times a year. Additional meetings may be called with appropriate notice at any time to address specific needs of the business. The Board of Directors is convened by the chairman or the CEO whenever the interest of the Company so requires or at the request of two (2) directors.

Quorum

The Board of Directors can only deliberate and decide on matters stated on the agenda and only if at least half of its members are present or represented at the meeting.

Such quorum requirement shall not apply (i) to the vote on any matter at a subsequent meeting of the Board of Directors to which such matter has been deferred for lack of quorum at a prior meeting, if said subsequent meeting is held within 30 days from such prior meeting, provided that at least three directors are present or represented; or (ii) when an unforeseen emergency arises that makes it necessary for the Board of Directors to take action that would otherwise become time-barred by law or in order to avoid imminent harm to the Company.

The Board of Directors can only lawfully deliberate and decide on matters that are not stated on the agenda if all the members are present at the meeting and agree to this.

Each director can grant a proxy to one of his/her colleagues to represent him/her at a specific Board of Directors meeting.

Deliberation and Voting

The decisions of the Board of Directors are taken by a simple majority of votes.

In exceptional cases, when urgent necessity and the Company's interest demand this, the Board of Directors' decisions can be taken by unanimous written agreement by the directors. However, this procedure cannot be adopted for drawing up the annual accounts, or the utilization of the authorized capital.

Board of Directors

Pre-IPO board: As of the date of this Prospectus, the Board of Directors is composed as follows:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Director since</u>	<u>Mandate expires</u>
Tom Debusschere ⁽¹⁾	49	Executive Director and CEO	2017	2021
Michael Kolbeck	47	Non-Executive Director	2017	2021
Karoline Graeubig	35	Non-Executive Director	2017	2021
Hannah Strong	33	Non-Executive Director	2017	2021
Jeremy Fryzuk	32	Non-Executive Director	2017	2021
Patrick Lebreton	49	Non-Executive Director	2017	2021

(1) Tom Debusschere provides services through Kairos Management BVBA.

Post-IPO board: Subject to and effective as of the closing of the Offering, the Board of Directors will be composed as follows:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Director since</u>	<u>Mandate expires</u>
Tom Debusschere ⁽¹⁾	49	Executive Director and CEO	2017	2021
Michael Kolbeck	47	Non-Executive Director	2017	2021
Karoline Graeubig	35	Non-Executive Director	2017	2021
Hannah Strong	33	Non-Executive Director	2017	2021
Jeremy Fryzuk	32	Non-Executive Director	2017	2021
Patrick Lebreton	49	Non-Executive Director	2017	2021
Nicolas Vanden Abeele ⁽²⁾	45	Independent Director	2017	2021
Cyrille Ragoucy	61	Independent Director	2017	2021
Sarah Hedger	52	Independent Director	2017	2021

(1) Tom Debusschere provides services through Kairos Management BVBA.

(2) Nicolas Vanden Abeele provides services through Accelium BVBA.

Tom Debusschere joined the Balta Group as CEO in 2016. From 2009 to 2016, he served as CEO of Deceuninck NV, a global leader in PVC window and door systems. Prior to Deceuninck, Mr. Debusschere was the President of Unilin Decor from 2004 to 2008 and served multiple roles at Deceuninck USA between 1995 and 2004 including General Manager, Vice President of Operations, Vice President of Supply Chain & IT and Director of Logistics & IT. Mr. Debusschere holds a Master of Science in Electromechanical Engineering (*magna cum laude*) from University of Ghent.

Michael Kolbeck is Managing Director and Head of Corporate at Hudson Advisors UK Limited, which advises Lone Star and the Funds which it administers, including Lone Star Fund IX, which is an investor in the Company. Prior to his post at Hudson since January 2017, he was Managing Director at Lone Star Germany Acquisitions GmbH (which is an affiliate of the Company). He currently serves a Director and Board Member for several entities across varied industries including: Xella International S.A., a leading European building materials company, Club Company (Group) Limited, which runs golf and health clubs in the UK; MRH (GB) Limited, a leading independent petrol filling station operator in the UK; and Dynamic Bulk LLC, a shipping company. Prior to joining Lone Star and Hudson in 2004, Mr. Kolbeck has worked several years for Allianz Group as an investment manager. Mr. Kolbeck holds a Master's degree in Business Administration from Ludwig-Maximilians University, Munich, Germany.

Karoline Graeubig is Vice President, Underwriting at Hudson Advisors UK Limited. Ms. Graeubig holds a Master's degree in International Business Administration from Eberhard-Karls University, Tuebingen, Germany.

Hannah Strong is Vice President, Legal Counsel at Hudson Advisors UK Limited. Ms. Strong holds a Bachelor's degree in Jurisprudence from Oxford University.

Jeremy Fryzuk is Vice President, Underwriting at Hudson Advisors UK Limited. He is currently a Board Observer of MRH (GB) Limited, a leading independent petrol filling station operator in the UK. Mr. Fryzuk holds a Bachelor of Commerce with a major in Finance from Dalhousie University, Halifax, Canada.

Patrick Lebreton is Managing Director, Asset Management at Hudson Advisors UK Limited. Prior to his post at Hudson, between 2012 and 2015 Mr. Lebreton was the Director (Operating Partner) of Montague Associates, advising Montague Private Equity Fund. From 2004 to 2012, he was an Executive Vice President in the Portfolio Group at Bain Capital. He has also held executive posts at General Electric, was a manager at Accenture, and is a retired First Lieutenant in the U.S. Army, serving in Operation Desert Storm. He is currently a director of Arioneo, which provides equine health and performance solutions, and MRH (GB) Limited, a leading independent petrol filling station operator in the UK; and was previously a director of Ideal Standard, a world leader in bathroom equipment, fittings and accessories from 2009 to 2012. Mr. Lebreton holds a Bachelor of Science in International Economics and Finance from Georgetown University and a Master's degree in Business Administration from Harvard Business School.

Nicolas Vanden Abeele is managing director of Abbos Consult, before which he spent six years as a member of the executive committee at building materials company, Etex Group, where he headed one of its divisions and also served as a director for several Etex Group companies. Prior to Etex Group, he held various executive positions in the technology industry and strategy consulting in Europe, the Americas and Asia. Mr. Vanden Abeele holds Masters degrees in Business Administration (K.U. Louvain, Belgium), International Business and European Economics (College of Europe, Belgium) and Management (Solvay School of Management/ULB, Belgium).

Cyrille Ragoucy has thirty years' experience in construction products. His last position was as CEO of Tarmac Ltd (originally Lafarge Tarmac), a leading building materials and construction solutions firm in the UK where he oversaw creation of the joint venture between Lafarge SA and Anglo American as well as the integration of several acquisitions, before the entity was purchased by CRH, a large, Irish construction firm in August 2015. From 1998 to 2012, Mr. Ragoucy was with Lafarge served as CEO for Lafarge Shui On Cement, a Chinese joint venture between Lafarge and Shui On, CEO of Lafarge Construction Materials for Eastern Canada and Group Senior Vice President for Health and Safety at Lafarge Holding, among other director and executive-level posts. Mr. Ragoucy holds a Masters of Management from University of Paris IX (Dauphine), France.

Sarah Hedger was employed by General Electric twelve years prior to retiring in March 2017. She held leadership positions in its Corporate, Aviation and Capital business development teams, leaving General Electric as Leader of Business Development and M&A for its GE Capital division. While at General Electric, she served as a non-executive director of GE Money Bank AB from 2011 to 2014, prior to its sale to Santander Group, as well as GE Capital EMEA Services Limited from 2011 to 2017. Before General Electric, Ms. Hedger worked at Lazard & Co., Limited for 11 years, leaving as Director, Corporate Finance and spent five years as an auditor at PricewaterhouseCoopers. Ms. Hedger holds a Masters in Electrical & Electronic Engineering and Business Studies from Imperial College, London University and is a qualified chartered accountant.

The business address for all of the directors is Wakkensteenweg 2, 8710 Wielsbeke, Belgium.

Share Ownership and Intention of the Directors to Participate in the Offering

At the date of this Prospectus, no directors own any Shares. As set out in "*Principal and Selling Shareholder and Group Structure—Arrangement with Management Shareholders*", it is expected that the CEO will receive Shares from the Selling Shareholder upon completion of the Offering.

To the extent known to the Company, no director (based on the post-Offering composition of the Board of Directors) intends to purchase Offer Shares in the Offering.

General Information on the Directors

In relation to each of the directors (based on the post Offering composition of the Board of Directors), there have been no (i) convictions in relation to fraudulent offenses during the past five years; (ii) bankruptcies, receiverships or liquidations of any entities in which such members held any office, directorships, or partner or senior management positions during the past five years; or (iii) official public incrimination and/or sanctions of such members by statutory or regulatory authorities (including designated professional bodies), or disqualification by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer during the past five years.

None of the directors (based on the post-Offering composition of the Board of Directors) has a potential conflict of interest between his/her duties to the Company and his/her private interests and/or any other duties he or she may have.

No director (based on the post-Offering composition of the Board of Directors) has a family relationship with any other director or member of executive management.

In the five years preceding the date of this Prospectus, the directors or their permanent representatives (based on the post-Offering composition of the Board of Directors) have held the following directorships or memberships of administrative, management or supervisory bodies and/or partnerships apart from mandates in the Company or its subsidiaries:

Name	Current	Past
Tom Debusschere ⁽¹⁾	Kairos Management BVBA; Tom Debusschere CommV	Deceuninck NV and subsidiaries
Michael Kolbeck	Club Company (Group) Limited; MRH (GB) Limited; Dynamic Bulk LLC; Xella International S.A.	Vivanco Gruppe AG; IKB Deutsche Industriebank Aktiengesellschaft; Corealcredit Bank AG
Karoline Graeubig	—	—
Hannah Strong	—	—
Patrick Lebreton	MRH (GB) Limited	Ideal Standard
Nicolas Vanden Abeele ⁽²⁾	Accelium BVBA	Etex Group affiliates and subsidiaries
Cyrille Ragoucy	—	Tarmac Holdings Limited and affiliates
Sarah Hedger	—	GE Money Bank AB; GE Capital EMEA Services Limited

(1) Tom Debusschere provides services through Kairos Management BVBA.

(2) Nicolas Vanden Abeele provides services through Accelium BVBA.

Committees of the Board

The Board of Directors has established two Board committees conditional upon and with effect as of the closing of the Offering, which are responsible for assisting the Board of Directors and making recommendations in specific fields: the Audit Committee (in accordance with Article 526bis of the Belgian Companies Code and Provision 5.2 of the Corporate Governance Code) and the Remuneration and Nomination Committee (in accordance with Article 526quater of the Belgian Companies Code and Provision 5.3 and 5.4 of the Corporate Governance Code). The terms of reference of these Board committees are primarily set out in the Corporate Governance Charter.

Audit Committee

The Audit Committee advises the Board of Directors on accounting, audit and internal control matters, and shall, in particular:

- inform the Board of Directors on the result of the statutory audit of the annual accounts and, the consolidated accounts of the Company and explain how the statutory audit of the annual accounts and the consolidated accounts of the Company contributed to the integrity of the financial reports and the role the Audit Committee played in this process;
- monitor the financial reporting process in relation to the Company and make recommendations or proposals to safeguard the integrity of the process;
- monitor the effectiveness of the Company's internal control and risk management systems and if there is an internal audit, monitor the internal audit of the Company and its effectiveness, at least once a year;
- monitor the statutory audit of the annual and the consolidated accounts of the Company, including any follow-up on any questions and recommendations made by the statutory auditor;
- review and monitor the independence of the statutory auditor, in particular whether the provision of additional services to the Company is appropriate. More specifically, the Audit Committee analyses, together with the statutory auditor, the threats for the statutory auditor's independence and the security measures taken to limit these threats, when the total amount of fees exceeds the criteria specified in article 4 §3 of Regulation (EU) No 537/2014; and
- make recommendations to the Board of Directors for the appointment and reappointment of the statutory auditor of the Company in accordance with article 16 § 2 of Regulation (EU) No 537/2014.

The Audit Committee also reports regularly to the Board of Directors on the exercise of its duties, identifying any matters where it considers that action or improvement is needed, and making recommendations as regards the steps to be taken.

Following the closing of the Offering, the Audit Committee will consist of at least three (3) members appointed for a term not exceeding that of their Board of Directors membership, all being non-executive directors and a majority of them being independent directors. The Chairperson of the Audit Committee shall be designated by the Audit Committee but shall not be the Chairperson of the Board of Directors. No executive director (including the CEO) shall be a member of the Audit Committee.

Conditional upon and with effect as of the closing of the Offering, the following directors will form the Audit Committee: Jeremy Fryzuk, Sarah Hedger and Nicolas Vanden Abeele (providing services through Accelium BVBA).

The Audit Committee will meet at least four (4) times a year and whenever it deems necessary in order to carry out its duties.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee advises the Board of Directors principally on matters regarding the appointment and remuneration of directors and the Management Committee and shall, in particular:

- identify, recommend and nominate, for the approval of the Board of Directors, candidates to fill vacancies in the Board of Directors and Management Committee positions as they arise. In this respect, the Remuneration and Nomination Committee must consider and advise on proposals made by relevant parties, including management and shareholders;
- advise the Board of Directors on any proposal for the appointment of the CEO and on the CEO's proposals for the appointment of other members of the Management Committee;
- draft appointment procedures for members of the Board of Directors and the CEO;
- ensure that the appointment and re-election process is organised objectively and professionally;
- periodically assess the size and composition of the Board of Directors and make recommendations to the Board of Directors with regard to any changes;
- consider issues related to succession planning;
- make proposals to the Board of Directors on the remuneration policy for directors and members of the Management Committee and the persons responsible for the day-to-day management of the Company, as well as, where appropriate, on the resulting proposals to be submitted by the Board of Directors to the Shareholders' Meeting;
- make proposals to the Board of Directors on the individual remuneration of directors and members of the Management Committee, and the persons responsible for the day-to-day management of the Company, including variable remuneration and long-term incentives, whether or not stock-related, in the form of stock options or other financial instruments, and arrangements on early termination, and where applicable, on the resulting proposals to be submitted by the Board of Directors to the Shareholders' Meeting;
- prepare a remuneration report to be included by the Board of Directors in the annual corporate governance statement;
- present and provide explanations in relation to the remuneration report at the Annual Shareholders' Meeting;
- make proposals to the Board of Directors for performance targets and conduct performance reviews for the CEO and other members of the Management Committee; and
- report regularly to the Board of Directors on the exercise of its duties.

Following the closing of the Offering, the Remuneration and Nomination Committee shall consist of at least three (3) members, all being non-executive directors and a majority of them being independent directors. The Chairperson of the Remuneration and Nomination Committee shall be designated by the Board of Directors and shall be either the Chairperson of the Board of Directors or another non-executive director.

Conditional upon and with effect as of the closing of the Offering, the following directors will form the Remuneration and Nomination Committee: Michael Kolbeck, Cyrille Ragoucy and Nicolas Vanden Abeele (providing services through Accelium BVBA).

The Remuneration and Nomination Committee will meet at least two (2) times a year and whenever it deems necessary in order to carry out its duties.

Management Committee

The Management Committee is composed of the CEO, who chairs the Management Committee, and the other members of the Management Committee. Such other members are appointed and removed by the Board of Directors upon advice of the CEO and the Remuneration and Nomination Committee.

The Management Committee exercises the duties assigned to it by the CEO, under the ultimate supervision of the Board of Directors. It does not constitute an executive committee (“*directiecomité*” / “*comité de direction*”) within the meaning of Article 524bis of the Belgian Companies Code. The Management Committee is an informal executive committee within the meaning of Article 96§3 of the Belgian Companies Code.

The Company’s Management Committee consists of the following members:

Name	Age	Position
Tom Debusschere ⁽¹⁾	49	Chief Executive Officer
Tom Gysens ⁽²⁾	44	Chief Financial Officer
Marc Dessein ⁽³⁾	58	Managing Director, Rugs
Lieven Vandendriessche ⁽⁴⁾	50	Managing Director, European Carpets & Tiles
Ralph Grogan	59	Managing Director, Bentley

(1) Tom Debusschere provides services through Kairos Management BVBA.

(2) Tom Gysens provides services through Tom Gysens BVBA.

(3) Marc Dessein provides services through Marc Dessein BVBA.

(4) Lieven Vandendriessche provides services through Vandendriessche Consulting BVBA.

For the biography of **Tom Debusschere**, please see “—Board of Directors” above.

Tom Gysens joined the Balta Group as CFO in 2016. Prior to joining the Balta Group, Mr. Gysens worked for Beaulieu International Group for over ten years, serving as Group CFO from 2008 to 2016 and Group Controller from 2005 to 2008. Before Beaulieu, Mr. Gysens was Financial Projects Manager for Berry Floor Group from 2004 to 2005 and Senior Audit Manager for PricewaterhouseCoopers Bedrijfsrevisoren from 1997 to 2004. He holds a Master in Commercial Engineering (*cum laude*) and a Master in Accountancy and Auditing (*cum laude*) from the Catholic University of Leuven.

Marc Dessein has worked for the Balta Group since 1992 and has served as Managing Director of the Rugs Division since 2006. From 1993 until 2006, he was General Manager of the Wool-Heatset Rugs Business Unit of the Balta Group and prior to that he was Export Sales manager. From 1985 to 1992 he held sales and management positions at Pfizer, Radar and Sun International. From 1981 to 1985 he was Assistant Professor in the Faculty of Medicine at Catholic University Leuven. Mr. Dessein holds Master in Physical Education (*magna cum laude*) from the Catholic University of Leuven and a Master in Marketing (*magna cum laude*) from Vlerick Management School, University of Ghent.

Lieven Vandendriessche joined the Balta Group as Managing Director of the Carpets and Tiles Division in 2016. From 2011 to 2016, he worked as General Manager Europe and served as a member of the Executive Committee for Bekaert Deslee, a private equity owned global market leader for mattress textiles. From 2005 to 2011, Mr. Vandendriessche was Group Vice President of Operations for Deceuninck, a global leader in PVC window profile systems, having joined the group in 1995. Mr. Vandendriessche earned a Master in Business Economics (*magna cum laude*) from Erasmushogeschool, Brussels.

Ralph Grogan joined the Balta Group as Managing Director of Bentley in March 2017. From 2013 to 2017, Mr. Grogan served as the President and CEO of Bentley. Prior to Bentley, he served as Vice President of Business Development and Strategy for Antron. Before joining Antron, Mr. Grogan served as the Chief Operating Officer of Tandus Flooring. Prior to Tandus, he held various leadership positions, including president of Monterey Carpets, president of Burlington house Floor Accents, and vice president and general manager of Lees Carpets. Mr. Grogan earned a Master of Business Administration from the University of North Carolina at Greensboro and a Bachelor of Business Administration from the University of North Carolina at Chapel Hill.

CEO

The CEO is responsible for the day-to-day management of the Company. He may be granted additional well-defined powers by the Board of Directors. He has direct operational responsibility for the Company and oversees the organization and day-to-day management of subsidiaries, affiliates and joint ventures. The CEO is responsible for the execution and management of the outcome of all Board decisions.

The CEO leads the Management Committee, which reports to him, within the framework established by the Board of Directors and under its ultimate supervision. The CEO chairs the Management Committee.

The CEO is appointed and removed by the Board of Directors and reports directly to it.

Share Ownership and Intention of the Members of the Management Committee to Participate in the Offering

At the date of this Prospectus, no members of the Management Committee own any Shares. As set out in “*Principal and Selling Shareholder and Group Structure—Arrangement with Management Shareholders*”, it is expected that the following members of the Management Committee will receive Shares from the Selling Shareholder upon completion of the Offering: Tom Debusschere, Marc Dessein, Lieven Vandendriessche and Ralph Grogan.

To the extent known to the Company, no member of the Management Committee intends to purchase Offer Shares in the Offering.

General Information on the Members of the Management Committee

In relation to each of the members of the Management Committee, there have been no (i) convictions in relation to fraudulent offenses during the past five years; (ii) bankruptcies, receiverships or liquidations of any entities in which such members held any office, directorships, or partner or senior management positions during the past five years; or (iii) official public incrimination and/or sanctions of such members by statutory or regulatory authorities (including designated professional bodies), or disqualification by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer during the past five years.

None of the members of the Management Committee has a potential conflict of interests between his/her duties to the Company and his/her private interests and/or any other duties he or she may have, except for any matters in relation to his/her management or employment agreement with the Company or any of its subsidiaries (if any) or with any (indirect) shareholder of the Company. No member of the Management Committee has a family relationship with any director or other member of the Management Committee.

In the five years preceding the date of this Prospectus, the members of the Management Committee have held the following main directorships or memberships of administrative, management or supervisory bodies and/or partnerships apart from mandates in the Company or its subsidiaries:

Name	Current	Past
Tom Debusschere	Kairos Management BVBA [directorship]; Tom Debusschere CommV [directorship]	Deceuninck NV and subsidiaries [directorship]
Tom Gysens	Tom Gysens BVBA [directorship]	Beaulieu International Group NV and subsidiaries [directorship]
Marc Dessein	Marc Dessein BVBA [directorship]	Sunlike Systems BVBA [management]
Lieven Vandendriessche	Vandendriessche Consulting BVBA [directorship]	BekaertDeslee Group (formerly Bekaert Textiles Group) and subsidiaries [directorship]
Ralph Grogan	—	Invista [management]

Remuneration of Directors and Members of the Management Committee

Board of Directors

The Shareholders’ Meeting decides whether the office of director will be remunerated through the allocation of fixed compensation. The amount of any such remuneration is determined by the Shareholders’ Meeting and is borne by the Company. The remuneration of the independent members of the Board of Directors was decided by Shareholders’ Meeting dated May 30, 2017 as follows:

- Director fee: annual fee of €40,000 gross;
- Additional fee for Committee membership (capped for Chairman, per Committee for other Directors): annual fee of €10,000 gross; and
- Additional fee applicable to the Chairman of the Board of Directors: annual fee of €70,000 gross¹.

¹ Please note that the remuneration of the Chairman of the Board of Directors is capped at €120,000 gross.

No director fee is paid to the executive directors or non-executive directors appointed upon nomination by LSF9 Balta Holdco S.à r.l..

Members of the Management Committee

Remuneration for the year ended December 31, 2016

The CEO joined the Balta Group in mid-March, 2016. For the year ended December 31, 2016, remuneration of €462,333 was paid to the CEO (i.e. amount of the remuneration calculated pro rata the portion of the year ended December 31, 2016 during which he was CEO). This remuneration is comprised of the following elements:

- base salary (gross remuneration): €443,333;
- variable remuneration (relating to performance in 2015): €nil;
- pension and death in service and disability coverage: €nil;
- other compensation components (representation allowances): €19,000;
- stock options: €nil; and
- company car: €nil.

For the year ended December 31, 2016, total remuneration of €844,466 was paid to the other members of Management Committee jointly. This remuneration is comprised of the following elements:

- base salary (gross remuneration): €585,272;
- variable remuneration (relating to performance in 2015): €259,194;
- pension and death in service and disability coverage: €nil;
- other compensation components (representation allowances): €nil;
- stock options: €nil; and
- company car: €nil.

In accordance with Article 96, §3 of the Belgian Companies Code, the remuneration report for the financial year ending on December 31, 2017 (and any financial year thereafter), which forms part of the corporate governance declaration which shall be included in the Company's annual report, to be published in 2018, shall include (among other things) the amount of the remuneration of, and any other benefits granted to, the Company's CEO, on a broken-down basis.

Incentive Bonuses

Certain members of the Management Committee are entitled to a share related bonus payment pursuant to a phantom share bonus scheme with Balta NV representing the value of 135,605 Shares at the pay out date (assuming a full placement of the Offer Shares (including the full exercise of the Increase Option) and that the Offer Price is at the mid-point of the Price Range). The bonus is only payable if the manager still provides services to the Group on the second anniversary of the completion of the Offering. If services cease to be provided for any reason prior to the second anniversary the bonus arrangement for that manager is forfeited.

Legal Constraints Applicable as of the Closing of the Offering

By law, certain restrictions apply to the remuneration of the CEO and the members of the Management Committee in addition to those mentioned under “—*Termination Provisions*” below. Variable remuneration can only be paid to the CEO and the members of the Management Committee if the performance criteria explicitly mentioned in the contractual or other provisions governing the relationship were met in the relevant period.

If the variable remuneration constitutes more than 25% of the total annual remuneration package, at least 25% of the variable remuneration must relate to pre-determined and objectively measurable performance criteria deferred over a minimum period of two years, and at least another 25% must relate to such criteria deferred over a minimum period of three years (except where the Articles of Association provide otherwise or the Shareholders' Meeting expressly approves an exception). The Articles of Association authorize the Company to deviate from such rule, as allowed under the Belgian Companies Code.

In respect of share-based remuneration, Shares can only vest and options giving the right to receive Shares or any other rights to acquire Shares can only be exercisable as from three years after the grant (except where the Articles of Association provide otherwise or the Shareholders' Meeting expressly approves an exception). The Articles of Association authorize the Company to deviate from such rule, as allowed under the Belgian Companies Code.

Termination Provisions

Other than in the case of termination in certain events of breach of contract, the CEO is entitled to a notice period of 12 months or a termination fee equal to the fix fee of a notice period of 12 months. The CEO is subject to a non-competition clause for a period of up to one year from the date of termination or resignation restricting his ability to work for competitors. A non-compete compensation of 50% of the fixed fee is due when non-compete is not waived within 30 days after Agreement end.

Other than in the case of termination in certain events of breach of contract, the CFO is entitled to a notice period of 12 months or a termination fee equal to the fix fee of a notice period of 12 months. The CFO is subject to a non-competition clause for a period of up to one year from the date of termination or resignation restricting his ability to work for competitors.

Other than in the case of termination in certain events of breach of contract, Mr. Lieven Vandendriessche is entitled to a notice period of 12 months or a termination fee equal to the fix fee of a notice period of 12 months. Mr. Lieven Vandendriessche is subject to a non-competition clause for a period of up to one year from the date of termination or resignation restricting his ability to work for competitors. A non-compete compensation of 50% of the fixed fee is due when non-compete is not waived within 30 days after Agreement end.

Other than in the case of termination in certain events of breach of contract, Mr. Marc Dessein is entitled to a notice period of 18 months, respectively, and a termination fee at a rate equal to the fixed and variable fee paid out in the preceding calendar year for the period during the notice period during which Mr. Marc Dessein is asked by the Company not to perform. Mr. Dessein is subject to a non-competition clause for a period of up to one year from the date of termination or resignation restricting his ability to work for competitors. He is entitled to receive compensation in an amount equal to up to €162,500 of remuneration if this non-competition clause is applied.

Conflicts of Interest

Directors' Conflicts of Interest

Article 523 of the Belgian Companies Code provides for a special procedure if a director of the Company, save for certain exempted decisions or transactions, directly or indirectly has a personal financial interest that conflicts with a decision or transaction that falls within the Board of Directors' powers. The director concerned must inform the other directors before any decision of the Board of Directors is taken and the Statutory Auditor must also be notified. For companies that are making or have made a public call on savings (the Company will qualify as such a company after the Closing Date), the director thus conflicted may not participate in the deliberation or vote on the conflicting decision or transaction. The minutes of the meeting of the Board of Directors must set out the director's declaration of the conflict of interest, the nature of relevant decision or transaction, the financial impact of the matter on the Company, and justify the decision taken. An excerpt of the minutes must be published in the Company's annual report. The report of the Statutory Auditor to the annual accounts must contain a description of the financial impact on the Company of each of the Board's decisions in matters where a conflict arises.

Intra-group Transactions

Save for certain exempted decisions or transactions, Article 524 of the Belgian Companies Code provides for a special procedure when the decisions or transactions of a company whose shares have been admitted to trading on a regulated market (the Company will qualify as such a company after the Listing Date) concern relationships between such company on the one hand, and affiliated companies of such company on the other hand, with the exception of relationships between that company and its subsidiaries. The procedure must also be followed for decisions or transactions between such company's subsidiaries on the one hand and affiliated companies of the subsidiaries on the other hand, with the exception of relationships between such company's subsidiaries and such subsidiaries' subsidiaries.

Prior to such decisions or transactions, the Board of Directors must appoint a special committee of three independent directors in accordance with Article 526ter of the Belgian Companies Code, supported by one or more independent experts appointed by the special committee. This committee must describe the decision or transaction and determine the commercial advantages and disadvantages of the decision or transaction for the Company and the shareholders. It must also calculate and establish the financial consequences of the decision or transaction, and determine whether or not the decision or transaction is manifestly detrimental in light of the Company's policies. If the committee does not find the decision or transaction to be manifestly detrimental, but believes it will prejudice the Company, it must clarify what benefits the decision or transaction will provide in compensation for the identified prejudices. The committee's recommendation must be submitted in writing, stating each of the above elements to the Board of Directors. The Board of Directors must then make a decision, taking into account the committee's recommendation.

The minutes of the Board of Directors must mention whether the procedure has been complied with and include a justification of any deviation from the committee's recommendation. The written recommendation of the committee and the decision of the Board of Directors must be communicated to the Statutory Auditor, who must issue a separate opinion, which must be annexed to the minutes of the Board of Directors, on the accuracy of the data contained in the recommendation of the committee and in the minutes of the Board of Directors. The committee's recommendation, an excerpt from the minutes of the Board of Directors and the opinion of the Statutory Auditor must be included in the annual report of the Board of Directors. This special procedure is not required for decisions and transactions entered into in the ordinary course of business at usual market conditions or for decisions and transactions in value not exceeding 1% of the Company's consolidated net assets.

Statutory Auditor

The audit of the unconsolidated and consolidated financial statements of the Company is entrusted to the statutory auditor which is appointed at the Shareholders' Meeting, for renewable terms of three years. The Shareholders' Meeting determines the remuneration of the statutory auditor.

The statutory auditor currently is PricewaterhouseCoopers Bedrijfsrevisoren BCVBA, having its registered office at Woluwedal 18, 1932 Sint-Stevens-Woluwe, represented by the private limited liability company (besloten vennootschap met beperkt aansprakelijkheid/société privée à responsabilité limitée) "Filip Lozie", represented by Mr Filip Lozie (member of the Instituut van de Bedrijfsrevisoren/Institut des Réviseurs d'Entreprises).

The mandate of PricewaterhouseCoopers *Bedrijfsrevisoren* BCVBA will expire at the Annual Shareholders' Meeting that will be asked to approve the annual accounts for the financial year ended on December 31, 2019.

Article 140/1 of the Belgian Companies Code and Article 24 of the Law of 7 December 2016 on the organisation of the profession of and the public supervision over auditors limit the liability of auditors of listed companies to €12.0 million for, respectively, tasks concerning the legal audit of annual accounts within the meaning of article 16/1 of the Belgian Companies Code and other tasks reserved to auditors of listed companies by Belgian law or in accordance with Belgian law, except for liability resulting from the auditor's fraud or other deliberate breach of duty.

PRINCIPAL AND SELLING SHAREHOLDER AND GROUP STRUCTURE

The following table presents the ownership of the Shares, (1) immediately prior to the closing of the Offering; (2) giving effect to the Reorganization and the Offering, assuming (i) a full placement of the Offer Shares in the Primary and Secondary Tranches (excluding the Increase Option) and (ii) that, with respect to the Primary Tranche, the Offer Price is at the mid-point of the Price Range; (3) giving effect to the Reorganization and the Offering, assuming (i) a full placement of the Offer Shares in the Primary and Secondary Tranches (excluding the Increase Option), (ii) that, with respect to the Primary Tranche, the Offer Price is at the mid-point of the Price Range and (iii) assuming full exercise of the Over-allotment Option and 4) giving effect to the Reorganization as described in “*Principal and Selling Shareholder and Group Structure—Reorganization*” and the Offering, assuming (i) a full placement of the Offer Shares in the Primary and Secondary Tranches, including the Increase Option), (ii) that the Offer Price is at the mid-point of the Price Range and (iii) assuming full exercise of the Over-allotment Option:

	Shares Owned At the Date of this Prospectus		Shares Owned After the Closing of the Reorganization		Shares Owned After the Closing of the Offering Assuming Full Exercise of the Over-Allotment Option		Shares Owned Assuming Exercise of the Increase Option and Full Exercise of Over-Allotment Option	
	Number	%	Number	%	Number	%	Number	%
Lone Star Fund IX								
• LSF9 Balta Midco S.à r.l.	61,499	99.99	0	0	0	0	0	0
• LSF9 Balta Holdco S.à r.l.	1	0.01	25,000,000	100	15,729,567	45	13,195,234	38
Management	0	0	0	0	1,116,693	3	940,787	3
Public	0	0	0	0	18,068,269	52	20,778,510	60
Total	61,500	100	25,000,000	100	34,914,530	100	34,914,530	100

All of the Shares have the same voting rights. Voting rights are suspended, however, when such Shares are held by the Company as treasury shares.

Shareholders

The Company was incorporated on March 1, 2017 by LSF9 Balta Midco S.à r.l. and LSF9 Balta Holdco S.à r.l.

LSF9 Balta Midco S.à r.l. and LSF9 Balta Holdco S.à r.l. are Lone Star Fund IX entities that serve principally as holding companies for Lone Star Fund IX investments.

As shown below in “—*Group Structure*,” the ultimate indirect controlling shareholder of the Company is the Lone Star Fund IX entity LSF9 Balta Topco S.à r.l. which sits above LSF9 Balta Midco S.à r.l. and LSF9 Balta Holdco S.à r.l.

Lone Star Funds

Lone Star Funds (“Lone Star”) is a leading private equity firm that invests globally in real estate, equity (including equity of operating companies), credit and other financial assets. Since the establishment of its first fund in 1995, Lone Star has organized seventeen private equity funds (the “Funds”) with aggregate capital commitments totaling over \$70 billion. The Funds are structured as closed-end, private-equity limited partnerships, the limited partners of which include corporate and public pension funds, sovereign wealth funds, university endowments, foundations, fund of funds and high net worth individuals. The Funds are advised by Lone Star Global Acquisitions, Ltd., an investment adviser registered with the U.S. Securities and Exchange Commission. Lone Star Global Acquisitions, Ltd., and its global subsidiaries advise the Funds from offices in North America, Western Europe and East Asia.

On June 15, 2015, Lone Star Fund IX agreed to acquire Balta Group. The acquisition closed on August 11, 2015.

Reorganization

On December 1, 2016 Lone Star Fund IX agreed to acquire Bentley from Dominus Capital, L.P. The acquisition was completed on February 1, 2017. The acquisition was partly financed through equity and by the issuance of a term loan of \$33.0 million and a drawdown of \$11.1 million on a revolving credit facility of \$18.0 million. The holding structure for this investment included a limited partnership LSF9 Renaissance Bermuda Partners, L.P. (not having legal personality under Bermuda law), essentially to manage the investment relation with the management of Bentley, who retained an equity stake in Bentley.

On March 22, 2017, LSF9 Balta Issuer S.A. acquired from LSF9 Renaissance Super Holdings, L.P. its partnership interests in LSF9 Renaissance Bermuda Partners, L.P., which in turn owned the membership interests in LSF9 Renaissance Holdings LLC. LSF9 Renaissance Holdings LLC is the new ultimate holding company of Bentley. Subsequently, on March 23, 2017, Balta NV replaced LSF9 Balta Issuer S.A. as a limited partner in LSF9 Renaissance Bermuda Partners, L.P. and as a result acquired the interest in LSF9 Renaissance Holdings LLC. As a result of these transactions, Balta NV currently controls Bentley.

A reorganization is being implemented pursuant to which the Company will become, subject to and with effect immediately prior to the closing of the Offering, the new ultimate parent company of the operational activities of the Group, including Bentley (the “Reorganization”). The Reorganization includes the following steps.

- Prior to the date hereof:

The Company was incorporated on March 1, 2017 by LSF9 Balta Midco S.à r.l. and LSF9 Balta Holdco S.à r.l., as a limited liability company in the form of a *naamloze vennootschap/société anonyme* under Belgian law.

- Conditional upon, and with effect immediately prior to, closing of the Offering:

Pursuant to resolutions irrevocably adopted prior to the launch of the Offering, the transactions described below will take place subject to, and with effect upon the pricing or immediately prior to closing of the Offering:

- *Luxembourg Transaction*

- Contribution of PECs. LSF9 Balta Issuer S.A. and LSF9 Balta Investments S.à r.l. have historically each been funded by the issuance of preferred equity certificates (“PECs”). Prior to the Belgium Transactions described below, LSF9 Balta Issuer S.A. will contribute the PECs it holds in LSF9 Balta Investments S.à r.l. into the equity (capital reserve, without issuance of new shares) of the latter and then, LSF9 Balta Holdco S.à r.l., holder of the PECs issued by LSF9 Balta Issuer S.A., will, similarly and in turn, contribute these PECs into the equity (capital reserve, without issuance of new shares) of LSF9 Balta Issuer S.A.. Both contributions will take place based on the face value of the PECs (i.e. initial principal amount plus accrued interest) and conditional upon the pricing of the Offering.
- Contribution of Bentley acquisition receivables. The Balta Investments Intercompany Loans resulting from the Bentley integration as defined in “*Related Party Transactions*” will be contributed by LSF9 Balta Issuer S.A. into the equity (capital reserve) of LSF9 Balta Investments S.à r.l. without the issuance of any shares. This contribution will be done simultaneously with the contribution of the PECs and the contribution of BM Note 3 between the same companies and conditional upon the pricing of the Offering.
- Contribution of BM Notes: The BM Note 3 and the BM Note 2 resulting from the buy-out of the Bentley Management described below and in “*Related Party Transactions*” will be contributed into the equity (capital reserve) of their respective issuers (i.e. LSF9 Balta Investments S.à r.l. and LSF9 Balta Issuer S.A.) by, respectively LSF9 Balta Issuer S.A. and, LSF9 Balta Holdco S.à r.l. without the issuance of any shares. These contributions will be done, at each company level, simultaneously with the contribution of the PECs existing at the level of the same issuers respectively (as described under the previous bullet) and conditional upon the pricing of the Offering.
- LSF9 Balta Issuer S.A. will (i) first contribute the BM Note 3 (simultaneously with the PECs issued by LSF9 Balta Investments S.à r.l. to LSF9 Balta Issuer S.A. and the Balta Investments Intercompany Loans) into the equity (capital reserve) of LSF9 Balta Investments S.à r.l. and then (ii) LSF9 Balta Holdco S.à r.l. will contribute the BM Note 2 (simultaneously with the PECs issued by LSF9 Balta Issuer S.A. to LSF9 Balta Holdco S.à r.l.) into the equity (capital reserve) of LSF9 Balta Issuer S.A.

- *Bentley Management Buy-out*

- LSF9 Balta Midco S.à r.l. will acquire the remaining minority equity stake (of less than 2% of the total interest) in Bentley that is still owned by Bentley management, through the acquisition of management’s interest in LSF9 Renaissance Bermuda Partners, L.P. (Bentley management equity stake). Bentley management will receive cash and (subject to vesting) shares in the Company from LSF9 Balta Midco S.à r.l. in exchange for the transfer of the Bentley management equity stake and as part of a roll-over of the current Bentley management incentive plan. LSF9 Balta Midco S.à r.l. will transfer the Bentley management stake to LSF9 Balta Holdco S.à r.l., who will subsequently roll-down the Bentley management stake into Balta NV in a cash-less manner, such that the full ownership in Bentley is centralized within Balta NV as set out in “*Related Party Transactions*.” This integration of the Bentley management equity stake into Balta NV will result in an equity increase at the level of LSF9 Balta Issuer S.A., LSF9 Balta Investments S.à r.l., LSF9 Balta Luxembourg S.à r.l. and Balta NV.
- After the buy-out of the Bentley management, LSF9 Renaissance Bermuda Partners, L.P. no longer has any functional purpose and the partnership is expected to be unwound after the closing of the Offering.

- *Belgium Transactions*

- Capital increase by means of a contribution in kind. After the Contribution of PECs, BM Notes and the Balta Investments Intercompany Loans as detailed under “*Luxembourg Transactions*” above and conditional upon the issuance by a bank operating in Belgium of the blocking certificate issued pursuant to Article 600 of the Belgian Companies Code representing the proceeds of the Primary Tranche, LSF9

Balta Holdco S.à r.l. will contribute all shares it holds in LSF9 Balta Issuer S.A. to the share capital of the Company by means of a contribution in kind, creating both share capital and issue premium, in exchange for 25 million Shares. This decision will be notarized.

- Following the completion of this contribution in kind, the Company will directly own all equity interests in LSF9 Balta Issuer S.A.
- The 25 million Shares created as a result of the contribution in kind are referred to in this Prospectus as existing Shares (a portion of which will be offered as the Secondary Tranche) because such Shares are created immediately prior to the issuance of the newly issued Shares (which will be offered as the Primary Tranche). The existing Shares can be distinguished from the newly issued Shares to be sold by the Company in the Primary Tranche.
- The valuation ascribed to this contribution in kind will be based on the Offer Price because the assets and liabilities of the Company will comprise solely (but for €61,500 constituting the Company's initial share capital upon incorporation) those resulting from this contribution in kind, which will occur prior to the capital increase in connection with the Primary Tranche.
- The shares of LSF9 Balta Issuer S.A. will be contributed in kind to the Company at a value equal to the expected number of "existing" Shares of the Company (a portion of which will be sold in the Secondary Tranche) multiplied by the Offer Price.
- Capital reduction to create distributable reserves: The shareholders of the Company have resolved, prior to the commencement of the Offering and subject to the effective completion of the Company's capital increase by means of a contribution in kind set out above, upon a capital reduction, each with effect immediately prior to the closing of the Offering, which will result in distributable reserves being created in the amount of €150 million. No capital contributions will be repaid to the shareholders in the context of this capital reduction. The reserves created as a result of the capital reduction will not be distributable until two months following publication in the Annexes of the Belgian State Gazette of an excerpt of the notarial deed recording satisfaction of this condition precedent to which this capital reduction was made. Accordingly, the Company will be entitled to make distributions to shareholders out of these distributable reserves even in the absence of Belgian GAAP annual net profit for the relevant year.
- Capital reduction to cancel the founders' shares: The shareholders of the Company have resolved, prior to the commencement of the Offering and subject to the effective completion of the Company's capital increase by means of a contribution in kind set out above, upon a capital reduction for an amount of €61,500, with effect immediately prior to the closing of the Offering and following the capital reduction mentioned in the previous bullet, by (i) cancellation of the 61,500 shares of the Company subscribed to by its founders, i.e. LSF9 Balta Midco S.à r.l. and LSF9 Balta Holdco S.à r.l., at the Company's incorporation on March 1, 2017 and (ii) repayment of the contributions made at the Company's incorporation by these founders (i.e. €61,500 in total). The new shareholders will not benefit from this distribution. This repayment by the Company to the founders will only be done after expiry of a period of two months following publication in the Annexes of the Belgian State Gazette of an excerpt of the notarial deed recording satisfaction of this condition precedent to which this capital reduction was made. As a result of such capital reduction, LSF9 Balta Midco S.à r.l. will no longer be shareholder of the Company.
- Capital increase in cash resulting from the subscription of the Primary Tranche. The shareholders of the Company have resolved to effect a capital increase in the amount included in the blocking certificate to be issued pursuant to Article 600 of the Belgian Companies Code representing the proceeds of the Primary Tranche and for a maximum of €145 million.

The Reorganization will occur, subject to and immediately effective prior to the closing of the Offering.

Following completion of the Reorganization and upon completion of the Offering, assuming that the Company will receive gross proceeds from the Primary Tranche in the amount of €145 million, and further assuming that the Offer Price is at the mid-point of the Price Range, the Company's share capital (including issue premium) will amount to €361 million as of the closing of the Offering, represented by 34,914,530 Shares.

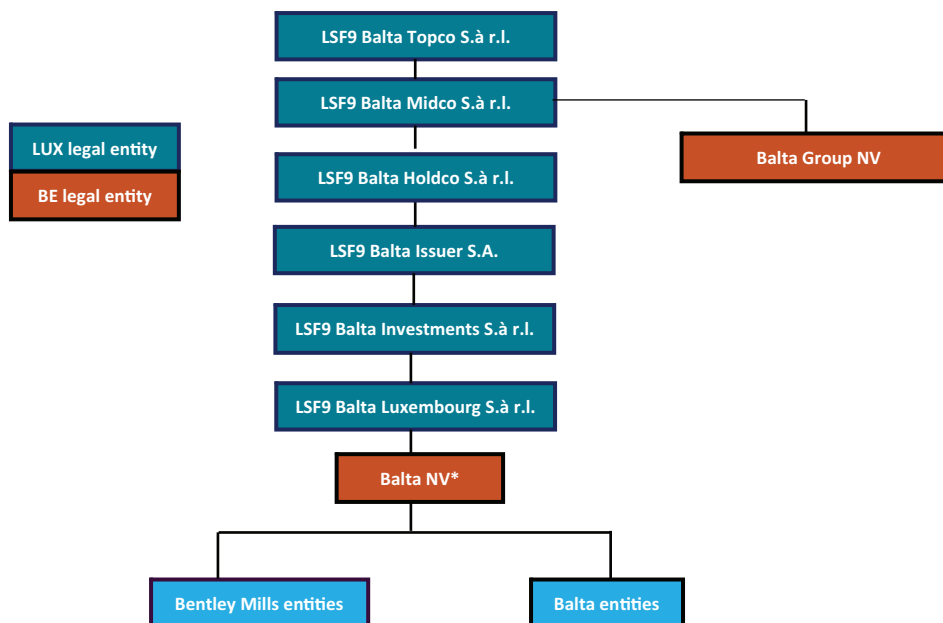
Following the completion of the Reorganization, the Company will directly own all equity interests in LSF9 Balta Issuer S.A. The completion of the Reorganization will be acknowledged at the latest on the Closing Date immediately after the receipt by the Company of the bank certificate in respect of the gross proceeds of the Primary Tranche of the Offering in accordance with article 600 of the Belgian Companies Code.

Following the Offering, the Company intends to contribute the net proceeds from the Primary Tranche (i.e. an amount of €137.6 million) into the equity (share capital) of LSF9 Balta Issuer S.A. in view of (i) a repayment of debt by LSF9

Balta Issuer S.A. and (ii) the lending by LSF9 Balta Issuer S.A. to other Group companies for the payment of other debt. In order to streamline the intra-group financing, LSF9 Balta Issuer S.à r.l. may afterwards contribute the receivables on the borrowing Group companies down the chain into Balta NV, which may further contribute the receivables down into the equity of the relevant borrower.

Group Structure

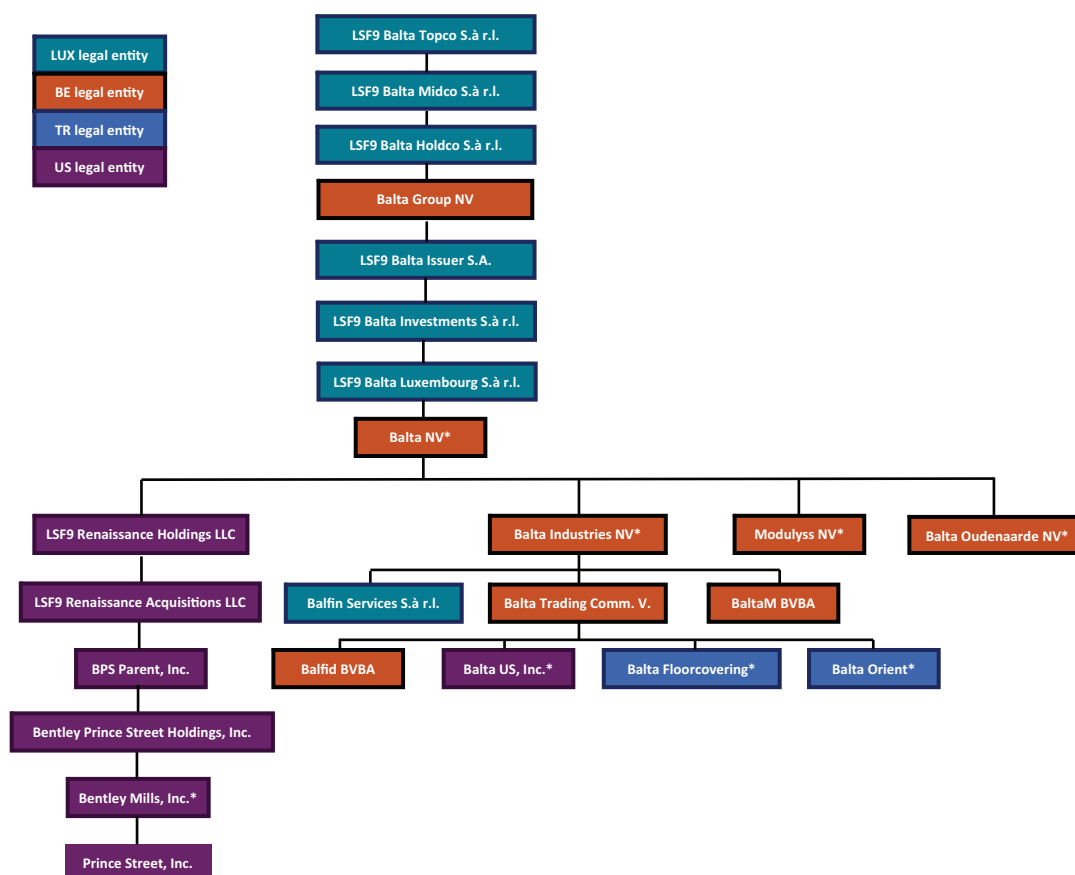
The following chart shows Balta's organization and its relationship to its Luxembourg shareholders noted above under “—Shareholders” (simplified with respect to subsidiaries of Balta NV) as of the date of this Prospectus:



Note: Operating companies are indicated with an asterisk.

The majority of the Shares of the Company are held by LSF9 Balta Midco S.à r.l. Only one share of the company is held by LSF9 Balta Holdco S.à r.l.

The following chart shows Balta’s organization, including all subsidiaries, and its relationship to its Luxembourg shareholders noted above under “—*Shareholders*” giving effect to the Reorganization but prior to the Offering:



Notes: Operating companies are indicated with an asterisk.

Balta Oudenaarde NV’s shareholding includes ex-bearer shares representing 4.63589% of ordinary shares of the entity, for which the legal owner could not be identified when the company’s shares were converted from bearer to registered form pursuant to Belgian law in December 2015. These shares were thus required to be deposited with the Belgian Deposit & Consignment Register to be held pending identification of the owner. Pursuant to Belgian law, the company will have the right to buy back such shares which have been deposited with the Belgian Deposit & Consignment Register, if the restitution of these shares has not been claimed by their respective rightful owners by 31 December 2025. Currently no legal rights can be exercised with respect to these shares.

Marc Dessein and Christophe Vanderbauwhede each hold one share of Balta Floorcovering and Balta Orient, respectively, pursuant to Turkish legislation requiring a minimum level of management ownership.

All other entities are wholly owned or majority owned by the immediate parent entity shown, with minor shareholdings by other entities within the Balta Group.

Arrangement with Management Shareholders

Four of the managers of Balta and two of the managers of Bentley are entitled to receive Shares and a cash bonus from LSF9 Balta Midco S.à r.l. upon or following completion of the Offering pursuant to existing management incentive schemes with Lone Star entities. The entitlement cannot be fully determined at the date of the Prospectus and will depend on the Offer Price and the final size of the Offering. Assuming a full placement of the Offer Shares (including the full exercise of the Increase Option) and that the Offer Price is at the mid-point of the Price Range the number of Shares the managers could potentially receive from the Selling Shareholder under the incentive scheme would be 940,787 Shares in total. Of these Shares 184,739 would be acquired upon completion (and subject to the lock-up set out in “*Plan of Distribution—Lock-up Arrangements*”) and of the remainder 50% (378,024 Shares) would vest on the first anniversary of the completion of the Offering and 50% (378,024 Shares) would vest on the second anniversary of the completion of the Offering. The manager who leaves Balta voluntarily or is dismissed for cause prior to a vesting date will lose his entitlement to unvested Shares.

Margin Loan Facilities

The Selling Shareholder as borrower and J.P. Morgan Securities PLC as lender and calculation agent (the “Margin Loan Lender”) entered into a margin loan facility agreement (the “Margin Loan Facility Agreement”). Under the Margin Loan Facility Agreement, a margin loan facility was made available to the Selling Shareholder (the “Margin Loan Facility”).

The Margin Loan Facility will be available to be drawn upon by the Selling Shareholder following the Closing Date and may be used for the general corporate purposes of the Selling Shareholder.

The Selling Shareholder is expected, on the Closing Date, to provide security in favour of the Margin Loan Lender over the Shares held by it in the Company at Closing. Prior to a default occurring under the Margin Loan Facility (if any), the Selling Shareholder will continue to be able to vote shares over which security has been granted. In the event that an event of default occurs under the Margin Loan Facility Agreement, the lender under the Margin Loan Facility Agreement may enforce the security granted by the Selling Shareholder over its shares in the Company and sell those shares. As of the date of this Prospectus, the sole participant in the Margin Loan Facility is J.P. Morgan Securities PLC. Any transferee of such sold shares during the lock-up period applicable to the Selling Shareholder would not be bound by the lock-up arrangements described in more detail at “*Plan of Distribution—Lock-up Arrangements*”.

Article 50 of the Belgian Takeover Royal Decree (see “*Legislation and Jurisdiction—Public Takeover Bids*”) states that when any person, together with any concert parties, as a result of its own acquisition or the acquisition by persons acting in concert with it or by persons acting for their account, directly or indirectly holds more than 30% of the voting rights, such person shall make a mandatory cash offer for the Company. As a result, it is possible that the enforcement of the security provided by the Selling Shareholder to the Margin Loan Lender may trigger an obligation on the relevant Margin Loan Lender to make a mandatory offer pursuant to Article 50 of the Takeover Royal Decree. However the Takeover Royal Decree provides for an exemption from the obligation to make a mandatory offer where Shares are charged as security for a loan, provided (i) that sufficient Shares are disposed of within twelve months to persons unconnected with the lender, so that the percentage of Shares carrying voting rights in which the lender, together with any persons acting in concert with it, is interested is reduced below the 30% threshold and (ii) that until such time as the excess Shares are disposed of, the voting rights attaching to the excess Shares are not exercised.

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.

As of the date of this Prospectus, the material related party transactions within the Balta Group are intercompany loans that generally include the following:

- historical loans between the Luxembourg holding structure (after the merger of Balta Finance S.à r.l. into LSF9 Balta Investments S.à r.l., these receivables are currently owned by LSF Balta Investments S.à r.l.) and Balta NV that were inherited at the time of the acquisition by Lone Star;
- intercompany loans resulting from the acquisition of the Balta Group by Lone Star;
- Intercompany loans associated with the acquisition of Bentley.

As noted in this Prospectus, on February 1, 2017, Lone Star Fund IX acquired BPS Parent, Inc., the indirect parent company of Bentley Mills, Inc. and the Bentley group, from its shareholders, including Dominus Capital, L.P. The following series of transactions then occurred, with the ultimate effect of Balta NV acquiring control over the Bentley group of companies:

- On March 22, 2017, pursuant to an agreement dated March 10, 2017, LSF9 Balta Issuer S.A. completed the acquisition of the limited partner interest in LSF9 Renaissance Bermuda Partners, LP held by LSF9 Renaissance Super Holdings, LP (a limited partnership indirectly owned by Lone Star Fund IX). LSF9 Renaissance Bermuda Partners, LP holds the membership interest in LSF9 Renaissance Holdings, LLC, the ultimate holding company of BPS Parent, Inc., and therefore the Bentley group of companies.
- Also on March 22, 2017, pursuant to an assignment of membership interest dated March 10, 2017, LSF9 Balta Investments S.à r.l. completed the acquisition of the LLC interest (with membership and right to participate in management) in LSF9 Renaissance GP (Bermuda), LLC, which is the general partner of LSF9 Renaissance Bermuda Partners, LP, from LSF9 Renaissance Super Holdings, LP. This brought the partnership interests in LSF9 Renaissance Bermuda Partners, LP (other than certain minority interests held in LSF9 Renaissance Bermuda Partners, LP by the Bentley management team), within the Balta Group.
- On March 23, 2017, in view of the integration of the Bentley group of companies into the operational group within the Balta Group, Balta NV acquired the limited partner interest in LSF9 Renaissance Bermuda Partners, LP—and therefore the interests in the Bentley group of companies—from LSF9 Balta Issuer S.A., for consideration of €21,119,243.77 and \$51,000,000.00 which remained outstanding on the intercompany account (for the purposes of this paragraph, the “Balta NV Consideration”).

The limited partnership interest acquired by LSF9 Balta Issuer S.A. and subsequently by Balta NV represented at the time of the acquisition over 98% of the total interests in LSF9 Renaissance Bermuda Partners, LP, with the remaining partnership interests held by members of the Bentley management team. As part of the Reorganization, the Bentley management will be bought out. For more detail on the buy-out, please see “*Principal and Selling Shareholder and Group Structure—Reorganization.*”

In connection with the sale of the interest in LSF9 Renaissance Bermuda Partners, LP, with effect from March 23, 2017, LSF9 Balta Issuer S.A. engaged in a series of intercompany loan agreement with respect to the Balta NV Consideration:

- LSF9 Balta Issuer S.A. made available to Balta NV intercompany loans of €21,119,243.77 and \$51,000,000.00. These intercompany loans were made available by way of set-off against the Balta NV Consideration (for the purposes of this section, the “Balta NV Intercompany Loans”), with the result that following this step Balta NV owed LSF9 Balta Issuer S.A. amounts of €21,119,243.77 and \$51,000,000.00.
- LSF9 Balta Issuer S.A. then assigned its interest in the Balta NV Intercompany Loans to LSF9 Balta Investments S.à r.l for consideration of €21,119,243.77 and \$51,000,000 (for the purposes of this section, the “Balta Investments Receivables”), with the result that following this step Balta NV owed LSF9 Balta Investments S.à r.l amounts of €21,119,243.77 and \$51,000,000 under the Balta NV Intercompany Loans.
- In connection with the transfer of the Balta NV Intercompany Loans, LSF9 Balta Issuer S.A. and LSF9 Balta Investments S.à r.l also entered into two intercompany loan agreements pursuant to which LSF9 Balta Issuer S.A. made available to LSF9 Balta Investments S.à r.l loans of €21,119,243.77 and \$51,000,000, and pursuant to which the obligation to make such loans available was set-off against the Balta Investments Receivables, with the result that following this step LSF9 Balta Investments S.à r.l owed LSF9 Balta Issuer S.A. amounts of €21,119,243.77 and \$51,000,000.00 (the “Balta Investments Intercompany Loans”).

The result of these transactions is that the cost of the acquisition of the Bentley group of companies sits as debt at the level of LSF9 Balta Issuer S.A. See also “*Use of Proceeds.*”

As set out in this Prospectus, it is contemplated to also integrate the investment in Bentley acquired from Bentley management into the operational group. The push down in the Group structure of the former participation of Bentley management team in LSF9 Renaissance Bermuda Partners, LP to Balta NV following the buy-out of the Bentley management will be financed through the issuance of intra-group notes, as follows:

- following the buy-out of Bentley management by LSF9 Balta Midco S.à r.l. and a subsequent transfer of the Bentley management equity stake to LSF9 Balta Holdco S.à r.l., LSF9 Balta Holdco S.à r.l. will transfer the newly acquired interests in LSF9 Renaissance Bermuda Partners, L.P. to Balta NV against the issuance by Balta NV of a new note to LSF9 Balta Holdco S.à r.l. (the “BM Note 1”);
- the BM Note 1 will be assigned by LSF9 Balta Holdco S.à r.l. to LSF9 Balta Issuer S.A. against the issuance of a new note by the latter (the “BM Note 2”); and
- subsequently, LSF9 Balta Issuer SA will in its turn assign this BM Note 1 to LSF9 Balta Investments S.à r.l. against the issuance of another new note (the “BM Note 3”).

After the buy-out of the Bentley management, LSF9 Renaissance Bermuda Partners, L.P. no longer has any functional role and the partnership and its general partner LSF9 Renaissance GP (Bermuda), LLC are expected to be unwound after the closing of the Offering.

The Balta Group intends to simplify the intragroup financing between the Luxembourg holding companies and Balta NV by means of different debt-to-equity conversions as follows:

- Contribution of Bentley acquisition receivables. The Balta Investments Intercompany Loans, resulting from the Bentley integration will be contributed by LSF9 Balta Issuer SA into the equity (capital reserve) of LSF9 Balta Investments S.à r.l. as described in “*Principal and Selling Shareholder and Group Structure—Reorganization—Luxembourg Transactions*”.
- Contribution of BM Notes: The BM Note 2 and BM Note 3 will be contributed into the equity (capital reserve) of their respective issuers by, respectively, LSF9 Balta Holdco S.à r.l. and LSF9 Balta Issuer S.A., as described in “*Principal and Selling Shareholder and Group Structure—Reorganization—Luxembourg Transactions.*”
- Recapitalization of Balta NV: after the closing of the Offering, Balta NV will be recapitalized as follows:

Contribution in kind by LSF9 Balta Investments S.à r.l into the equity (capital reserve) of LSF9 Balta Luxembourg S.à r.l, followed by a contribution in kind by LSF9 Balta Luxembourg S.à r.l. into the equity (share capital and share premium) of Balta NV of the following debt instruments:

- BM Note 1 resulting from the buy-out of Bentley management;
- Balta NV Intercompany Loans resulting from the integration of Bentley into Balta NV; and
- other historical receivables that LSF9 Balta Investments S.à r.l has on Balta NV. These receivables were inherited by LSF9 Balta Investments S.à r.l through merger with Balta Finance.

Remaining related party transactions engaged in by the Company encompass management compensation (short term benefits and termination benefits) and year end current account positions as a result of certain minor payments made on behalf of Group entities. These are discussed in Note 35 to the audited consolidated financial statements of LSF9 Balta Issuer S.A. and its subsidiaries as of and for the year ended December 31, 2016. See also “*Principal and Selling Shareholder and Group Structure—Arrangement with Management Shareholders*” and “*Management and Corporate Governance—Remuneration of Directors and Members of the Management Committee.*”

DESCRIPTION OF SHARE CAPITAL AND ARTICLES OF ASSOCIATION

General

The Company is a public limited liability company incorporated in the form of a limited liability company (*naamloze vennootschap*) under Belgian law. The Company was incorporated on March 1, 2017 by LSF9 Balta Midco S.à r.l. and LSF9 Balta Holdco S.à r.l., as described in “*Principal and Selling Shareholder and Group Structure—Reorganization.*” Pursuant to the provisions of the Belgian Companies Code, the liability of the shareholders of the Company is in principle limited to the amount of their respective committed contribution to the capital of the Company.

The Company is registered with the legal entities register of Kortrijk, division Ghent, under enterprise number 0671.974.626. The Company’s registered office is located at Wakkensteenweg 2, 8710 Wielsbeke, Belgium with telephone number (+32) 0 56 62 22 11.

This section summarizes information relating to the Company’s share capital, the Articles of Association, certain material rights of its shareholders under Belgian law and the Company’s group structure. The contents of this section are derived primarily from the Articles of Association, which were adopted by the extraordinary Shareholders’ Meeting held on May 30, 2017. The entry into force of the amendments to the Articles of Association is conditional upon and with effect as of the closing of the Offering.

This section provides details of certain provisions of Belgian law and information on the Company’s group structure. The description provided hereafter is only a summary and does not purport to provide a complete overview of the Articles of Association or the relevant provisions of Belgian law.

Corporate Purpose

According to the Articles of Association, the Company’s corporate purpose is the following:

The Company is a holding company which has as its purpose, the direct or indirect ownership and management of shareholdings and interests in other companies or entities, in Belgium and abroad, in its own name or in the name of third parties, for its own account or for the account of third parties, including but not restricted to companies or entities involved in the manufacture, sale, purchase, import, export, treatment, processing and representation of carpets, flooring and technical non-woven, textile, yarns and fibres, natural resources and synthetic materials, and all other products that directly or indirectly relate to the above.

In particular, the foregoing includes, without limitation:

- (a) investing in any companies or entities, whether with a commercial purpose or not, by subscribing, acquiring, placing, buying, selling and transferring shares, certificates or other securities or by any other means;
- (b) managing investments and participations in any companies or entities, exercising management and director mandates, acting as liquidator, providing technical, legal, accounting, financial, commercial, administrative or management assistance or other support services;
- (c) acquiring, hiring, leasing, maintaining and operating resources, and making these resources available to companies or entities in which it directly or indirectly owns shares, or third parties; and
- (d) granting of loans, irrespective of form or term, to companies or entities in which it directly or indirectly owns shares or interests as well as granting guarantees and other securities to third parties for the obligations of such companies or entities.

The Company may engage in any commercial, industrial or financial activities and perform all transactions with real estate or movable property which are directly or indirectly related to its purpose or which purport to contribute to the achievement of its purpose.

Share Capital and Shares

At the time of the Company’s incorporation, its share capital amounted to €61,500, represented by 61,500 shares, each representing an identical fraction of the Company’s share capital.

On May 30, 2017, an extraordinary Shareholders’ Meeting of the Company resolved, among other things, the following:

- to increase, subject to the condition precedent of the delivery by a representative of the Underwriters of a bank certificate in respect of the capital increase in cash (certifying that the proceeds of the Primary Tranche of the

Offering have been received in the blocked bank account of the Company in accordance with Article 600 of the Belgian Companies Code) and with effect as of the recording by the Company in a notarial deed of the satisfaction of such condition precedent, the Company's share capital by way of the contribution in kind of all ordinary shares in LSF9 Balta Issuer S.A. by LSF9 Balta Holdco S.à r.l. in exchange for 25 million Shares. The valuation ascribed to these contributions will be based on the Offer Price. When the condition precedent is fulfilled, one or more Directors will establish the contribution in kind and the amount by which the Company's share capital will be increased and will effectively issue the new shares to the persons who contributed shares to the Company;

- to reduce, subject to the effective completion of the Company's capital increase by means of a contribution in kind set out above, the capital of the Company, which will result in distributable reserves being created in the amount of €150 million. No capital contributions will be repaid to the shareholders in the context of this capital reduction. The reserves created as a result of the capital reduction will not be distributable until two months following publication in the Annexes of the Belgian State Gazette of an excerpt of the notarial deed recording satisfaction of this condition precedent to which this capital reduction was made;
- to reduce, subject to the effective completion of the Company's capital increase by means of a contribution in kind set out above and following the capital reduction mentioned in the previous bullet, the capital of the Company for an amount of €61,500 by (i) cancellation of the 61,500 shares of the Company subscribed to by its founders, i.e. LSF9 Balta Midco S.à r.l. and LSF9 Balta Holdco S.à r.l., at the Company's incorporation on March 1, 2017 and (ii) repayment of the contributions made at the Company's incorporation by these founders. The new shareholders will not benefit from this distribution. This repayment by the Company to the founders will only be done after expiry of a period of two months following publication in the Annexes of the Belgian State Gazette of an excerpt of the notarial deed recording satisfaction of this condition precedent to which this capital reduction was made; and
- to increase, subject to the closing of the Offering, the Company's share capital by a contribution in cash through the issuance of Shares to be sold in the Primary Tranche of the Offering for a maximum of €145 million.

Assuming that the Offer Price is at the mid-point of the Price Range and full placement of the Offer Shares in the Primary Tranche with gross proceeds in the amount of €145 million, the Company's share capital (including issuance premium) will amount to €361 million as of the closing of the Offering.

Long-term incentive plan

On May 30, 2017, an extraordinary Shareholders' Meeting of the Company approved the proposal to set up a long-term incentive plan for the members of the Management Committee and certain other managers of the Group (the "LTIP"). The Company intends to effect the first grant in the months following the Offering. The awards will be subject to a vesting period of at least three years. The detailed terms and conditions of the LTIP, as well as the beneficiaries of the LTIP, the total grant size and the individual grant size for each participant will be determined by the Board of Directors, after closing of the Offering, upon a recommendation by the Remuneration and Nomination Committee.

Form and Transferability of the Shares

All of the Shares belong to the same class of securities and are in registered or dematerialized form. A register of registered Shares (which may be held in electronic form) is maintained at the Company's registered office. It may be consulted by any holder of Shares. A dematerialized security is represented by an entry on account, in the name of the owner or holder, at a clearing institution or certified accountholder. Holders of Shares may elect, at any time, to have their registered Shares converted into dematerialized Shares, and vice versa, at their own expense.

The Shares are freely transferable, subject to any contractual restrictions or restrictions provided in the Articles of Association (see "*Plan of Distribution—Lock-up Arrangements*").

Preferential Subscription Rights

The Belgian Companies Code and the Articles of Association give shareholders preferential subscription rights to subscribe on a pro rata basis by reference to the part in the capital represented by their shares, for any issue of shares to be subscribed in cash, convertible bonds and warrants. The preferential subscription rights may be exercised during a period determined by the Shareholders' Meeting or by the Board of Directors acting within the framework of the Company's authorized capital, with a legal minimum of 15 days from the date on which the subscription is opened.

The Shareholders' Meeting may restrict or suppress the preferential subscription rights for any capital increase or issue of convertible bonds or warrants, subject to the quorum and majority requirements applying to an amendment to the

Articles of Association (the presence or representation of at least 50% of the Company's share capital and a majority of at least 75% of the votes cast), and subject to special reporting requirements described in Articles 596 and following of the Belgian Companies Code. Shareholders may also authorize the Board of Directors to restrict or suppress the preferential subscription rights for any capital increase or issue of convertible bonds or warrants when issuing securities within the framework of the Company's authorized share capital, subject to the same special reporting requirements.

On May 30, 2017, the extraordinary Shareholders' Meeting authorized the Board of Directors, conditional upon and with effect as from the closing of the Offering, to increase the share capital in one or more transactions by a number of Shares, or by financial instruments giving the right to a number of Shares such as, but not limited to, convertible bonds or warrants, so as to increase the share capital of the Company in one or several times by a (cumulated) amount of maximum 100% of the amount of the share capital as such amount is recorded immediately after the closing of the Offering. Within the framework of the authorized capital, the Board of Directors is empowered to proceed with a capital increase in any form, including, but not limited to, a capital increase accompanied by the restriction or suppression of preferential subscription rights. This authorization includes the restriction or suppression of preferential subscription rights for the benefit of one or more specific persons (whether or not employees of the Company or its subsidiaries) and in connection with capital increases in the event of a public tender offer (see "*—Legislation and Jurisdiction—Public Takeover Bids*"). The authorization is valid for a term of five years as from the date of the publication of the authorization in the annexes to the Belgian State Gazette (*Belgisch Staatsblad/Moniteur belge*). In connection with capital increases in the event of a public tender offer, the authorization is only valid for a term of three years as from the date of the extraordinary Shareholders' Meeting referred to at the beginning of this paragraph.

Convertible Bonds and Warrants

The Company may issue convertible bonds or warrants (whether or not attached to bonds) either pursuant to a resolution of the Shareholders' Meeting acting under the required conditions for amending the Articles of Association (the presence or representation of at least 50% of the Company's share capital and a majority of at least 75% of the votes cast) or pursuant to a resolution of the Board of Directors acting within the scope of the authorized capital.

Right to Attend and Vote at Shareholders' Meetings

General Shareholders' Meetings

The annual Shareholders' Meeting is held on the fourth Tuesday of May each year at 10 a.m.. If such day is a Saturday, Sunday or legal public holiday in Belgium, the meeting shall take place at the same hour on the preceding or following business day, as decided by the board of directors. The Shareholders' Meeting takes place at the registered office of the Company or at any other place designated by the convening notice convening the Shareholders' Meeting. The first annual Shareholders' Meeting will be held on 24 May 2018.

The other Shareholders' Meetings shall be held on the day, at the hour and in the place designated by the convening notice. They may be held at locations other than the registered office.

The annual, special and extraordinary Shareholders' Meetings may be convened by the Board of Directors or by the statutory auditor and must be convened at the request of shareholders representing one-fifth of the Company's share capital.

Notices Convening the Shareholders' Meeting

Holders of registered Shares must receive written notice of the Shareholders' Meeting by regular mail at least 30 days prior to the meeting. The Company must also publish a notice of the meeting in the Belgian State Gazette (*Belgisch Staatsblad/Moniteur belge*), in a newspaper with national distribution (except for those annual Shareholders' Meetings which take place at the location, place, day and hour indicated in the Articles of Association and whose agenda is limited to the approval of the annual accounts, the annual reports of the Board of Directors and the statutory auditor, discharge to be granted to the directors and statutory auditor, the remuneration report and termination provisions) and in media that can be reasonably considered having effective distribution among the public in the EEA and that is swiftly accessible, and in a non-discriminatory manner. The notices are published at least 30 days prior to the meeting. If a new convocation is required for lack of quorum and the date of the second meeting was mentioned in the first notice, then, in the absence of new agenda items, notices are published at least 17 days in advance of that second meeting.

As from the publication of the notice, the Company shall make the information required by law available on the Company's website (www.baltagroup.com) for a period of five years after the relevant Shareholders' Meeting.

Formalities to attend the Shareholders' Meeting

A shareholder wishing to attend and participate in the Shareholders' Meeting must:

- have the ownership of its Shares recorded in its name, as at midnight Central European Time, on the fourteenth calendar day preceding the date of the meeting (the "record date"), either through registration in the shareholders' register in the case of registered Shares or through book-entry in the accounts of an authorized account holder or clearing institution in the case of dematerialized Shares; and

- notify the Company (or the person designated by the Company) by returning a signed original paper form or, if permitted by the Company in the notice convening the Shareholders' Meeting, by sending a form electronically (in which case the form shall be signed by means of an electronic signature in accordance with applicable Belgian law), at the latest on the sixth calendar day preceding the day of the meeting, of its intention to participate in the meeting. In addition, the holders of dematerialized Shares must, at the latest on the same day, provide the Company (or the person designated by the Company), or arrange for the Company (or the person designated by the Company) to be provided, with an original certificate issued by the certified accountholder or clearing institution certifying the number of Shares owned on the record date by the relevant shareholder and for which it has notified its intention to participate in the meeting.

Holders of profit-sharing certificates, non-voting shares, bonds, subscription rights or other securities issued by the Company, as well as holders of certificates issued with the cooperation of the Company and representing securities issued by the latter, may participate in the Shareholders' Meeting insofar as the law or the Articles of Association entitles them to do so and, as the case may be, gives them the right to participate in voting. If they propose to participate, such holders are subject to the same formalities concerning admission and access, and forms and filing of proxies, as those imposed on shareholders.

Voting by Proxy

Any shareholder with the right to vote may either personally participate in the meeting or give a proxy to another person, who need not be a shareholder, to represent him or her at the meeting. A shareholder may designate, for a given meeting, only one person as proxy holder, except in circumstances where Belgian law allows the designation of multiple proxy holders. The appointment of a proxy holder may take place in paper form or electronically (in which case the form shall be signed by means of an electronic signature in accordance with applicable Belgian law), through a form which shall be made available by the Company. The signed original paper or electronic form must be received by the Company at the latest on the sixth calendar day preceding the day of the meeting. Any appointment of a proxy holder shall comply with relevant requirements of applicable Belgian law in terms of conflicting interests, record keeping and any other applicable requirements.

Remote voting in relation to the Shareholders' Meeting

The notice convening the meeting may allow shareholders to vote remotely in relation to the Shareholders' Meeting, by sending a paper form or, if specifically allowed in the notice convening the meeting, by sending a form electronically (in which case the form shall be signed by means of an electronic signature in accordance with applicable Belgian law). These forms shall be made available by the Company. The original signed paper form must be received by the Company at the latest on the sixth calendar day preceding the date of the meeting. Voting through the signed electronic form may occur until the last calendar day before the meeting.

The Company may also organize a remote vote in relation to the Shareholders' Meeting through other electronic communication methods, such as, among others, through one or several websites. The Company shall specify the practical terms of any such remote vote in the convening notice.

Shareholders voting remotely must, in order for their vote to be taken into account for the calculation of the quorum and voting majority, comply with the admission formalities.

Right to request items to be added to the agenda and to ask questions at the Shareholders' Meeting

One or more shareholders that together hold at least 3% of the Company's share capital may request for items to be added to the agenda of any convened meeting and submit proposals for resolutions with regard to existing agenda items or new items to be added to the agenda, provided that (i) they prove ownership of such shareholding as at the date of their request and record their Shares representing such shareholding on the record date; and (ii) the additional items on the agenda and/or proposed resolutions have been received in writing by the Company at the latest on the twenty-second day preceding the date of the relevant Shareholders' Meeting. The shareholding must be proven by a certificate evidencing the registration of the relevant Shares in the share register of the Company or by a certificate issued by the certified accountholder or clearing institution certifying the book-entry of the relevant number of dematerialized Shares in the name of the relevant shareholder(s).

As the case may be, the Company shall publish a revised agenda of the Shareholders' Meeting, at the latest on the fifteenth day preceding the Shareholders' Meeting. The right to request that items be added to the agenda or that proposed resolutions in relation to existing agenda items be submitted does not apply in case of a second Shareholders' Meeting that must be convened because the quorum was not obtained during the first Shareholders' Meeting.

Within the limits of Article 540 of the Belgian Companies Code, the directors and the auditor shall answer, during the Shareholders' Meeting, the questions raised by shareholders. Shareholders can ask questions either during the meeting or prior to the meeting (in writing or electronic form), provided that the Company receives the written question at the latest on the sixth day preceding the Shareholders' Meeting.

Quorum and Majorities

In general, there is no attendance quorum requirement for a general Shareholders' Meeting, except as provided for by law in relation to certain decisions. Decisions are taken by a majority of the votes cast, except where the law or the Articles of Association provide for a special majority.

Matters involving special legal quorum and majority requirements include, among others, amendments to the Articles of Association, issues of new Shares, convertible bonds or warrants and decisions regarding mergers and demergers, which require at least 50% of the share capital to be present or represented and a majority of at least 75% of the votes cast. If the quorum is not reached, a second meeting may be convened at which no quorum shall apply. The special majority requirements, however, remain applicable.

Dividend Rights

The Offer Shares carry the right to participate in dividends declared after the Closing Date, in respect of the financial year ending December 31, 2017 and future years.

In general, the Company may only pay dividends with the approval of the Shareholders' Meeting, although the Board of Directors may declare interim dividends without shareholder approval. The right to pay such interim dividends is, however, subject to certain legal restrictions. The maximum amount of the dividend that can be paid is determined by reference to the Company's unconsolidated financial statements prepared in accordance with Belgian GAAP.

Under Belgian law and the Articles of Association, the Company must allocate an amount of 5% of its Belgian GAAP annual net profit (*nettowinst/bénéfices nets*) to a legal reserve in its stand-alone statutory accounts until the reserve equals 10% of the Company's share capital. The Company's legal reserve currently does not meet this requirement.

For more information on the dividend policy of the Company and other restrictions, see "*Dividends and Dividend Policy*" and "*Risk Factors—Risks Relating to the Shares and the Offering—We may not be able to pay dividends in accordance with our stated dividend policy.*"

Liquidation and Bankruptcy

The Company can only be dissolved by a resolution of the Shareholders' Meeting passed with a majority of at least 75% of the votes cast at an extraordinary Shareholders' Meeting where holders of at least 50% of the share capital is present or represented.

If, as a result of losses incurred, the ratio of the Company's net assets (determined in accordance with Belgian legal and accounting rules) to share capital is less than 50%, the Board of Directors must convene an extraordinary Shareholders' Meeting within two months of the date upon which the Board of Directors discovered or should have discovered this undercapitalization. At this Shareholders' Meeting, the Board of Directors needs to propose either the dissolution or the continuation of the Company, in which case the Board of Directors must propose measures to restore the Company's financial situation. The Board of Directors must justify its proposals in a special report to the Shareholders. A majority of at least 75% of the votes validly cast at this meeting can decide to dissolve the Company, provided that at least 50% of the Company's share capital is present or represented at the meeting.

If, as a result of losses incurred, the ratio of the Company's net assets to share capital is less than 25%, the same procedure must be followed, it being understood, however, that in that event the shareholding representing at least 25% of the votes at this meeting can decide to dissolve the Company. If the amount of the Company's net assets has dropped below €61,500 (the minimum amount of share capital of a Belgian public limited liability company), any interested party is entitled to request the competent court to dissolve the Company. The court can order the Company's dissolution or grant a grace period for the Company to remedy the situation.

If the Company is dissolved for any reason, the liquidation must be carried out by one or more liquidators appointed by the Shareholders' Meeting and whose appointment has been ratified by the commercial court. Any balance remaining after discharging all debts, liabilities and liquidation costs must first be applied to reimburse, in cash or in kind, the paid-up capital of the shares not yet reimbursed. Any remaining balance shall be equally distributed amongst all the shareholders.

Acquisition of Own Shares

In accordance with the Belgian Companies Code, the Articles of Association permit the Company to acquire, on or outside the stock market, its own Shares, profit-sharing certificates or associated certificates by resolution approved by the Shareholders' Meeting by a majority of at least 80% of the votes cast where at least 50% of the share capital and at least 50% of the profit certificates, if any, are present or represented. Prior approval by the shareholders is not required if the Company purchases the Shares in order to offer them to the Company's employees.

On May 30, 2017, the extraordinary Shareholders' Meeting authorized the Board of Directors to purchase up to 20% of the outstanding Shares, for a price not lower than 10% below the lowest closing price in the last 30 trading days preceding the transaction and not more than 10% above the highest closing price during the last 30 trading days preceding the transaction. This authorization is valid for five years as from the date of publication in the Annexes to the Belgian State Gazette of the amendment to the Articles of Association for the purposes thereof, approved by the Extraordinary Shareholders' Meeting of May 30, 2017.

The above authorization is also valid if the acquisition is made by one of the subsidiaries directly controlled by the Company within the meaning of Article 627 of the Belgian Companies Code.

