LSF9 Balta Issuer S.à r.l.

Quarterly Report to Noteholders

€290,000,000 7.75% Senior Secured Notes due 2022

Q2 2017 – Period Ended June 30, 2017

LSF9 Balta Issuer S.à r.l.

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Important Notice

In this report, the terms “Group,” “we,” “us” and “our” refer to the Company and its subsidiaries.

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This report may contain “forward looking statements” within the meaning of the U.S. federal securities laws and the securities laws of certain other jurisdictions. In some cases, these forward looking statements can be identified by the use of forward looking terminology, including the words “aims,” “anticipates,” “believes,” “continue,” “could,” “estimates,” “expects,” “forecasts,” “future,” “guidance,” “intends,” “may,” “ongoing,” “plans,” “potential,” “predicts,” “projects,” “seek,” “should,” “target,” “will,” “would” or, in each case, their negative or other variations or comparable terminology or by discussions of strategies, plans, objectives, targets, goals, investments, future events, beliefs or intentions. These forward looking statements are based on plans, estimates and projections as they are currently available to our management. Such forward looking statements are not guarantees of future performance and are subject to, or are based on, a number of factors, assumptions and uncertainties that could cause actual results to differ materially from those described in the forward looking statements. Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward looking statements. Any forward looking statements are only made as at the date hereof and, except to the extent required by applicable law or regulation, we undertake no obligation to publicly update or publicly revise any forward looking statement, whether as a result of new information, future events or otherwise.

The financial information herein includes certain non-IFRS measures that we use to evaluate our economic and financial performance. These measures include, among others, Adjusted EBITDA, Adjusted EBITDA Margin and Adjusted Operating Profit. We present non-IFRS measures because we believe that they and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity and are intended to assist in the analysis of our operating results, profitability and ability to service debt. EBITDA and Adjusted EBITDA are not measures of financial performance under IFRS and should not be considered in isolation or as an alternative to any other measures of performance derived in accordance with IFRS. You are encouraged to evaluate these adjustments and the reasons we consider them appropriate for supplemental analysis. In evaluating Adjusted EBITDA, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in this presentation. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

Section I: Management Report

I.1. Highlights and Key Figures

H1 2017 revenue increased by 15.1% to €333.9 million. Organic growth amounted to 6.1% driven by our Rugs business (+12.9% organic growth) and Commercial business (+7.8% organic growth). The acquisition of Bentley (completed at the end of Q1 2017) contributes to revenues as from April 1st and accounted for an additional 10.1% growth.

Adjusted EBITDA increased by 11.1% to €46.5 million with Adjusted EBITDA margin at 13.9% and an underlying organic growth of 9.8%. The increase in raw material purchase prices observed during H1 2017 did not have a significant impact on financial performance. Organic and M&A growth have been partially offset by the adverse impact of GBP depreciation.

Thanks to the successful IPO in June 2017, the credit profile has significantly improved, with **leverage reduced to 2.6x** Pro Forma Adjusted EBITDA versus 3.9x at the end of March 2017. Credit ratings have been upgraded by Moody's and S&P.

Bentley (US acquisition) integration is on track. In June 2017, Bentley and modulyss jointly showcased their products for the first time at the NeoCon trade fair in Chicago. A selected number of Modulyss products have been carefully chosen based on their European style and appeal to US customers. We expect the excitement by both the US sales force and architects & design community to crystalize into revenues as from Q4 2017.

	For the three months ended		For the six months ended	
	June 30, 2017	**June 30, 2016**	**June 30, 2017**	**June 30, 2016**
Results				
Revenue	178,397	142,316	333,931	290,158
Adjusted EBITDA (1)	26,429	22,804	46,536	41,895
Adjusted EBITDA margin (2)	14.8%	16.0%	13.9%	14.4%
Depreciation / amortisation	(8,442)	(7,196)	(15,516)	(14,302)
Adjusted Operating profit / (loss)	17,987	15,608	31,020	27,593
Non-recurring items	(5,067)	(912)	(9,290)	(579)
Operating profit / (loss)	12,920	14,696	21,730	27,014
Profit / (loss) for the period	(2,580)	13,398	(2,422)	15,858
Cash flow				
Cash at the beginning of period	39,732	35,369	45,988	45,462
Net cash flow from operating activities	8,788	13,111	19,116	23,937
Net cash flow from investing activities	(14,031)	(11,885)	(90,753)	(17,857)
Of which: capital expenditure	(12,688)	(11,885)	(21,100)	(17,857)
Of which: Acquisition	(1,344)	--	(69,654)	--
Net cash flow from financing activities	(5,273)	(1,410)	54,865	(16,357)
Cash at the end of period	29,216	35,185	29,216	35,185
Financial position				
Net debt (3)			263,485	
Net debt / Pro Forma Adjusted EBITDA			2.7x	

(1) We define Adjusted EBITDA as Operating profit / (loss) adjusted for depreciation, amortization and impairment and write-off, as further adjusted to eliminate the impact of certain items that we do not consider indicative of our on-going operating performance such as the non-cash impact of the purchase price allocation, gains and losses on asset disposals and integration and restructuring expenses.

(2) Adjusted EBITDA Margin is defined as Adjusted EBITDA divided by revenue

(3) Net debt reflects the Senior Secured Notes (€268.7 million capital and €6.0 million accrued interest), Revolving Credit Facility (€1.2 million), capital leases (€16.7 million) less cash and cash equivalents (€29.2 million). Capitalised financing fees, equal to €11.0 million as of June 30, 2017, have been excluded.