The Board of Directors is also authorized to acquire for the Company's account the Company's own Shares, profit-sharing certificates or associated certificates if such acquisition is necessary to prevent a serious and imminent harm to the Company. This authorization is valid for three years as from the publication of the deed of incorporation or the amendment to the Articles of Association in the Annexes to the Belgian State Gazette (*Belgisch Staatsblad/Moniteur belge*).

The Board of Directors is authorized to divest all or part of the Shares, profit-sharing certificates or associated certificates at a price it determines, on or outside the stock market or in the framework of its remuneration policy to employees, directors or consultants of the Company or to prevent any serious and imminent harm to the Company. This authorization is valid without any restriction in time, except when the divestment is made to prevent serious and imminent harm to the Company, in which case the authorization is only valid for three years as from the date of the publication of the authorization in the annexes to the Belgian State Gazette (*Belgisch Staatsblad/Moniteur belge*). The authorization covers the divestment of the Shares, profit-sharing certificates or associated certificates by a direct subsidiary of the Company, as set out in Article 627 of the Belgian Companies Code.

The Shares, profit-sharing certificates or associated certificates can only be acquired with funds that would otherwise be available for distribution as dividend. The total nominal value or fractional value of the Shares, profit-sharing certificates or associated certificates held by the Company can at no time be more than 20% of the share capital. Voting rights attached to Shares held by the Company as treasury shares are suspended.

The Company must notify the FSMA of the transactions described above. The FSMA shall verify whether the repurchase transactions are in accordance with the resolution of the Shareholders' Meeting or, as the case may be, the Board of Directors; if it is of the opinion that these transactions are not in accordance with the resolution, it shall publish its advice.

Legislation and Jurisdiction

Notification of Significant Shareholdings

Pursuant to the Belgian Law of May 2, 2007 on the disclosure of significant shareholdings in issuers whose securities are admitted to trading on a regulated market and containing various provisions (the "Transparency Law"), a notification to the Company and to the FSMA is required by all natural persons and legal entities on the occurrence of, among other things, any one of the following triggering events, subject to limited exceptions:

- an acquisition or disposal of voting securities, voting rights or financial instruments that are treated as voting securities;
- the reaching of a threshold by persons or legal entities acting in concert;
- the conclusion, modification or termination of an agreement to act in concert;
- the downward reaching of the lowest threshold;
- the passive reaching of a threshold;
- the holding of voting securities in the Company upon the first admission of them to trading on a regulated market;
- where a previous notification concerning financial instruments treated as equivalent to voting securities is updated;
- the acquisition or disposal of the control of an entity that holds voting securities in the Company; and
- where the Company introduces additional notification thresholds in the Articles of Association,

in each case where the percentage of voting rights attached to the securities held by such persons reaches, exceeds or falls below the legal threshold, set at 5% of the total voting rights, and 10%, 15%, 20% and so on in increments of 5% or, as the case may be, the additional thresholds provided in the Articles of Association.

The notification must be made as soon as possible and at the latest within four trading days following the occurrence of the triggering event. Where the Company receives a notification of information regarding the reaching of a threshold, it has to publish such information within three trading days following receipt of the notification.

No shareholder may cast a greater number of votes at a Shareholders' Meeting than those attached to the rights or securities it has notified in accordance with the Transparency Law at least 20 days before the date of the Shareholders' Meeting, subject to certain exceptions.

Public Takeover Bids

Public takeover bids for shares and other securities giving access to voting rights (such as subscription rights or convertible bonds, if any) are subject to supervision by the FSMA. Public takeover bids must be extended to all of the voting securities, as well as all other securities giving access to voting rights. Prior to making a bid, a bidder must publish a prospectus which has been approved by the FSMA prior to publication.

Belgium has implemented the Thirteenth Company Law Directive (European Directive 2004/25/EC of April 21, 2004) in the Belgian Law of April 1, 2007 on public takeover bids (the "Takeover Law") and the Belgian Royal Decree of April 27, 2007 on public takeover bids (the "Takeover Royal Decree"). The Takeover Law provides that a mandatory bid must be launched if a person, as a result of its own acquisition or the acquisition by persons acting in concert with it or by persons acting for their account, directly or indirectly holds more than 30% of the voting securities in a company having its registered office in Belgium and of which at least part of the voting securities are traded on a regulated market or on a multilateral trading facility designated by the Takeover Royal Decree. The mere fact of exceeding the relevant threshold through the acquisition of shares will give rise to a mandatory bid, irrespective of whether the price paid in the relevant transaction exceeds the current market price. The duty to launch a mandatory bid does not apply in certain cases set out in the Takeover Royal Decree, such as (i) in case of an acquisition, if it can be shown that a third party exercises control over the Company or that such party holds a larger stake than the person holding 30% of the voting securities (ii) in case of an acquisition in the context of an enforcement of security provided that the acquirer disposes of the shares exceeding the 30% threshold within twelve months and does not exercise the voting rights attached to those excess shares or (iii) in case of a capital increase with preferential subscription rights decided by the Shareholders' Meeting.

In principle, the authorization of the Board of Directors to increase the share capital of the Company through contributions in kind or in cash with cancellation or limitation of the preferential subscription rights of the existing shareholders is suspended as of the notification to the Company by the FSMA of a public takeover bid for the securities of the Company. The Shareholders' Meeting can, however, under certain conditions, expressly authorize the Board of Directors to increase the capital of the Company in such case by issuing Shares in an amount of not more than 10% of the existing Shares at the time of such a public takeover bid. Such authorization was granted to the Board of Directors of the Company on May 30, 2017. Those powers remain in effect for a period of three years from the date of the adoption of this authorization.

Squeeze-out

Pursuant to Article 513 of the Belgian Companies Code or the regulations promulgated thereunder, a person or legal entity, or different persons or legal entities acting alone or in concert, who own together with the Company 95% or more of the securities with voting rights in a public company are entitled to acquire the totality of the securities with voting rights in that company following a squeeze-out offer. The securities that are not voluntarily tendered in response to such an offer are deemed to be automatically transferred to the bidder at the end of the procedure. At the end of the squeeze-out procedure, the company is no longer deemed a public company, unless bonds issued by the company are still spread among the public. The consideration for the securities must be in cash and must represent the fair value (verified by an independent expert) as to safeguard the interests of the transferring shareholders.

A squeeze-out offer is also possible upon completion of a public takeover bid, provided that the bidder holds at least 95% of the voting capital and 95% of the voting securities of the public company. In such a case, the bidder may require that all remaining shareholders sell their securities to the bidder at the offer price of the takeover bid, provided that, in case of a voluntary takeover offer, the bidder has also acquired 90% of the voting capital to which the offer relates. The shares that are not voluntarily tendered in response to any such offer are deemed to be automatically transferred to the bidder at the end of the procedure.

Sell-out Right

Within three months following the expiration of an offer period related to a public takeover bid, holders of voting securities or of securities giving access to voting rights may require the offeror, acting alone or in concert, who owns at least 95% of the voting capital and 95% of the voting securities in a public company following a takeover bid, to buy its securities from it at the price of the bid, on the condition that, in case of a voluntary takeover offer, the offeror has acquired, through the acceptance of the bid, securities representing at least 90% of the voting capital subject to the takeover bid.

Group Structure

Certain information in relation to the Company's subsidiaries and associates as of the closing of the Offering appears below:

<u>Name</u>	<u>Jurisdiction</u>	<u>Registered Office</u>	<u>Ownership</u>	<u>Capital</u>
Balfid BVBA	Belgium	Wakkensteenweg 2, 8710 Wielsbeke, Belgium	100%	€ 44,800,000.00
Balta Industries NV	Belgium	Wakkensteenweg 2, 8710 Wielsbeke, Belgium	100%	€ 45,470,418.40
Balta M BVBA	Belgium	Wakkensteenweg 2, 8710 Wielsbeke, Belgium	100%	€ 18,550.00
Balta NV	Belgium	Wakkensteenweg 2, 8710 Wielsbeke, Belgium	100%	€ 311,975,000.00
Balta Oudenaarde NV	Belgium	Industriepark De Bruwaan 4, 9700 Bevere, Belgium	95.36%	€ 74,609,000.00
Balta Trading Comm. V	Belgium	Wakkensteenweg 2, 8710 Wielsbeke, Belgium	100%	€ 49,055,368.10
Modulyss NV	Belgium	Zevensterestraat 21, 9240 Zele, Belgium	100%	€ 2,617,000.00
Balfin Services S.à r.l.	Luxembourg	5 rue Guillaume Kroll, L-1882, Luxembourg, Grand Duchy of Luxembourg	100%	€ 260,787,125.00
LSF9 Balta Investments S.à r.l.	Luxembourg	Atrium Business Park- Vitrum, 33, rue du Puits Romain, L-8070 Bertrange, Grand Duchy of Luxembourg	100%	€ 1,512,500.00
LSF9 Balta Issuer S.A.	Luxembourg	Atrium Business Park- Vitrum, 33, rue du Puits Romain, L-8070 Bertrange, Grand Duchy of Luxembourg	100%	€ 171,000.00
LSF9 Balta Luxembourg S.à r.l.	Luxembourg	Atrium Business Park- Vitrum, 33, rue du Puits Romain, L-8070 Bertrange, Grand Duchy of Luxembourg	100%	€ 12,000.00
Balta Floorcovering Yer Döşemeleri San.ve Tic A.S.	Turkey	Uşak Organize Sanayi Bölgesi 123. Cad. No:351/Uşak	100%	TRY 130,260,000
Balta Orient Tekstil Sanayi Ve Ticaret A.S..	Turkey	Uşak Organize Sanayi Bölgesi 109. Cad. No:351/Uşak	100%	TRY 5,233,600
Balta US, Inc.	USA	200 Munkata Drive, Dalton, Georgia, 30721, United States	100%	\$ 11,500,000
LSF9 Renaissance Acquisitions LLC	USA	2711 North Haskell Avenue, Suite 1700, Dallas, Texas 75204	100%	\$ 74,727,890.22
BPS Parent, Inc.	USA	14641 E. Don Julian Rd, City of Industry, CA 91746	100%	\$ 74,727,890.22
Bentley Prince Street Holdings Inc.	USA	14641 E. Don Julian Rd, City of Industry, CA 91746	100%	\$ 19,822,000.00
Bentley Mills, Inc.	USA	14641 E. Don Julian Rd. City of Industry, CA 91746	100%	\$ 19,822,000.00
Prince Street, Inc.	USA	14641 E. Don Julian Rd. City of Industry, CA 91746	100%	N/A

TAXATION

Belgian Taxation

The paragraphs below present a summary of certain material Belgian federal income tax consequences of the ownership and disposal of Shares by an investor that purchases such Shares in connection with this Offering. The summary is based on laws, treaties and regulatory interpretations in effect in Belgium on the date of this Prospectus, all of which are subject to change, including changes that could have retroactive effect.

Investors should appreciate that, as a result of evolutions in law or practice, the eventual tax consequences may be different from what is stated below.

This summary does not purport to address all tax consequences of the acquisition, ownership and disposal of Shares, and does not take into account the specific circumstances of particular investors, some of which may be subject to special rules, or the tax laws of any country other than Belgium. This summary does not describe the tax treatment of investors that are subject to special rules, such as banks, insurance companies, undertakings for collective investment, brokers in securities or currencies, persons that hold, or will hold, Shares as a position in a straddle, share-repurchase transaction, conversion transactions, synthetic security or other integrated financial transactions. This summary does not address the local taxes that may be due in connection with an investment in Shares, other than Belgian local surcharges which generally vary from 0% to 9% of the investor's income tax liability.

For purposes of this summary, a Belgian resident is an individual subject to Belgian personal income tax (that is, an individual who is domiciled in Belgium or has his seat of wealth in Belgium or a person assimilated to a resident for purposes of Belgian tax law), a company subject to Belgian corporate income tax (that is, a corporate entity that has its statutory seat, its main establishment, its administrative seat or seat of management in Belgium), an Organization for Financing Pensions subject to Belgian corporate income tax (*i.e.*, a Belgian pension fund incorporated under the form of an Organization for Financing Pensions), or a legal entity subject to Belgian income tax on legal entities (that is, a legal entity other than a company subject to Belgian corporate income tax, that has its statutory seat, its main establishment, its administrative seat or seat of management in Belgium). A Belgian non-resident is any person that is not a Belgian resident.

Investors should consult their own advisors regarding the tax consequences of an investment in Shares in the light of their particular circumstances, including the effect of any state, local or other national laws.

Dividends

For Belgian income tax purposes, the gross amount of all benefits paid on or attributed to the Shares is generally treated as a dividend distribution. By way of exception, the repayment of capital carried out in accordance with the Belgian Companies Code is not treated as a dividend distribution to the extent that such repayment is imputed to fiscal capital. This fiscal capital includes, in principle, the actual paid-up statutory share capital and, subject to certain conditions, the paid-up issuance premiums and the cash amounts subscribed to at the time of the issue of profit sharing certificates.

Belgian withholding tax of 30% is normally levied on dividends, subject to such relief as may be available under applicable domestic or tax treaty provisions.

In the case of a redemption of the Shares, the redemption distribution (after deduction of the part of the fiscal capital represented by the redeemed Shares) will, in principle, be treated as a dividend subject to a Belgian withholding tax of 30%, subject to such relief as may be available under applicable domestic or tax treaty provisions. No Belgian withholding tax will be triggered if this redemption is carried out on a stock exchange and meets certain conditions.

In case of liquidation of the Company, any amounts distributed in excess of the fiscal capital will in principle be subject to a 30% Belgian withholding tax, subject to such relief as may be available under applicable domestic or tax treaty provisions.

Belgian Resident Individuals

For Belgian resident individuals who acquire and hold Shares as a private investment, the Belgian dividend withholding tax fully discharges their personal income tax liability. They may nevertheless elect to report (the gross amount of) the dividends in their personal income tax return. Where the beneficiary opts to report them, dividends will normally be taxable at the lower of the generally applicable 30% Belgian dividend withholding tax rate or at the progressive personal income tax rates applicable to the taxpayer's overall declared income. If the beneficiary reports the dividends, the income tax due on such dividends will not be increased by local surcharges. In addition, if the dividends are reported, the Belgian dividend withholding tax levied at source may, in both cases, be credited against the personal income tax due and is reimbursable to the extent that it exceeds the personal income tax due, provided that the dividend distribution does not result in a reduction in value of or a capital loss on Shares. This condition is not applicable if the individual can demonstrate that he has held Shares in full legal ownership for an uninterrupted period of 12 months prior to the payment or attribution of the dividends.

For Belgian resident individual investors who acquire and hold Shares for professional purposes, the Belgian withholding tax does not fully discharge their income tax liability. Dividends received must be reported by the investor and will, in such a case, be taxable at the investor's personal income tax rate increased with local surcharges. The Belgian dividend withholding tax levied at source may be credited against the personal income tax due and is reimbursable to the extent that it exceeds the income tax due, subject to two conditions: (i) the taxpayer must own Shares in full legal ownership at the time the dividends are paid or attributed and (ii) the dividend distribution may not result in a reduction in value of or a capital loss on Shares. The latter condition is not applicable if the investor can demonstrate that he has held the Shares in full legal ownership for an uninterrupted period of 12 months prior to the payment or attribution of the dividends.

Belgian Resident Companies

Corporate income tax

For Belgian resident companies, the gross dividend income (including the Belgian withholding tax) must be declared in the corporate income tax return and will be subject to a corporate income tax rate of 33.99%. In certain circumstances and subject to certain conditions, reduced corporate income tax rates may apply.

Belgian resident companies can, subject to certain conditions, deduct up to 95% of the gross dividend received from the taxable income, provided that at the time of a dividend payment or attribution: (i) the Belgian resident company holds Shares representing at least 10% of the Company's share capital or a participation in the Company with an acquisition value of at least €2,500,000; (ii) the Shares have been held or will be held in full ownership for an uninterrupted period of at least one year; and (iii) the conditions relating to the taxation of the underlying distributed income, as described in Article 203 of the Belgian Income Tax Code (the "Article 203 ITC Taxation Condition") are met (together, the "Conditions for the application of the dividend received deduction regime").

The conditions for the application of the dividend received deduction regime depend on a factual analysis and for this reason the availability of this regime should be verified upon each dividend distribution.

Any Belgian dividend withholding tax levied at source may be credited against the corporate income tax due and is reimbursable to the extent that it exceeds the corporate income tax due, subject to two conditions: (i) the taxpayer must own the Shares in full legal ownership at the time the dividends are paid or attributed and (ii) the dividend distribution may not result in a reduction in value of or a capital loss on the Shares. The latter condition is not applicable if the company can demonstrate (i) that it has held the Shares in full legal ownership for an uninterrupted period of 12 months prior to the payment or attribution of the dividends or (ii) that during that period, the Shares have never been held in full legal ownership at any point in time by a taxpayer other than a) a company subject to Belgian corporate tax or b) a non-resident company having, in an uninterrupted manner, invested the Shares in a Belgian establishment.

Belgian withholding tax

Dividends distributed to a Belgian resident company will be exempt from Belgian withholding tax provided that the Belgian resident company holds, upon payment or attribution of the dividends, at least 10% of the Company's share capital and such minimum participation is held or will be held during an uninterrupted period of at least one year.

In order to benefit from this exemption, the investor must provide the Company or its paying agent at the latest upon the attribution or payment of the dividend with a certificate confirming its qualifying status and the fact that it meets the two required conditions. If the investor holds a minimum participation for less than one year, at the time the dividends are paid on or attributed to Shares, the Company will levy the Belgian withholding tax but will not transfer it to the Belgian Treasury, provided that the investor certifies its qualifying status, the date from which the investor has held such minimum participation, and the investor's commitment to hold the minimum participation for an uninterrupted period of at least one year.

The investor must also inform the Company or its paying agent when the one-year period has elapsed or if its shareholding will drop below 10% of the Company's share capital before the end of the one-year holding period. Upon satisfying the one-year shareholding requirement, the Belgian provisionally withheld dividend withholding tax will be paid to the investor.

Please note that the above withholding tax exemption will not be applicable to dividends which are connected to an arrangement or a series of arrangements (*rechtshandeling of geheel van rechtshandelingen/acte juridique ou un ensemble d'actes juridiques*) for which the Belgian tax administration, taking into account all relevant facts and circumstances, has proven, unless evidence to the contrary, that this arrangement or this series of arrangements is not genuine (*kunstmatig/non authentique*) and has been put in place for the main purpose or one of the main purposes of obtaining the dividend received deduction, the above dividend withholding tax exemption or one of the advantages of the EU Parent-Subsidiary Directive of November 30, 2011 (2011/96/EU) ("Parent-Subsidiary Directive") in another EU Member State. An arrangement or a series of arrangements is regarded as not genuine to the extent that they are not put into place for valid commercial reasons which reflect economic reality.

Organizations for Financing Pensions

For organizations for financing pensions (“OFPs”), i.e., Belgian pension funds incorporated under the form of an OFP (*organisme voor de financiering van pensioenen/organisme de financement de pensions*) within the meaning of Article 8 of the Belgian Law of October 27, 2006, the dividend income is generally tax-exempt. Subject to certain limitations, any Belgian dividend withholding tax levied at source may be credited against the corporate income tax due and is reimbursable to the extent that it exceeds the corporate income tax due.

Other Taxable Legal Entities

For taxpayers subject to the Belgium income tax on legal entities, the Belgian dividend withholding tax in principle fully discharges their Belgian income tax liability in this respect.

Belgian Non-resident Individuals and Companies

For non-resident individuals and companies, the Belgian dividend withholding tax will be the only tax on dividends in Belgium, unless the non-resident holds Shares in connection with a business conducted in Belgium through a Belgian establishment.

If Shares are acquired by a non-resident in connection with a business in Belgium, the investor must report any dividends received, which will be taxable at the applicable Belgian non-resident individual or corporate income tax rate(s), as appropriate. Belgian dividend withholding tax levied at source may be credited against Belgian non-resident individual or corporate income tax and is reimbursable to the extent that it exceeds the income tax due, subject to two conditions: (i) the taxpayer must own the Shares in full legal ownership at the time the dividends are paid or attributed and (ii) the dividend distribution may not result in a reduction in value of, or a capital loss on, the Shares. The latter condition is not applicable if (i) the non-resident individual or the non-resident company can demonstrate that the Shares were held in legal ownership for an uninterrupted period of 12 months prior to the payment or attribution of the dividends, or (ii) the non-resident company can demonstrate that, during that period, the Shares have never been held in full legal ownership at any point in time by a taxpayer other than (a) a company subject to Belgian corporate tax or (b) a non-resident company having, in an uninterrupted manner, invested the Shares in a Belgian establishment.

Non-resident companies whose Shares are attributable to a Belgian establishment may deduct up to 95% of the gross dividends included in their taxable profits if, at the date dividends are paid or attributed, the Conditions for the application of the dividend received deduction regime are met (see above). Application of the dividend received deduction regime depends, however, on a factual analysis to be made upon each distribution, and its availability should be verified upon each distribution.

Belgian Dividend Withholding Tax Relief for Non-residents

Under Belgian tax law, Belgian withholding tax is not due on dividends paid to a foreign pension fund which satisfies the following conditions: (i) it is a non-resident saver in the meaning of Article 227, 3° of the Belgian Income Tax Code (“ITC”) which implies that it has separate legal personality and fiscal residence outside of Belgium; (ii) whose corporate purpose consists solely in managing and investing funds collected in order to pay legal or complementary pensions; (iii) whose activity is limited to the investment of funds collected in the exercise of its statutory mission, without any profit making aim; (iv) which is exempt from income tax in its country of residence; and (v) except in specific circumstances provided that it is not contractually obligated to redistribute the dividends to any ultimate beneficiary of such dividends for whom it would manage the Shares, nor obligated to pay a manufactured dividend with respect to the Shares under a securities borrowing transaction. The exemption will only apply if the foreign pension fund provides a certificate confirming that it is the full legal owner or usufruct holder of the Shares and that the above conditions are satisfied. The foreign pension fund must then forward that certificate to the Company or its paying agent.

Dividends distributed to non-resident companies established in a Member State of the EU or in a country with which Belgium has concluded a double tax treaty that includes a qualifying exchange of information clause and qualifying as a parent company, will be exempt from Belgian withholding tax provided that Shares held by the non-resident company, upon payment or attribution of the dividends, amount to at least 10% of the Company’s share capital and such minimum participation is held or will be held during an uninterrupted period of at least one year. A company qualifies as a parent company provided that (i) for companies established in a Member State of the EU, it has a legal form as listed in the annex to the Parent-Subsidiary Directive as amended from time to time, or, for companies established in a country with which Belgium has concluded a qualifying double tax treaty it has a legal form similar to the ones listed in such annex; (ii) it is considered to be a tax resident according to the tax laws of the country where it is established and the double tax treaties concluded between such country and third countries; and (iii) it is subject to corporate income tax or a similar tax without benefiting from a tax regime that derogates from the ordinary tax regime.

In order to benefit from the above exemption, the investor must provide the Company or its paying agent with a certificate confirming its qualifying status and the fact that it meets the three abovementioned conditions. If the investor holds

a minimum participation for less than one year, at the time the dividends are paid on or attributed to Shares, the Company will levy the Belgian withholding tax but will not transfer it to the Belgian Treasury provided that the investor certifies at the latest upon the attribution of the dividends its qualifying status, the date from which the investor has held such minimum participation, and the investor's commitment to hold the minimum participation for an uninterrupted period of at least one year.

The investor must also inform the Company or its paying agent if the one-year period has expired or if its shareholding will drop below 10% of the Company's share capital before the end of the one-year holding period. Upon satisfying the one-year shareholding requirement, the provisionally withheld dividend withholding tax will be paid to the investor.

Please note that the above withholding tax exemption will not be applicable to dividends which are connected to an arrangement or a series of arrangements (*rechtshandeling of geheel van rechtshandelingen/acte juridique ou un ensemble d'actes juridiques*) for which the Belgian tax administration, taking into account all relevant facts and circumstances, has proven, unless evidence to the contrary, that this arrangement or this series of arrangements is not genuine (*kunstmatig/non authentique*) and has been put in place for the main purpose or one of the main purposes of obtaining the dividend received deduction, the above dividend withholding tax exemption or one of the advantages of the Parent-Subsidiary Directive in another EU Member State. An arrangement or a series of arrangements is regarded as not genuine to the extent that they are not put into place for valid commercial reasons which reflect economic reality.

Dividends distributed to non-resident companies are subject to a reduced Belgian withholding tax of 1.6995% (the "Reduced Withholding Tax") in case (i) the non-resident company is established in the European Economic Area or in a country with which Belgium has concluded a tax treaty that includes a qualifying exchange of information clause, (ii) the non-resident company is subject to corporate income tax or a similar tax without benefiting from a tax regime that derogates from the ordinary tax regime, (iii) the non-resident company does not satisfy the 10%-participation threshold but has a participation in the Company with an acquisition value of at least €2,500,000 on the date the dividend is paid on or attributed, (iv) the non-resident company has a legal form as listed in the annex to the Parent-Subsidiary Directive, as amended from time to time, or, has a legal form similar to the ones listed in such annex that is governed by the laws of another Member State of the EEA, or, has a legal form similar to the ones listed in such annex in a country with which Belgium has concluded a qualifying double tax treaty and (v) the dividends are not paid or attributed by a company which falls within the scope of Article 203 ITC (*i.e.*, the Article 203 ITC Taxation Condition must be met; see above). The Reduced Withholding Tax only applies if and to the extent that the ordinary Belgian withholding tax is, in principle, neither creditable nor reimbursable in the hands of the non-resident company.

In order to benefit from the Reduced Withholding Tax, the investor must provide the Company or its paying agent with a certificate confirming (i) it is established in another EEA Member State or in a State with which Belgium has concluded a tax treaty, provided that the tax treaty or any other treaty provides for the exchange of information which is necessary to give effect to the provisions of the domestic laws of the Contracting States, (ii) it has a legal form as listed in the Annex I, part A of the Parent-Subsidiary Directive, as amended by Directive 2014/86/EU of July 8, or a legal form similar to the ones listed in said Annex and governed by the laws of the EEA Member State, or a legal form similar to the ones listed in said Annex in a country with which Belgium has concluded a tax treaty, (iii) it is subject to corporate income tax or a similar tax without benefiting from a tax regime that deviates from the ordinary domestic tax regime, (iv) it holds a participation of less than 10% in the capital of the Company but with an acquisition value of at least €2,500,000 on the date the dividend is paid on or attributed, (v) the dividends relate to Shares in the Company which it has held or will hold in full legal ownership for an uninterrupted period of at least one year, (vi) it cannot in principle credit the Belgian withholding tax paid on the dividends or obtain a refund thereof according to the legal provisions in force on December 31 of the year preceding the year of the payment or attribution of the dividends. The Company or the paying agent may also request confirmation from the investor that the investor commits to keep the participation with an acquisition value of at least €2,500,000 until the completion of the minimum holding period of one year and that the investor immediately notifies the Company or the paying agent of the completion of said one year holding period. The investor must furthermore provide on the certificate its full name, legal form, address and fiscal identification number, if applicable.

Belgium has concluded tax treaties with over 90 countries, reducing the Belgian dividend withholding tax rate to 20%, 15%, 10%, 5% or 0% for residents of those countries, depending on conditions, amongst others, related to the size of the shareholding and certain identification formalities. Such reduction may be obtained either directly at source or through a refund of taxes withheld in excess of the applicable tax treaty rate.

Prospective holders should consult their own tax advisors as to whether they qualify for reduced rate of Belgian withholding tax on dividends, and as to the procedural requirements for obtaining such reduced rate of Belgian withholding tax (either upon the payment of dividends or further to refund claims).

Capital Gains and Losses on Shares

Belgian Resident Individuals

In principle, Belgian resident individuals acquiring and holding Shares as a private investment should not be subject to Belgian capital gains tax on the disposal of Shares, and capital losses are not tax deductible.

However, capital gains realized by a private individual on the disposal of Shares are taxable at 33% (plus local surcharges) if the capital gain is deemed to be speculative or to be realized outside the scope of the normal management of the individual's private estate. Capital losses, however, are generally not tax deductible.

Moreover, capital gains realised by Belgian resident individuals on the disposal of Shares for consideration, outside the exercise of a professional activity, to a non-resident company (or a body constituted in a similar legal form), to a foreign State (or one of its political subdivisions or local authorities) or to a non-resident legal entity, are in principle taxable at a rate of 16.5% (plus local surcharges) if, at any time during the five years preceding the sale, the Belgian resident individual has owned directly or indirectly, alone or with his/her spouse or with certain relatives, a substantial shareholding in the Company (*i.e.*, a shareholding of more than 25% in the Company). This capital gains tax does not apply if the Shares are transferred to the above mentioned persons provided that they are established in the EEA. Capital losses are, however, not tax deductible.

Belgian resident individuals who hold Shares for professional purposes are taxable at the ordinary progressive personal income tax rates (plus local surcharges) on any capital gains realized upon the disposal of Shares, except for Shares held for more than five years, which are taxable at a separate rate of 16.5% (plus local surcharges). Capital losses on Shares incurred by Belgian resident individuals who hold Shares for professional purposes are in principle tax deductible.

Capital gains realized by Belgian resident individuals upon the redemption of Shares or upon the liquidation of the Company will generally be taxable as a dividend (see above).

Belgian Resident Companies

Belgian resident companies (not being small enterprises within the meaning of Article 15 of the Belgian Companies Code, hereinafter referred to as "Small Enterprises") are subject to Belgian capital gains taxation at a separate rate of 0.412% on gains realized upon the disposal of Shares, provided that: (i) the Article 203 ITC Taxation Condition is met and (ii) the Shares have been held in full legal ownership for an uninterrupted period of at least one year. The 0.412% separate capital gains tax rate cannot be off-set by any tax assets (such as, *e.g.*, tax losses).

Belgian resident companies qualifying as Small Enterprises are in principle not subject to Belgian capital gains taxation on gains realized upon the disposal of the Shares provided that (i) the Article 203 ITC Taxation Condition is met and (ii) the Shares have been held in full legal ownership for an uninterrupted period of at least one year.

If the one-year minimum holding period condition would not be met (but the Article 203 ITC Taxation Condition is met) then the capital gains realized upon the disposal of Shares by Belgian resident companies (both non-Small Enterprises and Small Enterprises) would be taxable at a separate corporate income tax rate of 25.75%.

Capital losses on Shares incurred by resident companies (both non-Small Enterprises and Small Enterprises) are as a general rule not tax deductible.

Capital gains realized by Belgian resident companies upon the redemption of Shares or upon the liquidation of the Company will, in principle, be subject to the same taxation regime as dividends (see above).

Shares held in the trading portfolios of qualifying credit institutions, investment enterprises and management companies of undertakings for collective investment are subject to a different tax regime. The capital gains realised by these investors will be subject to corporate income tax at the general rates, and capital losses are tax deductible. Internal transfers to and from the trading portfolio are assimilated to a realization.

Organizations for Financing Pensions

OFPs are, in principle, not subject to Belgian capital gains taxation realized upon the disposal of the Shares, and capital losses are not tax deductible.

However, in general, capital gains realized by Belgian resident OFPs upon the redemption of Shares or upon the liquidation of the Company will, in principle, be subject to the same taxation regime as dividends (see above).

Other Taxable Legal Entities

Belgian resident legal entities subject to the legal entities income tax are, in principle, not subject to Belgian capital gains taxation on the disposal of Shares. However, capital gains realized upon disposal of (part of) a substantial participation in a Belgian company (being a participation representing more than 25% of the share capital of the Company at any time during the last five years prior to the disposal) may under certain circumstances give rise to a 16.5% tax (plus crisis surcharge of currently 3%). Capital losses on Shares incurred by Belgian resident legal entities are not tax deductible.

Capital gains realized by Belgian resident legal entities upon the redemption of Shares or upon the liquidation of the Company will in principle be taxed as dividends (see above).

Belgian Non-resident Individuals

Capital gains realized on the Shares by a non-resident individual that has not acquired and held the Shares in connection with a business conducted in Belgium through a Belgium establishment are in principle not subject to taxation, unless in the following cases if such capital gains are obtained or received in Belgium:

- the gains are deemed to be realized outside the scope of the normal management of the individual's private estate. In such case the capital gains have to be reported in a non-resident tax return for the income year during which the gain has been realized and may be taxable in Belgium; or,
- the gains originate from the disposal of (part of) a substantial participation in a Belgian company (being a participation representing more than 25% of the share capital of the Company at any time during the last five years prior to the disposal). Then, the realised capital gains may, under certain circumstances, give rise to a 16.5% tax (plus local surcharges of currently 7%).

However, Belgium has concluded tax treaties with more than 90 countries which *generally* provide for a full exemption from Belgian capital gains taxation on such gains realized by residents of those countries. Capital losses are generally not tax deductible.

Capital gains realized by Belgian non-resident individuals upon the redemption of Shares or upon the liquidation of the Company will generally be taxable as a dividend (see above).

Capital gains will be taxable at the ordinary progressive income tax rates and capital losses will be tax deductible, if those gains or losses are realized on Shares by a non-resident individual that holds Shares in connection with a business conducted in Belgium through a Belgian establishment.

Belgian Non-resident Companies or Entities

Capital gains realized on the Shares by non-resident companies or non-resident entities that have not acquired the Shares in connection with a business conducted in Belgium through a Belgian establishment are in principle not subject to taxation and losses are not tax deductible.

Capital gains realized by non-resident companies or other non-resident entities that hold the Shares in connection with a business conducted in Belgium through a Belgian establishment are generally subject to the same regime as Belgian similar entities (see above).

Tax on Stock Exchange Transactions

No tax on stock exchange transactions is due upon subscription to Shares (primary market transactions).

The purchase and the sale and any other acquisition or transfer for consideration of existing Shares (secondary market transactions) is subject to the Belgian tax on stock exchange transactions (*taks op de beursverrichtingen/taxe sur les opérations de bourse*) if (i) it is executed in Belgium through a professional intermediary, or (ii) deemed to be executed in Belgium, which is the case if the order is directly or indirectly made to a professional intermediary established outside of Belgium, either by private individuals with habitual residence in Belgium, or legal entities for the account of their seat or establishment in Belgium (both referred to as a "Belgian Investor").

The tax on stock exchange transactions is levied at a rate of 0.27% of the purchase price, capped at €1,600 per transaction and per party.

A separate tax is due by each party to the transaction, and both taxes are collected by the professional intermediary. However, if the intermediary is established outside of Belgium, the tax will in principle be due by the Belgian Investor, unless that Belgian Investor can demonstrate that the tax has already been paid. Professional intermediaries established outside of Belgium can, subject to certain conditions and formalities, appoint a Belgian stock exchange tax representative ("Stock Exchange Tax Representative"), which will be liable for the tax on stock exchange transactions in respect of the transactions executed through the professional intermediary. If such a Stock Exchange Tax Representative would have paid the tax on stock exchange transactions due, the Belgian Investor will, as per the above, no longer be the debtor of the tax on stock exchange transaction.

No tax on stock exchange transactions is due on transactions entered into by the following parties, provided they are acting for their own account: (i) professional intermediaries described in Article 2.9° and 10° of the Belgian Law of August 2, 2002 on the supervision of the financial sector and financial services; (ii) insurance companies described in Article 2, §1 of the Belgian Law of July 9, 1975 on the supervision of insurance companies; (iii) pension institutions referred to in Article 2,1° of the Belgian Law of October 27, 2006 concerning the supervision of pension institutions; (iv) undertakings for collective investment; (v) regulated real estate companies; and (vi) Belgian non-residents provided they deliver a certificate to their financial intermediary in Belgium confirming their non-resident status.

The EU Commission adopted on February 14, 2013 the Draft Directive on a Financial Transaction Tax (FTT). The Draft Directive currently stipulates that once the FTT enters into force, the Participating Member States shall not maintain or introduce taxes on financial transactions other than the FTT (or VAT as provided in the Council Directive 2006/112/EC of November 28, 2006 on the common system of value added tax). For Belgium, the tax on stock exchange transactions should thus be abolished once the FTT enters into force. The Draft Directive is still subject to negotiation between the Participating Member States and therefore may be changed at any time.

Certain U.S. Federal Income Tax Considerations

General

The following discussion is a summary of certain of the U.S. federal income tax consequences of the ownership and disposition of Offer Shares by a U.S. Holder or non-U.S. Holder (each as defined below), but does not purport to be a complete analysis of all potential tax effects. This summary is based on provisions of the Internal Revenue Code of 1986, as amended (the “Code”), existing and proposed U.S. Treasury regulations promulgated thereunder, administrative rulings and judicial interpretations thereof, as well as on the “Convention Between the Government of The United States of America and the Government of the Kingdom of Belgium for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion With Respect to Taxes on Income” (the “Treaty”), all as of the date hereof and all of which are subject to change, possibly on a retroactive basis.

This summary is limited to U.S. Holders and non-U.S. Holders that acquire Offer Shares pursuant to the Offering as capital assets (generally, property held for investment). This summary does not discuss all aspects of U.S. federal income taxation that may be relevant to an investor in light of its individual circumstances, for example, an investor subject to special tax rules (e.g., banks, thrifts, real estate investment trusts, regulated investment companies, insurance companies, dealers in securities or currencies, expatriates, tax-exempt investors, holders that own (directly, indirectly or by attribution) 10% or more of the Company’s voting stock, U.S. Holders whose functional currency is not the U.S. dollar, or holders that hold Offer Shares as a position in a “straddle,” as part of a “synthetic security” or “hedge,” as part of a “conversion transaction” or other integrated investment, holders that are, or hold their Offer Shares through, partnerships (or other pass-through entities) or U.S. expatriates and former long-term residents of the United States). This summary does not address tax consequences applicable to holders of equity interests in a holder of the Offer Shares, U.S. federal estate, gift, alternative minimum tax considerations, Medicare contribution tax considerations, or non-U.S., state or local tax considerations.

For purposes of this summary, a “U.S. Holder” means a beneficial owner of Offer Shares that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organized in or under the laws of the United States or any state thereof, or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax regardless of its source or (iv) a trust, (a) the administration of which is subject to the primary supervision of a court within the United States and for which one or more U.S. persons have the authority to control all substantial decisions or (b) that has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person. A “Non-U.S. Holder” is a beneficial owner of Offer Shares that is neither a U.S. Holder nor a partnership.

If a partnership (including any entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds Offer Shares, the U.S. federal income tax treatment of a partner in a partnership will generally depend upon the status of the partner and the activities of the partnership. A partnership or a partner in a partnership holding Offer Shares should consult its tax adviser concerning the U.S. federal income and other tax consequences of the ownership and disposition of Offer Shares.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING, AND DISPOSING OF, THE OFFER SHARES, INCLUDING THEIR ELIGIBILITY FOR THE BENEFITS OF THE TREATY, THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

U.S. Holders

Passive Foreign Investment Company Considerations

Certain adverse tax consequences could apply to a U.S. Holder if the Company is treated as a passive foreign investment company (“PFIC”) for U.S. federal income tax purposes for any taxable year during which the U.S. Holder holds Offer Shares. A non-U.S. corporation, such as the Company, generally will be treated as a PFIC for U.S. federal income tax purposes for any taxable year if either (i) 75% or more of its gross income for such year consists of certain types of “passive” income or (ii) 50% or more of the value of its assets (determined on the basis of a quarterly average) during such year produce or are held for the production of passive income.

The Company does not believe that it was a PFIC for the year ended December 31, 2016, and does not expect to become a PFIC for the current year, but the Company's possible status as a PFIC must be determined annually and therefore may be subject to change.

If the Company were to be treated as a PFIC, U.S. Holders of Offer Shares would generally be required (i) to pay a special U.S. addition to tax on certain distributions by the Company and any gains on a sale of the Offer Shares, (ii) to pay tax on any gain from the sale of Offer Shares at ordinary income (rather than capital gains) rates in addition to paying the special addition to tax on this gain, and (iii) comply with additional reporting requirements in respect of their Offer Shares. Additionally, dividends paid by the Company would not be eligible for the special reduced rate of tax described below under “—Dividends—General.” Prospective purchasers should consult their tax advisers regarding the potential application of the PFIC regime and the availability of any election to mitigate the adverse tax consequences of the PFIC regime.

The rest of this summary assumes that the Company will not be a PFIC for U.S. federal income tax purposes for any taxable year during which a U.S. Holder owns the Offer Shares. There can be no assurance, however, that the Company will not be treated as a PFIC for any taxable year because PFIC status is factual in nature, generally cannot be determined until the close of the taxable year in question, and is determined annually.

Dividends

General

Any distribution of cash or property with respect to Offer Shares (including any amount of any Belgian tax withheld) will generally be treated as a dividend to the extent paid out of the Company's current and accumulated earnings and profits, as determined under U.S. federal income tax principles, and will be includible in the gross income of a U.S. Holder on the date the distribution is actually or constructively received. The Company does not intend to maintain calculations of its earnings and profits under U.S. federal income tax principles; therefore, any distribution (including for the avoidance of doubt any amount of any Belgian withholding tax) will generally be treated as a “dividend” for U.S. federal income tax purposes. Any such dividend income will not be eligible for the dividends-received deduction allowed to corporate U.S. holders.

Subject to certain holding period requirements and other conditions, dividends paid to non-corporate U.S. Holders, including individual U.S. Holders, may be eligible for preferential rates of taxation if the dividends are “qualified dividends” for U.S. federal income tax purposes. Dividends received with respect to Offer Shares will be qualified dividends if the Company (i) is eligible for the benefits of a comprehensive income tax treaty with the United States that the Internal Revenue Service (“IRS”) has approved for the purposes of the qualified dividend rules, which the Company expects will be the case and (ii) was not, in the year prior to the year in which the dividend was paid, and is not, in the year in which the dividend is paid, a PFIC, for U.S. federal income tax purposes. No assurance can be given that the Company will be eligible for the benefits of the Treaty.

The amount of any dividend paid in Euros will be the U.S. dollar amount calculated by reference to the exchange rate in effect on the date of receipt, regardless of whether the payment is, in fact, converted into U.S. dollars. If the dividend is converted into U.S. dollars on the date of receipt, U.S. Holders generally will not be required to recognize foreign currency gain or loss in respect of the dividend income. However, a U.S. Holder may have foreign currency gain or loss if the dividend is converted into U.S. dollars after the date of receipt. The gain or loss will be equal to the difference, if any, between (i) the U.S. dollar value of the amount included in income when the dividend was received and (ii) the amount received on the conversion of Euros into U.S. dollars. Generally, any such gain or loss will be treated as ordinary income or loss and generally will be treated as U.S. source income. U.S. Holders are encouraged to consult their tax advisers regarding the treatment of foreign currency gain or loss on any Euros received that is converted into U.S. dollars on a date subsequent to the date of receipt.

Effect of Belgian Withholding Taxes

As discussed in “—Belgian Taxation,” under current law, payments of dividends by the Company to foreign investors are subject to a 30% Belgian withholding tax. The rate of withholding tax applicable to U.S. Holders that are eligible for benefits under the Treaty is reduced to a maximum of 15%. For U.S. federal income tax purposes, U.S. Holders will be treated as having received the amount of Belgian taxes withheld by the Company, and as then having paid over the withheld taxes to the Belgian taxing authorities. As a result of this rule, the amount of dividend income included in gross income for U.S. federal income tax purposes by a U.S. Holder with respect to a payment of dividends may be greater than the amount of cash actually received (or receivable) by the U.S. Holder from the Company with respect to the payment.

A U.S. Holder generally will be entitled, subject to certain limitations, to a credit against its U.S. federal income tax liability, or a deduction in computing its U.S. federal taxable income, for Belgian income taxes withheld by the Company. U.S. Holders that are eligible for benefits under the Treaty will not be entitled to a foreign tax credit for the amount of any Belgian taxes withheld in excess of the 15% maximum rate, and with respect to which the holder is entitled to obtain a refund from the Belgian taxing authorities.

For purposes of the foreign tax credit limitation, foreign source income is classified in one of two “baskets,” and the credit for foreign taxes on income in any basket is limited to U.S. federal income tax allocable to that income. Dividends paid by the Company generally will constitute foreign source income and will, depending on the circumstances of the U.S. Holder, be either in the “passive category income” or “general category income” baskets. If a U.S. Holder receives a dividend from the Company that qualifies for the reduced rate described above under “—Dividends—General,” the amount of the dividend taken into account in calculating the foreign tax credit limitation will in general be limited to the gross amount of the dividend, multiplied by the reduced rate divided by the highest rate of tax normally applicable to dividends. In certain circumstances, a U.S. Holder may be unable to claim foreign tax credits (and may instead be allowed deductions) for foreign taxes imposed on a dividend if the U.S. Holder has not held the Offer Shares for at least 16 days in the 31-day period beginning 15 days before the ex-dividend date.

U.S. Holders that are accrual basis taxpayers, and who do not otherwise elect, must translate Belgian taxes into U.S. dollars at a rate equal to the average exchange rate for the taxable year in which the taxes accrue, while all U.S. Holders must translate taxable dividend income into U.S. dollars at the spot rate on the date received. This difference in exchange rates may reduce the U.S. dollar value of the credits for Belgian taxes relative to the U.S. Holder’s U.S. federal income tax liability attributable to a dividend. However, cash basis and electing accrual basis U.S. Holders may translate Belgian taxes into U.S. dollars using the exchange rate in effect on the day the taxes were paid. Any such election by an accrual basis U.S. Holder will apply for the taxable year in which it is made, as well as all subsequent taxable years, unless revoked with the consent of the IRS.

Prospective purchasers should consult their tax advisers concerning the foreign tax credit implications of the payment of Belgian taxes.

Sale or other Disposition

A U.S. Holder will recognize gain or loss for U.S. federal income tax purposes upon a sale or other disposition of its Offer Shares in an amount equal to the difference, if any, between the amount realized from such sale or disposition and the U.S. Holder’s adjusted tax basis in such Offer Shares. Such gain or loss generally will be capital gain or loss and will be long-term capital gain or loss if the Offer Shares have been held for more than one year. Long-term capital gain of non-corporate U.S. Holders is generally subject to favorable rates of tax. The deductibility of capital losses is subject to limitations.

A U.S. Holder’s tax basis in an Offer Share generally will be its U.S. dollar value of the purchase price paid in the Offering. The amount realized on a sale or other disposition of Offer Shares for an amount in foreign currency will be the U.S. dollar value of this amount on the date of sale or disposition. On the settlement date, the U.S. Holder will recognize U.S.-source foreign currency gain or loss (taxable as ordinary income or loss) equal to the difference, if any, between the U.S. dollar value of the amount received based on the exchange rates in effect on the date of sale or other disposition and the settlement date. Alternatively, in the case of Offer Shares traded on an established securities market that are sold by a cash basis U.S. Holder, or an accrual basis U.S. Holder that so elects, the amount realized will be based on the exchange rate in effect on the settlement date for the sale or other disposition, and no exchange gain or loss will be recognized at that time. If an accrual basis U.S. Holder makes the election, it must be applied consistently from year to year and cannot be revoked without the consent of the IRS.

Transfer reporting requirements

A U.S. Holder that subscribes for Offer Shares may be required to file IRS Form 926 with the IRS if the aggregate subscription price paid by the holder, when aggregated with all transfers of cash made by the holder (or any related person) to the Company within the preceding twelve-month period, exceeds \$100,000 (or its foreign currency equivalent). U.S. Holders that are required to file IRS Form 926, but fail to do so, could be subject to substantial penalties. U.S. Holders should consult their tax advisers to determine whether they are subject to any IRS Form 926 filing requirements.

Specified Foreign Financial Asset Reporting

Certain U.S. Holders may be required to submit to the IRS certain information with respect to their beneficial ownership of the Offer Shares, if such Offer Shares are not held on their behalf by certain financial institutions. Penalties may be imposed on a U.S. Holder if such U.S. Holder is required to submit such information to the IRS and fails to do so. U.S. Holders should consult their tax advisers to determine whether they are subject to any foreign asset reporting requirements.

Non-U.S. Holders

A non-U.S. Holder generally should not be subject to U.S. federal income or withholding tax on any distributions made on the Offer Shares or gain from the sale or other disposition of the Offer Shares unless: (i) that distribution and/or gain is effectively connected with the conduct by that non-U.S. Holder of a trade or business in the United States; or (ii) in the case of any gain realized on the sale or exchange of Offer Shares by an individual non-U.S. Holder, that non-U.S. Holder is present in the United States for 183 days or more in the taxable year of the sale or exchange and certain other conditions are met.

U.S. Information Reporting and Backup Withholding Tax

Payments made through a U.S. paying agent or U.S. intermediary to a U.S. Holder may be subject to information reporting unless the U.S. Holder establishes that payments to it are exempt from these rules. Payments that are subject to information reporting may be subject to backup withholding if a U.S. Holder does not provide its taxpayer identification number and otherwise comply with the information reporting rules.

Payments of proceeds by a U.S. paying agent or other intermediary to a non-U.S. Holder will not be subject to backup withholding tax and information reporting requirements if appropriate certification (typically an appropriate IRS Form W-8) is provided by the non-U.S. Holder to the payor and the payor does not have actual knowledge that the certificate is false.

Backup withholding is not an additional tax. The amount of any backup withholding from a payment will be allowed as a credit against such holder's U.S. federal income tax liability and may entitle such holder to a refund, provided that the required information is timely furnished to the IRS. Holders should consult their own tax advisors regarding the application of the information reporting and backup withholding rules.

THE OFFERING

Certain key dates in connection with the Offering are summarized in the following table. These are all anticipated dates, which are subject to any unforeseen circumstances and to an early closing of the Offering Period.

<u>Date</u>	<u>Event</u>
May 31, 2017	Expected Start of Offering Period (including Retail Offering)
June 12, 2017	Expected End of Retail Offering
June 13, 2017	Expected End of Offering Period
June 13, 2017	Pricing and Allocation
June 13, 2017	Publication of Offer Price and Results of the Offering
June 14, 2017	Expected Listing Date
June 16, 2017	Expected Closing Date

Conditions and Nature of the Offering

The Offering relates to the (i) issuance by the Company of such number of newly issued Shares as is necessary to raise gross proceeds of approximately €145 million and (ii) offering by Selling Shareholder of up to 6,265,625 existing Shares. The Offering consists of (i) the Belgian Offering (i.e., an initial public offering to retail and institutional investors in Belgium); (ii) a private placement in the United States to persons who are reasonably believed to be “qualified institutional buyers” or “QIBs” (as defined in Rule 144A under the U.S. Securities Act), in reliance on Rule 144A; and (iii) private placements to institutional investors in the rest of the world. The Offering outside the United States will be made in compliance with Regulation S under the U.S. Securities Act. The offering to investors referred to in (ii) and (iii) above is herein referred to as the “International Institutional Offering” (i.e., a private placement in the United States to QIBs and a private placement to institutional investors in the rest of the world). In the event that the maximum number of Offer Shares is reduced, including due to an early closing of the Offering Period without placement of the total number of shares, this will be published in a supplement to the Prospectus.

The aggregate number of Offer Shares sold in the Secondary Tranche may, pursuant to the Increase Option, be increased by up to 15% of the aggregate number of Offer Shares initially offered. Any decision to exercise the Increase Option will be communicated at the latest, on the date of the announcement of the Offer Price. See “*Plan of Distribution—Increase Option*”.

The Joint Global Coordinators and Joint Bookrunners are J.P. Morgan and Deutsche Bank. Barclays is a Joint Bookrunner with J.P. Morgan and Deutsche Bank. The Joint Lead Managers are ING and KBC. See “*Plan of Distribution*.”

The actual number of Offer Shares to be sold by the Selling Shareholder and issued by the Company in the Offering will only be determined after the Offering Period and will be announced by means of a Company press release, simultaneously with the publication of the Offer Price and the allocation of Offer Shares to retail investors. Such publication is currently expected to be made on or about June 13, 2017 and in any event no later than the first business day after the end of the Offering Period.

The Company and the Selling Shareholder reserve the right to withdraw the Offering or to reduce the maximum number of Offer Shares at any time prior to the allocation of the Offer Shares. The minimum size of the Offering corresponds to the Primary Tranche (i.e. €137.6 million net proceeds) below which the Offering will not be completed. Any withdrawal of the Offering will be announced by means of a Company press release. If the Offering is withdrawn, the bank accounts of the retail investors having submitted purchase orders will not be debited. If the maximum number of Offer Shares is reduced, such reduction would be applied first to the Secondary Tranche. Any withdrawal of the Offering or reduction of the number of Offer Shares will be announced by means of a Company press release, through electronic information services such as Reuters or Bloomberg, and in a supplement to the Prospectus. Any changes to the maximum number of Offer Shares or any extension or shortening of the Offering Period will not void purchase orders that have already been submitted.

Offer Price

The Offer Price will be a single price in Euro, exclusive of the Belgian tax on stock exchange transactions, if applicable (see “*Taxation—Belgian Taxation*”), and costs, if any, charged by financial intermediaries for the submission of applications.

The Offer Price will be determined on the basis of a bookbuilding process in which only institutional investors can participate, taking into account various relevant qualitative and quantitative elements, including but not limited to the number of Offer Shares requested, the size of purchase orders received, the condition of the investors submitting such purchase orders and the prices at which the purchase orders were made, as well as market conditions at that time.

The Price Range has been determined by the Company and the Selling Shareholder following recommendations from the Joint Global Coordinators, taking into account market conditions and factors including but not limited to:

- the condition of the financial markets;
- the Company's financial position;
- qualitative assessment of the demand for the Offer Shares; and
- all other factors deemed relevant.

The Company and the Selling Shareholder reserve the right to increase or decrease the lower limit of the Price Range or to decrease the upper limit of the Price Range. If the Price Range is modified, the change will be announced by means of a Company press release. Any changes to narrow the Price Range will not void purchase orders that have already been submitted. The Offer Price for investors shall not, however, exceed the higher end of the Price Range. In the event the lower limit of the Price Range is decreased or the Offer Price is set below the lower end of the Price Range, this will be published in a supplement to the Prospectus.

Retail investors in Belgium can only acquire the Offer Shares at the Offer Price and are legally bound to purchase the number of Shares indicated in their purchase order at the Offer Price.

Dilution Resulting from the Primary Tranche

As a result of the issuance of Offer Shares to be sold by the Company in the Primary Tranche, the economic interest and the voting interest of the Selling Shareholder will be diluted. The maximum dilution for the Selling Shareholder resulting from the Primary Tranche would be 39.7%, assuming full placement of the Primary Tranche and assuming that the Offer Price is at the mid-point of the Price Range.

Offering Period

The Offering Period will begin on May 31, 2017 and is expected to close no later than 1 p.m. (CET) on June 13, 2017, subject to the possibility of an early closing, provided that the Offering Period will in any event be open for at least six business days from the availability of this Prospectus. The Prospectus will be made available as of the first day of the Offering Period. The Offering Period can be closed, at the earliest, six business days after the start of the Offering Period and, hence, prospective investors can submit their orders at least during six business days after the start of the Offering Period. However, in accordance with the possibility provided for in art. 3, § 2 of the Royal Decree of May 17, 2007 on primary market practices, the Company expects the subscription period for the retail offering to end on June 12, 2017 at 4 p.m. (CET), the day before the end of the institutional bookbuilding period, due to the timing and logistical constraints associated with the centralization of the subscriptions placed by retail investors with the Underwriters and with other financial institutions. Any early closing of the Offering Period will be announced by means of a Company press release, and the dates for each of pricing, allocation, publication of the Offer Price and the results of the Offering, "as-if-and-when issued and/or delivered" trading and closing of the Offering will in such case be adjusted accordingly. In the event the Offering Period is changed, this will be published in a supplement to the Prospectus. The Offering Period can only be closed earlier in case of a coordinated action between the Underwriters. In the event the Offering Period is extended, this will be announced by means of a Company press release. Prospective investors can submit their purchase orders during the Offering Period. Taking into account the fact that the Offering Period may be closed early, investors are invited to submit their applications as promptly as possible.

Share applications by retail investors may be submitted at the counters of ING, KBC Bank, CBC Banque and KBC Securities and their affiliates at no cost to the investor. Applications are not binding upon the Company, the Selling Shareholder or the Underwriters as long as they have not been accepted in accordance with the allocation rules described below under "*Allocation*."

Investors wishing to place purchase orders for the Offer Shares through intermediaries other than of ING, KBC Bank, CBC Banque and KBC Securities and their affiliates should request details of the costs which these intermediaries may charge, which they will have to pay themselves.

To be valid, purchase orders must be submitted no later than 1 p.m. (CET) on June 13, 2017, unless the Offering Period is closed earlier.

Retail Investors in Belgium

A retail investor shall mean an individual person resident in Belgium or a legal entity located in Belgium that does not qualify as a qualified investor (*gekwalificeerde belegger/investisseur qualifié*) as defined in Article 10, § 1 of the Prospectus Law.

Retail investors must indicate in their purchase orders the number of Offer Shares they are committing to purchase. Only one application per retail investor will be accepted. If the Underwriters determine, or have reason to believe, that a single retail investor has submitted several purchase orders, through one or more intermediaries, they may disregard such purchase orders. There is no minimum or maximum amount of Offer Shares that may be purchased in one purchase order.

To be valid, purchase orders must be submitted no later than 4 p.m. (CET) on June 12, 2017, unless the Offering Period is closed earlier.

Orders will be irrevocable after the end of the Offering Period (even in case of reduction) and investors are legally bound to purchase the number of Shares indicated in their purchase order which have been allocated to them at the Offer Price. However, in the event that the Offering is withdrawn or a supplement to this Prospectus is published, Retail Investors shall have the right to withdraw their share applications made prior to the publication of the supplement within the time limits set out in the supplement (which shall not be shorter than two Business Days after publication of the supplement).

Institutional Investors

Institutional investors must indicate in their purchase orders the number of Offer Shares they are committing to purchase, and the prices at which they are making such purchase orders during the bookbuilding period. Only institutional investors can participate in the bookbuilding process during the Offering Period.

Supplement—Right to Withdraw Order

If an important new factor, material mistake or inaccuracy relating to information contained in the Prospectus, which could influence the investors' evaluation of the securities, occurs before the end of the Offering Period, a supplement to the Prospectus shall be published in accordance with Article 34 of the Prospectus Law.

A supplement to this Prospectus will be published in accordance with Article 34 of the Prospectus Law in the event (i) the Offering Period is extended, (ii) the lower limit of the Price Range is decreased or the Offer Price is set below the lower end of the Price Range, or (iii) the maximum number of Offer Shares is reduced, including due to an early closing of the Offering Period without placement of the total number of shares or (iv) the underwriting agreement is not executed or is executed but subsequently terminated.

If such supplement to the Prospectus is published, investors will have the right to withdraw their orders made prior to the publication of the supplement. Such withdrawal must be done within the time period set forth in the supplement (which shall not be shorter than two business days after publication of the supplement).

Allocation

The number of Offer Shares allotted to investors will be determined at the end of the Offering Period by the Company and the Selling Shareholder in consultation with the Joint Global Coordinators on the basis of the respective demand of both retail and institutional investors and on the quantitative and, for institutional investors only, the qualitative analysis of the order book, and in accordance with Belgian regulations relating to allocation to retail and institutional investors as set forth below.

In accordance with Belgian regulations, a minimum of 10% of the Offer Shares must be allocated to retail investors in Belgium, subject to sufficient retail demand.

In case of over-subscription of the Offer Shares reserved for retail investors, the allocation to retail investors will be made on the basis of objective and quantitative allocation criteria, i.e. the number of shares for which applications are submitted by retail investors. Therefore, retail investors may receive fewer Offer Shares than they subscribed for.

The results of the Offering, the allocation for retail investors and the Offer Price will be announced by means of a Company press release, which is currently expected to take place on or about June 13, 2017 and in any event no later than the first business day after the end of the Offering Period.

The Underwriters will use reasonable efforts to deliver the newly issued Shares to individual persons residing in Belgium and to investors subject to Belgian income tax on legal entities (*rechtspersonenbelasting/impôt des personnes morales*), in this order of priority. No tax on stock exchange transactions is due on the subscription of newly issued Shares (see "*Taxation—Belgian Taxation—Tax on Stock Exchange Transactions*").

If the maximum number of Offer Shares has not been placed, the Primary Tranche will have priority to the Secondary Tranche.

Payment and Taxes

The Offer Price must be paid by the investors in full, in Euro, together with any applicable stock exchange taxes and costs. For further information about applicable taxes, see “*Taxation—Belgian Taxation.*”

The Closing Date is expected to be June 16, 2017 unless the Offering Period is closed earlier. The Offer Price must be paid by investors by authorizing their financial institutions to debit their bank accounts with such amount for value on the Closing Date, unless the Offering has been withdrawn.

Form of the Offer Shares and Delivery

The Offer Shares will have the same rights and benefits as the other Shares, including the right to dividends for the financial year ending December 31, 2017 and future years. For a further description of the Shares and the rights and benefits attached thereto, see “*Description of Share Capital and Articles of Association.*”

All Offer Shares will be delivered in book-entry form only, and will be credited on or around the Closing Date to investors’ securities accounts via Euroclear Belgium, the Belgian central securities depository, Koning Albert II laan 1, B-1210 Brussels, Belgium.

Investors who, after delivery, wish to have their shares registered, should request that the Company record the Shares in the Company’s share register.

Holders of registered shares may request that their registered shares be converted into dematerialized shares and vice versa. Any costs incurred in connection with the conversion of Shares into another form will be borne by such shareholders.

All Offer Shares will be fully paid-up upon their delivery and freely transferable, subject to what is set forth under “*Plan of Distribution.*”

Trading and Listing on Euronext Brussels

An application has been made for the listing and admission to trading on Euronext Brussels of all Shares, including the Offer Shares. The Shares are expected to be listed under the symbol “BALTA” with an ISIN code of BE0974314461.

Trading is expected to commence on or about June 14, 2017 (unless the Offering Period closes earlier) and will start at the latest on the Closing Date, when the Offer Shares are delivered to investors.

As of the Listing Date until the Closing Date and delivery of the Offer Shares, the Shares will be traded on Euronext Brussels on an “as-if-and-when issued and/or delivered” basis. Investors who wish to effect transactions in shares of the Company prior to the Closing Date, whether such transactions are effected on Euronext Brussels or otherwise, should be aware that the issuance and delivery of the Offer Shares may not take place on the expected Closing Date, or at all, if certain conditions or events referred to in the Underwriting Agreement (as defined below) are not satisfied or waived or do not occur on or prior to such date. Euronext Brussels NV/SA may annul all transactions effected in the shares of the Company if the Offer Shares are not delivered on the Closing Date. See “*Risk Factors—Risks Relating to the Shares and the Offering—The Shares will be listed and traded on Euronext Brussels on an “if-and-when-issued and/or delivered” basis from the Listing Date until the Closing Date. Euronext Brussels NV/SA may annul all transactions effected in the Offer Shares if they are not issued and delivered on the Closing Date.*” Euronext Brussels NV/SA cannot be held liable for any damage arising from the listing and trading on an “if-and-when-issued and/or delivered” basis as of the Listing Date until the expected Closing Date.

Share Lending

The Selling Shareholder is expected to agree to lend to the Stabilization Manager (on behalf of the Underwriters) a number of Shares equal to up to 15% of the number of subscribed Offer Shares (including pursuant to any effective exercise of the Increase Option), in order to enable the Stabilization Manager to settle any over-allotments.

The Selling Shareholder is also expected to grant to the Underwriters (represented by the Stabilization Manager) the Over-allotment Option to purchase, at the Offer Price, additional Shares in an aggregate amount of up to 15% of the number of subscribed Offer Shares for the purpose of covering any such over-allotments (i.e., to cover the short position resulting from the aforementioned stock loan and over-allotment) and thus facilitate stabilization activities, if any. The Over-allotment Option will be exercisable for a period of 30 days following Listing Date.

Authorizations

This Prospectus and the participation of the Company in the Offering were approved by the Board of Directors of the Company on May 30, 2017. The issuance of the new Shares and required amendments to the Company’s articles of association, both of which are subject to the condition precedent of the closing of the Offering, were approved by the shareholders of the Company at their Extraordinary Shareholders’ Meeting held on May 30, 2017.

Interest of natural and legal persons involved in the Offering

Assuming placement of the maximum number of Offer Shares (including the full exercise of the Increase Option), that the Offer Price is at the mid-point of the Price Range and that the Over-allotment Option is exercised in full, the underwriting fees for the Primary and Secondary Tranche will be €6.5 million. This does not include any incentive fees which may be paid at the discretion of the Company and the Selling Shareholder. The underwriting fees of 2.15% of the gross proceeds of the Offering, plus any discretionary incentive fees up to 1.10% of the gross proceeds of the Offering, will be paid by the Company and the Selling Shareholder. The Company and the Selling Shareholder have also agreed to reimburse the Underwriters for certain expenses incurred by them in connection with the Offering.

All fees and expenses related to the Offering will be divided pro rata between the Company and the Selling Shareholder based on the respective sizes of the Primary Tranche and Secondary Tranche. Except as disclosed above, no other party has a material interest in the Offering other than the Company's management, the Selling Shareholder and the Company.

Financial Service

From the Listing Date, the financial service for the shares of the Company will be provided by ING Belgium SA/NV. Should the Company alter its policy in this respect, this will be announced in accordance with applicable law.

Jurisdiction and Competent Courts

The Belgian Offering is subject to Belgian law and the courts of Brussels are exclusively competent to adjudicate any and all disputes with investors concerning the Belgian Offering.

PLAN OF DISTRIBUTION

Underwriting

The Company, the Selling Shareholder and the Underwriters named below expect to enter into an underwriting agreement on or about June 13, 2017 (the “Underwriting Agreement”) with respect to the offer and sale of the Offer Shares in the Belgian Offering and the International Institutional Offering. Entering into the Underwriting Agreement may depend on various factors, including, but not limited to, market conditions and the result of the bookbuilding process. Subject to certain conditions set forth in the Underwriting Agreement, the Company will agree to issue the Shares in the Primary Tranche and the Selling Shareholder will agree to sell the Shares offered in the Secondary Tranche and the Underwriters will severally agree to purchase, with a view to immediate placement with investors, the following percentage of the total number of the Offer Shares:

<u>Underwriters</u>	<u>Percentage of Offer Shares to be sold</u>
J.P. Morgan	39.00%
Deutsche Bank	39.00%
Barclays	8.00%
ING	7.00%
KBC Securities	7.00%
Total percentage of Offer Shares to be sold	100.00%

The Underwriting Agreement being a soft underwriting agreement, the Underwriters will be under no obligation to purchase any Offer Shares prior to the execution of the Underwriting Agreement (and then only on the terms and subject to the conditions set out therein). The Underwriting Agreement is expected to provide that if an Underwriter defaults, in certain circumstances, the purchase commitments of the non-defaulting Underwriters may be increased or the Underwriting Agreement may be terminated. The Underwriters will distribute the Offer Shares to investors, subject to prior sale, when, as and if they will have been delivered to them, subject to the satisfaction or waiver of the conditions that will be contained in the Underwriting Agreement, including the receipt by the Underwriters of certificates from the Company and certain legal opinions. In the Underwriting Agreement, the Company and the Selling Shareholder will make certain customary representations and warranties and the Company will agree to indemnify the Underwriters against certain liabilities, including liability under the U.S. Securities Act. If the Underwriting Agreement is not executed or is executed but subsequently terminated, a supplement to the Prospectus to this effect will be published.

The actual number of Offer Shares to be sold by the Company and the Selling Shareholder in the Offering will only be determined after the Offering Period and will be announced by means of a Company press release, simultaneously with the publication of the Offer Price and the allocation to retail investors, which are currently expected to take place on or about June 13, 2017 and, in any event, no later than the first business day after the end of the Offering Period.

The Price Range set forth on the cover page of this Prospectus is subject to change as a result of market conditions and other factors. There can be no assurance that an active trading market will develop for the Shares or that the Shares will trade in the public market after the Offering at or above the Offer Price. For further information, see “*Risk Factors—Risks Relating to the Shares and the Offering—There has been no prior public market for the Shares and the Shares may experience price and volume fluctuations.*”

The Underwriters will offer the Offer Shares at the Offer Price. Assuming placement of the maximum number of Offer Shares (including the full exercise of the Increase Option), that the Offer Price is at the mid-point of the Price Range and that the Over-allotment Option is exercised in full, the underwriting fees for the Primary and Secondary Tranche will be €6.5 million. This does not include any incentive fees which may be paid at the discretion of the Company and the Selling Shareholder. The underwriting fees, including any incentive fees, will be paid by the Company. The underwriting fees of 2.15% of the gross proceeds of the Offering, plus any discretionary incentive fees up to 1.10% of the gross proceeds of the Offering, will be paid by the Company and the Selling Shareholder. The Company and the Selling Shareholder have also agreed to reimburse the Underwriters for certain expenses incurred by them in connection with the Offering.

All fees and expenses related to the Offering will be divided pro rata between the Company and the Selling Shareholder based on the respective sizes of the Primary Tranche and Secondary Tranche. The Underwriting Agreement is expected to provide that the Joint Global Coordinators will, on behalf of the Underwriters, have the right to terminate, on behalf of the Underwriters, collectively but not individually, the Underwriting Agreement and their obligation thereunder to purchase and deliver the Offer Shares (i) upon the occurrence of certain customary events including, but not limited to, if the Company or the Selling Shareholder fails to comply with any material obligation contained in the Underwriting Agreement; if there is a material adverse change in the financial markets in the United States, Belgium or the EEA; or if admission to listing of the Shares on Euronext Brussels is withdrawn, and (ii) if the conditions contained in the Underwriting Agreement, such as the delivery of certificates from the Company and the Selling Shareholder and legal opinions, are not satisfied or waived. In the event that the Underwriting Agreement is not executed or is executed but subsequently terminated, a supplement to this Prospectus shall be published. After publication of the supplement, the subscriptions for the Offer Shares will automatically be cancelled and withdrawn, and subscribers will not have any claim to delivery of the Offer Shares or to any compensation.

Lock-up Arrangements

The Company is expected to agree pursuant to the Underwriting Agreement (which is expected to be entered into on or about June 13, 2017) that it will not, and will procure that none of its subsidiaries will, for a period of 180 days from the Closing Date, without the prior written consent of the Joint Global Coordinators, acting on behalf of the Underwriters (subject to certain limited exceptions): (i) directly or indirectly, issue, offer, pledge, sell, contract to sell, sell or grant any option, right, warrant or contract to purchase, exercise any option to sell, purchase any option or contract to sell, or lend or otherwise transfer or dispose of any Shares or other shares of the Company, or any securities convertible into or exercisable or exchangeable for Shares or other shares of the Company, or file any registration statement under the U.S. Securities Act or any similar document with any other securities regulator, stock exchange or listing authority with respect to any of the foregoing; or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of any Shares or other shares of the Company, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Shares or other securities, in cash or otherwise; or (iii) publicly announce such an intention to effect any such transaction. The foregoing shall not apply to: (i) the issue of the Shares to be sold in the Offering; (ii) the issue of Shares in the context of the Reorganization, (iii) any corporate action in connection with a takeover offer, capital reorganization, legal merger, split up or similar transaction or process, in each case to the extent involving the Company; (iii) the granting of awards in options or Shares by the Company or the issuance of Shares upon exercise of options granted by the Company pursuant to employee incentive schemes.

In addition, the Selling Shareholder is expected to agree pursuant to the Underwriting Agreement (which is expected to be entered into on or about June 13, 2017) that for a period of 180 days from the Closing Date, they will not, without the prior written consent of the Joint Global Coordinators, acting on behalf of the Underwriters (i) directly or indirectly, issue, offer, pledge, sell, contract to sell, sell or grant any option, right, warrant or contract to purchase, exercise any option to sell, purchase any option or contract to sell, or lend or otherwise transfer or dispose of any Shares or other shares of the Company, or any securities convertible into or exercisable or exchangeable for Shares or other shares of the Company, or request or demand that the Company file any registration statement under the U.S. Securities Act or any similar document with any other securities regulator, stock exchange or listing authority with respect to any of the foregoing; or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of any Shares or other shares of the Company, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Shares or other securities, in cash or otherwise; or (iii) publicly announce such an intention to effect any such transaction.

The restrictions to which the Selling Shareholder (and certain of its shareholders) are subject shall not prohibit the Selling Shareholder or its relevant shareholders from (i) disposing or lending of Shares for the purposes of the Offering; (ii) accepting a general offer for all of the ordinary share capital of the Company, giving an irrevocable commitment to accept such an offer, or disposing or lending of shares to an offeror or potential offeror during the period of such an offer; (iii) any disposal required by law, regulation or a court of competent jurisdiction; (iv) transferring Shares intra-group or intra-family; (v) transferring Shares to managers pursuant to management incentive schemes established prior to the closing of the Offering and (v) any disposal for the purposes of pledging or charging any Shares to or for the benefit of the Margin Loan Lender in connection with a Margin Loan Facility; or (vi) any disposal for the purposes of transferring any Shares pursuant to any enforcement of the security over Shares granted by the Selling Shareholder to or for the benefit of the Margin Loan Lender in connection with a Margin Loan Facility.

In addition, officers and directors of the Company who will hold Shares immediately upon the closing of the Offering are expected to agree pursuant to the Underwriting Agreement (which is expected to be entered into on or about June 13, 2017) that for a period of 360 days from the Closing Date, they will not, without the prior written consent of the Joint Global Coordinators, acting on behalf of the Underwriters (i) directly or indirectly, issue, offer, pledge, sell, contract to sell, sell or grant any option, right, warrant or contract to purchase, exercise any option to sell, purchase any option or contract to sell, or lend or otherwise transfer or dispose of any Shares or other shares of the Company, or any securities convertible into or exercisable or exchangeable for Shares or other shares of the Company, or request or demand that the Company file any registration statement under the U.S. Securities Act or any similar document with any other securities regulator, stock exchange or listing authority with respect to any of the foregoing; or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of any Shares or other shares of the Company, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Shares or other securities, in cash or otherwise; or (iii) publicly announce such an intention to effect any such transaction. The foregoing restrictions shall not apply to: (i) the granting of any pledge over Shares, provided that if such pledge is enforced the transferees of such Shares agree to be bound by the same restrictions as those assumed by the director or officer under the lock-up undertaking; (ii) any transfer of Shares following an exercise of an option referred to in this prospectus; (iii) any acceptance of a whole or partial takeover of the issued share capital of the Company or executing and delivering an irrevocable undertaking or commitment in connection with any such takeover; (iv) the implementation of a scheme of arrangement in respect of the Shares of the Company related to the acquisition by a third party of a stake in the Company; (v) taking up any rights granted in respect of a rights issue or other pre-emptive share offering by the Company; (vi) transferring Shares to any connected person (as defined in the UK Companies Act 2006); (vii) transferring Shares for bona fide purposes in the form of a gift to a trust whose beneficiaries (including any named discretionary beneficiaries) comprise connected persons (as defined in the UK Companies Act 2006); (viii) transferring or disposing of Shares where required to do so by law or by any competent authority or by order of a court of competent jurisdiction; (ix) any Shares or other securities in the

Company acquired by the director or officer after the Closing Date; and (x) selling or otherwise disposing of Shares pursuant to a pro rata participation in a buy back offer by the Company to purchase back its own Shares extended to all holders of Shares, provided that, in the case of the carve-outs set in sub-clauses (vi) and (vii) above, the transferees of such Shares agree to be bound by the same restrictions as those assumed by the director or officer under the lock-up undertaking.

Increase Option

Depending on the volume of demand, the aggregate number of Offer Shares sold in the Secondary Tranche may be increased by up to 15% of the aggregate number of Offer Shares initially offered. Any decision to exercise the Increase Option will be communicated at the latest on the date of announcement of the Offer Price, which is currently expected to be on or around June 13, 2017. To the extent that such Increase Option has been exercised, the Underwriters will severally purchase the additional Shares in the same proportion as set forth in the table under “*Plan of Distribution—Underwriting*” above.

Over-allotment Option and Price Stabilization

The Selling Shareholder is expected to grant to Deutsche Bank AG, London Branch, as Stabilization Manager, on behalf of itself and the Underwriters, an Over-allotment Option, i.e., an option to purchase additional Shares in an aggregate amount equal to up to 15% of the aggregate number of subscribed Offer Shares initially offered (including the Offer Shares sold pursuant to the effective exercise of the Increase Option) to cover over-allotments or short positions, if any, at the Offer Price. The Over-allotment Option may be exercised for a period of 30 days following the Listing Date. To the extent the Over-allotment Option is exercised, each Underwriter will become severally obligated, subject to certain conditions, to purchase the same proportion of Shares for which the Over-allotment Option is exercised as set forth in the table under “*Underwriting*” above. In order to be able to effect any over-allotments made prior to the exercise of the Over-allotment Option, it is expected that the Selling Shareholder will lend shares to the Stabilization Manager.

In connection with the Offering, the Stabilization Manager or its agents may, during the Stabilization Period and to the extent permitted by applicable law, over-allot and effect transactions to stabilize the price of the Shares or any options, warrants or rights with respect to, or other interest in, the Shares or other securities of the Company. These activities may support the market price of the Shares at a level higher than that which might otherwise prevail and may affect the price of the Shares or any options, warrants or rights with respect to, or other interest in, the Shares or other securities of the Company. Stabilization will not be executed above the Offer Price. The Stabilization Manager and its agents are not required to engage in any of these activities and, as such, there is no assurance that these activities will be undertaken; if undertaken, the Stabilization Manager or its agents may end any of these activities at any time and must be brought to an end within 30 days after the commencement of conditional dealings in the Shares.

Within one week of the end of the Stabilization Period, the following information will be made public: (i) whether or not stabilization was undertaken; (ii) the date on which stabilization started; (iii) the date on which stabilization last occurred; (iv) the price range within which stabilization was carried out, for each of the dates on which stabilization transactions were carried out; (v) the final size of the Offering, including the result of the Stabilization and the exercise of the Over-allotment Option, if any and (vi) the trading venue on which the stabilization transactions were carried out, where applicable.

Other Relationships with the Underwriters

In connection with the Offering, each of the Underwriters and any of their respective affiliates, acting as an investor for its own account, may take up Shares in the Offering and in that capacity may retain, purchase or sell for its own account such securities and any Shares or related investments and may offer or sell such Shares or other investments otherwise than in connection with the Offering. Accordingly, references in the Prospectus to Shares being offered or placed should be read as including any offering or placement of Shares to any of the Underwriters or any of their respective affiliates acting in such capacity. None of the Underwriters intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so. In addition certain of the Underwriters or their affiliates may enter into financing arrangements (including swaps) with investors in connection with which such Underwriters (or their affiliates) may from time to time acquire, hold or dispose of Shares.

Certain of the Underwriters and/or their respective affiliates have engaged or may in the future, from time to time, engage in commercial banking (including loans and credit facilities), investment banking and financial advisory and ancillary activities in the ordinary course of their business with the Company or any parties related to it, in respect of which they have received or may in the future receive customary fees and commissions.

The Company and/or other members of the Group have also entered into several agreements with a number of Underwriters (or their affiliates), including the following:

- In July 2015, Deutsche Bank, Barclays and an affiliate of ING acted as Joint Bookrunners and an affiliate of KBC Securities acted as Co-Manager with respect to the sale of the Senior Secured Notes, which will be partially repaid with the proceeds from this Offering.

- In August 2015, LSF9 Balta Issuer S.A. entered into a revolving credit facility agreement with an original principal amount of €40.0 million, with among others, Deutsche Bank, ING and an affiliate of KBC Securities as Mandated Lead Arrangers and Original Lenders.
- In March 2017, Deutsche Bank and an affiliate of J.P. Morgan acted as Original Lenders in connection with the Senior Term Loan, which will be fully repaid with the proceeds from this Offering.

No Public Offering Outside Belgium

No action has been or will be taken in any jurisdiction other than Belgium that would permit a public offering of the Offer Shares, or the possession, circulation or distribution of this Prospectus or any other material relating to the Offer Shares, in any jurisdiction where action for that purpose is required. Accordingly, the Offer Shares may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisements in connection with the Offer Shares may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of such country or jurisdiction.

Purchasers of the Offer Shares may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the Offer Price.

Selling Restrictions

General

No public offer is being made and no one has taken any action that would, or is intended to, permit a public offering in any country or jurisdiction, other than Belgium, where any such action for such purpose is required. Accordingly, the Offer Shares may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisement in connection with the Offer Shares may be distributed or published in any country or jurisdiction except in compliance with any applicable rules and regulations of such country or jurisdiction.

Persons into whose hands this Prospectus comes are required by the Company, the Selling Shareholder and the Underwriters to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Offer Shares or have in their possession or distribute such offering material, in all cases at their own expense. Neither the Company, the Selling Shareholder nor the Underwriters accept any legal responsibility for any violation by any person, whether or not a prospective subscriber or purchaser of any of the Offer Shares, of any such restrictions.

United States

The Offer Shares have not been and will not be registered under the U.S. Securities Act or with any state securities regulatory authority for offer or sale as part of their distribution and may not be offered, sold, pledged or transferred within the United States, except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act.

The Offer Shares may only be resold: (i) in the United States to QIBs in reliance on Rule 144A under the U.S. Securities Act or pursuant to another exemption from the registration requirements of the U.S. Securities Act; and (ii) outside the United States in offshore transactions in compliance with Regulation S under the U.S. Securities Act and in accordance with applicable law. Any offer or sale of Shares in reliance on Rule 144A or pursuant to another exemption from, or transaction not subject to, the registration requirements of the U.S. Securities Act will be made by broker-dealers who are registered as such under the U.S. Exchange Act. Terms used above shall have the meanings given to them by Regulation S and Rule 144A under the U.S. Securities Act. Resales of the Shares are restricted as described under “*Transfer Restrictions*.”

European Economic Area

In relation to each Relevant Member State, an offer to the public of any Offer Shares may not be made in that Relevant Member State unless the Prospectus has been approved by the competent authority in such Relevant Member State or passported and published in accordance with the Prospectus Directive as implemented in such Relevant Member State, except that the Offer Shares may be offered to the public in that Relevant Member State at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- to any legal entity which is a qualified investor as defined under the Prospectus Directive;
- by the Underwriters to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Joint Global Coordinators for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Offer Shares shall result in a requirement for the publication by the Company, the Selling Shareholder or any manager of a Prospectus pursuant to Article 3 of the Prospectus Directive and each person who initially acquires Offer Shares or to whom any offer is made will be deemed to have represented, warranted and agreed to and with the Underwriters and the Company that it is a “qualified investor” within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive.

The Company, the Selling Shareholder, the Underwriters and their affiliates and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement, and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified the Underwriters of such fact in writing may, with the consent of the Underwriters, be permitted to purchase Offer Shares in the Offering.

United Kingdom

Any offer or sale of the Offer Shares may only be made to persons in the United Kingdom who are “qualified investors” or otherwise in circumstances which do not require publication by the Company of a prospectus pursuant to section 85(1) of the U.K. Financial Services and Markets Act 2000. Any investment or investment activity to which this Prospectus relates is available only to, and will be engaged in only with, investment professionals falling within Article 19(5), or falling within section 49(2)(a) to (d) (“high net worth; unincorporated associations, etc.”), of the U.K. Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or other persons to whom such investment or investment activity may lawfully be made available (together, “relevant persons”). Persons who are not relevant persons should not take any action on the basis of this Prospectus and should not act or rely on it.

Japan

The Shares have not been and will not be registered under the Financial Instruments and Exchange Law, as amended (the “FIEL”). This document is not an offer of securities for sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or entity organised under the laws of Japan) or to others for reoffer or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements under the FIEL and otherwise in compliance with such law and any other applicable laws, regulations and ministerial guidelines of Japan.

Switzerland

The Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (“SIX”) or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this Prospectus nor any other offering or marketing material relating to the Shares or the Offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Prospectus nor any other offering or marketing material relating to the Offering, the Company or the Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this Prospectus will not be filed with, and the offer of Shares will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA (FINMA), and the Offering has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes (“CISA”). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of Shares.

Canada

The Shares may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the Managers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this Offering.

DIFC

This Prospectus relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (“DFSA”). This Prospectus is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this Prospectus nor taken steps to verify the information set forth herein and has no responsibility for the Prospectus. The Shares to which this

Prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Offer Shares should conduct their own due diligence on the Shares. If you do not understand the contents of this Prospectus you should consult an authorized financial advisor.

Australia

This document (a) does not constitute a prospectus, a product disclosure statement or other disclosure document under the Corporations Act 2001 of the Commonwealth of Australia (“Corporations Act”); (b) does not purport to include the information required of a prospectus, a product disclosure statement or other disclosure document under the Corporations Act; (c) has not been, nor will it be, lodged as a disclosure document with, or registered by, the Australian Securities and Investments Commission (“ASIC”), the Australian Securities Exchange operated by ASX Limited or any other regulatory body or agency in Australia; and (d) may not be provided in Australia other than to select investors (“Exempt Investors”) who are able to demonstrate that they both (i) fall within one or more of the categories of investors under section 708(8) or 708(11) of the Corporations Act to whom an offer may be made without disclosure under Part 6D.2 of the Corporations Act and (ii) are “wholesale clients” for the purpose of section 761G of the Corporations Act.

The Offer Shares may not be directly or indirectly offered for subscription or purchased or sold, and no invitations to subscribe for, or buy, the Offer Shares may be issued, and no draft or definitive offering memorandum, advertisement or other offering material relating to any Offer Shares may be distributed, received or published in Australia, except where disclosure to investors is not required under Chapters 6D and 7 of the Corporations Act or is otherwise in compliance with all applicable Australian laws and regulations. By submitting an application for the Offer Shares, each purchaser or subscriber of Offer Shares represents and warrants to the Issuer, the Selling Shareholder, the Underwriters and their affiliates that such purchaser or subscriber is an Exempt Investor.

As any offer of Offer Shares under this document, any supplement or the accompanying prospectus or other document will be made without disclosure in Australia under Parts 6D.2 and 7.9 of the Corporations Act, the offer of those Offer Shares for resale in Australia within 12 months may, under the Corporations Act, require disclosure to investors if none of the exemptions in the Corporations Act applies to that resale. By applying for the Offer Shares each purchaser or subscriber of Offer Shares undertakes to the Issuer, the Selling Shareholder and the Underwriters that such purchaser or subscriber will not, for a period of 12 months from the date of issue or purchase of the Offer Shares, offer, transfer, assign or otherwise alienate those Offer Shares to investors in Australia except in circumstances where disclosure to investors is not required under the Corporations Act or where a compliant disclosure document is prepared and lodged with ASIC.

This document contains general information only and does not take account of the investment objectives, financial situation or particular needs of any particular person. It does not contain any securities recommendations or financial product advice. Before making an investment decision, investors need to consider whether the information in this document is appropriate to their needs, objectives and circumstances, and, if necessary, seek expert advice on those matters.

TRANSFER RESTRICTIONS

The Shares have not been and will not be registered under the U.S. Securities Act or the applicable securities laws of any state or other jurisdiction of the United States and may not be offered, sold, pledged or transferred within the United States, except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws.

Each purchaser of the Offer Shares outside the United States in compliance with Regulation S will be deemed to have represented and agreed that it has received a copy of this Prospectus and such other information as it deems necessary to make an informed investment decision and that:

- (1) the purchaser is authorized to consummate the purchase of the Offer Shares in compliance with all applicable laws and regulations;
- (2) the purchaser acknowledges that the Offer Shares have not been and will not be registered under the U.S. Securities Act, or with any securities regulatory authority of any state of the United States, and, subject to certain exceptions, may not be offered or sold within the United States;
- (3) the purchaser and the person, if any, for whose account or benefit the purchaser is acquiring the Offer Shares, was located outside the United States at the time the buy order for the Offer Shares was originated and continues to be located outside the United States and has not purchased the Offer Shares for the account or benefit of any person in the United States or entered into any arrangement for the transfer of the Offer Shares or any economic interest therein to any person in the United States;
- (4) the purchaser is not an affiliate of the Company or a person acting on behalf of such affiliate;
- (5) the Offer Shares have not been offered to it by means of any “directed selling efforts” as defined in Regulation S;
- (6) the purchaser acknowledges that the Company shall not recognize any offer, sale, pledge or other transfer of the Shares made other than in compliance with the above-stated restrictions;
- (7) if it is acquiring any of the Offer Shares as a fiduciary or agent for one or more accounts, the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account; and
- (8) the purchaser acknowledges that the Company, the Selling Shareholder, the Underwriters and their respective affiliates will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Each purchaser of the Offer Shares within the United States purchasing pursuant to an exemption from the registration requirements of the U.S. Securities Act will be deemed to have represented and agreed that it has received a copy of this Prospectus and such other information as it deems necessary to make an informed investment decision and that:

- (1) the purchaser is authorized to consummate the purchase of the Offer Shares in compliance with all applicable laws and regulations;
- (2) the purchaser acknowledges that the Offer Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States and are subject to restrictions on transfer;
- (3) the purchaser is (i) a qualified institutional buyer (as defined in Rule 144A under the U.S. Securities Act); (ii) aware that the sale to it is being made pursuant to an exemption from the registration requirements of the U.S. Securities Act; and (iii) acquiring such Offer Shares for its own account or for the account of a qualified institutional buyer;
- (4) the purchaser is aware that the Offer Shares are being offered in the United States in a transaction not involving any public offering in the United States within the meaning of the U.S. Securities Act;
- (5) if in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such Offer Shares, or any economic interest therein, such Offer Shares or any economic interest therein may be offered, sold, pledged or otherwise transferred only (i) to a person whom the beneficial owner and/or any person acting on its behalf reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A; (ii) in compliance with Regulation S under the U.S. Securities Act; or (iii) in accordance with Rule 144 under the U.S. Securities Act (if available), in each case in accordance with any applicable securities laws of any state of the United States or any other jurisdiction;

- (6) the purchaser acknowledges that the Offer Shares are “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Act and no representation is made as to the availability of the exemption provided by Rule 144 for resales of any Offer Shares;
- (7) the purchaser will not deposit or cause to be deposited such Offer Shares into any depositary receipt facility established or maintained by a depositary bank other than a Rule 144A restricted depositary receipt facility, so long as such Offer Shares are “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Act;
- (8) the purchaser acknowledges that the Company shall not recognize any offer, sale, pledge or other transfer of the Offer Shares made other than in compliance with the above-stated restrictions;
- (9) if it is acquiring any of the Offer Shares as a fiduciary or agent for one or more accounts, the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of such account; and
- (10) the purchaser acknowledges that the Company, the Selling Shareholder, the Underwriters and their respective affiliates will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Each person in a Relevant Member State, other than persons receiving offers contemplated in the Prospectus in Belgium, who receives any communication in respect of, or who acquires any Offer Shares under, the offers contemplated hereby will be deemed to have represented, warranted and agreed to and with each of the Underwriters, the Selling Shareholder and the Company that:

- (1) it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and
- (2) in the case of any Offer Shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (i) the Offer Shares acquired by it in the offer have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in other circumstances falling within Article 3(2) of the Prospectus Directive and the prior consent of the Joint Global Coordinators has been given to the offer or resale; or (ii) where Offer Shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those Offer Shares to it is not treated under the Prospectus Directive as having been made to such persons.

LEGAL MATTERS

Certain legal matters in connection with this Offering have been passed upon for the Company by Allen & Overy LLP, with respect to the laws of the United States, England & Wales and Belgium. Certain legal matters in connection with this Offering have been passed upon for the Underwriters by Linklaters LLP, with respect to the laws of the United States, England & Wales and Belgium.

INDEPENDENT AUDITORS

The audited consolidated financial statements of LSF9 Balta Issuer S.A. and its subsidiaries as of and for the year ended December 31, 2016 and for the period August 11, 2015 to December 31, 2015 and of Balta Finance S.à r.l. and its subsidiaries as of and for the year ended December 31, 2014, all prepared in accordance with IFRS and included elsewhere in this Prospectus, have been audited by PricewaterhouseCoopers, *Société coopérative*. The unaudited combined financial statements of LSF9 Balta Issuer S.A. and its subsidiaries as of and for the year ended December 31, 2015 have been reported on by PricewaterhouseCoopers, *Société coopérative* in accordance with ISAE 3000 (revised) (*Assurance Engagements other than Audits or Reviews of Historical Financial Information*).

PricewaterhouseCoopers, *Société coopérative*, is located at 2, rue Gerhard Mercator, B.P.1443, L-1014, Luxembourg, Grand Duchy of Luxembourg. PricewaterhouseCoopers, *Société coopérative*, is a member of the Luxembourg *Institut des Réviseurs d'Entreprises*.

The audited consolidated financial statements of BPS Parent, Inc., and its subsidiaries as of and for the year ended January 1, 2017 that are prepared in accordance with accounting principles generally accepted in the United States of America, and included in this Prospectus, have been audited by Moss Adams LLP, independent auditors, as stated in their report (which expresses an unqualified opinion and includes an emphasis of matter paragraph related to the fact that the company was acquired by an unrelated third party on February 1, 2017).

CERTAIN DEFINITIONS

The following definitions apply throughout this Prospectus unless the context requires otherwise:

“Annual Shareholders’ Meeting”	the Company’s annual shareholders’ meeting in accordance with the Articles of Association
“Article 50”	Article 50 of the 2009 Lisbon Treaty
“Articles of Association” or “Articles”	the articles of association of the Company
“ASTM”	the American Society for Testing and Materials
“Audit Committee”	a committee of the Board of Directors to be established in accordance with Article 526bis of the Belgian Companies Code and Provision 5.2 of the Corporate Governance Code, advising the Board on accounting, audit and internal control matters
“Balta,” “Balta Group,” “Group,” “we,” “us”, or “our”	prior to the Reorganization, LSF9 Balta Issuer S.A. and its subsidiaries, not including Bentley, and following the Reorganization and at Closing, the Company and its subsidiaries, including Bentley
“Barclays”	Barclays Bank PLC
“Belgian Companies Code”	the Belgian Companies Code of May 7, 1999, as amended from time to time
“Belgian Investor”	either (i) private individuals with habitual residence in Belgium, or (i) legal entities for the account of their seat or establishment in Belgium
“Belgian Offering”	the initial public offering to retail and institutional investors in Belgium
“Benelux”	Belgium, the Netherlands and Luxembourg
“Bentley”	Bentley Mills, Inc., or where the context requires, the Bentley group of companies, including BPS Parent, Inc. the parent company of Bentley Mills, Inc.
“BMCW”	BMCW Associates
“Board of Directors” or “Board”	the board of directors of the Company
“Brexit”	the exit of the United Kingdom from the European Union, officially announced on March 29, 2017
“British Pound,” “Pound sterling,” “GBP” or “£”	the lawful currency of the United Kingdom
“CAGR”	compound annual growth rate
“CEN”	European Committee for Standardization
“CGU”	cash generating unit
“Closing” or “Closing Date”	June 16, 2017
“Code”	the Internal Revenue Code of 1986, as amended
“Company”	Balta Group NV
“Consolidated Financial Statements”	the consolidated financial information in this Prospectus, unless otherwise stated, derived or extracted from: the audited consolidated financial statements of LSF9 Balta Issuer S.A. and its subsidiaries as of and for the year ended December 31, 2016; the audited financial statements of LSF9 Balta Issuer S.A. and its subsidiaries as of and for the period from August 11,

	2015 to December 31, 2015; the unaudited combined financial statements of LSF9 Balta Issuer S.A. and its subsidiaries as of and for the year ended December 31, 2015; the audited financial statements of Balta Finance S.à r.l. and its subsidiaries as of and for the year ended December 31, 2014; and the audited consolidated financial statements of BPS Parent, Inc. and its subsidiaries as of and for the year ended December 31, 2016
“Corporate Governance Charter”	the corporate governance charter adopted by the Company, conditional upon and with effect as of the closing of the Offering
“Corporate Governance Code”	the Belgian Code on Corporate Governance of March 12, 2009
“Deutsche Bank”	Deutsche Bank AG, London Branch
“Directive”	the Council Directive on a common FTT, once adopted
“Draft Directive”	the EU Commission’s proposal for a Council Directive on a common FTT
“Eastern Europe”	the geographic area of Eastern Europe which comprises the following countries: Russia, Poland, Ukraine, Albania, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Kosovo, Latvia, Lithuania, Macedonia, Moldova, Montenegro, Poland, Romania, Serbia, Slovakia and Slovenia.
“ECB Daily Reference Rate”	the daily reference exchange rate published by the European Central Bank for U.S. dollars, expressed in U.S. dollars per Euro, rounded to the nearest four decimal places
“EEA”	European Economic Area
“EMEA”	Europe, the Middle East and Africa, excluding Benelux
“EU”	the European Union
“EURIBOR”	Euro Interbank Offered Rate
“Euronext Brussels”	the regulated market organized by Euronext Brussels NV/SA
“Europe”	Western Europe and Central and Eastern Europe
“Euros,” “Euro,” “EUR” or “€”	the common currency of the member states of the EU that are part of the Eurozone
“Eurozone”	the Euro area, being the Economic and Monetary Union of the Member States of the European Union which have adopted the Euro currency as their sole legal tender
“Extraordinary Shareholders’ Meeting”	a shareholders’ meeting of the Company other than the Annual Shareholders’ Meeting
“Fitch”	Fitch Ratings, Inc.
“Freedonia”	Freedonia Group, Inc.
“FSMA”	the Belgian Financial Services and Markets Authority
“FTE”	full-time equivalent employees
“FTT”	financial transaction tax
“Funds”	the seventeen private equity funds organized and advised by Lone Star Global Acquisitions, Ltd.
“GAAP”	generally accepted accounting principles

“GDP”	gross domestic product
“General Meeting” or “Shareholders’ Meeting”	Annual Shareholders’ Meeting and/or Extraordinary Shareholders’ Meeting
“HPD”	Health Product Declaration
“HPDC”	Health Product Declaration Collaborative
“IAS”	International Accounting Standard
“IAS 27”	International Accounting Standard 27—Consolidated and Separate Financial Statements
“IAS 34”	International Accounting Standard 34—Interim Financial Reporting
“IFRS”	International Financial Reporting Standards as adopted by the European Union
“IFRS 10”	International Financial Reporting Standards 10—Consolidated Financial Statements
“ING”	ING Belgium SA/NV
“Increase Option”	The option to increase the aggregate number of Offer Shares sold in the Secondary Tranche up to 15% of the aggregate number of Offer Shares initially offered.
“ISAE 3000”	International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Information, issued by the International Auditing and Assurance Standards Board and adopted by the Institut des Réviseurs d’Entreprises
“ISO”	International Organization for Standardization
“Issuer”	LSF9 Balta Issuer S.A. (a <i>société anonyme</i> governed by the laws of the Grand Duchy of Luxembourg, having its registered office at 33, rue du Puits Romain, L-8070 Bertrange, Grand Duchy of Luxembourg and registered with the Luxembourg Register of Commerce and Companies under number B198084) as issuer of the Senior Secured Notes
“ITC”	the Belgian Income Tax Code
“Joint Bookrunners”	J.P. Morgan, Deutsche Bank and Barclays
“Joint Global Coordinators”	J.P. Morgan and Deutsche Bank
“Joint Lead Managers”	ING and KBC Securities
“J.P. Morgan”	J.P. Morgan Securities plc
“KBC Securities”	KBC Securities NV
“LIBOR”	London Interbank Offered Rates
“Lone Star”	a leading private equity firm which organized and advises the Funds through Lone Star Global Acquisitions, Ltd.
“Lone Star Fund IX”	Lone Star Fund IX (U.S.), L.P., Lone Star Fund IX (Bermuda), L.P. and Lone Star Fund IX Parallel (Bermuda), L.P. as Funds organized and advised by Lone Star Global Acquisitions, Ltd.
“Management Committee”	the Company’s internal governing body consisting of its CEO, CFO and a number of managers

“Margin Loan Facility”	The margin loan facility made available to the Selling Shareholder under the Margin Loan Facility Agreement
“Margin Loan Facility Agreement”	The margin loan facility agreement entered into between the Selling Shareholder as borrower and the Margin Loan Lender as lender and calculation agent
“Margin Loan Lender”	J.P. Morgan Securities PLC
“Member State”	a member state of the EEA
“Non-U.S. Holder”	a beneficial owner of Offer Shares that is neither a U.S. Holder nor a partnership
“Offer Price”	the price per Offer Share
“Offer Shares”	the Shares which are being offered by the Company and the Selling Shareholder under this Offering
“Offering”	the offering of Shares by the Company under the Primary Tranche and by the Selling Shareholder under the Secondary Tranche
“Offering Period”	the offering period which begins on May 31, 2017 and is expected to end no later than 1 p.m. (CET) on June 13, 2017, subject to early closing, provided that the Offering Period will in any event be open for at least six business days from the availability of this Prospectus
“OFP”	organizations for financing pensions
“Over-allotment Option”	the option granted by the Selling Shareholder under the Underwriting Agreement, pursuant to which the Stabilization Manager may require the Selling Shareholder to sell Shares at the Offer Price if the Over-allotment Option is exercised in full as detailed in “ <i>Plan of Distribution—Over-allotment Option and Price Stabilization</i> ”
“Participating Member States”	the group of EU member states willing to introduce the FTT
“PECs”	preferred equity certificates
“PFIC”	passive foreign investment company
“Price Range”	the range within which the Offer Price may be set, expected to be between €13.25 and €16.00 per Offer Share. The Offer Price may be set within the Price Range or below the lower end of the Price Range but will not exceed the higher end of the Price Range
“PwC”	PricewaterhouseCoopers, <i>Société coopérative</i>
“Primary Tranche”	the offering by the Company of such number of Shares as is necessary to raise net proceeds of €137.6 million (representing a maximum of 10,943,396 Shares based on the low end of the Price Range and gross proceeds in the amount of €145 million)
“Prospectus”	this document
“Prospectus Directive”	Directive 2003/71/EC
“Prospectus Law”	Article 20 of the Belgian Law of June 16, 2006 on the public offering of securities and the admission of securities to trading on a regulated market, as amended
“Purchase Price Allocation”	the allocation to identifiable assets, liabilities and goodwill of the net purchase price paid by Lone Star Fund IX for the Group on August 11, 2015 calculated in accordance with IFRS 3: “ <i>Business Combinations</i> ”

“QIB”	a “qualified institutional buyer,” as defined in Rule 144A under the U.S. Securities Act
“Reduced Withholding Tax”	a reduced Belgian withholding tax of 1.6995%
“Regulation S”	Regulation S of the U.S. Securities Act
“Relevant Member State”	any Member State of the EEA that has implemented the Prospectus Directive, except for Belgium
“Reorganization”	the reorganization described in “ <i>Principal and Selling Shareholders and Group Structure—Reorganization</i> ”
“Revolving Credit Facility”	the €45.0 million super senior revolving credit facility provided for under the Revolving Credit Facility Agreement dated August 3, 2015 (and as amended at future dates)
“Revolving Credit Facility Agreement”	the revolving credit facility agreement governing the Revolving Credit Facility dated August 3, 2015 among, <i>inter alios</i> , LSF9 Balta Issuer S.A. as borrower and Elavon Financial Services DAC, U.K. Branch (formerly Elavon Financial Services Limited, U.K. Branch) as agent, as amended and supplemented from time to time
“Rule 144A”	Rule 144A under the U.S. Securities Act
“Secondary Tranche”	the offering by the Selling Shareholder of up to 6,265,625 existing Shares, excluding the Increase Option.
“Selling Shareholder”	LSF9 Balta Holdco S.à r.l. (a <i>société à responsabilité limitée</i> governed by the laws of the Grand Duchy of Luxembourg, having its registered office at 33, rue du Puits Romain, L-8070 Bertrange, Grand Duchy of Luxembourg and registered with the Luxembourg Register of Commerce and Companies under number B211770)
“Senior Secured Notes”	the €290.0 million 7.75% Senior Secured Notes due 2022 issued by LSF9 Balta Issuer S.A. on July 23, 2015
“Senior Secured Notes Indenture”	the indenture governing the Senior Secured Notes dated August 3, 2015 by and among LSF9 Balta Issuer S.A., the Guarantors named therein, U.S. Bank Trustees Limited (as Trustee), Elavon Financial Services DAC (formerly Elavon Financial Services Limited) as security agent and registrar and Elavon Financial Services DAC, U.K. Branch (formerly Elavon Financial Services Limited, U.K. Branch) as principal paying agent and transfer agent, as amended and supplemented from time to time
“Senior Term Loan”	the €75.0 million senior term loan facility provided for under the Senior Term Loan Agreement dated March 16, 2017
“Senior Term Loan Agreement”	the senior term loan agreement governing the Senior Term Loan dated March 16, 2017 by and among LSF9 Balta Issuer S.A., certain of its subsidiaries, the Original Lenders named therein, and Elavon Financial Services DAC, U.K. Branch as agent and security agent, as amended and supplemented from time to time
“Shares”	ordinary shares of the Company
“SKU”	stock-keeping unit
“Stabilization Manager”	Deutsche Bank AG, London Branch
“Stabilization Period”	up to 30 days from the Listing Date, during which time the Stabilization Manager on behalf of itself and the Underwriters and may engage in transactions that stabilize, maintain or otherwise affect the price of the Shares or any options, warrants or rights with respect to, or other interest in, the Shares or other securities of the Company

“Statutory Auditor”	PwC Bedrijfsrevisoren BCBVA
“Stock Exchange Tax Representative”	a Belgian stock exchange tax representative
“Takeover Law”	the Belgian Law of April 1, 2007 on public takeover bids
“Takeover Royal Decree”	the Belgian Royal Decree of April 27, 2007 on public takeover bids
“Treaty”	the “Convention Between the Government of The United States of America and the Government of the Kingdom of Belgium for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion With Respect to Taxes on Income”
“Turkey”	the Republic of Turkey
“Turkish Lira” or “TRY”	the lawful currency of Turkey
“U.K.” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“U.K. Anti-Bribery Act”	U.K. Anti-Bribery Act 2010 regarding criminal penalties in relation to bribery in the United Kingdom
“Underwriters”	J.P. Morgan, Deutsche Bank, Barclays, ING and KBC Securities
“Underwriting Agreement”	the underwriting agreement described in “ <i>Plan of Distribution—Underwriting</i> ”
“U.S.” or “United States”	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
“U.S. dollars,” “\$” or “USD”	the lawful currency of the United States
“U.S. Exchange Act”	the U.S. Securities Exchange Act of 1934
“U.S. Foreign Corrupt Practices Act”	United States Foreign Corrupt Practices Act of 1977 (15 U.S.C. § 78dd-1, et seq.) regarding accounting transparency requirements under the U.S. Exchange Act and bribery of foreign officials
“U.S. GAAP”	the accounting principles generally accepted in the United States of America
“U.S. Holder”	a beneficial owner of Offer Shares that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organized in or under the laws of the United States or any state thereof, or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax regardless of its source or (iv) a trust, (a) the administration of which is subject to the primary supervision of a court within the United States and for which one or more U.S. persons have the authority to control all substantial decisions or (b) that has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person
“U.S. Securities Act”	the United States Securities Act of 1933
“VAT”	value-added tax
“Western Europe”	the geographic area of Western Europe which comprises the following countries: Germany, France, Italy, United Kingdom, Spain, the Netherlands, Belgium, Austria, Denmark, Finland, Greece, Ireland, Norway, Portugal, Sweden, Switzerland, Iceland, Luxembourg, Malta, Andorra, Liechtenstein, Monaco, San Marino, Channel Islands, Faeroe Islands, Greenland, Isle of Man and Svalbard

INDEX TO FINANCIAL STATEMENTS

Unaudited Consolidated Financial Statements of LSF9 Balta Issuer S.A. and its subsidiaries as of and for the three months ended March 31, 2017

Independent Auditors' Report	F-3
Consolidated Statement of Comprehensive Income for the three months ended March 31, 2017	F-4
Consolidated Statement of Financial Position as of March 31, 2017	F-5
Consolidated Statement of Cash Flows for the three months ended March 31, 2017	F-6
Consolidated Statement of Changes in Equity for the three months ended March 31, 2017	F-7
Notes to the Consolidated Financial Statements for the three months ended March 31, 2017	F-8

Audited Consolidated Financial Statements of LSF9 Balta Issuer S.A. and its subsidiaries as of and for the year ended December 31, 2016

Independent Auditors' Report	F-21
Consolidated Statement of Comprehensive Income for the year ended December 31, 2016	F-23
Consolidated Statement of Financial Position as of December 31, 2016	F-24
Consolidated Statement of Cash Flows for the year ended December 31, 2016	F-25
Consolidated Statement of Changes in Equity for the year ended December 31, 2016	F-26
Notes to the Consolidated Financial Statements for the year ended December 31, 2016	F-27

Audited Consolidated Financial Statements of LSF9 Balta Issuer S.A. and its subsidiaries as of and for the period August 11, 2015 to December 31, 2015

Independent Auditors' Report	F-66
Consolidated Statement of Comprehensive Income for the period August 11, 2015 to December 31, 2015	F-68
Consolidated Statement of Financial Position as of December 31, 2015	F-69
Consolidated Statement of Cash Flows for the period August 11, 2015 to December 31, 2015	F-70
Consolidated Statement of Changes in Equity for the period August 11, 2015 to December 31, 2015	F-71
Notes to the Consolidated Financial Statements for the period August 11, 2015 to December 31, 2015	F-72

Unaudited Combined Financial Statements of LSF9 Balta Issuer S.A. and its subsidiaries as of and for the year ended December 31, 2015

Independent Auditors' ISAE 3000 Assurance Report	F-110
Combined Statement of Comprehensive Income for the year ended December 31, 2015	F-116
Combined Statement of Financial Position as of December 31, 2015	F-117
Combined Statement of Cash Flows for the year ended December 31, 2015	F-118
Combined Statement of Changes in Equity for the year ended December 31, 2015	F-119
Notes to the Combined Financial Statements for the year ended December 31, 2015	F-120

Audited Consolidated Financial Statements of Balta Finance S.à r.l. and its subsidiaries as of and for the year ended December 31, 2014

Independent Auditors' Report	F-157
Consolidated Statement of Comprehensive Income for the year ended December 31, 2014	F-160
Consolidated Statement of Financial Position as of December 31, 2014	F-161
Consolidated Statement of Cash Flows for the year ended December 31, 2014	F-162
Consolidated Statement of Changes in Equity for the year ended December 31, 2014	F-163
Notes to the Consolidated Financial Statements for the year ended December 31, 2014	F-164

Audited Consolidated Financial Statements of BPS Parent, Inc. and its subsidiaries as of and for the year ended January 1, 2017

Report of Independent Auditors	F-211
Consolidated Balance Sheet as of January 1, 2017	F-213
Consolidated Statement of Income for the year ended January 1, 2017	F-214
Consolidated Statement of Stockholders' Equity for the year ended January 1, 2017	F-215
Consolidated Statement of Cash Flows for the year ended January 1, 2017	F-216
Notes to the Consolidated Financial Statements for the year ended January 1, 2017	F-217

**Unaudited Consolidated Financial Statements
of LSF9 Balta Issuer S.A. and its subsidiaries
as of and for the three months ended March 31, 2017**





Review Report on Consolidated Interim Financial Statements

To the Board of Directors of
LSF9 Balta Issuer S.A.

We have reviewed the accompanying Consolidated Interim Financial Statements of LSF9 Balta Issuer S.A. and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as of 31 March 2017, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory information. Management is responsible for the preparation and presentation of these Consolidated Interim Financial Statements in accordance with International Accounting Standard 34 "Interim financial reporting" as adopted by the European Union. Our responsibility is to express a conclusion on this Consolidated Interim Financial Statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity" as adopted for Luxembourg by the "Institut des Réviseurs d'Entreprises". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Consolidated Interim Financial Statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim financial reporting" as adopted by the European Union.

PricewaterhouseCoopers, Société coopérative
Represented by

Vincent Ball

Luxembourg, 30 May 2017

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€ thousands)	Note	Period ended March 31, 2017	Period ended March 31, 2016
I. CONSOLIDATED INCOME STATEMENT			
Revenue	Note 5	155,534	147,842
Raw material expenses		(75,796)	(71,666)
Changes in inventories		5,378	5,069
Employee benefit expenses		(35,480)	(34,285)
Other income		2,340	1,195
Other expenses		(31,869)	(29,063)
Depreciation / amortisation		(7,074)	(7,106)
Adjusted Operating Profit¹		13,033	11,985
Gains on asset disposals		—	1,610
Integration and restructuring expenses	Note 7	(4,223)	(1,277)
Operating profit/(loss)¹		8,810	12,318
Finance income		7	18
Finance expenses		(7,548)	(7,436)
Net finance expenses		(7,541)	(7,419)
Profit / (loss) before income taxes		1,268	4,900
Income tax income / (expense)	Note 8	(1,110)	(2,440)
Profit / (loss) for the period		158	2,460
II. CONSOLIDATED OTHER COMPREHENSIVE INCOME			
Items in other comprehensive income that may be subsequently reclassified to P&L			
Exchange differences on translating foreign operations		(2,918)	(932)
Changes in fair value of hedging instruments qualifying for cash flow hedge accounting	Note 12	90	—
Items in other comprehensive income that will not be reclassified to P&L			
Changes in deferred tax		(37)	—
Changes in employee defined benefit obligations		115	(632)
Other comprehensive income for the period, net of tax		(2,750)	(1,564)
Total comprehensive income for the period		2,592	896
Basic and diluted earnings per share from continuing operations attributable to the ordinary equity holders of the company	Note 20	0.01	0.01

(1) Adjusted Operating Profit / Operating profit/(loss) are non-GAAP measures.

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€ thousands)	Note	As of	As of
		March 31	December 31
		2017	2016
Property, plant and equipment			
Land and buildings	Note 9	167,890	169,203
Plant and machinery	Note 9	124,904	115,016
Other fixtures and fittings, tools and equipment	Note 9	19,435	15,019
Goodwill	Note 6	205,334	124,673
Intangible assets		4,996	2,376
Deferred income tax assets	Note 8	18,613	18,950
Trade and other receivables	Note 11	881	138
Total non-current assets		542,053	445,375
Inventories	Note 10	158,870	135,320
Derivative financial instruments	Note 16	7	46
Trade and other receivables	Note 11	67,542	54,930
Current income tax assets	Note 8	21	34
Cash and cash equivalents		39,732	45,988
Total current assets		266,172	236,318
Total assets		808,224	681,693
Share capital		171	171
Share premium		1,260	1,260
Preferred equity certificates		138,600	138,600
Other comprehensive income	Note 12	(9,813)	(7,063)
Retained earnings and other reserves		3,508	3,351
Non-controlling interest	Note 6	1,027	—
Total equity		134,754	136,319
Senior Secured Notes	Note 13	279,873	279,277
Bank and Other Borrowings	Note 14	126,394	15,388
Deferred income tax liabilities	Note 8	70,663	69,775
Provisions for other liabilities and charges		2,045	—
Employee benefit obligations	Note 17	5,333	5,079
Total non-current liabilities		484,308	369,519
Senior Secured Notes	Note 13	(1,385)	4,234
Bank and Other Borrowings	Note 14	3,586	2,614
Employee benefit obligations	Note 17	34,071	31,246
Provisions for other liabilities and charges		64	64
Derivative financial instruments	Note 16	33	162
Trade and other payables	Note 18	148,565	131,562
Income tax liabilities	Note 8	4,227	5,974
Total current liabilities		189,161	175,856
Total liabilities		673,470	545,374
Total equity and liabilities		808,224	681,693

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Period ended March 31, 2017	Period ended March 31, 2016
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit / (loss) for the period		158	2,460
Adjustments for:			
Income tax expense / (income)	Note 8	1,110	2,440
Finance income		(7)	(18)
Finance expense		7,548	7,436
Depreciation, amortisation	Note 9	7,074	7,106
(Gains)/losses on asset disposals		—	(1,610)
Fair value of derivatives		—	(359)
Cash generated before changes in working capital		15,884	17,455
Changes in working capital:			
Inventories	Note 10	(7,615)	(5,959)
Trade receivables	Note 11	2,925	(6,175)
Trade payables	Note 18	8,861	10,510
Other working capital		(6,407)	(4,602)
Cash generated after changes in working capital		13,648	11,229
Net income tax (paid)		(3,320)	(402)
Net cash generated / (used) by operating activities		10,328	10,827
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	Note 9	(8,372)	(7,112)
Acquisition of intangibles		(124)	(523)
Proceeds from non-current assets		84	1,664
Acquisition of subsidiary	Note 6	(68,310)	—
Net cash used by investing activities		(76,722)	(5,971)
CASH FLOW FROM FINANCING ACTIVITIES			
Interest and other finance charges paid, net	Note 14	(14,267)	(14,365)
Proceeds from borrowing with third parties	Note 14	75,000	—
Repayments of borrowings with third parties	Note 14	(595)	(583)
Net cash generated / (used) by financing activities		60,138	(14,947)
NET INCREASE / (DECREASE) IN CASH AND BANK OVERDRAFTS		(6,256)	(10,092)
Cash, cash equivalents and bank overdrafts at the beginning of the period		45,988	45,462
Cash, cash equivalents and bank overdrafts at the end of the period		39,732	35,369

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(€ thousands)	Share capital	Share premium	PECs	Other comprehensive income	Retained earnings	Total	Non-controlling interest	Total equity
Balance at January 1, 2017 ..	<u>171</u>	<u>1,260</u>	<u>138,600</u>	<u>(7,063)</u>	<u>3,351</u>	<u>136,319</u>	<u>—</u>	<u>136,319</u>
Non-controlling interest arising from business combinations	—	—	—	—	—	—	1,027	1,027
Profit / (loss) for the period ...	—	—	—	—	158	158	—	158
Other comprehensive income								
Exchange differences on translating foreign operations	—	—	—	(2,918)	—	(2,918)	—	(2,918)
Changes in fair value of hedging instruments qualifying for cash flow hedge accounting	—	—	—	90	—	90	—	90
Cumulative changes in deferred taxes	—	—	—	(37)	—	(37)	—	(37)
Cumulative changes in employee defined benefit obligations	—	—	—	115	—	115	—	115
Total comprehensive income for the period	—	—	—	(2,750)	158	(2,592)	1,027	(1,565)
Balance at March 31, 2017 ...	<u>171</u>	<u>1,260</u>	<u>138,600</u>	<u>(9,813)</u>	<u>3,508</u>	<u>133,727</u>	<u>1,027</u>	<u>134,754</u>

(€ thousands)	Share capital	Share premium	PECs	Other comprehensive income	Retained earnings	Total	Non-controlling interest	Total equity
Balance at January 1, 2016 ..	<u>171</u>	<u>1,260</u>	<u>—</u>	<u>1,664</u>	<u>(21,995)</u>	<u>(18,900)</u>	<u>—</u>	<u>(18,900)</u>
Recognition of PECs as equity instrument	—	—	138,600	—	—	138,600	—	138,600
Profit / (loss) for the period ...	—	—	—	—	25,345	25,345	—	25,345
Other comprehensive income								
Exchange differences on translating foreign operations	—	—	—	(8,013)	—	(8,013)	—	(8,013)
Changes in fair value of hedging instruments qualifying for cash flow hedge accounting	—	—	—	(116)	—	(116)	—	(116)
Cumulative changes in deferred taxes	—	—	—	285	—	285	—	285
Cumulative changes in employee defined benefit obligations	—	—	—	(882)	—	(882)	—	(882)
Total comprehensive income for the period	—	—	—	(8,727)	25,345	16,618	—	16,618
Balance at December 31, 2016	<u>171</u>	<u>1,260</u>	<u>138,600</u>	<u>(7,063)</u>	<u>3,351</u>	<u>136,319</u>	<u>—</u>	<u>136,319</u>

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

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

NOTE 1. BASIS OF PREPARATION

These consolidated condensed interim financial statements for the three months ended March 31, 2017 have been prepared in accordance with IAS 34 'Interim financial reporting'. The consolidated condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2016, which have been prepared in accordance with IFRS as adopted by the European Union ("IFRS"). The amounts in this document are presented in thousands of euro, unless otherwise stated. Rounding adjustments have been made in calculating some of the financial information included in these consolidated condensed interim financial statements.

Any events and/or transactions significant to an understanding of the changes since December 31, 2016 have been included in these notes to the consolidated condensed interim financial statements.

NOTE 2. ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year.

Amendments to IFRSs effective for the financial year ending December 31, 2017 are not expected to have a material impact on the Group.

NOTE 3. NON-GAAP MEASURES

Operating Profit (Loss), Adjusted Operating Profit (Loss), Adjusted EBITDA and Adjusted EBITDA Margin are measures utilized by the Group to demonstrate the Group's underlying performance.

Operating Profit (Loss) is calculated as profit (loss) for the period from continuing operations, adjusted for income tax benefits (expenses), finance income and finance expenses.

Adjusted Operating Profit (Loss) is calculated as Operating Profit (Loss) adjusted for gains from disposal of assets and integration and restructuring expenses.

Adjusted EBITDA is calculated as Adjusted Operating Profit (Loss) adjusted for depreciation and amortization charges.

Adjusted EBITDA margin calculated as Adjusted EBITDA divided by revenue.

The non-GAAP measures are included in these consolidated financial statements because management believes they are useful to many investors, securities analysts and other interested parties as additional measures of performance.

The Group presents non-IFRS measures in addition to financial measures determined in accordance with IFRS. Non-IFRS measures as reported by the Group may differ from similar measures presented by other companies.

NOTE 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated condensed interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these consolidated condensed interim financial statements, the significant judgments made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that have been applied to the consolidated financial statements for the year ended December 31, 2016.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS—(CONTINUED)

NOTE 5. SEGMENT REPORTING

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

(€ thousands)	Period ended March 31, 2017	Previous period ⁽¹⁾
Revenue by segment	155,534	147,842
Rugs	63,377	54,188
Residential	63,132	66,153
Commercial	22,147	20,344
Non Woven	6,877	7,157
Revenue by geography	155,534	147,842
Europe	113,907	115,004
North America	27,274	20,276
Rest of World	14,352	12,561
Adjusted EBITDA by segment	20,107	19,091
Rugs	11,188	8,032
Residential	5,097	7,466
Commercial	2,972	2,792
Non Woven	850	801
Capital expenditure by segment	8,496	7,635
Rugs	2,313	3,585
Residential	3,190	2,963
Commercial	2,942	852
Non Woven	49	236
Net inventory by segment	158,870	135,320
Rugs	66,635	63,642
Residential	54,800	52,718
Commercial	33,160	15,346
Non Woven	4,275	3,614
Trade receivables by segment	51,820	41,326
Rugs	13,581	17,263
Residential	17,450	16,502
Commercial	19,453	6,149
Non Woven	1,335	1,411

(1) For Revenue, Adjusted EBITDA and Capital Expenditure, the previous reporting period refers to March 31, 2016. For Net inventory and Trade Receivables, previous reported period refers to December 31, 2016.

Bentley will be reported as part of our Commercial segment. The acquisition of Bentley did not have an impact on reported Revenue and Adjusted EBITDA for Q1 2017. Given the acquisition date of 22 March 2017, Bentley will contribute to the consolidated earnings of the Balta Group as from Q2 2017. The acquisition of Bentley did impact net inventory of the commercial segment (€15.9 million as of March 31, 2017) and trade receivables of the Commercial segment (€13.4 million as of March 31, 2017)

NOTE 6. BUSINESS COMBINATIONS

For the purpose of this disclosure, amounts in USD have been converted to EUR at a rate of 1.0691 USD/EUR). Where used herein "Bentley" refers to Bentley Mills, Inc. or where the context requires, the Bentley group of companies.

Details of the business combination

On December 1, 2016 Lone Star Fund IX agreed to acquire Bentley, a leader in premium commercial tiles and broadloom carpets for commercial interior in the US market, from Dominus Capital, L.P. The acquisition was completed on February 1, 2017. Lone Star Fund IX acquired 98.39% of the class A unit voting rights whilst Bentley Management acquired the remaining 1.61% of the class A unit voting rights.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS—(CONTINUED)

The consideration paid to share and option holders was equal to €89.2 million (\$95.4 million). In order to finance (i) the consideration paid, (ii) the repayment in full of legacy debt at the level of Bentley and (iii) the payment of transaction fees and expenses, the following sources of financing were raised:

- an equity contribution of €68.8 million (\$74 million) by LSF9 Renaissance Super Holdings LP;
- a management contribution of €1.1 million (\$1.2 million) in equity;
- the issuance of a term loan of €30.9 million (\$33.0 million) at the level of BPS Parent Inc, as described in Note 14;
- a drawdown of €10.4 million (\$11.1 million) on a revolving credit facility of €16.8 million (\$18.0 million) at the level of BPS Parent Inc, as described in Note 14;

The holding structure for this investment included a limited partnership LSF9 Renaissance Bermuda Partners, L.P. (not having legal personality under Bermuda law), essentially to manage the investment relation with the management of Bentley, who retained an equity stake in Bentley.

On March 22, 2017, LSF9 Balta Issuer S.A acquired from LSF9 Renaissance Super Holdings, L.P. its partnership interests in LSF9 Renaissance Bermuda Partners, L.P., which in turn owned the membership interests in LSF9 Renaissance Holdings LLC and LSF9 Renaissance Acquisitions LLC. LSF9 Renaissance Holdings LLC is the new ultimate holding company of Bentley. This acquisition was financed by the issuance of a Senior Term Loan for an amount of €75.0 million at the level of LSF9 Balta Issuer S.A. (see Note 14 for a description hereof). Subsequently, on March 23, 2017, Balta NV replaced LSF9 Balta Issuer S.A. as a limited partner in LSF9 Renaissance Bermuda Partners, L.P. and as a result acquired the interest in LSF9 Renaissance Holdings LLC. As a result of these transactions, Balta NV currently controls Bentley.

Balta will continue to support the Bentley brand, and will make use of Bentley's sale force and market power to accelerate the growth of its European Modulys carpet tiles in the USA. Additionally, Bentley's line of premium carpet tiles will be sold worldwide through Balta's distribution network.

Transaction overview and allocation of purchase price paid

The acquisition made by LSF9 Balta Issuer S.A. is a transaction under a common control, and the accounting policy election was made to account for such a transaction in accordance with IFRS 3. Therefore, previous goodwill was reversed in order to calculate the net assets, and goodwill was recognized as difference between consideration paid and such net assets.

The purchase price allocation required under IFRS 3 Business Combinations has not yet been performed and is not reflected in the condensed interim financial statements. The purchase price allocation has not yet been performed because the acquisition of Bentley was only completed on March 22, 2017 and therefore management of the Balta Group has only recently had full access to all information of BPS Parent Inc. and its subsidiaries and has not yet been able to complete a fair value analysis of the identifiable assets and liabilities acquired before issuance of this consolidated condensed interim financial statements. As such, the fair value of the identifiable assets, liabilities and contingent liabilities acquired and the goodwill are provisional. The purchase price allocation exercise will be performed at a later stage and may result in adjustments to provisional values as a result of completing the initial accounting from the acquisition date. We mainly expect differences in valuation of intangible assets, property, plant and equipment and inventory.

The purchase price paid in cash was equal to €68.3 million, as compared to a net asset value of Bentley of (€12.4) million at Acquisition Date, of which (€11.3) million attributable to LSF9 Balta Issuer S.A. and €1.0 million attributable to the non-controlling interest held by Bentley management. Consequently, the provisional goodwill—before purchase price allocation—was equal to €80.7 million.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS—(CONTINUED)

In € thousands	Carrying value of net assets at Acquisition Date before allocation goodwill
Assets acquired	47,546
Property, plant & equipment	14,267
Intangible assets	2,726
Trade and other receivables	744
Total non-current assets	17,737
Inventories	15,935
Trade and other receivables	13,874
Cash and cash equivalents	—
Total current assets	29,809
Liabilities assumed	(58,869)
Bank and other borrowing	(38,471)
Deferred income tax liabilities	(485)
Provisions for other liabilities and charges	(2,045)
Employee Benefit Obligations	(347)
Total non-current liabilities	(41,348)
Bank and Other Borrowing	(1,325)
Employee Benefit Obligation	(1,685)
Trade and other payables	(12,980)
Current income tax liabilities	(1,531)
Total current liabilities	(17,521)
Purchase Price Paid in Cash	68,310
Total identifiable assets, liabilities and contingent liabilities	(11,323)
Of which: attributable to LSF9 Balta Issuer S.A.	(12,350)
Of which: attributable to non-controlling interest	1,027
Goodwill	80,661

Goodwill

The Goodwill of €80.7 million still needs to be allocated. Following this allocation, the remaining goodwill arising from the acquisition will mainly consist of the synergies and the economies of scale expected from combining the operations of Bentley and Balta.

None of the Goodwill recognized is expected to be deductible for income tax purposes.

Details of acquired receivables

The non-current and current trade and other receivables acquired from Bentley amounted to €14.6 million and relate to trade receivables (€13.4 million), other receivables (€0.9 million) and accruals and deferrals (€0.3 million). The trade receivables include a bad debt provision of €0.3 million to cover for receivables assumed difficult to be collected.

Details of non-controlling interests

The amount of non-controlling interest recognized amounts to €1.0 million at the acquisition date and represents the 1.61% stake management owns in the net assets of Bentley.

Impact of acquisition on amounts reported in the statement of comprehensive income

The acquisition of Bentley by Balta was completed on March 22, 2017. Because the closing date was near the end of the first quarter, management believes that the amount of revenue and profit or loss of the acquiree since the acquisition date to be included in the consolidated statement of comprehensive income for the reporting period is not material. As a result, the comprehensive income of Bentley will be taken into account as of April 1, 2017 and has not been included in the statement of comprehensive income of March 31, 2017.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS—(CONTINUED)

Had Bentley been consolidated from January 1, 2017, Bentley would have contributed €27.7 million of revenue. The Profit of the period from continuing operations would have been equal to €0.2 million on a pro forma basis, i.e. taking into account the effects of the new capitalization structure of the Group and after elimination of transaction expenses incurred by Bentley.

Adjustments recognized for business combinations that occurred in the current reporting periods.

Initial accounting for a business combination is incomplete, and the amounts recognized in the financial statements for the business combination have been determined only provisionally as required by IFRS 3. The purchase price allocation has not yet been performed because the acquisition of Bentley Mills was only completed on March 22, 2017 and therefore management of the Balta Group has only recently had full access to all information of Bentley. At the date of approval of these consolidated condensed interim financial statements, management has not been able to complete a fair value analysis of the identifiable assets and liabilities acquired.

The fair value of the identifiable assets and liabilities acquired will be measured at a later stage and will result in an adjustment of the goodwill presented. We mainly expect differences in valuation of intangible assets, Property plant and equipment and inventory.

Regarding Contingent Liabilities, based on BPS Parent, Inc. disclosures and the preliminary analysis performed by Bentley Mills Management, the Balta Group has not identified any material legal claims, tax dispute or environmental risk that would lead us to believe material contingent liabilities would need to be recognized in the statement of financial position. However, as our analysis continues, recognition of such contingent liabilities may be identified and recognized in accordance with the requirements of IFRS3 Business Combinations.

NOTE 7. INTEGRATION AND RESTRUCTURING EXPENSES

The following table sets forth integration and restructuring expenses for the period ended March 31, 2017 and 2016. This comprises various items which are considered by management as non-recurring or unusual by nature.

(€ thousands)	For the three months	
	March 31, 2017	March 31, 2016
Integration and restructuring expenses	4,223	1,277
Corporate restructuring	373	628
Business restructuring	—	490
Acquisition related expenses	979	—
Idle IT costs	503	—
Strategic advisory services	2,368	128
Other	—	30

During the first quarter of 2017, €2.4 million of strategic advisory expenses have been incurred in connection with the Company's decision to consider various opportunities in the capital markets to finance its growth. Acquisition related expenses amount to €1.0 million and have been incurred in relation to the acquisition of Bentley in March 2017. Incremental (idle) IT costs in relation to a legacy IT system used for a limited number of activities within the Group amounted to €0.5 million. The legacy system triggers incremental costs for extended licenses and premium vendor support assistance given that the original support timeline has been surpassed. These incremental costs are temporary only given that the Company has started a project to migrate the legacy system to the new platform already used by the majority of business activities elsewhere in the group. Finally, corporate restructuring expenses amount to €0.4 million in relation to legal and tax services.

Integration and restructuring expenses for the three months ended March 31, 2016 was equal to €1.3 million. This amount relates to the restructuring of the Management Committee and the termination of an agency agreement.

NOTE 8. INCOME TAX BENEFIT / EXPENSE

Income tax expense is recognised based on management's estimate of the weighted average estimated effective income tax rate for the full financial year applied to the interim period pre-tax income of each jurisdiction. The estimated average annual tax rate for the year remains unchanged compared to last year. The fluctuation of the income tax expense is mainly attributable to deferred income taxes.

Income tax expenses are equal to €1.1 million for the three months ended March 31, 2017, as compared to €2.4 million in the same period last year. The tax charge of €1.1m million in the first quarter of 2017 corresponds to an effective tax rate of approximately 30% when adjusting the profit before tax for non-tax deductible expenses (mainly strategic advisory expenses incurred as explained above).

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS—(CONTINUED)

For the period ended March 31, 2016, the tax expenses were relatively higher as a percentage of the profit before income taxes as a result of the inability to recognize a portion of the interest expenses incurred in certain subsidiaries of the Group due to inefficiencies in the Company's structure. These inefficiencies were removed in the course of 2016, resulting in a reduction of the effective tax rate as from 2017.

NOTE 9. PROPERTY, PLANT AND EQUIPMENT

During the three months ended March 31, 2017, property, plant and equipment and intangibles (excluding goodwill) increased by €15.6 million. The increase mainly relates to the acquisition of Bentley which owns €16.9 million of property, plant and equipment and intangibles (€0.7 million land and buildings, €8.9 million plant and machinery, €4.6 million other fixtures and fittings, tools and equipment, €2.7 million intangible assets).

Our net capital expenditures for the period comprised of: €4.2 million of efficiency and growth capex, €2.4 million of maintenance capital expenditures, €1.9 million of samples, (€0.1) million of disposals.

A total net depreciation expense of €7.1 million has been charged in the line "Depreciation, amortisation" in the statement of comprehensive income, which mainly relates to property, plant and equipment.

The Group leases various industrial buildings, plant and machinery under non-cancellable finance lease agreements. The lease terms are between 5 and 15 years, and ownership of the assets lie within the Group. The leasehold improvements are amortized using the straight-line method over the lessor of the term of the respective lease or the life of the asset.

NOTE 10. INVENTORIES

Inventories increased by €23.6 million as compared to December 31, 2016, of which €15.9 million is driven by the acquisition of Bentley and €7.7 million is due to an increase of inventory owned by Balta. The €15.9 million inventory contributed by Bentley consists of €2.5 million finished products, €5.9 million work in progress and €7.5 million raw materials and consumables.

NOTE 11. TRADE AND OTHER RECEIVABLES

Current trade and other receivables increased by €12.6 million to €67.5 million as of March 31, 2017, compared to €54.9 million as of December 31, 2016. This increase is driven by the acquisition of Bentley. Trade receivables owned by Bentley amount to €13.9 million at the acquisition date. Excluding the impact of the acquisition, current trade and other receivables decreased by €1.2 million.

NOTE 12. OTHER COMPREHENSIVE INCOME

Cash flow hedge accounting

Cash flow hedge accounting has been initiated on June 1, 2016. Therefore, changes in fair value of the forward contracts before this date have been recorded directly in P&L. The movement schedule below summarizes the amounts recorded into the cash flow hedge reserve and the portion that was recognized in the income statement in relation to contracts that were settled during the reporting period.

€ thousands	March 31, 2017	December 31, 2016
Opening balance	(116)	—
Amounts recorded in the cash flow hedge reserve	(53)	2,190
Amounts recognized in the income statement	143	(2,307)
Cash flow hedge reserve, ending balance	(26)	(116)

NOTE 13. SENIOR SECURED NOTES

(€ thousands)	March 31, 2017	December 31, 2016
Total Senior Secured Notes	278,488	283,510
Non-Current portion	279,873	279,277
Of which: gross debt	290,000	290,000
Of which: capitalised financing fees	(10,127)	(10,723)
Current portion	(1,385)	4,234
Of which: gross debt	999	6,618
Of which: capitalised financing fees	(2,384)	(2,384)

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS—(CONTINUED)

LSF9 Balta Issuer issued €290 million aggregate principal amount of 7.75% Senior Secured Notes due 2022 as part of the financing of the acquisition of Balta Finance. The Indenture is dated August 3, 2015 and the principal amount was released from the escrow account at Completion Date. The maturity date of the Senior Secured Notes is September 15, 2022.

Interest on the Senior Secured Notes accrue at the rate of 7.75% per annum and are payable semi-annually in arrears on March 15 and September 15 of each year, commencing on March 15, 2016.

Costs related to the issuance of Senior Secured Notes have been included in the carrying amount and are amortized into profit or loss over the term of the debt in accordance with the effective interest method. Total costs capitalized amounted to €16.4 million, of which €12.5 million remain capitalized as of March 31, 2017 (as compared to €13.1 million on December 31, 2016).

The current portion of the debt associated with the Senior Secured Notes relates to accrued interest payables at the next interest payment date and the portion of the capitalized financing fee that will be amortised into profit or loss over the next 12 months.

NOTE 14. BANK AND OTHER BORROWINGS

The table below sets forth the breakdown of the bank and other borrowings as at March 31, 2017 and December 31, 2016.

<u>(€ thousands)</u>	<u>March 31, 2017</u>	<u>December 31, 2016</u>
Total Bank and other borrowings	129,980	18,002
Non-Current portion	126,394	15,388
Senior Term Loan	73,144	—
Of which: gross debt	75,000	—
Of which: capitalised financing fees	(1,856)	—
Bentley Term Loan	28,087	—
Of which: gross debt	29,324	—
Of which: capitalised financing fees	(1,237)	—
Revolving credit facility Bentley	10,383	—
Finance leases	14,780	15,388
Current portion	3,586	2,614
Senior Term Loan	(360)	—
Of which: accrued interest	104	—
Of which: capitalised financing fees	(464)	—
Bentley Term loan	1,220	—
Of which: gross debt	1,543	—
Of which: capitalised financing fees	(323)	—
Bank overdrafts (uncleared cheques)	105	—
Commitment fees	118	120
Finance lease liabilities	2,503	2,494

Senior Term Loan

On March 16, 2017, LSF9 Balta Issuer S.A. and certain of its subsidiaries entered into a senior term loan agreement (the “Senior Term Loan Agreement”), which provides for a €75.0 million senior term loan facility (the “Senior Term Loan”) and, subject to the restrictions on debt incurrence set out therein, uncommitted financing which ranks pari passu with or junior to such initial facility. The proceeds of the initial drawings of the Senior Term Loan were used to repay certain subordinated vendor loans incurred by the Issuer to finance the acquisition of Bentley and to pay related fees and expenses. The Senior Term Loan Agreement will mature on March 22, 2022.

The Senior Term Loan bears interest at a rate per annum equal to EURIBOR plus a margin of 5.00% per annum, subject to a margin ratchet based on the Consolidated Senior Secured Net Leverage Ratio (as defined in the Senior Term Loan Agreement).

The Senior Term Loan Agreement is guaranteed by the Issuer and the Guarantors that guarantee the Senior Secured Notes and is secured on the same Collateral that secures the Senior Secured Notes. The Senior Term Loan Agreement contains the same guarantor coverage test as the Revolving Credit Facility Agreement.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS—(CONTINUED)

The Senior Term Loan Agreement contains incurrence covenants that are substantially the same as those applicable to the Senior Secured Notes. The Senior Term Loan Agreement also contains customary affirmative and negative covenants.

Costs related to the Senior Term Loan Agreement are capitalized and amortized into profit or loss over the term of the debt in accordance with the effective interest method. Total costs capitalized amounted to €2.3 million.

The current portion of the debt associated with the Senior Term Loan Agreement relates to accrued interest payable at the next interest payment date and the portion of the debt issuance costs that will be amortized into profit or loss over the next 12 months.

We confirm that as of March 31, 2017, the aggregate Base Currency Amount of the outstanding principal amount of all Loans and all cash drawings under the ancillary facilities is less than 30% of the Total Commitments and therefore the financial covenants do not apply.

Bentley Financing Arrangements

BPS Parent, Inc. and other subsidiaries entered into a \$51.0 million syndicated credit facility (the “Fifth Third Credit Agreement”) with Fifth Third Bank and other financial institutions (the “Lenders”) on February 1, 2017. The credit facilities under the Fifth Third Credit Agreement consist of: (i) a five year revolving credit facility of \$18.0 million which will be due and payable on January 31, 2022, and availability is governed by a borrowing base, and (ii) a five year term loan facility of \$33.0 million (“Bentley Term Loan”), also scheduled to mature on January 31, 2022, requiring quarterly payments. 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 favor 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 of March 31, 2017, the amount drawn under the revolving credit facility is equal to million €10.4 million (\$11.1 million). The net book value of the Bentley Term Loans as of March 31, 2017 is equal to €29.3 million (including capitalized financing fees and accrued interest).

The interests on the Bentley Term Loan are payable quarterly, this means on the first of May, August, November and February. Costs related to the Bentley Term Loan are capitalized and amortized into profit or loss over the term of the debt in accordance with the effective interest method. Total costs capitalized amounted to €1.6 million.

The current portion of the debt associated with the Bentley Term Loan relates to accrued interest payable at the next interest payment date and the portion of the debt issuance costs that will be amortized into profit or loss over the next 12 months.

Finance lease liabilities

The finance lease liabilities have decreased from €17.9 million as of December 31, 2016 to €17.3 million as of March 31, 2017. No material new financial lease contracts have been signed during the period.

Bank overdrafts

Bank overdrafts mainly relate to uncleared cheques and reflects the amount of uncleared cheques for which no cash is available on the cash and cash equivalent accounts at March 31, 2017.

Commitment fees

The commitment fees payable remained stable at €0.1 million.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS—(CONTINUED)

NOTE 15. ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the trade and other receivables, cash and cash equivalents, the borrowings, the finance lease liabilities, the derivatives and the trade and other payables are summarized in the following table:

(€ thousands)	Fair value hierarchy	March 31, 2017	March 31, 2017	December 31, 2016	December 31, 2016
		Carrying amount	Fair value	Carrying amount	Fair value
Assets as per statement of financial positions		108,161	108,161	101,102	101,102
Loans and receivables		108,154	108,154	101,056	101,056
Trade and other receivables		68,422	68,422	55,068	55,068
Cash and cash equivalents	Level 1	39,732	39,732	45,988	45,988
Assets at fair value through OCI		7	7	46	46
Foreign exchange derivative financial instruments	Level 2	7	7	46	46
Liabilities as per statement of financial positions		557,066	595,780	433,237	468,726
Financial liabilities measured at amortised cost		557,033	595,747	433,075	468,564
Senior Secured Notes	Level 1	278,488	317,202	283,511	319,000
Bank and other borrowings	Level 2	129,980	129,980	18,001	18,001
Trade and other payables		148,565	148,565	131,562	131,562
Financial liabilities measured at fair value through OCI		33	33	162	162
Foreign exchange derivative financial instruments	Level 2	33	33	162	162

The different levels of valuation method 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 value of the Senior Secured Notes is based on a Level 1 estimate. The fair value of all other financial instruments, with the exception of cash and cash equivalents, has been determined using Level 2 estimates. The fair value 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 16. 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 program focuses on the unpredictability of financial markets and seeks to minimize 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.

There have been no changes in the risk management function or in any risk management policies since the year-end.

Our primary sources of liquidity consist of cash flows from operations, non-recourse factoring agreements, the Senior Secured Notes, a Senior Term Loan, a Bentley Term Loan and the Revolving Credit facilities. Our debt service obligations consist primarily capital and interest payments on the Bentley Term Loan and of interest payments on the Notes, the Senior Term Loan, and interest payments on amounts drawn under the Revolving Credit Facilities and the capital lease obligations.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS—(CONTINUED)

We refer to note 15 for a detailed description of the changes which occurred between December 31, 2016 and March 31, 2017. As of March 31, 2017 the Company has a net debt of €385 million.

NOTE 17. EMPLOYEE BENEFIT OBLIGATIONS

Employee benefit obligations increased from €36.3 million as of December 31, 2016 to €39.4 million at March 31, 2017.

The increase mainly relates to employee benefit obligations in relation to the acquisition of Bentley (€2.0 million) which can be split in a non-current portion of €0.3 million and a current portion of €1.7 million. The remaining amount of €1 million can be allocated to the increase in the provision for holiday pay for the Balta Group.

NOTE 18. TRADE AND OTHER PAYABLES

The outstanding trade and other payables increased from €131.6 million as of December 31, 2016 to €148.6 million as of March 31, 2017. This increase is driven by the acquisition of Bentley. Trade payables due by Bentley amount to €13.0 million at 31 March 2017.

NOTE 19. DIVIDENDS PER SHARE

The Group did not declare any dividends to shareholders for the period ended December 31, 2016 and March 31, 2017.

NOTE 20. EARNINGS PER SHARE

	March 31, 2017	December 31, 2016
Basic earnings per share		
Net result from continuing operations	158	2,460
Percentage of net result from continuing operations attributable to holders of ordinary shares		
LSF9 Balta Issuer SA	1%	1%
Net result from continuing operations attributable to holders of ordinary shares LSF9 Balta Issuer SA	2	25
Net result from discontinued operations attributable to holders of ordinary shares LSF9 Balta Issuer SA	—	—
Weighted average number of ordinary shares outstanding (in thousands)	171	171
Net result per share attributable to holders of ordinary shares LSF9 Balta Issuer SA (in €)	0.01	0.14

The acquisition of Balta Finance has been partially funded by the issuance of PECs. Each PEC is entitled to receive a return which is mainly driven by any income derived by the Company from its investment in LSF9 Balta Investments S.à r.l., it being understood that the Company shall retain a 1% margin on annual basis on its financing activities. It follows that the vast majority of the net result are attributable to the holders of the PECs and not to the holders of the ordinary shares.

NOTE 21. CONTINGENCIES

Since the publication of the last annual report, no material changes were noted in the contingencies for the Group. It is not anticipated that any material liabilities will arise from the contingent liabilities other than those provided for.

NOTE 22. COMMITMENTS

There have been no material changes in the commitments compared to December 31, 2016.

NOTE 23. SEASONALITY OF OPERATIONS

The group has very limited seasonality impact on operations.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS—(CONTINUED)

NOTE 24. LIST OF CONSOLIDATED COMPANIES

The subsidiaries and jointly controlled entities of LSF9 Balta Issuer S.A., the Group's percentage of interest and the Group's percentage of control are presented below.

	March 31, 2017		December 31, 2016	
	% of interest	% of control	% of interest	% of control
Belgium				
Balta NV	100%	100%	100%	100%
Balta Industries NV	100%	100%	100%	100%
Balta Trading Comm.V	100%	100%	100%	100%
Modulyss NV	100%	100%	100%	100%
Balta Oudenaarde NV	95%	100%	95%	100%
Balta M BVBA	100%	100%	100%	100%
Balfid BVBA	100%	100%	100%	100%
Luxembourg				
Balfin Services S.à r.l.	100%	100%	100%	100%
LSF9 Balta Luxembourg S.à r.l. (incorporated December 1, 2016)	100%	100%	100%	100%
LSF9 Balta Investment S.à r.l.	100%	100%	100%	100%
Turkey				
Balta Orient Tekstil Sanayi Ve Ticaret A.S.	100%	100%	100%	100%
Balta Floorcovering Yer Döşemeleri San.ve Tic A.S.	100%	100%	100%	100%
Bermuda				
LSF9 Renaissance GP (Bermuda)	100%	100%		
LSF9 Renaissance Bermuda Partners LP.	98.39%	100%	—	—
USA				
Balta USA Inc.	100%	100%	100%	100%
LSF9 Renaissance Holdings LLC	100%	100%	—	—
LSF9 Renaissance Acquisitions LLC	100%	100%	—	—
BPS Parent, Inc.	100%	100%	—	—
Bentley Prince Street Holdings, Inc.	100%	100%	—	—
Bentley Mills, Inc.	100%	100%	—	—
Prince Street, Inc.	100%	100%	—	—

NOTE 25. RELATED PARTY TRANSACTIONS

Shares

Until February 22, 2017, 100 % of shares of LSF9 Balta Issuer S.A. were owned by LSF9 Balta Midco S.à r.l.. As a result of a sales and purchase agreement dated February 22, 2017, 100% of the shares of LSF9 Balta Issuer S.A. were sold to LSF9 Balta Holdco. Lone Star Fund IX, through intermediate holding companies, continues to control 100% of the issued share capital of LSF9 Balta Issuer S.A.

The following transactions were carried out with related parties:

Key management compensation

Key management means the Group's Executive Committee, which consists of the persons 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. The compensation paid or payable to key management for employee services, including for the services provided on the basis of management or consultancy agreements with the Group, excluding termination benefits, is shown below:

(€ thousands)	March 31, 2017	March 31, 2016
Total key management compensation	722	1,439
Short-term employee benefits	722	811
Termination benefits	—	628

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS—(CONTINUED)

Key members of management are entitled to a management participation plan for the services rendered for the Group. The return of their investment will be paid by LSF9 Midco upon realization of some market conditions and by LSF9 Renaissance Bermuda Partners, G.P. for the Bentley Mills Management.

Acquisition of Bentley

We refer to Note 6 for a detailed description of the acquisition of Bentley.

Balances arising from daily operations:

<u>(€ thousands)</u>	<u>March 31, 2017</u>	<u>December 31, 2016</u>
Other payables to related parties	54	54

The balances mainly arise from current accounts positions at year end and quarterly end as a result of payments which have been performed on behalf of the Group entities. These current accounts are respectively reflected in the trade and other receivables and in trade and other payables.

NOTE 26. SUBSEQUENT EVENTS

The Balta Group is strengthening its market position organically and is considering various opportunities in the M&A markets and the capital markets to finance its growth. On May 17, 2017, Balta Group NV (“Balta”), a company to be inserted as a holding company above the Company, announced its intention to launch an initial public offering and listing of its ordinary shares on Euronext Brussels (the “Offering”), which is expected to comprise the sale of newly issued and existing ordinary shares to institutional and retail investors in Belgium and to certain institutional investors internationally. The Offering is expected to raise approximately €137.6 million net primary proceeds (excluding the estimated Offering-related fees and commissions) and will also include a secondary sell down of existing shares by Balta’s current shareholder Lone Star Fund IX. Balta intends to use the net primary proceeds of the Offering to reduce the Group’s leverage by repaying existing debt. After completion of the Offering, the Group is targeting a pro forma net debt / pro forma Adjusted EBITDA ratio of approximately 2.5x.

**Audited Consolidated Financial Statements
of LSF9 Balta Issuer S.A. and its subsidiaries
as of and for the year ended December 31, 2016**



Audit report

To the Shareholders of
LSF9 Balta Issuer S.A.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of LSF9 Balta Issuer S.A. (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2016, and the related consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

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

Responsibility of the "Réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgment of the "Réviseur d'entreprises agréé" including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the "Réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

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*Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°10028256)
R.C.S. Luxembourg B 65 477 - TVA LU25482518*

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the management report but does not include the consolidated financial statements and our audit report thereon.

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

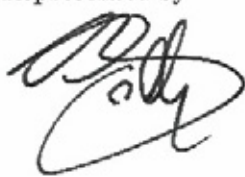
In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise 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 this fact. We have nothing to report in this regard.

Report on other legal and regulatory requirements

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

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 27 April 2017



Vincent Ball

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED DECEMBER 31, 2016**

(€ thousands)	Note	Period ended December 31, 2016	Period ended December 31, 2015
I. CONSOLIDATED INCOME STATEMENT			
Revenue	Note 3	557,685	194,777
Raw material expenses		(259,472)	(102,817)
Changes in inventories		6,055	(16,140)
Employee benefit expenses ²	Note 5	(130,054)	(45,391)
Other income	Note 6	8,171	4,005
Other expenses	Note 6	(101,017)	(33,128)
Depreciation / amortization	Note 7	(28,666)	(8,014)
Adjusted Operating Profit¹		52,701	(6,709)
Gains on asset disposals		1,610	—
Integration and restructuring expenses	Note 8	(5,128)	(10,396)
Operating profit/(loss)¹		49,183	(17,105)
Finance income		57	—
Finance expenses	Note 9	(28,608)	(9,495)
Net finance expenses		(28,552)	(9,495)
Profit / (loss) before income taxes		20,632	(26,600)
Income tax benefit / (expense)	Note 10	4,713	4,606
Profit / (loss) for the period from continuing operations		25,345	(21,995)
Profit / (loss) for the period from discontinued operations		—	—
Profit / (loss) for the period		25,345	(21,995)
II. CONSOLIDATED OTHER COMPREHENSIVE INCOME			
Items in other comprehensive income that may be subsequently reclassified to P&L			
Exchange differences on translating foreign operations		(8,013)	720
Changes in fair value of hedging instruments qualifying for cash flow hedge accounting		(116)	
Items in other comprehensive income that will not be reclassified to P&L			
Changes in deferred taxes		285	(432)
Changes in employee defined benefit obligations		(882)	1,375
Other comprehensive income for the period, net of tax		(8,727)	1,664
Total comprehensive income for the period		16,618	(20,331)
Basic and diluted earnings per share from continuing operations attributable to the ordinary equity holders of the company	Note 32	1.5	(1.3)

(2) Adjusted Operating Profit / Operating profit/(loss) are non-GAAP measures as defined in Note 1.23.

(3) In order to provide more relevant information, payroll tax incentives for the twelve months ended December 31, 2015 amounting to €1.6 million have been restated from other income to employee benefit expenses. The same approach has been applied for the twelve months ended December 31, 2016 (the equivalent amount is equal to €5.4 million) and will be presented as such consistent over time going forward.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2016

(€ thousands)		As of December 31 2016	As of December 31 2015
	Note		
Property, plant and equipment			
Land and buildings	Note 12	169,203	175,734
Plant and machinery	Note 12	115,016	108,584
Other fixtures and fittings, tools and equipment	Note 12	15,019	15,012
Goodwill	Note 4	124,673	124,673
Intangible assets	Note 11	2,376	1,667
Deferred income tax assets	Note 13	18,950	8,573
Trade and other receivables	Note 15	138	91
Total non-current assets		445,375	434,334
Inventories	Note 14	135,320	129,438
Derivative financial instruments	Note 24	46	786
Trade and other receivables	Note 15	54,930	46,544
Current income tax assets		34	28
Cash and cash equivalents	Note 16	45,988	45,462
Total current assets		236,318	222,257
Total assets		681,693	656,590
Share capital	Note 17	171	171
Share premium	Note 17	1,260	1,260
Preferred equity certificates	Note 20	138,600	—
Other comprehensive income	Note 18	(7,063)	1,664
Retained earnings and other reserves	Note 19	3,351	(21,995)
Total equity		136,319	(18,900)
Preferred Equity Certificates	Note 20	—	138,600
Senior Secured Notes	Note 21	279,277	276,826
Bank and Other Borrowings	Note 22	15,388	17,787
Deferred income tax liabilities	Note 13	69,775	67,879
Employee benefit obligations	Note 26	5,079	4,191
Total non-current liabilities		369,519	505,283
Senior Secured Notes	Note 21	4,234	6,864
Bank and Other Borrowings	Note 22	2,614	2,490
Employee benefit obligations	Note 26	31,246	31,554
Provisions for other liabilities and charges	Note 27	64	64
Derivative financial instruments	Note 24	162	—
Trade and other payables	Note 28	131,562	124,404
Income tax liabilities		5,974	4,831
Total current liabilities		175,856	170,207
Total liabilities		545,374	675,490
Total equity and liabilities		681,693	656,590

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED DECEMBER 31, 2016

	Note	Period ended December 31, 2016	Period ended December 31, 2015
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit / (loss) for the period		25,345	(21,995)
Adjustments for:			
Income tax expense / (income)	Note 10	(4,713)	(4,606)
Finance income		(57)	
Finance expense	Note 9	28,608	9,495
Depreciation, amortisation	Note 7	28,666	8,014
(Gain)/loss on disposal of non-current assets		(1,610)	—
Movement in provisions and deferred revenue			4,338
Fair value of derivatives	Note 24	786	87
Non-cash impact of Purchase Price Allocation	Note 4	—	25,695
Cash generated before changes in working capital		77,025	21,028
Changes in working capital:			
Inventories		(5,883)	8,803
Trade receivables		(8,433)	(2,241)
Trade payables		10,485	(3,413)
Other working capital		(5,459)	16,928
Cash generated after changes in working capital		67,735	41,106
Net income tax (paid)		(1,478)	(532)
Net cash generated / (used) by operating activities		66,257	40,575
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition & disposal of property, plant and equipment		(36,483)	(14,571)
Acquisition of intangibles		(1,494)	—
Proceeds from non-current assets		2,408	
Acquisition of subsidiary	Note 4		(272,838)
Net cash from business combinations			40,656
Net cash used by investing activities		(35,569)	(246,754)
CASH FLOW FROM FINANCING ACTIVITIES			
Interest and other finance charges paid, net		(27,814)	(1,442)
Proceeds from issuance of ordinary shares and share premium		—	1,431
Proceeds from issuance of preferred equity certificates	Note 20	—	138,600
Proceeds from issuance of Senior Secured Notes	Note 21	—	290,000
Repayments of borrowings with third parties	Note 22	(2,349)	(160,505)
Payment of debt financing costs	Note 21	—	(16,442)
Net cash generated / (used) by financing activities		(30,163)	251,641
NET INCREASE / (DECREASE) IN CASH AND BANK OVERDRAFTS		526	45,462
Cash, cash equivalents and bank overdrafts at the beginning of the period		45,462	—
Cash, cash equivalents and bank overdrafts at the end of the period	Note 16	45,988	45,462

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2016

(€ thousands)	Share capital	Share premium	PECs	Other comprehensive income (Note 18)	Retained earnings	Total	Non-controlling interest	Total equity
Balance at June 22, 2015	31	—	—	—	—	31	—	31
Capital increase	140	1,260	—	—	—	1,400	—	1,400
Total Contribution by owners of the parent, recognised directly in equity	171	1,260	—	—	—	1,431	—	1,431
Profit / (loss) for the period	—	—	—	—	(21,995)	(21,995)	—	(21,995)
Other comprehensive income								
Exchange differences on translating foreign operations	—	—	—	720	—	720	—	720
Cumulative changes in employee defined benefit obligations	—	—	—	944	—	944	—	944
Total comprehensive income for the period	—	—	—	1,664	(21,995)	(20,331)	—	(20,331)
Balance at December 31, 2015	171	1,260	—	1,664	(21,995)	(18,900)	—	(18,900)

(€ thousands)	Share capital	Share premium	PECs	Other comprehensive income (Note 18)	Retained earnings	Total	Non-controlling interest	Total equity
Balance at January 1, 2016	171	1,260	—	1,664	(21,995)	(18,900)	—	(18,900)
Recognition of PECs as equity instrument	—	—	138,600	—	—	138,600	—	138,600
Profit / (loss) for the period	—	—	—	—	25,345	25,345	—	25,345
Other comprehensive income	—	—	—	—	—	—	—	—
Exchange differences on translating foreign operations	—	—	—	(8,013)	—	(8,013)	—	(8,013)
Changes in fair value of hedging instruments qualifying for cash flow hedge accounting	—	—	—	(116)	—	(116)	—	(116)
Cumulative changes in deferred taxes	—	—	—	285	—	285	—	285
Cumulative changes in employee defined benefit obligations	—	—	—	(882)	—	(882)	—	(882)
Total comprehensive income for the period	—	—	—	(8,727)	25,345	16,618	—	16,618
Balance at December 31, 2016	171	1,260	138,600	(7,063)	3,351	136,319	—	136,319

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

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 to the year presented, unless otherwise stated.

1.1 Basis of preparation

Basis of preparation

These consolidated financial statements of LSF9 Balta Issuer S.A. (“the Company” or “Balta Issuer”), registered at Rue du Puits Romain, 33, L-8070 Bertrange (R.C.S. Luxembourg: B198084), and its subsidiaries (“the Group”) have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS”). These include all IFRS standards and IFRIC interpretations issued and effective at December 31, 2016.

These consolidated financial statements are presented in Euro, 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 Euro, unless otherwise stated.

These financial statements are prepared on a going concern basis, i.e. assuming that operations will continue in the foreseeable future.

These financial statements cover a 12 months period starting from January 1, 2016 and ending December 31, 2016. The comparative year covers the stand-alone results of LSF9 Balta Issuer S.A. and LSF9 Balta Investments from their date of incorporation, June 22, 2015 and June 10, 2015, respectively, until the end of December 31, 2015 and the consolidated results of Balta Finance S.à r.l. as from August 11, 2015 until the end of December 31, 2015.

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 judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 2.

New standards and amendments to standards

The following interpretation and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2016. These have not had an impact on the 2016 financial statements of the Company.

- Amendments to IAS 1 ‘Presentation of financial statements’, effective for annual periods beginning on or after 1 January 2016. The amendments to IAS 1 are part of the initiative of the IASB to improve presentation and disclosure in financial reports and are designed to further encourage companies to apply professional judgment in determining what information to disclose in their financial statements. The amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.
- Amendment to IAS 19, ‘Employee benefits’, on defined benefit plans (effective 1 July 2014 and endorsed for 1 February 2015). These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.
- Annual improvements 2010-2012 (effective 1 July 2014 and endorsed for 1 February 2015). These amendments include changes from the 2010-12 cycle of the annual improvements project, that affect 7 standards: IFRS 2, ‘Share-based payment’, IFRS 3, ‘Business Combinations’, IFRS 8, ‘Operating segments’, IFRS 13, ‘Fair value measurement’, IAS 16, ‘Property, plant and equipment’, and IAS 38, ‘Intangible assets’, Consequential amendments to IFRS 9, ‘Financial instruments’, IAS 37, ‘Provisions, contingent liabilities and contingent assets’, and IAS 39, Financial instruments—Recognition and measurement’.
- Annual improvements 2012-2014 (effective and endorsed for 1 January 2016). These set of amendments impacts 4 standards: IFRS 5, ‘Non-current assets held for sale and discontinued operations’ regarding methods of disposal; IFRS 7, ‘Financial instruments: Disclosures’, (with consequential amendments to IFRS 1) regarding servicing contracts; IAS 19, ‘Employee benefits’ regarding discount rates; IAS 34, ‘Interim financial reporting’ regarding disclosure of information.
- Amendments to IFRS 10 ‘Consolidated financial statements’, IFRS 12 ‘Disclosure of interests in other entities’ and IAS 28, ‘Investments in associates and joint ventures’, effective for annual periods beginning on or after 1 January 2016. These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

The following new standards and amendments to standards have been issued, but are not mandatory for the first time for the financial year beginning 1 January 2016 and have been endorsed by the European Union:

- IFRS 9 'Financial instruments', effective for annual periods beginning on or after 1 January 2018. The standard addresses the classification, measurement, de-recognition of financial assets and financial liabilities and general hedge accounting. On the classification and measurement the Company's current assessment did not indicate any material impact. IFRS 9 requires the Company to record expected credit losses on all of its debt securities, loans and trade receivables either on a 12-month or lifetime basis. While the Group has not yet undertaken a detailed assessment of how its provisions would be affected by the new model, it may result in an earlier recognition of credit losses. Nevertheless the Group does not expect any material impact since it uses credit insurances as a means to transfer credit risk related to trade receivables and the historic default rates for 2015 and 2016 are not exceeding 0,1 % for 2015 and 2016 (Note 15). Moreover there are no significant receivables due more than 3 months for which no provision has been set up (Note 15). Finally currently the Group is only applying limited cash flow hedging for expected cash flows (Note 18). No significant changes are expected under IFRS 9 for the current cash flow hedge documentation and accounting treatment.
- IFRS 15 'Revenue from contracts with customers'. Companies using IFRS will be required to apply the revenue standard for annual periods beginning on or after 1 January 2018. IFRS 15 specifies how and when revenue is recognized and is prescribing relevant disclosures. The standard supersedes IAS 18 Revenue, IAS 11 Construction Contracts and a number of revenue related interpretations. The new standard provides a single, principles-based five-step model to be applied to all contracts with customers. Furthermore, it provides new guidance on whether revenue should be recognized at a point in time or over time.