I.2. Business Review

(€ thousands)	For the three months ended		For the six months ended		For the twelve months ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017	December 31, 2016
Revenue	**178,397**	**142,316**	**333,931**	**290,158**	**601,457**	**557,685**
Rugs	63,002	58,031	126,379	112,218	228,706	214,545
Residential	58,221	57,480	121,353	123,633	234,476	236,758
Commercial	50,328	20,138	72,475	40,482	112,045	80,050
Non-Woven	6,846	6,668	13,723	13,825	26,230	26,332
Adjusted EBITDA	**26,429**	**22,804**	**46,536**	**41,895**	**86,008**	**81,367**
Rugs	12,058	11,324	23,246	19,356	41,859	37,969
Residential	6,319	7,487	11,416	14,953	24,874	28,411
Commercial	7,387	3,198	10,359	5,990	16,436	12,067
Non-Woven	665	794	1,515	1,595	2,840	2,920
Revenue by geography	**178,397**	**142,316**	**333,931**	**290,158**	**601,457**	**557,685**
Europe	107,474	103,381	221,381	218,385	432,575	429,580
North-America	53,467	23,953	80,742	44,229	110,356	73,843
Rest of World	17,456	14,983	31,808	27,544	58,526	54,262
Revenue by geography (%)	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Europe	60%	73%	66%	75%	72%	77%
North-America	30%	17%	24%	15%	18%	13%
Rest of World	10%	11%	10%	9%	10%	10%

Rugs

Rugs has realized **€126.4 million revenue**, representing a **12.9% organic growth**. Growth has been realized across all 3 key regions (Europe, North America and Rest of World). The growth in Europe was driven by the roll-out of new collections, while the growth in North America was primarily driven by the continued increased sales of outdoor rugs. This top-line growth and continuous efforts in operational excellence and product innovation have resulted in a 20.1% increase in Adjusted EBITDA and an **Adjusted EBITDA margin of 18.4%**, representing a margin expansion of 115 basis points.

Residential

Being leader in the European residential broadloom carpet market, our Residential division has realized **€121.4 million revenue**, despite the challenging market environment. On a constant currency basis, revenue was flat. In the segment's largest end-market, the UK (representing just over 50% of sales), the company has recorded slight organic growth, partly as the result of promotional activity in core ranges with selected customers in anticipation of the further roll-out of higher end new products. The UK growth has been offset by a continued decline in continental Europe, in particular France and Germany.

Adjusted EBITDA is equal to €11.4 million with **Adjusted EBITDA margin of 9.4%. On a constant currency basis, Adjusted EBITDA margin has remained relatively stable**. The decline of €3.6 million in reported Adjusted EBITDA is driven by the depreciation in GBP. Whilst the impact of the GBP depreciation is limited on revenue, it is more pronounced at the level of EBITDA.

Commercial

Revenue in the Commercial segment has increased by 79% to **€72.5 million**, driven by both the acquisition of Bentley at the end of Q1 2017 (contributing to reported revenue as from April 1st 2017) and the 7.8% organic growth of the European commercial business. We continued to outperform market growth, increasing our market share both in Europe and North America. Organic growth is driven by double digit growth in tiles as we succeeded in increasing volumes and upscaling our product mix.

Adjusted EBITDA has increased by 73% to €10.4 million with an **Adjusted EBITDA margin of 14.3%**.

I.3. Financial Review

Operating profit

Adjusted Operating Profit has increased by €3.4 million (+12.4%) from €27.6 million to €31.0 million. Depreciation charges are equal to €15.5 million for the six months ended June 30, 2017 and have increased with €1.2 million in comparison with the same period last year, driven by the acquisition of Bentley.

The decrease in Operating Profit to €21.7 million is driven by the increase of integration and restructuring expenses from €2.2 million to €9.3 million, and the absence of gains on asset disposals at the end of June 2017 (as compared to a gain of €1.6 million at the end of June 2016).

The following table sets forth integration and restructuring expenses for the period ended June 30, 2017 and 2016. This comprises various items which are considered by management as non-recurring or unusual by nature.

	For the three months		**For the six months**	
(€ thousands)	**June 30, 2017**	**June 30, 2016**	**June 30, 2017**	**June 30, 2016**
Integration and restructuring expenses (income)	**5,067**	**912**	**9,290**	**2,189**
Corporate restructuring	(43)	472	330	1,228
Business restructuring	-	-	-	490
Acquisition related expenses	396	-	1,376	-
Idle IT costs	272	-	776	-
Strategic advisory services	4,589	78	6,958	78
Other	(148)	362	(148)	393

For the six months ended June 30, 2017, the integration and restructuring expenses are driven by the €7.0m of fees incurred in connection with the IPO of the Balta Group, thanks to which the Company has been able to increase its capital and reduce its leverage. Acquisition related expenses amount to €1.4 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 €0.8 million.

During the six months ended June 30, 2016, €2.2 million of integration and restructuring expenses were incurred. This was driven by €1.8 million of cash expenses incurred in relation to the restructuring of the Management Committee, a fee paid to terminate an agency agreement and advisory fees for tax and legal services.

Financial result and taxation

Net finance expenses for the six months ended June 30, 2017 are equal to €21.6 million, as compared to €14.0 million in the same period last year. The increase is driven by

(i) €5.4 million of interest expenses and finance fees related to debt incurred during the period to acquire Bentley. This debt has been fully repaid in June using the proceeds of the primary tranche of the IPO.

(ii) €1.5 million higher costs associated with the Notes due to (a) 3% penalty paid on the €21.2 million early redemption in June, and (b) the pro-rata derecognition of capitalized financing fees.

Income tax expenses are equal to €2.6 million for the six months ended June 30, 2017, as compared to an income tax benefit of €2.9 million in the same period last year. The tax charge of €2.6 million in the first half of 2017 corresponds to an effective tax rate of approximately 30% when excluding one-off financing fees. Note that the reduction of external debt in June has also impacted the internal company financing agreements. The company is currently assessing the impact of these changes. This assessment will be completed by the end of the year which may result in changes in deferred tax assets positions in the coming quarters.