The revenue is currently recognized when the goods are delivered which is the point in time at which the customer accepts the goods and the related legal title, i.e. when risks and rewards of the ownership are transferred. Revenue is only recognized at this moment after other requirements are also met, such as, no continuing management involvement with goods, revenue and costs can be reliably measured and probable recovery of the considerations. Under IFRS 15, revenue will be recognized when a customer obtains control of the goods. Based on the initial assessment, the Company did not identify material differences between the transfer of control and the current transfer of risk and rewards. As such, at this stage the Company does not anticipate material difference in the timing of revenue recognition for the sale of products.

Volume discounts and rebates are currently accrued over the year based on the sales realized per customer and taking into account the expected yearly volumes per customer. There are no any other significant incremental contract costs. Consequently the Company does not expect any material impact under IFRS 15. In general the Group has not any material contracts that include separate performance obligations nor any special transactions such as consignment, bill and hold arrangements, warranty programs, upfront payments or any third party involvement

The following new standards, amendments and interpretation to standards have been issued, but are not mandatory for the first time for the financial year beginning 1 January 2016 and have not been endorsed by the European Union:

- IFRS 16 'Leases'. This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. 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. We refer to Note 23 in which we provide a summary of the lease commitments of the Company. The total present value of operating lease commitments as of December 31, 2016 is equal to €10.5 million and hence represents the maximum liability that could be recognized upon the implementation of IFRS 16.
- Amendments to IAS 12, 'Income taxes' on Recognition of deferred tax assets for unrealized losses (effective 1 January 2017). These amendments on the recognition of deferred tax assets for unrealized losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.
- Amendments to IAS 7, 'Statement of cash flows' (effective 1 January 2017). These amendments to IAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.
- Amendments to IFRS 15, 'Revenue from contracts with customers'—Clarifications (effective 1 January 2018). These amendments comprise clarification guidance on identifying performance obligations, accounting for licenses of intellectual property and the principle versus agent assessment. The amendment also includes more illustrative examples.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

- Amendments to IFRS 2, 'Share-based payments' (effective 1 January 2018): The amendment clarifies the measurement basis for cash-settled payments and the accounting for modifications that change an award from cash settled to equity settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay the amount to the tax authorities.
- Annual improvements 2014-2016 applicable to three standards of which changes on IFRS 1 et IAS 28 are applicable as of 1 January 2018 and changes on IFRS 12 are applicable as of 1 January 2017. These set of amendments impacts 3 standards: IFRS 1, 'First-time adoption of IFRS', regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10; IFRS 12, 'Disclosure of interests in other entities' regarding clarification of the scope of the standard (these amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017) and IAS 28, 'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value.
- IFRIC 22, 'Foreign currency transactions and advance consideration' (effective 1 January 2018). 'This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

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 incurred to the former owners of the acquiree and the equity interests issued by the Group. 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 recognizes 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 as incurred.

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 recognized for non-controlling interest over the net recognized amount (generally at fair value) of the identifiable assets acquired and liabilities assumed is recognized as goodwill. Negative goodwill is recognized immediately in the income statement.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated on consolidation. Unrealized 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.

Segment reporting

Note 3 provides the Company's segment information, in line with IFRS 8. The Company operates its business through four segments, which are organized by product and sales channel. The Rugs segment designs, manufactures and distributes a broad range of machine-made rugs to major retailers (such as home improvement, furniture, specialist, discount and DIY stores) and wholesalers. The Residential segment designs, manufactures and distributes branded broadloom carpets

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

(Balta Broadloom and ITC brands) 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 Company's modulyss brand and broadloom carpets mainly for the hospitality sector through its arc edition brand to architects, designers, contractors and distributors. Finally, the Non-Woven segment designs, manufactures and distributes soft flooring for events such as fairs and expositions and specialized fabrics for insulation, lining, cars, carpet backing and banners through its Captiqs brand.

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 inventory. The segment information provided in Note 3 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.

1.3 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's 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 euro, which is the Company's functional and the Group's presentational currency. All amounts are stated in thousands of euro 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 valuation where items are re-measured. 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 recognized 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 companies that do not qualify as a net investment in a foreign operation are presented in the income statement within "Finance income and expense". All other foreign exchange gains and losses are presented in the income statement within "Other income" or "Other expenses" which is part of the operating profit.

The principal exchange rates that have been used to prepare these financial statements are as follows:

	December 31, 2016		December 31, 2015	
	Closing	Average	Closing	Average
USD	1.0541	1.1069	1.0887	1.1094
TRY	3.7099	3.3375	3.1776	3.0187
GBP	0.8562	0.8195	0.7340	0.7259

Group companies

The results and financial position of all the Group's entities (none of which has 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 income statement 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 recognized 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 recognized in the income statement as part of the gain or loss on sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

Foreign exchange gains and losses that relate to borrowings and transactions between group companies in a different currency compared to the functional currency, are presented in the income statement within “Finance income and expense”, if these borrowings do not qualify as a net investment in a foreign operation.

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

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 recognized under IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”.

Subsequent costs are included in the asset’s carrying amount or recognized 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 derecognized. All other repairs and maintenance are charged to the income statement 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:

Industrial and administrative Buildings	
—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

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

Spare parts purchased for particular items of plant are capitalized and depreciated over the useful life not exceeding 4 years. Samples of products are capitalized and depreciated over 2-3 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 the Business Combination are depreciated over the average remaining lifetime of the applicable assets taking into.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within “Other income” or “Other expenses” in the income statement.

1.5 Intangible assets

Goodwill

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those 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 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.

Internally generated software and other development cost

Costs associated with maintaining computer software programs are recognized 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 recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

- There is an ability to use or sell the software product;
- It can be demonstrated how the software product 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 product during its development can be reliably measured.

Directly attributable costs that are capitalized 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 recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Computer software development costs recognized as assets are amortized over their estimated useful lives, mainly 4 years.

1.6 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized 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 to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

If the carrying amount of the cash-generating unit to which the goodwill has been allocated exceeds its recoverable amount, an impairment loss on goodwill allocated to the cash-generating unit is recognized. The recoverable amount is the higher of the cash-generating unit's fair value less costs to sell and its value in use. If either of these amounts exceeds the carrying amount, it is not always necessary to determine both amounts. These values are generally determined based on discounted cash flow calculations.

1.7 Derivative financial instruments

Derivatives are initially recognized 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 income statement within "Other income" or "Other expenses" to the extent that they relate to operating activities and within "Finance income" or "Finance costs" to the extent that they relate to the financing activities of the Group.

Cash flow hedge accounting has been initiated on June 1, 2016. Derivative financial instruments used to hedge the exposure to variability in future cash flows are designated as hedges under cash-flow hedge accounting. Changes in fair value of the forward contracts before this date have been recorded directly in P&L before June 1, 2016. The effective portion of changes in fair value as from the designation date of the cash flow hedge are recorded in the cash flow hedge reserve, part of other comprehensive income. Amounts recorded in the cash flow hedge reserve will be recognized in the income statement in the same period or periods during which the hedged forecast transaction affects the income statement. This coincides with the settlement date of the forward contracts

When the underlying hedged transactions do no longer meets the criteria for hedge accounting, the cumulative gain or loss on the hedging instrument that has been recognized in other comprehensive income from the period when the hedge was effective shall remain separately in equity until the forecast transaction occurs.

When the underlying hedged transaction is no longer expected to occur, the cumulative gains or loss on the hedging instrument that has been recognized 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.

1.8 Inventories

Inventories are stated at the lower of cost and net realizable value. These net realizable value adjustments 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 design costs, raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

Provisions against the carrying value of inventory are calculated on the basis set out below.

Wall to wall carpets and non-woven

- “Second choice” products: write-down of 70%
- Collections which are no longer produced: write-down of 35%
- Additional write downs, based on aging of the individual products:
 - Age of production batch between 7-9 months: write-down of 20%
 - Age of production batch between 10-12 months: write-down of 50%
 - Age of production batch older than 12 months: write-down of 70%

Rugs

- “Second choice” products: write-down of 60%
- Collections which are no longer produced: write-down of 30%-50%
- Additional write-downs, based on aging of the individual products:
 - Age of production batch between 7-9 months: write-down of 10%
 - Age of production batch between 10-12 months: write-down of 30%
 - Age of production batch older than 12 months: write-down of 50%

Contract tiles

- “Second choice” products: write-down of 90%
- Small lot sizes 90%
- Additional write-downs, based on aging of the individual products:
 - Age of production batch between 7-12 months: write-down of 25%-50%
 - Age of production batch between 12-18 months: write-down of 75%-90%
 - Age of production batch older than 18 months: write-down of 90%

Yarns

For slow moving yarns to produce rugs and wall-to-wall carpets, the write-downs vary between 20% (6 months not moving) and 75% (12 months not moving).

For slow moving yarns to produce contract tiles, the write-downs vary between 50% (12 months not moving) and 90% (16 months not moving).

Materials and other supplies (such as wool) held for use in the production of finished goods are not written down if these finished goods are expected to be sold at or above cost.

An individual assessment of the recoverability of the items of inventories is also made on a regular basis, in addition to the application of general accounting policies described above. When the circumstances that previously caused inventories to be written down below cost no longer exist, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised net realizable value.

1.9 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less bad debt allowance.

Trade receivables are reviewed on a continuing basis. A bad debt allowance is recorded when collectability of the receivable is questionable. The bad debt allowance covers the net estimated risk for the company and is taking into account the coverage expected to be received from the credit insurance.

1.10 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

1.11 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.

Where any Group company purchases the Company's shares (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects is included in equity attributable to the Company's equity holders.

1.12 Government grants

Grants from the government are recognized 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 recognized in the income statement within other income over the period necessary to match them with the costs that they are intended to compensate.

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

1.13 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable 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 recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Supplier finance arrangements are recognized as a financial liability unless the original trade payable is extinguished or its terms are significantly modified to the extent that it qualifies for de-recognition under IAS 39 (we refer to the accounting policy on debt extinguishment and debt modification).

1.14 Financial liabilities measured at fair value through profit or loss

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.

1.15 Senior Secured Notes and Bank and other borrowings

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

1.16 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 derecognized 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; or
- 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 IAS 39 de-recognition criteria are not met, the receivables continue to be recognized in the statement of financial position, while the proceeds received by the Group under any financing/factoring arrangements are recognized as a financial liability.

A financial liability is de-recognized 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 de-recognition of the original liability and the recognition of a new liability, and the difference in the respective amounts is recognized in the income statement.

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 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

1.17 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the company's subsidiaries 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 on the basis of 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 recognized, 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 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 substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

Deferred income tax is provided on temporary differences arising on 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

1.18 Employee benefits

Pension obligations

IAS 19 distinguishes 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 companies 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 Vandenbroucke”), all Belgian Defined Contribution plans have to be considered under IFRS as Defined Benefit plans. Law Vandenbroucke states that in the context of defined contribution plans, the 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% per December 31, 2016 and per December 31, 2015) applies for the years after 2015 on future contributions and also on the accumulated past contributions as of 31 December 2015 if the financing organism does not guarantee a certain result on contributions until retirement age. If the organism does guarantee such a result, the rates 3.25%/2.75% 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 would not be sufficient to reach the minimum benefits to be paid. The group has plans that are financed through insurance contracts. A simplified Projected Unit Credit (PUC) method has been used as the actuarial technique to measure the defined benefit obligation whereby the fair value of the plan assets are considered to be equal to the mathematical reserves of the insurance contract. The method is simplified because we only take into account existing contributions made by the employer and employee. The related assumptions, the defined benefit obligations and related plan assets are further disclosed in the related notes.

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 recognizes 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 recognizes 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 pension ensures that elderly people who are dismissed by their employer or who are encouraged to terminate their employment and in case they fulfill certain conditions, are eligible for payment of supplementary unemployment allowance to be paid by their former employer on top of the unemployment allowances paid by social security. This benefit is generally paid until normal retirement age, which is 65 years.

Within Balta, several former employees benefit from the system of “early retirement fee or pension”, based on several Belgian Collective Labor Agreements (CLA’s) in place for the sector (textielnijverheid en breiwerk/ industrie textile et de la bonneterie) or specifically for Balta. These CLA’s describe the different possibilities for employees of 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 CLA’s 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. It has been 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

Bonus plans

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

1.19 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates for rebates and discounts on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sales of goods

Sales of goods are recognized when the risks and rewards are transferred to the customers, in most cases when the goods are made available for collection at the Group's premises (factory, warehouse) on the date agreed upon with the customer (International Commercial Terms—EXW) and the customer accepted the goods in accordance with the sales contract.

Amounts billed to the customer in respect of transportation of product to the customer's premises are included in revenue. Associated transportation costs incurred by the group are included in other expenses.

Interest income

Interest income is recognized 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 recognized using the original effective interest rate.

Dividend income

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

1.20 Leases

The Group leases certain property, plant and equipment.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, purchase option (when there is reasonable certainty that the lessee will obtain ownership by the end of the lease term), are included in "Borrowings". The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the useful life of the asset or if there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

1.21 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

1.22 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.

1.23 Non-GAAP measures

Operating Profit (Loss), Adjusted Operating Profit (Loss), Adjusted EBITDA and Adjusted EBITDA Margin are measures utilized by the Group to demonstrate the Group's underlying performance.

Operating Profit (Loss) is calculated as profit (loss) for the period from continuing operations, adjusted for income tax benefits (expenses), finance income and finance expenses.

Adjusted Operating Profit (Loss) is calculated as Operating Profit (Loss) adjusted for gains from disposal of assets and integration and restructuring expenses.

Adjusted EBITDA is calculated as Adjusted Operating Profit (Loss) adjusted for depreciation and amortization charges.

Adjusted EBITDA margin calculated as Adjusted EBITDA divided by revenue.

The non-GAAP measures are included in these consolidated financial statements because management believes they are useful to many investors, securities analysts and other interested parties as additional measures of performance.

The Group presents non-IFRS measures in addition to financial measures determined in accordance with IFRS. Non-IFRS measures as reported by the Group may differ from similar measures presented by other companies.

NOTE 2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The amounts presented in the combined 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 combined financial statements are discussed below.

Determination of fair values in business combinations

The Company has applied estimates and judgements in order to determine the fair value of assets acquired and liabilities assumed by way of a business combination. The value of assets, liabilities and contingent liabilities recognized at the acquisition date are recognized at fair value. In determining the fair value, the Company has utilized valuation methodologies including discounted cash flow analysis. The Company's estimates are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable. These valuations require the use of management's assumptions, which would not reflect unanticipated events and circumstances that may occur. Any significant change in key assumptions may cause the acquisition accounting to be revised including the recognition of additional goodwill or a discount on acquisition.

Goodwill

The amount of goodwill initially recognized 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 judgment. Allocation of the purchase price affects the results of the Group as finite lived intangible assets are amortized, whereas indefinite lived intangible assets, including goodwill, are not amortized and could result in differing amortization charges based on the allocation to indefinite lived and finite lived intangible assets.

Impairment testing

IFRS requires management to undertake an annual test for impairment of indefinite lived assets and, for finite lived 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 judgment, 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

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 EBITDA, calculated as adjusted operating profit before depreciation and amortization;
- timing and quantum of future capital expenditure;
- long-term growth rates; and
- 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 Company's impairment evaluation and hence results. The Company's review includes the key assumptions related to sensitivity in the cash flow projections. Further details are provided in Note 4.

Fair value estimate of preferred equity certificates

In 2015 the acquisition of Balta Finance has been partially funded through Preferred Equity Certificates (PECs). The PECs have been subscribed to by LSF9 Balta Midco S.à r.l.. Depending on the circumstances in which the PECs are settled, the Company may have the right to redeem the PECs in shares. Given that the Company does not have an unconditional right to avoid delivering cash to settle the PECs, the contract has been classified as a financial liability under IFRS per December 31, 2015. The presence of early redemption and conversion options implies that the contract contains multiple embedded derivatives. Given the inability to separate the embedded derivatives from the host contract, the entire contract is measured at fair value through profit or loss.

A range of valuation techniques can be used when measuring the fair value of unquoted liability instruments. In reaching estimates of fair value of the PECs, management judgment is involved. In order to select the most appropriate valuation, management will employ several valuation methodologies and select the amount within the ranges of values which it believes is most representative of the fair value of the PECs. Because of the nature of the inputs used in the valuation techniques (for example, unobservable inputs such as budgets and forecasts), the resulting measurement is categorized within Level 3 of the fair value hierarchy.

Immediately following December 31, 2015, the Subscriber and the Issuer discussed and agreed on changes to be made to the PEC agreement. These changes are describe in Note 20.

Based on the separate agreement, the Company will have an unconditional right to avoid delivering cash to settle the PECs. Consequently, the contract no longer meets the definition of a financial liability under IFRS, but instead qualifies as an equity instrument. The financial liability has been extinguished on January 1, 2016 and the book value at this date has been recognized as an increase in the Company's equity.

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 of tax payers and local tax authorities.

The Group has tax credits in respect of losses carried forward, Dividend Received Deduction (relief for dividend payments by qualifying EU subsidiaries to qualifying EU parent companies, to avoid double taxation of dividend income), and Notional Interest Deduction ("NID"). These tax credits can be used to offset against future taxable profits. The valuation of this asset depends on a number of judgmental 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. Where circumstances should 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

The Company makes significant judgements in determining the bad debt allowance with respect to trade receivables when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The assessment is performed on an individual basis in consideration of various factors such as historical experience, credit quality, age of the accounts receivables and economic conditions that may affect a customer's ability to pay.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

The amount of the bad debt allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The estimated future cash flow is determined based upon the significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

Brexit

The United Kingdom held a referendum on June 23, 2016, to determine whether the United Kingdom should leave the European Union (the "EU") or remain as a member state, and the outcome of that referendum was in favor of leaving the EU (commonly referred to as "Brexit"). The effects of Brexit will depend on any agreements the United Kingdom makes to retain access to EU markets, and, while such impacts are difficult to predict, Belgian exports may be negatively affected. In the year ended December 31, 2016, our sales in the United Kingdom represented €148.6 million, or 26.6% of our revenue, mainly comprised of sales in our Residential segment. Any reduction in consumers' willingness or ability to spend due to Brexit-related changes in the economic environments of the United Kingdom and Europe could materially affect our revenue. In addition, lack of clarity about future UK laws and regulations as the United Kingdom determines which EU laws to replace or replicate in the event of a withdrawal may increase costs associated with operating in either or both of the United Kingdom and Europe.

NOTE 3. SEGMENT REPORTING

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

<u>(€ thousands)</u>	<u>2016</u>	<u>2015</u>
Revenue by segment	557,685	194,778
Rugs	214,545	73,664
Residential	236,758	84,797
Commercial	80,050	27,101
Non Woven	26,332	9,216
Revenue by geography	557,685	194,778
Europe	429,580	158,248
North America	73,843	20,900
Rest of World	54,262	15,630
Adjusted EBITDA by segment	81,367	n.a.
Rugs	37,969	n.a.
Residential	28,411	n.a.
Commercial	12,067	n.a.
Non Woven	2,920	n.a.
Capital expenditure by segment	35,569	14,572
Rugs	16,119	6,554
Residential	12,460	5,687
Commercial	6,259	2,085
Non Woven	732	246
Net inventory by segment	135,320	129,439
Rugs	63,642	56,794
Residential	52,718	53,577
Commercial	15,346	15,608
Non Woven	3,614	3,460
Trade receivables by segment	41,326	32,892
Rugs	17,263	11,846
Residential	16,502	14,443
Commercial	6,149	5,623
Non Woven	1,411	980

Given the international sales footprint of the Company, 98% of revenue is realized outside Belgium, with sales in Belgium being equal to €12.5 million in 2016. The group has one customer representing 12% of the Group's revenue in 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

As of December 31, 2016, non-current assets amount to €445 million, of which €275 million is located in Belgium (mainly factories) and €170 million outside Belgium (mainly Turkey, and to a lesser extent the US).

NOTE 4. GOODWILL

The net purchase price for the acquisition of Balta Finance amounts to €272.8 million. In accordance with IFRS 3 “Business Combinations”, the purchase price needs to be allocated to identifiable assets and liabilities acquired based on estimated fair values at the date of acquisition, with the excess of the purchase price amount allocated to goodwill.

Our purchase price allocation has been substantially finalized and the total identifiable net assets acquired amount to €148.1 million, resulting in a remaining amount of goodwill of €124.7 million. As part of the of purchase price allocation, Adjusted EBITDA was adversely affected by €25.7 million due to the fair value measurement (so-called fair value step-up) of the inventory. This non-cash impact has therefore been reversed in the 2015 cash flow statement.

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

The goodwill impairment test is performed at the level of a cash-generating unit or a group of cash-generating units, 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 Residential segment broken down into two CGUs, Balta Broadloom (polypropylene broadloom) and ITC (polyamide broadloom).

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the cash-generating units that are expected to benefit most from the business combination. Consequently, the goodwill resulting from the acquisition of Balta Finance (€124.7 million) has been solely allocated to Rugs (€94.3 million) and Commercial (€30.4 million).

The impairment testing has been performed on September 30, 2016. The assets and liabilities comprising the CGU have not changed significantly since the most recent calculation. In addition, there are no indications that recoverable amounts have decreased.

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 cash-generating unit at September 30, 2016, the company has been able to demonstrate that the recoverable amount exceeds the carrying amount and hence the goodwill is not impaired. Key assumptions on which management has based its determinations of the value in use include terminal value growth rates of 2% (2015: 2%) and an after-tax discount rate of 7.9% (2015: 7.9%). Cash flows were projected for the next three years and is based on the updated business plan prepared in 2016.

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. Terminal value growth rates take into consideration external macroeconomic sources of data and industry specific trends. The table below presents the extent in which these two assumptions would need to change in order to reduce the value in use to the carrying amount.

<u>Sensitivity analysis per CGU</u>	<u>Decrease in growth rate</u>	<u>Increase in discount rate</u>
Rugs	2.4%	2.6%
Balta Broadloom	2.8%	3.1%
ITC	5.2%	5.8%
Commercial	17.0%	21.5%
Non-Woven	23.7%	32.7%

The relative small headroom for the Rugs division is a direct result of the acquisition of Balta Finance and is not driven by changes in the underlying business performance. As explained above, €94.3 million of goodwill has been allocated to the Rugs division.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

NOTE 5. EMPLOYEE BENEFIT EXPENSES

(€ thousands)	2016	2015
Total employee benefit expenses	130,054	45,391
Wages and salaries	92,289	34,257
Social security costs	29,974	8,705
Pension costs	1,603	396
Other employee benefit expenses	6,188	2,033

The Company can benefit from partial exemption of payment of withholding tax due on wages paid to workers in team or nights shifts. The salary withholding tax is retained on the remunerations paid but the amount of tax so retained must not be fully paid to the tax authorities. In 2015, €1.6 million of such incentives were presented as part of the “other income”. For 2016, the equivalent amount is equal to €5.4 million and has been deducted from employee benefit expenses. As the reclassification from other income to employee benefit expenses provides more reliable and relevant information for the Group, the change has been adjusted retrospectively for 2015 (in deduction of the employee benefit expenses instead as other income).

The average number of employees in 2016 and 2015 was equal to 3,238 (in full time equivalents) and 3,233 respectively. Part-time employees are included on a proportionate basis.

	2016	2015
Average number of total employees	3,238	3,233
Average number of employees—blue collar	2,694	2,698
Average number of employees—white collar	544	535

NOTE 6. OTHER INCOME AND EXPENSES

(€ thousands)	2016	2015
Other income	8,171	4,005
Foreign exchange gains	3,800	1,543
Rental income from solar rooftop installations	1,410	626
Grants	602	—
Recharge of costs	755	598
Other	1,603	1,238
Other expenses	101,017	33,128
Services and other goods	67,772	21,238
Selling expenses	28,824	11,261
Foreign exchange losses	2,253	153
Real estate tax	2,156	—
Other	12	477

The note with respect to other income of 2015 has been restated due to change in accounting policy of the payroll tax incentive (see note 5).

Other income comprises rental payments received from renting certain rooftops to a solar development company. Other income also comprises grants for an amount of €0.6 million where for the last four months of 2015 no grants were received.

Some costs can be recharged to external parties for which the income was presented under other income. The residual component of other income mainly relates to the de-recognition of old credit notes in relation to commercial settlements.

The main component of other expenses is services and other goods. This mainly comprises electricity and gas, maintenance and repair and interim blue collars. Selling expenses mainly comprise freight and commissions.

For real estate tax IFRIC 21 was applied, which requires representation of real estate tax at the beginning of the period. This explains the presence of a real estate tax in 2016 and not in 2015. Only the latest four months are presented in 2015 through the income statement. The real estate tax was already included in the acquisition balance without affecting the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

NOTE 7. DEPRECIATION / AMORTIZATION

The components of depreciations and amortizations can be summarized as follows:

(€ thousands)	2016	2015
Depreciation / amortization	28,666	8,014
Amortization of intangible assets	785	147
Depreciation property, plant and equipment	29,276	8,332
Release deferred revenue sale & leaseback	(1,395)	(465)

The release of deferred revenue sale and lease back relates to the gradual recognition of the capital gain realized on the sale and lease back of one of the Group's manufacturing facilities in 2014. This deferred revenue is recognized on a straight line basis over a 12 year period as partial offset to depreciation charges over the period of the lease. The annual amount recognized in the income statement is €1.4 million, with the balance of deferred income equal to €12.9 million as at December 31, 2016.

NOTE 8. INTEGRATION AND RESTRUCTURING EXPENSES

The total integration and restructuring expenses incurred in 2016 amount to €5.1 million (2015: €10.4 million). This comprises various items which are considered by management as non-recurring or unusual by nature.

(€ thousands)	2016	2015
Integration and restructuring expenses	5,128	10,396
Corporate restructuring	1,920	196
Business restructuring	670	—
Acquisition related expenses	—	8,908
Idle IT costs	703	—
Strategic advisory services	1,324	1,060
Other	496	231

Corporate restructuring: In 2016, the Company incurred costs in relation to changes in the senior management team. A minor amount of these costs were already incurred in 2015 at the time the executive search was initiated.

Business restructuring: In 2016, the Company paid a fee to terminate and agency agreement in the UK, as part of the strategy to further develop our modulyss brand in Europe through a direct sales approach. In addition, given the minor share of wool in our raw material mix, the decision was taken to close the wool spinning department and, going forward, to buy wool yarns from third party suppliers.

Acquisition related expenses: In 2015, the Company incurred €8.9 million non-recurring expenses in relation to the acquisition of Balta Finance.

Idle IT costs: in 2016, the Company incurred €0.7 million incremental IT costs in relation to a legacy IT system used for a limited number of activities within the Group. The legacy system triggers incremental costs for extended licenses and premium vendor support assistance given that the original support timeline has been surpassed. These incremental costs are temporary only given that the Company has started a project to migrate the legacy system to the new platform already used by the majority of business activities elsewhere in the Group.

Strategic advisory services: in 2015, following the acquisition of Balta Finance, €1.1 million of expenses were incurred in relation to a strategic review performed to determine the strategy of the Company going forward.

NOTE 9. FINANCE EXPENSES

(€ thousands)	2016	2015
Total finance expenses	28,608	9,495
Interest expense on Senior secured notes	24,897	10,132
Interest expense on Bank borrowings (including leasing)	504	376
Other finance costs	2,244	879
Foreign exchange result on intercompany transactions	962	(1,891)

The Group's finance expenses are driven by interest charges on the Senior Secured Notes, the Revolving Credit Facility and on the finance leasing obligations. We refer to Note 21 and Note 22 for a description of these facilities. Other

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

finance costs mainly relate to factoring and forfaiting fees and other bank related charges. The effective interest expense of the Senior Secured Notes comprises a cash interest of €22.5 million (€9.2 million in 2015) and the amortization of capitalized financing fees of €2.4 million (€1.0 million in 2015).

NOTE 10. INCOME TAX BENEFIT / EXPENSE

(€ thousands)	2016	2015
Income tax benefit / (expense)	4,713	4,606
Current tax	(3,014)	(803)
Deferred tax	7,727	5,409

Income taxes represent a 'benefit' in both 2016 and 2015, driven by the net positive deferred tax income. In 2015, the latter was driven by the net loss of the period whilst in 2016 this is driven by the recognition of a deferred tax asset of €10.8 million in relation to tax credits for which the recognition criteria were previously not met.

(€ thousands)	2016	2015
Income tax benefit / expense	4,713	4,606
Income tax calculated at Luxembourg tax rate (31.47%)	(6,495)	8,371
Rate differential due to transactions with Belgium, Turkey and US	1,000	487
Tax-exempted revenues	323	1,994
Deferred tax assets recognised	10,789	1,907
Utilization of previously not recognized tax assets	3,153	397
Tax losses for which no deferred tax asset is recognized	(2,878)	(8,074)
Disallowed expenses	(730)	(197)
Other	(449)	(280)

In assessing whether deferred tax assets should be recognized, management considers the extent to which it is probable that the deferred tax asset will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable profits during the periods in which those temporary differences and tax losses carried forward become deductible. Management considers the expected reversal of deferred tax liabilities and projected future taxable income in making this assessment.

In 2015 and 2016, the Company has incurred certain tax losses subject to significant limitations (tax losses for which no deferred tax asset is recognized). For those losses, deferred tax assets have not been recognized, as it is not probable that taxable profit will be generated to offset those losses.

NOTE 11. INTANGIBLE ASSETS

(€ thousands)	Software and licences	Internally generated intangible assets	Total
Opening net book value			
Business combination	330	1,110	1,440
Additions	223	146	369
Disposals	—	(1)	(1)
Transfers	10	(11)	(1)
Amortisation charge	(35)	(112)	(147)
Exchange differences	6	—	6
Closing net book value	534	1,132	1,667
At December 31, 2015			
Cost or valuation	3,701	8,091	11,792
Accumulated amortisation, impairment and other adjustments	(3,167)	(6,959)	(10,126)
Closing net book value	534	1,132	1,667
Opening net book value	534	1,132	1,667
Additions	829	665	1,494
Transfers ¹	15	(15)	—
Amortisation charge	(257)	(528)	(785)
Closing net book value	1,121	1,255	2,376
At December 31, 2016			
Cost or valuation	5,206	8,080	13,286
Accumulated amortisation, impairment and other adjustments	(4,085)	(6,825)	(10,910)
Closing net book value	1,121	1,255	2,376

(1) The transfer of €15 thousands consists of €676 thousands costs or valuation and €661 thousands accumulated depreciations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

The internal and external software development costs are capitalized under the internally generated intangible assets. These projects are mainly related to SAP implementation, SAP upgrades and the automation of production processes.

The total amortization expense of €0.8 million (€0.2 million for the 4 months period ended in 2015) is included in the line “Depreciation, amortization and impairment” in the income statement.

NOTE 12. PROPERTY, PLANT AND EQUIPMENT

(€ thousands)	Land and buildings	Plant and machinery	Other equipment	Total
Opening net book value				
Business combinations	176,895	99,485	16,795	293,175
Additions	395	11,135	1,980	13,510
Disposals	—	(35)	(44)	(79)
Depreciation charge	(1,857)	(2,701)	(3,774)	(8,332)
Exchange differences	301	700	55	1,056
Closing net book value	175,734	108,584	15,012	299,332
At December 31, 2015				
Cost or valuation	234,421	522,710	46,443	803,574
Accumulated depreciation, impairment and other adjustments	(58,687)	(414,125)	(31,429)	(504,242)
Closing net book value	175,734	108,584	15,012	299,332
Opening net book value	175,734	108,584	15,012	299,332
Additions	1,446	23,787	11,249	36,483
Disposals	—	(1,543)	(234)	(1,777)
Depreciation charge	(5,854)	(12,706)	(10,923)	(29,483)
Exchange differences	(2,124)	(3,107)	(86)	(5,316)
Closing net book value	169,203	115,016	15,019	299,237
At December 31, 2016				
Cost or valuation	232,628	528,504	46,983	808,115
Accumulated depreciation, impairment and other adjustments	(63,426)	(413,488)	(31,964)	(508,877)
Closing net book value	169,203	115,016	15,019	299,237

A total of €36.5 million (€13.5 million for 4 months period in 2015) has been invested, in particular in plant and machinery.

The total depreciation expense of €29.5 million (€8.3 million for 4 months period ended in 2015) has been charged in the line “Depreciation, amortization and impairment” in the income statement.

The Group’s assets which are pledged as security for the borrowings are described in Note 21

Exchange differences (2016: €5.3 million and 2015: €1.1 million) mainly relate to fluctuations in the closing exchange rate of our Turkish entities which have a significant amount of land & buildings and plant & machinery recorded on the statement of financial position.

NOTE 13. DEFERRED INCOME TAX ASSETS AND LIABILITIES

IFRS requires the deferred taxes for each jurisdiction to be presented as a net asset or liability. Offsetting of 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)	2016	2015
Deferred tax assets	18,950	8,573
Deferred tax assets to be reversed after more than 12 months	18,111	8,177
Deferred tax assets to be reversed within 12 months	839	396
Deferred tax liabilities	(69,775)	(67,879)
Deferred tax liabilities to be reversed after more than 12 months	(64,491)	(62,503)
Deferred tax liabilities to be reversed 12 months	(5,283)	(5,376)
Net deferred tax liabilities	(50,825)	(59,306)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

The movement in the net deferred tax liabilities can be summarized as follows:

(€ thousands)	2016	2015
Beginning of period	(59,306)	
Business combinations		(64,197)
Income statement charge	7,727	5,094
Other comprehensive income	285	(432)
Exchange differences	469	229
December 31st	(50,825)	(59,306)

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 tax and leaseback	Intangible assets	Borrowings	Employee benefits	Inventory	Other	Total
Beginning of period								
Business combinations	10,125	5,017	3,186	1,903	2,079	202	2,741	25,253
(Charged)/credited to the income statement	(272)	(158)	(319)		(35)	480	(1,697)	(2,001)
Exchange differences	(437)							(437)
Other comprehensive income			—		(432)			(432)
December 31, 2015	9,416	4,859	2,867	1,903	1,612	683	1,044	22,384
January 1, 2016	9,416	4,859	2,867	1,903	1,612	683	1,044	22,384
(Charged)/credited to the income statement	9,451	(474)	(956)		(22)	325	(987)	7,338
Other comprehensive income					285			285
Exchange differences	12							12
December 31, 2016	18,879	4,385	1,911	1,903	1,875	1,007	57	30,018

In assessing the realizability of deferred tax assets, management considers the extent to which it is probable that the deferred tax asset will be realized. The ultimate realization of deferred tax assets is dependent upon 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 upon 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 Company will realize the benefits of these deductible differences. As of December 31, 2016, the Company has certain tax losses subject to significant limitations. For those losses deferred tax assets are not recognized, as it is not probable that gains will be generated to offset those losses.

As of December 31, 2016 total tax credits amounted to €453.6 million, resulting in a potential deferred tax asset of €151 million of which the Company only recognized €18.9 million in 2016. As of December 31, 2015 total tax credits amounted to €498 million, resulting in a potential deferred tax asset of €157 million of which the Company only recognized €9.4 million. The majority of the tax credits in 2015 and 2016 are incurred at the level of the Belgian legal entities where—with the exception of the tax credits in relation to the Notional Interest Deduction—there is no expiry date regarding the tax credits.

Deferred tax liabilities

(€ thousands)	Property, plant and equipment	Inventory	Income tax liability	Intangible assets	Other	Total
Beginning of period						
Business combinations	(75,003)	(12,043)	(1,500)	(407)	(497)	(89,450)
Charged/(credited) to the income statement	(2,093)	9,649	96	(13)	(544)	7,095
Exchange differences	666					666
December 31, 2015	(76,430)	(2,394)	(1,404)	(420)	(1,040)	(81,689)
January 1, 2016	(76,430)	(2,394)	(1,404)	(420)	(1,040)	(81,689)
Charged/(credited) to the income statement	(1,636)	(388)	1,404	(31)	1,041	390
Exchange differences	457					457
December 31, 2016	(77,610)	(2,782)	—	(451)	1	(80,843)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

Deferred income tax liabilities have not been recognized 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 €150.1 million as of December 31, 2016 (as compared to €160.8 million as of December 31, 2015).

NOTE 14. INVENTORIES

The table below provides a breakdown of total inventories as of December 31, 2016 and 2015:

(€ thousands)	December 31, 2016	December 31, 2015
Total inventories	135,320	129,438
Raw materials and consumables	60,564	60,736
Work in progress	19,087	18,548
Finished goods	55,670	50,153

The movement in ‘Work in progress’ and ‘Finished goods’ can be detailed as follows:

(€ thousands)	December 31, 2016	December 31, 2015
Beginning of period	68,701	—
Business combination		84,841
Income statement	6,055	(16,140)
Of which: impact purchase price allocation		(14,879)
Of which: actual movements in inventory	6,055	(1,261)
End of period	74,757	68,701

The Company decreased the provision for obsolete inventory in 2016 with €0.3 million which is included in “Raw materials used” and “Changes in inventories of finished goods and work in progress” respectively related to raw materials and finished goods (including work in progress).

The sum of the raw material expenses and the changes in inventories recognized as expenses in 2016 amounts to €253.4 million as compared to €119.0 million in 2015.

The Group’s assets which are pledged as security for the borrowings and senior secured notes are described in Note 21.

NOTE 15. TRADE AND OTHER RECEIVABLES

(€ thousands)	December 31, 2016	December 31, 2015
Total Trade and other receivables	55,068	46,634
Trade and other receivables (non-current)	138	91
Other amounts receivable	138	91
Trade and other receivables (current)	54,930	46,544
Net trade receivables	41,325	32,892
Trade receivables	42,658	35,426
Less: Bad debt allowance	(1,333)	(2,535)
Prepayments and accrued income	1,945	1,124
Other amounts receivable	11,661	12,528

The fair value of the 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 derecognized the accounts receivable for which substantially all risk and rewards of ownership have been transferred.

As of December 31, 2016 trade receivables that were past due amounted to €8.7 million compared to €8.2 million at December 31, 2015.

The group has one external customer, representing 12% of the Group’s revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

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 assessment to set up a bad debt allowance is performed on an individual basis in consideration of various factors such as historical experience, credit quality, age of the accounts receivables and economic conditions that may affect a customer's ability to pay. For the years ended December 31, 2016 and 2015 there are no significant receivables past due more than 3 months for which no provision has been set up.

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

(€ thousands)	December 31, 2016	December 31, 2015
Total trade and other receivables	55,068	46,634
EUR	32,650	28,073
USD	9,723	6,097
GBP	2,352	3,105
TRY	10,344	9,359

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

(€ thousands)	2016	2015
Beginning of period (As at January 1)	(2,535)	—
Business combinations		(2,142)
Impairment loss recognized	(39)	(513)
Receivables written off during the year as uncollectible	761	115
Unused amounts reversed	479	5
End of period (As at December 31)	(1,333)	(2,535)

The creation and release of allowances for impaired receivables has been included in other income/expenses in the income statement. 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 per December 31, 2016 the Group holds collateral (letters of credit and corporate or bank guarantees) for an amount of €0.3 million (as compared to €0.4 million as of December 31, 2015).

NOTE 16. CASH AND CASH EQUIVALENTS

(€ thousands)	December 31, 2016	December 31, 2015
Total cash and cash equivalents	45,988	45,462
Cash at bank and on hands	38,553	36,586
Short-term bank deposits	2,035	2,933
Cash from local financing	5,400	5,943

The cash from local financing relates to cash and cash equivalent balances held by subsidiaries that operate in countries where legal restrictions apply and as such the cash and cash equivalents are not directly available for general use by the parent or other subsidiaries.

The credit quality of the banks and financial institutions is disclosed in Note 24. The Group's assets which are pledged as security for the borrowings are described in Note 21.

NOTE 17. SHARE CAPITAL AND SHARE PREMIUM

The legal issued share capital of the Company is set at €171 thousand divided into 171,000 ordinary shares with a nominal value of 1 EUR each. The Company is incorporated with an initial share capital of €31 thousand which was subsequently increased with €140 thousand to €171 thousand. The capital of the Company may be increased or reduced by a resolution of shareholders adopted in the manner required for amendment of the articles of association in addition to any

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

approvals required by statutory law and requires approval from LSF9 Balta Midco S.à r.l. (registered with the Luxembourg Trade and Companies Register under number B 197722). All shares issued by the Company were fully paid, together with a share premium of €1.3 million.

NOTE 18. OTHER COMPREHENSIVE INCOME

Components of other comprehensive income (OCI) are items of income and expenses (including reclassification adjustments) that are not recognized in the profit or loss as required or permitted by other IFRSs. The Group has other comprehensive income which mainly relate to the remeasurements 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 other comprehensive income are summarized in the table below:

(€ thousands)	2016	2015
Items in OCI that may be subsequently reclassified to P&L	(7,409)	720
Cumulative translation reserves as of December 31	(7,293)	720
Cumulative translation reserves at beginning of the period	720	—
Exchange differences on translating foreign operations	(8,013)	720
Cumulative changes in fair value of hedging instruments as of December 31	(116)	—
Cumulative changes in fair value of hedging instruments at beginning of the period	—	—
Changes in fair value of hedging instruments during the period	(116)	—
Items in OCI that will not be reclassified to P&L	346	943
Changes in deferred taxes at December 31	(147)	(432)
Changes in deferred taxes at beginning of the period	(432)	—
Changes in deferred taxes during the period	285	(432)
Changes in employee defined benefit obligations at December 31	493	1,375
Changes in employee defined benefit obligations at beginning of the period	1,375	—
Changes in employee defined benefit obligations during the period	(882)	1,375
Total other comprehensive income at December 31	(7,063)	1,664

Cumulative translation reserves

The cumulative translation reserves arise from translating the non-monetary financial assets such as equity of the foreign entities Balta USA (USD), Balta Oriënt and Balta Floorcovering (TRY), into the currency of the group (EUR). The exchange rates used to translate the foreign operations are disclosed in Note 1.3.

Cash flow hedge accounting

Cash flow hedge accounting has been initiated on June 1, 2016. Therefore, changes in fair value of the forward contracts before this date have been recorded directly in P&L. The movement schedule below summarizes the amounts recorded into the cash flow hedge reserve and the portion that was recognized in the income statement in relation to contracts that were settled in December 2016:

€ thousands	December 31, 2016
Opening balance	—
Amounts recorded in the cash flow hedge reserve	2,190
Amounts recognized in the income statement	(2,307)
Cash flow hedge reserve, ending balance	(116)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

In the recent 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 26 for further details.

The liability has been measured using a discount rate of 1.31% for 2016 and 2.05% for 2015.

Deferred Taxes

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

NOTE 19. RETAINED EARNINGS

<u>(€ thousands)</u>	<u>2016</u>	<u>2015</u>
Beginning of period	(21,995)	—
Profit / (Loss) for the period	25,345	(21,995)
December 31	3,351	(21,995)

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 to ten percent of the issued share capital of the Company.

The balance may be distributed to shareholders upon decision of a general meeting of shareholders, taking into account the restrictions as defined in the senior facilities agreement.

NOTE 20. PREFERRED EQUITY CERTIFICATES

In connection with the acquisition of Balta Finance, the Issuer has issued 1,108,800 preferred equity certificates (“PECs”) having a nominal value of €125, for an aggregate amount of €138.6 million. The aggregate amount has been paid in cash to the Company on August 10, 2015. The terms and conditions of the preferred equity certificates are governed by and construed in accordance with the laws of Luxembourg. The main characteristics of the PECs at the end 2015 are as follows:

- Each PEC is entitled to receive a return which is mainly driven by any income derived by the Company from its investment in LSF9 Balta Investments S.à r.l., it being understood that the Company shall retain a margin on an annual basis on its financing activity as determined from time to time by a transfer price study
- Mandatory redemption at maturity, December 31, 2045
- Optional redemption prior to the maturity date, subject to certain restrictions including that the redemption payment will not violate any covenant contained in or result in a default under any agreement or other financial obligation of the Company or any of its subsidiaries after making such payment
- In the event that the Company would sell all or part of the shares of LSF9 Balta Investments S.à r.l. or in the event that LSF9 Balta Investments S.à r.l. would sell the preferred equity certificates it has issued and to which the Company has subscribed, the Company shall be entitled to convert any or all of the PECs into shares of the Company. Any shares issued to the holder(s) of the PECs shall be subject to a pledge or other security interest in favor of the Company’s creditor under the senior debt documents if and to the extent such creditors are secured by a pledge on the then-issued and outstanding shares of the Company
- The number of shares to be issued per converted PEC equals the quotient determined by dividing the sum of the par value of the PEC plus the amount of any accrued yield that is unpaid by the nominal value of the shares

Given that the Company does not have an unconditional right to avoid delivering cash to settle the PECs, the contract has been classified as a financial liability under IFRS per December 2015. The presence of early redemption and conversion options implies that the contract contains multiple embedded derivatives. Given the inability to separate the embedded derivatives from the host contract, the entire contract was measured at fair value through profit or loss. As of December 31, 2015, management believes that the cash consideration received was a reliable measure of fair value. This measure is a Level 3 estimate, as described in Note 24.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

Immediately following December 31, 2015, the Subscriber and the Issuer discussed and agreed on changes to be made to the PEC agreement. The terms and conditions were formalized later in a separate agreement which came into effect on January 1, 2016. In this agreement, the parties have confirmed to amend the PEC agreement as follows:

- The Issuer has the option in its discretion to request the extension of the maturity date, each time for a period of one year;
- Upon the occurrence of a mandatory redemption trigger event, which is an event at the full discretion of the Issuer, the Issuer shall mandatorily redeem the then outstanding PECs for an amount equal to the sum of their relevant par value and any accrued and unpaid yield.

The amended and restated terms and conditions will become effective on and as from the earlier of (i) the date the Senior Secured Notes are repaid in full and (ii) the date any security interest over the PECs are irrevocable and unconditionally released (the “Effective Date”). Until the occurrence of the Effective Date, the PECs will remain subject to the original terms and conditions as outlined above.

Based on the separate agreement, the Company will have an unconditional right to avoid delivering cash to settle the PECs. Consequently, the contract no longer meets the definition of a financial liability under IFRS, but instead qualifies as an equity instrument. The financial liability has been extinguished on January 1, 2016 and the book value at this date has been recognized as an increase in the Company’s equity.

NOTE 21. SENIOR SECURED NOTES

(€ thousands)	December 31, 2016	December 31, 2015
Total Senior Secured Notes	283,510	283,690
Non-Current portion	279,277	276,826
Of which: gross debt	290,000	290,000
Of which: capitalised financing fees	(10,723)	(13,174)
Current portion	4,234	6,864
Of which: gross debt	6,618	9,177
Of which: capitalised financing fees	(2,384)	(2,314)

The Issuer issued €290 million aggregate principal amount of 7.75% Senior Secured Notes due 2022 as part of the financing of the acquisition of Balta Finance. The Indenture is dated August 3, 2015 and the principal amount was released from the escrow account at Completion Date. The maturity date of the Senior Secured Notes is September 15, 2022.

Interest on the Senior Secured Notes accrue at the rate of 7.75% per annum and are payable semi-annually in arrears on March 15 and September 15 of each year, commencing on March 15, 2016.

At the end of December 2015, accrued interest related to the period August 3, 2015 until December 31, 2015, i.e. five months, given that the first interest payment had not yet occurred. As from 2016, accrued interest at the end of December is lower given that interest accrues over a shorter period of time, namely from September 15 until December 31.

Costs related to the issuance of Senior Secured Notes have been included in the carrying amount and are amortized into profit or loss over the term of the debt in accordance with the effective interest method. Total costs capitalized amounted to €16.4 million, of which €13.1 million remain capitalized as of December 31, 2016 (as compared to €15.5 million on December 31, 2015).

The current portion of the debt associated with the Senior Secured Notes relates to accrued interest payable at the next interest payment date and the portion of the capitalized financing fee that will be amortized into profit or loss over the next 12 months.

The Senior Secured Notes are subject to certain incurrence covenants that restrict, among other things, our ability to:

- incur or guarantee additional indebtedness and issue certain preferred stock
- create or permit to exist certain liens
- make certain restricted payments, including dividends or other distributions

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

- prepay or redeem subordinated debt or equity
- make certain investments or acquisitions, including participation in joint ventures
- engage in certain transactions with affiliates
- sell, lease or transfer certain assets, including stock of restricted subsidiaries
- guarantee debt of the Issuer or any Guarantor without also guaranteeing the Senior Secured Notes
- create certain restrictions on the ability of restricted subsidiaries to pay dividends or make other payments to the Issuer or a restricted subsidiary
- create unrestricted subsidiaries
- merge or consolidate with other entities or transfer all or substantially all of the Issuer and its restricted subsidiaries' assets or a Guarantor's assets
- impair the security interest for the benefit of the holders of the Senior Secured Notes

The Senior Secured Notes are secured by first-ranking security interests over the following collateral:

- the issued shares of the Guarantors
- the issued preferred equity certificates of the Issuer and Balta Investments
- certain bank accounts of the Guarantors
- certain moveable assets of certain of the Guarantors
- certain intra-group loans and receivables of the Guarantors
- a business pledge with respect to the business of Balta Industries NV, Balta Oudenaarde NV and Modulys NV

The collateral also secures the Revolving Credit Facility (see Note 22) and certain hedging obligations on an equal and ratable basis. 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 Revolving Credit Facility and certain hedging obligations have been repaid in full. Any such proceeds will, after all obligations under the 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 ratable basis.

NOTE 22. BANK AND OTHER BORROWINGS

In 2015, a portion of the proceeds from the issuance of capital, preferred equity certificates and Senior Secured Notes were used to repay €160.5 million of existing debt, including the repayment in full on August 11, 2015 of all outstanding borrowings under the Senior Facility Agreement, the Reverse Factoring Agreement and the subordinated shareholder debt agreement, together with the repayment in full of the debt outstanding under the Halkbank facility.

The table below provides an overview of the bank and other borrowings that continue to exist on December 31, 2015 and 2016:

(€ thousands)	December 31, 2016	December 31, 2015
Total Bank and other borrowings	18,002	20,277
Non-Current portion	15,388	17,787
Finance lease liabilities	15,388	17,787
Current portion	2,614	2,490
Bank borrowings	120	40
Finance lease liabilities	2,494	2,450

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

Bank borrowings

On August 3, 2015, Balta Issuer and Balta Investments entered into a Revolving Credit Facility Agreement providing for a €40.0 million Revolving Credit Facility; which was increased to €45.0 million in 2016. The Revolving Credit Facility is secured by first-ranking security interests over the collateral, which also secure the Senior Secured Notes and the Guarantees. Under the 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 unutilized commitment under the Revolving Credit Facility. Amounts drawn under the Revolving Credit Facility may be used for working capital and other general corporate purposes of the Restricted Group, operational restructurings or permitted reorganizations of the Group.

The initial facility commitments of ING Belgium NV and KBC Bank NV were each converted into an Ancillary Facility Agreement for an aggregate amount of €40.0 million.

The Revolving Credit Facility Agreement contains customary and certain deal specific affirmative loan style covenants and restrictive covenants. Set out below is a brief description of such covenants, all of which are subject to customary and certain deal specific exceptions.

- **Incurrence covenants.** These are substantially the same as those applicable to the Notes
- **Affirmative covenants.** These require, among other things, (i) the provision of certain financial information, (ii) the provision of certain financial information, (ii) the obtaining, compliance with and maintenance of authorizations required by law or regulation to enable each Obligor to (a) perform its obligations under the finance documents under the Revolving Credit Facility and the Acquisition Documents (b) ensure the legality, validity, enforceability or admissibility in evidence of any Finance Document and the Acquisition Documents to which it is a party, and (c) to enable it to own its property and assets and to carry on its business; (iii) compliance in all material respects with applicable laws and regulations; (iv) payment of taxes; (v) preservation of assets; (vi) maintenance of pari passu ranking of any unsecured and unsubordinated claims of a Finance Party against each Obligor under the Finance Documents with the claims of other unsecured and unsubordinated creditors (except where such claims are mandatorily preferred by law); (vii) commercially reasonable steps to preserve and enforce material rights under the Acquisition Documents; (viii) maintenance of insurances; (ix) the preservation and maintenance of intellectual property; (x) certain further assurances with respect to the Collateral; (xi) access to books, accounts and records, viewing of assets and discussion with management following an Event of Default; and (xiii) compliance with sanctions and anti-money laundering laws.
- **Negative covenants:** These include, among others, restriction with respect to changes of center of main interests.
- **Financial covenants:** the Issuer is required to ensure compliance with a Total Net Leverage Ratio financial covenant, requiring the Issuer to ensure that (to the extent tested) the Total Net Leverage Ratio as at the end of each relevant quarter period does not exceed 6.50:1. The financial covenant shall only apply to the extent that the aggregate principal amount of all outstanding loans under the Revolving Credit Facility and all outstanding cash drawings under any ancillary facilities on the last day of the applicable relevant quarter period is greater than 30% of the total commitments in respect of the Revolving Credit Facility as at the end of the relevant quarter period. This financial covenant will be (to the extent tested) tested quarterly on a rolling 12-month basis.

We confirm that as of December 31, 2016, the aggregate Base Currency Amount of the outstanding principal amount of all Loans and all cash drawings under the ancillary facilities is less than 30% of the Total Commitments and therefore the financial covenants do not apply.

The Revolving Credit Facility is guaranteed by each Guarantor. The initial borrowers and guarantors of the Revolving Credit Facility were the Company and Balta Investments. On October 10, 2015 the following members of the Group acceded to the Revolving Credit Facility as borrower and guarantor: Balta Finance, Balta NV, Balta Industries NV, Balta Oudenaarde NV and Modulys NV. The collateral that secures the Senior Secured Notes, as described in Note 21, also secures the Revolving Credit Facility. 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 Revolving Credit Facility and certain hedging obligations have been repaid in full.

The Revolving Credit Facility also provides that (i) the aggregate consolidated EBITDA (as defined in the Revolving Credit Facility Agreement) of the Guarantors (provided that for this purpose where any Guarantor has negative

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

earnings before interest, tax, depreciation and amortization (calculated on the same basis as Consolidated EBITDA) its earnings before interest, tax, depreciation and amortization shall be deemed zero) is required to exceed 80% of the Restricted Group's Consolidated EBITDA and (ii) the aggregate of the total assets (excluding good will and intra-Group items) of the Guarantors is required to exceed 70% of the total assets of the Restricted Group ((i) and (ii) together, the "Guarantor Coverage Test"). Subject to the Agreed Security Principles, the Issuer shall procure that any other member of the Group required to become an additional Guarantor in order to ensure compliance with the Guarantor Coverage Test accedes to the Revolving Credit Facility as a Guarantor.

We confirm that the aggregate of the Adjusted EBITDA of the Guarantors (without double counting) exceeds 80% of the Adjusted EBITDA of the Group and the aggregate of the total assets of the Guarantors (without double counting) exceeds 70% of the total assets of the Group.

Factoring

As part of its normal course of business, the Group has entered into two non-recourse receivables financing agreements, whereby it may sell trade receivables arising from the normal course of business at face value less certain reserves and fees. The insolvency 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 has been transferred, the trade receivables assigned to the factoring companies have been derecognized from the statement of financial position.

Whilst the factoring program described above relates the portfolio of credit insured trade receivables, the Group has also entered into a forfaiting agreement where a financial institution agrees to purchase (forfait) on a revolving basis the receivables from individually identified debtors. The credit risk related to these receivables is fully transferred from the Group to the financial institution and as a result hereof, the financial institution bears the risk of non-payment by the debtor. The Group has been mandated to collect the forfeited receivables for the account of and on behalf of the financial institution. The eligible portion of the trade receivables that have been transferred and financed under this agreement have been derecognized from the Group's statement of financial position. The Group continues to recognize a portion of the receivables to the extent of its continuing involvement, in accordance with IAS 39 "Financial instruments: recognition and measurement".

The Group is also party to an Accounts Receivables Purchase Agreement with a financial institution, in the framework of a supply chain financing program 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 receivables are derecognized on the moment the cash is received.

NOTE 23. LEASES

Finance lease liabilities

The table below shows the net book amount of the "land and buildings" and "plant and machinery" which are subject to a finance lease agreement:

(€ thousands)	December 31, 2016	December 31, 2015
Net book value—Land and Buildings	14,193	15,726
Cost-Capitalised finance leases	18,412	18,412
Accumulated depreciation	(4,219)	(2,685)
Net book value—Plant and machinery	5,558	5,888
Cost-Capitalised finance leases	6,608	6,608
Accumulated depreciation	(1,050)	(720)
Net book value—Total leased Property, Plant & Equipment	19,751	21,614
Cost-Capitalised finance leases	25,020	25,020
Accumulated depreciation	(5,270)	(3,405)

The finance lease liabilities have decreased from €20.1 million as of December 31, 2015 to €17.8 million as of December 31, 2016. No material new financial lease contracts have been signed during the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

The gross investment in leases and the present value of minimum future lease payments are due as follows:

(€ thousands)	December 31, 2016	December 31, 2015
Gross finance lease liabilities—minimum lease payments	20,293	23,142
No later than 1 year	2,824	2,850
Later than 1 year and no later than 5 years	6,479	7,990
Later than 5 years	10,990	12,302
 (€ thousands)	 December 31, 2016	 December 31, 2015
Total present value of finance lease liabilities	17,787	20,136
No later than 1 year	2,399	2,349
Later than 1 year and no later than 5 years	5,263	6,612
Later than 5 years	10,125	11,175

Operating leases

The Group leases various equipment, machinery and vehicles under operating lease agreements. The lease terms are between 3 and 12 years.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

(€ thousands)	December 31, 2016	December 31, 2015
Total present value of operating lease commitments	10,460	7,145
No later than 1 year	3,358	2,360
Later than 1 year and no later than 5 years	5,595	4,785
Later than 5 years	1,507	—

NOTE 24. ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS

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

(€ thousands)	Fair value hierarchy	December 31, 2016	December 31, 2016	December 31, 2015	December 31, 2015
		Carrying amount	Fair value	Carrying amount	Fair value
Assets as per statement of financial positions		101,102	101,102	92,883	92,883
Loans and receivables		101,056	101,056	92,097	92,097
Trade and other receivables		55,068	55,068	46,635	46,635
Cash and cash equivalents	Level 1	45,988	45,988	45,462	45,462
Assets at fair value through profit or loss		—	—	786	786
Foreign exchange derivative financial instruments	Level 2	—	—	273	273
Fixed price electricity purchase commitments	Level 2	—	—	512	512
Assets at fair value through OCI		46	46	—	—
Foreign exchange derivative financial instruments	Level 2	46	46	—	—
Liabilities as per statement of financial positions		433,237	468,726	560,105	584,879
Financial liabilities measured at amortised cost		433,075	468,564	421,505	446,279
Senior Secured Notes	Level 1	283,511	319,000	276,826	301,600
Bank and other borrowings	Level 2	120	120	40	40
Finance lease liabilities	Level 2	17,881	17,881	20,237	20,237
Trade and other payables		131,562	131,562	124,402	124,402
Financial liabilities measured at fair value through profit or loss		—	—	138,600	138,600
Preferred equity certificates		—	—	138,600	138,600
Financial liabilities measured at fair value through OCI		162	162	—	—
Foreign exchange derivative financial instruments	Level 2	162	162	—	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

The different levels of valuation method 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 value of the Senior Secured Notes is based on a Level 1 estimate, with a price of approximately 110% as of December 31, 2016 (compared to a price of approximately 104% as of December 31, 2015).

The fair value of the PECs per December 31, 2015 has been determined using Level 3 estimates, see Note 2 and Note 20.

The fair value of all other financial instruments, with the exception of cash- and cash equivalents, has been determined using Level 2 estimates. The fair value of the forward foreign exchange contracts have been determined using forward exchange rates that are quoted in an active market. A similar valuation approach has been applied to determine the fair value of the fixed price electricity purchase commitments at the Completion Date. 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.

NOTE 25. 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 program focuses on the unpredictability of financial markets and seeks to minimize 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 did not apply hedge accounting to these transactions during the period covered by these consolidated financial statements.

Qualitative and quantitative disclosures about market risk

Foreign Exchange Risk

We have significant exposure to the value of the British Pound, the U.S. dollar and the Turkish lira. 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, EUR/GBP and EUR/TRY exchange rates. The proportion of our revenue recognized 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. For instance, many of our sales in the United Kingdom are invoiced in euro.

Our Consolidated Financial Statements are prepared in euro. 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 euro. A portion of our assets, liabilities, revenue and costs are denominated in various currencies other than euro, principally GBP, USD and TRY. As a result, our consolidated results of operations, which are reported in euro, are affected by currency exchange rate fluctuations.

Transaction risk arises when our subsidiaries execute transactions in a currency other than their functional currency. We mitigate this risk through four primary methods. First, for USD, we historically have been able to match cash inflows and cash outflows, resulting in a natural hedge between assets and liabilities. The natural hedge position is assessed on a semi-annual basis, whereby the amount of our remaining exposure is closely monitored. Secondly, we have also entered into commercial arrangements with two of our key customers to review the impact of EUR/GBP and EUR/TRY fluctuations and with the potential to adjust prices accordingly. Thirdly, we also use forward exchange contracts to hedge our residual exposure to GBP. Finally, even with respect to commercial arrangements that do not provide for exchange rate-based price-adjustment mechanisms, our established relationships with our customers imply that both positive and negative currency fluctuations are generally passed on through price revisions over the medium term. Fluctuations in the value of the USD and TRY relative to the euro typically have a short-term impact on our gross margin as on the revenue side both we and our customers seek to adjust prices in response to foreign currency fluctuations. On the expense side, both we and our suppliers also seek to adjust prices. As a significant percentage of certain of our suppliers' costs are fixed in U.S. dollars, foreign exchange rates relative to the U.S. dollar influence the prices we pay for some of our raw materials. In addition, our industry

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

is competitive and elastic, as demonstrated by price rebalancing across the industry in response to foreign currency and raw material price fluctuations. Changes in foreign exchange rates also have a long-term impact on our sales volumes. For example, if there is long-term depreciation of the euro, our sales volumes may increase as we become more competitive in non-Eurozone markets. In contrast, a long-term strengthening of the euro may decrease our volumes and price competitiveness as in non-European markets.

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

<u>(€ thousands)</u>	<u>EUR</u>	<u>GBP</u>	<u>USD</u>	<u>TRY</u>	<u>Total</u>
December 31, 2016 Net Exposure	(42,328)	(795)	5,028	7,589	(30,506)
Trade and other receivables	32,650	2,352	9,723	10,344	55,068
Cash and cash equivalents	38,436	3,237	2,227	2,088	45,988
Trade and other payables	(113,414)	(6,384)	(6,922)	(4,843)	(131,562)
December 31, 2015 Net Exposure	(39,942)	(2,201)	1,993	7,844	(32,305)
Trade and other receivables	28,073	3,105	6,097	9,359	46,635
Cash and cash equivalents	36,791	4,199	1,707	2,766	45,462
Trade and other payables	(104,806)	(9,505)	(5,811)	(4,281)	(124,402)

The following table presents the sensitivity analysis of the year-end statement of financial position positions in GBP, USD and TRY in case the euro would weaken by 10%.

<u>(€ thousands)</u>	<u>2016</u>	<u>2015</u>
GBP denominated	(1,710)	(1,713)
Changes in fair value of derivative financial instruments	(1,622)	(1,468)
Changes in carrying amount of monetary assets and liabilities	(88)	(245)
USD denominated	712	221
Changes in fair value of derivative financial instruments	153	—
Changes in carrying amount of monetary assets and liabilities	559	221
TRY denominated	843	872
Changes in fair value of derivative financial instruments	—	—
Changes in carrying amount of monetary assets and liabilities	843	872

The following table presents the sensitivity analysis of the year-end statement of financial position positions in GBP, USD and TRY in case the euro would strengthen by 10%:

<u>(€ thousands)</u>	<u>2016</u>	<u>2015</u>
GBP denominated	1,399	1,402
Changes in fair value of derivative financial instruments	1,327	1,201
Changes in carrying amount of monetary assets and liabilities	72	200
USD denominated	(582)	(181)
Changes in fair value of derivative financial instruments	(125)	—
Changes in carrying amount of monetary assets and liabilities	(457)	(181)
TRY denominated	(690)	(713)
Changes in fair value of derivative financial instruments	—	—
Changes in carrying amount of monetary assets and liabilities	(690)	(713)

Commodity Price Risk

We are exposed to fluctuations in the price of major raw material commodities used in the manufacturing process. Our key raw materials are polypropylene granulates, yarn, latex and polyamide granulates.

In 2016, raw materials expenses represented 46.5% of the Company's revenue. The Company is generally able to pass on increases in the costs of its raw materials to its customers, and its customers, in turn, typically also request price decreases when the raw material costs decrease. As there is typically a time delay in the Company's ability to pass through raw materials price increase, changes in the cost of raw materials typically have a short-term impact on the Company's gross margin. However, the impact on its long term performance has been limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

If the commodity prices of polypropylene and polyamide had been 10% higher (lower), profit after tax would have been €4 million lower (higher) in the absence of any mitigating actions taken by management. This impact has been determined by multiplying the volumes of both granulates and yarns purchased on an annual basis with a 10% variance on the average purchase price of polypropylene and polyamide for the year. The sensitivity calculation takes into account the time lag between purchasing polypropylene and polyamide and recognizing the raw material expenses against sales. Given both the time lag between the recognition of inventory in the income statement and the cost of more recent inventory purchases (FIFO method), in combination with the fair value step-up of the inventory in August 2015 following the acquisition of Balta Finance, an increase in the commodity prices of polypropylene and polyamide in the period August to December 2015 would not have had an impact on the 2015 income statement.

When we hedge, we typically do so by entering into fixed price contracts with our suppliers. In October 2015, we entered into a fixed price agreement to hedge approximately 8% of our annual consumption of polypropylene granulates. We typically use 65,000 tons of polypropylene granulates per year, with 50,000 tons purchased under contracts and 15,000 tons purchased on the spot market. In 2016 all the hedging contracts have come to an end. The Company did not enter into any new hedging contracts in 2017.

Interest Rate Risk

Our interest rate risk principally relates to external indebtedness that bear interest at variable rates. Following the acquisition of Balta Finance and the repayment of the senior credit facility, only the amounts that we borrow under the Revolving Credit Facility, our capital leases and our factoring and forfaiting arrangements are subject to variable interest rates, as the Senior Secured Notes carry interest at a fixed rate. We therefore do not expect to use interest rate swaps in respect of our financing going forward.

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. If a credit limit needs to be increased, the approval of the CFO is required. 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 and forfaiting of the trade receivables whereby the insolvency 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 contract are over the counter with a financial institution as counterparty. Our fixed price purchase commitments are entered into with the counterparty of our long term procurement contracts.

Historic default rates did not exceed 0.1% for 2015 and 2016.

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)	December 31, 2016	December 31, 2015
Total cash at bank and short-term bank deposits	45,988	45,462
A rating	42,493	41,623
BBB rating	3,495	3,839

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 undrawn 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 the resultant cash inflows are our main source of liquidity. Our cash pooling system enables us to benefit from surplus fund 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 sufficient 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 whereby cash is made available to us in consideration for certain trade receivables generated by us.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

Our primary sources of liquidity have historically been our cash flows from operations and our non-recourse factoring agreements. The principal financing arrangements that are in place at December 31, 2016 and per December 31, 2015 are the Senior Secured Notes, the Revolving Credit Facility and capital lease agreements.

The following table reflects all contractually fixed pay-offs for settlement, repayments and interest resulting from recognized financial liabilities. The amounts disclosed are undiscounted net cash outflows, based on the market conditions existing at December 31, 2016.

(€ thousands)	Less than 6 months	Between 6 months and 1 year	Between 1 year and 2 years	Between 2 and 5 years	Over 5 years
Total as of December 31, 2016	(144,357)	(12,647)	(24,905)	(71,474)	(323,465)
Senior Secured Notes	(11,238)	(11,238)	(22,475)	(67,425)	(312,475)
Finance lease liabilities	(1,414)	(1,409)	(2,430)	(4,049)	(10,990)
Trade and other payables	(131,562)	—	—	—	—
Gross settled derivative financial instruments—outflows	(15,925)	—	—	—	—
Gross settled derivative financial instruments—inflows	15,782	—	—	—	—

The following table reflects all contractually fixed pay-offs for settlement, repayments and interest resulting from recognized financial liabilities. The amounts disclosed are undiscounted net cash outflows, based on the market conditions existing at December 31, 2015.

The cash flows related to the preferred equity certificates have been determined based on the contractual mandatory redemption date of December 31, 2045 and reflect a fixed return of 1% per year.

(€ thousands)	Less than 6 months	Between 6 months and 1 year	Between 1 year and 2 years	Between 2 and 5 years	Over 5 years
Total as of December 31, 2015	(139,438)	(12,659)	(25,299)	(72,591)	(532,252)
Finance lease liabilities	(1,428)	(1,422)	(2,824)	(5,166)	(12,302)
Preferred equity certificates	—	—	—	—	(185,000)
Senior Secured Notes	(13,860)	(11,238)	(22,475)	(67,425)	(334,950)
Trade and other payables	(124,402)	—	—	—	—
Gross settled derivative financial instruments—outflows	(13,761)	—	—	—	—
Gross settled derivative financial instruments—inflows	14,013	—	—	—	—

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 market position. Our current corporate credit ratings from Moody's Investor Service (Moody's) and Standard & Poor's Ratings Services (S&P) are noted as follows:

(€ thousands)	December 31, 2016 Moody's	December 31, 2016 S&P	December 31, 2015 Moody's	December 31, 2015 S&P
Long-term issue rating Senior Secured Notes	B2	B	B2	B
Corporate rating	B2	B	B2	B

On August 10, 2015, Moody's Investors Service (Moody's) assigned a definitive B2 rating to the €290 million Senior Secured Notes issued by LSF9 Balta Issuer S.A., the parent holding company of the Balta group, following a review of the final bond documentation. The corporate family rating (CFR) of B2 and the probability of default rating (PDR) of B2-PD remain unchanged. The outlook on all the ratings is stable.

On September 14, 2015, Standard & Poor's Ratings Services assigned its 'B' long-term corporate credit rating to LSF9 Balta Investments S.à r.l.. The outlook is stable. At the same time, S&P assigned its 'B' long-term issue rating to LSF9 Balta Issuer S.A.'s €290 million Senior Secured Notes and its 'BB-' long-term issue rating to the €40 million super senior revolving credit facility (RCF).

Capital risk management

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

In order to maintain or adjust the capital structure, the Group may adjust the amount of 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 Note 22 for further details.

NOTE 26. EMPLOYEE BENEFIT OBLIGATIONS

The Group foresees termination benefits (including early retirement) for its working and retired personnel. The liability was measured using a discount rate of 0.62% in 2016 and 0.92% in 2015.

The Group also operates a pension plan and provided 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 1.18. The liability was measured using a discount rate of 1.31% and 2.05% in 2016 and 2015, respectively. The annual pension cost, relating to the pension plan is disclosed in Note 5.

The employee benefit obligations recognized in the financial statements are detailed below:

(€ thousands)	December 31, 2016	December 31, 2015
Total employee benefit obligations	36,325	35,745
Holiday pay	14,136	13,842
Social security taxes	7,365	8,033
Salaries and wages payable	5,137	5,000
Pension plans	3,008	2,026
Early retirement provision	2,699	2,807
Group insurance	557	550
Withholding taxes	886	
Other	2,538	3,486
Of which current portion	31,246	31,554
Of which non-current portion	5,079	4,191
Pension plans	2,815	1,932
Early retirement pension	2,071	2,164
Pension	193	94

Pension plans: overview

A pension plan has been put in place for management and is financed through employer contributions which increase depending on seniority (basis 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 pensionable salary. Several pension plans are in place for white collars 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 recognized 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 as described above has been classified as defined benefits. The valuation of the pension and bonus plans has been performed in accordance with IAS 19.

We refer to Note 1.18 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 date of closing.

Pension plans: main valuation assumptions

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

	December 31, 2016	December 31, 2015
Discount rate	1.31%	2.05%
Retirement age	65 years	65 years
Mortality	MR/FR-5	MR/FR-5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

Pension plans: reported figures

For the year ended December 31, 2016, the defined benefit obligation taking into account the tax effect amounts to €8.9 million (December 31, 2015: €8.9 million), offset by plan assets of €6.5 million (December 31, 2015: €6.4 million) as per December 31, 2016.

NOTE 27. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

As of December 31, 2016, the Group has recorded a provision of €64 thousand for the dismantling of racks in a warehouse.

NOTE 28. TRADE AND OTHER PAYABLES

Trade payables as of December 31, 2016 includes the amounts for outstanding invoices (€81 million as compared to €69 million as of December 31, 2015) and invoices to be received in relation to goods and services received during the current period (€16 million, as compared to €17 million as of December 31, 2015).

Accrued charges and deferred income mainly relate to:

- Deferred revenue relating to the sale and lease back of one of the facilities which is recognized in profit over the leasing period of the facilities (€13 million as compared to €14 million as of December 31, 2015);
- Deferred revenue relating to advance payments on rental agreements (€4 million remained stable in 2016);
- Accrued charges for customer discounts (€16 million as of December 31, 2016 and €19 million as of December 31, 2015).

<u>(€ thousands)</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Trade and other payables	131,562	124,404
Trade payables	96,620	86,134
Accrued charges and deferred income	33,369	38,220
Other payables	1,573	49

The increase in the outstanding trade and other payables from €124.4 million as of December 31, 2015 to €131.6 million as of December 31, 2016 is driven by the increased amounts outstanding for trade payables, reflecting the increased inventory at the end of the year. This increase is partly offset by a decrease in accrued charges (€4.9 million or 12.8%), mainly due to decreased outstanding customer rebate accruals.

NOTE 29. SHARE BASED PAYMENTS

As of December 31, 2016, the Company has not used any equity settled share plans to grant options, shares nor cash settled plans to its directors and employees.

NOTE 30. 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 Company receives governmental 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"). At December 31, 2016, €0.6 million has been received in this framework. For the four months ended December 31, 2015 the amount was equal to €0.2 million.
- **Investment grants:** The Company has concluded a cooperation agreement with external parties for the development of hybrid structures made with blended (preferential airlaid) technology containing waste streams of polypropylene and of polyurethane. At December 31, 2016, €0.02 million has been received in this framework. Compared to the four months ended December 31, 2015, where no allowances had been received by the Company in this framework.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

NOTE 31. DIVIDENDS PER SHARE

The Group did not declare any dividends to shareholders for the period ended December 31, 2016 and December 31, 2015.

NOTE 32. EARNINGS PER SHARE

	December 31, 2016	December 31, 2015
Basic earnings per share		
Net result from continuing operations	25,345	(21,995)
Percentage of net result from continuing operations attributable to holders of ordinary shares		
LSF9 Balta Issuer SA	1%	1%
Net result from continuing operations attributable to holders of ordinary shares LSF9 Balta Issuer SA	253	(220)
Net result from discontinued operations attributable to holders of ordinary shares LSF9 Balta Issuer SA	—	—
Weighted average number of ordinary shares outstanding (in thousands)	171	171
Net result per share attributable to holders of ordinary shares LSF9 Balta Issuer SA (in €)	1.5	(1.3)

As disclosed in Note 20, the acquisition of Balta Finance has been partially funded by the issuance of PECs. Each PEC is entitled to receive a return which is mainly driven by any income derived by the Company from its investment in LSF9 Balta Investments S.à r.l., it being understood that the Company shall retain a 1% margin on annual basis on its financing activities. It follows that the vast majority of the net result are attributable to the holders of the PECs and not to the holders of the ordinary shares.

NOTE 33. COMMITMENTS

Energy

Our fixed price purchase commitments for electricity and gas, for deliveries in 2017, are equal to €11.5 million as of December 31, 2016 compared to an amount of €15.7 million as of December 31, 2015.

Raw material

Our fixed price purchase commitments for raw materials, for deliveries in 2017, are equal to €66 million as of December 31, 2016 compared to an amount of €94 million for deliveries in 2016 as of December 31, 2015.

Capital expenditures

As of December 31, 2016 €2.4 million capital commitments are outstanding compared to no material capital commitments as of December 31, 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

NOTE 34. LIST OF CONSOLIDATED COMPANIES

The subsidiaries and jointly controlled entities of LSF9 Balta Issuer S.A., the Group's percentage of interest and the Group's percentage of control are presented below.

	December 31, 2016		December 31, 2015	
	% of interest	% of control	% of interest	% of control
Belgium				
Balta NV	100%	100%	100%	100%
Balta Industries NV	100%	100%	100%	100%
Balta Trading Comm.V	100%	100%	100%	100%
Modulyss NV	100%	100%	100%	100%
Balta Oudenaarde NV	95%	100%	95%	100%
Balta M BVBA	100%	100%	100%	100%
Balfid BVBA	100%	100%	100%	100%
Luxembourg				
Balfin Services S.à r.l.	100%	100%	100%	100%
Balta Finance S.à r.l. (merged with LSF9 Balta Investments S.à r.l. on November 8, 2016)			100%	100%
LSF9 Balta Luxembourg S.à r.l. (created in December 1, 2016) ..	100%	100%	—	—
LSF9 Balta Investment S.à r.l.	100%	100%	100%	100%
Turkey				
Balta Orient Tekstil Sanayi Ve Ticaret A.S.	100%	100%	100%	100%
Balta Floorcovering Yer Döşemeleri San.ve Tic A.S.	100%	100%	100%	100%
USA				
Balta USA Inc.	100%	100%	100%	100%

NOTE 35. RELATED PARTY TRANSACTIONS

100 % of shares of LSF9 Balta issuer S.A. are owned by LSF9 Balta Midco S.à r.l..

Lone Star Fund IX, through intermediate holding companies, indirectly controls 100% of the issued share capital of LSF9 Balta Issuer S.A.

The following transactions were carried out with related parties:

Key management compensation

Key management means the Group's Executive Committee, which consists of the persons 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 (see Note 6). The compensation paid or payable to key management for employee services, including for the services provided on the basis of management or consultancy agreements with the Group, excluding termination benefits, is shown below:

(€ thousands)	December 31, 2016	December 31, 2015
Total key management compensation	4,098	1,104
Short-term employee benefits	2,785	1,104
Termination benefits	1,313	—

Key members of management are entitled to a management participation plan for the services rendered for the Group. The return of their investment will be paid by LSF9 Midco upon realization of some market conditions

Borrowings from related parties

The borrowings from shareholders in 2015 relate to the Preferred Equity Certificates as described elsewhere in this report. These PECS have been reclassified to equity in 2016. We refer to note 20.

(€ thousands)	December 31, 2015
At opening	—
Loans received during the year	138,600
As of December 31, 2015	138,600

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—(CONTINUED)

Transactions with related parties

Year-end balances arising from daily operations:

<u>(€ thousands)</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Other receivables from related parties	—	31
Other payables to related parties	54	54

The year-end balances mainly arise from current accounts positions at yearend as a result of payments which have been performed on behalf of the Group entities. These current accounts are respectively reflected in the trade and other receivables (Note 15) and in trade and other payables (Note 28).

NOTE 36. FEES PAID TO THE GROUP'S AUDITORS

<u>(€ thousands)</u>	<u>2016</u>	<u>2015</u>
Audit services	354	775
Audit of the Group pursuant to legislation	300	493
Other audit-related services	54	282
Non-audit services	798	398
Tax services	798	369
Other services	—	29
Total fees paid to the Group's auditor	1,152	1,173

NOTE 37. SUBSEQUENT EVENTS

On March 17, 2017, the Company has entered into an agreement to acquire Bentley Mills, Inc. ("Bentley"). Bentley is a leading provider of premium specified carpet tile and broadloom carpets for commercial interiors. Bentley is a leading player in the US premium commercial tiles and broadloom market serving diverse end markets with a balanced geographic mix across the US. Bentley has witnessed strong revenue growth over the last three years, complemented by EBITDA margin improvements driven by cost improvements and efficiencies, operational leverage and strategic repositioning. The acquisition was completed on March 22, 2017, via the closing of a €75 million senior term loan facility. Thanks to this acquisition, pro forma revenue and Adjusted EBITDA in 2016 would have been €668.3 million and €97.4 million, respectively. On a pro forma basis for the incurrence of the senior term loan and the acquisition of Bentley, the Company's net debt as of 31 December 2016 would be approximately €385 million.

Finally the Balta Group is strengthening its market position organically and is considering various opportunities in the M&A markets and the capital markets to finance its growth, which may include public or private equity or debt capital markets. However, other than with respect to the Bentley Mills acquisition, no definitive decision has been taken as to whether to proceed with any transaction.

**Audited Consolidated Financial Statements
of LSF9 Balta Issuer S.A. and its subsidiaries
as of and for the period August 11, 2015 to December 31, 2015**





1. Audit report

To the Shareholders of
LSF9 Balta Issuer S.A.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of LSF9 Balta Issuer S.A. and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period from 22 June 2015 to 31 December 2015 and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

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

Responsibility of the "Réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgment of the "Réviseur d'entreprises agréé" including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the "Réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

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Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of LSF9 Balta Issuer S.A. and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the period from 22 June 2015 to 31 December 2015 in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The management report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 26 April 2016

A handwritten signature in black ink, appearing to be 'Vincent Ball', written over a large, stylized, abstract shape that resembles a signature or a stamp.

Vincent Ball

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD AUGUST 11, 2015 TO
DECEMBER 31, 2015**

(€ thousands)	Note	Period ended December 31, 2015
I. CONSOLIDATED INCOME STATEMENT		
Revenue		194,777
Raw material expenses		(102,817)
Changes in inventories		(16,140)
Gross Profit		75,820
Employee benefit expenses	Note 5	(46,972)
Other income	Note 6	5,586
Other expenses	Note 6	(33,128)
Depreciation / amortization	Note 7	(8,014)
Operating profit before exceptional items¹		(6,709)
Integration and restructuring expenses	Note 8	(10,396)
Operating profit/(loss)		(17,105)
Finance expenses	Note 9	(9,495)
Net financial expenses		(9,495)
Profit / (loss) before income taxes		(26,600)
Income tax benefit / (expense)	Note 10	4,606
Profit / (loss) for the period from continuing operations		(21,995)
Profit / (loss) for the period from discontinued operations		—
Profit / (loss) for the period		(21,995)
II. CONSOLIDATED OTHER COMPREHENSIVE INCOME		
Items in other comprehensive income that may be subsequently reclassified to P&L		
Exchange differences on translating foreign operations		720
Items in other comprehensive income that will not be reclassified to P&L		
Changes in employee defined benefit obligations		944
Other comprehensive income for the period, net of tax		1,664
Total comprehensive income for the period		(20,331)

(1) Operating profit before exceptional items is a non-GAAP measures as described in the Important Notice.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2015

(€ thousands)		As at December 31, 2015
Property, plant and equipment	Note 12	
Land and buildings		175,734
Plant and machinery		108,584
Other fixtures and fittings, tools and equipment		15,012
Goodwill	Note 4	124,673
Other intangible assets	Note 11	1,667
Deferred income tax assets	Note 13	8,573
Trade and other receivables	Note 15	91
Total non-current assets		434,334
Inventories	Note 14	129,438
Derivative financial instruments		786
Trade and other receivables	Note 15	46,544
Current income tax assets		28
Cash and cash equivalents	Note 16	45,462
Total current assets		222,257
Total assets		656,590
Share capital	Note 17	171
Share premium	Note 17	1,260
Other comprehensive income	Note 19	1,664
Retained earnings and other reserves	Note 18	(21,995)
Total equity		(18,900)
Preferred Equity Certificates	Note 20	138,600
Senior Secured Notes	Note 21	276,826
Bank and Other Borrowings	Note 22	17,787
Deferred income tax liabilities	Note 13	67,879
Employee benefit obligations	Note 25	4,191
Total non-current liabilities		505,283
Senior Secured Notes	Note 21	6,864
Bank and Other Borrowings	Note 22	2,490
Employee benefit obligations	Note 25	31,554
Provisions for other liabilities and charges	Note 26	64
Trade and other payables	Note 27	124,404
Income tax liabilities		4,831
Total current liabilities		170,207
Total liabilities		675,490
Total equity and liabilities		656,590

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

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD AUGUST 11, 2015 TO
DECEMBER 31, 2015**

<u>(€ thousands)</u>	<u>Note</u>	<u>Period ended December 31, 2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit / (loss) for the period		(21,995)
Adjustments for:		
Income tax expense / (income)	Note 10	(4,606)
Finance expense	Note 9	9,495
Depreciation, amortisation	Note 7	8,014
Movement in provisions and deferred revenue		4,338
Fair value of derivatives	Note 23	87
Non-cash impact of Purchase Price Allocation (PPA)	Note 3	25,695
Cash generated before changes in working capital		21,028
Changes in working capital:		
Inventories		8,803
Trade receivables		(2,241)
Trade payables		(3,413)
Other working capital		16,928
Cash generated after changes in working capital		41,106
Net income tax (paid)		(532)
Net cash generated / (used) by operating activities		40,575
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment		(14,571)
Acquisition of subsidiary		(272,838)
Net cash from Business Combinations	Note 3	40,656
Net cash used by investing activities		(246,754)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest and other finance charges paid, net		(1,442)
Proceeds from issuance of ordinary shares and share premium		1,431
Proceeds from issuance of preferred equity certificates	Note 20	138,600
Proceeds from issuance of Senior Secured Notes	Note 21	290,000
Proceeds from borrowings with third parties	Note 22	(150,732)
Repayments of borrowings with third parties	Note 22	(9,773)
Payment of debt financing costs	Note 21	(16,442)
Net cash generated / (used) by financing activities		251,641
NET INCREASE / (DECREASE) IN CASH AND BANK OVERDRAFTS		45,462
Cash, cash equivalents and bank overdrafts at the beginning of the period		—
Cash, cash equivalents and bank overdrafts at the end of the period	Note 16	45,462

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD AUGUST 11, 2015 TO
DECEMBER 31, 2015**

(€ thousands)	Share capital	Share premium	Other comprehensive income	Retained earnings	Total	Non-controlling interest	Total equity
Balance at June 22, 2015	<u>31</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>31</u>	<u>—</u>	<u>31</u>
Capital increase	<u>140</u>	<u>1,260</u>	<u>—</u>	<u>—</u>	<u>1,400</u>	<u>—</u>	<u>1,400</u>
Total Contribution by owners of the parent, recognised directly in equity	171	1,260	—	—	1,431	—	1,431
Profit / (loss) for the period	—	—	—	(21,995)	(21,995)	—	(21,995)
Other comprehensive income							
Exchange differences on translating foreign operations			720		720	—	720
Changes in employee defined benefit obligations	—	—	944	—	944	—	944
Total comprehensive income for the period	—	—	1,664	(21,995)	(20,331)	—	(20,331)
Balance at December 31, 2015	<u>171</u>	<u>1,260</u>	<u>1,664</u>	<u>(21,995)</u>	<u>(18,900)</u>	<u>—</u>	<u>(18,900)</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD AUGUST 11, 2015 TO DECEMBER 31, 2015

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 to the year presented, unless otherwise stated.

1.1 Basis of preparation

Basis of preparation

These consolidated financial statements of LSF9 Balta Issuer S.A. (“the Company” or “Balta Issuer”) have been prepared for the first time in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS”). These include all IFRS standards and IFRIC interpretations issued and effective at December 31, 2015.

These consolidated financial statements are presented in Euro, 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 Euro, unless otherwise stated.

These financial statements are prepared on a going concern basis, i.e. assuming that operations will continue in the foreseeable future.

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 judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 2.

New standards and amendments to standards

The following interpretation and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2015:

- IFRIC 21 ‘Levies’, effective for annual periods beginning on or after 17 June 2014. IFRIC 21 sets out the accounting for a liability to pay a levy if that liability is within the scope of IAS 37. IFRIC 21 addresses what the obligating event is and when a liability should be recognized.

The following new standards and amendments to standards have been issued, but are not mandatory for the first time for the financial year beginning 1 January 2015 and have not been endorsed by the European Union:

- IFRS 9 ‘Financial instruments’, effective for annual periods beginning on or after 1 January 2018. The standard addresses the classification, measurement and derecognition of financial assets and financial liabilities.
- IFRS 15 ‘Revenue from contracts with customers’. The IASB and FASB have jointly issued a converged standard on the recognition of revenue from contracts with customers. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally. Companies using IFRS will be required to apply the revenue standard for annual periods beginning on or after 1 January 2018, subject to EU endorsement.
- Amendment to IFRS 9 ‘financial instruments’ on general hedge accounting, effective for annual periods beginning on or after 1 January 2018. The amendment incorporates the new general hedge accounting model which will allow reporters to reflect risk management activities in the financial statements more closely as it provides more opportunities to apply hedge accounting. These amendments also impact IAS 39 and introduce new disclosure requirements for hedge accounting, thereby impacting IFRS 7, irrespective of the fact whether hedge accounting requirements under IFRS 9 or IAS 39 are used.

Management is currently assessing the impact of these new standards and amendments on the Group’s operations.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD AUGUST 11, 2015 TO
DECEMBER 31, 2015—(CONTINUED)**

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 incurred to the former owners of the acquiree and the equity interests issued by the Group. 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 recognizes 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 as incurred.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect the changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

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 recognized for non-controlling interest over the net recognized amount (generally at fair value) of the identifiable assets acquired and liabilities assumed constitutes goodwill, and is recognized as an intangible asset. Negative goodwill is recognized immediately in the income statement.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated on consolidation. Unrealized 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.

1.3 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's 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 Euro, which is the Company's functional and the Group's presentational currency. All amounts are stated in thousands of euro 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 valuation where items are re-measured. 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 recognized 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 companies that do not qualify as a net investment in a foreign operation are presented in the statement of comprehensive income within "Finance income and expense". All other foreign exchange gains and losses are presented in the statement of comprehensive income within "Other income" or "Other expenses" which is part of the operating profit.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in carrying amount are recognized in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in other comprehensive income.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD AUGUST 11, 2015 TO
DECEMBER 31, 2015—(CONTINUED)**

The principal exchange rates that have been used to prepare these financial statements are as follows:

	<u>Closing</u>	<u>Average</u>
USD	1.0887	1.1093
TRY	3.1776	3.0187
GBP	0.7340	0.7259

Group companies

The results and financial position of all the Group's entities (none of which has 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 recognized 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 recognized in the statement of comprehensive income as part of the gain or loss on sale.

Foreign exchange gains and losses that relate to borrowings between group companies, are presented in the statement of comprehensive income within "Finance income and expense", if these borrowings do not qualify as a net investment in a foreign operation.

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

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 recognized under IAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

Subsequent costs are included in the asset's carrying amount or recognized 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 derecognized. 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:

Industrial and administrative Buildings	
—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

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

Spare parts purchased for particular items of plant are capitalized and depreciated over the useful life not exceeding 4 years. Samples of products are capitalized and depreciated over 2-3 years.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD AUGUST 11, 2015 TO
DECEMBER 31, 2015—(CONTINUED)**

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 the Business Combination are depreciated over the average remaining lifetime of the applicable assets taking into.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "Other income" or "Other expenses" in the statement of comprehensive income.

1.5 Intangible assets

Goodwill

Goodwill on acquisitions of subsidiaries is included in "intangible assets" and allocated to cash generating units of the underlying assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Trademarks and licenses

Separately acquired trademarks and licenses are shown at historical cost. Trademarks and licenses acquired in a business combination are recognized at fair value at the acquisition date. Trademarks and licenses have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks and licenses over the shortest of their estimated useful lives or the period of the legal right.

Acquired computer software licenses are amortized over their estimated useful lives of between 4 and 10 years.

Internally generated software and other development cost

Costs associated with maintaining computer software programs are recognized 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 recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product 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 product during its development can be reliably measured.

Directly attributable costs that are capitalized 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 recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Computer software development costs recognized as assets are amortized over their estimated useful lives, mainly four years.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD AUGUST 11, 2015 TO
DECEMBER 31, 2015—(CONTINUED)**

1.6 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized 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 to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

1.7 Non-current assets held-for-sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

1.8 Financial assets

Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other category. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade date, the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is initially recognized at fair value, and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented 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 costs", in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the statement of comprehensive income as part of "Other income" when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognized in other comprehensive income.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD AUGUST 11, 2015 TO
DECEMBER 31, 2015—(CONTINUED)**

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are recycled to profit or loss.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the statement of comprehensive income as part of “Other income”. Dividends on available-for-sale equity instruments are recognized in the statement of comprehensive income as part of “Other income” when the Group’s right to receive payments is established.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Assets carried at amortized cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The asset’s carrying amount is reduced and the amount of the loss is recognized in the consolidated statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor’s credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated statement of comprehensive income.

Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss—measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss—is removed from equity and recognized in the profit or loss. Impairment losses recognized on equity instruments are not reversed. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the profit or loss.

1.9 Derivative financial instruments

Derivatives are initially recognized 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 costs” to the extent that they relate to the financing activities of the Group.

1.10 Inventories

Inventories are stated at the lower of cost and net realizable value. These net realizable value adjustments 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 design costs, raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Provisions against the carrying value of inventory are calculated on the basis set out below.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD AUGUST 11, 2015 TO
DECEMBER 31, 2015—(CONTINUED)**

Wall to wall carpets and non-woven

- “Second choice” products: write-down of 70 %
- Collections which are no longer produced: write-down of 35 %
- Additional write downs, based on aging of the individual products:
 - Age of production batch between 7-9 months: write-down of 20 %
 - Age of production batch between 10-12 months: write-down of 50 %
 - Age of production batch older than 12 months: write-down of 70 %

Rugs

- “Second choice” products: write-down of 60 %
- Collections which are no longer produced: write-down of 30 %-50 %
- Additional write-downs, based on aging of the individual products:
 - Age of production batch between 7-9 months: write-down of 10 %
 - Age of production batch between 10-12 months: write-down of 30 %
 - Age of production batch older than 12 months: write-down of 50 %

Contract tiles

- “Second choice” products: write-down of 90 %
- Small lot sizes 90 %
- Additional write-downs, based on aging of the individual products:
 - Age of production batch between 7-12 months: write-down of 25 %-50 %
 - Age of production batch between 12-18 months: write-down of 75 %-90 %
 - Age of production batch older than 18 months: write-down of 90 %

Yarns

For slow moving yarns to produce rugs and wall-to-wall carpets, the write-downs vary between 20 % (6 months not moving) and 75 % (12 months not moving).

For slow moving yarns to produce contract tiles, the write-downs vary between 50 % (12 months not moving) and 90 % (16 months not moving).

Materials and other supplies (such as wool) held for use in the production of finished goods are not written down if these finished goods are expected to be sold at or above cost.

An individual assessment of the recoverability of the items of inventories is also made on a regular basis, in addition to the application of general accounting policies described above. When the circumstances that previously caused inventories to be written down below cost no longer exist, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised net realizable value.

Costs of production of joint products are allocated between the products on a rational and consistent basis (e.g. on the relative sales value of each product when they become identifiable in the production process or at the completion of production).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD AUGUST 11, 2015 TO
DECEMBER 31, 2015—(CONTINUED)**

When by-products are immaterial, they may be measured at net realizable value, this value being deducted from the cost of the main product.

1.11 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less bad debt allowance.

Trade receivables are reviewed on a continuing basis. A bad debt allowance is recorded when collectability of the receivable is questionable. The bad debt allowance covers the net estimated risk for the company and is taking into account the coverage expected to be received from the credit insurance.

1.12 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

1.13 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.

Where any Group company purchases the Company's shares (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects is included in equity attributable to the Company's equity holders.

1.14 Government grants

Grants from the government are recognized 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 recognized 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.

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.

1.15 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable 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 recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Supplier finance arrangements are recognized as a financial liability unless the original trade payable is extinguished or its terms are significantly modified to the extent that it qualifies for de-recognition under IAS 39 (we refer to the accounting policy on debt extinguishment and debt modification).

1.16 Financial liabilities measured at fair value through profit or loss

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD AUGUST 11, 2015 TO DECEMBER 31, 2015—(CONTINUED)

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.

Subordinated loans issued to shareholders (PECS) include embedded derivatives and are accounted for at fair value through profit or loss in accordance with IAS 32.26 ("Fair value option").

1.17 Senior Secured Notes and Bank and other borrowings

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

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

1.18 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 derecognized 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; or
- 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 IAS 39 de-recognition criteria are not met, the receivables continue to be recognized in the statement of financial position, while the proceeds received by the Group under any financing/factoring arrangements are recognized as a financial liability.

A financial liability is de-recognized 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 de-recognition of the original liability and the recognition of a new liability, and the difference in the respective amounts is recognized in the consolidated 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 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

1.19 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the statement of comprehensive income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the company's subsidiaries 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 on the basis of amounts expected to be paid to the tax authorities. This evaluation is made for tax periods open for audit by the competent authorities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD AUGUST 11, 2015 TO DECEMBER 31, 2015—(CONTINUED)

Deferred income tax is recognized, 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 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 realized or the deferred income tax liability is settled.

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

Deferred income tax is provided on temporary differences arising on 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.

1.20 Employee benefits

Pension obligations

IAS 19 distinguishes 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 companies 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 Vandenbroucke”), all Belgian Defined Contribution plans have to be considered under IFRS as Defined Benefit plans. Law Vandenbroucke states that in the context of defined contribution plans, the 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 (currently 1.75%) applies for the years after 2015 on future contributions and also on the accumulated past contributions as of 31 December 2015 if the financing organism does not guarantee a certain result on contributions until retirement age. If the organism does guarantee such a result, the rates 3.25%/2.75% 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 would not be sufficient to reach the minimum benefits to be paid. The group has plans that are financed through insurance contracts. A simplified methodology has been used, taking the limited magnitude of the obligation into account, when it was assessed that reliable estimated could be made. The related assumptions, the defined benefit obligations and related plan assets are further disclosed in the related notes.

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 recognizes 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 recognizes 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD AUGUST 11, 2015 TO DECEMBER 31, 2015—(CONTINUED)

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

Within Balta, several former employees benefit from the system of “early retirement fee or pension”, based on several Belgian Collective Labor Agreements (CLA’s) in place for the sector (textielnijverheid en breiwerk/ industrie textile et de la bonneterie) or specifically for Balta. These CLA’s describe the different possibilities for employees of 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 CLA’s 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. It has been 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.

Bonus plans

The Group recognizes a provision for annual bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

1.21 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 recognized as an expense over the vesting period.

A cash-settled share-based payment plan: 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 recognized in profit and loss for the period.

1.22 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognized 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 recognized 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 recognized 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 the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

The Group has environmental obligations relating to its past operations which are based on the Group’s environmental management plans, in compliance with current environmental regulatory requirements. Provisions for site remediation costs are made when there is a present legal obligation, it is probable that the expenditure on remediation work will be required and the cost can be estimated within a reasonable range of possible outcomes. The costs are based on currently available facts, technology expected to be available at the time of the clean-up, laws and regulations presently or virtually certain to be enacted and prior experience in remediation of contaminated sites.

Provisions for restructuring are only recognized if the Group demonstrates a constructive obligation to restructure at the reporting date. The constructive obligation should be demonstrated by: (a) a detailed formal plan identifying the main features of the restructuring; and (b) raising a valid expectation to those affected that it will carry out the restructuring by starting to implement the plan or by announcing its main features to those affected.

1.23 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group’s activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD AUGUST 11, 2015 TO DECEMBER 31, 2015—(CONTINUED)

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sales of goods

Sales of goods are recognized when the risks and rewards are transferred to the customers, in most cases when the goods are made available for collection at the Group's premises (factory, warehouse) on the date agreed upon with the customer (International Commercial Terms—EXW) and the customer accepted the goods in accordance with the sales contract.

Amounts billed to the customer in respect of transportation of product to the customer's premises are included in revenue. Associated transportation costs incurred by the group are included in other expenses.

Interest income

Interest income is recognized 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 recognized using the original effective interest rate.

Dividend income

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

1.24 Leases

The Group leases certain property, plant and equipment.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, purchase option (when there is reasonable certainty that the lessee will obtain ownership by the end of the lease term), are included in "Borrowings". The interest element of the finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the useful life of the asset or if there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

1.25 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

1.26 Levies

The Group has adopted IFRIC 21 'Levies'. IFRIC 21 addresses the accounting for a liability to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to pay a levy, and when a liability should be recognised. The Group is mainly subject to property taxes. Although that the Group does not expect IFRIC 21 to have a significant effect on the results for the financial year ending December 31, 2015 the adoption of the interpretation results in an earlier recognition of these property taxes, namely, in the first quarter instead of over a linear period throughout the year.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD AUGUST 11, 2015 TO
DECEMBER 31, 2015—(CONTINUED)**

1.27 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.

1.28 Non-GAAP measures

“Operating profit/loss before exceptional items” is a non-IFRS measure of performance. Exceptional items are those significant items which are separately disclosed by virtue of their size or incidence to enable readers to gain a full understanding of the Group’s financial performance. Transactions which may give rise to exceptional items are principally transactions costs in relation to business combinations, restructuring provisions and their reversal, impairments of property, plant and equipment, the reversal of such write downs or impairments, legal claims, disposals of items of property, plant and equipment or investments in subsidiaries, negative goodwill resulting from business combinations, early termination of debt instruments and reversals of provisions.

EBITDA is a non-IFRS measure of performance defined as “Operating profit/loss” plus depreciation, amortization on tangible and intangible fixed assets”.

EBIT is a non-IFRS measure of performance defined as “Operating profit/loss before exceptional items”.

EBITDA margin is the reconciliation of non-IFRS measure defined as EBITDA divided by revenue.

Adjusted EBITDA is a reconciliation of non-IFRS measure of performance defined as operating profit / loss before exceptional items adjusted for depreciation and amortization.

Adjusted EBITDA margin is a non-IFRS measure defined as Adjusted EBITDA margin divided by revenue.

The non-GAAP measures are included in these consolidated financial statements because management believes they are useful to many investors, securities analysts and other interested parties as additional measures of performance.

The Group presents non-IFRS measures in addition to financial measures determined in accordance with IFRS. Non-IFRS measures as reported by the Group may differ from similar measures presented by other companies.

NOTE 2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The amounts presented in the combined 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 combined financial statements are discussed below.

Determination of fair values in business combinations

The Company has applied estimates and judgements in order to determine the fair value of assets acquired and liabilities assumed by way of a business combination. The value of assets, liabilities and contingent liabilities recognized at the acquisition date are recognized at fair value. In determining fair value the Company has utilized valuation methodologies including discounted cash flow analysis. The company’s estimates are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable. These valuations require the use of management’s assumptions, which would not reflect unanticipated events and circumstances that may occur. Any significant change in key assumptions may cause the acquisition accounting to be revised including the recognition of additional goodwill or a discount on acquisition.

Goodwill

The amount of goodwill initially recognized 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 judgment. Allocation of the purchase price affects the results of the Group as finite lived intangible assets are amortized, whereas indefinite lived intangible assets, including goodwill, are not amortized and could result in differing amortization charges based on the allocation to indefinite lived and finite lived intangible assets.

Impairment testing

IFRS requires management to undertake an annual test for impairment of indefinite lived assets and, for finite lived assets, to test for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD AUGUST 11, 2015 TO DECEMBER 31, 2015—(CONTINUED)

recoverable. Impairment testing is an area involving management judgment, 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 EBITDA, calculated as adjusted operating profit before depreciation and amortization;
- timing and quantum of future capital expenditure;
- long-term growth rates; and
- 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 results. The Group's review includes the key assumptions related to sensitivity in the cash flow projections. Further details are provided in Note 4.

Fair value estimate of preferred equity certificates

The acquisition of Balta Finance has been partially funded through Preferred Equity Certificates (PECs). Depending on the circumstances in which the PECs are settled, the Company may have the right to redeem the PECs in shares. Given that the Company does not have an unconditional right to avoid delivering cash to settle the PECs, the contract must be classified as a financial liability under IFRS. The presence of early redemption and conversion options implies that the contract contains multiple embedded derivatives. Given the inability to separate the embedded derivatives from the host contract, the entire contract is measured at fair value through profit or loss.

A range of valuation techniques can be used when measuring the fair value of unquoted liability instruments. In reaching estimates of fair value of the PECs, management judgment is involved. In order to select the most appropriate valuation, management will employ several valuation methodologies and select the amount within the ranges of values which it believes is most representative of the fair value of the PECs. Because of the nature of the inputs used in the valuation techniques (for example, unobservable inputs such as budgets and forecasts), the resulting measurement is categorized within Level 3 of the fair value hierarchy.

Income taxes

The Company 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 of tax payers and local tax authorities.

The Group has tax credits in respect of losses carried forward, Dividend Received Deduction (relief for dividend payments by qualifying EU subsidiaries to qualifying EU parent companies, to avoid double taxation of dividend income), and Notional Interest Deduction. These tax credits can be used to offset against future taxable profits. The valuation of this asset depends on a number of judgmental 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. Where circumstances should 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

The Company makes significant judgements in determining the bad debt allowance with respect to trade receivables when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The assessment is performed on an individual basis in consideration of various factors such as historical experience, credit quality, age of the accounts receivables and economic conditions that may affect a customer's ability to pay.

The amount of the bad debt allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The estimated future cash flow is determined based upon the significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD AUGUST 11, 2015 TO
DECEMBER 31, 2015—(CONTINUED)**

NOTE 3. BUSINESS COMBINATIONS

Transaction overview and allocation of purchase price paid

As previously discussed, the acquisition by Balta Investments of Balta Finance was consummated on August 11, 2015.

The Acquisition was recorded using the acquisition method of accounting, in accordance with IFRS 3 Business Combinations. As a result, the total purchase price has been allocated to the identifiable assets and liabilities acquired, based on the estimated fair values at the date of acquisition.

The purchase price paid in cash was equal to €272.8 million, as compared to a net asset value of Balta Finance of €71.2 million at Completion Date. There is no contingent consideration outstanding in relation to the Acquisition as of December 31, 2015. Consequently, the preliminary goodwill—before purchase price allocation—was equal to €201.6 million. As a result the purchase price allocation €77.0 million of goodwill was allocated to identifiable assets and liabilities. This allocation is shown below:

(€ thousands)	Net assets at Completion Date before allocation goodwill	Fair value adjustments	Net assets at Completion Date after allocation goodwill
Assets acquired	438,324	114,716	553,039
Property, plant & equipment	204,084	89,091	293,175
Intangible assets	1,438	—	1,438
Other non-current assets	8,407	161	8,568
Total non-current assets	213,930	89,252	303,182
Inventories	137,359	25,381	162,740
Trade and other receivables	46,002	(799)	45,203
Cash and cash equivalents	40,656	—	40,656
Other current assets	377	881	1,258
Total current assets	224,394	25,463	249,857
Liabilities assumed	(367,212)	(37,742)	(404,954)
Deferred income tax liabilities	(36,212)	(35,274)	(71,486)
Other non-current liabilities	(35,309)	—	(35,309)
Total non-current liabilities	(71,521)	(35,274)	(106,796)
Current income tax liabilities	(3,789)	(2,110)	(5,899)
Other current liabilities	(291,902)	(357)	(292,259)
Total current liabilities	(295,691)	(2,467)	(298,158)
Purchase Price Paid in Cash	272,758	—	272,758
Identifiable assets and liabilities	71,112	76,974	148,085
Goodwill	201,646	(76,974)	124,673

The fair value adjustment of property, plant and equipment is driven by a revaluation of land and buildings. The Company increased the carrying value of the land and buildings on the basis of recent valuation reports prepared by an independent appraiser and management's assessment of the acquired assets condition.

The preliminary estimate of fair value for inventories was based on computations which considered many factors, including the estimated selling price of the inventory and the sales effort required to bring the products to the market. As a result, the Company increased the carrying value of inventory by €25.4 million.

The carrying amount of the trade receivables were reduced by €0.8 million in order to reflect the probability that certain trade receivables may not be fully collected.

The Company has identified certain fixed price commitments that are considered to be part of the identifiable assets and liabilities. Firstly, the Company has recognized an asset of €0.9 million as of the valuation date in relation to forward purchases of gas and electricity. Secondly, the Company has recognized a liability of €0.3 million in relation to forward purchases of raw materials for contracts. These contracts were entered into late 2014 and are in relation to deliveries in 2015 and 2016. In both cases, these fixed price transactions will be settled by physical delivery. Given that the market value of these agreements change in response to changes in the underlying commodity price, we have opted to present the contracts as derivative financial instruments.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD AUGUST 11, 2015 TO
DECEMBER 31, 2015—(CONTINUED)**

The Company has increased the current income tax liabilities by €2.1 million. This adjustment reflects the fact that certain tax positions in Belgium and Turkey could be measured reliably but were previously not considered probable as of the valuation date.

The remaining assets and liabilities, including items such as cash and trade payables were stated at their historical carrying values, which approximate fair value, given the short-term nature of these assets and liabilities.

The incremental depreciation of the fair value step-up for IFRS purposes will result in a pre-tax income that is lower for IFRS purposes than for tax purposes. Consequently, a deferred tax liability of €35.2 million has been recognized to reflect the fact that cash taxes payable will be higher than the tax charge reported in the income statement under IFRS.

The excess of the purchase price over the preliminary amounts allocated to identifiable assets and liabilities is equal to €124.7 million and has been included in goodwill. This amount represents, amongst other things, the value of the longstanding customer relationships, the Company's market position, brand and reputation, as well as the value of the Company's workforce. The goodwill has been allocated to the Rugs and Commercial division, given that these two divisions are expected to benefit most from the Acquisition. Goodwill will be tested for impairment on an annual basis, as described in Note 4.

The Company has incurred €10.4 million of fees and expenses in relation to the Transaction, see Note 8.

The following condensed pro forma summary presents the effect of the Acquisition as though the Acquisition has been done as of January 1, 2015. The pro forma adjustments are based upon unaudited financial information.

	Successor (a)	Successor (b)	Successor (c)	Predecessor (d)	Combined (e)	Predecessor (f)
	Period from August 11, 2015 to December 31, 2015	Period from August 11, 2015 to December 31, 2015	Period from August 11, 2015 to December 31, 2015	Period from January 1, 2015 to August 10, 2015	Twelve months ended December 31, 2015	Twelve months ended December 31, 2014
(€ thousands)	Incl. impact PPA	Impact PPA	Excl. impact PPA	Excl. impact PPA	Excl. impact PPA	
Revenue	194,777	—	194,777	362,045	556,822	519,529
Gross Profit	75,820	25,695	101,515	193,923	295,438	271,768
Employee benefit expenses	(46,972)	—	(46,972)	(86,474)	(133,446)	(128,191)
Other income / (expenses)	(27,542)	—	(27,542)	(58,982)	(86,524)	(78,428)
Adjusted EBITDA¹	1,305	25,695	27,000	48,467	75,467	65,149
Depreciation / amortization	(8,014)	—	(8,014)	(16,084)	(24,098)	(24,802)
Operating profit before exceptional items¹	(6,709)	25,695	18,986	32,383	51,369	40,348
Non-recurring expenses	(10,396)	—	(10,396)	(23,291)	(33,687)	(2,101)
Impairment and write-off	—	—	—	—	—	(12,690)
Operating profit/(loss)	(17,105)	25,695	8,590	9,092	17,682	25,556
Net finance expenses	(9,495)	—	(9,495)	(28,967)	(38,462)	(32,176)
Profit / (loss) before income taxes ...	(26,600)	25,695	(905)	(19,875)	(20,780)	(6,619)
Income tax benefit / (expense)	4,606	(9,637)	(5,031)	(1,657)	(6,688)	7,856
Profit / (loss) for the period	(21,995)	16,058	(5,936)	(21,532)	(27,468)	1,236

- (a) Stand-alone results of Balta Issuer and Balta Investments from incorporation until the end of the period and consolidated results of Balta Finance S.à r.l. as from August 11, 2015. This column reflects the impact of the purchase price allocation and corresponds to the profit/loss for the period as reported in the consolidated financial statements.
- (b) This column reflects the impact of the purchase price allocation on the consolidated financial statements.
- (c) Stand-alone results of Balta Issuer and Balta Investments from incorporation until the end of the period and consolidated results of Balta Finance S.à r.l. as from August 11, 2015. This column excludes the impact of the purchase price allocation.
- (d) Consolidated profit/(loss) of Balta Finance S.à r.l. and its subsidiaries for the period prior to the Acquisition, i.e. from August 11 to December 31, 2015

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD AUGUST 11, 2015 TO
DECEMBER 31, 2015—(CONTINUED)**

- (e) Combined profit/loss for the period from January 1 to December 31, 2015. This is the sum of columns (c) and (d) and hence excludes the impact of the purchase price accounting
- (f) Consolidated profit/loss as reported by Balta Finance S.à r.l. at the end of 2014

NOTE 4. GOODWILL

The net purchase price for the Acquisition amounts to €272.8 million. In accordance with IFRS 3 “Business Combinations”, the purchase price needs to be allocated to identifiable assets and liabilities acquired based on estimated fair values at the date of acquisition, with the excess of the purchase price amount allocated to goodwill. Our purchase price allocation has been substantially finalized and the total identifiable net assets acquired amount to €148.1 million, resulting in a remaining amount of goodwill of €124.7 million. The latter represents, amongst other things, the value of the longstanding customer relationships, the Company’s market position, brand and reputation, as well as the value of the Company’s workforce.

Goodwill is not amortized, but instead tested for impairment annually, as well as whenever there are events or changes in circumstances (triggering events) which suggest that the carrying amount may not be recoverable. Goodwill is carried at cost less accumulated impairment losses.

The goodwill impairment test is performed at the level of a cash-generating unit or a group of cash-generating units, 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 Residential segment broken down into two CGUs, Balta Broadloom (polypropylene broadloom) and ITC (polyamide broadloom).

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the cash-generating units that are expected to benefit most from the business combination. Consequently, the goodwill resulting from the Acquisition (€124.7 million) has been solely allocated to Rugs (€94.3 million) and Commercial (€30.3 million).

If the carrying amount of the cash-generating unit to which the goodwill has been allocated exceeds its recoverable amount, an impairment loss on goodwill allocated to the cash-generating unit is recognized. The recoverable amount is the higher of the cash-generating unit’s fair value less costs to sell and its value in use. If either of these amounts exceeds the carrying amount, it is not always necessary to determine both amounts. These values are generally determined based on discounted cash flow calculations.

The impairment testing has been performed as of August 31, 2015. Management considers the likelihood that an updated calculation as of December 31, 2015 would indicate the recoverable amounts to be less than the carrying amounts to be remote. The assets and liabilities comprising the CGU have not changed significantly since the most recent calculation. In addition, there are no indications that recoverable amounts have decreased.

The table below provides an overview of the value in use (derived using discounted cash flow analysis) and the carrying amount (book value of capital employed) per cash-generating unit at December 31, 2015. As shown, the recoverable amount exceeds the carrying amount and hence the goodwill is not impaired. Key assumptions on which management has based its determinations of the value in use include terminal value growth rates of 2% and an after-tax discount rate of 7.9%. Cash flows were projected for the next three years based on the business plan prepared by Balta Finance in the context of the Acquisition.

Comparison recoverable amount vs. carrying amount per CGU (€ thousands)	Recoverable amount	Carrying amount	Excess recoverable amount
Rugs	288.9	284.2	4.8
Balta Broadloom	68.5	57.1	11.4
ITC	20.9	18.6	2.3
Commercial	93.2	55.0	38.2
Non-Woven	17.9	11.0	6.9
Total	489.4	425.8	63.6

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. Terminal value growth rates take into consideration external macroeconomic sources of data and industry specific trends. The table below presents the extent in which these two assumptions would need to change in order to reduce the value in use to the carrying amount. Note that the decrease in headroom between the value in use and the carrying amount is a direct result of the purchase price allocation, and is hence not driven by changes in the underlying business performance.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD AUGUST 11, 2015 TO
DECEMBER 31, 2015—(CONTINUED)**

<u>Sensitivity analysis per CGU</u>	<u>Growth rate</u>	<u>Discount rate</u>
Rugs	(0.1%)	0.1%
Balta Broadloom	(1.3%)	1.2%
ITC	(0.8%)	0.7%
Commercial	(35.8%)	21.4%
Non-Woven	(4.2%)	3.6%

A small change in assumptions for Rugs reduces the recoverable amount to the carrying amount. This is a direct result of the Acquisition and is not driven by changes in the underlying business performance. In the context of the purchase price allocation, the net asset value of the Group was increased by €201.6 million, of which €76.9 million has been allocated to identifiable assets and liabilities and of which €124.7 million has been recognized as goodwill. Given that a significant amount of goodwill has been allocated to the Rugs division, it follows that the difference between the recoverable amount and the carrying amount has been reduced.

NOTE 5. EMPLOYEE BENEFIT EXPENSES

<u>(€ thousands)</u>	<u>2015</u>
Total employee benefit expenses	46,972
Wages and salaries	34,257
Social security costs	10,286
Pension costs	396
Other employee benefit expenses	2,033

The average number of employees for the four months ended December 31, 2015 was 3,182 (in full time equivalents). Part-time employees are included on a proportionate basis.

	<u>2015</u>
Average number of total employees	3,182
Average number of employees—blue collar	2,661
Average number of employees—white collar	521

NOTE 6. OTHER INCOME AND EXPENSES

<u>(€ thousands)</u>	<u>2015</u>
Other income	5,586
Foreign exchange gains	1,543
Payroll tax incentive	1,581
Rental income from solar rooftop installations	626
Other	1,836
Other expenses	33,128
Services and other goods	21,238
Selling expenses	11,261
Foreign exchange losses	153
Other	477

One of the main components of other income is the payroll tax incentive for night or shift work, whereby the Company can benefit from a partial exemption of payment of withholding tax due on wages paid to workers in team or night shifts. The salary withholding tax is retained on the remunerations paid but the amount of tax so retained must not be fully paid to the tax authorities.

Other income also comprises rental payments received from renting certain rooftops to a solar development company. The residual component of other income is in relation to the re-charge of certain expenses incurred, and the derecognition of old credit notes to issue for potential commercial settlements.

Services and other goods mainly comprises electricity and gas, maintenance and repair and interim blue collars. Selling expenses mainly comprise freight and commissions.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD AUGUST 11, 2015 TO
DECEMBER 31, 2015—(CONTINUED)**

NOTE 7. DEPRECIATION / AMORTIZATION

The components of depreciations and amortizations can be summarized as follows:

<u>(€ thousands)</u>	<u>2015</u>
Depreciation / amortization	8,014
Amortization of intangible assets	147
Depreciation property, plant and equipment	8,332
Release deferred revenue sale & leaseback	(465)

The release of deferred revenue sale and lease back relates to the gradual recognition of the capital gain realized on the sale and lease back of one of the Group's manufacturing facilities in 2014. This deferred revenue is recognized as partial offset to depreciation charges over the period of the lease.

NOTE 8. INTEGRATION AND RESTRUCTURING EXPENSES

The total integration and restructuring expenses incurred in the four months ended December 31, 2015 amount to €10.4 million. This relates to transaction expenses arising from the business combination and other one-time charges and non-operating expenses, such as organizational realignment costs and strategic advisory services.

NOTE 9. FINANCE EXPENSES

<u>(€ thousands)</u>	<u>2015</u>
Finance expenses	9,495
Interest expense on Senior secured notes	9,177
Interest expense on Bank borrowings (including leasing)	376
Debt modification costs	955
Other finance costs	879
Foreign exchange result on intercompany transactions	(1,891)

Following the Business Combination, the Group's finance expenses are driven by interest charges on the Senior Secured Notes, the Revolving Credit Facility and on the finance leasing obligations. We refer to Note 22 for a description of these facilities.

NOTE 10. INCOME TAX BENEFIT / EXPENSE

<u>(€ thousands)</u>	<u>2015</u>
Income tax benefit / (expense)	4,606
Current tax	(803)
Deferred tax	5,409

<u>(€ thousands)</u>	<u>2015</u>
Income tax benefit / (expense)	4,606
Income tax calculated at Luxembourg tax rate (31.47%)	8,371
Rate differential due to transactions with Belgium, Turkey and US	487
Tax-exempted revenues	1,994
Deferred tax assets recognised	1,907
Utilization of previously not recognized tax assets	397
Tax losses for which no deferred tax asset is recognized	(8,074)
Disallowed expenses	(197)
Other	(280)

In assessing whether deferred tax assets should be recognized, management considers the extent to which it is probable that the deferred tax asset will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable profits during the periods in which those temporary differences and tax losses carried forward become deductible. Management considers the expected reversal of deferred tax liabilities and projected future taxable income in making this assessment.

In 2015, the Company has incurred certain tax losses subject to significant limitations (tax losses for which no deferred tax asset is recognized). For those losses, deferred tax assets are not recognized, as it is not probable that taxable profit will be generated to offset those losses.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD AUGUST 11, 2015 TO
DECEMBER 31, 2015—(CONTINUED)**

NOTE 11. OTHER INTANGIBLE ASSETS

(€ thousands)	Software and licences	Internally generated intangible assets	Total
Opening net book value			
Business combination	330	1,110	1,440
Additions	223	146	369
Disposals	—	(1)	(1)
Transfers	10	(11)	(1)
Amortisation charge	(35)	(112)	(147)
Exchange differences	6	—	6
Closing net book value	534	1,132	1,667
At December 31, 2015			
Cost or valuation	3,701	8,091	11,792
Accumulated amortisation, impairment and other adjustments	(3,167)	(6,959)	(10,126)
Closing net book value	534	1,132	1,667

The internal and external software development costs are capitalized under the internally generated intangible assets. These projects are mainly related to SAP implementation, SAP upgrades and the automation of production processes.

The Group incurred €1.7 million of research and development expenses during the 4 months ended in December 31, 2015 which are included in the statement of comprehensive income as other expenses.

The total amortization expense of €0.1 million is included in the line “Depreciation, amortization and impairment” in the statement of comprehensive income.

NOTE 12. PROPERTY, PLANT AND EQUIPMENT

(€ thousands)	Land and buildings	Plant and machinery	Other equipment	Total
Opening net book value				
Business combinations	176,895	99,485	16,795	293,175
Additions	395	11,135	1,980	13,510
Disposals	—	(35)	(44)	(79)
Depreciation charge	(1,857)	(2,701)	(3,774)	(8,332)
Exchange differences	301	700	55	1,056
Closing net book value	175,734	108,584	15,012	299,332
At December 31, 2015				
Cost or valuation	234,421	522,710	46,443	803,574
Accumulated depreciation, impairment and other adjustments	(58,687)	(414,125)	(31,429)	(504,242)
Closing net book value	175,734	108,584	15,012	299,332

A total of €293.2 million of property, plant and equipment was acquired in the context of the business combination. Refer to Note 3 for further details. Following the business combination, a total of €13.5 million has been invested, in particular in plant and machinery.

The total depreciation expense of €8.3 million has been charged in the line “Depreciation, amortization and impairment” in the statement of comprehensive income.

The Group’s assets which are pledged as security for the borrowings are described in Note 21.

Operating leases expenses amounting to €1.1 million in 2015 and relating to the lease of various buildings, equipment, machinery and vehicles have been included in “Other expenses” in the statement of comprehensive income.

Exchange differences (€1.1 million) mainly relate to fluctuations in the closing exchange rate of our Turkish entities which have a significant amount of land & buildings and plant & machinery recorded on the statement of financial position.

The Group leases various industrial buildings, plant and machinery under non-cancellable finance lease agreements. The lease terms are between 5 and 15 years, and ownership of the assets lie within the Group.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD AUGUST 11, 2015 TO
DECEMBER 31, 2015—(CONTINUED)**

The table below shows the net book amount of the “land and buildings” and “plant and machinery” which are subject to a finance lease agreement:

<u>(€ thousands)</u>	<u>December 31, 2015</u>
Net book value—Land and Buildings	15,726
Cost-Capitalised finance leases	18,412
Accumulated depreciation	(2,685)
 <u>(€ thousands)</u>	 <u>December 31, 2015</u>
Net book value—Plant and machinery	5,888
Cost-Capitalised finance leases	6,608
Accumulated depreciation	(720)

NOTE 13. DEFERRED INCOME TAX ASSETS AND LIABILITIES

IFRS requires the deferred taxes for each jurisdiction to be presented as a net asset or liability. Offsetting of 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.

<u>(€ thousands)</u>	<u>2015</u>
Deferred tax assets	8,573
Deferred tax assets to be reversed after more than 12 months	8,177
Deferred tax assets to be reversed within 12 months	396
Deferred tax liabilities	(67,879)
Deferred tax liabilities to be reversed after more than 12 months	(62,503)
Deferred tax liabilities to be reversed 12 months	(5,376)
Net deferred tax liabilities	(59,306)

The movement in the net deferred tax liabilities can be summarized as follows:

<u>(€ thousands)</u>	<u>2015</u>
At incorporation	—
Business combinations	(64,197)
Income statement charge	5,094
Exchange differences	(203)
December 31, 2015	(59,306)

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

<u>(€ thousands)</u>	<u>Tax losses carried forward</u>	<u>Deferred income tax and leaseback</u>	<u>Intangible assets</u>	<u>Borrowings</u>	<u>Employee benefits</u>	<u>Inventory</u>	<u>Other</u>	<u>Total</u>
Beginning of period	—	—	—	—	—	—	—	—
Business combination	10,125	5,017	3,186	1,903	2,079	202	2,741	25,253
Charged/(credited) to the income statement	(272)	(158)	(319)	—	(467)	480	(1,697)	(2,434)
Exchange differences	(437)	—	—	—	—	—	—	(437)
December 31, 2015	9,416	4,859	2,867	1,903	1,612	683	1,044	22,384

The Group has recorded €1.4 million of deferred tax assets in the context of the purchase price allocation, mainly driven by an expected change in the transfer pricing methodology between our Belgian and Turkish subsidiary with retroactive effect. Balta Floorcovering renders contract manufacturing services to Balta Industries and is remunerated on the basis of an appropriate transfer pricing method. Changes in the transfer pricing method will result in an increased taxable basis in Turkey (resulting in the recognition of a deferred tax liability) and in increased tax losses carried forward being recognized in Belgium (Balta Industries) to reflect the decrease in the taxable basis.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD AUGUST 11, 2015 TO
DECEMBER 31, 2015—(CONTINUED)**

In assessing the realizability of deferred tax assets, management considers the extent to which it is probable that the deferred tax asset will be realized. The ultimate realization of deferred tax assets is dependent upon 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 upon 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 Company will realize the benefits of these deductible differences. As of December 31, 2015, the Company has certain tax losses subject to significant limitations. For those losses deferred tax assets are not recognized, as it is not probable that gains will be generated to offset those losses.

As of December 31, 2015 total tax credits amounted to €498 million, resulting in a potential deferred tax asset of €157 million of which the Company only recognized €9.4 million. The majority of the tax credits are incurred at the level of the Belgian legal entities where—with the exception of the tax credits in relation to the Notional Interest Deduction—there is no expiry date regarding the tax credits.

Deferred tax liabilities

(€ thousands)	Property, plant and equipment	Inventory	Income tax liability	Intangible assets	Other	Total
At incorporation	—	—	—	—	—	—
Business combination	(75,003)	(12,043)	(1,500)	(407)	(497)	(89,450)
Charged/(credited) to the income statement	(1,661)	9,649	96	(13)	(544)	7,527
Exchange differences	234	—	—	—	—	234
December 31, 2015	(76,430)	(2,394)	(1,404)	(420)	(1,040)	(81,689)

An additional deferred tax liability of €39.6 million has been recorded in the context of purchase price accounting.

Deferred income tax liabilities have not been recognized 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 €160.8 million as of December 31, 2015.

NOTE 14. INVENTORIES

The table below provides a breakdown of total inventories as of December 31, 2015.

(€ thousands)	December 31, 2015
Total inventories	129,438
Raw materials and consumables	60,736
Work in progress	18,548
Finished goods	50,153

The movement in ‘Work in progress’ and ‘Finished goods’ can be detailed as follows:

(€ thousands)	December 31, 2015
Beginning of period	—
Business combination	84,841
Income statement	(16,140)
Of which: impact purchase price allocation	(14,879)
Of which: actual movements in inventory	(1,261)
December 31, 2015	68,701

The Company increased the provision for obsolete inventory in 2015 with €0.2 million which is included in “Raw materials used” and “Changes in inventories of finished goods and work in progress” respectively related to raw materials and finished goods (including work in progress).

The cost of inventories recognised as expenses amount to €140.9 million for the four months ended December 31, 2015. The Group recorded an inventory allowance of €2.4 million as of December 31, 2015 in addition to the application of the general accounting policies as also explained in Note 1.10.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD AUGUST 11, 2015 TO
DECEMBER 31, 2015—(CONTINUED)**

NOTE 15. TRADE AND OTHER RECEIVABLES

<u>(€ thousands)</u>	<u>December 31, 2015</u>
Total Trade and other receivables	46,634
Trade and other receivables (non-current)	91
Other amounts receivable	91
Trade and other receivables (current)	46,544
Net trade receivables	32,892
Trade receivables	35,426
Less: Bad debt allowance	(2,535)
Prepayments and accrued income	1,124
Other amounts receivable	12,528

The fair value of the 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 derecognized the accounts receivable for which substantially all risk and rewards of ownership have been transferred.

As of December 31, 2015 trade receivables that were past due amounted to €8.2 million.

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 assessment to set up a bad debt allowance is performed on an individual basis in consideration of various factors such as historical experience, credit quality, age of the accounts receivables and economic conditions that may affect a customer's ability to pay. For the year ended December 31, 2015 there are no significant receivables due more than 3 months for which no provisioning has been set up.

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

<u>(€ thousands)</u>	<u>December 31, 2015</u>
Total trade and other receivables	46,634
EUR	28,073
USD	6,097
GBP	3,105
TRY	9,359

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

<u>(€ thousands)</u>	<u>2015</u>
Beginning of period	—
Business combination	(2,142)
Impairment loss recognized	(513)
Receivables written off during the year as uncollectible	115
Unused amounts reversed	5
December 31, 2015	(2,535)

The creation and release of allowance for impaired receivables has 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 not 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 per December 31, 2015 the Group holds collateral (letters of credit and corporate or bank guarantees) for an amount of €0.4 million.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD AUGUST 11, 2015 TO
DECEMBER 31, 2015—(CONTINUED)**

NOTE 16. CASH AND CASH EQUIVALENTS

<u>(€ thousands)</u>	<u>December 31, 2015</u>
Total cash and cash equivalents	45,462
Cash at bank and on hands	36,586
Short-term bank deposits	2,933
Cash from local financing	5,943

The cash from local financing relates to cash and cash equivalent balances held by subsidiaries that operate in countries where legal restrictions apply and as such the cash and cash equivalents are not directly available for general use by the parent or other subsidiaries.

The credit quality of the banks and financial institutions is disclosed in Note 24. The Group's assets which are pledged as security for the borrowings are described in Note 21.

NOTE 17. SHARE CAPITAL AND SHARE PREMIUM

The legal issued share capital of the Company is set at €171 thousand divided into 171,000 ordinary shares with a nominal value of 1 EUR each. The Company is incorporated with an initial share capital of €31 thousand which was subsequently increased with €140 thousand to €171 thousand. The capital of the Company may be increased or reduced by a resolution of shareholders adopted in the manner required for amendment of the articles of association in addition to any approvals required by statutory law and requires approval from LSF9 Balta Midco S.à r.l. (registered with the Luxembourg Trade and Companies Register under number B 197722). All shares issued by the Company were fully paid, together with a share premium of €1.3 million.

NOTE 18. RETAINED EARNINGS

<u>(€ thousands)</u>	<u>2015</u>
Beginning of period	—
Loss for the period	(21,995)
December 31, 2015	(21,995)

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 to ten percent of the issued share capital of the Company.

The balance may be distributed to shareholders upon decision of a general meeting of shareholders, taking into account the restrictions as defined in the senior facilities agreement.

NOTE 19. OTHER COMPREHENSIVE INCOME

Components of other comprehensive income (OCI) are items of income and expenses (including reclassification adjustments) that are not recognized in the profit or loss as required or permitted by other IFRSs. The Group has other comprehensive income which mainly relate to the remeasurements of post-employee defined benefit obligations and the gains and losses arising from translating the financial statements of foreign entities.

The movements in other comprehensive income are summarized in the table below:

<u>(€ thousands)</u>	<u>2015</u>
Cumulative translation reserves as of December 31	720
Cumulative translation reserves at beginning of the period	—
Exchange differences on translating foreign operations	720
Changes in employee defined benefit obligations at December 31	944
Changes in employee defined benefit obligations at beginning of the period	—
Changes in employee defined benefit obligations	944
Total other comprehensive income at December 31	1,664

Cumulative translation reserves

The cumulative translation reserves arise from translating the non-monetary financial assets such as equity of the foreign entities (Balta USA (USD), Balta Oriënt and Balta Floorcovering (TRY), into the currency of the group (EUR). The exchange rates used to translate the foreign operations are disclosed in Note 1.3.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD AUGUST 11, 2015 TO
DECEMBER 31, 2015—(CONTINUED)**

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 recent 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 25 for further details.

The liability has been measured using a discount rate of 2.05%.

NOTE 20. PREFERRED EQUITY CERTIFICATES

In connection with the Acquisition, the Issuer has issued 1,108,800 preferred equity certificates (“PECs”) having a nominal value of €125, for an aggregate amount of €138.6 million. The aggregate amount has been paid in cash to the Company on August 10, 2015. The terms and conditions of the preferred equity certificates are governed by and construed in accordance with the laws of Luxembourg. The main characteristics of the PECs are as follows:

- Each PEC is entitled to receive a return which is mainly driven by any income derived by the Company from its investment in LSF9 Balta Investments S.à.r.l., it being understood that the Company shall retain a margin on an annual basis on its financing activity as determined from time to time by a transfer price study
- Mandatory redemption at maturity, December 31, 2045
- Optional redemption prior to the maturity date, subject to certain restrictions including that the redemption payment will not violate any covenant contained in or result in a default under any agreement or other financial obligation of the Company or any of its subsidiaries after making such payment
- In the event that the Company would sell all or part of the shares of LSF9 Balta Investments S.à.r.l. or in the event that LSF9 Balta Investments S.à.r.l. would sell the preferred equity certificates it has issued and to which the Company has subscribed, the Company shall be entitled to convert any or all of the PECs into shares of the Company. Any shares issued to the holder(s) of the PECs shall be subject to a pledge or other security interest in favor of the Company’s creditor under the senior debt documents if and to the extent such creditors are secured by a pledge on the then-issued and outstanding shares of the Company
- The number of shares to be issued per converted PEC equals the quotient determined by dividing the sum of the par value of the PEC plus the amount of any accrued yield that is unpaid by the nominal value of the shares

Given that the Company does not have an unconditional right to avoid delivering cash to settle the PECs, the contract must be classified as a financial liability under IFRS. The presence of early redemption and conversion options implies that the contract contains multiple embedded derivatives. Given the inability to separate the embedded derivatives from the host contract, the entire contract is measured at fair value through profit or loss.

As of December 31, 2015, management believes that the cash consideration paid is a reliable measure of fair value (see Note 2). This measure is a Level 3 estimate, as described in Note 23.

NOTE 21. SENIOR SECURED NOTES

<u>(€ thousands)</u>	<u>December 31, 2015</u>
Total Senior Secured Notes	283,690
Non-Current portion	276,826
Of which: gross debt	290,000
Of which: capitalised financing fees	(13,174)
Current portion	6,864
Of which: gross debt	9,177
Of which: capitalised financing fees	(2,314)

The Issuer issued €290 million aggregate principal amount of 7.75% Senior Secured Notes due 2022 as part of the financing of the Acquisition. The Indenture is dated August 3, 2015 and the principal amount was released from the escrow account at Completion Date.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD AUGUST 11, 2015 TO
DECEMBER 31, 2015—(CONTINUED)**

Interest on the Senior Secured Notes accrue at the rate of 7.75% per annum and are payable semi-annually in arrears on March 15 and September 15 of each year, commencing on March 15, 2016.

Costs related to the issuance of Senior Secured Notes are capitalized and amortized into profit or loss over the term of the debt in accordance with the effective interest method. Total costs capitalized amounted to €16.4 million, of which €15.5 million remain capitalized as of December 31, 2015.

The current portion of the debt associated with the Senior Secured Notes relates to accrued interest payable at the next interest payment date and the portion of the capitalized financing fee that will be amortized into profit or loss over the next 12 months.

The Senior Secured Notes are subject to certain incurrence covenants that restrict, among other things, our ability to:

- incur or guarantee additional indebtedness and issue certain preferred stock
- create or permit to exist certain liens
- make certain restricted payments, including dividends or other distributions
- prepay or redeem subordinated debt or equity
- make certain investments or acquisitions, including participation in joint ventures
- engage in certain transactions with affiliates
- sell, lease or transfer certain assets, including stock of restricted subsidiaries
- guarantee debt of the Issuer or any Guarantor without also guaranteeing the Senior Secured Notes
- create certain restrictions on the ability of restricted subsidiaries to pay dividends or make other payments to the Issuer or a restricted subsidiary
- create unrestricted subsidiaries
- merge or consolidate with other entities or transfer all or substantially all of the Issuer and its restricted subsidiaries' assets or a Guarantor's assets
- impair the security interest for the benefit of the holders of the Senior Secured Notes

The Senior Secured Notes are secured by first-ranking security interests over the following collateral:

- the issued shares of the Guarantors
- the issued preferred equity certificates of the Issuer and Balta Investments
- certain bank accounts of the Guarantors
- certain moveable assets of certain of the Guarantors
- certain intra-group loans and receivables of the Guarantors
- a business pledge with respect to the business of Balta Industries NV, Balta Oudenaarde NV and Modulyss NV

The collateral also secures the Revolving Credit Facility (see Note 22) and certain hedging obligations on an equal and ratable basis. 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 Revolving Credit Facility and certain hedging obligations have been repaid in full. Any such proceeds will, after all obligations under the 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 ratable basis.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD AUGUST 11, 2015 TO
DECEMBER 31, 2015—(CONTINUED)**

NOTE 22. BANK AND OTHER BORROWINGS

<u>(€ thousands)</u>	<u>December 31, 2015</u>
Total Bank and other borrowings	20,277
Non-Current portion	17,787
Finance lease liabilities	17,787
Current portion	2,490
Bank borrowings	40
Of which: gross bank borrowings	40
Finance lease liabilities	2,450

Bank borrowings

On August 3, 2015, Balta Issuer and Balta Investments entered into a Revolving Credit Facility Agreement providing for a €40 million Revolving Credit Facility. The Revolving Credit Facility is secured by first-ranking security interests over the collateral, which also secure the Senior Secured Notes and the Guarantees. Under the 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 unutilized commitment under the Revolving Credit Facility. Amounts drawn under the Revolving Credit Facility may be used for working capital and other general corporate purposes of the Restricted Group, operational restructurings or permitted reorganizations of the Group.

The initial facility commitments of ING Belgium NV and KBC Bank NV were each converted into an Ancillary Facility Agreement for an aggregate amount of €35.0 million.

The Revolving Credit Facility Agreement contains customary and certain deal specific affirmative loan style covenants and restrictive covenants. Set out below is a brief description of such covenants, all of which are subject to customary and certain deal specific exceptions.

- **Incurrence covenants.** These are substantially the same as those applicable to the Notes
- **Affirmative covenants.** These require, among other things, (i) the provision of certain financial information, (ii) the provision of certain financial information, (ii) the obtaining, compliance with and maintenance of authorizations required by law or regulation to enable each Obligor to (a) perform its obligations under the finance documents under the Revolving Credit Facility and the Acquisition Documents (b) ensure the legality, validity, enforceability or admissibility in evidence of any Finance Document and the Acquisition Documents to which it is a party, and (c) to enable it to own its property and assets and to carry on its business; (iii) compliance in all material respects with applicable laws and regulations; (iv) payment of taxes; (v) preservation of assets; (vi) maintenance of pari passu ranking of any unsecured and unsubordinated claims of a Finance Party against each Obligor under the Finance Documents with the claims of other unsecured and unsubordinated creditors (except where such claims are mandatorily preferred by law); (vii) commercially reasonable steps to preserve and enforce material rights under the Acquisition Documents; (viii) maintenance of insurances; (ix) the preservation and maintenance of intellectual property; (x) certain further assurances with respect to the Collateral; (xi) access to books, accounts and records, viewing of assets and discussion with management following an Event of Default; and (xiii) compliance with sanctions and anti-money laundering laws.
- **Negative covenants:** These include, among others, restriction with respect to changes of center of main interests.
- **Financial covenants:** the Issuer is required to ensure compliance with a Total Net Leverage Ratio financial covenant, requiring the Issuer to ensure that (to the extent tested) the Total Net Leverage Ratio as at the end of each relevant quarter period does not exceed 6.50:1. The financial covenant shall only apply to the extent that the aggregate principal amount of all outstanding loans under the Revolving Credit Facility and all outstanding cash drawings under any ancillary facilities on the last day of the applicable relevant quarter period is greater than 30% of the total commitments in respect of the Revolving Credit Facility as at the end of the relevant quarter period. This financial covenant will be (to the extent tested) tested quarterly on a rolling 12-month basis.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD AUGUST 11, 2015 TO
DECEMBER 31, 2015—(CONTINUED)**

We confirm that as of December 31, 2015, the aggregate Base Currency Amount of the outstanding principal amount of all Loans and all cash drawings under the ancillary facilities is less than 30% of the Total Commitments and therefore the financial covenants does not apply.

The Revolving Credit Facility is guaranteed by each Guarantor. The initial borrowers and guarantors of the Revolving Credit Facility were the Company and Balta Investments. On October 10, 2015 the following members of the Group acceded to the Revolving Credit Facility as borrower and guarantor: Balta Finance, Balta NV, Balta Industries NV, Balta Oudenaarde NV and Modulyss NV. The collateral that secures the Senior Secured Notes, as described in Note 21, also secures the Revolving Credit Facility. 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 Revolving Credit Facility and certain hedging obligations have been repaid in full.

The Revolving Credit Facility also provides that (i) the aggregate consolidated EBITDA (as defined in the Revolving Credit Facility Agreement) of the Guarantors (provided that for this purpose where any Guarantor has negative earnings before interest, tax, depreciation and amortization (calculated on the same basis as Consolidated EBITDA) its earnings before interest, tax, depreciation and amortization shall be deemed zero) is required to exceed 80% of the Restricted Group's Consolidated EBITDA and (ii) the aggregate of the total assets (excluding good will and intra-Group items) of the Guarantors is required to exceed 70% of the total assets of the Restricted Group ((i) and (ii) together, the "Guarantor Coverage Test"). Subject to the Agreed Security Principles, the Issuer shall procure that any other member of the Group required to become an additional Guarantor in order to ensure compliance with the Guarantor Coverage Test accedes to the Revolving Credit Facility as a Guarantor.

We confirm that the aggregate of the Adjusted EBITDA of the Guarantors (without double counting) exceeds 80% of the Adjusted EBITDA of the Group and the aggregate of the total assets of the Guarantors (without double counting) exceeds 70% of the total assets of the Group.

Finance lease liabilities

The gross investment in leases and the present value of minimum future lease payments are due as follows:

(€ thousands)	December 31, 2015
Gross finance lease liabilities—minimum lease payments	20,136
No later than 1 year	2,850
Later than 1 year and no later than 5 years	7,990
Later than 5 years	12,302
Future charges on finance leases	(3,006)
(€ thousands)	December 31, 2015
Total present value of finance lease liabilities	20,136
No later than 1 year	2,349
Later than 1 year and no later than 5 years	6,612
Later than 5 years	11,175

Factoring

As part of its normal course of business, the Group has entered into two non-recourse receivables financing agreements, whereby it may sell trade receivables arising from the normal course of business at face value less certain reserves and fees. The insolvency 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 has been transferred, the trade receivables assigned to the factoring companies have been derecognized from the statement of financial position.

Whilst the factoring program described above relates the portfolio of credit insured trade receivables, the Group has also entered into a forfaiting agreement where a financial institution agrees to purchase (forfait) on a revolving basis the receivables from individually identified debtors. The credit risk related to these receivables is fully transferred from the Group to the financial institution and as a result hereof, the financial institution bears the risk of non-payment by the debtor. The Group has been mandated to collect the forfeited receivables for the account of and on behalf of the financial institution. The eligible portion of the trade receivables that have been transferred and financed under this agreement have been derecognized from the Group's statement of financial position. The Group continues to recognize a portion of the receivables to the extent of its continuing involvement, in accordance with IAS 39 "Financial instruments: recognition and measurement".

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD AUGUST 11, 2015 TO
DECEMBER 31, 2015—(CONTINUED)**

The Group is also party to an Accounts Receivables Purchase Agreement with a financial institution, in the framework of a supply chain financing program 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 receivables are derecognized on the moment the cash is received.

NOTE 23. ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS

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

<u>(€ thousands)</u>	<u>December 31, 2015</u>	<u>December 31, 2015</u>
	<u>Carrying amount</u>	<u>Fair value</u>
Assets as per statement of financial positions	92,883	92,883
Loans and receivables	92,097	92,097
Trade and other receivables	46,635	46,635
Cash and cash equivalents	45,462	45,462
Assets at fair value through profit or loss	786	786
Foreign exchange derivative financial instruments	273	273
Fixed price electricity purchase commitments	512	512
Liabilities as per statement of financial positions	560,105	584,879
Financial liabilities measured at amortised cost	421,505	446,279
Senior Secured Notes	276,826	301,600
Bank and other borrowings	20,277	20,277
Trade and other payables	124,402	124,402
Financial liabilities measured at fair value through profit or loss	138,600	138,600
Preferred equity certificates	138,600	138,600

The different levels of valuation method 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 value of the Senior Secured Notes is based on a Level 1 estimate, with a price of approximately 104% as of December 31, 2015.

The fair value of the PECs has been determined using Level 3 estimates, see Note 2 and Note 20.

The fair value of all other financial instruments, with the exception of cash- and cash equivalents, has been determined using Level 2 estimates. The fair value of the forward foreign exchange contracts have been determined using forward exchange rates that are quoted in an active market. A similar valuation approach has been applied to determine the fair value of the fixed price electricity purchase commitments at the Completion Date. 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.

NOTE 24. 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 program focuses on the unpredictability of financial markets and seeks to minimize 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 did not apply hedge accounting to these transactions during the period covered by these consolidated financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD AUGUST 11, 2015 TO
DECEMBER 31, 2015—(CONTINUED)**

Qualitative and quantitative disclosures about market risk

Foreign Exchange Risk

We have significant exposure to the value of the British Pound, the U.S. dollar and the Turkish lira. 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, EUR/GBP and EUR/TRY exchange rates. The proportion of our revenue recognized 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. For instance, many of our sales in the United Kingdom are invoiced in euro.

Our Consolidated Financial Statements are prepared in euro. 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 euro. A portion of our assets, liabilities, revenue and costs are denominated in various currencies other than euro, principally GBP, USD and TRY. As a result, our consolidated results of operations, which are reported in euro, are affected by currency exchange rate fluctuations.

Transaction risk arises when our subsidiaries execute transactions in a currency other than their functional currency. We mitigate this risk through four primary methods. First, for USD, we historically have been able to match cash inflows and cash outflows, resulting in a natural hedge between assets and liabilities. The natural hedge position is assessed on a semi-annual basis, whereby the amount of our remaining exposure is closely monitored. Secondly, we have also entered into commercial arrangements with two of our key customers to review the impact of EUR/GBP and EUR/TRY fluctuations and with the potential to adjust prices accordingly. Thirdly, we also use forward exchange contracts to hedge our residual exposure to GBP. Finally, even with respect to commercial arrangements that do not provide for exchange rate-based price-adjustment mechanisms, our established relationships with our customers imply that both positive and negative currency fluctuations are generally passed on through price revisions over the medium term. Fluctuations in the value of the USD and TRY relative to the euro typically have a short-term impact on our gross margin as on the revenue side both we and our customers seek to adjust prices in response to foreign currency fluctuations. On the expense side, both we and our suppliers also seek to adjust prices. As a significant percentage of certain of our suppliers' costs are fixed in U.S. dollars, foreign exchange rates relative to the U.S. dollar influence the prices we pay for some of our raw materials. In addition, our industry is competitive and elastic, as demonstrated by price rebalancing across the industry in response to foreign currency and raw material price fluctuations. Changes in foreign exchange rates also have a long-term impact on our sales volumes. For example, if there is long-term depreciation of the euro, our sales volumes may increase as we become more competitive in non-Eurozone markets. In contrast, a long-term strengthening of the euro may decrease our volumes and price competitiveness as in non-European markets.

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

	<u>EUR</u>	<u>GBP</u>	<u>USD</u>	<u>TRY</u>	<u>Total</u>
(€ thousands)					
December 31, 2015 Net Exposure	(40,032)	(2,201)	1,993	7,844	(32,396)
Trade and other receivables	27,983	3,105	6,097	9,359	46,544
Cash and cash equivalents	36,791	4,199	1,707	2,766	45,462
Trade and other payables	(104,806)	(9,505)	(5,811)	(4,281)	(124,402)

The following table presents the sensitivity analysis of the year-end statement of financial position positions in GBP, USD and TRY in case the euro would weaken by 10%:

(€ thousands)	2015
GBP denominated	(1,713)
Changes in fair value of derivative financial instruments	(1,468)
Changes in carrying amount of monetary assets and liabilities	(245)
USD denominated	221
Changes in fair value of derivative financial instruments	—
Changes in carrying amount of monetary assets and liabilities	221
TRY denominated	872
Changes in fair value of derivative financial instruments	—
Changes in carrying amount of monetary assets and liabilities	872

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD AUGUST 11, 2015 TO
DECEMBER 31, 2015—(CONTINUED)**

The following table presents the sensitivity analysis of the year-end statement of financial position positions in GBP, USD and TRY in case the euro would strengthen by 10%:

<u>(€ thousands)</u>	<u>2015</u>
GBP denominated	1,402
Changes in fair value of derivative financial instruments	1,201
Changes in carrying amount of monetary assets and liabilities	200
USD denominated	(181)
Changes in fair value of derivative financial instruments	—
Changes in carrying amount of monetary assets and liabilities	(181)
TRY denominated	(713)
Changes in fair value of derivative financial instruments	—
Changes in carrying amount of monetary assets and liabilities	(713)

Commodity Price Risk

We are exposed to fluctuations in the price of major raw material commodities used in the manufacturing process. Our key raw materials are polypropylene granulates, yarn, latex and polyamide granulates.

When we hedge, we typically do so by entering into fixed price contracts with our suppliers. In October 2015, we entered into a fixed price agreement to hedge approximately 8% of our annual consumption of polypropylene granulates. We typically use 65,000 tons of polypropylene granulates per year, with 50,000 tons purchased under contracts and 15,000 tons purchased on the spot market.

Interest Rate Risk

Our interest rate risk principally relates to external indebtedness that bear interest at variable rates. Only the amounts that we borrow under the Revolving Credit Facility, our capital leases and our factoring and forfaiting arrangements are subject to variable interest rates, as the Notes carry interest at a fixed rate. We therefore do not expect to use interest rate swaps in respect of our financing going forward.

<u>(€ thousands)</u>	<u>Four months ended December 31, 2015</u>	
	<u>25bps downward shift in EUR yield curve</u>	<u>25bps upward shift in EUR yield curve</u>
Total impact on interest expenses/income	11	(11)
Interest rate derivatives	—	—
Non-derivative floating rate financial liabilities	11	(11)

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. If a credit limit needs to be increased, the approval of the CFO is required. 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 and forfaiting of the trade receivables whereby the insolvency 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 contract are over the counter with a financial institution as counterparty. Our fixed price purchase commitments are entered into with the counterparty of our long term procurement contracts.

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.

<u>(€ thousands)</u>	<u>December 31, 2015</u>
Total cash at bank and short-term bank deposits	45,462
A rating	41,623
BBB rating	3,839

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD AUGUST 11, 2015 TO
DECEMBER 31, 2015—(CONTINUED)**

The creditworthiness of the commodity and forward exchange hedge counterparties is shown below:

(€ thousands)	December 31, 2015
Derivative financial assets	786
A rating	273
A- rating	518
BBB+ rating	(6)

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 undrawn 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 the resultant cash inflows are our main source of liquidity. Our cash pooling system enables us to benefit from surplus fund 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 sufficient 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 whereby cash is made available to us in consideration for certain trade receivables generated by us.

Our primary sources of liquidity have historically been our senior facility agreements, cash flows from operations and our non-recourse factoring agreements. The principal financing arrangements that are in place as per December 31, 2015 are the Notes, the Revolving Credit Facility and capital lease agreements.

The following table reflects all contractually fixed pay-offs for settlement, repayments and interest resulting from recognized financial liabilities. The amounts disclosed are undiscounted net cash outflows, based on the market conditions existing at December 31, 2015.

The cash flows related to the preferred equity certificates have been determined based on the contractual mandatory redemption date of December 31, 2045 and reflect a fixed return of 1% per year. The Company expects that the PECs will be redeemed earlier.

(€ thousands)	Less than 6 months	Between 6 months and 1 year	Between 1 year and 2 years	Between 2 and 5 years	Over 5 years
Total as of December 31, 2015	(139,440)	(12,660)	(25,299)	(72,591)	(485,852)
Finance lease liabilities	(1,428)	(1,422)	(2,824)	(5,166)	(12,302)
Preferred equity certificates	—	—	—	—	(185,000)
Senior Secured Notes	(13,860)	(11,238)	(22,475)	(67,425)	(334,950)
Trade and other payables	(124,404)	—	—	—	—
Gross settled derivative financial instruments—outflows	(13,761)	—	—	—	—
Gross settled derivative financial instruments—inflows	14,013	—	—	—	—

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 market position. Our current corporate credit ratings from Moody's Investor Service (Moody's) and Standard & Poor's Ratings Services (S&P) are noted as follows:

(€ thousands)	December 31, 2015 Moody's	December 31, 2015 S&P
Long-term issue rating Senior Secured Notes	B2	B
Corporate rating	B2	B

On August 10, 2015, Moody's Investors Service (Moody's) assigned a definitive B2 rating to the €290 million Senior Secured Notes issued by LSF9 Balta Issuer S.A., the parent holding company of the Balta group, following a review of the final bond documentation. The corporate family rating (CFR) of B2 and the probability of default rating (PDR) of B2-PD remain unchanged. The outlook on all the ratings is stable.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD AUGUST 11, 2015 TO
DECEMBER 31, 2015—(CONTINUED)**

On September 14, 2015, Standard & Poor's Ratings Services assigned its 'B' long-term corporate credit rating to LSF9 Balta Investments S.à r.l., a holding company of Belgium-based rugs and carpet manufacturer Balta. The outlook is stable. At the same time, S&P assigned its 'B' long-term issue rating to LSF9 Balta Issuer S.A.'s €290 million Senior Secured Notes and its 'BB-' long-term issue rating to the €40 million super senior revolving credit facility (RCF).

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and 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 amount of 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 Note 21 and Note 22 for further details.

NOTE 25. EMPLOYEE BENEFIT OBLIGATIONS

The Group foresees termination benefits (including early retirement) for its working and retired personnel. The liability was measured using a discount rate of 0.92%.

The Group also operates a pension plan and provided 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 2.05%. The annual pension cost, relating to the pension plan is disclosed in Note 5.

The employee benefit obligations recognized in the financial statements are detailed below:

(€ thousands)	December 31, 2015
Total employee benefit obligations	35,745
Holiday pay	13,842
Social security taxes	8,033
Salaries and wages payable	5,000
Pension plans	1,932
Early retirement provision	2,807
Group insurance	550
Pension	94
Other	3,486
Of which current portion	31,554
Of which non-current portion	4,191
Pension plans	1,932
Early retirement pension	2,164
Pension	94

Pension plans: overview

The line item "pension plans" in the table above comprises employer contributions paid in the context of pension plans for management and white collars and a bonus plan, as detailed below.

A pension plan has been put in place for management and is financed through employer contributions which increase depending on seniority (basis 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 2 x pensionable salary.

Several pension plans are in place for white collars and are financed through fixed employer contributions.

In addition, bonus plans are in place for senior management and are financed through employer contributions which correspond to a fixed % of the bonus.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD AUGUST 11, 2015 TO
DECEMBER 31, 2015—(CONTINUED)**

Pension plans: valuation methodology

The pension and bonus plans as described above has been classified as defined benefits. 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 date of closing.

Pension plans: main valuation assumptions

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

	December 31, 2015
Discount rate	2.05%
Retirement age	65 years
Mortality	MR/FR-5

Pension plans: reported figures

For the year ended December 31, 2015, the defined benefit obligation taking into account the tax effect amounts to €13.5 million, offset by plan assets of €11.5 million as per December 31, 2015.

NOTE 26. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

As of December 31, 2015, the Group has recorded a provision of €64 thousand for the dismantling of racks in a warehouse.

NOTE 27. TRADE AND OTHER PAYABLES

Trade payables as of December 31, 2015 includes the amounts for outstanding invoices (€69 million) and invoices to be received for which goods and services have already been received (€17 million).

Accrued charges and deferred income mainly relate to:

- Deferred revenue relating to the sale and lease back of one of the facilities which is recognized in profit over the leasing period of the facilities (€14 million);
- Deferred revenue relating to advance payments on rental agreements (€4 million);
- Accrued charges for customer discounts (€19 million).

(€ thousands)	December 31, 2015
Trade and other payables	<u>124,404</u>
Trade payables	86,134
Accrued charges and deferred income	38,220
Other payables	49

NOTE 28. SHARE BASED PAYMENTS

As of December 31, 2015, the Company has not used any equity settled share plans to grant options, shares nor cash settled plans to its directors and employees.

NOTE 29. GOVERNMENT GRANTS

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD AUGUST 11, 2015 TO
DECEMBER 31, 2015—(CONTINUED)**

The main incentives received comprise:

- Environmental grants: The Company receives governmental 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”). For the four months ended December 31, 2015, €0.2 million has been received in this framework.
- Investment grants: The Company has concluded a cooperation agreement with external parties for the development of hybrid structures made with blended (preferential airlaid) technology containing waste streams of polypropylene and of polyurethane. For the four months ended December 31, 2015, no allowances in this framework have been received by the Company.
- Employment grants: The Company receive governmental allowances which are mainly related to education. For the four months ended December 31, 2015, no allowances in this framework have been received by the Company.

NOTE 30. DIVIDENDS PER SHARE

The Group did not declare any dividends to shareholders for the period ended December 31, 2015.

NOTE 31. CONTINGENCIES

The Group currently accounts for environmental provisions at the time a situation of non-compliance exists, at the time pollution occurs or at the time, the Group becomes aware of pollution. At this time, the type of pollution is estimated and often, an independent environmental study is performed. Provisions are then recorded, based on estimates which have been made by management, based on past performance and historical data and/or based on environment studies.

It is not anticipated that any material liabilities will arise from the contingent liabilities other than those provided for.

NOTE 32. COMMITMENTS

Energy

Our fixed price purchase commitments for electricity and gas, for deliveries in 2016, are equal to €15.7 million as of December 31, 2015.

Raw material

Our fixed price purchase commitments for raw materials, for deliveries in 2016, are equal to €94 million as of December 31, 2015.

Capital expenditures

No capital commitments are outstanding as of December 31, 2015.

Operating leases

The Group leases various equipment, machinery and vehicles under operating lease agreements. The lease terms are between 3 and 12 years (2013 and 2012: between 3 and 10 years).

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

<u>(€ thousands)</u>	<u>December 31, 2015</u>
Total present value of operating lease commitments	7,145
No later than 1 year	2,360
Later than 1 year and no later than 5 years	4,785
Later than 5 years	—

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD AUGUST 11, 2015 TO
DECEMBER 31, 2015—(CONTINUED)**

NOTE 33. LIST OF CONSOLIDATED COMPANIES

The subsidiaries and jointly controlled entities of LSF9 Balta Issuer S.A., the Group's percentage of interest and the Group's percentage of control are presented below.

	December 31, 2015	
	% of interest	% of control
Belgium		
Balta NV	100%	100%
Balta Industries NV	100%	100%
Balta Trading Comm.V	100%	100%
Modulyss NV	100%	100%
Balta Oudenaarde NV	95%	100%
Balta M BVBA	100%	100%
Balfid BVBA	100%	100%
Luxembourg		
Balfin Services S.à r.l.	100%	100%
Balta Finance S.à r.l.	100%	100%
LSF9 Balta Investment S.à r.l.	100%	100%
Turkey		
Balta Orient Tekstil Sanayi Ve Ticaret A.S.	100%	100%
Balta Floorcovering Yer Döşemeleri San.ve Tic A.S.	100%	100%
USA		
Balta USA Inc.	100%	100%

NOTE 34. RELATED PARTY TRANSACTIONS

100 % of shares of LSF9 Balta issuer S.A. are owned by LSF9 Balta Midco S.à r.l..

Lone Star Fund IX, through intermediate holding companies, indirectly controls 100% of the issued share capital of LSF9 Balta Issuer S.A.

The following transactions were carried out with related parties:

Key management compensation

Key management means the Group's Executive Committee, which consists of the persons 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 (see 0). The compensation paid or payable to key management for employee services, including for the services provided on the basis of management or consultancy agreements with the Group, excluding termination benefits, is shown below:

(€ thousands)	December 31, 2015
Total key management compensation	1,104
Short-term employee benefits	1,104

Borrowings from related parties

The borrowings from shareholders relate to the Preferred Equity Certificates which will mature in 2045. We refer to Note 20 for further information.

(€ thousands)	December 31, 2015
At opening	—
Loans received during the year	138,600
As of December 31, 2015	138,600

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD AUGUST 11, 2015 TO
DECEMBER 31, 2015—(CONTINUED)**

Transactions with related parties

Year-end balances arising from daily operations:

<u>(€ thousands)</u>	<u>December 31, 2015</u>
Other receivables from related parties	31
Other payables to related parties	54

The year-end balances mainly arise from current accounts positions at yearend as a result of payments which have been performed on behalf of the Group entities. These current accounts are respectively reflected in the trade and other receivables (Note 15) and in trade and other payables (Note 27).

NOTE 35. FEES PAID TO THE GROUP'S AUDITORS

<u>(€ thousands)</u>	<u>2015</u>
Audit services	775
Audit of the Group pursuant to legislation	493
Other audit-related services	282
Non-audit services	398
Tax services	369
Other services	29
Total fees paid to the Group's auditor	1,173

NOTE 36. SUBSEQUENT EVENTS

We are not aware of any significant events since December 31, 2015 which could be considered as having a material influence on the financial position, financial performance and cash flows of the Company.

**Unaudited Combined Financial Statements
of LSF9 Balta Issuer S.A. and its subsidiaries
as of and for the year ended December 31, 2015**





Audit report

To the Board of Directors of
LSF9 Balta Issuer S.A.

We have completed our assurance engagement to report on the preparation, by the Board of Directors, of the combined financial information of LSF9 Balta Issuer S.A., and its subsidiaries (together the "Group") as at 31 December 2015 and for the year then ended. The combined financial information consists of the combined statement of financial position as at 31 December 2015, and the combined statement of comprehensive income, combined statement of changes in equity and combined statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information. The applicable criteria on the basis of which the Board of Directors has prepared the combined financial information are described in Section 2 Basis of Preparation.