Cash flow statement

For the period ended June 30, 2017, cash flow from operations is equal to €19.1 million, a decrease of €4.8 million as compared to €23.9 million in the same period last year. When comparing to the previous period, cash flow has been positively impacted by an increase in Adjusted EBITDA (+€4.6 million), offset by an increase in working capital (+€0.4 million), non-recurring expenses (+€3.4 million) and an increase in taxes paid mainly relating to prior years (+€4.6 million).

The cash used in investing activities is equal to €90.8 million for the six months ended June 30, 2017, as compared to €17.9 million in the same period last year. This can be broken down as follows:

- €21.8 million of gross capital expenditure, versus €19.6 million in the same period last year
- (€0.7) million proceeds from disposals, versus (€1.7) million in the same period last year
- €68.3 million paid to acquired Bentley and €1.3 million paid for the acquisition of the minority stake previously held by Bentley's management

Net cash generated by financing activities is equal to €54.9 million for the six months ended June 30, 2017, as compared to (€16.4) million in the same period last year. The capital of the Company has been increased by €137.7 million, mirroring the net proceeds of the primary tranche of the IPO by Balta Group NV. This amount has been used to reduce debt as follows:

  - repay €75.9 million of the principal and accrued interest of the Senior Term Loan,
  - repay €29.5 million of the principal and accrued interest of the Bentley Term Loan,
  - partially repay €9.9 million of the principal and accrued interest of the Bentley revolver facility,
  - partially repay €22.2 million of the principal and accrued interest of the Senior Secured Notes.

Net Debt

As part of the capital reorganization, the Leverage ratio of the group was substantially reduced, from 3.9x Pro Forma Adjusted EBITDA per March 31, 2017 to 2.7x Pro Forma Adjusted EBITDA per June 30, 2017.

The net debt and leverage as of June 30, 2017 can be summarized as follows:

(€ thousands)	**June 30, 2017**
Cash	(29,216)
Senior Secured Notes (€261 million principal, incl accrued interest)	274,790
Finance leases	16,684
Revolving Credit Facility Bentley	1,227
Net Financial debt	**263,485**
Pro forma leverage	**2.7x**

I.4. Events after the reporting date

On 18 July 2017, Balta announced that it has renegotiated and obtained more favourable commercial terms in respect of its European super senior revolving credit facility, including a reduction of the margin from the original 3.75% p.a. in August 2015 to an average margin below 1.80% p.a. at current leverage. At the same time, the facility was increased from €45 million to €68 million.

On 28 July 2017, the Company announced the partial redemption of €7.8 million of the Notes, reducing the aggregate principal amount to €261.0 million.

I.5. Pro forma Income Statement

The following table shows the impact of the pro forma adjustments on the income statement for the six months ended June 30, 2017 and 2016.

(€ thousands)	For the six months ended June 30, 2017			For the six months ended June 30, 2016		
	As reported under IFRS	Pro forma adjustments	Pro Forma Income Statement	As reported under IFRS	Pro forma adjustments	Pro Forma Income Statement
Revenue	333,931	27,686	361,617	290,158	51,334	341,492
Raw material expenses	(162,075)	(11,154)	(173,229)	(142,353)	(21,136)	(163,489)
Changes in inventories	12,650	844	13,494	12,629	1,717	14,346
Employee benefit expenses	(77,723)	(7,763)	(85,486)	(67,819)	(14,378)	(82,197)
Other income	4,050	19	4,069	3,022	-	3,022
Other expenses	(64.297)	(6.707)	(71,004)	(53,743)	(11,777)	(65,520)
Adjusted EBITDA	**46,536**	**2,926**	**49,462**	**41,894**	**5,760**	**47,654**
Depreciation / amortisation	(15,516)	(1,262)	(16,779)	(14,302)	(2,495)	(16,797)
Adjusted Operating Profit	**31,020**	**1,664**	**32,683**	**27,593**	**3,265**	**30,858**
Gains on asset disposals				1,610	(29)	1,581
Integration and restructuring expenses	(9,290)	(6)	(9,296)	(2,189)	(65)	(2,254)
Operating profit/(loss)	**21,730**	**1,657**	**23,387**	**27,014**	**3,172**	**30,186**
Finance income	17		17	37	1	38
Finance expenses	(21,572)	(1,660)	(23,232)	(14,059)	(3,461)	(17,520)
Net finance expenses	**(21,555)**	**(1,660)**	**(23,215)**	**(14,022)**	**(3,460)**	**(17,482)**
Profit / (loss) before income taxes	**175**	**(3)**	**172**	**12,992**	**(288)**	**12,704**
Income tax income / (expense)	(2,597)	(259)	(2,856)	2,866	(334)	2,532
Profit / (loss) for the period	**(2,422)**	**(262)**	**(2,684)**	**15,858**	**(622)**	**15,236**

Section II: Consolidated Condensed Interim Financial Statements for the Period Ended June 30, 2017

II.1. General Information

LSF9 Balta Issuer S.à r.l. ("The Company") is a private limited liability company (société à responsabilité limitée) incorporated on June 22, 2015 under the laws of Luxembourg as a public limited liability company (société anonyme). On June 14, 2017, The Company's corporate form changed from S.A. (société anonyme) to S.à r.l. (société à responsabilité limitée). All references to LSF9 Balta Issuer S.A. have been replaced to LSF9 Balta Issuer S.à r.l. in this document for clarity purposes.

The Company has its Registered Office in 5, rue Guillaume Kroll, L-1882 Luxembourg and is registered in the R.C.S. Luxembourg with number B 198084.

The financial statements of the Company for the period 1 January 2017 to 30 June 2017 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

The Company was established for the purpose of financing the acquisition of Balta Finance S.à r.l. and its subsidiaries by LSF9 Balta Investments S.à r.l., a wholly owned subsidiary of the Company. On June 14, 2015, LSF9 Balta Investments S.à r.l., 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 parent entity of the Balta Group, and certain intercompany loans between Balta Finance (as borrower) and the Seller (as lender). The acquisition of Balta Finance was consummated on August 11, 2015.

The shareholder of the Company, Balta group NV, is publicly listed on Euronext as from June 14, 2017.

The Group 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 2017 and 2016, the Group 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 2017 and 2016, the Group was also the third largest manufacturer in Europe of commercial carpet tiles by volume. In March 2017, the Group acquired Bentley, one of the leading providers of premium carpet tile and broadloom carpet in the United States, providing a platform for expansion in the US commercial segment.

II.2. Consolidated statement of comprehensive income

(€ thousands)	Note	For the three months ended June 30, 2017	For the three months ended June 30, 2016	For the six months ended June 30, 2017	For the six months ended June 30, 2016
I. CONSOLIDATED INCOME STATMENT					
Revenue	Note 5	178,397	142,317	333,931	290,158
Raw material expenses		(86,279)	(70,686)	(162,075)	(142,353)
Changes in inventories		7,272	7,560	12,650	12,629
Employee benefit expenses		(42,243)	(33,534)	(77,723)	(67,819)
Other income		1,710	1,827	4,050	3,022
Other expenses		(32,428)	(24,680)	(64,297)	(53,743)
Depreciation / amortization		(8,442)	(7,196)	(15,516)	(14,302)
Adjusted Operating Profit [(1)]	Note 3	**17,987**	**15,608**	**31,020**	**27,593**
Gain on asset disposals		-	-	-	1,610
Integration and restructuring expenses	Note 8	(5,067)	(912)	(9,290)	(2,189)
Operating profit / (loss) [(1)]	Note 3	**12,920**	**14,696**	**21,730**	**27,014**
Finance income		10	19	17	37
Finance expenses		(14,024)	(6,623)	(21,572)	(14,059)
Net financial expenses		**(14,014)**	**(6,603)**	**(21,555)**	**(14,022)**
Profit / (loss) before income taxes		**(1,093)**	**8,093**	**175**	**12,992**
Income tax benefit / (expense)	Note 9	(1,487)	5,306	(2,597)	2,866
Profit / (loss) for the period		**(2,580)**	**13,398**	**(2,422)**	**15,858**
Attributable to:					
Equity holders of Balta Issuer		(2,614)	13,398	(2,456)	15,858
Non-controlling interest		34	-	34	-
II. CONSOLIDATED OCI					
Items in OCI that may be reclassified to P&L					
Exchange diff. on translating foreign operations		(2,135)	335	(5,053)	(596)
Changes in fair value of hedging instruments qualifying for cash flow hedge accounting	Note 15	1,080	1,486	1,170	1,486
Items in OCI that will not be reclassified to P&L					
Changes in deferred tax		(135)	173	(172)	481
Changes in employee defined benefit obligations		410	(527)	525	(1,467)
OCI for the period, net of tax		**(780)**	**1,468**	**(3,530)**	**(96)**
Total comprehensive income for the period		**(3,360)**	**14,865**	**(5,952)**	**15,761**
Basic and diluted earnings per share from continuing operations attributable to the ordinary equity holders of the company	Note 23	**(0.02)**	**0.78**	**(0.02)**	**0.93**

(1) Adjusted Operating Profit / Operating profit/(loss) are non-GAAP measures.
Adjusted EBITDA is calculated as Adjusted Operating Profit (Loss) adjusted for depreciation and amortization charges.

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

II.3. Consolidated statement of financial position

(€ thousands)	Note	As of June 30 2017	As of December 31 2016
Property, plant and equipment			
Land and buildings	Note12	166,466	169,203
Plant and machinery	Note 12	129,180	115,016
Other fixtures and fittings, tools and equipment	Note 12	18,692	15,019
Goodwill	Note 7	205,720	124,673
Intangible assets		4,819	2,376
Deferred income tax assets	Note 9	19,434	18,950
Trade and other receivables	Note 14	936	138
Total non-current assets		**545,247**	**445,375**
Inventories	Note 13	173,344	135,320
Derivative financial instruments	Note 15	1,053	46
Trade and other receivables	Note 14	70,110	54,930
Current income tax assets	Note 9	23	34
Cash and cash equivalents		29,216	45,988
Total current assets		**273,746**	**236,318**
Total assets		**818,993**	**681,693**
Share capital	Note 10	292,075	171
Share premium	Note 10	1,260	1,260
Preferred equity certificates	Note 11	-	138,600
Other comprehensive income	Note 15	(10,593)	(7,063)
Retained earnings		896	3,351
Other reserves		(14,284)	-
Total equity		**269,353**	**136,319**
Senior Secured Notes	Note 16	252,077	279,277
Bank and Other Borrowings	Note 17	14,210	15,388
Deferred income tax liabilities	Note 9	70,812	69,775
Provisions for other liabilities and charges		1,916	-
Employee benefit obligations	Note 20	4,829	5,079
Total non-current liabilities		**343,844**	**369,519**
Senior Secured Notes	Note 16	11,670	4,234
Bank and Other Borrowings	Note 17	3,901	2,614
Provisions for other liabilities and charges		64	64
Derivative financial instruments	Note 15	-	162
Other payroll and social related payables	Note 21	34,941	31,246
Trade and other payables	Note 22	150,411	131,562
Income tax liabilities	Note 9	4,809	5,974
Total current liabilities		**205,796**	**175,856**
Total liabilities		**549,640**	**545,374**
Total equity and liabilities		**818,993**	**681,693**