The combined financial information has been prepared by the Board of Directors for being included as supplementary information in the prospectus issued in relation to the offering of shares of Balta Group NV (the "Prospectus"). As part of this process, consolidated result from Balta Finance S.à.r.l. (the Predecessor) for the period from 1 January 2015 to 10 August 2015 have been aggregated with the consolidated result of the Group for the period ended 31 December 2015.

The Board of Directors' responsibility for the combined financial information

The Board of Directors is responsible for preparing the combined financial information on the basis of the criteria described in Section 2 Basis of Preparation.

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Independent auditor's responsibilities

Our responsibility is to express an opinion about whether the combined financial information has been prepared, in all material respects, by the Board of Directors on the basis of the criteria described in Section 2 Basis of Preparation. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements other than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board and adopted by the Institut des Réviseurs d'Entreprises. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Board of Directors has prepared, in all material respects, the combined financial information on the basis of the criteria described in Section 2 Basis of Preparation.

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Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°10028256)
R.C.S. Luxembourg B 65 477 - TVA LU25482518



The purpose of the combined financial information is solely for being included as supplementary information in the Prospectus, as if LSF9 Balta Issuer S.A. had ownership of the Group for the full year 2015, and to provide meaning and relevant financial information that is useful in evaluating the Issuer's ongoing operations, in the same manner as management views and operates the business. Accordingly, we do not provide any assurance that the actual financial situation and performance of the Group as of and for the year ended 31 December 2015 would have been as presented in accordance with IFRS, as described in the basis of preparation

A reasonable assurance engagement to report on whether the combined financial information has been prepared, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Board of Directors in the preparation of the combined financial information provide a reasonable basis for presenting the financial position of the Group as of 31 December 2015 and for the year then ended as if the transaction occurred on 1 January 2015.

The procedures selected depend on our judgment, having regard to our understanding of the nature of the Group, the event or transaction in respect of which the combined financial information has been prepared, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the combined financial information.

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

Opinion

In our opinion, the combined financial information has been prepared, in all material respects, on the basis of the criteria described in Section 2 Basis of Preparation.

Emphasis of matter

We draw attention to Section 2 Basis of Preparation and the fact that the subject matter information was prepared solely to be included as supplementary information in the Prospectus to illustrate what would have been the financial results, if LSF9 Balta Issuer S.A. had ownership of the Group for the full year 2015 using criteria designed for this purpose. Our opinion is not qualified in respect of this matter.

Restriction of use

The combined financial information may not be suitable for another purpose than the one explained in the Emphasis of matter paragraph. Our report is intended solely for being included in the Prospectus and not for any other purpose. It should not be distributed by any other means without our prior consent.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 30 May 2017

Vincent Ball

2. Basis of Preparation

LSF9 Balta Issuer S.A. (“the Company” or “Successor”) is a public limited liability company (société anonyme) incorporated on June 22, 2015 under the laws of Luxembourg and is a wholly-owned subsidiary of LSF9 Balta Midco S.à r.l., which is in turn controlled indirectly by Lone Star Fund IX.

LSF9 Balta Investments S.à r.l. (“Balta Investments”) is a private limited liability company (société à responsabilité limitée) incorporated under the laws of Luxembourg and was established on June 10, 2015, for the purpose of facilitating the Transactions and performing all other activities related thereto. Balta Investments is a wholly-owned subsidiary of the LSF9 Balta Issuer S.A. and has no material assets, liabilities or operations other than as described in the previous sentence.

On June 14, 2015, Balta Investments 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. (the “Predecessor” or “Balta Finance”), the former parent entity of the Balta Group, and certain intercompany loans between Balta Finance (as borrower) and the Seller (as lender) (the “Acquisition”). The closing of the Acquisition was reached on August 11, 2015 (the “Completion Date”).

In connection with the Acquisition, Lone Star Fund IX, through intermediate holding companies, has made an indirect equity investment of €140.0 million through a combination of ordinary equity and preferred equity certificates. In addition, the Issuer has issued €290 million of Senior Secured Notes due 2022 (refer to Note 21).

Prior to the Acquisition, the Company had no operating activities. As a consequence, the Company is unable to show any relevant financial information for the period prior to the Acquisition. Accordingly, it is not possible to present consolidated financial statements because a full parent-subsidiary relationship (as defined by IAS 27/IFRS 10) does not exist amongst all component entities being combined. In particular, Balta Issuer did not own and control Balta Finance and its subsidiaries prior to the Acquisition. Therefore, the consolidated results of Balta Finance for the period from January 1, 2015 to August 10, 2015 have been aggregated with the consolidated results of the Issuer for the period ended December 31, 2015, as if the Company had ownership of Balta Finance in the twelve month period ended December 31, 2015. We refer to these figures as the “combined financial statements”. The same approach has been adopted in order to prepare the cash flow statement. The statement of changes in equity presents the movements in equity after the Completion Date. This presentation enables the readers of the Prospectus to view the business as a whole, and provides meaningful and relevant financial information that is useful in evaluating the Company’s ongoing operations, in the same manner as management views and operates the business.

The following definitions are used throughout this report:

- **Successor Period:** Stand-alone results of Balta Issuer and Balta Investments from incorporation until the end of the period and consolidated results of Balta Finance S.à r.l. as from August 11, 2015
- **Predecessor Period:** the consolidated results of Balta Finance S.à r.l. from the start of the period until August 10, 2015

The results of both the Successor Period and the Predecessor Period have been prepared in accordance with the recognition and measurement principles of the International Financial Reporting Standards as adopted by the European Union (“IFRS”). We also refer to the accounting policies detailed in Note 1 of the accompanying combined financial statements which form an integral part of and should be read in conjunction with this Basis of Preparation. The combined results should not be used in isolation or substitution of predecessor and successor results.

The amounts in this document are presented in thousands of euro (€ thousands), unless otherwise stated. Rounding adjustments have been made in calculating some of the financial information included in these combined financial statements, as a result of which schedules may not add.

New standards and amendments to standards

The following interpretation and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2015:

- IFRIC 21 ‘Levies’, effective for annual periods beginning on or after 17 June 2014. IFRIC 21 sets out the accounting for a liability to pay a levy if that liability is within the scope of IAS 37. IFRIC 21 addresses what the obligating event is and when a liability should be recognized.

The following new standards and amendments to standards have been issued, but are not mandatory for the first time for the financial year beginning 1 January 2015 and have not been endorsed by the European Union:

- IFRS 9 ‘Financial instruments’, effective for annual periods beginning on or after 1 January 2018. The standard addresses the classification, measurement and derecognition of financial assets and financial liabilities.

- IFRS 15 'Revenue from contracts with customers'. The IASB and FASB have jointly issued a converged standard on the recognition of revenue from contracts with customers. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally. Companies using IFRS will be required to apply the revenue standard for annual periods beginning on or after 1 January 2018, subject to EU endorsement.
- Amendment to IFRS 9 'financial instruments' on general hedge accounting, effective for annual periods beginning on or after 1 January 2018. The amendment incorporates the new general hedge accounting model which will allow reporters to reflect risk management activities in the financial statements more closely as it provides more opportunities to apply hedge accounting. These amendments also impact IAS 39 and introduce new disclosure requirements for hedge accounting, thereby impacting IFRS 7, irrespective of the fact whether hedge accounting requirements under IFRS 9 or IAS 39 are used.

Management is currently assessing the impact of these new standards and amendments on the Group's operations.

3. Impact Purchase Price Allocation

Transaction overview and allocation of purchase price paid

As previously discussed, the Acquisition was consummated on August 11, 2015.

The purchase price paid in cash was equal to €272.8 million, as compared to a net asset value of Balta Finance of €71.2 million at Completion Date. There is no contingent consideration outstanding in relation to the Acquisition as of December 31, 2015. Consequently, the preliminary goodwill—before purchase price allocation—was equal to €201.6 million.

The Acquisition was recorded using the acquisition method of accounting, in accordance with IFRS 3 Business Combinations. The total purchase price has been allocated to the identifiable assets and liabilities acquired, based on the estimated fair values at the date of acquisition.

As a result of the purchase price allocation €77.0 million of the preliminary goodwill was allocated to identifiable assets and liabilities. This allocation is shown below:

(€ thousands)	Net assets at Completion Date before PPA	Fair value adjustments	Net assets at Completion Date after PPA
Assets acquired	438,324	114,716	553,039
Property, plant & equipment	204,084	89,091	293,175
Intangible assets	1,438	—	1,438
Other non-current assets	8,407	161	8,568
Total non-current assets	213,930	89,252	303,182
Inventories	137,359	25,381	162,740
Trade and other receivables	46,002	(799)	45,203
Cash and cash equivalents	40,656	—	40,656
Other current assets	377	881	1,258
Total current assets	224,394	25,463	249,857
Liabilities assumed	(367,212)	(37,742)	(404,954)
Deferred income tax liabilities	(36,212)	(35,274)	(71,486)
Other non-current liabilities	(35,309)	—	(35,309)
Total non-current liabilities	(71,521)	(35,274)	(106,796)
Current income tax liabilities	(3,789)	(2,110)	(5,899)
Other current liabilities	(291,902)	(357)	(292,259)
Total current liabilities	(295,691)	(2,467)	(298,158)
Purchase Price Paid	272,758	—	272,758
Identifiable assets and liabilities	71,112	76,974	148,085
Goodwill	201,646	(76,974)	124,673

The fair value adjustment of property, plant and equipment of €89.1 million is mainly driven by a revaluation of land and buildings. The Company increased the carrying value of the land and buildings on the basis of recent valuation reports prepared by an independent appraiser and management's assessment of the acquired assets condition.

The fair value for inventories was estimated based on computations which considered many factors, including the estimated selling price of the inventory and the sales effort required to bring the products to the market. As a result, the Company increased the carrying value of inventory by €25.4 million.

The carrying amount of the trade receivables was reduced by €0.8 million in order to reflect the probability that certain trade receivables may not be fully collected.

The Company has identified certain fixed price purchase commitments that are considered to be part of the identifiable assets and liabilities. Firstly, the Company has recognized an asset of €0.9 million as of the valuation date in relation to fixed price purchase commitments of gas and electricity. Secondly, the Company has recognized a liability of €0.3 million in relation to forward purchases of raw materials for contracts. These contracts were entered into late 2014 and are in relation to deliveries in 2015 and 2016. In both cases, these fixed price transactions will be settled by physical delivery. Given that the market value of these agreements changes in response to changes in the underlying commodity price, we have opted to present the fixed price commitments as derivative financial instruments.

The Company has increased the current income tax liabilities by €2.1 million to more accurately reflect the latest developments in our transfer pricing methodology between Belgium and Turkey.

The remaining assets and liabilities, including items such as cash and trade payables were stated at their historical carrying values, which approximate fair value, given the short-term nature of these assets and liabilities.

The incremental depreciation of the fair value step-up for IFRS purposes will result in a pre-tax income that is lower for IFRS purposes than for tax purposes. Consequently, a deferred tax liability of €35.2 million has been recognized to reflect the fact that cash taxes payable will be higher than the tax charge reported in the income statement under IFRS.

The excess of the purchase price over the preliminary amounts allocated to identifiable assets and liabilities is equal to €124.7 million and has been included in goodwill. This amount represents, amongst other things, the value of the longstanding customer relationships, the Company's market position, brand and reputation, as well as the value of the Company's workforce. The goodwill has been allocated to the Rugs and Commercial division, given that these two divisions are expected to benefit most from the Acquisition. Goodwill will be tested for impairment on an annual basis, as described in Note 13.

Effects of Purchase price allocation on the income statement

The table below reflects the impact of the purchase price allocation (“PPA”) on the income statement.

	Before PPA	PPA	After PPA
	Twelve months ended December 31, 2015	Twelve months ended December 31, 2015	Twelve months ended December 31, 2015
(€ thousands)			
I. CONSOLIDATED INCOME STATEMENT			
Revenue	556,822	—	556,822
Raw material expenses(a)	(258,859)	(10,816)	(269,675)
Changes in inventories(b)	(2,525)	(14,879)	(17,405)
Gross Profit	295,438	(25,695)	269,743
Employee benefit expenses	(133,446)	—	(133,446)
Other income	10,879	—	10,879
Other expenses	(97,403)	—	(97,403)
Depreciation / amortization	(24,098)	—	(24,098)
Operating profit before exceptional items	51,369	(25,695)	25,674
Result from acquisitions and disposals	—	—	—
Non-recurring income	—	—	—
Integration and restructuring expenses	(33,687)	—	(33,687)
Impairment and write-off	—	—	—
Operating profit/(loss)	17,682	(25,695)	(8,013)
Finance income	79	—	79
Finance expenses	(38,541)	—	(38,541)
Net financial expenses	(38,462)	—	(38,462)
Profit / (loss) before income taxes	(20,780)	(25,695)	(46,475)
Income tax benefit / (expense) (c)	(6,688)	9,637	2,949
Profit / (loss) for the period from continuing operations	(27,468)	(16,058)	(43,526)
Profit / (loss) for the period	(27,468)	(16,058)	(43,526)

(a) Adjustment mainly reflects a non-cash charge of €11.3 million which is directly attributable to the fair value step-up of the inventory of raw materials and work in progress.

(b) Adjustment mainly reflects a non-cash charge of €14.9 million which is directly attributable to the fair value step-up of the inventory finished goods.

(c) Adjustment reflects €8.7 million reversal of deferred tax liabilities recognized at acquisition date, mainly in connection with the fair value step-up of inventory that has been recognized. In addition, an incremental tax provision of €0.9 million has been recognized.

Integration and restructuring expenses

The total integration and restructuring expenses amount to €33.7 million, of which €23.3 million has been recognized in the Predecessor Period and €10.4 million in the Successor Period. The vast majority of this total, €31.2 million, relates to transaction expenses and bonuses arising from the Acquisition and (aborted) IPO-related expenses. The remaining €2.5 million relates to other one-time charges and non-operating expenses, such as organizational realignment costs and strategic advisory services.

In addition, the Company incurred legal and other fees of €16.4 million in connection with the issuance of the Senior Secured Notes. This has been accounted for as deferred financing costs and are being amortized over the term of the Senior Secured Notes as interest expense, in accordance with the effective interest method.

**COMBINED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2015**

(€ thousands)	Note	Successor Period Period from August 11, 2015 to December 31, 2015	Predecessor Period Period from January 1, 2015 to August 10, 2015	Combined Twelve months ended December 31, 2015	Predecessor Twelve months ended December 31, 2014
I. CONSOLIDATED INCOME STATEMENT					
Revenue	Note 3	194,777	362,045	556,822	519,529
Raw material expenses	Note 4	(102,817)	(166,858)	(269,675)	(256,794)
Changes in inventories	Note 5	(16,140)	(1,264)	(17,405)	9,033
Gross Profit		75,820	193,923	269,743	271,768
Employee benefit expenses	Note 6	(46,972)	(86,474)	(133,446)	(128,191)
Other income	Note 7	5,586	5,292	10,879	10,960
Other expenses	Note 7	(33,128)	(64,275)	(97,403)	(89,388)
Depreciation / amortization	Note 8	(8,014)	(16,084)	(24,098)	(24,802)
Operating profit before exceptional items¹		(6,709)	32,383	25,674	40,347
Result from acquisitions and disposals		—	—	—	530
Non-recurring income		—	—	—	557
Integration and restructuring expenses	Note 9	(10,396)	(23,291)	(33,687)	(3,189)
Impairment and write-off		—	—	—	(12,689)
Operating profit/(loss)		(17,105)	9,092	(8,013)	25,556
Finance income		—	79	79	2,367
Finance expenses	Note 10	(9,495)	(29,045)	(38,541)	(34,543)
Net finance expenses		(9,495)	(28,967)	(38,462)	(32,176)
Profit / (loss) before income taxes		(26,600)	(19,875)	(46,475)	(6,620)
Income tax benefit / (expense)	Note 11	4,606	(1,657)	2,949	7,856
Profit / (loss) for the period from continuing operations		(21,995)	(21,532)	(43,526)	1,236
Profit / (loss) for the period from discontinued operations		—	—	—	—
Profit / (loss) for the period		(21,995)	(21,532)	(43,526)	1,236
II. CONSOLIDATED OTHER COMPREHENSIVE INCOME					
Items in other comprehensive income that may be subsequently reclassified to P&L					
Exchange differences on translating foreign operations		720	4,985	5,705	1,901
Items in other comprehensive income that will not be reclassified to P&L					
Changes in employee defined benefit obligations		944	299	1,243	(1,827)
Other comprehensive income for the period, net of tax		1,664	5,284	6,948	74
Total comprehensive income for the period		(20,331)	(16,248)	(36,578)	1,310

(1) Operating profit before exceptional items is a non-GAAP measure as described in note 1.27.

COMBINED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2015

<u>(€ thousands)</u>	<u>Note</u>	<u>Successor</u>	<u>Predecessor</u>
		<u>As of</u> <u>December 31</u> <u>2015</u>	<u>As of</u> <u>December 31</u> <u>2014</u>
Property, plant and equipment			
Land and buildings	Note 12	175,734	87,516
Plant and machinery	Note 12	108,584	100,986
Other fixtures and fittings, tools and equipment	Note 12	15,012	14,201
Goodwill	Note 13	124,673	—
Other intangible assets		1,667	1,212
Deferred income tax assets	Note 14	8,573	6,484
Trade and other receivables	Note 17	91	902
Total non-current assets		434,334	211,302
Inventories	Note 15	129,438	126,891
Derivative financial instruments	Note 16	786	—
Trade and other receivables	Note 17	46,544	47,644
Current income tax assets		28	19
Cash and cash equivalents	Note 18	45,462	66,654
Total current assets		222,257	241,208
Total assets		656,590	452,510
Share capital	Note 19	171	20,000
Share premium		1,260	74,717
Other comprehensive income		1,664	(11,956)
Retained earnings and other reserves		(21,995)	(405,357)
Total equity		(18,900)	(322,595)
Preferred Equity Certificates	Note 20	138,600	—
Senior Secured Notes	Note 21	276,826	—
Bank and Other Borrowings	Note 22	17,787	557,894
Deferred income tax liabilities	Note 14	67,879	34,342
Employee benefit obligations	Note 25	4,191	6,261
Total non-current liabilities		505,283	598,498
Senior Secured Notes	Note 21	6,864	—
Bank and Other Borrowings	Note 22	2,490	21,286
Employee benefit obligations	Note 25	31,554	29,815
Provisions for other liabilities and charges		64	423
Derivative financial instruments	Note 16	—	231
Trade and other payables	Note 26	124,404	122,503
Income tax liabilities		4,831	2,349
Total current liabilities		170,207	176,607
Total liabilities		675,490	775,105
Total equity and liabilities		656,590	452,510

COMBINED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2015

		<u>Combined</u>	<u>Predecessor</u>
		<u>Twelve</u>	<u>Twelve</u>
		<u>months</u>	<u>months</u>
		<u>ended</u>	<u>ended</u>
		<u>December 31,</u>	<u>December 31,</u>
	<u>Note</u>	<u>2015</u>	<u>2014</u>
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit / (loss) for the period		(43,526)	1,236
Adjustments for:			
Income tax expense / (income)	Note 11	(2,949)	(7,856)
Finance income		(79)	(2,367)
Finance expense	Note 10	38,541	34,543
Depreciation, amortisation	Note 8	24,098	24,802
Impairment losses		—	12,690
(Gain)/loss on disposal of non-current assets		—	(69)
Movement in provisions and deferred revenue		—	1,831
Fair value of derivatives	Note 16	(504)	41
Non-cash impact of Purchase Price Allocation	3	25,695	—
Cash generated before changes in working capital		41,275	64,851
Changes in working capital:			
Inventories		(3,212)	(8,294)
Trade receivables		(1,141)	342
Trade payables		6,962	9,037
Other working capital		(3,384)	(197)
Cash generated after changes in working capital		40,501	65,738
Net income tax (paid)		(883)	(4,968)
Net cash generated / (used) by operating activities		39,618	60,771
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition & disposal of property, plant and equipment		(36,158)	(27,891)
Acquisition of intangibles		(744)	(614)
Proceeds from non-current assets		2	3,392
Loans granted to related parties		—	(150)
Acquisition of subsidiary	3	(272,838)	—
Net cash used by investing activities		(309,739)	(25,263)
CASH FLOW FROM FINANCING ACTIVITIES			
Interest and other finance charges paid, net	Note 10	(6,666)	(10,960)
Proceeds from issuance of ordinary shares and share premium		1,431	—
Proceeds from issuance of preferred equity certificates	Note 20	138,600	—
Proceeds from issuance of Senior Secured Notes	Note 21	290,000	—
Proceeds from borrowings with third parties	Note 22	—	30,599
Repayments of borrowings with third parties	Note 22	(157,994)	(36,501)
Payment of debt financing costs	Note 21	(16,442)	—
Net cash generated / (used) by financing activities		248,928	(16,862)
NET INCREASE / (DECREASE) IN CASH AND BANK OVERDRAFTS		(21,192)	18,646
Cash, cash equivalents and bank overdrafts at the beginning of the period		66,654	48,009
Cash, cash equivalents and bank overdrafts at the end of the period	Note 18	45,462	66,654

**COMBINED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2015**

The changes in equity for the Predecessor for the twelve months ended December 31, 2014 are as follows.

(€ thousands)	Share capital	Share premium	Other comprehensive income	Retained earnings	Total	Non-controlling interest	Total equity
Balance at January 1, 2014	<u>20,000</u>	<u>74,717</u>	<u>(12,029)</u>	<u>(406,593)</u>	<u>(323,905)</u>	<u>—</u>	<u>(323,905)</u>
Profit / (loss) for the period	—	—	—	1,236	1,236	—	1,236
Other comprehensive income	—	—	—	—	—	—	—
Exchange differences on translating foreign operations	—	—	1,901	—	1,901	—	1,901
Changes in employee defined benefit obligations	—	—	(1,827)	—	(1,827)	—	(1,827)
Total comprehensive income for the period	—	—	74	1,236	1,310	—	1,310
Balance at December 31, 2014	<u>20,000</u>	<u>74,717</u>	<u>(11,956)</u>	<u>(405,356)</u>	<u>(322,595)</u>	<u>—</u>	<u>(322,595)</u>

The changes in equity for the Successor for the period from incorporation until December 31, 2015 are as follows.

(€ thousands)	Share capital	Share premium	Other comprehensive income	Retained earnings	Total	Non-controlling interest	Total equity
Balance at June 22, 2015	<u>31</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>31</u>	<u>—</u>	<u>31</u>
Capital increase	140	1,260	—	—	1,400	—	1,400
Profit / (loss) for the period ⁽¹⁾	—	—	—	(21,995)	(21,995)	—	(21,995)
Other comprehensive income	—	—	—	—	—	—	—
Exchange differences on translating foreign operations ⁽¹⁾	—	—	720	—	720	—	720
Changes in employee defined benefit obligations ⁽¹⁾	—	—	944	—	944	—	944
Total comprehensive income for the period	—	—	1,664	(21,995)	(20,331)	—	(20,331)
Balance at December 31, 2015	<u>171</u>	<u>1,260</u>	<u>1,664</u>	<u>(21,995)</u>	<u>(18,900)</u>	<u>—</u>	<u>(18,900)</u>

(1) Profit/(loss) for the period, exchange differences on translating foreign operations and changes in employee defined benefit obligations are in relation to the Successor Period only.

**NOTES TO THE COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2015**

NOTE 1. ACCOUNTING POLICIES

1.1 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 incurred to the former owners of the acquiree and the equity interests issued by the Group. 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 recognizes 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 as incurred.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect the changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

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 recognized for non-controlling interest over the net recognized amount (generally at fair value) of the identifiable assets acquired and liabilities assumed constitutes goodwill, and is recognized as an intangible asset. Negative goodwill is recognized immediately in the income statement.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated on consolidation. Unrealized 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.

1.2 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's 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 Euro, which is the Group's functional and the Group's presentational currency. All amounts are stated in thousands of euro 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 valuation where items are re-measured. 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 recognized 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 companies that do not qualify as a net investment in a foreign operation are presented in the statement of comprehensive income within "Finance income and expense". All other foreign exchange gains and losses are presented in the statement of comprehensive income within "Other income" or "Other expenses" which is part of the operating profit.

**NOTES TO THE COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2015—(CONTINUED)**

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in carrying amount are recognized in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in other comprehensive income.

The principal exchange rates that have been used to prepare these financial statements are as follows:

	December 31, 2014		December 31, 2015	
	Closing	Average	Closing	Average
USD	1.2141	1.3285	1.0887	1.1093
TRY	2.8272	2.9039	3.1776	3.0187
GBP	0.7789	0.8061	0.7340	0.7259

Group companies

The results and financial position of all the Group's entities (none of which has 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 recognized 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 recognized in the statement of comprehensive income as part of the gain or loss on sale.

Foreign exchange gains and losses that relate to borrowings between group companies, are presented in the statement of comprehensive income within "Finance income and expense", if these borrowings do not qualify as a net investment in a foreign operation.

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

1.3 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 recognized under IAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

Subsequent costs are included in the asset's carrying amount or recognized 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 derecognized. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

**NOTES TO THE COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2015—(CONTINUED)**

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. The Predecessor used the following estimated remaining useful lives:

Industrial buildings	
—Structural work	33 years
—Roof	11 years
—Other elements	10-25 years
Administrative buildings	
—Structural work	50 years
—Roof	25 years
Machinery	10-33 years
Vehicles, transport equipment	5 years
Furniture, fittings and equipment	5-15 years

In the context of the Business Combination (see section 3), the Company estimated the fair value for land and buildings based on recent valuation reports prepared by an independent appraiser and management's assessment of the acquired assets condition. Based on information provided by the independent appraisers, the Successor has decided to adjust the useful life of the buildings from 33 years to 40 years for light structures and from 33 years to 50 years for heavy structures. Therefore, the Successor uses the following remaining useful lives:

Industrial and administrative buildings	
—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

The Predecessor judges that the useful life of spare parts could not exceed 8 years. The Successor has considered the length of time over which it believes the economic benefits associated with spare parts are expected to be realized, and adjusted the maximum useful life of the spare parts from 8 years to 4 years.

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

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 the Purchase Price Accounting are depreciated over the average remaining lifetime of the applicable assets.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "Other income" or "Other expenses" in the statement of comprehensive income.

1.4 Intangible assets

Goodwill

Goodwill on acquisitions of subsidiaries is included in "intangible assets" and allocated to cash generating units of the underlying assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Trademarks and licences

Separately acquired trademarks and licences are shown at historical cost. Trademarks and licences acquired in a business combination are recognized at fair value at the acquisition date. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks and licences over the shortest of their estimated useful lives or the period of the legal right.

**NOTES TO THE COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2015—(CONTINUED)**

Acquired computer software licences are amortized over their estimated useful lives of between 4 and 10 years.

Internally generated software and other development cost

Costs associated with maintaining computer software programs are recognized 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 recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product 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 product during its development can be reliably measured.

Directly attributable costs that are capitalized 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 recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Computer software development costs recognized as assets are amortized over their estimated useful lives, mainly four years.

1.5 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized 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 to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

1.6 Non-current assets held-for-sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

1.7 Financial assets

Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

**NOTES TO THE COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2015—(CONTINUED)**

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other category. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade date, the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is initially recognized at fair value, and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the “financial assets at fair value through profit or loss” category are presented 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 costs”, in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the statement of comprehensive income as part of “Other income” when the Group’s right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognized in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are recycled to profit or loss.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the statement of comprehensive income as part of “Other income”. Dividends on available-for-sale equity instruments are recognized in the statement of comprehensive income as part of “Other income” when the Group’s right to receive payments is established.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Assets carried at amortized cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The asset’s carrying amount is reduced and the amount of the loss is recognized in the consolidated statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor’s credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated statement of comprehensive income.

**NOTES TO THE COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2015—(CONTINUED)**

Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss—measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss—is removed from equity and recognized in the profit or loss. Impairment losses recognized on equity instruments are not reversed. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the profit or loss.

1.8 Derivative financial instruments

Derivatives are initially recognized 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 costs” to the extent that they relate to the financing activities of the Group.

1.9 Inventories

Inventories are stated at the lower of cost and net realizable value. These net realizable value adjustments 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 design costs, raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Provisions against the carrying value of inventory are calculated on the basis set out below.

Wall to wall carpets and non-woven

- “Second choice” products: write-down of 70 %
- Collections which are no longer produced: write-down of 35 %
- Additional write downs, based on aging of the individual products:
 - Age of production batch between 7-9 months: write-down of 20 %
 - Age of production batch between 10-12 months: write-down of 50 %
 - Age of production batch older than 12 months: write-down of 70 %

Rugs

- “Second choice” products: write-down of 60 %
- Collections which are no longer produced: write-down of 30 %-50 %
- Additional write-downs, based on aging of the individual products:
 - Age of production batch between 7-9 months: write-down of 10 %
 - Age of production batch between 10-12 months: write-down of 30 %
 - Age of production batch older than 12 months: write-down of 50 %

Contract tiles

- “Second choice” products: write-down of 90 %
- Small lot sizes 90 %

**NOTES TO THE COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2015—(CONTINUED)**

- Additional write-downs, based on aging of the individual products:
 - Age of production batch between 7-12 months: write-down of 25 %-50 %
 - Age of production batch between 12-18 months: write-down of 75 %-90 %
 - Age of production batch older than 18 months: write-down of 90 %

Yarns

For slow moving yarns to produce rugs and wall-to-wall carpets, the write-downs vary between 20 % (6 months not moving) and 75 % (12 months not moving).

For slow moving yarns to produce contract tiles, the write-downs vary between 50 % (12 months not moving) and 90 % (16 months not moving).

Materials and other supplies (such as wool) held for use in the production of finished goods are not written down if these finished goods are expected to be sold at or above cost.

An individual assessment of the recoverability of the items of inventories is also made on a regular basis, in addition to the application of general accounting policies described above. When the circumstances that previously caused inventories to be written down below cost no longer exist, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised net realizable value.

Costs of production of joint products are allocated between the products on a rational and consistent basis (e.g. on the relative sales value of each product when they become identifiable in the production process or at the completion of production).

When by-products are immaterial, they may be measured at net realizable value, this value being deducted from the cost of the main product.

1.10 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less bad debt allowance.

Trade receivables are reviewed on a continuing basis. A bad debt allowance is recorded when collectability of the receivable is questionable. The bad debt allowance covers the net estimated risk for the Group and is taking into account the coverage expected to be received from the credit insurance.

1.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

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.

Where any Group company purchases the company's shares (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects is included in equity attributable to the company's equity holders.

**NOTES TO THE COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2015—(CONTINUED)**

1.13 Government grants

Grants from the government are recognized 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 recognized 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.

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.

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. Accounts payable 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 recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Supplier finance arrangements are recognized as a financial liability unless the original trade payable is extinguished or its terms are significantly modified to the extent that it qualifies for de-recognition under IAS 39 (we refer to the accounting policy on debt extinguishment and debt modification).

1.15 Financial liabilities measured at fair value through profit-and loss

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.

Subordinated loans issued to shareholders (preferred equity certificates) include embedded derivatives and are accounted for at fair value through profit or loss in accordance with IAS 32.26 ("Fair value option").

1.16 Senior Secured Notes and Bank and other borrowings

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

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

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 derecognized 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; or

**NOTES TO THE COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2015—(CONTINUED)**

- 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 IAS 39 de-recognition criteria are not met, the receivables continue to be recognized in the statement of financial position, while the proceeds received by the Group under any financing/factoring arrangements are recognized as a financial liability.

A financial liability is de-recognized 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 de-recognition of the original liability and the recognition of a new liability, and the difference in the respective amounts is recognized in the consolidated 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 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

1.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the statement of comprehensive income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the company's subsidiaries 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 on the basis of 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 recognized, 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 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 realized or the deferred income tax liability is settled.

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

Deferred income tax is provided on temporary differences arising on 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.

1.19 Employee benefits

Pension obligations

IAS 19 distinguishes 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.

NOTES TO THE COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2015—(CONTINUED)

Group companies 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 Vandenbroucke”), all Belgian Defined Contribution plans have to be considered under IFRS as Defined Benefit plans. Law Vandenbroucke states that in the context of defined contribution plans, the 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 (currently 1.75%) applies for the years after 2015 on future contributions and also on the accumulated past contributions as of 31 December 2015 if the financing organism does not guarantee a certain result on contributions until retirement age. If the organism does guarantee such a result, the rates 3.25%/2.75% 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 would not be sufficient to reach the minimum benefits to be paid. The group has plans that are financed through insurance contracts. A simplified methodology has been used, taking the limited magnitude of the obligation into account, when it was assessed that reliable estimated could be made. The related assumptions, the defined benefit obligations and related plan assets are further disclosed in the related notes.

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 recognizes 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 recognizes 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 pension ensures that elderly people who are dismissed by their employer or who are encouraged to terminate their employment and in case they fulfill certain conditions, are eligible for payment of supplementary unemployment allowance to be paid by their former employer on top of the unemployment allowances paid by social security. This benefit is generally paid until normal retirement age, which is 65 years.

Within Balta, several former employees benefit from the system of “early retirement fee or pension”, based on several Belgian Collective Labor Agreements (CLA’s) in place for the sector (textielnijverheid en breiwerk/ industrie textile et de la bonneterie) or specifically for Balta. These CLA’s describe the different possibilities for employees of 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 CLA’s 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. It has been 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.

Bonus plans

The Group recognizes a provision for annual bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

1.20 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 recognized as an expense over the vesting period.

A cash-settled share-based payment plan: 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 recognized in profit and loss for the period.

**NOTES TO THE COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2015—(CONTINUED)**

1.21 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognized 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 recognized 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 recognized 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 the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

The Group has environmental obligations relating to its past operations which are based on the Group's environmental management plans, in compliance with current environmental regulatory requirements. Provisions for site remediation costs are made when there is a present legal obligation, it is probable that the expenditure on remediation work will be required and the cost can be estimated within a reasonable range of possible outcomes. The costs are based on currently available facts, technology expected to be available at the time of the clean-up, laws and regulations presently or virtually certain to be enacted and prior experience in remediation of contaminated sites.

Provisions for restructuring are only recognized if the Group demonstrates a constructive obligation to restructure at the reporting date. The constructive obligation should be demonstrated by: (a) a detailed formal plan identifying the main features of the restructuring; and (b) raising a valid expectation to those affected that it will carry out the restructuring by starting to implement the plan or by announcing its main features to those affected.

1.22 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sales of goods

Sales of goods are recognized when the risks and rewards are transferred to the customers, in most cases when the goods are made available for collection at the Group's premises (factory, warehouse) on the date agreed upon with the customer (International Commercial Terms—EXW) and the customer accepted the goods in accordance with the sales contract.

Amounts billed to the customer in respect of transportation of product to the customer's premises are included in revenue. Associated transportation costs incurred by the group are included in other expenses.

Interest income

Interest income is recognized 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 recognized using the original effective interest rate.

Dividend income

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

1.23 Leases

The Group leases certain property, plant and equipment.

NOTES TO THE COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2015—(CONTINUED)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, purchase option (when there is reasonable certainty that the lessee will obtain ownership by the end of the lease term), are included in "Borrowings". The interest element of the finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the useful life of the asset or if there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

1.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

1.25 Levies

The Group has adopted IFRIC 21 'Levies'. IFRIC 21 addresses the accounting for a liability to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to pay a levy, and when a liability should be recognised. The Group is mainly subject to property taxes. Although that the Group does not expect IFRIC 21 to have a significant effect on the results for the financial year ending December 31, 2015 the adoption of the interpretation results in an earlier recognition of these property taxes, namely, in the first quarter instead of over a linear period throughout the year.

1.26 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.

1.27 Non-GAAP measures

"Operating profit/loss before exceptional items" is a non-IFRS measure of performance. Exceptional items are those significant items which are separately disclosed by virtue of their size or incidence to enable readers to gain a full understanding of the Group's financial performance. Transactions which may give rise to exceptional items are principally transactions costs in relation to business combinations, restructuring provisions and their reversal, impairments of property, plant and equipment, the reversal of such write downs or impairments, legal claims, disposals of items of property, plant and equipment or investments in subsidiaries, negative goodwill resulting from business combinations, early termination of debt instruments and reversals of provisions.

EBITDA is a non-IFRS measure of performance defined as "Operating profit/loss" plus depreciation, amortization on tangible and intangible fixed assets".

EBIT is a non-IFRS measure of performance defined as "Operating profit/loss before exceptional items".

EBITDA margin is the reconciliation of non-IFRS measure defined as EBITDA divided by revenue.

Adjusted EBITDA is a reconciliation of non-IFRS measure of performance defined as operating profit / loss before exceptional items adjusted for depreciation and amortization.

Adjusted EBITDA margin is a non-IFRS measure defined as Adjusted EBITDA margin divided by revenue.

The non-GAAP measures are included in these consolidated financial statements because management believes they are useful to many investors, securities analysts and other interested parties as additional measures of performance.

NOTES TO THE COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2015—(CONTINUED)

The Group presents non-IFRS measures in addition to financial measures determined in accordance with IFRS. Non-IFRS measures as reported by the Group may differ from similar measures presented by other companies.

NOTE 2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The amounts presented in the combined 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 combined financial statements are discussed below.

Determination of fair values in business combinations

The Company has applied estimates and judgements in order to determine the fair value of assets acquired and liabilities assumed by way of a business combination. The value of assets, liabilities and contingent liabilities recognized at the acquisition date are recognized at fair value. In determining the fair value, the Company has utilized valuation methodologies including discounted cash flow analysis. The Company's estimates are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable. These valuations require the use of management's assumptions, which would not reflect unanticipated events and circumstances that may occur. Any significant change in key assumptions may cause the acquisition accounting to be revised including the recognition of additional goodwill or a discount on acquisition.

Goodwill

The amount of goodwill initially recognized 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 judgment. Allocation of the purchase price affects the results of the Group as finite lived intangible assets are amortized, whereas indefinite lived intangible assets, including goodwill, are not amortized and could result in differing amortization charges based on the allocation to indefinite lived and finite lived intangible assets.

Impairment testing

IFRS requires management to undertake an annual test for impairment of indefinite lived assets and, for finite lived 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 judgment, 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 EBITDA, calculated as adjusted operating profit before depreciation and amortization;
- timing and quantum of future capital expenditure;
- long-term growth rates; and
- 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 Company's impairment evaluation and hence results. The Company's review includes the key assumptions related to sensitivity in the cash flow projections. Further details are provided in Note 13.

Fair value estimate of preferred equity certificates

The acquisition of Balta Finance has been partially funded through Preferred Equity Certificates (PECs). Depending on the circumstances in which the PECs are settled, the Company may have the right to redeem the PECs in shares. Given that the Company does not have an unconditional right to avoid delivering cash to settle the PECs, the contract must be classified as a financial liability under IFRS. The presence of early redemption and conversion options implies that the contract contains multiple embedded derivatives. Given the inability to separate the embedded derivatives from the host contract, the entire contract is measured at fair value through profit or loss.

**NOTES TO THE COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2015—(CONTINUED)**

A range of valuation techniques can be used when measuring the fair value of unquoted liability instruments. In reaching estimates of fair value of the PECs, management judgment is involved. In order to select the most appropriate valuation, management will employ several valuation methodologies and select the amount within the ranges of values which it believes is most representative of the fair value of the PECs. Because of the nature of the inputs used in the valuation techniques (for example, unobservable inputs such as budgets and forecasts), the resulting measurement is categorized within Level 3 of the fair value hierarchy.

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 of tax payers and local tax authorities.

The Group has tax credits in respect of losses carried forward, Dividend Received Deduction (relief for dividend payments by qualifying EU subsidiaries to qualifying EU parent companies, to avoid double taxation of dividend income), and Notional Interest Deduction ("NID"). These tax credits can be used to offset against future taxable profits. The valuation of this asset depends on a number of judgmental 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. Where circumstances should 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

The Company makes significant judgements in determining the bad debt allowance with respect to trade receivables when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The assessment is performed on an individual basis in consideration of various factors such as historical experience, credit quality, age of the accounts receivables and economic conditions that may affect a customer's ability to pay.

The amount of the bad debt allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The estimated future cash flow is determined based upon the significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

NOTE 3. REVENUE

The following table presents our revenue for the years ended December 31, 2015 and 2014.

(€ thousands)	Combined 2015	Predecessor 2014
Revenue	556,822	519,529
Rugs	204,076	181,544
Residential	247,495	239,148
Commercial	79,243	69,904
Non-Woven	26,008	28,933
Revenue by geography	556,822	519,529
Europe	439,873	428,049
North-America	64,229	43,611
Rest of World	52,720	47,869

During the year ended December 31, 2015, our revenue increased by €37.3 million or 7.2% to €556.8 million from €519.5 million for the year ended December 31, 2014.

This increase in revenue was attributable to growth in our Rugs division (€22.5 million or 12.4%), our Commercial division (€9.3 million or 13.4%) and our Residential division (€8.3 million or 3.5%). The revenue growth was partially offset by a decrease in our Non-Woven division (€2.9 million or 10.1%).

On a geographical level, growth was observed in all regions. However, the growth in North-America (€20.6 million or 47.3%) was significantly higher than in Europe (€11.8 million or 2.8%) and the Rest of World (€4.9 million or 10.1%).

**NOTES TO THE COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2015—(CONTINUED)**

NOTE 4. RAW MATERIAL EXPENSES

<u>(€ thousands)</u>	<u>Combined 2015</u>	<u>Predecessor 2014</u>
Raw material expenses	(269,675)	(256,794)
As % of revenue	48.4%	49.4%

Raw material expenses mainly comprise the purchase of polypropylene and polyamide granulates latex, yarns, backings, jute, wool and packaging material. In addition, changes in the year-end inventory level of raw materials & consumables are also included.

Raw material expenses increased by €12.9 million or 5.0% from €256.8 million for the year ended December 31, 2014 to €269.7 million for the year ended December 31, 2015. Note that €10.8 million of this increase results from a value step-up of inventory recorded in the context of purchase price allocation. As detailed in section 3, the carrying value of inventories was increased to their market value less the cost to bring the products to market. As this value is higher than our inventory valuation policies, this value step-up should be considered one-off.

When excluding the non-cash impact of the purchase price allocation, raw material expenses are equal to €258.9 million and represent 46.5% of revenue, as compared to 49.4% in 2014. This decrease is mainly driven by a decrease in average prices of granulates and latex.

NOTE 5. CHANGES IN INVENTORIES

<u>(€ thousands)</u>	<u>Combined 2015</u>	<u>Predecessor 2014</u>
Changes in inventory	(17,405)	9,033
Of which: actual movements in inventory	(2,547)	9,033
Of which: impact purchase price allocation	(14,879)	—

Changes in inventories represent the change in the year-end inventory level of work in progress and finished goods recorded on the statement of financial position.

Inventory of work in progress and finished goods decreased from €71.3 million as of December 31, 2014 to €68.7 million as of December 31, 2015, resulting in the recognition of an expense of €2.5 million. As a result of the purchase price allocation adjustment described in section 3, an additional expense of €14.9 million was recognized in relation to inventory measured at fair value at the Completion Date and sold in the period September to December 2015.

NOTE 6. EMPLOYEE BENEFIT EXPENSES

<u>(€ thousands)</u>	<u>Combined 2015</u>	<u>Predecessor 2014</u>
Total employee benefit expenses	133,446	128,191
Wages and salaries	95,995	91,296
Social security costs	30,859	30,419
Pension costs	1,327	1,269
Other employee benefit expenses	5,265	5,206

The average number of employees in 2015 and 2014 was 3,233 and 3,177 (in full time equivalents) respectively. Part-time employees are included on a proportionate basis.

	<u>Combined 2015</u>	<u>Predecessor 2014</u>
Average number of total employees	3,233	3,177
Average number of employees—blue collar	2,698	2,678
Average number of employees—white collar	535	499

**NOTES TO THE COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2015—(CONTINUED)**

NOTE 7. OTHER INCOME AND EXPENSES

<u>(€ thousands)</u>	<u>Combined</u> <u>2015</u>	<u>Predecessor</u> <u>2014</u>
Other income	10,879	10,960
Foreign exchange gains	1,186	1,393
Payroll tax incentive	4,931	4,968
Rental income from solar rooftop installations	1,463	1,545
Grants	171	675
Other	3,127	2,380
Other expenses	97,403	89,388
Services and other goods	61,531	58,896
Selling expenses	32,647	26,385
Foreign exchange losses	59	651
Real estate tax	2,644	2,950
Other	522	506

Other income remained relatively stable and amounted to €10.9 million for the year ended December 31, 2015. The main component is the payroll tax incentive for night or shift work, whereby the Company can benefit from a partial exemption of payment of withholding tax due on wages paid to workers in team or night shifts. The salary withholding tax is retained on the remunerations paid but the amount of tax so retained must not be fully paid to the tax authorities.

Other income also comprises rental payments received from renting certain rooftops to a solar development company. The residual component of other income, €3.1 million and €2.4 million in 2015 and 2014, respectively, is in relation to the re-charge of certain expenses incurred, the sale of waste and the derecognition of old credit notes to issue for potential commercial settlements.

Other expenses increased by €8.0 million to €97.4 million for the year ended December 31, 2015 from €89.4 million for the year ended December 31, 2014. Services and other goods for the twelve months ended December 31, 2015 mainly comprises electricity and gas (€22.4 million), maintenance and repair (€6.3 million) and interim blue collars (€5.2 million). Selling expenses mainly comprise freight (€20.6 million) and commissions (€4.7 million).

NOTE 8. DEPRECIATION / AMORTIZATION

The components of depreciations and amortizations can be summarized as follows:

<u>(€ thousands)</u>	<u>Combined</u> <u>2015</u>	<u>Predecessor</u> <u>2014</u>
Depreciation / amortization	24,098	24,802
Amortization of intangible assets	680	1,008
Depreciation property, plant and equipment	24,813	24,840
Release deferred revenue sale & leaseback	(1,395)	(1,046)

Depreciation / amortization decreased by €0.7 million to €24.1 million for the year ended December 31, 2015 from €24.8 million for the year ended December 31, 2014.

The release of deferred revenue sale and lease back relates to the gradual recognition of the capital gain realized on the sale and lease back of one of our facilities in 2014. This deferred revenue is recognized as partial offset to depreciation charges over the period of the lease.

NOTE 9. INTEGRATION AND RESTRUCTURING EXPENSES

The total integration and restructuring expenses amount to €33.7 million, of which €23.3 million has been recognized in the Predecessor Period and €10.4 million in the Successor period. The vast majority of this total, €31.2 million, relates to transaction expenses and bonuses arising from the Acquisition and (aborted) IPO-related expenses. The remaining €2.5 million relates to other one-time charges and non-operating expenses, such as organizational realignment costs and strategic advisory services.

NOTE 10. FINANCE EXPENSES

Finance expenses increased by €4.0 million or 12% to €38.5 million for the year ended December 31, 2015 from €34.5 million for the year ended December 31, 2014.

**NOTES TO THE COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2015—(CONTINUED)**

In 2014, the finance expenses are driven by interest paid on the Senior Facility Agreement and interest due on a shareholder loan owing from Balta Finance S.à r.l. to Balta Luxembourg S.à r.l. We refer to Note 22 for a description of these facilities.

In 2015, the finance expense of €38.5 million comprises three types of expenses, as shown in the table below:

<u>(€ thousands)</u>	<u>2015</u>
Finance expenses related to debt existing as of December 31, 2015	13,220
Senior Secured Notes	10,132
Of which: interest	9,177
Of which: transaction fees	955
Revolving Credit Facility	731
Financial leasing	581
Factoring/Forfaiting/Bank charges	1,776
Finance expenses related to debt fully repaid in the course of 2015	7,926
Senior Facilities Agreement	7,065
Of which: interest	4,801
Of which: transaction fees	2,264
Turkish facility (Halkbank debt)	701
Reversed Factoring	69
Shareholder loan	91
Non-cash finance expenses	17,387
Related party debt (non-cash)	11,988
Foreign exchange losses on intercompany transactions (non-cash)	5,399
Total finance expenses	38,541

The non-cash finance expenses of €17.4 million have been recorded in relation to intercompany transactions. This comprises €12.0 million of interest expenses on a shareholder loan between Balta Finance and Balta Luxembourg S.à r.l. and €5.4 million of non-cash foreign currency losses in relation to euro-denominated intercompany balances between a Belgian entity and its Turkish subsidiary. As explained in Note 10 of the Combined Financial Statements, the shareholder loan has been transferred from Balta Luxembourg S.à r.l. to Balta Investments. Consequently, the associated debt held by Balta Finance and the receivable held by Balta Investments have become intercompany positions, as a result of which interest income/expense thereon is eliminated in consolidation in the period following the Completion Date.

Even though intercompany balances are eliminated in consolidation, translating the Turkish entity's financial statements from its local currency to the reporting currency does not reverse the foreign currency losses. Instead, translating the foreign entity's financial statements into the reporting currency generates an equivalent gain within the cumulative translation adjustment (CTA) account, a component of other comprehensive income.

Finance expenses on debt that continues to exist as of December 31, 2015 is equal to €13.2 million. This comprises the effective interest charge on the Senior Secured Notes, interest paid on the Revolving Credit Facility, interest on the financial leasing agreement, interest paid on factoring and forfaiting agreements and bank charges.

Finance expenses on third party debt that has been fully repaid in 2015 is equal to €7.9 million, driven by interest expenses on the Senior Facilities Agreement and the recognition of the transaction costs previously capitalized in relation to this debt.

Finance income decreased by €2.3 million to €0.1 million for the year ended December 31, 2015 from €2.4 million for the year ended December 31, 2014. In 2014, finance income was impacted by a positive change in the fair value measurement of interest rate swaps. Since the maturity of these swaps in June 2014, there has been no such impact in 2015.

NOTE 11. INCOME TAX BENEFIT / EXPENSE

<u>(€ thousands)</u>	<u>Combined</u>	<u>Predecessor</u>
	<u>2015</u>	<u>2014</u>
Income tax benefit / (expense)	2,949	7,856
Current tax	(1,571)	(1,664)
Deferred tax	4,520	9,520

**NOTES TO THE COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2015—(CONTINUED)**

(€ thousands)	<u>Combined 2015</u>	<u>Predecessor 2014</u>
Income tax benefit / expense	2,949	7,856
Income tax calculated at Luxembourg tax rate (31.47%)	14,626	2,083
Rate differential due to transactions with Belgium, Turkey and US	445	(981)
Tax-exempted revenues	5,491	4,182
Deferred tax assets recognised	1,907	—
Utilization of previously not recognized tax assets	172	10,468
Tax losses for which no deferred tax asset is recognized	(17,639)	(6,556)
Disallowed expenses	(2,265)	(994)
Other	212	(346)

In assessing whether deferred tax assets should be recognized, management considers the extent to which it is probable that the deferred tax asset will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable profits during the periods in which those temporary differences and tax losses carried forward become deductible. Management considers the expected reversal of deferred tax liabilities and projected future taxable income in making this assessment.

In 2015, the Company has incurred certain tax losses subject to significant limitations (tax losses for which no deferred tax asset is recognized). For those losses, deferred tax assets are not recognized, as it is not probable that taxable profit will be generated to offset those losses.

NOTE 12. PROPERTY, PLANT AND EQUIPMENT

(€ thousands)	<u>Land and buildings</u>	<u>Plant and machinery</u>	<u>Other equipment</u>	<u>Total</u>
Period ended December 31, 2014 (Predecessor)				
Opening net book value	74,574	101,071	16,607	192,252
Additions	18,765	17,389	10,188	46,342
Disposals	(3,041)	(40)	(219)	(3,300)
Transfers	—	(0)	(71)	(71)
Depreciation charge	(3,157)	(9,741)	(11,942)	(24,840)
Impairment charge	—	(9,196)	(498)	(9,694)
Exchange differences	375	1,503	137	2,015
Closing net book value	87,516	100,986	14,201	202,702
At December 31, 2014				
Cost or valuation	141,653	522,100	56,541	720,294
Accumulated depreciation, impairment and other adjustments	(54,137)	(421,114)	(42,340)	(517,591)
Closing net book value	87,516	100,986	14,201	202,702
Period ended December 31, 2015 (Successor)				
Opening net book value	87,516	100,986	14,201	202,704
Purchase price allocation	92,126	(3,035)	—	89,091
Additions	1,583	22,931	12,384	36,901
Disposals	—	(495)	(330)	(825)
Depreciation charge	(5,006)	(8,582)	(11,226)	(24,813)
Exchange differences	(486)	(3,221)	(18)	(3,725)
Closing net book value	175,734	108,584	15,012	299,332
At December 31, 2015				
Cost or valuation	234,421	522,710	46,443	803,574
Accumulated depreciation, impairment and other adjustments	(58,687)	(414,125)	(31,429)	(504,242)
Closing net book value	175,734	108,584	15,012	299,332

During the twelve months ended December 31, 2015, the net book value of property, plant and equipment increased by €96.6 million.

Purchase price allocation (€89.1 million) mainly relates to the fair value step-up on land (€24.8 million) and buildings (€67.9 million) which has been recorded in the context of the purchase price allocation. Refer to section 3 for further details.

**NOTES TO THE COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2015—(CONTINUED)**

Our capital expenditures for the period (€36.9 million) comprised: €16.4 million of efficiency and growth capex, €11.4 million of maintenance capital expenditures and €9.6 million of samples and €0.5 million of disposals. Of our total capital expenditures for the period, €16.6 million were incurred in our Rugs segment, €15.3 million were incurred in our Residential segment, €4.9 million were incurred in our Commercial segment, €0.2 million were incurred in our Non-woven segment.

Exchange differences (€3.7 million) mainly relate to fluctuations in the closing exchange rate of our Turkish entities which have a significant amount of land & buildings and plant & machinery recorded on the statement of financial position.

Operating leases expenses amounting to €3.6 million in 2015 and relating to the lease of various buildings, equipment, machinery and vehicles have been included in “Other expenses” in the statement of comprehensive income.

The Group leases various industrial buildings, plant and machinery under non-cancellable finance lease agreements. The lease terms are between 5 and 15 years, and ownership of the assets lie within the Group. Refer to Note 22 for further details.

NOTE 13. GOODWILL

The net purchase price for the Acquisition amounts to €272.8 million. In accordance with IFRS 3 “Business Combinations”, the purchase price needs to be allocated to identifiable assets and liabilities acquired based on estimated fair values at the date of acquisition, with the excess of the purchase price amount allocated to goodwill. Our purchase price allocation has been substantially finalized and the total identifiable net assets acquired amount to €148.1 million, resulting in a remaining amount of goodwill of €124.7 million. The latter represents, amongst other things, the value of the longstanding customer relationships, the Company’s market position, brand and reputation, as well as the value of the Company’s workforce.

Goodwill is not amortized, but instead tested for impairment annually, as well as whenever there are events or changes in circumstances (triggering events) which suggest that the carrying amount may not be recoverable. Goodwill is carried at cost less accumulated impairment losses.

The goodwill impairment test is performed at the level of a cash-generating unit or a group of cash-generating units, 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 Residential segment broken down into two CGUs, Balta Broadloom (polypropylene broadloom) and ITC (polyamide broadloom).

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the cash-generating units that are expected to benefit most from the business combination. Consequently, the goodwill resulting from the Acquisition (€124.7 million) has been solely allocated to Rugs (€94.3 million) and Commercial (€30.3 million).

If the carrying amount of the cash-generating unit to which the goodwill has been allocated exceeds its recoverable amount, an impairment loss on goodwill allocated to the cash-generating unit is recognized. The recoverable amount is the higher of the cash-generating unit’s fair value less costs to sell and its value in use. If either of these amounts exceeds the carrying amount, it is not always necessary to determine both amounts. These values are generally determined based on discounted cash flow calculations.

The impairment testing has been performed as of August 31, 2015. Management considers the likelihood that an updated calculation as of December 31, 2015 would indicate the recoverable amounts to be less than the carrying amounts to be remote. The assets and liabilities comprising the CGU have not changed significantly since the most recent calculation. In addition, there are no indications that recoverable amounts have decreased.

**NOTES TO THE COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2015—(CONTINUED)**

The table below provides an overview of the value in use (derived using discounted cash flow analysis) and the carrying amount (book value of capital employed) per cash-generating unit at December 31, 2015. As shown, the recoverable amount exceeds the carrying amount and hence the goodwill is not impaired. Key assumptions on which management has based its determinations of the value in use include terminal value growth rates of 2% and an after-tax discount rate of 7.9%. Cash flows were projected for the next three years based on the business plan prepared by Balta Finance in the context of the Acquisition.

Comparison recoverable amount vs. carrying amount per CGU (€ thousands)	Recoverable amount	Carrying amount	Excess recoverable amount
Rugs	288.9	284.2	4.8
Balta Broadloom	68.5	57.1	11.4
ITC	20.9	18.6	2.3
Commercial	93.2	55.0	38.2
Non-Woven	17.9	11.0	6.9
Total	<u>489.4</u>	<u>425.8</u>	<u>63.6</u>

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. Terminal value growth rates take into consideration external macroeconomic sources of data and industry specific trends. The table below presents the extent in which these two assumptions would need to change in order to reduce the value in use to the carrying amount. Note that the decrease in headroom between the value in use and the carrying amount is a direct result of the purchase price allocation, and is hence not driven by changes in the underlying business performance.

Sensitivity analysis per CGU	Growth rate	Discount rate
Rugs	(0.1%)	0.1%
Balta Broadloom	(1.3%)	1.2%
ITC	(0.8%)	0.7%
Commercial	(35.8%)	21.4%
Non-Woven	(4.2%)	3.6%

In comparison to previous reporting periods, a smaller change in assumptions is required in order to reduce the recoverable amount to the carrying amount. This is a direct result of the Acquisition and is not driven by changes in the underlying business performance. In the context of the purchase price allocation, the net asset value of the Group was increased by €201.6 million, of which €76.9 million has been allocated to identifiable assets and liabilities and of which €124.7 million has been recognized as goodwill. Given that a significant amount of goodwill has been allocated to the Rugs division, it follows that the difference between the recoverable amount and the carrying amount has been reduced as compared to previous reporting periods.

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 of 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)	Combined 2015	Predecessor 2014
Deferred tax assets	<u>8,573</u>	<u>6,484</u>
Deferred tax assets to be reversed after more than 12 months	8,177	4,927
Deferred tax assets to be reversed within 12 months	396	1,557
Deferred tax liabilities	<u>(67,879)</u>	<u>(34,342)</u>
Deferred tax liabilities to be reversed after more than 12 months	(62,503)	(30,064)
Deferred tax liabilities to be reversed 12 months	(5,376)	(4,278)
Net deferred tax liabilities	<u>(59,306)</u>	<u>(27,858)</u>

**NOTES TO THE COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2015—(CONTINUED)**

The movement in the net deferred tax liabilities can be summarized as follows:

(€ thousands)	<u>Combined 2015</u>	<u>Predecessor 2014</u>
January 1st	(27,858)	(37,361)
Impact Purchase Price Allocation	(35,113)	—
Income statement charge	4,520	9,521
Exchange differences	(855)	(18)
December 31st	(59,306)	(27,858)

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)	<u>Tax losses carried forward</u>	<u>Deferred income sale and leaseback</u>	<u>Intangible assets</u>	<u>Borrowings</u>	<u>Employee benefits</u>	<u>Inventory</u>	<u>Other</u>	<u>Total</u>
January 1, 2014	6,211	—	—	—	1,760	406	1,241	9,618
Charged / (credited) to the income statement	3,852	—	3,823	—	383	(330)	(56)	7,672
Exchange differences	(22)	—	—	—	—	—	—	(22)
December 31, 2014	10,041	—	3,823	—	2,143	76	1,185	17,268
January 1, 2015	10,041	—	3,823	—	2,143	76	1,185	17,268
Reclass to/from deferred tax liabilities ..	(3,918)	5,334	—	1,903	—	—	(67)	3,251
Purchase Price Allocation	4,231	—	—	—	—	—	293	4,525
Charged/(credited) to the income statement	(238)	(474)	(956)	—	(532)	607	(367)	(2,005)
Exchange differences	(654)	—	—	—	—	—	—	(654)
December 31, 2015	9,416	4,859	2,867	1,903	1,612	683	1,044	22,384

The Group has recorded €1.4 million of deferred tax assets in the context of the purchase price allocation, mainly driven by an expected change in the transfer pricing methodology between our Belgian and Turkish subsidiary with retroactive effect. Balta Floorcovering renders contract manufacturing services to Balta Industries and is remunerated on the basis of an appropriate transfer pricing method. Changes in the transfer pricing method will result in an increased taxable basis in Turkey (resulting in the recognition of a deferred tax liability) and in increased tax losses carried forward being recognized in Belgium (Balta Industries) to reflect the decrease in the taxable basis.

In assessing the realizability of deferred tax assets, management considers the extent to which it is probable that the deferred tax asset will be realized. The ultimate realization of deferred tax assets is dependent upon 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 upon 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 Company will realize the benefits of these deductible differences. As of December 31, 2015, the Company has certain tax losses subject to significant limitations. For those losses deferred tax assets are not recognized, as it is not probable that gains will be generated to offset those losses.

As of December 31, 2015 total tax credits amounted to €498 million, resulting in a potential deferred tax asset of €157 million of which the Company only recognized €9.4 million. The majority of the tax credits are incurred at the level of the Belgian legal entities where—with the exception of the tax credits in relation to the Notional Interest Deduction—there is no expiry date regarding the tax credits.

**NOTES TO THE COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2015—(CONTINUED)**

Deferred tax liabilities

(€ thousands)	Property, plant and equipment	Inventory	Income tax liability	Intangible assets	Other	Total
January 1, 2014	(43,607)	(1,867)	—	—	(1,504)	(46,978)
Charged / (credited) to the income statement	2,348	(658)	—	(19)	179	1,849
Exchange differences	3	—	—	—	—	3
December 31, 2014	(41,256)	(2,525)	—	(19)	(1,325)	(45,126)
January 1, 2015	(41,256)	(2,525)	—	(19)	(1,325)	(45,126)
Reclass from deferred tax assets	(3,173)	(78)	—	—	—	(3,251)
Purchase Price Allocation	(29,311)	(8,627)	(1,500)	—	(200)	(39,638)
Charged/(credited) to the income statement	(2,489)	8,836	96	(402)	485	6,527
Exchange differences	(201)	—	—	—	—	(201)
December 31, 2015	(76,430)	(2,394)	(1,404)	(420)	(1,040)	(81,689)

An additional deferred tax liability of €39.6 million has been recorded in the context of purchase price accounting, as described in section 3.

Deferred income tax liabilities have not been recognized 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 €160.8 million as of December 31, 2015 (as compared to €155.1 million as of December 31, 2014).

NOTE 15. INVENTORIES

(€ thousands)	Successor December 31, 2015	Predecessor December 31, 2014
Total inventories	129,438	126,891
Raw materials and consumables	60,736	55,665
Work in progress	18,548	18,201
Finished goods	50,153	53,025

Inventories increased by €2.5 million as compared to December 31, 2014, mainly driven by an increase in the raw materials and consumables inventory (€5.1 million) which is partly offset by a decline in the finished goods inventory. Increase in the stock of raw materials and consumables is volume driven as raw material prices decreased compared to the previous year. Inventory of work in progress remained relatively stable at around €18 million. The decrease in finished goods inventory is primarily driven by strong sales in December.

The cost of inventories recognised as expenses amount to €400.5 million for the twelve months ended December 31, 2015. The Group recorded an inventory allowance of €2.4 million as of December 31, 2015 (as compared to €1.4 million as of December 31, 2014) in addition to the application of the general accounting policies as also explained in Note 1.9.

NOTE 16. DERIVATIVE FINANCIAL INSTRUMENTS

(€ thousands)	Successor December 31, 2015	Predecessor December 31, 2014
Derivative financial instruments (assets)	786	—
Foreign exchange forwards	273	—
Fixed price electricity purchase commitments as a result of the purchase price allocation	512	—
Derivative financial instruments (liabilities)	—	231
Foreign exchange forwards	—	231

Derivative financial instruments comprise both foreign exchange forwards related to GBP hedging (cash-settled) and fixed price electricity purchase commitments which are physically settled. The notional principal amounts of the outstanding forward foreign exchange derivative financial instruments at December 31, 2015 amounted to €14.0 million for the inflows and €13.8 million for the outflows. The fixed price electricity purchase commitments relate to 12-month fixed-price forward contracts for the purchase of electricity with delivery in 2016. The ability to click volumes at a fixed price is a feature that is embedded within our long-term purchase agreements. Although they are not cash-settled, the fair value of the outstanding contracts pending at the completion date have been recognized as part of the purchase price allocation.

**NOTES TO THE COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2015—(CONTINUED)**

NOTE 17. TRADE AND OTHER RECEIVABLES

<u>(€ thousands)</u>	<u>Successor</u> <u>December 31,</u> <u>2015</u>	<u>Predecessor</u> <u>December 31,</u> <u>2014</u>
Total Trade and other receivables	46,634	48,546
Trade and other receivables (non-current)	91	902
Other amounts receivable	91	902
Trade and other receivables (current)	46,544	47,644
Net trade receivables	32,892	36,964
Trade receivables	35,426	39,447
Less: Bad debt allowance	(2,535)	(2,483)
Prepayments and accrued income	1,124	1,577
Other amounts receivable	12,528	9,102

The fair value of the 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 derecognized the accounts receivable for which substantially all risk and rewards of ownership have been transferred.

As of December 31, 2015 trade receivables that were past due amounted to €8.2 million compared to €7.3 million at December 31, 2014.

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 assessment to set up a bad debt allowance is performed on an individual basis in consideration of various factors such as historical experience, credit quality, age of the accounts receivables and economic conditions that may affect a customer's ability to pay. For the years ended December 31, 2015 and 2014, there are no significant receivables due more than 3 months for which no provisioning has been set up.

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

<u>(€ thousands)</u>	<u>Successor</u> <u>December 31,</u> <u>2015</u>	<u>Predecessor</u> <u>December 31,</u> <u>2014</u>
Total trade and other receivables	46,634	48,546
EUR	28,073	22,674
USD	6,097	9,992
GBP	3,105	8,020
TRY	9,359	7,860

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

<u>(€ thousands)</u>	<u>Combined</u> <u>2015</u>	<u>Predecessor</u> <u>2014</u>
Beginning of period (As at January 1)	(2,483)	(5,558)
Impairment loss recognized	(638)	(690)
Additional bad debt allowance recognized through PPA	(718)	—
Receivables written off during the year as uncollectible	1,174	3,472
Unused amounts reversed	120	322
Fx differences	10	(29)
End of period (As at December 31)	(2,535)	(2,483)

The creation and release of allowances for impaired receivables has been included in other income/expenses. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. In the context of the purchase price allocation resulting from the Acquisition, net trade receivables have been decreased by €0.8 million at December 31, 2015, to reflect the probability that certain trade receivables may not be fully collected.

**NOTES TO THE COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2015—(CONTINUED)**

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 per December 31, 2015 the Group holds collateral (letters of credit and corporate or bank guarantees) for an amount of €0.4 million.

NOTE 18. CASH AND CASH EQUIVALENTS

<u>(€ thousands)</u>	<u>Successor</u> <u>December 31,</u> <u>2015</u>	<u>Predecessor</u> <u>December 31,</u> <u>2014</u>
Total cash and cash equivalents	45,462	66,654
Cash at bank and on hands	36,586	59,747
Short-term bank deposits	2,933	2,323
Cash from local financing	5,943	4,584

The cash from local financing relates to cash and cash equivalent balances held by subsidiaries that operate in countries where legal restrictions apply and as such the cash and cash equivalents are not directly available for general use by the parent or other subsidiaries.

The credit quality of the banks and financial institutions is disclosed in Note 24. The Group's assets which are pledged as security for the borrowings are described in Note 21.

NOTE 19. SHARE CAPITAL AND SHARE PREMIUM

The legal issued share capital of the Company is set at €171 thousand divided into 171,000 ordinary shares with a nominal value of 1 EUR each. The Company is incorporated with an initial share capital of €31 thousand which was subsequently increased with €140 thousand to €171 thousand. The capital of the Company may be increased or reduced by a resolution of shareholders adopted in the manner required for amendment of the articles of association in addition to any approvals required by statutory law and requires approval from LSF9 Balta Midco S.à r.l. (registered with the Luxembourg Trade and Companies Register under number B 197722). All shares issued by the Company were fully paid, together with a share premium of €1.3 million.

NOTE 20. PREFERRED EQUITY CERTIFICATES

In connection with the Acquisition, the Issuer has issued 1,108,800 preferred equity certificates ("PECs") having a nominal value of €125, for an aggregate amount of €138.6 million. The aggregate amount has been paid in cash to the Company on August 10, 2015. The terms and conditions of the preferred equity certificates are governed by and construed in accordance with the laws of Luxembourg. The main characteristics of the PECs are as follows:

- Each PEC is entitled to receive a return which is mainly driven by any income derived by the Company from its investment in LSF9 Balta Investments S.à r.l., it being understood that the Company shall retain a margin on an annual basis on its financing activity as determined from time to time by a transfer price study
- Mandatory redemption at maturity, December 31, 2045
- Optional redemption prior to the maturity date, subject to certain restrictions including that the redemption payment will not violate any covenant contained in or result in a default under any agreement or other financial obligation of the Company or any of its subsidiaries after making such payment
- In the event that the Company would sell all or part of the shares of LSF9 Balta Investments S.à r.l. or in the event that LSF9 Balta Investments S.à r.l. would sell the preferred equity certificates it has issued and to which the Company has subscribed, the Company shall be entitled to convert any or all of the PECs into shares of the Company. Any shares issued to the holder(s) of the PECs shall be subject to a pledge or other security interest in favor of the Company's creditor under the senior debt documents if and to the extent such creditors are secured by a pledge on the then-issued and outstanding shares of the Company
- The number of shares to be issued per converted PEC equals the quotient determined by dividing the sum of the par value of the PEC plus the amount of any accrued yield that is unpaid by the nominal value of the shares

Given that the Company does not have an unconditional right to avoid delivering cash to settle the PECs, the contract must be classified as a financial liability under IFRS. The presence of early redemption and conversion options implies that the contract contains multiple embedded derivatives. Given the inability to separate the embedded derivatives from the host contract, the entire contract is measured at fair value through profit or loss.

**NOTES TO THE COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2015—(CONTINUED)**

As of December 31, 2015, management believes that the cash consideration paid is a reliable measure of fair value (see Note 2). This measure is a Level 3 estimate, as described in Note 23.

NOTE 21. SENIOR SECURED NOTES

(€ thousands)	<u>Successor</u> <u>December 31,</u> <u>2015</u>	<u>Predecessor</u> <u>December 31,</u> <u>2014</u>
Total Senior Secured Notes	283,690	—
Non-Current portion	276,826	—
Of which: gross debt	290,000	—
Of which: capitalised financing fees	(13,174)	—
Current portion	6,864	—
Of which: gross debt	9,177	—
Of which: capitalised financing fees	(2,314)	—

The Issuer issued €290 million aggregate principal amount of 7.75% Senior Secured Notes due 2022 as part of the financing of the Acquisition. The Indenture is dated August 3, 2015 and the principal amount was released from the escrow account at Completion Date.

Interest on the Senior Secured Notes accrue at the rate of 7.75% per annum and are payable semi-annually in arrears on March 15 and September 15 of each year, commencing on March 15, 2016.

Costs related to the issuance of Senior Secured Notes are capitalized and amortized into profit or loss over the term of the debt in accordance with the effective interest method. Total costs capitalized amounted to €16.4 million, of which €15.5 million remain capitalized as of December 31, 2015.

The current portion of the debt associated with the Senior Secured Notes relates to accrued interest payable at the next interest payment date and the portion of the capitalized financing fee that will be amortized into profit or loss over the next 12 months.

The Senior Secured Notes are subject to certain incurrence covenants that restrict, among other things, our ability to:

- incur or guarantee additional indebtedness and issue certain preferred stock
- create or permit to exist certain liens
- make certain restricted payments, including dividends or other distributions
- prepay or redeem subordinated debt or equity
- make certain investments or acquisitions, including participation in joint ventures
- engage in certain transactions with affiliates
- sell, lease or transfer certain assets, including stock of restricted subsidiaries
- guarantee debt of the Issuer or any Guarantor without also guaranteeing the Senior Secured Notes
- create certain restrictions on the ability of restricted subsidiaries to pay dividends or make other payments to the Issuer or a restricted subsidiary
- create unrestricted subsidiaries
- merge or consolidate with other entities or transfer all or substantially all of the Issuer and its restricted subsidiaries' assets or a Guarantor's assets
- impair the security interest for the benefit of the holders of the Senior Secured Notes

**NOTES TO THE COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2015—(CONTINUED)**

The Senior Secured Notes are secured by first-ranking security interests over the following collateral:

- the issued shares of the Guarantors
- the issued preferred equity certificates of the Issuer and Balta Investments
- certain bank accounts of the Guarantors
- certain moveable assets of certain of the Guarantors
- certain intra-group loans and receivables of the Guarantors
- a business pledge with respect to the business of Balta Industries NV, Balta Oudenaarde NV and Modulys NV

The collateral also secures the Revolving Credit Facility (see Note 22) and certain hedging obligations on an equal and ratable basis. 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 Revolving Credit Facility and certain hedging obligations have been repaid in full. Any such proceeds will, after all obligations under the 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 ratable basis.

NOTE 22. BANK AND OTHER BORROWINGS

<u>(€ thousands)</u>	<u>Successor</u> <u>December 31,</u> <u>2015</u>	<u>Predecessor</u> <u>December 31,</u> <u>2014</u>
Total Bank and other borrowings	20,277	579,180
Non-Current portion	17,787	557,894
Bank borrowings	—	127,728
Of which: gross bank borrowings	—	128,857
Of which: capitalised financing fees	—	(1,129)
Finance lease liabilities	17,787	20,136
Other liabilities with related parties	—	405,088
Other liabilities	—	4,942
Current portion	2,490	21,286
Bank borrowings	40	12,932
Of which: gross bank borrowings	40	14,520
Of which: capitalised financing fees	—	(1,588)
Finance lease liabilities	2,450	2,411
Reverse factoring	—	5,944

Bank borrowings

As of December 31, 2014, the bank borrowings relate to a Senior Facility Agreement with a bank syndicate, a Turkish mortgage loan and a short term credit facility.

On April 15, 2011, Balta Finance S.à r.l, certain of its affiliates acting as guarantors, Fortis Bank NV/SA, ING Belgium NV/SA and KBC Bank NV, as mandated lead arrangers, and certain other parties entered into the Senior Facility Agreement. The Senior Facility Agreement initially provided for borrowings, including a revolving facility, up to an aggregate of €260 million. The Senior Facility Agreement was scheduled to mature on May 31, 2016, in relation to Facility A and the Revolving Facility, and November 30, 2016 in relation to Facility B. As of December 31, 2014, the gross amount outstanding (i.e. excluding debt modification costs) was €131.1 million. All amounts relating to the Senior Facility Agreement have been repaid in full by the Company on August 11, 2015.

On November 13, 2012, Balta Floorcovering and Türkiye Halk Bankası A.S. (“Halkbank”) entered into a loan agreement, comprising of a framework credit agreement, a supplementary protocol and a protocol for banking transactions. The agreement provided for a credit limit of €14.4 million. As of December 31, 2014, there was €11.5 million outstanding under the Halkbank Loan Agreement. All amounts relating to the Halkbank Loan Agreement have been repaid by the Company in the course of 2015.

**NOTES TO THE COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2015—(CONTINUED)**

On August 3, 2015, Balta Issuer and Balta Investments entered into a Revolving Credit Facility Agreement providing for a €40 million Revolving Credit Facility. The Revolving Credit Facility is secured by first-ranking security interests over the collateral, which also secure the Senior Secured Notes and the Guarantees. Under the 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 unutilized commitment under the Revolving Credit Facility. Amounts drawn under the Revolving Credit Facility may be used for working capital and other general corporate purposes of the Restricted Group, operational restructurings or permitted reorganizations of the Group.

The initial facility commitments of ING Belgium NV and KBC Bank NV were each converted into an Ancillary Facility Agreement for an aggregate amount of €35.0 million.

The Revolving Credit Facility Agreement contains customary and certain deal specific affirmative loan style covenants and restrictive covenants. Set out below is a brief description of such covenants, all of which are subject to customary and certain deal specific exceptions.

- **Incurrence covenants.** These are substantially the same as those applicable to the Notes
- **Affirmative covenants.** These require, among other things, (i) the provision of certain financial information, (ii) the obtaining, compliance with and maintenance of authorizations required by law or regulation to enable each Obligor to (a) perform its obligations under the finance documents under the Revolving Credit Facility and the Acquisition Documents (b) ensure the legality, validity, enforceability or admissibility in evidence of any Finance Document and the Acquisition Documents to which it is a party, and (c) to enable it to own its property and assets and to carry on its business; (iii) compliance in all material respects with applicable laws and regulations; (iv) payment of taxes; (v) preservation of assets; (vi) maintenance of pari passu ranking of any unsecured and unsubordinated claims of a Finance Party against each Obligor under the Finance Documents with the claims of other unsecured and unsubordinated creditors (except where such claims are mandatorily preferred by law); (vii) commercially reasonable steps to preserve and enforce material rights under the Acquisition Documents; (viii) maintenance of insurances; (ix) the preservation and maintenance of intellectual property; (x) certain further assurances with respect to the Collateral; (xi) access to books, accounts and records, viewing of assets and discussion with management following an Event of Default; and (xiii) compliance with sanctions and anti-money laundering laws.
- **Negative covenants:** These include, among others, restriction with respect to changes of center of main interests.
- **Financial covenants:** the Issuer is required to ensure compliance with a Total Net Leverage Ratio financial covenant, requiring the Issuer to ensure that (to the extent tested) the Total Net Leverage Ratio as at the end of each relevant quarter period does not exceed 6.50:1. The financial covenant shall only apply to the extent that the aggregate principal amount of all outstanding loans under the Revolving Credit Facility and all outstanding cash drawings under any ancillary facilities on the last day of the applicable relevant quarter period is greater than 30% of the total commitments in respect of the Revolving Credit Facility as at the end of the relevant quarter period. This financial covenant will be (to the extent tested) tested quarterly on a rolling 12-month basis.

We confirm that as of December 31, 2015, the aggregate Base Currency Amount of the outstanding principal amount of all Loans and all cash drawings under the ancillary facilities is less than 30% of the Total Commitments and therefore the financial covenants does not apply.

The Revolving Credit Facility is guaranteed by each Guarantor. The initial borrowers and guarantors of the Revolving Credit Facility were the Company and Balta Investments. On October 10, 2015 the following members of the Group acceded to the Revolving Credit Facility as borrower and guarantor: Balta Finance, Balta NV, Balta Industries NV, Balta Oudenaarde NV and Modulyss NV. The collateral that secures the Senior Secured Notes, as described in Note 20, also secures the Revolving Credit Facility. 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 Revolving Credit Facility and certain hedging obligations have been repaid in full.

The Revolving Credit Facility also provides that (i) the aggregate consolidated EBITDA (as defined in the Revolving Credit Facility Agreement) of the Guarantors (provided that for this purpose where any Guarantor has negative earnings before interest, tax, depreciation and amortization (calculated on the same basis as Consolidated EBITDA) its earnings before interest, tax, depreciation and amortization shall be deemed zero) is required to exceed 80% of the Restricted Group's Consolidated EBITDA and (ii) the aggregate of the total assets (excluding good will and intra-Group items) of the Guarantors is required to exceed 70% of the total assets of the Restricted Group ((i) and (ii) together, the "Guarantor

**NOTES TO THE COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2015—(CONTINUED)**

Coverage Test”). Subject to the Agreed Security Principles, the Issuer shall procure that any other member of the Group required to become an additional Guarantor in order to ensure compliance with the Guarantor Coverage Test accedes to the Revolving Credit Facility as a Guarantor.

We confirm that the aggregate of the Adjusted EBITDA of the Guarantors (without double counting) exceeds 80% of the Adjusted EBITDA of the Group and the aggregate of the total assets of the Guarantors (without double counting) exceeds 70% of the total assets of the Group.

Finance lease liabilities

The table below shows the net book amount of the “land and buildings” and “plant and machinery” which are subject to a finance lease agreement:

<u>(€ thousands)</u>	<u>Successor</u> <u>December 31,</u> <u>2015</u>	<u>Predecessor</u> <u>December 31,</u> <u>2014</u>
Net book value—Land and Buildings	15,726	17,261
Cost-Capitalised finance leases	18,412	18,412
Accumulated depreciation	(2,685)	(1,151)
Net book value—Plant and machinery	5,888	6,219
Cost-Capitalised finance leases	6,608	6,608
Accumulated depreciation	(720)	(389)
Net book value—Total leased Property, Plant & Equipment	21,614	23,480
Cost-Capitalised finance leases	25,020	25,020
Accumulated depreciation	(3,405)	(1,540)

The finance lease liabilities have decreased from €22.5 million as of December 31, 2014 to €20.1 million as of December 31, 2015. No material new financial lease contracts have been signed during the period.

The gross investment in leases and the present value of minimum future lease payments are due as follows:

<u>(€ thousands)</u>	<u>Successor</u> <u>December 31,</u> <u>2015</u>	<u>Predecessor</u> <u>December 31,</u> <u>2014</u>
Gross finance lease liabilities—minimum lease payments	20,136	22,547
No later than 1 year	2,850	2,905
Later than 1 year and no later than 5 years	7,990	9,705
Later than 5 years	12,302	14,371
Future charges on finance leases	(3,006)	(4,434)
Total present value of finance lease liabilities	20,136	22,547
No later than 1 year	2,349	2,411
Later than 1 year and no later than 5 years	6,612	7,911
Later than 5 years	11,175	12,225

Other liabilities with related parties

As of December 31, 2014, the Company had other liabilities with related parties for a total of €405.1 million, in relation to loan agreements between Balta Finance S. à r.l. (as borrower) and Balta Luxembourg S.à r.l. (as lender).