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

II.4. Consolidated statement of cash flows

(€ thousands)	Note	Period ended June 30, 2017	Period ended June 30, 2016
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit / (loss) for the period		**(2,422)**	**15,858**
Adjustments for:			
Reclass of capital increase expenses to cash flow from financing activities (gross)		6,697	
Income tax expense / (income)	Note 9	2,597	(2,866)
Finance income		(17)	(37)
Finance expense		21,572	14,059
Depreciation, amortisation	Note 12	15,516	14,302
(Gains)/losses on asset disposals		-	(1,610)
Fair value of derivatives	Note 15	-	808
Cash generated before changes in working capital		**43,944**	**40,514**
Changes in working capital:			
Inventories	Note 13	(22,089)	(16,239)
Trade receivables	Note 14	586	(3,039)
Trade payables	Note 22	8,336	10,760
Other working capital		(7,097)	(7,948)
Cash generated after changes in working capital		**23,681**	**24,047**
Net income tax (paid)		(4,565)	(109)
Net cash generated / (used) by operating activities		**19,116**	**23,937**
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	Note 12	(21,272)	(18,857)
Acquisition of intangibles		(484)	(728)
Proceeds from the sale of non-current assets	Note 12	655	1,728
Acquisition of subsidiary, net of cash acquired	Note 7	(69,654)	
Net cash used by investing activities		**(90,753)**	**(17,857)**
CASH FLOW FROM FINANCING ACTIVITIES			
Interest and other finance charges paid, net	Note 17	(17,477)	(15,189)
Proceeds from capital increase	Note 6	137,677	-
Capital increase expenses (net)	Note 5	(5,938)	-
Proceeds from borrowing with third parties	Note 17	76,227	-
Proceeds from capital contribution	Note 10	1,343	-
Repayments of Senior Secured Notes	Note 6, 16	(21,228)	-
Repayments of borrowings with third parties	Note 6, 17	(115,740)	(1,168)
Net cash generated / (used) by financing activities		**54,865**	**(16,357)**
NET INCREASE / (DECREASE) IN CASH AND BANK OVERDRAFTS		**(16,772)**	**(10,276)**
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		29,216	35,185

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

II.5. Consolidated statement of changes in equity

(€ thousands)	Share capital	Share premium	PECs	Other comprehensive income	Retained earnings	Other reserves	Total	Non-controlling interest	Total equity
Balance at January 1, 2017	**171**	**1,260**	**138,600**	**(7,063)**	**3,351**		**136,319**	**-**	**136,319**
Profit / (loss) for the period	-	-	-	-	(2,455)	-	(2,455)	33	(2,422)
Other comprehensive income									
Exchange differences on translating foreign operations	-	-	-	(5,053)	-	-	(5,053)	-	(5,053)
Changes in fair value of hedging instruments qualifying for cash flow hedge accounting	-	-	-	1,170	-	-	1,170	-	1,170
Cumulative changes in deferred taxes	-	-	-	(172)	-	-	(172)	-	(172)
Cumulative changes in employee defined benefit obligations	-	-	-	525	-	-	525	-	525
Total comprehensive income for the period	**-**	**-**	**-**	**(3,530)**	**(2,455)**	**-**	**(5,985)**	**33**	**(5,952)**
Contribution of PEC's into equity	152,884	-	(138,600)	-	-	(14,284)	-	-	-
Capital contribution Bentley Management Buy-out	1,343	-	-	-	-	-	1,343	**(33)**	1,310
Capital Contribution in cash	137,677	-	-	-	-	-	137,677	-	137,677
Total transactions with the owners	**291,904**	**-**	**(138,600)**	**-**	**-**	**(14,284)**	**139,020**	**(33)**	**138,987**
Balance at June 30, 2017	**292,075**	**1,260**	**-**	**(10,593)**	**896**	**(14,284)**	**269,353**	**-**	**269,353**

We refer to note 6 for more information about the total transactions with the owners.

(€ thousands)	Share capital	Share premium	PECs	Other comprehensive income	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 condensed interim financial statements.

II.6. Notes to the consolidated condensed interim financial statements

Note 1. Basis of preparation

These consolidated condensed interim financial statements for the period ended June 30, 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, for LSF9 Balta Issuer S.A. (now LSF9 Balta Issuer S.à r.l.), 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.

LSF9 Balta Issuer S.à r.l. acquired Bentley Mills Group in 2017. The acquisition 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.

Amendments to IFRS standards effective for the financial year ending December 31, 2017 are not expected to have a material impact on the Group.

The new standards and interpretations effective as of 1 January 2017 include the following:

- Amendments to IAS 7 Statement of Cash Flows-Disclosure Initiative effective 1 January 2017

- Amendments to IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses, effective 1 January 2017

- Annual improvements Cycle – 2014-2016, effective 1 January 2017

However, they do not impact the annual consolidated financial statements of Balta or the interim condensed consolidated financial statements of the Group.

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 2017 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 2016 and 2017 are not exceeding 0.1 % for 2016 and 2017. Moreover there are no significant receivables due more than 3 months for which no provision has been set up. Finally currently the Group is only applying limited cash flow hedging for expected cash flows. 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.

Note 3. Non-GAAP measures

Operating Profit (Loss), Adjusted Operating Profit (Loss), Adjusted EBITDA 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.

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 December 31, 2016 of LSF9 Balta Issuer S.A..

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)	For the three months ended June 30, 2017	For the three months ended Previous period	For the six months ended June 30, 2017	For the six months ended Previous period
Revenue by segment (1)	**178,397**	**142,316**	**333,931**	**290,158**
Rugs	63,002	58,031	126,379	112,218
Residential	58,221	57,480	121,353	123,633
Commercial	50,328	20,138	72,475	40,482
Non-Woven	6,846	6,668	13,723	13,825
Revenue by geography (1)	**178,397**	**142,316**	**333,931**	**290,158**
Europe	107,474	103,381	221,381	218,385
North America	53,467	23,953	80,742	44,229
Rest of World	17,456	14,983	31,808	27,544
Adjusted EBITDA by segment (1)	**26,429**	**22,804**	**46,536**	**41,895**
Rugs	12,058	11,324	23,246	19,356
Residential	6,319	7,487	11,416	14,953
Commercial	7,387	3,198	10,359	5,990
Non-Woven	665	794	1,515	1,595
Capital expenditure by segment (1)	**12,688**	**11,886**	**21,100**	**17,857**
Rugs	5,474	5,109	7,771	8,665
Residential	3,884	4,737	7,033	6,069
Commercial	2,931	1,886	5,846	2,734
Non-Woven	398	153	447	388
Net inventory by segment (2)	**173,344**	**135,320**	**173,344**	**135,320**
Rugs	70,334	63,642	70,334	63,642
Residential	62,557	52,718	62,577	52,718
Commercial	35,847	15,346	35,847	15,346
Non-Woven	4,586	3,614	4,586	3,614
Trade receivables by segment (2)	**54,156**	**41,326**	**54,156**	**41,326**
Rugs	13,808	17,263	13,808	17,263
Residential	18,630	16,502	18,630	16,502
Commercial	20,349	6,149	20,349	6,149
Non-Woven	1,370	1,411	1,370	1,411

(1) For Revenue, Adjusted EBITDA and Capital Expenditure, the previous reporting period refers to June 30, 2016.

(2) For Net inventory and Trade Receivables, previous reporting period refers to December 31, 2016.

Bentley is reported as part of our Commercial segment. Given the acquisition date of 22 March 2017, Bentley contributes to the consolidated earnings of the Balta Group as from Q2 2017. In Q2 2017 Bentley generated a revenue of €29.2 million and adjusted EBITDA of €4.1 million. The acquisition of Bentley did impact the net inventory of the commercial segment (€15.3 million per June 30, 2017) and trade receivables of the Commercial segment (€13.7 million per June 30, 2017).

Note 6. Share Capital and debt reorganization

In 2017, the Company and its shareholders initiated a process to actively explore a new capital structure to support future growth. As part of the process, the existing PECS were converted into the capital of LSF9 Balta Issuer S.à r.l.. The shares of LSF9 Balta Issuer S.à r.l. were subsequently contributed by LSF9 Balta Holdco S.à r.l. in a newly created Belgian entity Balta Group NV. This company initiated an IPO and listed on Euronext Brussels on 14 June 2017. The net proceeds of the IPO amounted to approximately €137.6 million and were subsequently contributed in the capital of LSF9 Balta issuer to enable the Group to repay some debt.

The increase in share capital impacts the financial statements of the Company in the following manner:

- Increase of equity
- Decrease of financial debt;
- Incurrence of transaction expenses;

Capital increase of equity

The Equity of the Group has increased from €136 million at December 31, 2016 to €292.1 million at June 30, 2017. This increase by €133 million is mainly driven by (i) capital increase of €137.7 million, (ii) 1.3 million increase resulting from the Bentley management buyout, and (iii) (€0.1) million impact on non-controlling interest.

Further details on the breakdown of movements within equity can be found in Note 10.

Decrease of financial debt

The net proceeds of the capital contribution have been used to reduce gross debt. The debt that has been repaid includes (i) repayment in full of a term loan at the level of Bentley for an amount of $33.0 million plus accrued interests (€29.2 million of capital repayment when converted at a rate of $1.12 per Euro), (ii) partial repayment of revolving credit facility at the level of Bentley for an amount of $11.1 million plus accrued interest (€9.9 million when converted at a rate of $1.12 per Euro), (iii) repayment in full of the Senior Term Loan for an amount of €75 million plus accrued interest, and (iv) partial repayment of €21.2 million of the Senior Secured Notes plus accrued interest and redemption premium of 3%.

Further details on the movement in bank borrowings can be found in Note 17.

Incurrence of transaction expenses

As at June 30, 2017 €6.7 million incremental expenses (gross) are directly attributable to the issuance of new shares and relate to the capital increase, have been recognized as a part of integration and restructuring expenses (see Note 8).

Note 7. Business Combinations

For the purpose of this disclosure, amounts in USD have been converted to EUR at a rate of 1.0691 USD/EUR which is the closing rate per 31 March 2017. 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. On 22 March LSF9 Balta Issuer S.à r.l. acquired 98.39% from Lone Star Fund IX.

Balta NV, a member of the Balta Group subsequently acquired the remaining 1.61% of the Class A unit voting rights from Bentley Management on May 31, 2017 which results in a 100% ownership as from May 31, 2017.

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 17;
- 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 17;

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.à r.l. 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 originally financed by the issuance of a Senior Term Loan for an amount of €75.0 million at the level of LSF9 Balta Issuer S.à r.l. (see Note 17 for a description hereof). Subsequently, on March 23, 2017, Balta NV replaced LSF9 Balta Issuer S.à r.l. 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.

On May 31, 2017, Balta NV acquired the remaining class A unit voting shares of LSF9 Renaissance Bermuda Partner, L.P. from LSF9 Balta Holdco S.à r.l. which indirectly acquired the minority stake from Bentleys management. The related party debt which resulted from this transaction was subsequently contributed in the capital of LSF9 Balta Issuer S.à r.l.. As a result of this transation, Balta NV gained a 100% control over 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 Modulyss 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.à r.l. 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 the 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 statement. 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 initial purchase price paid in cash was equal to €68.3 million, as compared to a net asset value of Bentley of (€11.5) million at Acquisition Date, of which (€12.6) million attributable to LSF9 Balta Issuer S.à r.l. 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 €80.9 million.