The main amount consist of a parent loan agreement which was initially recognized as a financial liability at fair value (equal to the cash proceeds) and which was subsequently measured at amortized cost using the effective interest rate method. Following debt modification in October 2013, the interest expense on this debt was calculated at the effective interest rate of 4.9%. Beside the parent loan, two other loans with a fixed interest rate of 5.5% of initially €6.0 million and €1.5 million were granted by Balta Luxembourg S.à r.l. respectively in 2012 and 2013. The outstanding capital as per December 31, 2014 is €5.5 million.

NOTES TO THE COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2015—(CONTINUED)

These receivables were sold by Balta Luxembourg S.à r.l., together with the shares of Balta Finance, as part of the Acquisition on August 11, 2015. Consequently, these liabilities have become intercompany transactions when preparing consolidated financial statements following the Completion Date. It follows that this debt is no longer visible in the consolidated statement of financial position as of December 31, 2015.

Other liabilities

In May 2006, the Group entered into a settlement agreement with historical shareholders to settle a dispute related to a tax refund. The liability as of December 31, 2014 was equal to €4.9 million and was fully settled on August 11, 2015.

Factoring

As part of its normal course of business, the Group has entered into two non-recourse receivables financing agreements, whereby it may sell trade receivables arising from the normal course of business at face value less certain reserves and fees. The insolvency 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 has been transferred, the trade receivables assigned to the factoring companies have been derecognized from the statement of financial position.

Whilst the factoring program described above relates the portfolio of credit insured trade receivables, the Group has also entered into a forfaiting agreement where a financial institution agrees to purchase (forfait) on a revolving basis the receivables from individually identified debtors. The credit risk related to these receivables is fully transferred from the Group to the financial institution and as a result hereof, the financial institution bears the risk of non-payment by the debtor. The Group has been mandated to collect the forfeited receivables for the account of and on behalf of the financial institution. The eligible portion of the trade receivables that have been transferred and financed under this agreement have been derecognized from the Group's statement of financial position. The Group continues to recognize a portion of the receivables to the extent of its continuing involvement, in accordance with IAS 39 "Financial instruments: recognition and measurement".

In 2014, the Group has agreed to enter into an Accounts Receivables Purchase Agreement with a financial institution, in the framework of a supply chain financing program 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 receivables are derecognized on the moment the cash is received.

Reverse factoring

In 2014 and during the first half of 2015, the Predecessor made use of supplier financing transactions (so-called reversed factoring agreements), in order to extend payment terms of certain accounts payable balances. When supplier financing is obtained, the Predecessor derecognizes the original trade accounts payable balances and recognizes a financial liability for the amount of supplier financing until the debt repayment date. The amount of such financial debt was equal to €5.9 million as of December 31, 2014.

The entire reverse factoring debt was repaid on August 11, 2015 and the Reverse Factoring Agreement was cancelled.

**NOTES TO THE COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2015—(CONTINUED)**

NOTE 23. ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS

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

<u>(€ thousands)</u>	<u>Successor</u>	<u>Successor</u>	<u>Predecessor</u>	<u>Predecessor</u>
	<u>December 31, 2015</u>	<u>December 31, 2015</u>	<u>December 31, 2014</u>	<u>December 31, 2014</u>
	<u>Carrying amount</u>	<u>Fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>
Assets as per statement of financial positions	92,883	92,883	115,200	115,200
Loans and receivables	92,097	92,097	115,200	115,200
Trade and other receivables	46,635	46,635	48,546	48,546
Cash and cash equivalents	45,462	45,462	66,654	66,654
Assets at fair value through profit or loss	786	786	—	—
Foreign exchange derivative financial instruments	273	273	—	—
Fixed price electricity purchase commitments	512	512	—	—
Liabilities as per statement of financial positions	560,105	584,879	701,915	701,915
Financial liabilities measured at amortised cost	421,505	446,279	701,684	701,684
Senior Secured Notes	276,826	301,600	—	—
Bank and other borrowings	20,277	20,277	579,181	579,181
Trade and other payables	124,402	124,402	122,503	122,503
Financial liabilities measured at fair value through profit or loss	138,600	138,600	231	231
Preferred equity certificates	138,600	138,600	—	—
Foreign exchange derivative financial instruments	—	—	231	231

The different levels of valuation method 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 value of the Senior Secured Notes is based on a Level 1 estimate, with a price of approximately 104% as of December 31, 2015.

The fair value of the PECs has been determined using Level 3 estimates, see Note 2 and Note 20.

The fair value of all other financial instruments, with the exception of cash- and cash equivalents, has been determined using Level 2 estimates. The fair value of the forward foreign exchange contracts have been determined using forward exchange rates that are quoted in an active market. A similar valuation approach has been applied to determine the fair value of the fixed price electricity purchase commitments at the Completion Date. 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.

NOTE 24. 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 program focuses on the unpredictability of financial markets and seeks to minimize 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 did not apply hedge accounting to these transactions during the period covered by these combined financial statements.

**NOTES TO THE COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2015—(CONTINUED)**

Qualitative and quantitative disclosures about market risk

Foreign Exchange Risk

We have significant exposure to the value of the British Pound, the U.S. Dollar and the Turkish Lira. 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, EUR/GBP and EUR/TRY exchange rates. The proportion of our revenue recognized 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. For instance, a portion of our sales in the United Kingdom are invoiced in euro.

Our Combined Financial Statements are prepared in euro. We are therefore exposed to translation risk of our Combined Financial Statements when we translate the financial statements of our subsidiaries which have a functional currency other than euro. A portion of our assets, liabilities, revenue and costs are denominated in various currencies other than euro, principally GBP, USD and TRY. As a result, our consolidated results of operations, which are reported in euro, are affected by currency exchange rate fluctuations.

Transaction risk arises when our subsidiaries execute transactions in a currency other than their functional currency. We mitigate this risk through four primary methods. First, for USD, we historically have been able to match cash inflows and cash outflows, resulting in a natural hedge between assets and liabilities. The natural hedge position is assessed on a semi-annual basis, whereby the amount of our remaining exposure is closely monitored. Secondly, we have also entered into commercial arrangements with two of our key customers to review the impact of EUR/GBP and EUR/TRY fluctuations and with the potential to adjust prices accordingly. Thirdly, we also use forward exchange contracts to hedge our residual exposure to GBP. Finally, even with respect to commercial arrangements that do not provide for exchange rate-based price-adjustment mechanisms, our established relationships with our customers imply that both positive and negative currency fluctuations are generally passed on through price revisions over the medium term. In addition, our industry is competitive and elastic, as demonstrated by price rebalancing across the industry in response to foreign currency and raw material price fluctuations. Changes in foreign exchange rates also have a long-term impact on our sales volumes. For example, if there is long-term depreciation of the euro, our sales volumes may increase as we become more competitive in non-Eurozone markets. In contrast, a long-term strengthening of the euro may decrease our volumes and price competitiveness as in non-Eurozone markets.

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

(€ thousands)	EUR	GBP	USD	TRY	Total
December 31, 2015 Net Exposure	(40,032)	(2,201)	1,993	7,844	(32,396)
Trade and other receivables	27,983	3,105	6,097	9,359	46,544
Cash and cash equivalents	36,791	4,199	1,707	2,766	45,462
Trade and other payables	(104,806)	(9,505)	(5,811)	(4,281)	(124,402)
December 31, 2014 Net Exposure	(43,052)	11,717	16,342	6,787	(8,205)
Trade and other receivables	21,772	8,020	9,992	7,860	47,644
Cash and cash equivalents	38,629	15,611	9,749	2,664	66,654
Trade and other payables	(103,453)	(11,914)	(3,399)	(3,737)	(122,503)

The following table presents the sensitivity analysis of the year-end statement of financial position positions in GBP, USD and TRY in case the euro would weaken by 10%.

(€ thousands)	2015	2014
GBP denominated	(1,713)	(167)
Changes in fair value of derivative financial instruments	(1,468)	(1,469)
Changes in carrying amount of monetary assets and liabilities	(245)	1,302
USD denominated	221	1,816
Changes in fair value of derivative financial instruments	—	—
Changes in carrying amount of monetary assets and liabilities	221	1,816
TRY denominated	872	754
Changes in fair value of derivative financial instruments	—	—
Changes in carrying amount of monetary assets and liabilities	872	754

**NOTES TO THE COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2015—(CONTINUED)**

The following table presents the sensitivity analysis of the year-end statement of financial position positions in GBP, USD and TRY in case the euro would strengthen by 10%:

<u>(€ thousands)</u>	<u>2015</u>	<u>2014</u>
GBP denominated	1,402	137
Changes in fair value of derivative financial instruments	1,201	1,202
Changes in carrying amount of monetary assets and liabilities	200	(1,065)
USD denominated	(181)	(1,486)
Changes in fair value of derivative financial instruments	—	—
Changes in carrying amount of monetary assets and liabilities	(181)	(1,486)
TRY denominated	(713)	(617)
Changes in fair value of derivative financial instruments	—	—
Changes in carrying amount of monetary assets and liabilities	(713)	(617)

Commodity Price Risk

We are exposed to fluctuations in the price of major raw material commodities used in the manufacturing process. Our key raw materials are polypropylene granulates, yarn, latex and polyamide granulates, in respect of which our total purchases amounted to €81.8 million (2014: €84.6 million), €67.9 million (2014: €50.9 million), €23.7 million (2014: €26.2 million) and €16.2 million (2014: €19.6 million).

When we hedge, we typically do so by entering into fixed price contracts with our suppliers. In October 2015, we entered into a fixed price agreement to hedge approximately 8% of our annual consumption of polypropylene granulates. We typically use 65,000 tons of polypropylene granulates per year, with 50,000 tons purchased under contracts and 15,000 tons purchased on the spot market.

Interest Rate Risk

Our interest rate risk principally relates to external indebtedness that bear interest at variable rates. Following the Acquisition and the repayment of the senior credit facility, only the amounts that we borrow under the Revolving Credit Facility, our capital leases and our factoring and forfaiting arrangements are subject to variable interest rates, as the Senior Secured Notes carry interest at a fixed rate. We therefore do not expect to use interest rate swaps in respect of our financing going forward.

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. If a credit limit needs to be increased, the approval of the CFO is required. 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 and forfaiting of the trade receivables whereby the insolvency risk has been transferred to the counterparty. Historical default rates did not exceed 0.1% for 2014 and 2015. 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 contract are over the counter with a financial institution as counterparty. Our fixed price purchase commitments are entered into with the counterparty of our long term procurement contracts. We refer to Note 16 for an overview of derivative financial instruments entered into.

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.

<u>(€ thousands)</u>	<u>December 31, 2015</u>
Total cash at bank and short-term bank deposits	45,462
A rating	41,623
BBB rating	3,839

**NOTES TO THE COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2015—(CONTINUED)**

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 undrawn 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 the resultant cash inflows are our main source of liquidity. Our cash pooling system enables us to benefit from surplus fund 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 sufficient 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 whereby cash is made available to us in consideration for certain trade receivables generated by us.

Our primary sources of liquidity have historically been our senior facility agreements, cash flows from operations and our non-recourse factoring agreements. The principal financing arrangements that are in place as of December 31, 2015 are the Senior Secured Notes, the Revolving Credit Facility and capital lease agreements.

The following table reflects all contractually fixed pay-offs for settlement, repayments and interest resulting from recognized financial liabilities. The amounts disclosed are undiscounted net cash outflows, based on the market conditions existing at December 31, 2015 and 2014.

	Less than 6 months	Between 6 months and 1 year	Between 1 year and 2 years	Between 2 and 5 years	Over 5 years
(€ thousands)					
Total as of December 31, 2015	(139,438)	(12,659)	(25,299)	(72,591)	(347,252)
Finance lease liabilities	(1,428)	(1,422)	(2,824)	(5,166)	(12,302)
Preferred equity certificates	—	—	—	—	(185,000)
Senior Secured Notes	(13,860)	(11,238)	(22,475)	(67,425)	(334,950)
Trade and other payables	(124,402)	—	—	—	—
Gross settled derivative financial instruments—outflows	(13,761)	—	—	—	—
Gross settled derivative financial instruments—inflows	14,013	—	—	—	—
(€ thousands)					
Total as of December 31, 2014	(131,724)	(15,314)	(138,759)	(9,830)	(673,996)
Bank and other borrowings	(7,529)	(13,872)	(135,896)	(3,136)	(660,309)
Finance lease liabilities	(1,447)	(1,441)	(2,863)	(6,694)	(13,687)
Trade and other payables	(122,503)	—	—	—	—
Gross settled derivative financial instruments—outflows	(17,033)	—	—	—	—
Gross settled derivative financial instruments—inflows	16,788	—	—	—	—

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 market position. Our current corporate credit ratings from Moody's Investor Service (Moody's) and Standard & Poor's Ratings Services (S&P) are noted as follows:

	Successor December 31, 2015	Successor December 31, 2015	Predecessor December 31, 2014	Predecessor December 31, 2014
(€ thousands)	Moody's	S&P	Moody's	S&P
Long-term issue rating Senior Secured Notes	B2	B	n.a.	n.a.
Corporate rating	B2	B	n.a.	n.a.

**NOTES TO THE COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2015—(CONTINUED)**

On August 10, 2015, Moody's Investors Service (Moody's) assigned a definitive B2 rating to the €290 million Senior Secured Notes issued by LSF9 Balta Issuer S.A., the parent holding company of the Balta group, following a review of the final bond documentation. The corporate family rating (CFR) of B2 and the probability of default rating (PDR) of B2-PD remain unchanged. The outlook on all the ratings is stable.

On September 14, 2015, Standard & Poor's Ratings Services assigned its 'B' long-term corporate credit rating to LSF9 Balta Investments S.à r.l.. The outlook is stable. At the same time, S&P assigned its 'B' long-term issue rating to LSF9 Balta Issuer S.A.'s €290 million Senior Secured Notes and its 'BB-' long-term issue rating to the €40 million super senior revolving credit facility (RCF).

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and 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 amount of 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 Note 21 and Note 22 for further details.

NOTE 25. EMPLOYEE BENEFIT OBLIGATIONS

The Group foresees termination benefits (including early retirement) for its working and retired personnel. The liability was measured using a discount rate of 0.92%.

The Group also operates a pension plan and provided 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 1.19. The liability was measured using a discount rate of 2.05% and 1.55% in 2015 and 2014, respectively. The annual pension cost, relating to the pension plan is disclosed in Note 6.

The employee benefit obligations recognized in the financial statements are detailed below:

(€ thousands)	Successor December 31, 2015	Predecessor December 31, 2014
Total employee benefit obligations	35,745	36,077
Holiday pay	13,842	13,226
Social security taxes	8,033	7,187
Salaries and wages payable	5,000	4,600
Pension plans	1,932	3,791
Early retirement provision	2,807	3,057
Group insurance	550	604
Pension	94	99
Other	3,486	3,513
Of which current portion	31,554	29,815
Of which non-current portion	4,191	6,261
Pension plans	1,932	3,791
Early retirement pension	2,164	2,372
Pension	94	99

Pension plans: overview

The line item "pension plans" in the table above comprises employer contributions paid in the context of pension plans for management and white collars and a bonus plan, as detailed below.

A pension plan has been put in place for management and is financed through employer contributions which increase depending on seniority (basis 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 2 x pensionable salary.

**NOTES TO THE COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2015—(CONTINUED)**

Several pension plans are in place for white collars and are financed through fixed employer contributions.

In addition, bonus plans are in place for senior management and are financed through employer contributions which correspond to a fixed % of the bonus.

Pension plans: valuation methodology

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

We refer to Note 1.19 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 date of closing.

Pension plans: main valuation assumptions

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

	Successor December 31, 2015	Predecessor December 31, 2014
Discount rate	2.05%	1.55%
Retirement age	65 years	65 years
Mortality	MR/FR-5	MR/FR-5

Pension plans: reported figures

For the year ended December 31, 2015, the defined benefit obligation taking into account the tax effect amounts to €13.5 million (December 31, 2014: €9.1 million), offset by plan assets of €11.5 million (December 31, 2014: €5.3 million) as per December 31, 2015.

NOTE 26. TRADE AND OTHER PAYABLES

Trade payables as of December 31, 2015 includes the amounts for outstanding invoices (€69 million) and invoices to be received in relation to goods and services received during the current period (€17 million).

Accrued charges and deferred income mainly relate to:

- Deferred revenue relating to the sale and lease back of one of the facilities which is recognized in profit over the leasing period of the facilities (€14 million);
- Deferred revenue relating to advance payments on rental agreements (€4 million);
- Accrued charges for customer discounts (€19 million).

(€ thousands)	Successor December 31, 2015	Predecessor December 31, 2014
Trade and other payables	124,404	122,503
Trade payables	86,134	79,929
Accrued charges and deferred income	38,220	42,573
Other payables	49	—

The increase in the outstanding trade and other payables from €122.5 million as of December 31, 2014 to €124.4 million as of December 31, 2015 is driven by the increased amounts outstanding for trade payables (€6.2 million or 7.8%). This increase is partly offset by a decrease in accrued charges and deferred income (€4.4 million or 10.2%), mainly due to decreased outstanding customer rebate accruals.

NOTE 27. CONTINGENCIES

The Group currently accounts for environmental provisions at the time a situation of non-compliance exists, at the time pollution occurs or at the time the Group becomes aware of pollution. At such time, the type of pollution is determined and, if and when needed, an independent environmental study is performed. Management will estimate the amount of the provision required based on past historical data and/or based on the environmental studies.

**NOTES TO THE COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2015—(CONTINUED)**

NOTE 28. COMMITMENTS

Energy

Our fixed price purchase commitments for electricity and gas, for deliveries in 2016, are equal to €15.7 million as of December 31, 2015.

Raw material

Our fixed price purchase commitments for raw materials, for deliveries in 2016, are equal to €94 million as of December 31, 2015.

Capital expenditures

No capital commitments are outstanding as of December 31, 2015.

Operating leases

The Group leases various equipment, machinery and vehicles under operating lease agreements. The lease terms are between 3 and 12 years (2013 and 2012: between 3 and 10 years).

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

<u>(€ thousands)</u>	<u>December 31, 2015</u>
Total present value of operating lease commitments	7,145
No later than 1 year	2,360
Later than 1 year and no later than 5 years	4,785
Later than 5 years	—

NOTE 29. SEASONALITY OF OPERATIONS

The Group has very limited seasonability impact on operations. Both revenue and Adjusted EBITDA are generally very similar across the quarters of each financial year.

NOTE 30. EVENTS AFTER THE REPORTING DATE

On March 17, 2017, the Company has entered into an agreement to acquire Bentley Mills, Inc. (“Bentley”). Bentley is a leading provider of premium specified carpet tile and broadloom carpets for commercial interiors. Bentley is a leading player in the US premium commercial tiles and broadloom market serving diverse end markets with a balanced geographic mix across the US. Bentley has witnessed strong revenue growth over the last three years, complemented by EBITDA margin improvements driven by cost improvements and efficiencies, operational leverage and strategic repositioning. The acquisition was completed on March 22, 2017, via the closing of a €75 million senior term loan facility. Thanks to this acquisition, pro forma revenue and Adjusted EBITDA in 2016 would have been €668.3 million and €97.4 million, respectively. On a pro forma basis for the incurrence of the senior term loan and the acquisition of Bentley, the Company’s net debt as of 31 December 2016 would be approximately €385 million.

The Balta Group is strengthening its market position organically and is considering various opportunities in the M&A markets and the capital markets to finance its growth. On May 17, 2017, Balta Group NV (“Balta”), a company to be inserted as a holding company above the Company, announced its intention to launch an initial public offering and listing of its ordinary shares on Euronext Brussels (the “Offering”), which is expected to comprise the sale of newly issued and existing ordinary shares to institutional and retail investors in Belgium and to certain institutional investors internationally. The Offering is expected to raise approximately €137.6 million net primary proceeds (excluding the estimated Offering-related fees and commissions) and will also include a secondary sell down of existing shares by Balta’s current shareholder Lone Star Fund IX. Balta intends to use the net primary proceeds of the Offering to reduce the Group’s leverage by repaying existing debt. After completion of the Offering, the Group is targeting a pro forma net debt/pro forma Adjusted EBITDA ratio of approximately 2.5x.

**Audited Consolidated Financial Statements
of Balta Finance S.à r.l. and its subsidiaries
as of and for the year ended December 31, 2014**





Audit report

To the Partner of
Balta Finance S.à r.l.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Balta Finance S.à r.l. and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2014, 2013 and 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the three years then ended and a summary of significant accounting policies and other explanatory information.

Board of Managers' responsibility for consolidated the financial statements

The Board of Managers is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards 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.

Responsibility of the "Réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgment of the "Réviseur d'entreprises agréé" including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the "Réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Managers, as well as evaluating the overall presentation of the consolidated financial statements.

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

PricewaterhouseCoopers, Société coopérative, 2 rue Gerhard Mercator, B.P. 1443, L-1014 Luxembourg
T : +352 494848 1, F : +352 494848 2900, www.pwc.lu

Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°10028256)
R.C.S. Luxembourg B 65 477 - TVA LU25482518



Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Balta Finance S.à r.l. and its subsidiaries as of 31 December 2014, 2013 and 2012, and of their financial performance and cash flows for the three years then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The management report, which is the responsibility of the Board of Managers, is consistent with the consolidated financial statements.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 24 June 2015

A handwritten signature in black ink, appearing to read 'V. Lefebvre'.

Véronique Lefebvre

GENERAL INFORMATION

Balta Finance S.à r.l. is a private limited liability company (“Société à responsabilité limitée”) incorporated and domiciled in Luxembourg. The address of its registered office is 28 Boulevard Royal, L-2449 Luxembourg. The consolidated financial statements of the Balta Finance S.à r.l. as at December 31, 2014 comprise Balta Finance S.à r.l. and its subsidiaries (together the “Group”) as outlined in Note 28.

The Balta Group (the “ultimate Group”) is one of the leading producers of textile floor coverings in Europe. The activities of the ultimate Group are woven area rugs (Balta Rugs), wall-to-wall carpets and residential carpet tiles (Balta Broadloom and ITC), wall-to-wall commercial carpet (Arc Edition), commercial carpet tiles (modulyss) and needle felt and technical non-wovens (Captiqs). The Balta Group has 8 production sites worldwide, including two in Uşak Turkey. Balta Group also has a distribution Centre in Dalton, USA, that serves the North American market. Thanks to the efforts and energy of more than 3.300 employees, the Balta Group delivers a professional, customer-oriented approach to its business, and as a result enjoys a reputation as a quality partner for companies in many markets.

The parent company of Balta Finance S.à r.l. is Balta Luxembourg S.à r.l. which has 100% of the shares. Balta Luxembourg S.à r.l. is 100% owned by Balta S.à r.l. The ultimate majority shareholder of the Balta Group is Doughty Hanson & Co IV, a fund managed by Doughty Hanson & Co, one of the largest independent private equity firms in Europe (www.doughtyhanson.com).

FINANCIAL STATEMENTS

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 authorised for issue by the Board of Managers on June 22nd, 2015. The amounts in this document are presented in thousands of euro (k EUR), 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 Balta Finance S.à r.l. at December 31, 2014 was as follows:

Cédric Stébel

Manager

Start of mandate: October 31, 2007

End of mandate: undetermined

Fabian Sires

Manager

Start of mandate: December 1, 2014

End of Mandate: undetermined

Yann Duschene

Manager

Start of mandate: June 10, 2004

End of mandate: January 31, 2015

Gérard Becquer

Manager

Start of mandate: November 15, 2006

End of mandate: December 1, 2014

STATUTORY AUDITORS

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2014**

	Note	Dec 31, 2014	Dec 31, 2013	Dec 31, 2012
I. CONSOLIDATED INCOME STATEMENT				
Revenues	21	519,529	517,752	526,092
Raw material expenses	22	(256,794)	(252,959)	(269,972)
Changes in inventories	10	9,033	44	5,651
Gross Profit		271,768	264,837	261,772
Employee benefit expenses	24	(128,191)	(131,459)	(133,369)
Other income	23	10,960	13,259	14,673
Other expenses	23	(89,388)	(91,021)	(95,844)
Adjusted EBITDA		65,149	55,616	47,232
Depreciation, amortisation	4, 5, 26	(24,802)	(28,547)	(36,593)
Operating profit before exceptional items*		40,347	27,069	10,639
Result from acquisitions and disposals		530	(176)	(2,521)
Legal claims	19	557	—	(572)
Integration and restructuring expenses		(3,189)	(8,113)	(6,203)
Impairment and write off	4, 5, 10	(12,689)	(37,766)	(54,284)
Operating profit / (loss)		25,556	(18,986)	(52,941)
Finance income	25	2,367	2,624	255
Finance expenses	25	(34,543)	(62,318)	(58,149)
Net financial expenses		(32,176)	(59,695)	(57,894)
Loss before income taxes		(6,620)	(78,680)	(110,835)
Income tax income	27	7,856	12,079	19,257
Profit / (loss) for the period from Continuing Operations		1,236	(66,601)	(91,578)
Profit/ (loss) for the period from discontinued operations	33	—	939	1,513
Gain from discontinued operations	33	—	20,200	—
Profit/(loss) for the period		1,236	(45,462)	(90,065)
Of which attributable to the owners of the parent		1,236	(45,462)	(90,065)
Of which attributable to non-controlling interest		—	—	—

		Dec 31, 2014	Dec 31, 2013	Dec 31, 2012
II. CONSOLIDATED OTHER COMPREHENSIVE INCOME				
<i>Items in other comprehensive income that may be subsequently reclassified to the P&L</i>				
Exchange differences on translating foreign operations	14	1,901	(4,644)	1,729
Exchange differences on translating foreign operations from discontinued operations		—	—	139
<i>Items in other comprehensive income that will not be reclassified to the P&L</i>				
Changes in employee defined benefit obligations	14	(1,827)	(1,963)	—
Other comprehensive income for the period, net of tax		74	(6,607)	1,868
Total comprehensive income for the period		1,310	(52,069)	(88,197)
Of which attributable to the owners of the parent		1,310	(52,069)	(88,197)
Of which attributable to non-controlling interest		—	—	—

Earnings per share from continuing and discontinued operations attributable to the owners of the parent during the year (expressed in euro/share)

	Note	Dec 31, 2014	Dec 31, 2013	Dec 31, 2012
Basic earnings per share	36			
From continuing operations		1.55	(83.25)	(114.47)
From discontinued operations		—	26.42	1.89
From profit/(loss) of the year		1.55	(56.83)	(112.58)

(*) EBITDA, Adjusted EBITDA, EBITDA margin and Operating profit / (loss) before and after exceptional items are non-GAAP measures defined in the "Summary of significant accounting policies" (Note 1.26).

Exceptional items are those significant items which are separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's financial performance.

The notes 1 to 37 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2014

	<u>Note</u>	<u>Dec 31, 2014</u>	<u>Dec 31, 2013</u>	<u>Dec 31, 2012</u>	<u>Dec 31, 2011</u>
ASSETS					
Property plant & equipment	5				
Land and buildings		87,516	74,574	75,779	74,126
Plant and machinery		100,986	101,071	127,881	189,539
Other fixtures and fittings, tools and equipment		14,201	16,607	18,049	19,371
Goodwill and other intangible assets	4	1,212	1,557	1,974	2,564
Deferred income tax assets	9	6,484	2,872	894	730
Joint ventures	6	—	50	—	47,376
Trade and other receivables	8	902	711	595	1,095
Total non-current assets		211,302	197,442	225,173	334,801
Inventories	10	126,891	121,716	117,077	114,953
Trade and other receivables	8	47,644	48,717	64,985	53,613
Current income tax assets		19	110	320	280
Derivative financial instruments	7	—	—	161	—
Cash and cash equivalents	11	66,654	48,009	52,552	61,092
Total current assets		241,208	218,552	235,095	229,937
Assets of disposal group classified as held for sale	33	—	—	49,029	—
TOTAL ASSETS		452,510	415,994	509,297	564,739
	<u>Note</u>	<u>Dec 31, 2014</u>	<u>Dec 31, 2013</u>	<u>Dec 31, 2012</u>	<u>Dec 31, 2011</u>
EQUITY AND LIABILITIES					
Equity					
Share capital	12	20,000	20,000	20,000	20,000
Share Premium		74,717	74,717	104,956	104,956
Other comprehensive income	14	(11,956)	(12,030)	(5,422)	(7,298)
Retained earnings and other reserves	13	(405,357)	(406,593)	(361,132)	(271,060)
Total equity attributable to owners of the parent		(322,595)	(323,905)	(241,598)	(153,402)
Non-controlling interests		—	—	—	—
TOTAL EQUITY		(322,595)	(323,905)	(241,598)	(153,402)
Liabilities					
Borrowings	15	557,894	537,917	530,171	492,619
Deferred income tax liabilities	9	34,342	40,232	53,629	80,109
Income tax liabilities		—	—	3,067	—
Employee benefit obligations	17	6,261	5,132	2,561	2,107
Provisions for other liabilities and charges	16	—	423	—	—
Derivative financial instruments	7	—	—	1,269	2,940
Government grants	19	—	—	61	61
Trade and other payables	20	—	—	—	1,120
Total non-current liabilities		598,498	583,704	590,758	578,956
Borrowings	15	21,286	23,950	24,741	19,849
Employee benefit obligations	17	29,815	29,828	28,674	22,504
Provisions for other liabilities and charges	16	423	1,268	915	1,634
Derivative financial instruments	7	231	1,204	2,000	1,015
Trade and other payables	20	122,503	94,203	99,198	94,122
Income tax liabilities		2,349	5,743	4,608	61
Total current liabilities		176,607	156,195	160,137	139,185
TOTAL LIABILITIES		775,105	739,899	750,895	718,140
TOTAL EQUITY AND LIABILITIES		452,510	415,994	509,297	564,739

The notes 1 to 37 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2014

	<u>Note</u>	<u>Dec 31, 2014</u>	<u>Dec 31, 2013</u>	<u>Dec 31, 2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Net profit / (loss) for the period		1,236	(45,462)	(90,065)
Profit of discontinued operations	33	—	(939)	(1,513)
Gain on discontinued operations	33	—	(20,200)	—
Net profit / (loss) for the period from continuing operations		1,236	(66,600)	(91,578)
Adjustments for:				
Income tax income	27	(7,856)	(12,079)	(19,257)
Finance income	25	(2,367)	(2,624)	(255)
Financial expenses	25	34,543	62,318	58,148
Depreciation, amortisation	4, 5, 26	24,802	28,547	36,593
Impairment losses	5	12,690	37,766	54,284
(Gain)/loss on disposal of non-current assets		(69)	587	521
Movement in provisions and deferred revenue		1,831	(1,586)	(2,145)
Fair value of foreign exchange forward contracts		41	356	(639)
Cash generated before changes in working capital		64,851	46,685	35,672
Changes in working capital:				
Inventories		(6,792)	(6,932)	(2,290)
Trade and other receivables		1,499	(11,276)	5,336
Trade payables and other liabilities		6,180	23,257	(5,524)
Cash generated after changes in working capital		65,738	51,734	33,194
Net income tax (paid)		(4,968)	(5,067)	150
Net cash generated by operating activities		60,771	46,667	33,344
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of property, plant and equipment	5	(27,891)	(43,802)	(28,636)
Acquisition of intangibles	4	(614)	(642)	(795)
Proceeds from Non-current assets		3,392	215	—
Proceeds from discontinued operations		—	68,171	—
Loans Granted to Related Parties		(150)	(150)	(75)
Net cash (used) / generated by investing activities		(25,263)	23,792	(29,506)
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest and other finance charges paid, net		(10,960)	(12,840)	(14,318)
Proceeds from borrowings		30,599	14,384	17,278
Repayments of borrowings		(36,501)	(77,545)	(21,339)
Issuance of borrowings		—	1,000	6,000
Net cash used by financing activities		(16,862)	(75,001)	(12,379)
NET INCREASE/ (DECREASE) IN CASH AND BANK OVERDRAFTS		18,646	(4,542)	(8,541)
Cash, cash equivalents and bank overdrafts at the beginning of the period		48,009	52,552	61,092
Cash, cash equivalents and bank overdrafts at the end of the period		66,654	48,009	52,552

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2014**

	Share capital	Other comprehensive income	Share premium	Retained earnings	Total	Non- controlling interest	Total equity
Balance at December 31, 2011	<u>20,000</u>	<u>(7,298)</u>	<u>104,956</u>	<u>(271,060)</u>	<u>(153,402)</u>	<u>—</u>	<u>(153,402)</u>
Balance at January 1, 2012	<u>20,000</u>	<u>(7,298)</u>	<u>104,956</u>	<u>(271,060)</u>	<u>(153,402)</u>	<u>—</u>	<u>(153,402)</u>
Profit / (loss) for the period	—	—	—	(90,065)	(90,065)	—	(90,065)
Other comprehensive income							
Exchange differences on translating foreign operations	—	1,875	—	(7)	1,868	—	1,868
Total comprehensive income for the period	<u>—</u>	<u>1,875</u>	<u>—</u>	<u>(90,072)</u>	<u>(88,197)</u>	<u>—</u>	<u>(88,197)</u>
Balance at December 31, 2012	<u>20,000</u>	<u>(5,422)</u>	<u>104,956</u>	<u>(361,131)</u>	<u>(241,598)</u>	<u>—</u>	<u>(241,598)</u>
Balance at January 1, 2013	<u>20,000</u>	<u>(5,422)</u>	<u>104,956</u>	<u>(361,131)</u>	<u>(241,598)</u>	<u>—</u>	<u>(241,598)</u>
Profit / (loss) for the period	—	—	—	(45,462)	(45,462)	—	(45,462)
Other comprehensive income					—		
Exchange differences on translating foreign operations	—	(4,644)	—	—	(4,644)	—	(4,644)
Changes in employee defined benefit obligations	—	(1,963)	—	—	(1,963)	—	(1,963)
Total comprehensive income for the period	<u>—</u>	<u>(6,607)</u>	<u>—</u>	<u>(45,462)</u>	<u>(52,069)</u>	<u>—</u>	<u>(52,069)</u>
Distribution to owners due to debt extinguishment	—	—	(30,238)	—	(30,238)	—	(30,238)
Balance at December 31, 2013	<u>20,000</u>	<u>(12,029)</u>	<u>74,717</u>	<u>(406,593)</u>	<u>(323,905)</u>	<u>—</u>	<u>(323,905)</u>
Balance at January 1, 2014	<u>20,000</u>	<u>(12,029)</u>	<u>74,717</u>	<u>(406,593)</u>	<u>(323,905)</u>	<u>—</u>	<u>(323,905)</u>
Profit / (loss) for the period	—	—	—	1,236	1,236	—	1,236
Other comprehensive income							
Exchange differences on translating foreign operations	—	1,901	—	—	1,901	—	1,901
Changes in employee defined benefit obligations	—	(1,827)	—	—	(1,827)	—	(1,827)
Total comprehensive income for the period	<u>—</u>	<u>74</u>	<u>—</u>	<u>1,236</u>	<u>1,310</u>	<u>—</u>	<u>1,310</u>
Balance at December 31, 2014	<u>20,000</u>	<u>(11,956)</u>	<u>74,717</u>	<u>(405,356)</u>	<u>(322,595)</u>	<u>—</u>	<u>(322,595)</u>

The notes 1 to 37 form an integral part of these consolidated financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2014**

NOTE 1. SUMMARY OF SIGNIFICANT 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 to all the years presented, unless otherwise stated.

1.1 Basis of preparation

Basis of preparation

These consolidated financial statements of Balta Finance S.à r.l. (“the Company”) for all periods presented in its financial statements have been prepared for the first time in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS”). These include all IFRS standards and IFRIC interpretations issued and effective at December 31, 2014.

In accordance with IFRS 1 “First-time adoption of IFRS”, the Group:

- Provided comparative financial information; and
- Applied the exemption to use the carrying amounts that would be included in the parent’s consolidated financial statements (Balta S.à r.l.), based on the parent’s date of transition to IFRSs. The date of transition to IFRS for the Group was January 1, 2012. The Group has applied IFRS standards effective for the period ended December 31, 2014 to all years presented in these Consolidated Financial Statements, as if these standards had always been in effect (subject to the exemptions and exceptions in IFRS 1 applied by the parent company in its first IFRS financial statements).

As the Group presents for the first time consolidated financial statements there is no transition impact to IFRS. Therefore no reconciliation table with previous GAAP needs to be disclosed.

The consolidated financial statements of the parent’s entity have been prepared under the historical cost convention, but derivative instruments are booked at fair value through profit or loss.

These consolidated financial statements are presented in Euro, 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 Euro, unless otherwise stated.

These financial statements are prepared on an accrual basis and on the assumption that the entity is a going concern and will continue operation in the foreseeable future.

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 3.

New standards and amendments to standards

The following new standards and amendments to standards have been issued and have been endorsed by the European Union, but are not mandatory for the financial year beginning January 1, 2014 and have not been early adopted.

- IFRIC 21 ‘Levies’, effective for annual periods beginning on or after 17 June 2014. IFRIC 21 sets out the accounting for a liability to pay a levy if that liability is within the scope of IAS 37. It also addresses the accounting for a liability to pay a levy whose timing and amount is certain.
- ‘Annual improvements (2010-2012 cycle)’ with minor amendments to eight standards, effective for annual periods beginning on or after 1 February 2015. The amendments relate to IFRS 2 ‘Definition of vesting condition’, IFRS 3 ‘Accounting for contingent consideration in a business combination’, IFRS 8 ‘Aggregation of operating segments’, ‘IFRS 8 ‘Reconciliation of the total of the reportable segments’ assets to the entity’s assets’, IFRS 13 ‘Short-term receivables and payables’, IAS 7 ‘Interest paid that is capitalised’, IAS 16/IAS 38 ‘Revaluation method—proportionate restatement of accumulated depreciation’ and IAS 24 ‘Key management personnel’.
- ‘Annual improvements (2011-2013 cycle)’ in response to four issues addressed during the 2011-2013 cycle, effective for annual periods beginning on or after 1 January 2015. The amendments include IFRS 1 ‘Meaning

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2014—(CONTINUED)**

of effective IFRSs', IFRS 3 'Scope exceptions for joint ventures', IFRS 13 'Scope of paragraph 52 (portfolio exception)' and IAS 40 'Clarifying the interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property when classifying property as investment property or owner-occupied property'.

- Amendment to IAS 19 'Defined benefit plans', effective for annual periods beginning on or after 1 February 2015. The amendment seeks clarification for the accounting of employee contributions set out in the formal terms of a defined benefit plan.

Although IFRIC 21 will not have a significant impact on year-end reporting, this new interpretation will result in an early recognition of property taxes in Q1 2015 where those taxes were previously recognised on a linear basis throughout the year.

The following new standards and amendments to standards and interpretations have been issued, but are not mandatory for the first time for the financial year beginning January 1, 2014 and have not been endorsed by the European Union:

- IFRS 14 'Regulatory deferral accounts', effective for annual periods beginning on or after 1 January 2016. It concerns an interim standard on the accounting for certain balances that arise from rate-regulated activities. IFRS 14 is only applicable to entities that apply IFRS 1 as first-time adopters of IFRS. It permits such entities, on adoption of IFRS, to continue to apply their previous GAAP accounting policies for the recognition, measurement, impairment and derecognition of regulatory deferral accounts. The interim standard also provides guidance on selecting and changing accounting policies (on first-time adoption or subsequently) and on presentation and disclosure.
- 'Annual Improvements (2012-2014 cycle)' with amendments to 4 standards, effective for annual periods beginning on or after 1 January 2016. The amendments include IFRS 5, 'Non-current assets held for sale and discontinued operations', IAS 19, 'Employee benefits', IFRS 7, 'Financial instruments: disclosures' and IAS 34, 'Interim financial reporting'.
- Amendment to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible assets' on depreciation and amortisation, effective for annual periods beginning on or after 1 January 2016. In this amendment the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.
- Amendment to IAS 16 'Property, plant and equipment' and IAS 41 'Agriculture' on bearer plants, effective for annual periods beginning on or after 1 January 2016. These amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms. The IASB decided that bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing.
- Amendment to IFRS 11 'Joint arrangements' on acquisition of an interest in a joint operation, effective for annual periods beginning on or after 1 January 2016. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.
- Amendments to IAS 27 'Separate financial statements' on the equity method, effective for annual periods beginning on or after 1 January 2016. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
- Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures', effective for annual periods beginning on or after 1 January 2016. These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.
- IFRS 15 'Revenue from contracts with customers'. The IASB and FASB have jointly issued a converged standard on the recognition of revenue from contracts with customers. The standard will improve the financial

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2014—(CONTINUED)

reporting of revenue and improve comparability of the top line in financial statements globally. Companies using IFRS will be required to apply the revenue standard for annual periods beginning on or after 1 January 2017, subject to EU endorsement.

- IFRS 9 'Financial instruments', effective for annual periods beginning on or after 1 January 2018. The standard addresses the classification, measurement and derecognition of financial assets and financial liabilities.
- Amendment to IFRS 9 'financial instruments' on general hedge accounting, effective for annual periods beginning on or after 1 January 2018. The amendment incorporates the new general hedge accounting model which will allow reporters to reflect risk management activities in the financial statements more closely as it provides more opportunities to apply hedge accounting. These amendments also impact IAS 39 and introduce new disclosure requirements for hedge accounting, thereby impacting IFRS 7, irrespective of the fact whether hedge accounting requirements under IFRS 9 or IAS 39 are used.
- Amendments to IFRS 10 'Consolidated financial statements', IFRS 12 'Disclosure of interests in other entities' and IAS 28, 'Investments in associates and joint ventures', effective for annual periods beginning on or after 1 January 2016. These narrow-scope amendments introduce clarifications to the requirements when accounting for investment entities.
- Amendments to IAS 1 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2016. The amendments to IAS 1 are part of the initiative of the IASB to improve presentation and disclosure in financial reports and are designed to further encourage companies to apply professional judgment in determining what information to disclose in their financial statements. The amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.

Management is currently assessing the impact of these new standards and amendments on the Group's operations.

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 incurred to the former owners of the acquiree and the equity interests issued by the Group. 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 as incurred.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect the changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

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 constitutes goodwill, and is recognised as an intangible asset. Negative goodwill is recognised immediately in the income statement.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2014—(CONTINUED)**

Inter-company transactions, balances and unrealised gains on transactions between group companies 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.

Joint arrangements

The Group applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

1.3 Foreign currency translation

Functional and Presentation Currency

Items included in the financial statements of each of the Group's 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 Euro, which is the Company's functional and the Group's presentational currency. All amounts are stated in thousands of euro 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 valuation where items are re-measured. 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 statement of comprehensive income.

Foreign exchange gains and losses that relate to cash and cash equivalents and borrowings, including borrowings between group companies that do not qualify as a net investment in a foreign operation are presented in the statement of comprehensive income within "Finance income and expense". All other foreign exchange gains and losses are presented in the statement of comprehensive income within "Other income" or "Other expenses" which is part of the operating profit.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in other comprehensive income.

The principal exchange rates that have been used are as follows:

	2014		2013		2012		2011
	Closing	Average	Closing	Average	Closing	Average	Closing
USD	1.2141	1.3285	1.3791	1.3276	1.3194	1.2848	1.2939
TRY	2.8272	2.9039	2.9344	2.5307	2.3517	2.3039	2.4432
GBP	0.7789	0.8061	0.8337	0.8493	0.8161	0.8109	0.8353

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2014—(CONTINUED)**

Group Companies

The results and financial position of all the Group's entities (none of which has 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 balance sheet 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 between group companies, are presented in the statement of comprehensive income within "Finance income and expense", if these borrowings do not qualify as a net investment in a foreign operation.

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

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:

Industrial buildings	
—Structural work	33 years
—Roof	11 years
—Other elements	10-25 years
Administrative buildings	
—Structural work	50 years
—Roof	25 years
Machinery	10-33 years
Vehicles, transport equipment	5 years
Furniture, fittings and equipment	5-15 years

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 8 years. Samples of products are capitalised and depreciated over 2-3 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2014—(CONTINUED)**

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.

1.5 Intangible assets

Goodwill

Goodwill on acquisitions of subsidiaries is included in “intangible assets” and allocated to cash generating units of the underlying assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Trademarks and Licenses

Separately acquired trademarks and licences are shown at historical cost. Trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and licences 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 trademarks and licences over the shortest of their estimated useful lives or the period of the legal right.

Acquired computer software licences are amortised over their estimated useful lives of between 4 and 10 years.

Internally Generated Software and Other Development Cost

Costs associated with maintaining computer software programmes 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 product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product 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 product 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, mainly four years.

1.6 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation are reviewed 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 to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2014—(CONTINUED)**

1.7 Non-current assets held-for-sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

1.8 Financial assets

Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other category. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Recognition and Measurement

Regular purchases and sales of financial assets are recognised on the trade date, the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the “financial assets at fair value through profit or loss” category are presented 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 costs”, in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of “Other income” when the Group’s right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are recycled to profit or loss.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the statement of comprehensive income as part of “Other income”. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income as part of “Other income” when the Group’s right to receive payments is established.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2014—(CONTINUED)**

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Impairment of financial assets

Assets Carried at Amortised Cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The asset’s carrying amount is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

Assets Classified as Available for Sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss—measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss—is removed from equity and recognised in the profit or loss. Impairment losses recognised on equity instruments are not reversed. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the profit or loss.

1.9 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 costs” to the extent that they relate to the financing activities of the Group (e.g. interest rate swaps relating to the floating rate borrowings).

1.10 Inventories

Inventories are stated at the lower of cost and net realisable value. These net realisable value adjustments 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 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.

Provisions against the carrying value of inventory are calculated on the basis set out below.

Wall to Wall Carpets and Non-woven

- “Second choice” products: write-down of 70 %
- Collections which are no longer produced: write-down of 35 %

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2014—(CONTINUED)**

- Additional write downs, based on aging of the individual products:
 - Age of production batch between 7-9 months: write-down of 20 %
 - Age of production batch between 10-12 months: write-down of 50 %
 - Age of production batch older than 12 months: write-down of 70 %

Rugs

- “Second choice” products: write-down of 60 %
- Collections which are no longer produced: write-down of 30 %-50 %
- Additional write-downs, based on aging of the individual products:
 - Age of production batch between 7-9 months: write-down of 10 %
 - Age of production batch between 10-12 months: write-down of 30 %
 - Age of production batch older than 12 months: write-down of 50 %

Contract Tiles

- “Second choice” products: write-down of 90 %
- Small lot sizes 90 %
- Additional write-downs, based on aging of the individual products:
 - Age of production batch between 7-12 months: write-down of 25 %-50 %
 - Age of production batch between 12-18 months: write-down of 75 %-90 %
 - Age of production batch older than 18 months: write-down of 90 %

Yarns

For slow moving yarns to produce rugs and wall-to-wall carpets, the write-downs vary between 20 % (6 months not moving) and 75 % (12 months not moving).

For slow moving yarns to produce contract tiles, the write-downs vary between 50 % (12 months not moving) and 90 % (16 months not moving).

Materials and other supplies (such as wool) held for use in the production of finished goods are not written down if these finished goods are expected to be sold at or above cost.

An individual assessment of the recoverability of the items of inventories is also made on a regular basis, in addition to the application of general accounting policies described above. When the circumstances that previously caused inventories to be written down below cost no longer exist, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised net realisable value.

Costs of production of joint products are allocated between the products on a rational and consistent basis (e.g. on the relative sales value of each product when they become identifiable in the production process or at the completion of production).

When by-products are immaterial, they may be measured at net realisable value, this value being deducted from the cost of the main product.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2014—(CONTINUED)**

1.11 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

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. A bad debt allowance is recorded when collectability of the receivable is questionable. The bad debt allowance covers the net estimated risk for the company and is taking into account the coverage expected to be received from the credit insurance.

1.12 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

1.13 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.

Where any Group company purchases the Company's shares (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects is included in equity attributable to the Company's equity holders.

1.14 Government grants

Grants from the government 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.

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.

1.15 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable 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 de-recognition under IAS 39 (we refer to the accounting policy on debt extinguishment and debt modification).

1.16 Borrowings

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2014—(CONTINUED)**

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; or
- 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 IAS 39 de-recognition 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 de-recognised 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 de-recognition of the original liability and the recognition of a new liability, and the difference in the respective amounts is recognised in the consolidated 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 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

The Group adopted an accounting policy applicable to extinguishment of borrowings from the parent that reflects economic substance of the transaction and applied the same policy consistently to all similar transactions. If the economic substance indicates the transaction is in the nature of a capital contribution/distribution, it is reflected in equity as a transaction with shareholders.

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 on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company’s subsidiaries 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 on the basis of 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 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 substantively enacted by the balance sheet 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 on 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2014—(CONTINUED)**

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.

1.19 Employee benefits

Pension Obligations

IAS 19 distinguishes 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 companies operate one defined benefit plan for a group of managers and various pension schemes funded through payments to insurance companies. “Because of the pension law (so-called “Law Vandenbroucke”), all Belgian plans have to be considered under IAS 19 revised as Defined Benefit (DB) plans. Law Vandenbroucke states that in the context of defined contribution plans, the employer must guarantee a minimum return of 3.75 % on employee contributions and 3.25 % on employer contributions. Because of this minimum guaranteed interest rate for pension plans in Belgium, the employer is exposed to a financial risk and the plan should be accounted for under IAS 19 revised as a DB plan.

In the past DC accounting was applied due to the fact that the pension plan was financed through an insurance contract for which the insurance company guaranteed a minimum return close to the minimum requirements imposed by the pension-law. During 2013 several insurance companies have announced a decrease in the return which they guarantee on their group insurance contracts. Therefore, as of 2013, the possibility that assets will increase less than the legal minima is realistic leading with certainty to extra contributions to be paid by the employer for past service which is the economical rational behind the recognition of a liability. Furthermore, currently market conditions have plummeted leading to situations where (if DB accounting is performed) the discount rate used to compute the present value of the liabilities to the date of calculation is lower than the minimum return. Therefore, the risk that the Defined Benefit Obligation (DBO) exceeds Assets leading to a potentially material net Liability (Defined Benefit Liability) is much higher. Consequently a reassessment has been applied during 2013 resulting in a provision recorded under IAS 19 revised.

Changes in pension liabilities are accounted for through other comprehensive income when the changes relate to a change in actuarial assumptions (discount rate).

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 pension ensures that elderly people who are dismissed by their employer or who are encouraged to terminate their employment and in case they fulfil certain conditions, are eligible for payment of supplementary unemployment allowance to be paid by their former employer on top of the unemployment allowances paid by social security. This benefit is generally paid until normal retirement age, which is 65 years.

Within Balta, several former employees benefit from the system of “early retirement fee or pension”, based on several Collective Labour Agreements (CLA’s) in place for the sector (textielnijverheid en breiwerk/ industrie textile et de la

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2014—(CONTINUED)

bonneterie) or specifically for Balta. These CLA's describe the different possibilities for employees of 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 CLA's 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. It has been 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. As at December 31, 2014, the discount rate used is 0.30 % (2013: 0.90 %, 2012: 1.70%) and an index rate used is 1.25 % (2013: 2.00 %, 2012: 2.00%).

Bonus Plans

The Group recognises a provision for annual bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

1.20 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.

A cash-settled share-based payment plan: 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 remeasured 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.

1.21 Provisions

Provisions for environmental restoration, restructuring costs and legal claims 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 has been 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 the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

The Group has environmental obligations relating to its past operations which are based on the Group's environmental management plans, in compliance with current environmental regulatory requirements. Provisions for site remediation costs are made when there is a present legal obligation, it is probable that the expenditure on remediation work will be required and the cost can be estimated within a reasonable range of possible outcomes. The costs are based on currently available facts, technology expected to be available at the time of the clean-up, laws and regulations presently or virtually certain to be enacted and prior experience in remediation of contaminated sites.

Provisions for restructuring are only recognised if the Group demonstrates a constructive obligation to restructure at the reporting date. The constructive obligation should be demonstrated by: (a) a detailed formal plan identifying the main features of the restructuring; and (b) raising a valid expectation to those affected that it will carry out the restructuring by starting to implement the plan or by announcing its main features to those affected.

1.22 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2014—(CONTINUED)**

Sales of Goods

Sales of goods are recognised when the risks and rewards are transferred to the customers, in most cases when the goods are made available for collection at the Group's premises (factory, warehouse) on the date agreed upon with the customer (International Commercial Terms—EXW) and the customer accepted the goods in accordance with the sales contract.

Amounts billed to the customer in respect of transportation of product to the customer's premises are included in revenue. Associated transportation costs incurred by the group are included in other expenses.

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.

1.23 Leases

The Group leases certain property, plant and equipment.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in "Borrowings". The interest element of the finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the useful life of the asset or if there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

1.24 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.

1.25 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.

1.26 Non-GAAP measures

"Operating profit/loss before exceptional items" is a non-IFRS measure of performance. Exceptional items are those significant items which are separately disclosed by virtue of their size or incidence to enable readers to gain a full understanding of the Group's financial performance. Transactions which may give rise to exceptional items are principally restructuring provisions and their reversal, writing down inventories to net realisable value, impairments of property, plant and equipment, the reversal of such write downs or impairments, legal claims, disposals of items of property, plant and equipment or investments in subsidiaries, negative goodwill resulting from business combinations, early termination of debt instruments and reversals of provisions.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2014—(CONTINUED)**

EBITDA is a non-IFRS measure of performance defined as “Operating profit/loss” plus depreciation, amortisation on tangible and intangible fixed assets”.

EBIT is a non-IFRS measure of performance defined as “Operating profit/loss before exceptional items”.

EBITDA margin is reconciliation of non-IFRS measure defined as EBITDA divided by revenue.

Adjusted EBITDA is a reconciliation of non-IFRS measure of performance defined as operating profit / loss before exceptional items adjusted for depreciation and amortization.

Adjusted EBITDA margin is a non-IFRS measure defined as Adjusted EBITDA margin divided by revenue.

The non-GAAP measures are included in these consolidated financial statements because management believes they are useful to many investors, securities analysts and other interested parties as additional measures of performance.

The Group presents non-IFRS measures in addition to financial measures determined in accordance with IFRS. Non-IFRS measures as reported by the Group may differ from similar measures presented by other companies.

NOTE 2. 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 did not apply hedge accounting to these transactions during the period covered by these consolidated financial statements.

2.1 Financial risk factors

Market Risk

Foreign Exchange Risk:

We operate internationally and are exposed to foreign exchange risk arising from various factors, primarily with respect to GBP, USD and TRY. Our exposure to foreign exchange risk arises principally from the sales proceeds denominated and expenses incurred in GBP, USD and TRY. Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not in EUR, our functional and presentation currency. Our exposure to foreign exchange risk is mitigated in three different manners. First of all, for USD, we have historically been able to match cash inflows and cash outflows, resulting in a natural hedge between assets and liabilities. The natural hedge position is assessed on a semi-annual basis, whereby the size of the residual risk is closely monitored. Secondly, we have entered into commercial arrangements with two of our key customers to review the impact of EUR/GBP and EUR/TRY fluctuations, respectively and potentially adjust prices accordingly. Finally, forward exchange contracts are used to hedge our residual exposure to GBP.

The vast majority of the foreign exchange risk are related to items with a maturity within 12 months.

The following table sets forth the breakdown of the main balance sheet items affected by foreign exchange risk:

<u>Dec 31, 2014, k EUR</u>	<u>EUR</u>	<u>GBP</u>	<u>USD</u>	<u>TRY</u>	<u>TOTAL</u>
Trade and other receivables	21,772	8,020	9,992	7,860	47,644
Cash	38,629	15,611	9,749	2,664	66,654
Trade and other payables	(114,747)	(620)	(3,399)	(3,737)	(122,503)
Net exposure	(54,346)	23,011	12,953	5,905	(8,205)
<u>Dec 31, 2013, k EUR</u>	<u>EUR</u>	<u>GBP</u>	<u>USD</u>	<u>TRY</u>	<u>TOTAL</u>
Trade and other receivables	30,023	5,112	6,603	6,978	48,717
Cash	33,180	10,589	2,571	1,669	48,009
Trade and other payables	(79,531)	(1,457)	(1,487)	(11,729)	(94,203)
Net exposure	(16,328)	14,244	7,687	(3,082)	2,523

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2014—(CONTINUED)**

Dec 31, 2012, k EUR	EUR	GBP	USD	TRY	TOTAL
Trade and other receivables	36,240	22,474	3,508	2,763	64,985
Cash	31,988	11,093	8,805	665	52,552
Trade and other payables	(93,330)	(1,065)	(3,830)	(972)	(99,198)
Net exposure	(25,102)	32,502	8,483	2,456	18,339

In 2014, approximately 21% of revenues were in GBP, 7% in TRY and 5% in USD, whilst approximately 1% of costs were in GBP, 7% of costs were in USD and 2% of costs were in TRY, with remaining differences being in EUR.

The following table shows the sensitivity analysis on GBP, USD and TRY in case the EUR would weaken by 10%:

k EUR	2014	2013	2012	2011
GBP denominated				
Changes in Fair Value derivative financial instrument	(1.469)	(1.704)	(1.673)	(1.850)
Changes in monetary assets and liabilities	2.557	1.583	3.565	2.640
Net Impact	1.088	(121)	1.892	790
USD denominated				
Changes in Fair Value derivative financial instrument	—	118	—	—
Changes in monetary assets and liabilities	1.816	854	358	55
Net Impact	1.816	972	358	55
TRY denominated				
Changes in monetary assets and liabilities	754	(342)	273	468
Net Impact	754	(342)	273	468

The following table shows the sensitivity analysis on GBP, USD and TRY in case the EUR would strengthen by 10%:

	2014	2013	2012	2011
GBP denominated				
Changes in Fair Value derivative financial instrument	1.202	1.394	1.369	1.643
Changes in monetary assets and liabilities	(2.092)	(1.295)	(2.997)	(2.160)
Net Impact	(890)	99	(1.628)	(517)
USD denominated				
Changes in Fair Value derivative financial instrument	—	(97)	—	—
Changes in monetary assets and liabilities	(1.486)	(699)	293	(45)
Net Impact	(1.486)	(796)	293	(45)
TRY denominated				
Changes in monetary assets and liabilities	(617)	280	(223)	(383)
Net Impact	(617)	280	(223)	(383)

No sensitivity analysis has been performed for other currency exposures since these exposures have no material impact on the Group's consolidated financial statements.

Commodity Price Risk:

The Group is exposed to fluctuations in the price of major raw material commodities used in the manufacturing process. The Group had no material commodity derivative transactions open at reporting date.

Cash Flow and Fair Value Interest Rate Risk:

The Group's income and operating cash flows are sensitive to changes in market interest rates mainly due to bank borrowings bearing floating interest rates (see Note 15).

The exposure to changes in market interest rates was mitigated by the Group until June 2014 using floating to fix interest rate swaps. No interest rate swaps continued to remain outstanding at the end of 2014.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2014—(CONTINUED)**

During 2014, if interest rates on borrowings had been 25 basis points higher/lower with all other variables held constant, pre-tax profit for the year would have been respectively €263 thousand lower/higher (2013: €204 thousand, and 2012: €313 thousand), mainly as a result of higher/lower interest expense on the borrowings.

	25 bps downward shift in EUR yield curve				25 bps upward shift in EUR yield curve			
	2014	2013	2012	2011	2014	2013	2012	2011
Impact on fair value								
Interest rate derivatives	—	(55)	(290)	(524)	—	55	288	519
Total impact on fair value	—	(55)	(290)	(524)	—	55	288	519
Impact on interest expenses/income								
Interest rate derivatives	(110)	(236)	(254)		110	236	254	
Non-derivative floating rate financial liabilities	373	439	567		(373)	(439)	(567)	
Total impact on interest expenses/income	263	204	313		(263)	(204)	(313)	

Credit Risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments, deposits with financial institutions and outstanding receivables.

The Group assesses 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. If a credit limit needs to be expanded, the approval of the CFO is required. In addition, the Group has obtained credit insurance to cover a large portion of the credit default risk. Finally, credit risk is also mitigated through non-recourse factoring and forfeiting of the trade receivables whereby the insolvency risk has been transferred to the counterparty (see Note 15.5).

Historical default rates did not exceed 0.10 % for 2014, 2013, 2012 and 2011. Trade receivables are spread over a number of countries and counterparties. There is no large concentration of trade receivables.

For cash at bank and short-term bank deposits, the table below gives an overview of credit ratings for banks used by the Group.

	Dec 31, 2014	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
AA rating	—	—	2.281	8.574
A rating	63.725	45.975	37.921	51.587
BBB rating	2.929	2.023	12.350	929
BB rating	—	—	—	2
Not Allocated	—	12	—	—
Total cash at bank and short-term bank deposits	66.654	48.009	52.552	61.092

At year-end, there are no banks below BB rating (using Fitch ratings).

For derivative financial assets, credit quality has been assessed based on the Fitch rating of the counterparty. All derivatives used by the Group are over the counter and the counterparty is a bank. Per end 2014 and 2013, no derivative financial assets have been recognized. Per end 2012, derivative financial assets are forward contracts to sell GBP against EUR.

	Dec 31, 2014	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
A rating	—	—	161	—
Derivative financial assets	—	—	161	—

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities, and use of trade supplier credit terms.

The Group's treasury function monitors cash flow forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2014—(CONTINUED)**

Surplus cash held by the operating entities over and above the balance required for working capital management are transferred to Group treasury. The Group operates a centralised approach to cash management with funds being swept into accounts held by the Group treasury with a number of banks. Group treasury invests surplus cash in interest bearing current accounts, short term cash deposits, selecting instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts. At the reporting date, the Group cash and cash equivalents of €66.7 million (2013: €48.0 million, 2012: €52.6 million, and 2011: €61.1 million)) that are expected to readily generate cash inflows for managing liquidity risk.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows including an interest assumption (based on forward interest rates).

At December 31, 2014	Less than 6 months	Between 6 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings (ex finance lease liabilities)	(7,529)	(13,872)	(135,896)	(3,136)	(660,309)
Finance lease liabilities	(1,447)	(1,441)	(2,863)	(6,694)	(13,687)
Gross settled derivative financial instruments—outflows . . .	(17,033)	—	—	—	—
Gross settled derivative financial instruments—inflows	16,788	—	—	—	—
Trade and other payables	(122,503)	—	—	—	—
Total	(131,724)	(15,314)	(138,759)	(9,830)	(673,996)

At December 31, 2013	Less than 6 months	Between 6 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings (ex finance lease liabilities)	(10,700)	(15,773)	(26,664)	(26,664)	(660,682)
Finance lease liabilities	(643)	(582)	(1,163)	(3,122)	—
Net settled derivative financial instruments	(914)	—	—	—	—
Gross settled derivative financial instruments—outflows	(16,411)	—	—	—	—
Gross settled derivative financial instruments—inflows	16,264	—	—	—	—
Trade and other payables	(94,203)	—	—	—	—
Total	(106,607)	(16,355)	(27,827)	(29,786)	(660,682)

At December 31, 2012	Less than 6 months	Between 6 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings (ex finance lease liabilities)	(20,352)	(16,508)	(420,515)	(212,307)	(26,361)
Net settled derivative financial instruments	(1,081)	(919)	(1,269)	—	—
Gross settled derivative financial instruments—outflows . . .	(15,217)	—	—	—	—
Gross settled derivative financial instruments—inflows	15,060	—	—	—	—
Trade and other payables	(93,662)	—	—	—	—
Total	(115,251)	(17,426)	(421,783)	(212,307)	(26,361)

At December 31, 2011	Less than 6 months	Between 6 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings (ex finance lease liabilities)	(13,976)	(14,537)	(28,889)	(610,035)	(18,054)
Net settled derivative financial instruments	(326)	(122)	(1,925)	(601)	—
Gross settled derivative financial instruments—outflows	(17,841)	—	—	—	—
Gross settled derivative financial instruments—inflows	18,329	—	—	—	—
Trade and other payables	(106,177)	—	(1,120)	—	—
Total	(119,992)	(14,659)	(31,934)	(610,636)	(18,054)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2014—(CONTINUED)**

In order to meet its cash outflow obligations, the Group uses cash flows generated from operating activities and credit facilities with financial institutions if necessary. In addition, the Group has entered into factoring agreements with financial institutions whereby cash is made available to the Group in consideration for certain trade receivables generated by the Group (refer to Note 15.4).

2.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and 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 amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt. The Group is closely monitoring its net debt level to comply with financial covenants.

<u>1.</u>	<u>Dec 31, 2014</u>	<u>Dec 31, 2013</u>	<u>Dec 31, 2012</u>	<u>Dec 31, 2011</u>
Short-term interest bearing debt	21,286	23,950	24,741	19,849
Long-term interest bearing debt	557,894	537,917	530,171	492,619
Cash and cash equivalents	(66,654)	(48,009)	(52,552)	(61,092)
Total net debt	<u>512,526</u>	<u>513,858</u>	<u>502,360</u>	<u>451,376</u>

The Group complied with all the financial covenants as mentioned in the Senior Facilities Agreement over the year.

2.3 Fair value estimation

The different levels of valuation method 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).

Financial instruments carried at fair value in the Group's portfolio are derivatives that are not traded in an active market (over-the-counter derivatives). Their fair value is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. Since all significant inputs required to fair value these instruments are observable, they are included in level 2.

NOTE 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The amounts presented in the consolidated 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 consolidated financial statements are discussed below.

3.1 Impairment of assets

Impairment tests are undertaken annually at the financial year end. Based on the updated business plan, an impairment charge was recognized in the statement of comprehensive income for an amount of €9.2 million in the year (2013: €37.8 million, 2012: €54.3 million) to ensure that the future expected recoverable amounts of CGUs at least equal to or higher than their carrying amounts. The impairment analysis was performed on a CGU level comparing the estimated recoverable amounts with the carrying amount of the property, plant and equipment, intangible assets and working capital.

The recoverable amount has been calculated based on the present value of the future cash flows that are expected to be derived from the CGU (value in use). The most sensitive key assumption when projecting the future cash flows are 3-year forward looking EBITDA's. This assumption is based on a combination of past experience and future outlook.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2014—(CONTINUED)**

The impairment analysis has been performed on a different CGU level in 2014 compared to 2013 and 2012 because of changes in the operational and reporting structure of the group which is more focused on end markets instead of manufacturing units.

Per end 2014, the Group has identified 5 cash generating units (CGUs) divided over 4 segments:

- Rugs;
- Residential Broadloom:
 - “Balta Broadloom” brand (Polypropylene carpets)
 - “ITC” brand (polyamide carpets)
- Commercial
- Technical non-woven

Per end 2013, the Group had identified three cash generating units (CGUs):

- Rugs;
- “Wall to Wall”: including the business units Broadloom, ITC, Oudenaarde and non-woven.
- Contract division (Modulyss);

Per end 2012, the Group had identified four cash generating units (CGUs):

- Rugs;
- Wall-to-wall carpets including the business units Broadloom, ITC and Oudenaarde;
- Industrial including the business units Exelto (Yarns and Staples), Captics and Modulyss; and
- MDF-Laminate including the joint venture business units Laminate and MDF.

The impairment of 2014 relates to the CGU ITC. In 2013, the impairment was relating to the CGU Wall to Wall. The impairment of 2012 affected all CGU’s. In each case, the impairment was triggered by adverse market circumstances affecting the flooring market.

The key assumption used in the fair value on the basis of estimated recoverable amounts calculation is a long term growth rate of 2%.

The impairment analysis has been performed using a post tax discount rate of 8.00% for 2014 (9.50 % for 2013, 2012 & 2011).

A sensitivity analysis has been performed at each year-end on the fair value less cost to sell calculations for each CGU. A change in the following assumptions would remove the remaining headroom:

December 31, 2014

CGU	Increase in post-tax discount rate by:	Decrease in long term Adjusted EBITDA margin or long term growth rate by:
Rugs	2.79%	4.13%
Balta Broadloom	2.13%	1.26%
ITC	N/A no remaining headroom	
Commercial	13.69%	4.02%
Technical Non-Woven	18.28%	0.31%

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2014—(CONTINUED)**

December 31, 2013

<u>CGU</u>	<u>Increase in post-tax discount rate by:</u>	<u>Decrease in long term Adjusted EBITDA margin or long term growth rate by:</u>
Rugs	1.41%	2.42%
Wall-to-wall carpets	0.06%	0.06%
Contract	4.05%	3.00%

December 31, 2012

<u>CGU</u>	<u>Increase in post-tax discount rate by:</u>	<u>Decrease in long term Adjusted EBITDA margin or long term growth rate by:</u>
Rugs	0.04%	0.07%
Wall-to-wall carpets	0.36%	0.45%
Industrial	1.00%	1.00%
MDF-Laminate	N/A as shown as a disposal group	

3.2 Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide liability for income taxes.

The Group has tax credits in respect of losses, ‘DBI’ (DBI = “definitief belaste inkomsten”, definitively taxed income) and NID (notional interest deduction). These tax credits can be used to offset against future taxable profits totalling €458.7 million at December 31, 2014, resulting in a potential deferred tax asset of €149.0 million, of which the Group only recognised €10.0 million. 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. Where circumstances should 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.

3.3 Determination of fair values in business combinations

The Group applied estimates and judgments in order to determine the fair value of assets acquired and liabilities and contingent liabilities assumed in a business combination.

In determining fair value of assets, liabilities and contingent liabilities recognised at the acquisition date the Group used valuation methodologies including discounted cash flow analysis. The assumptions made in performing these valuations include assumptions as to discount rates, capital expenditure and future operating expenses. Any significant change in key assumptions may cause the acquisition accounting to be revised including the recognition of goodwill or an additional discount on acquisition.

An estimation of the residual values and useful lives of tangible assets and intangible assets is required to be made at least annually. Judgement is required in estimating the useful lives of fixed asset categories. The residual value is the estimated amount that would be currently obtained from the disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The useful lives and residual values are determined based upon discussions with local engineers.

3.4 Trade receivables

The Group makes significant judgements in determining the bad debt allowance with respect to trade receivables when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The assessment is performed on an individual basis in consideration of various factors such as historical experience, credit quality, age of the accounts receivables and economic conditions that may affect a customer’s ability to pay.

The amount of the bad debt allowance is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The estimated future cash flow is determined based upon the significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2014—(CONTINUED)**

NOTE 4. INTANGIBLE ASSETS

	Software and licences	Internally generated intangible assets	Other intangible assets	Total
At December 31, 2011				
Cost or valuation	1,392	6,242	4,476	12,110
Accumulated amortisation, impairment and other adjustments	(339)	(4,730)	(4,476)	(9,545)
Closing net book value	1,053	1,512	—	2,564
Period ended December 31, 2012				
Opening net book value	1,053	1,512	—	2,564
Additions	458	338	—	795
Amortisation charge	(150)	(1,291)	—	(1,441)
Impairment charge	—	—	—	—
Exchange differences	28	28	—	55
Closing net book value	1,388	586	—	1,974
At December 31, 2012				
Cost or valuation	1,875	16,936	—	18,811
Accumulated amortisation, impairment and other adjustments	(487)	(16,350)	—	(16,837)
Closing net book value	1,388	586	—	1,974
Period ended December 31, 2013				
Opening net book value	1,388	586	—	1,974
Additions	56	586	—	641
Amortisation charge	(271)	(861)	—	(1,132)
Exchange differences	—	74	—	74
Closing net book value	1,173	385	—	1,557
At December 31, 2013				
Cost or valuation	1,932	11,468	—	13,399
Accumulated amortisation, impairment and other adjustments	(759)	(11,083)	—	(11,842)
Closing net book value	1,173	385	—	1,557
Period ended December 31, 2014				
Opening net book value	1,173	385	—	1,557
Additions	191	422	—	614
Disposals	—	(22)	—	(22)
Transfers	(646)	717	—	71
Amortisation charge	(309)	(699)	—	(1,008)
Closing net book value	409	803	—	1,212
At December 31, 2014				
Cost or valuation	3,245	7,440	—	10,685
Accumulated amortisation, impairment and other adjustments	(2,836)	(6,637)	—	(9,473)
Closing net book value	409	803	—	1,212

The total amortisation expense of €1.0 million (2013: €1.1 million, 2012: €1.4 million) is included in the line “Depreciation, amortisation and impairment” in the statement of comprehensive income.

The Group incurred €4.0 million of research and development expenses in 2014 (2013: €4.2 million, 2012: €4.7 million) which are included in the statement of comprehensive income as other expenses.

The internal and external software development costs are capitalised under the internally generated intangible assets. These projects are mainly related to SAP implementation, SAP upgrades and the automation of production processes.

The Group’s assets which are pledged as security for the borrowings are described in Note 15.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2014—(CONTINUED)**

NOTE 5. PROPERTY, PLANT AND EQUIPMENT

<u>€ thousands</u>	<u>Land and buildings</u>	<u>Plant and machinery</u>	<u>Other fixtures and fittings, tools and equipment</u>	<u>Total</u>
At December 31, 2011				
Cost or valuation	133,650	490,518	89,732	713,900
Accumulated depreciation, impairment and other adjustments	(59,524)	(300,979)	(70,361)	(430,864)
Closing net book value	74,126	189,539	19,371	283,036
Period ended December 31, 2012				
Opening net book value	74,126	189,539	19,371	283,036
Additions	3,447	24,130	1,059	28,636
Disposals	—	(232)	(344)	(576)
Depreciation charge	(2,036)	(31,107)	(2,009)	(35,152)
Impairment charge	—	(54,284)	—	(54,284)
Exchange differences	242	(165)	(28)	49
Closing net book value	75,779	127,881	18,049	221,709
At December 31, 2012				
Cost or valuation	137,380	511,691	92,272	741,343
Accumulated depreciation, impairment and other adjustments	(61,601)	(383,810)	(74,223)	(519,634)
Closing net book value	75,779	127,881	18,049	221,709
Period ended December 31, 2013				
Opening net book value	75,779	127,881	18,049	221,709
Additions	2,718	29,448	11,636	43,802
Disposals	—	(681)	(155)	(836)
Transfers	—	5	(5)	—
Depreciation charge	(2,036)	(12,635)	(12,744)	(27,415)
Impairment charge	—	(37,766)	—	(37,766)
Exchange differences	(1,887)	(5,181)	(174)	(7,242)
Closing net book value	74,574	101,071	16,607	192,251
At December 31, 2013				
Cost or valuation	135,406	510,792	101,786	747,984
Accumulated depreciation, impairment and other adjustments	(60,833)	(409,721)	(85,179)	(555,732)
Closing net book value	74,574	101,071	16,607	192,251
Period ended December 31, 2014				
Opening net book value	74,574	101,071	16,607	192,251
Additions	18,765	17,389	10,187	46,341
Disposals	(3,041)	(40)	(219)	(3,300)
Transfers	—	—	(71)	(71)
Depreciation charge	(3,157)	(9,741)	(11,942)	(24,840)
Impairment charge	—	(9,196)	(498)	(9,694)
Exchange differences	375	1,503	137	2,015
Closing net book value	87,516	100,986	14,201	202,702
At December 31, 2014				
Cost or valuation	141,653	522,100	56,541	720,294
Accumulated depreciation, impairment and other adjustments	(54,137)	(421,114)	(42,340)	(517,591)
Closing net book value	87,516	100,986	14,201	202,702

The total depreciation expense of €24.8 million (2013: €27.4 million, 2012: €35.2 million) has been charged in the line “Depreciation, amortisation and impairment” in the statement of comprehensive income.

An impairment charge of €9.7 million (2013: €37.8 million, 2012: €54.3 million) has been recognised in the statement of comprehensive income. For the most part of 2014 (€9.2 million), the impairment charge has been recorded to ensure that future expected recoverable amounts of the CGUs are at least equal to or higher than their carrying amounts. We refer to Note 3.1. The remainder, €0.5 million, relates to an impairment of samples for slow running collections.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2014—(CONTINUED)**

The additions in the respective years amount to 2014: €46.3 million (2013: €43.8 million, 2012: €28.6 million) and are mainly related to the acquisition of machinery, other fixtures and fittings, tools and equipment. The additions of 2014 include a non-cash increase of €18.5 million relating to the recognition of the building subject to a sale and lease back operation. It follows that the cash-out resulting from new investments in property, plant and equipment is equal to €27.9 million.

The Group's assets which are pledged as security for the borrowings are described in Note 15.

Operating leases expenses amounting to €4.0 million in 2014 (2013: €3.9 million, 2012: €4.0 million) and relating to the lease of various buildings, equipment, machinery and vehicles have been included in "Other expenses" in the statement of comprehensive income.

The Group leases various industrial buildings, plant and machinery under non-cancellable finance lease agreements. The lease terms are between 6 and 15 years, and ownership of the assets lie within the Group.

The table below shows the net book amount of the "land and buildings" and "plant and machinery" which are subject to a finance lease agreement:

	<u>Dec 31, 2014</u>	<u>Dec 31, 2013</u>
Land and buildings		
Cost—Capitalised finance leases	18,412	—
Accumulated depreciation	(1,151)	—
Net book amount land and building	<u>17,261</u>	<u>—</u>
Plant and machinery		
Cost—Capitalised finance leases	6,608	5,453
Accumulated depreciation	(389)	(73)
Net book amount plant and machinery	<u>6,219</u>	<u>5,380</u>

The large movement in land and buildings relates to a sale and leaseback operation executed early 2014. We also refer to Note 15.2.

NOTE 6. INVESTMENTS IN JOINT VENTURES

The Group, through its subsidiary Balta Industries N.V., owned 50% of the joint venture Trinterio N.V. and its subsidiaries Spanolux N.V., Spanolux OOO, Balterio N.V., and Balterio USA Inc. The joint venture has been constituted 1 September 2001 to develop, produce and commercialize laminate and medium-density fibreboard (MDF).

<u>Name of joint venture</u>	<u>Description of interest</u>	Proportion of ownership interest held	
		<u>Dec 31, 2012</u>	<u>Dec 31, 2011</u>
Trinterio N.V.	Holding company	50%	50%
Spanolux N.V.	Development, production and commercialization of laminate and MDF	50%	50%
Balterio N.V.	Development, production and commercialization of laminate and MDF	50%	50%
Balterio USA Inc. . . .	Warehouse and sales facility	50%	50%
Spanolux OOO	Commercialization of laminate and MDF	50%	50%

Until the period ending December 31, 2011, the Group's interests in the jointly controlled entity were accounted for by the equity method by the parent company.

As of December 31, 2012, the investment in Trinterio N.V. has been presented as assets and liabilities classified as held for sale in the statement of financial position. The Group's share in the net result of Trinterio NV is presented as profit for the period from discontinued operations in the statement of comprehensive income (see Note 33).

The joint venture has been classified as held for sale per end of 2012 and has been sold in 2013.

Set out below is the summarized statement of financial position for the joint venture which is accounted for using the equity method.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2014—(CONTINUED)**

	<u>Dec 31, 2011</u>
Current	
Cash and cash equivalent	7,491
Other current assets (excl cash)	50,327
Total current assets	57,818
Financial liabilities (excl trade payable & provision)	984
Other current liabilities (including trade payable & provision)	28,460
Total current liabilities	29,444
Non-current	
Assets	106,050
Financial liabilities	2,652
Other liabilities	37,020
Total non-current liabilities	39,672
Net assets	94,752
Carrying value of investments (50%)	47,376

Per end of 2012, there were no contingent liabilities relating to the Group's interest in the joint venture, no contingent liabilities of the joint venture itself or contingent liabilities that arise because the Group is contingently liable for the liabilities of the other ventures of a joint venture. In addition, there were no commitments relating to the Group's interest in the joint venture, nor commitments of the joint venture itself.

NOTE 7. FINANCIAL INSTRUMENTS

In the tables below, financial assets and liabilities are presented by category. The fair value of the financial assets and liabilities, with the exception of cash and cash equivalents, are valued using level 2 valuation techniques.

The fair values in Level 2 of fair value hierarchy were estimated using the discounted cash flows valuation technique. Level 2 trading and hedging derivatives comprise forward foreign exchange contracts and interest rate swaps. The fair value of the forward foreign exchange contracts have been estimated using forward exchange rates that are quoted in an active market. The fair value of interest rate swaps has been determined using forward interest rates extracted from observable yield curves. The effects of discounting are considered insignificant for these Level 2 derivatives.

The fair value of Level 2 debt investments has been determined using a discounted cash flow approach, discounting the contractual cash flows using discount rates derived from observable market prices of other quoted debt instruments of the counterparties.

Liabilities were discounted at the Group's own incremental borrowing rate. Liabilities due on demand were discounted from the first date that the amount could be required to be paid by the Group. In addition, the carrying value in the balance sheet is compared with the fair value of those financial instruments. For trade and other receivables as well as trade and other payables, the fair value approximates the carrying amount. Those are mainly short term instruments and the discounting effect would have been immaterial. For derivatives, these are already recognised in the balance sheet at fair value, their carrying amount is equal to their fair value.