The non-controlling interest held by Bentley management was acquired per May 31, 2017 for an amount of €1.3 million having a corresponding net asset value at that time of €1.2 million. Consequently the provisional goodwill paid for the Bentley Group of companies – before purchase price allocation – increased with 0.2 million as from May 31, 2017 and is finally equal to €81.0 million.

Initial goodwill determination as per March 22, 2017

The initial goodwill allocation as per March 22, 2017 including minority interest is mentioned below.

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	**(59,079)**
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 (1)	(13,190)
Current income tax liabilities	(1,531)
Total current liabilities	**(17,731)**
Purchase Price Paid in Cash	**68,310**
Total identifiable assets, liabilities and contingent liabilities	(11,533)
Of which: attributable to LSF9 Balta Issuer S.à r.l.	(12,560)
Of which: attributable to non-controlling interest	1,027
Goodwill	80,870

(1) The trade and other payables are €0.2 million higher than per reporting per March 31, 2017 as a result of additional information received after the previous reporting period which had a financial impact on the opening balance of Bentley.

Final goodwill determination as per May 31, 2017

The non-controlling portion is acquired per May 31, 2017 and gives following effect on the goodwill:

Purchase Price Paid in Cash for Minority stake	**1,343**
Total identifiable assets, liabilities and contingent liabilities per May 31, 2017 attributable to non-controlling interest	1,165
Goodwill in relation to acquisition minority stake	177

After acquisition of the minority stake, the total goodwill -before purchase price allocation- relating to the Bentley acquisition amounts to €81.0 million.

Total Goodwill Bentley Mills acquisition	**81,047**
Initial goodwill recognition (98,39%)	80,870
Goodwill attributable to acquisition non-controlling interest (1,61%)	177

Goodwill

The Goodwill of €81.0 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 per March 2017 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 included 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 per March 2017 amounted to €1.0 million at the acquisition date and represented the 1.61% stake management owned in the net assets of Bentley.

The non-controlling interest disappeared as a result of the acquisition of the remaining share portion per May 31, 2017 by the Balta Group. The Profit/ (Loss) for the period which was attributed to the Non-controlling interest for the period March 23, 2017 until May 31, 2017 amounted to €34 thousand.

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 was taken into account as of April 1, 2017 and only covers 3 months in the six months ended June 30, 2017 figures.

Had Bentley been consolidated from January 1, 2017, Bentley would have contributed €57.0 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 IFRS 3 Business Combinations.

Note 8. Integration and restructuring expenses

The following table sets forth integration and restructuring expenses for the period ended June 30, 2017 and 2016. This comprises various items which are considered by management as non-recurring or unusual by nature.

	For the three months		For the six months	
(€ thousands)	**June 30, 2017**	**June 30, 2016**	**June 30, 2017**	**June 30, 2016**
Integration and restructuring expenses	**5,067**	**912**	**9,290**	**2,189**
Corporate restructuring	(43)	472	330	1,228
Business restructuring	-	-	-	490
Acquisition related expenses	396	-	1,376	-
Idle IT costs	272	-	776	-
Strategic advisory services	4,589	78	6,958	78
Other	(148)	362	(148)	393

For the six months ended June 30, 2017, the integration and restructuring expenses are driven by the €7.0m of fees incurred in connection with the IPO of the Balta Group, thanks to which the Company has been able to increase its capital and reduce its leverage. Acquisition related expenses amount to €1.4 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 €0.8 million.

During the six months ended June 30, 2016, €2.2 million of integration and restructuring expenses were incurred. This was driven by €1.8 million of cash expenses incurred in relation to the restructuring of the Management Committee, a fee paid to terminate an agency agreement and advisory fees for tax and legal services.

Note 9. Income tax benefit / expense

Income tax expense is recognized 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 €2.6 million for the six months ended June 30, 2017, as compared to an income tax benefit of €2.9 million in the same period last year. The tax charge of €2.6 million in the first half of 2017 corresponds to an effective tax rate of approximately 30% when excluding one-off financing fees. Note that the reduction of external debt in June has also impacted the internal company financing agreements. The company is currently assessing the impact of these changes. This assessment will be completed by the end of the year which may result in changes in deferred tax assets positions in the coming quarters.

For the period ended June 30, 2016, a net tax benefit was recognized of €2.9 million as a result of the recognition of tax credits (for an amount of €7.2 million) for which the recognition criteria were previously not met.

Note 10. Share Capital and share premium

- Capital Increase in cash by Balta Group NV: The shareholders of the Company have issued 137,677,446 new shares at a price of €1 per share for a total amount of €137.7 million and have allocated €0.9 (ninety cent) to the share premium account of the company. This has been allocated to capital through the issuance of new shares.

- Capital increase by means of a contribution in kind: Contribution of the PEC's, owned by LSF9 Balta Holdco S.à r.l., into share capital for an amount of €152.9 million without the issuance of new shares. This contribution took place on the face value of the PEC's, i.e. €138.6 million initial principal amount plus €14.3 million accrued interest.

- Bentley Management Buy-Out: Prior to the capital contribution, Bentley Management owned a minority equity stake (of less than 2% of the total interest) in the Bentley Group of companies. This minority equity stake has been acquired by LSF9 balta Midco S.à r.l. , who in turn has rolled-down the stake into Balta NV, such that the full ownership in Bentley is centralized in Balta NV. This integration of the Bentley management equity stake has resulted in an equity increase at the level of the Group of €1.3 million.