Financial Instruments by Category for the Year Ended 2014

<u>December 31, 2014</u>	<u>Loans and receivables</u>	<u>Assets at fair value through profit and loss</u>	<u>Total</u>	<u>Fair value</u>
Assets as per statement of financial position				
Trade and other receivables	48,546	—	48,546	48,546
Cash and cash equivalents	66,654	—	66,654	66,654
Total	115,200	—	115,200	115,200

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2014—(CONTINUED)**

December 31, 2014	Other financial liabilities at amortised cost	Liabilities at fair value through profit and loss	Total	Fair value
Liabilities as per statement of financial position				
Borrowings (excluding finance lease liabilities)	556,634	—	556,634	556,634
Finance lease liabilities	22,547	—	22,547	22,547
Foreign exchange derivative financial instruments	—	231	231	231
Trade and other payables	122,503	—	122,503	122,503
Total	701,684	231	701,915	701,915

Financial Instruments by Category for the Year Ended 2013

	Loans and receivables	Assets at fair value through profit and loss	Total	Fair value
December 31, 2013				
Assets as per statement of financial position				
Trade and other receivables	49,427	—	49,427	49,427
Cash and cash equivalents	48,009	—	48,009	48,009
Total	97,437	—	97,437	97,437

	Other financial liabilities at amortised cost	Liabilities at fair value through profit and loss	Total	Fair value
December 31, 2013				
Liabilities as per statement of financial position				
Borrowings (excluding finance lease liabilities)	556,807	—	556,807	556,807
Finance lease liabilities	5,061	—	5,061	5,061
Interest rates derivative financial instruments	—	1,204	1,204	1,204
Trade and other payables	94,203	—	94,203	94,203
Total	656,071	1,204	657,275	657,275

Financial Instruments by Category for the Year Ended 2012

	Loans and receivables	Assets at fair value through profit and loss	Total	Fair value
December 31, 2012				
Assets as per statement of financial position				
Foreign exchange derivative financial instruments	—	161	161	161
Trade and other receivables	65,581	—	65,581	65,581
Cash and cash equivalents	52,552	—	52,552	52,552
Total	118,133	161	118,294	118,294

	Other financial liabilities at amortised cost	Liabilities at fair value through profit and loss	Total	Fair value
December 31, 2012				
Liabilities as per statement of financial position				
Borrowings (excluding finance lease liabilities)	554,911	—	554,911	554,911
Interest rates derivative financial instruments	—	3,269	3,269	3,269
Foreign exchange derivative financial instruments	—	—	—	—
Trade and other payables	99,198	—	99,198	99,198
Total	654,109	3,269	657,379	657,379

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2014—(CONTINUED)**

Financial Instruments by Category for the Year Ended 2011

	<u>Loans and receivables</u>	<u>Assets at fair value through profit and loss</u>	<u>Total</u>	<u>Fair value</u>
December 31, 2011				
Assets as per statement of financial position				
Trade and other receivables	54,707	—	54,707	54,707
Cash and cash equivalents	61,092	—	61,092	61,092
Total	115,799	—	115,799	115,799
	<u>Other financial liabilities at amortised cost</u>	<u>Liabilities at fair value through profit and loss</u>	<u>Total</u>	<u>Fair value</u>
December 31, 2011				
Liabilities as per statement of financial position				
Borrowings (excluding finance lease liabilities)	512,468	—	512,468	512,468
Interest rates derivative financial instruments	—	3,437	3,437	3,437
Foreign exchange derivative financial instruments	—	518	518	518
Trade and other payables	95,242	—	95,242	95,242
Total	607,710	3,955	611,665	611,665

The notional principal amounts of the outstanding forward foreign exchange derivative financial instruments at December 31, 2014 amounted to €16.8 million (2013: €16.3 million, 2012: €15.1 million, and 2011: €18.2 million) for the inflows and €17.0 million (2013: €16.1 million, 2012: €15.2 million, and 2011: €17.8 million) for the outflows.

The notional principal amounts of the outstanding interest rate cap at December 31, 2014 was zero (2013: €44.2 million, 2012: €47.5 million, and 2011: €50.9 million).

The notional principal amounts of the outstanding interest rate swaps at December 31, 2014 was zero (2013: €89.8 million, 2012: €96.5 million, and 2011: €50.9 million).

NOTE 8. TRADE AND OTHER RECEIVABLES

<u>K EUR</u>	<u>Dec 31, 2014</u>	<u>Dec 31, 2013</u>	<u>Dec 31, 2012</u>	<u>Dec 31, 2011</u>
Trade receivables	39,447	42,878	50,107	43,665
Less: bad debt allowance	(2,483)	(5,558)	(4,840)	(4,566)
Trade receivables, net	36,964	37,320	45,267	39,099
Prepayments and accrued income	1,577	1,115	1,868	1,452
Receivables from related parties (Note 32)	—	—	503	341
Other amounts receivable	10,004	10,992	17,943	13,815
Total trade and other receivables	48,546	49,428	65,580	54,707
Of which				
Current asset	47,644	48,717	64,985	53,613
Non-current asset	902	711	595	1,095

The fair value of the trade and other receivables approximates their carrying amount, as the impact of discounting is not significant.

The Group's assets which are pledged as security for the borrowings are described in Note 15. As part of its normal course of business, the Group has entered into non-recourse factoring agreements with financial parties as described in Note 15.5. The Group has derecognized the accounts receivable for which substantially all risk and rewards of ownership have been transferred.

As of December 31, 2014, trade receivables that were past due amounted to €7.3 million (2013: €11.1 million, 2012: €9.5 million, 2011: €12.7 million). The bad debt allowance as per December 31, 2014 amounted to €2.5 million (2013: €5.6 million, 2012: €4.8 million, 2011: €4.6 million).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2014—(CONTINUED)**

Balta 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.

As described in Note 3.4, the assessment to set up a bad debt allowance is performed on an individual basis in consideration of various factors such as historical experience, credit quality, age of the accounts receivables and economic conditions that may affect a customer's ability to pay. For the years ended December 31, 2014, 2013 and 2012, there are no significant receivables due more than 3 months for which no provision has been set up.

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

K EUR	Dec 31, 2014	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
EUR	22,674	30,732	36,835	36,380
USD	9,992	6,603	3,508	1,874
GBP	8,020	5,112	22,474	12,871
TRY	7,860	6,978	2,763	3,581
CHF	—	3	—	—
Total trade and other receivables	48,546	49,428	65,580	54,707

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

K EUR	Dec 31, 2014	Dec 31, 2013	Dec 31, 2012
At 1 January	(5,558)	(5,661)	(4,566)
Impairment loss recognised	(690)	(766)	(559)
Receivables written off during the year as uncollectible	3,472	24	(931)
Unused amounts reversed	322	16	278
Assets held for sales	—	821	115
Fx difference	(29)	8	—
At 31 December	(2,483)	(5,558)	(5,661)

The creation and release of allowance for impaired receivables has 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 per December 31, 2014, the Group holds collateral (letters of credit and corporate or bank guarantees) for an amount of €1.8 million.

In 2014, the group bad debt allowance decreased compared to 2013 as a result of an in depth review of the open positions during 2014. Final confirmation of definite loss was received for most of the positions written off as uncollectible. Most of the receivables written off during the year as uncollectible were already provided under a bad debt provision before 2014.

NOTE 9. DEFERRED INCOME TAX

The analysis of deferred tax assets and deferred tax liabilities is as follows:

K EUR	Dec 31, 2014	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Deferred tax asset to be recovered after more than 12 months	4,927	2,100	—	—
Deferred tax asset to be recovered within 12 months	1,557	772	894	730
Total deferred tax assets	6,484	2,872	894	730
Deferred tax liability to be recovered after more than 12 months ...	(30,064)	(34,415)	(49,523)	(74,052)
Deferred tax liability to be recovered within 12 months	(4,278)	(5,817)	(4,106)	(6,056)
Total deferred tax liabilities	(34,342)	(40,232)	(53,629)	(80,109)
Deferred tax assets/liabilities (net)	(27,858)	(37,361)	(52,735)	(79,379)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2014—(CONTINUED)**

The gross movement in the deferred income tax account is as follows:

K EUR	Dec 31, 2014	Dec 31, 2013	Dec 31, 2012
At 1 January	37,361	52,735	79,379
Exchange differences	18	(109)	56
Income statement charge	(9,521)	(15,265)	(26,699)
At 31 December	27,858	37,361	52,735

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets	Property, plant and equipment	Intangible assets	Derivative financial instruments	Capital grants	Inventory	Provisions	Employee benefits	Tax loss carried forward	Other	Total
Balance at January 1, 2012	11	23	1	—	3,779	79	718	2,878	2,826	10,314
Charged/(credited) to the income statement	(11)	(23)	(1)	21	(2,976)	(79)	514	2,089	(1,545)	(2,010)
Exchange differences ..	—	—	—	—	—	—	—	(9)	—	(9)
At December 31, 2012	—	—	—	21	803	—	1,233	4,958	1,281	8,295
At January 1, 2013 ...	—	—	—	21	803	—	1,233	4,958	1,281	8,295
Charged/(credited) to the income statement	—	—	—	(21)	(397)	—	528	1,291	(40)	1,361
Exchange differences ..	—	—	—	—	—	—	—	(39)	—	(39)
At December 31, 2013	—	—	—	—	406	—	1,760	6,211	1,241	9,618
At January 1, 2014 ...	—	—	—	—	406	—	1,760	6,211	1,241	9,618
Charged/(credited) to the income statement	—	3,823	—	—	(330)	—	383	3,852	(56)	7,672
Exchange differences ..	—	—	—	—	—	—	—	(22)	—	(22)
At December 31, 2014	—	3,823	—	—	76	—	2,143	10,041	1,185	17,268

Deferred tax liabilities	Property, plant and equipment	Intangible assets	Derivative financial instruments	Inventory	Provisions	Refinancing costs	Employee benefits	Other	Total
Balance at January 1, 2012	(78,381)	—	—	(4,415)	(414)	(1,144)	(1,057)	(4,282)	(89,693)
Charged/(credited) to the income statement	23,799	—	—	1,278	(159)	225	738	2,828	28,709
Exchange differences	(47)	—	—	—	—	—	—	—	(47)
At December 31, 2012	(54,630)	—	—	(3,137)	(572)	(918)	(318)	(1,454)	(61,030)
At January 1, 2013	(54,630)	—	—	(3,137)	(572)	(918)	(318)	(1,454)	(61,030)
Reclass to assets held for sales	—	—	—	—	—	—	—	—	—
Restated balance at January 1, 2013	(54,630)	—	—	(3,137)	(572)	(918)	(318)	(1,454)	(61,030)
Charged/(credited) to the income statement	10,874	—	—	1,270	572	237	—	950	13,904
Exchange differences	148	—	—	—	—	—	—	—	148
At December 31, 2013	(43,607)	—	—	(1,867)	—	(682)	(318)	(504)	(46,978)
At January 1, 2014	(43,607)	—	—	(1,867)	—	(682)	(318)	(504)	(46,978)
Charged/(credited) to the income statement	2,348	(19)	—	(658)	—	257	314	(392)	1,849
Exchange differences	3	—	—	—	—	—	—	—	3
At December 31, 2014	(41,256)	(19)	—	(2,525)	—	(425)	(4)	(897)	(45,126)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2014—(CONTINUED)**

The deferred income tax assets of €10.0 million (2013: €6.2 million, 2012: €5.0 million, 2011: €2.9 million) are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable, i.e. in those companies where there is reasonable assurance as to the realisation of these losses.

The Group did not recognise deferred income tax assets of €139.0 million (2013: €154.5 million, 2012: €156.3 million, 2011: €149.2 million) in respect of losses, DRD (“Dividend received deduction”), and NID (Notional interest deduction), that can be carried forward against future taxable income. Except for the NID, there is no expiry date for utilisation of these losses in Belgium.

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 and jointly controlled entities. Such amounts are permanently reinvested. Unremitted earnings totalled €163.5 million at December 31, 2014 (2013: €147.0 million, 2012: €333.0 million, 2011 €345.0 million).

NOTE 10. INVENTORIES

	<u>Dec 31, 2014</u>	<u>Dec 31, 2013</u>	<u>Dec 31, 2012</u>	<u>Dec 31, 2011</u>
Raw materials and consumables	55,665	57,521	52,926	56,453
Work in progress	18,202	18,535	17,687	17,376
Finished goods and goods for resale	53,025	45,660	46,464	41,122
Total	<u>126,891</u>	<u>121,716</u>	<u>117,077</u>	<u>114,952</u>

The cost of inventories recognised as expenses amounted to €356.3 million in 2014 (2013: €353.8 million, 2012: €368.3 million).

During 2012, the Group accounted for an exceptional inventory write down of €6.8 million following a detailed stock review performed by the Group.

During 2013, the Group focused on reduction of old inventory levels. This resulted in a decrease in the provision for obsolete inventory in 2013 with €7.7 million, which is included in “Raw materials used” and “Changes in inventories of finished goods and work in progress” respectively related to raw materials (including consumables) and finished goods (including work in progress and goods for resale). In 2014, an additional decrease in the provision for obsolete inventory of €1.2 million was recorded as a result of improved follow up on inventory.

The movement in “Work in progress” and “Finished goods and goods for resale” can be detailed as follows:

At January 1, 2012	58,499
Assets held for sales	—
Income statement	5,653
At December 31, 2012	<u>64,151</u>
At January 1, 2013	64,151
Discontinued operations	—
Income statement	44
At December 31, 2013	<u>64,195</u>
At January 1, 2014	64,195
Income statement	7,031
At December 31, 2014	<u>71,226</u>

The group impaired inventory in 2014 of €3.0 million of which €1.0 million has been recorded directly through the income statement since it relates to inventory produced during the year, whilst the remaining €2.0 million has been recorded through the income statement since it related to inventory producer in prior periods.

The Group’s assets which are pledged as security for the borrowings are described in Note 15.

NOTE 11. CASH AND CASH EQUIVALENTS

	<u>Dec 31, 2014</u>	<u>Dec 31, 2013</u>	<u>Dec 31, 2012</u>	<u>Dec 31, 2011</u>
Cash at bank and on hand	59,747	37,450	14,901	40,698
Short-term bank deposits	2,323	1,486	14,027	4,262
Cash from local financing	4,584	9,074	23,624	16,131
Cash and cash equivalents	<u>66,654</u>	<u>48,009</u>	<u>52,552</u>	<u>61,092</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2014—(CONTINUED)**

Cash and cash equivalents include the following for the purposes of the statement of cash flows:

The cash from local financing relates to cash and cash equivalent balances held by subsidiaries that operate in countries where legal restrictions apply and as such the cash and cash equivalents are not directly available for general use by the parent or other subsidiaries.

The credit quality of the banks and financial institutions is disclosed in Note 2.1.

The Group's assets which are pledged as security for the borrowings are described in Note 15.

NOTE 12. SHARE CAPITAL

The legal issued share capital of the Company is set at €20.000 thousand divided into 800,000 ordinary shares with a nominal value of 25 EUR each. The capital of the Company may be increased or reduced by a resolution of shareholders adopted in the manner required for amendment of the articles of association.

NOTE 13. RETAINED EARNINGS

<u>Period ended</u>	<u>Dec 31, 2014</u>	<u>Dec 31, 2013</u>	<u>Dec 31, 2012</u>
At January 1	(406,593)	(361,132)	(271,060)
Profit / (loss) for the year	1,236	(45,462)	(90,065)
Exchange differences	—	—	(7)
At December 31	<u>(405,357)</u>	<u>(406,593)</u>	<u>(361,132)</u>

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 to ten percent of the issued share capital of the Company.

The balance may be distributed to shareholders upon decision of a general meeting of shareholders, taking into account the restrictions as defined in the senior facilities agreement.

NOTE 14. OTHER COMPREHENSIVE INCOME

Components of other comprehensive income (OCI) are items of income and expenses (including reclassification adjustments) that are not recognized in the profit or loss as required or permitted by other IFRSs. The Group has other comprehensive income which mainly relate to the remeasurements of post-employee defined benefit obligations and the gains and losses arising from translating the financial statements of foreign entities.

The movements in other comprehensive income are summarized in the table below:

<u>K EUR</u>	<u>Dec 31, 2014</u>	<u>Dec 31, 2013</u>	<u>Dec 31, 2012</u>
Cumulative translation reserves at 1 January	(10,066)	(5,422)	(7,298)
Exchange differences on translating foreign operations	1,901	(4,644)	1,729
Exchange differences on translating from discontinuing operations	—	—	139
Other	—	—	7
Cumulative translation reserves at December 31	<u>(8,165)</u>	<u>(10,066)</u>	<u>(5,422)</u>
Changes in employee defined benefit obligations at January 1	(1,963)	—	—
Changes in employee defined benefit obligations	(1,827)	(1,963)	—
Changes in employee defined benefit obligations at December 31	<u>(3,791)</u>	<u>(1,963)</u>	<u>—</u>
Total other comprehensive income at December 31	<u>(11,955)</u>	<u>(12,029)</u>	<u>(5,422)</u>

14.1 Cumulative translation reserves

The cumulative translation reserves arise from translating the non-monetary financial assets such as equity of the foreign entities (Balta USA (USD), Balta Oriënt and Balta Floorcovering (TRY), Balta Far east (HKD)) into the currency of the group (EUR). The exchange rates used to translate the foreign operations are disclosed in Note 1.3.

The movement in 2013 mainly is explained by the weakening of the TRY from 2.35 TRY/EUR in 2012 to 2.93 TRY/EUR per December 31, 2013.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2014—(CONTINUED)**

14.2 Employee defined benefit obligations

As described in Note 1.19 and Note 17, 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. The defined benefit pension plan obligation was recognized in the consolidated statement of financial position for the first time in 2013.

This was triggered by the decision of several insurance companies 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.

The liability was measured using a discount rate of 3% -3.25% in 2013 which further decreased in 2014 to 1,55%. These changes in discount rate which resulted in a change in pension liability were reflected in the other comprehensive income.

NOTE 15. BORROWINGS

	Dec 31, 2014	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Bank borrowings	127,728	142,994	204,989	209,474
Of which: gross bank borrowings	128.857	145.702	209.283	215.049
Of which: debt modification costs	(1,129)	(2,708)	(4,297)	(5,575)
Finance lease liabilities	20,136	4,014	—	—
Other liabilities with related parties (Note 32)	405,088	386,135	320,546	276,743
Other liabilities	4,942	4,774	4,635	6,401
Non-current borrowings	557,894	537,917	530,171	492,619
Bank borrowings	12,932	16,903	19,463	13,510
Of which: gross bank borrowings	14.520	18.491	21,109	15.035
Of which: debt modification costs	(1,588)	(1,588)	(1,646)	(1,525)
Finance lease liabilities	2,411	1,047	—	—
Reverse Factoring	5,944	6,000	5,278	6,339
Current borrowings	21,286	23,950	24,741	19,849
Total borrowings	579,180	561,867	554,912	512,468

15.1 Bank borrowings

Bank borrowings relate to a senior facility agreement with a bank syndicate, a Turkish mortgage loan, and a short term credit facility. All are denominated in euro, and mature over the period 2014 to 2016.

On April 15, 2011, Balta Finance S.à r.l, certain of its affiliates acting as guarantors, Fortis Bank NV/SA, ING Belgium NV/SA and KBC Bank NV, as mandated lead arrangers, and certain other parties entered into the Senior Facility Agreement. The Senior Facility Agreement initially provided for borrowings, including a revolving facility, up to an aggregate of €260.0 million. The Senior Facility Agreement matures on May 31, 2016, in relation to Facility A as defined therein and the Revolving Facility as defined therein, which remains undrawn, and November 30, 2016 in relation to Facility B as defined therein. As of December 31, 2014, the gross amount outstanding (i.e. excluding debt modification costs) was €131.1 million outstanding under the Senior Facility Agreement (2013: €152.0 million, 2012: €215.0 million, 2011: €230.0 million).

On November 13, 2012, Balta Floorcovering Yer Döşemeleri San.ve Tic A.Ş. (“Balta Floorcovering”) and Türkiye Halk Bankası A.Ş. (“Halkbank”) entered into a loan agreement (the “Halkbank Loan Agreement”), comprising of a framework credit agreement, a supplementary protocol and a protocol for banking transactions. The agreement is in the form of a standard general loan agreement typically used by the banks in Turkey. The Halkbank Loan Agreement provides for a credit limit of €14.4 million. Balta Orient Tekstil Sanayi Ve Ticaret A.Ş. (“Balta Orient”) is also a party to the agreement as a surety. As of December 31, 2014, there was €11.5 million outstanding under the Halkbank Loan Agreement (2013: €11.3 million, 2012: €12.0 million).

Details on the finance lease liabilities are disclosed in Note 15.2. The exposure of the Group’s borrowings to interest rate changes is disclosed in Note 2. The carrying amounts and fair value of the borrowings are disclosed in Note 7.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2014—(CONTINUED)**

Debt Modification Costs and Transaction Costs Relating to New Debt

The debt modification costs and transactions costs at inception of a new loan incurred are recognised over the remaining life of the instrument by adjusting the effective interest rate, in accordance with IAS 39 requirements.

The debt modification costs and transaction costs are derecognized as described in Note 1.17.

Collateral for Bank Borrowings

The total bank borrowings entered into are secured by the Group's present and future assets.

Securities agreements have been entered into which collectively secure the bank borrowings for the entire amount outstanding and the accrued interest on the bank borrowings. The Group is subject to regular bank reporting, and certain financial ratios are monitored. The Group retains full ownership and operating rights for the assets pledged. In the event of a default of repayment of the bank borrowings and related interest payments, the bank may enforce against the pledged assets.

Security over land and buildings

Any mortgage over real estate owned by a material company charges land and interests in land and buildings, except where granting security would contravene any legal or contractual prohibition, in which case, the grantor of such security uses all reasonable endeavours to remove the prohibition or obtain any required consent prior to the date the relevant transaction security document is required to be granted or, if that is not possible, as soon as practicable thereafter. An assignment of or pledge over insurance policies relating to real estate (other than leasehold real estate or real estate in which the Material Company's interest is held under a licence, or in either case, its equivalent in any jurisdiction) where possible under local law, is also granted.

Security over shares

Where possible under local law, legal mortgages (or the equivalent in local jurisdictions) over shares in material companies (as defined in the Senior Facilities agreement) are granted to the secured parties or their agent(s) and are perfected pursuant to local law requirements. Where the secured parties cannot be registered as legal owner under local law, shares pledges are taken pursuant to which secured parties are entitled, subject to local law, to transfer the shares and satisfy themselves out of the proceeds of such sales upon enforcement of the security. To the extent permitted under local law, legal mortgages and share pledges contain provisions to ensure that, until occurrence of a default, the grantor of the security is entitled to receive dividends and exercise voting rights in any shareholder's meeting of the relevant company (except if exercise would be materially prejudicial to the validity or enforceability of the Security created or would materially impair the value of the shares charged).

Security over receivables of material companies

Until the occurrence of a declared default, unless necessary to ensure the creation of valid and/or perfected security, (and notwithstanding that the Security may be expressed as a first fixed charge) the proceeds of receivables are not paid into a nominated account unless the relevant material company is able freely to withdraw such money.

Insurances

Proceeds of material insurance policies owned by material companies (excluding third party liability insurance policies) are assigned by way of security or pledged to the secured parties.

Material contracts and claims

Material companies are required to notify counterparties to any contracts that have been charged/assigned under a transaction security document that such contract has been so charged/assigned only if so required by the secured parties following the occurrence of a declared default unless necessary to ensure the creation of valid and/or perfected security. Contracts that may require notification upon execution of the transaction security documents include (to the extent legally possible) the insurance and any material contracts identified by the lenders from due diligence.

Security over material intellectual property

Security over all registerable material intellectual property owned by material companies is given, and registration is made in all relevant local registries in which the grantor of the security is resident or carries on material business or is

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2014—(CONTINUED)**

otherwise required under local law unless the granting and registering of such security contravene any contractual prohibition binding on the grantor of the security. Where any material company has the right to the use of any material intellectual property through contractual arrangements, such contract and/or any rights arising thereunder are also pledged in favour of the secured parties.

Security over bank accounts

Where any obligor is granting security over a bank account it shall notify the relevant bank of, and uses reasonable endeavours to procure that the relevant bank acknowledges the creation of that security.

Other material assets

Securities are given over any other material assets of any material company.

Under the terms of the agreement, the Group must adhere to a number of financial covenants as disclosed in Note 2.2.

15.2 Finance lease liabilities

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

In 2013 and 2014, the Group entered in new leasing agreements in relation to new machinery.

In 2014, a building of the group was also sold and leased back which explains an important movement in the present value of the lease liabilities.

K EUR	Dec 31, 2014	Dec 31, 2013
No later than 1 year	2,905	1,225
Later than 1 year and no later than 5 years	9,705	4,286
Later than 5 years	14,371	—
Future finance charges on finance leases	(4,434)	(450)
Gross finance lease liabilities—minimum lease payments	22,547	5,061

The present value of the finance lease liabilities is as follows:

K EUR	Dec 31, 2014	Dec 31, 2013
No later than 1 year	2,411	1,047
Later than 1 year and no later than 5 years	7,911	4,014
Later than 5 years	12,225	—
Total present value of finance lease liabilities	22,547	5,061

15.3 Other liabilities with related parties

The main amount consist of the parent loan which was initially recognised as a financial liability at fair value (equal to the cash proceeds) and is subsequently measured at amortised cost using the effective interest rate method. As a result of debt modification accounted for as debt extinguishment, the outstanding carrying value of the parent loan at December 31, 2008 was derecognised and the new debt was recognised at fair value. The resulting decrease of the loan was included in share premium (€105.0 million). The interest expense was calculated at the effective interest rate of 13.62%. Another debt modification accounted for as debt extinguishment took place on October 1, 2013. The resulting increase of the debt (€30.2 million) has also been booked on share premium. The interest expense is calculated at the effective interest rate of 4.9%.

Beside the parent loan, two other loans with a fixed interest rate of 5.5% of initially €6.0 million and €1.5 million have been agreed with Balta Luxembourg S.à r.l. respectively in 2012 and 2013. The outstanding capital as per December 31, 2014 is €5.5 million (2013: €5.2 million, 2012: €6.0 million).

On May 1, 2006 the Group entered into a settlement agreement with historical shareholders to settle a dispute related to a tax refund. As a final settlement for the dispute, the Group agreed to pay €3.4 million. This amount will be payable on the earlier of (1) a sale or (2) an IPO both as defined in the subscription and shareholders agreement relating to Balta Luxembourg S.à r.l. dated June 15, 2004 and amended August 10, 2004. This payable amount bears a fixed interest pro

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2014—(CONTINUED)**

rata temporis from November 1, 2005 onwards, until the payment of the amount. This interest is compounded on an annual basis each time on November 1st. On December 31 2014, the open amount, including compounded interest, is €4.9 million (2013: €4.8 million, 2012: €4.6 million and 2011: €4.5 million).

The transactions with related parties have been entered into on arm's length basis.

15.4 Factoring

As part of its normal course of business, the Group has entered into two non-recourse receivables financing agreements, whereby it may sell trade receivables arising from the normal course of business at face value less certain reserves and fees. The insolvency 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 has been transferred, the trade receivables assigned to the factoring companies have been derecognized from the balance sheet.

Whilst the factoring programme described above relates the portfolio of credit insured trade receivables, the Group has also entered into a forfaiting agreement where a financial institution agrees to purchase (forfait) on a revolving basis the receivables from individually identified debtors. The credit risk related to these receivables is fully transferred from the Group to the financial institution and as a result hereof, the financial institution bears the risk of non-payment by the debtor. The Group has been mandated to collect the forfeited receivables for the account of and on behalf of the financial institution. The eligible portion of the trade receivables that have been transferred and financed under this agreement have been derecognized from the Group's balance sheet. The Group continues to recognize a portion of the receivables to the extent of its continuing involvement, in accordance with IAS 39 "Financial instruments: recognition and measurement".

In 2014, the Group has agreed to enter into an Accounts Receivables Purchase Agreement with a financial institution, in the framework of a supply chain financing program 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 receivables are derecognized on the moment the cash is received.

15.5 Reverse factoring

The Group entered into a supplier financing transaction, in order to extend payment terms of certain accounts payable balances. When supplier financing is obtained, the Group derecognises the original trade accounts payable balances and recognises a financial liability for the amount of supplier financing until the debt repayment date. Per December 31, 2014 the amount of such financial debt is equal to €5.9 million (2013: €6.0 million, 2012: €5.3 million, 2011: 6.3 million).

NOTE 16. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	<u>Environmental restoration</u>	<u>Legal claims</u>	<u>Restructuring</u>	<u>Grants</u>	<u>Other</u>	<u>Total</u>
At January 1, 2012 from continuing operations	901	415	—	—	318	1,633
Additional provisions made and increases to existing provisions including business combinations	—	—	—	—	13	13
Amounts used	—	(415)	—	—	(316)	(731)
At December 31, 2012	900	0	—	—	15	915
Additional provisions made and increases to existing provisions including business combinations	—	—	1,690	—	—	1,690
Reversal of unused amounts	(900)	—	—	—	—	(901)
Used amounts	—	—	—	—	—	(15)
At December 31, 2013	—	—	1,690	—	—	1,690
Amounts used	—	—	(1,268)	—	—	(1,268)
At December 31, 2014	—	—	423	—	—	423

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2014—(CONTINUED)**

The split between current and non-current provisions at the end of each period is as follows:

	<u>Dec 31, 2014</u>	<u>Dec 31, 2013</u>	<u>Dec 31, 2012</u>	<u>Dec 31, 2011</u>
Non-current	—	423	—	—
Current	423	1,268	915	1,633
Total provisions	423	1,690	915	1,633

16.1 Environmental restoration

Environmental legislation varies by country and is regulated by different agencies in each country. If environmental restoration is required by local legislation, a provision is recognised in accordance with the accounting policies of the Group.

16.2 Legal claims

The amount provided for previous years under this caption represents several legal claims. At the end of 2014, no provisions for legal claims have been made.

NOTE 17. EMPLOYEE BENEFIT OBLIGATIONS

The Group operates a pension plan and foresees termination benefits (including early retirement) for its working and retired personnel. The Group also provided 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 1.19. The liability was measured using a discount rate of 1.55 % in 2014 (2013: 3 % - 3.25 %). The annual pension cost, relating to the pension plan is disclosed in Note 24.

The employee benefit obligations recognised in the financial statements are detailed below:

K EUR	<u>Dec 31, 2014</u>	<u>Dec 31, 2013</u>	<u>Dec 31, 2012</u>	<u>Dec 31, 2011</u>
Pension	99	518	322	213
Early retirement provision	3,057	3,319	2,792	2,346
Pension plans	3,791	1,963	—	—
Group insurance	604	602	558	555
Holiday pay	13,226	13,811	14,143	14,862
Social security taxes	7,187	7,733	4,797	207
Salaries and wages payable	4,600	3,613	5,001	3,931
Other	3,513	3,401	3,623	4,066
Total employee benefit obligations	36,077	34,960	31,236	24,610
Of which				
Non-current portion				
Pension	99	518	322	213
Early retirement pension	2,372	2,650	2,240	1,894
Pension plans	3,791	1,963	—	—
Non-current portion	6,261	5,132	2,561	2,107
Current portion	29,815	29,828	28,674	22,504

17.1 Pension plans: overview

The line item “pension plans” in the table above comprises employer contributions paid in the context of pension plans for management and white collars and a bonus plan, as detailed below.

A pension plans has been put in place for management since July 2007 and is and is financed through employer contributions which increase depending on seniority (basis 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 2 x pensionable salary.

Several pension plans are in place for white collars and is financed through fixed employer contributions.

In addition, bonus plans are in place for senior management and is financed through employer contributions which correspond to a fixed % of the bonus.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2014—(CONTINUED)**

17.2 Pension plans: valuation methodology

The pension and bonus plans as described above has been classified as defined benefits. Therefore, the projected unit credit method has been applied when assessing the risk of underfunding. These liabilities have been accounted for on the basis of the following main principles:

- The benefit to be paid in the future has been calculated by projecting forward the contributions or notional contributions at the guaranteed fixed rate of return;
- The benefit has been allocated to periods of service;
- The benefits allocated have been discounted to the current and prior periods at the rate specified in IAS19 (discount rate) to arrive at the plan liability, service cost and interest cost;
- The actuarial gains and losses have been recognized through Other Comprehensive Income.

17.3 Pension plans: main valuation assumptions

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

	<u>Dec 31, 2014</u>	<u>Dec 31, 2013</u>
Discount rate	1.55%	3.00%-3.25%
Inflation	2%	2%
Salary increase	1%	1%
Retirement age	65 years	65 years
Mortality	MR/FR-5	MR/FR-5

17.4 Pension plans: reported figures

For the year ended December 31, 2014, the defined benefit obligation amounts to €9.1 million (December 31, 2013: €7.1 million), offset by plan assets of €5.3 million as per December 31, 2014 and €5.1 million as per December 31, 2013.

NOTE 18. SHARE-BASED PAYMENT

Part of the issued share capital (class B shares) of Balta Luxembourg S.à r.l., the parent of the Group, owing 100% of the shares, is owned by management (management includes employees and any person who entered into a management or consultancy agreement with the Group). In the articles of Balta Luxembourg S.à r.l., there are good and bad leaver provisions.

The beneficiaries are required to sell their shares for the fair value or, if higher, the issue price, either to another person replacing the employee or to an approved third party, if and when they cease to be employed by the Group (or cease to provide services to the Group on the basis of management or consultancy agreement). The shares have no maximum vesting period. The Group does not have an obligation to purchase the shares.

The Group accounts for the arrangement as equity-settled in its financial statements as the Group does not have an obligation to purchase shares or otherwise settle the award in cash. The fair value of the award at the grant date in August 2004 was nil; therefore this share-based payment transaction has no impact on the consolidated statement of financial position or the consolidated statement of comprehensive income of the Group and no further IFRS 2 disclosures are provided.

The parent of the Group (Balta S.à r.l.) also operates a cash-settled share-based payment plan that is granted to some employees and that will be paid upon realisation of some market performing conditions. It has been decided not to recognise a liability for this plan since it is expected that the market performing conditions will not be met. This cash-settled share-based payment plan is considered at the level of the Company as an equity based settlement plan.

In the event of an initial public offering or sale of the Group, the current management will be entitled to an incentive bonus depending on the net equity value, which in case of an IPO shall be based upon the number of ordinary shares held by the shareholders of Balta Luxembourg S.à r.l. immediately prior to the Offering multiplied by the Offer Price less the aggregate amount of the incentive bonus.

- If the net equity value is less than €190 million (or in the case of the CEO, €194.3 million), no bonus is due.
- If the net equity value is equal to or greater than €190 million (or in the case of the CEO, €194.3 million), but less than €400 million (or in the case of the CEO, €363.3 million), management will receive a bonus calculated

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2014—(CONTINUED)**

as a percentage of the net equity value. The percentage of the net equity value to be paid to management will increase in line with the increase in net equity value starting at approximately 3.2% for a net equity value of €190 million (or in the case of the CEO, €194.3 million) up to a maximum percentage of 5.75% if the net equity value is equal to €400 million (or in the case of the CEO, €363.3 million).

It has been decided not to recognise a liability for this plan since it is expected that the vesting market performance conditions will not be met based on a valuation made by applying an EBITDA multiple from a selection of European peer group companies.

NOTE 19. GOVERNMENT GRANTS

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

In 2014, the Group recognised a total income of government grants of €1.2 million, of which €0.7 million has been recognised in "Other income" (2013: €0.6 million, 2012: €0.9 million) and €0.6 million has been recognised as exceptional income given that the cash consideration relates to eligibility criteria met in 2013 for which only final approval was received in 2014 from the authorities. We refer to Note 23.

NOTE 20. TRADE AND OTHER PAYABLES

	<u>Dec 31, 2014</u>	<u>Dec 31, 2013</u>	<u>Dec 31, 2012</u>	<u>Dec 31, 2011</u>
Trade payables	79,929	70,941	64,240	43,770
Amounts due to related parties (Note 32)	—	—	13,188	15,751
Accrued charges and deferred income	42,573	23,262	21,156	25,966
Other payables	—	—	614	9,755
Total trade and other payables	<u>122,503</u>	<u>94,203</u>	<u>99,198</u>	<u>95,242</u>
Of which non-current portion	—	—	—	1,120
Of which current portion	<u>122,503</u>	<u>94,203</u>	<u>99,198</u>	<u>94,122</u>

Reverse factoring is in place for certain trade and other payables. These payables are presented under Borrowings. Please refer to Note 15.5.

The increase in trade and other payables from €94.2 million in 2013 to €122.5 million in 2014 is driven by an increase in deferred income. The profit realised on the sale of a building in April 2014 (as part of a sale and leaseback operation) has been recognized on the balance sheet and will be released to P&L over the lease term of the asset. This income will be offset by the depreciation charge of the asset.

NOTE 21. REVENUES

The following table sets forth our revenue for the years ended December 31, 2014, 2013 and 2012. The breakdown per segment and per geography is provided in Note 37.

	<u>Dec 31, 2014</u>	<u>Dec 31, 2013</u>	<u>Dec 31, 2012</u>
Total revenues	<u>519,529</u>	<u>517,752</u>	<u>526,092</u>

During the year ended December 31, 2014, our revenue increased by €1.8 million, or 0.3% to €519.5 million from €517.8 million for the year ended December 31, 2013. This increase in revenue was primarily attributable to growth in our Rugs and Commercial segments, partially offset by a decrease in the Residential and Non-Woven segments.

During the year ended December 31, 2013, our revenue decreased by €8.3 million, or 1.6% to €517.8 million from €526.1 million for the year ended December 31, 2012. The decrease was primarily driven by a decrease in revenue from our Residential segment, which more than offset an increase in revenue in our Rugs and Commercial segments.

NOTE 22. RAW MATERIAL EXPENSES

	<u>Dec 31, 2014</u>	<u>Dec 31, 2013</u>	<u>Dec 31, 2012</u>
Raw material expenses	(256,794)	(252,959)	(269,972)
As % of revenues	49.4%	48.9%	51.3%

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2014—(CONTINUED)**

Raw material expenses increased by €3.8 million, or 1.5%, from €253.0 million for the year ended December 31, 2013 to €256.8 million for the year ended December 31, 2014. Our total raw material expenses increased primarily due to an increase in raw material expenses in our Rugs and Commercial segments which grew in line with increased revenue, and, to a lesser extent, due to a slight increase in polypropylene granulate prices in 2014 compared to 2013, which were only partially offset by a decrease in raw material expenses in our Residential and Non-Woven segments as a result of lower sales in these segments.

Raw material expenses decreased by €17.0 million, or 6.3%, from €270.0 million for the year ended December 31, 2012 to €253.0 million for the year ended December 31, 2013. The decrease in raw material expenses primarily reflected the decrease in our revenue over the same period. Expressed as a percentage of revenue, this corresponds to a decline from 51.3% of revenue in 2012 to 48.9% of revenue in 2013, primarily due to optimization of our raw material consumption, the phase out of certain low margin products, and the measures taken by management to respond to the slight increase in the price of polypropylene granulates in 2013 compared to 2012.

NOTE 23. OTHER INCOME/ (EXPENSES)

	<u>Dec 31, 2014</u>	<u>Dec 31, 2013</u>	<u>Dec 31, 2012</u>
Foreign exchange gains/losses	1,393	1,053	1,361
Rendered services	6,435	7,782	8,532
Grants	675	608	928
Other	2,457	3,816	3,852
Other income	<u>10,960</u>	<u>13,259</u>	<u>14,673</u>
Services and other goods	58,896	59,353	62,369
Selling expenses	26,385	26,102	28,312
Foreign exchange gains/losses	609	698	1,542
Real estate tax	2,950	2,854	2,584
Foreign exchange forward contracts	42	29	—
Other	506	1,986	1,036
Other expenses	<u>89,388</u>	<u>91,021</u>	<u>95,844</u>

NOTE 24. EMPLOYEE BENEFIT EXPENSES

	<u>Dec 31, 2014</u>	<u>Dec 31, 2013</u>	<u>Dec 31, 2012</u>
Wages and salaries	91,296	92,793	93,790
Social security costs	30,419	32,494	32,925
Pension costs	1,269	1,489	1,559
Other employee benefit expenses	5,206	4,683	5,096
Total employee benefit expenses	<u>128,191</u>	<u>131,459</u>	<u>133,369</u>

The Group's average number of total employees (in full time equivalents), excluding employees of the disposal group:

	<u>Dec 31, 2014</u>	<u>Dec 31, 2013</u>	<u>Dec 31, 2012</u>
Average number of employees—blue collar	2,678	2,675	2,632
Average number of employees—white collar	499	503	504
Average number of total employees	<u>3,177</u>	<u>3,178</u>	<u>3,136</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2014—(CONTINUED)**

NOTE 25. FINANCE INCOME AND COSTS

	<u>Dec 31, 2014</u>	<u>Dec 31, 2013</u>	<u>Dec 31, 2012</u>
Interest income on current assets	—	87	27
Fair value measurement interest rate swaps	1,014	2,260	—
Other finance income	183	240	202
Foreign exchange result on interco transactions	1,120	—	—
Finance income on interco transactions	50	37	27
Total finance income	<u>2,367</u>	<u>2,624</u>	<u>255</u>
Interest expense on:			
Bank borrowings	(10,620)	(12,529)	(13,688)
Borrowings from related parties	(144)	(22)	(142)
Interest rate swaps	(1,001)	(2,418)	(1,390)
Fair value measurement interest rate swaps	—	—	(215)
Debt modification	(1,588)	(1,646)	(3,181)
Other finance costs	(2,062)	(1,724)	(1,712)
Foreign exchange result on interco transactions	(174)	(7,571)	—
Interest expense on parent loan	(18,954)	(36,408)	(37,822)
Total finance costs	<u>(34,543)</u>	<u>(62,318)</u>	<u>(58,149)</u>
Net finance costs	<u>(32,176)</u>	<u>(59,695)</u>	<u>(57,893)</u>

The decrease in the interest expense on the parent loan in 2014 results from the application from a lower effective interest rate as from October 2013. In October 2013, the maturity of the Parent Loan agreement was extended by ten years, such that it matures in 2024. This was treated as an extinguishment of debt under IFRS. As a result of a significant decrease in the effective interest rate used for discounting cashflows for purposes of the net present value calculation, which reflected the decrease in market rates, the net present value of the Parent Loan Agreement increased.

NOTE 26. DEPRECIATIONS/AMORTISATIONS

The components of depreciations and amortisations can be summarized as follows:

	<u>31 Dec 2014</u>	<u>Dec 31, 2013</u>	<u>Dec 31, 2012</u>
Amortisations Intangible assets	1,008	1,132	1,441
Depreciations property, plant and equipment	24,840	27,415	35,152
Release deferred revenue sale & lease back	(1,046)	—	—
Total depreciations/amortisations	<u>24,802</u>	<u>28,547</u>	<u>36,593</u>

In 2014, an operating plant was the subject of a sale and leaseback operation. The revenue has been deferred and included in other payables. The revenue will be released to P&L over the lifetime of the lease under the heading “depreciations”.

NOTE 27. INCOME TAX INCOME

The components of tax income can be summarized as follows:

	<u>Dec 31, 2014</u>	<u>Dec 31, 2013</u>	<u>Dec 31, 2012</u>
Current tax on profits of the year	(1,664)	(3,058)	(3,205)
Adjustments in respect of prior years	—	—	(4,237)
Total current tax expense	<u>(1,664)</u>	<u>(3,058)</u>	<u>(7,442)</u>
Origination and reversal of temporary differences	9,520	15,137	26,699
Total deferred tax income	<u>9,520</u>	<u>15,137</u>	<u>26,699</u>
Income tax income	<u>7,856</u>	<u>12,079</u>	<u>19,257</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2014—(CONTINUED)**

The table below sets forth the relation between the profit (loss) before tax and the income tax income:

K EUR	31 dec 14	31 dec 13	31 dec 12
Profit / (loss) before tax	(6.620)	(78.680)	(110.835)
Income tax calculated at domestic tax rates	1.102	20.429	36.772
Tax-exempted revenues	4.182	3.237	2.430
Utilization of previously not recognized tax assets	10.468	—	—
Tax losses for which no deferred tax asset is recognized	(6.556)	(11.321)	(14.571)
Disallowed expenses	(994)	(669)	(693)
Prior period adjustments	—	—	(4.237)
Other	(346)	403	(444)
Total income tax (expense) / income	7.856	12.079	19.257

Tax losses for which no deferred tax asset is recognized mainly relate to interest charges on loan agreements between different entities of the Group. Prior period adjustments include the settlement of a dispute with the Belgian tax authorities.

NOTE 28. DIVIDENDS PER SHARE

The Group did not declare any dividends to shareholders for the periods ended December 31, 2014, 2013 and 2012.

NOTE 29. CONTINGENCIES

The Group currently accounts for environmental provisions at the time a situation of non-compliance exists, at the time pollution occurs or at the time, the Group becomes aware of pollution. At this time, the type of pollution is estimated and often, an independent environmental study is performed. Provisions are then recorded, based on estimates which have been made by management, based on past performance and historical data and/or based on environment studies.

It is not anticipated that any material liabilities will arise from the contingent liabilities other than those provided for (see Note 16).

NOTE 30. COMMITMENTS

Capital Commitments

The Group entered into a number of capital commitments at the end of the reporting period in relation to the acquisition of some machines. The maximum amount of commitments amounts to €1.3 million (2013: €13.0 million, 2012: nil).

Raw Material Purchase Commitments

The Group entered into a number of commitments to purchase raw materials. The commitments amount between €30.0 million and €35.0 million (2013: €6.0 million and €15.0 million, 2012: nil).

Energy Purchase Commitments

The Group entered into a number of commitments to purchase electricity and gas. The commitments amount between €13.0 million and €14.0 million (2013 and 2012: nil).

Operating Lease Commitments—Group Company as Lessee

The Group leases various equipment, machinery and vehicles under operating lease agreements. The lease terms are between 3 and 12 years (2013 and 2012: between 3 and 10 years).

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

K EUR	Dec 31, 2014	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Not later than 1 year	2,999	3,201	2,823	2,958
Later than 1 year and no later than 5 years	6,999	12,165	11,448	11,656
Later than 5 years	—	1,780	3,719	6,333
Total	9,998	17,146	17,989	20,947

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2014—(CONTINUED)**

NOTE 31. LIST OF CONSOLIDATED COMPANIES

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

Subsidiaries:

	2014		2013		2012		2011	
	% of interest	% of control	% of interest	% of control	% of interest	% of control	% of interest	% of control
<u>Belgium</u>								
Balta NV (former Balta Holdings NV)	100%	100%	100%	100%	100%	100%	100%	100%
Balta Industries NV	100%	100%	100%	100%	100%	100%	100%	100%
Balta Trading Comm.V	100%	100%	100%	100%	100%	100%	100%	100%
Modulyss NV	100%	100%	100%	100%	100%	100%	100%	100%
Balta Oudenaarde NV	95%	100%	95%	100%	95%	100%	95%	100%
Balta M BVBA	100%	100%	100%	100%	100%	100%	100%	100%
Balfid BVBA (sàrl in 2012)	100%	100%	100%	100%	100%	100%	100%	100%
Coordination Center Balta Group NV (liquidated)	N/A	N/A	N/A	N/A	100%	100%	100%	100%
<u>Luxembourg</u>								
Bafilu SA (liquidated)	N/A	N/A	100%	100%	100%	100%	100%	100%
Balta Reinsurance SA (liquidated)	N/A	N/A	100%	100%	100%	100%	100%	100%
Balfin Services S.à r.l. (start up 2013)	100%	100%	100%	100%				
<u>Germany</u>								
Balta Deutschland GmbH (in liquidation)	100%	100%	100%	100%	100%	100%	100%	100%
Balta Fußbodenbeläge Deutschland GmbH (liquidated)	N/A	N/A	95%	100%	95%	100%	100%	100%
<u>Turkey</u>								
Balta Orient Tekstil Sanayi VE	100%	100%	100%	100%	100%	100%	100%	100%
Balta Floorcovering AS	100%	100%	100%	100%	100%	100%	100%	100%
<u>USA</u>								
Balta USA Inc	100%	100%	100%	100%	100%	100%	100%	100%
<u>Hong Kong</u>								
Balta Far East Ltd (liquidated)	N/A	N/A	N/A	N/A	100%	100%	100%	100%

During 2013, a number of entities have been liquidated with a view to further simplify the group structure. Some entities were also still under liquidation at the end of 2014.

NOTE 32. RELATED-PARTY TRANSACTIONS

100 % of shares of Balta Finance S.à r.l. are owned by Balta Luxembourg S.à r.l. The ultimate parent company of the Group is Balta S.à r.l. The majority shareholder of the Balta S.à r.l. is Doughty Hanson & Co IV, a fund managed by Doughty Hanson & Co, one of the largest independent private equity firms in Europe (www.doughtyhanson.com). Balta S.à r.l. was acquired by Doughty Hanson Fund IV from the founding family (Balcaen) in August 2004.

The following transactions were carried out with related parties:

1 KEY MANAGEMENT COMPENSATION

Key management means the Group's Executive Committee, which consists of the persons 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. The compensation paid or payable to key management for employee services, including for the services provided on the basis of management or consultancy agreements with the Group, excluding termination benefits, is shown below:

	31 Dec 2014	Dec 31, 2013	Dec 31, 2012
Short-term employee benefits	3,702	4,254	4,546
Termination benefits	—	1,542	—
Total key management compensation	3,702	5,796	4,546

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2014—(CONTINUED)**

The Group has ended a number of contracts with key management personnel during 2013 for which termination benefits were paid or provided for during 2013, for a total amount of €..5 million. The provision for termination benefits was used and reversed during 2014.

2 BORROWINGS FROM RELATED PARTIES

Borrowings from shareholders

<u>Period ended</u>	<u>Dec 31, 2014</u>	<u>Dec 31, 2013</u>	<u>Dec 31, 2012</u>
At January 1	386,135	320,546	276,743
Loan funds received during the year	—	1,500	6,000
Repayment of loan fund during the year	—	(2,500)	—
Interest expensed at effective interest rate	18,953	36,351	37,803
Debt extinguishment	—	30,238	—
At December 31	405,088	386,135	320,546

Borrowings from joint ventures

The loan of €4.5 million with the joint venture, the terms and conditions of which are included in Notes 15 and 16, has been repaid in 2011.

3 TRANSACTIONS WITH RELATED PARTIES

Sales and purchases of goods and services (mainly Exelto)

	<u>Dec 31, 2014</u>	<u>Dec 31, 2013</u>	<u>Dec 31, 2012</u>
Sales of goods to related parties	—	—	—
Sales of services to related parties	—	935	8,169
Total sales of goods and services to related parties	—	935	8,169
Purchase of goods from related parties	—	6,055	30,162
Purchase of services from related parties	—	—	—
Total purchase of goods and services from related parties	—	6,055	30,162

Year-end balances arising from sales and purchases of goods and services to and from related parties

	<u>Dec 31, 2014</u>	<u>Dec 31, 2013</u>	<u>Dec 31, 2012</u>	<u>Dec 31, 2011</u>
Receivables from related parties (Note 8)	—	—	503	341
Payables to related parties (Note 20)	—	—	13,188	15,751

NOTE 33. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

The investment in the joint venture (Trinterio N.V.) has been presented as held for sale as at December 31, 2012 as the agreements with a potential buyer were almost complete. The transaction was structured as an acquisition of the 50% of the Trinterio N.V. shares the Group did not own, followed the same day by the sale of 100% of Trinterio N.V. to the ultimate buyer. The transaction was completed in May 2013.

The proceeds from discontinued operations presented in net under gain from discontinued operations in 2013.

1 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2014

The following table represents the result from discontinued operations which reflects the share of profit of investments in joint venture accounted for using the equity method.

	<u>Dec 31, 2014</u>	<u>Dec 31, 2013</u>	<u>Dec 31, 2012</u>
Profit / (loss) for the period from discontinued operations	—	939	1,513

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2014—(CONTINUED)**

2 CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31, 2014

The assets classified as held for sale include the following:

	<u>Dec 31, 2014</u>	<u>Dec 31, 2013</u>	<u>Dec 31, 2012</u>	<u>Dec 31, 2011</u>
Investments accounted for using the equity method	—	—	49,029	—
Total assets classified as held for sale	—	—	49,029	—

NOTE 34. FEES PAID TO THE GROUP'S AUDITOR

	<u>31 Dec 2014</u>	<u>Dec 31, 2013</u>	<u>Dec 31, 2012</u>
Audit of the Group pursuant to legislation	298	279	338
Other audit related services	44	69	27
Total audit-services	342	348	365
Tax services	810	748	414
Other services	900	292	62
Total non-audit services	1,710	1,040	476
Total fees paid to the Group's auditor	2,052	1,388	841

NOTE 35. EVENTS AFTER THE REPORTING DATE

35.1 Incentive bonus plan (share-based payments)

The cash incentive bonus payment plan has been modified, subsequent to December 31, 2014, so that it is modified (in terms of IFRS 2) from an equity-settled into a cash-settled payment plan. The cash-out effect is included in the transaction costs explained in the next paragraph.

35.2 Exit strategy and the related transaction costs

The shareholders have signed a definitive agreement to sell the Group to Lone Star Funds. As a result, the group will incur, in the second or third quarter of 2015, a number of transaction costs (including the incentive bonus) for a total amount that is estimated to be in a range between €20 million and €25 million.

35.3 Other events

We are not aware of any other significant events since December 31, 2014, which could be considered as having a material influence on the financial position, financial performance, and cash flows of the Group.

NOTE 36. EARNINGS PER SHARE

Basic earnings per share are computed by dividing result by the weighted average number of ordinary shares outstanding for the periods under review.

The computation of basic earnings per ordinary share is as follows:

<u>Basic earnings per share</u>	<u>Dec 31, 2014</u>	<u>Dec 31, 2013</u>	<u>Dec 31, 2012</u>
Net result from continuing operations attributable to holders of ordinary shares			
Balta Finance S. à r.l.	1,236	(66,601)	(91,578)
Net result from discontinuing operations attributable to holders of ordinary shares			
Balta Finance S. à r.l.	—	21,139	1,513
Weighted average number of ordinary shares outstanding (in thousands)	800	800	800
Net result per share attributable to holders of ordinary shares Balta Finance S. à r.l. (in euro)	1.55	(56.83)	(112.58)

NOTE 37. OPERATING SEGMENTS

At Balta, the Executive Committee, as the chief operating decision maker, reviews external revenues and adjusted profit from operations to evaluate segment performance and allocate resources to the overall business. The reporting segments and regions are identified, and the disclosures selected, in line with the internal financial reporting system (management approach) and based on the Group accounting policies outlined in Note 1.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2014—(CONTINUED)**

As of December 31, 2014, the Group's activities are aggregated into four reportable segments according to products and production processes. The segment's activities are as follows:

Rugs	Our Rugs segment designs, manufactures and distributes a broad range of mechanically woven rugs to international retailers (such as specialist, home improvement, furniture, discount and DIY stores) and to wholesalers. We focus on area rugs for use by consumers in nearly every room of a home. We also design certain of our products for outdoor use.
Residential	Our Residential segment designs, manufactures and distributes an extensive range of tufted broadloom carpets, in addition to woven broadloom, wool carpets and carpet tiles, to major retailers and wholesalers, such as specialized carpet, home improvement and furniture chains, building markets, independent retailers and installers. Our carpets are manufactured from synthetic and natural fibers, in both traditional and contemporary designs, at various price points for the mass market.
Commercial	Our Commercial segment manufactures and distributes modular carpet tiles and broadloom to a broad range of non-residential end markets, including offices, hospitality, leisure and public infrastructure. Our Commercial products are sold through two brands: arc edition, providing commercial broadloom for the leisure, hospitality and office sectors, and modulyss, providing modular carpet tiles for offices and public projects.
Non-woven	The Non-Woven segment manufactures and distributes technical and residential needle-punched non-woven products, made from staple fibers, for a variety of end markets. Our residential non-woven products typically focus on carpets for temporary floorcovering purposes, such as promotional and/or large-scale events. Our technical Non-Woven products include automotive parts, geotextiles, printing and building.

Items that are provided to the chief operating decision maker on a monthly basis are revenues, EBITDA, net inventory, accounts receivable and capital expenditure. The segment information provided below 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 are not disclosed below. Interest income, interest expense and taxation are centrally managed and accordingly such items are not presented by segment as they are excluded from the measure of segment profitability.

The following table sets forth our revenue for the years ended December 31, 2014, 2013 and 2012 by segment and geography (based on the country to which the goods have been shipped). The Group has one external customer, representing 11% of the Group's revenue.

	<u>Dec 31, 2014</u>	<u>Dec 31, 2013</u>	<u>Dec 31, 2012</u>
By segment			
Rugs	181,544	179,244	170,100
Residential	239,148	240,167	259,235
Commercial	69,904	62,230	60,030
Non-woven	28,933	36,111	36,727
Total revenues	519,529	517,752	526,092
By geography			
Europe	428,049	430,633	446,440
North-America	43,611	37,315	32,644
Rest of World	47,869	49,804	47,007
Total revenues	519,529	517,752	526,092

The Adjusted EBITDA per segment is shown below:

K EUR	<u>Dec 31, 2014</u>	<u>Dec 31, 2013</u>	<u>Dec 31, 2012</u>
Rugs	30,823	26,975	20,643
Residential	23,237	20,324	21,614
Commercial	7,942	6,986	5,645
Non-woven	3,147	1,331	(670)
Total Adjusted EBITDA	65,149	55,616	47,232

The capital expenditure, inventory and accounts receivable per segment are shown below.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2014—(CONTINUED)**

K EUR	Dec 31, 2014	Dec 31, 2013	Dec 31, 2012
Rugs	10,427	26,595	12,035
Residential	8,928	13,666	14,963
Commercial	5,466	2,575	1,743
Non-woven	292	1,392	689
Total Capital expenditure	25,113	44,229	29,431

K EUR	Dec 31, 2014	Dec 31, 2013	Dec 31, 2012
Rugs	56,318	49,694	44,679
Residential	53,892	55,487	54,640
Commercial	13,688	13,029	11,346
Non-woven	2,993	3,506	6,412
Total Inventory	126,891	121,716	117,077

K EUR	Dec 31, 2014	Dec 31, 2013	Dec 31, 2012
Rugs	13,508	14,306	14,554
Residential	17,185	16,734	23,866
Commercial	4,631	4,715	4,825
Non-woven	1,640	1,565	2,021
Total Accounts receivable	36,964	37,320	45,266

**Audited Consolidated Financial Statements
of BPS Parent, Inc. and its subsidiaries
as of and for the year ended January 1, 2017**

REPORT OF INDEPENDENT AUDITORS

The Board of Directors
BPS Parent, Inc.

Report on Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of BPS Parent, Inc. and Subsidiaries, which comprise the consolidated balance sheet as of January 1, 2017, and the related consolidated statement of income, stockholders' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

MOSS ADAMS_{LLP}***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of BPS Parent, Inc. and Subsidiaries as of January 1, 2017, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 3 to the consolidated financial statements, management has elected to change its policies for accounting for inventory samples and spare parts. Our opinion is not modified with respect to that matter.

Emphasis of Matter

As discussed in Note 14 to the consolidated financial statements, on February 1, 2017, BPS Parent, Inc. was acquired by an unrelated third party. Our opinion is not modified with respect to this matter.

Moss Adams LLP

Irvine, California
March 28, 2017

CONSOLIDATED BALANCE SHEET AS AT JANUARY 1, 2017

ASSETS

Current assets

Cash	\$ 709,821
Accounts receivable, net of allowances of \$554,015	13,993,776
Other receivables	170,000
Inventories	17,496,258
Deferred tax asset	861,762
Prepaid expenses and other current assets	1,171,517

Total current assets 34,403,134

Property and equipment, net 11,797,220

Intangible assets, net 3,445,584

Other assets 3,910,155

Total assets \$53,556,093

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities

Bank overdraft	\$ 1,152,427
Accounts payable	8,318,945
Accrued liabilities	8,353,760
Income tax payable	1,333,361
Line of credit	6,000,000
Current portion of long-term debt, net of debt discount	7,748,480

Total current liabilities 32,906,973

Deferred tax liability 1,587,037

Total liabilities 34,494,010

Stockholders' equity

Common stock, \$0.10 par value—50,000 shares authorized, 20,980 shares issued and outstanding	2,098
Additional paid-in capital	21,099,902
Accumulated deficit	(2,039,917)

Total stockholders' equity 19,062,083

Total liabilities and stockholders' equity \$53,556,093

CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED JANUARY 1, 2017

SALES	
Product sales	\$126,062,389
Discounts, returns and allowances	(4,861,530)
Net sales	121,200,859
COST OF SALES	<u>78,557,066</u>
GROSS PROFIT	<u>42,643,793</u>
OPERATING EXPENSES	
Selling expense	16,564,910
Marketing expense	6,729,152
General and administrative expense	8,471,185
Total operating expenses	<u>31,765,247</u>
INCOME FROM OPERATIONS	<u>10,878,546</u>
OTHER EXPENSE	
Interest expense	925,572
Other expense, net	47,501
Total other expense	<u>973,073</u>
INCOME BEFORE PROVISION FOR INCOME TAXES	<u>9,905,473</u>
INCOME TAX PROVISION	<u>3,613,564</u>
NET INCOME	<u><u>\$ 6,291,909</u></u>

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY FOR THE YEAR ENDED JANUARY 1, 2017

	<u>Common Stock</u>		<u>Additional paid-in capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>			
BALANCE, January 3, 2016	20,980	\$2,098	\$21,099,902	\$(10,483,627)	\$10,618,373
Change in Accounting Principles (see Note 3)	—	—	—	2,151,801	2,151,801
BALANCE, January 3, 2016 (as adjusted)	20,980	2,098	21,099,902	(8,331,826)	12,770,174
Net income	—	—	—	6,291,909	6,291,909
BALANCE, January 1, 2017	<u>20,980</u>	<u>\$2,098</u>	<u>\$21,099,902</u>	<u>\$ (2,039,917)</u>	<u>\$19,062,083</u>

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JANUARY 1, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Net income	\$ 6,291,909
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	2,249,911
Amortization of intangible assets	664,250
Bad debt expense	167,988
Loss on disposal of property and equipment	32,292
Deferred income taxes	158,150
Amortization of debt discount and deferred financing cost	216,705
Change in:	
Accounts receivable	(136,867)
Other receivables	42,480
Inventories	(2,611,489)
Income tax payable	(506,697)
Prepaid expenses	(611,910)
Other assets	162,236
Accounts payable	749,519
Accrued liabilities	(983,860)
Net cash provided by operating activities	<u>5,884,617</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Payments for the acquisition of property and equipment	<u>(5,317,817)</u>
Net cash used in investing activities	<u>(5,317,817)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Net repayments on new line of credit	(1,000,000)
Repayments of long-term debt	(1,425,000)
Bank overdraft	<u>1,152,427</u>
Net cash used in financing activities	<u>(1,272,573)</u>

NET CHANGE IN CASH	(705,773)
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CASH, beginning of year	1,415,594
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CASH, end of year	<u>\$ 709,821</u>
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SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid for income taxes	<u>\$ 3,963,344</u>
Cash paid for interest	<u>\$ 712,659</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
JANUARY 1, 2017**

Note 1—Nature of Business

BPS Parent, Inc. (“BPS Parent”) owns all the outstanding shares of Bentley Prince Street Holdings, Inc. (“BPS Holdings”). BPS Parent and BPS Holdings are Delaware corporations and were incorporated on August 17, 2012. BPS Holdings owns all of the outstanding shares of Bentley Mills, Inc. (“Bentley Mills”). Bentley Mills manufactures and distributes broadloom carpet, carpet tiles, polypropylene tiles, and related floor covering products. Bentley Mills, Inc. maintains its corporate offices and manufacturing and distribution facility in City of Industry, California, with additional locations throughout the United States.

Note 2—Summary of Significant Accounting Policies

Basis of presentation—The consolidated financial statements as of and for the year ended January 1, 2017 include the accounts of BPS Parent, BPS Holdings and Bentley Mills, (collectively, “the Company”). All significant inter-company balances and transactions have been eliminated in consolidation. Prince Street Inc., a subsidiary of Bentley Mills Inc., had no balances or activity for the year ended January 1, 2017.

Fiscal year—The Company’s fiscal year ends on the Sunday closest to December 31. The 2016 fiscal year ended on January 1, 2017.

Use of estimates—The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition—Revenues are recognized as products are shipped, at which point title of the inventory passes to customers, the price is fixed and determinable, and the collectability is reasonably assured, with appropriate allowances for estimated discounts and returns.

Shipping and handling—Shipping and handling charges billed to customers are included in net sales. The cost of shipping merchandise to customers is included in cost of sales in the accompanying consolidated statement of income. These costs amounted to \$3,794,648 for the year ended January 1, 2017.

Advertising costs—Advertising costs consist primarily of marketing, promotional events, product catalogs, online advertising and print media. These costs are expensed as incurred. For the year ended January 1, 2017, these costs totaled \$1,322,695, and are included in selling expense and marketing expense in the accompanying consolidated statement of income.

Cash and cash equivalents—The Company considers all highly liquid investments with an original maturity of ninety days or less to be cash equivalents.

Accounts receivable—The Company provides unsecured and interest-free credit in the normal course of business to its customers, and receivables are considered past due based on payment terms with customers. Management performs ongoing credit evaluations of its customers and monitors the receivable balances on a regular basis. An allowance for uncollectible accounts and estimated returns is recorded based on management’s evaluation of outstanding receivables. Receivables are written off when all methods of collection have been exhausted.

Inventories—Inventories consist of raw materials, work-in-process, and finished goods, and are recorded at the lower of cost or market with cost being determined on the first-in, first-out basis.

Property and equipment—Property and equipment are stated at cost and depreciation is provided for using the straight-line method over the remaining estimated useful lives of two to sixteen years for assets acquired in connection with the acquisition in 2012 and the estimated useful lives of three to ten years for all other assets. Leasehold improvements are amortized using the straight-line method over the lesser of the term of the respective lease or the life of the asset. Repairs and maintenance costs that do not increase the useful lives and/or enhance the value of the assets are charged to operations as incurred.

Intangible and long-lived assets—The Company evaluates the recoverability of its intangible and long-lived assets whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. If the expected future cash flows from the use of such assets (undiscounted and without interest charges) are less than the carrying value, a write-down would be recorded to reduce the carrying value of the asset to its estimated fair value. Intangible assets with finite lives are amortized over their estimated useful lives. For the year ended January 1, 2017, management determined that no impairment of long-lived assets existed.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
JANUARY 1, 2017—(CONTINUED)**

Deferred financing fees—The Company capitalized fees associated with the financing of its debt obligations. These fees are amortized over the lives of the related debt obligations. At January 1, 2017, the unamortized balance of \$333,333. Subsequent to the year ended January 1, 2017, the Company paid off the related debt obligation (See Note 13). Consequently, the deferred financing fees as of January 3, 2017, are classified as a current asset and are included in prepaid expenses and other current assets in the accompanying consolidated balance sheet.

Major suppliers—Purchases from two suppliers comprised approximately 34% of the Company's total purchases during the year ended January 1, 2017. Accounts payable from those two suppliers totaled approximately 38% of the total accounts payable at January 1, 2017.

Management believes that alternative sources are available should an event occur that affects one or more of these sources, and that such an event would not significantly impact the Company's ability to conduct business over the long term. It is possible some adjustments to the Company's products may have to be made during the transition in order to accommodate the change in suppliers.

Accounting pronouncements recently adopted—In August 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-15, Presentation of Financial Statements—Going Concern (Subtopic 205-40), *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. The amendments in this update require an entity's management, in connection with preparing financial statements for each annual and interim reporting period, to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable). ASU 2014-15 is effective for annual reporting periods ending after December 15, 2016, and for annual periods and interim periods thereafter. Early adoption is permitted. Such adoption did not have a material impact to the Company's consolidated financial statements, financial position or results of operations.

In July 2015, the FASB issued ASU 2015-11, Inventory (Topic 330), *Simplifying the Measurement of Inventory*. The amendments in this update require that inventory be measured at the lower of cost and net realizable value. ASU 2015-11 is effective for interim and annual reporting periods beginning after December 15, 2016. Early adoption is permitted. The Company has presented inventory at the lower of cost and net realizable value on the consolidated balance sheet. Such adoption did not have a material impact to the Company's consolidated financial position or results of operations.

Self-insured workers' compensation insurance—Prior to August 17, 2012, the Company was self-insured for workers' compensation claims up to a maximum liability of \$250,000 per claim. Subsequent to August 17, 2012, the Company changed its workers' compensation coverage and is no longer self-insured; however, there are open claims and other potential claims that have been incurred but not reported for which the Company is liable. The Company maintained a self-insurance reserve totaling approximately \$477,000 at January 1, 2017. This accrual represents an estimate of the ultimate cost of claims related to its self-insured workers' compensation program based upon an analysis of the Company's historical experience and expected trends in claim frequency and severity. The amount is included in accrued expenses in the accompanying consolidated balance sheet. Actual payments that may be made in the future could differ from such reserve.

Warranties—Estimated warranty costs are accrued at the time products are sold and are reviewed and revised by management periodically to reflect anticipated and actual experience.

Concentration of credit risk—Financial instruments that potentially subject the Company to credit risk consist principally of cash and accounts receivable. The Company maintains the majority of its cash accounts at one commercial bank. The respective cash balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. The Company does not require collateral on accounts receivable. Management considers its customer base to be credit worthy and that established reserves against accounts receivable are sufficient to cover the risk of any future losses.

Fair value of financial instruments—The carrying amount of cash and cash equivalents, accounts receivable, and accounts payable approximate fair market because of the short maturities of these instruments. The carrying amount of long-term debt approximates fair value because the interest rates are based on established market rates or variable reference rates.

Income taxes—Income taxes are accounted for using an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the consolidated financial statements and tax basis of assets and liabilities at the applicable enacted tax rates. A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company evaluates the realizability of its deferred tax assets by assessing its valuation allowance and by adjusting the amount of such allowance, if necessary.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
JANUARY 1, 2017—(CONTINUED)**

The Company recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Company recognizes interest and penalties related to income tax matters in income tax expense. See Note 9 for additional details.

Subsequent events—Subsequent events are events or transactions that occur after the consolidated balance sheet date, but before consolidated financial statements are available to be issued. The Company recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated balance sheet, including the estimates inherent in the process of preparing the consolidated financial statements. The Company's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated balance sheet but arose after the consolidated balance sheet date and before the consolidated financial statements are available to be issued. See Note 14.

The Company has evaluated subsequent events through March 28, 2017, which is the date the consolidated financial statements were available to be issued.

Note 3—Changes in Accounting Principles

On January 4, 2016, the Company elected to change its methods of accounting for inventory samples and spare parts. Inventory samples and spare parts were previously expensed. Under the new methods, both inventory samples and spare parts are capitalized and are depreciated over 24 and 48 months, respectively. The new methods of accounting for inventory samples and spare parts are preferable as it conforms the Company's accounting policies to accepted industry practice and better matches revenue and expenses. The cumulative effect of the change as of the beginning of the year was to decrease inventory by \$780,544, increase property and equipment by \$1,385,817, increase other assets by \$2,783,389, increase income taxes payable by \$1,236,862 and increase retained earnings by \$2,151,801. If the Company had not changed its method for accounting for inventory samples and spare parts, for the year ended January 1, 2017, cost of sales would have been \$82,992 higher, operating expenses would have been \$172,551 higher, income tax provision would have been \$93,273 lower, and net income would have been \$162,270 lower in the consolidated statement of income.

Note 4—Inventories

Inventories are comprised of the following at January 1, 2017:

Raw material	\$ 8,429,291
Work in process	6,000,872
Finished goods	3,066,095
Inventories	<u>\$17,496,258</u>

Note 5—Property and Equipment

Property and equipment consist of the following at January 1, 2017:

Machinery and equipment	\$13,464,661
Leasehold improvements	977,780
Computer hardware and software	1,171,487
Furniture and fixtures	83,030
Spare parts	2,776,170
Construction-in-progress	1,516,973
Total property and equipment	19,990,101
Accumulated depreciation and amortization	<u>(8,192,881)</u>
Property and equipment, net	<u>\$11,797,220</u>

Depreciation expense was \$2,249,911 for the year ended January 1, 2017.

Note 6—Intangible Assets

Intangible assets are recorded at cost, less accumulated amortization. Amortization of intangible assets with definite lives is provided for over their estimated useful lives.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
JANUARY 1, 2017—(CONTINUED)**

The gross carrying amounts and accumulated amortization of intangible assets at January 1, 2017 were:

Intangible Asset	Weighted Average Life (Years)	Gross Amount	Accumulated Amortization	Net
Customer relationships	8	\$1,274,000	\$ 690,083	\$ 583,917
Tradenames	10	5,050,000	2,188,333	2,861,667
		<u>\$6,324,000</u>	<u>\$2,878,416</u>	<u>\$3,445,584</u>

Amortization expense was \$664,250 for the year ended January 1, 2017. At January 1, 2017, the future amortization expense related to definite-lived intangible assets over the next five years and thereafter is expected to be the following:

2017	\$ 664,250
2018	664,250
2019	664,250
2020	611,167
2021	505,000
Thereafter	336,667
	<u>\$3,445,584</u>

Note 7—Line of Credit

In April 2015, the Company entered into a revolving line of credit agreement with a financial institution whereby it may borrow up to \$20,000,000, subject to certain limitations. The agreement expires on August 27, 2020. Outstanding borrowings under the line bear interest at the Tranche LIBOR rate plus 3.00%. As of January 1, 2017, the rate was 3.81%. All borrowings are collateralized by substantially all assets of the Company.

The line of credit agreement contains covenants regarding the maintenance of certain financial ratios and includes various other restrictions. At January 1, 2017, management believes that the Company was in compliance with those covenants.

The line of credit agreement also includes a letters of credit provision equal to the lesser of (a) an amount equal to (i) \$1,000,000 less (ii) the then letter of credit exposure and (b) the then revolving loan availability, which reduce availability for advances. There were no claims made against the letter of credit during the year ended January 1, 2017.

Subsequent to the year ended January 1, 2017, the Company paid off its obligation under the line of credit (See Note 14).

Note 8—Term Loans

Term Loan A—In April 2015, the Company entered into a Term Loan agreement (“Term Loan A”) with a financial institution whereby it borrowed \$7,000,000. Term Loan A matures on August 27, 2020. Under Term Loan A, the Company is required to make quarterly payment in accordance with the scheduled payment as described in the agreement. Outstanding borrowings under Term Loan A bear interest at the daily LIBOR rate plus 4.25%. As of January 1, 2017 the rate was 5.06%. Term Loan A also provides for the Company to make Excess Cash Flow Payments less voluntary prepayments made during that year. Excess Cash Flow Payments are applied to the remaining installments of principal under the Term Loan A.

Draw Term Loan—In April 2015, the Company entered into a Draw Term Loan agreement (“Draw Term Loan”) with a financial institution whereby the Company has access to non-revolving draw of up to \$3,000,000. Draw Term Loan matures on August 27, 2020. Under Draw Term Loan, the Company is required to make quarterly payment in accordance with a yearly amortization scheduled payment as described in the agreement. \$456,250 of the outstanding borrowings under Draw Term Loan bears interest at the daily LIBOR rate plus 4.25% (as of January 1, 2017, the rate was 5.06%) with the remaining balance bears interest at the Tranche LIBOR rate plus 3.75%. As of January 1, 2017, the rate was 4.56%.

All borrowings under Term Loan A and Draw Term Loan are collateralized by substantially all assets of the Company. Term Loan A and Draw Term Loan agreements contain covenants regarding the maintenance of certain financial ratios and include various other restrictions. At January 1, 2017, management believes that the Company was in compliance with those covenants.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
JANUARY 1, 2017—(CONTINUED)**

As of January 1, 2017, the outstanding balance under Term Loan A and Draw Term Loan and their related discount are as follow:

	<u>Principal</u>	<u>Unamortized Debt Discount</u>	<u>Net</u>
Term Loan A	\$5,512,500	\$263,530	\$5,248,970
Draw Term Loan	2,625,000	125,490	2,499,510
Total	<u>\$8,137,500</u>	<u>\$389,020</u>	<u>\$7,748,480</u>

Subsequent to the year ended January 1, 2017, the Company paid off its obligation under the Term Loan A and Draw Term Loan, and wrote off the related unamortized debt discount (See Note 14).

Note 9—Stock Options

The BPS Parent, Inc. 2012 Equity Incentive Plan (the “Plan”) provides for the award of options to employees, officers, consultants, and non-employee directors of the Company to purchase shares of BPS Parent’s common stock subject to the conditions set forth in the Plan. As of January 1, 2017, 50,000 shares were reserved for issuance under the Plan. The options vest upon the attainment of pre-determined operating results or a change in control with a minimum internal rate of return, and expire ten years from the date of issuance. The price, terms, and conditions of each award are determined by the Board of Directors.

For the year ended January 1, 2017, the Company recorded no stock-based compensation as no options had vested during the year. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

The Company estimates the fair value of stock options using the Black-Scholes option pricing model. Key input assumptions used to estimate the fair value of stock options include the exercise price of the award, the expected option term, the expected volatility of the Parent’s stock over the option’s expected term, the risk-free interest rate over the option’s term, the Parent’s expected annual dividend yield and forfeiture rate. The Company’s management believes that the valuation technique and the approach utilized to develop the underlying assumptions are appropriate in calculating the fair values of the Company’s stock options granted. Estimates of fair value are not intended to predict actual future events or the value ultimately realized by persons who receive equity awards.

The key assumptions that were utilized in the valuation of stock options granted during the year ended January 1, 2017 are in the table below:

Expected life (years)	5.50
Expected volatility	32.46%
Risk-free interest rate	1.35%
Expected forfeiture rate	0.00%
Expected annual dividend yield	0.00%

A summary of option award activity is as follows:

	<u>Options</u>	<u>Weighted Average Exercise Price per Share</u>	<u>Remaining Contractual Term (Years)</u>
Outstanding, January 3, 2016	2,135	\$1,107	8.34
Granted	213	3,103	9.67
Exercised	—	—	
Forfeited	—	—	
Outstanding, January 1, 2017	<u>2,348</u>	<u>\$1,288</u>	<u>7.45</u>
Options exercisable at January 1, 2017	<u>—</u>	<u>\$1,000</u>	<u>—</u>

The weighted average grant-date fair value of options granted during the year ended January 1, 2017 was \$1,002. There were no options exercised during the year ended January 1, 2017.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
JANUARY 1, 2017—(CONTINUED)**

Subsequent to January 1, 2017, the BPS Parent, Inc. was sold to unrelated third party (See Note 14), and as a result a change of control occurred triggering the immediate vesting of all 2,348 outstanding options. Consequently and on such date, the Company recognized a total compensation expense related to such option of approximately \$1,400,000.

Note 10—Income Taxes

The income tax provision consists of the following at January 1, 2017:

Current income taxes	
Federal	\$2,823,589
State	631,825
	<u>3,455,414</u>
Deferred income taxes	
Federal	182,770
State	(24,620)
	<u>158,150</u>
Total	<u><u>\$3,613,564</u></u>

Differences between the Company's effective income tax rate and what would be expected if the federal statutory rate was applied to income before income tax from continuing operations primarily due the utilization of the domestic production activities deduction for federal purposes, which is not deductible for book or state income tax purposes, as well as expenses for book purposes that are not deductible for tax purposes.

Significant components of the Company's deferred tax assets and liabilities at January 1, 2017 are as follows:

Deferred tax assets	
Inventory	\$ 336,776
Accruals and reserves	724,833
Acquired intangible assets	397,572
	<u>1,459,181</u>
Deferred tax liabilities	
Property and equipment	(2,126,952)
Prepaid expenses	(57,504)
	<u>(2,184,456)</u>
Net deferred tax liabilities	<u><u>\$ (725,275)</u></u>

The Company's state net operating loss carryforwards will begin to expire in 2023. The Company files income tax returns in the U.S. federal jurisdiction, and various state jurisdictions. Generally, the Company is subject to examination by U.S. federal (or state and local) income tax authorities for three years from the filing of a tax return. As of January 1, 2017, the Company does not have a liability for uncertain tax positions. The Company does not anticipate that the amount of unrecognized tax benefits will significantly increase or decrease in the next 12 months. There were no interest and penalties accrued during the year ended January 1, 2017. The Company was under IRS Examination for the 2013 federal tax return; however the Examination is now closed. The Service's Final Determination of changes to the Company's return resulted in no significant additional taxes.

Note 11—Commitments and Contingencies

Operating leases—The Company conducts its operations in facilities leased under agreements classified as operating leases. These leases expire at various dates through March 2025 and generally provide that the Company pays for insurance, maintenance and operating costs. Rent expense for the year ended January 1, 2017 was approximately \$3,284,000, and is included in cost of sales and general and administrative expenses in the accompanying consolidated statement of income.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
JANUARY 1, 2017—(CONTINUED)**

Future minimum rental payments required under these leases are as follows:

2017	\$ 3,171,000
2018	2,831,000
2019	2,000,000
2020	1,881,000
2021	1,889,000
Thereafter	5,989,000
	<u>\$17,761,000</u>

Warranty reserve—The Company provides product warranties against surface wear, edge ravel, tuft bind, moisture resistance, and static discharge for up to fifteen years following the date of sale and for materials and workmanship for a period of two years from the date of sale. Estimated costs of product warranties relating to sales during the period are accrued and charged to operations during the period in which the products are sold. Changes in accrued warranties during the year ended January 1, 2017 were as follows:

Beginning balance	\$2,737,740
Provision	597,217
Payments	(828,388)
Ending balance	<u>\$2,506,569</u>

Litigation—The Company is involved from time to time in various legal proceedings incident to the normal conduct of its business. In the opinion of management, the disposition of all such proceedings will not have a material adverse effect on the Company's results of operation, financial position, or liquidity.

Note 12—Profit Sharing Plan

The Company maintains a defined contribution 401(k) and profit sharing plan (the "401(k) Plan"). The 401(k) Plan provides for participants to make pre-tax contributions in which the Company may make a discretionary matching contribution. Contributions for the year ended January 1, 2017 were approximately \$265,000.

Note 13—Related Party Transactions

The Company has a management services agreement with its largest shareholder in which it paid an initial annual fee of \$500,000 (\$650,000 if the Company's operating results exceed defined thresholds), which is adjusted annually based on the Consumer Price Index. During the year ended January 1, 2017, the Company paid approximately \$525,000, of which approximately \$350,000 are included in prepaid expenses and other current assets in the accompanying consolidated balance sheet as of January 1, 2017.

Note 14—Subsequent Events

On February 1, 2017, the Company's shareholders and Board of Directors approved the sale of the outstanding stock of BPS Parent to an unrelated third party for approximately \$95,400,000. The Company will continue operations under the new ownership. The results of this acquisition are not included in the accompanying consolidated financial statements.

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