Note 11. Preferred equity certificates

LSF9 Balta issuer S.à r.l. has historically been funded by the issuance of preferred equity certificates (PECs). LSF9 Balta Holdco S.à r.l., Holder of the Pecs issued by LSF9 Balta Issuer S.à r.l. has contributed its PECs into the equity (increase in share capital, without the issuance of new shares) of LSF9 Balta Issuer S.à r.l. prior to the IPO.

Note 12. Property, plant and equipment

During the six months ended June 30, 2017, property, plant and equipment and intangibles (excluding goodwill) increased by €17.5 million. The increase mainly relates to the acquisition of Bentley which owns €16.2 million of property, plant and equipment and intangibles (€0.7 million land and buildings, €10.3 million plant and machinery, €2.8 million other fixtures and fittings, tools and equipment, €2.4 million intangible assets).

A total net depreciation expense of €15.5 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 13. Inventories

Inventories increased by €38.0 million as compared to December 31, 2016, of which €15.3 million is driven by the acquisition of Bentley and €22.7 million is due to an increase of inventory owned by the Group. The €15.3 million inventory contributed by Bentley consists of €2.6 million finished products, €5.8 million work in progress and €6.9 million raw materials and consumables.

Note 14. Trade and other receivables

Current trade and other receivables increased by €15.2 million to €70.1 million as of June 30, 2017, compared to €54.9 million as of December 31, 2016. This increase is mainly driven by the acquisition of Bentley. Trade receivables owned by Bentley amount to €13.8 million. Excluding the impact of the acquisition, current trade and other receivables increased by €1.4 million.

Note 15. Derivative financial instruments

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 changes in fair value of the forward contracts have been presented in other comprehensive income as from June 1, 2016. The changes in fair value for the six months ended are recognized through OCI for an amount of €1.2 million.

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)	June 30, 2017	December 31, 2016
Opening Balance	**(116)**	**-**
Amounts recorded in the cash flow hedge reserve	928	2,190
Amounts recognized in the income statement	242	(2,307)
Cash flow hedge reserve, ending balance	**1,053**	**(116)**

Note 16. Senior Secured Notes

(€ thousands)	June 30, 2017	December 31, 2016
Total Senior Secured Notes	**263,747**	**283,510**
Non-Current portion	**252,077**	**279,277**
Of which: gross debt	261,000	290,000
Of which: capitalised financing fees	(8,923)	(10,723)
Current portion	**11,670**	**4,234**
Of which: gross debt	7,772	-
Of which: accrued interests	6,018	6,618
Of which: capitalised financing fees	(2,120)	(2,384)

LSF9 Balta Issuer S.à r.l. issued €290.0 million aggregate principal amount of Senior Secured Notes with an interest rate of 7.75% 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. It follows that the amount of capitalized financing fees expensed during the first six months of 2017 is equal to €2.1 million. This amount contains €0.9 million of financing fees that were recycled to the income statement in direct relation to the partial repayment of the Senior Secured Notes in June 2017.

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 amortized into profit or loss over the next 12 months.

In July 2017 the Group performed a partial repayment of the Senior Secured Notes for €7.8 million. As a result, this portion of the gross debt and the related capitalized financing fees (€0.1 million) have been transferred from non-current to the current portion of the gross debt and related capitalised financing fees respectively.

Note 17. Bank and other borrowings

The table below sets forth the breakdown of the bank and other borrowings as at June 30, 2017 and December 31, 2016 .

(€ thousands)	June 30, 2017	December 31, 2016
Total Bank and other borrowings	**18,111**	**18,002**
Non-Current portion	**14,210**	**15,388**
Finance leases	14,210	15,388
Current portion	**3,901**	**2,614**
Commitment fees	200	120
Revolving credit facility Bentley	1,227	-
Finance lease liabilities	2,474	2,494

Senior Term Loan

On March 16, 2017, LSF9 Balta Issuer S.à r.l. and certain of its subsidiaries entered into a senior term loan agreement (the “Senior Term Loan Agreement”), which provided 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 loans incurred by the Issuer to finance the acquisition of Bentley and to pay related fees and expenses.

The Senior Term Loan was repaid in full in June 2017 using a portion of the capital contribution received from Balta Group NV.

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.

In June 2017, a portion of the proceeds of the capital contribution were used to (i) fully repay the five year Fifth Third Credit agreement, and (ii) to partially reduce the amounts drawn under the five year revolving credit facility.

A portion of the capital contribution received from Balta Group has been used to perform a partial repayment of the Balta debt of €39 million and the capitalized financing fees have been completely released through the income statement in finance expenses.

Finance lease liabilities

The finance lease liabilities have decreased from €17.9 million as of December 31, 2016 to €16.7 million as of June 30, 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 June 30, 2017. Per June 30, 2017 the amount of uncleared cheques was less than the amount available on cash and cash equivalents and as a result no bank overdraft liabilities are presented.

Commitment fees

The commitment fees payable increased with €0.1 million to €0.2 million as at June 30, 2017, mainly due to commitment of €0.1 million fees at the level of Bentley.

Note 18. 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	June 30, 2017 Carrying amount	June 30, 2017 Fair value	December 31, 2016 Carrying amount	December 31, 2016 Fair value
Assets as per statement of financial positions		**101,315**	**101,315**	**101,102**	**101,102**
Loans and receivables		**100,262**	**100,262**	**101,056**	**101,056**
Trade and other receivables		71,046	71,046	55,068	55,068
Cash and cash equivalents	Level 1	29,216	29,216	45,988	45,988
Assets at fair value through OCI		**1,053**	**1,053**	**46**	**46**
Foreign exchange derivative financial instruments	Level 2	1,053	1,053	46	46
Liabilities as per statement of financial positions		**432,269**	**452,647**	**433,237**	**468,726**
Financial liabilities measured at amortised cost		**432,239**	**452,647**	**433,075**	**468,564**
Senior Secured Notes	Level 1	263,747	284,125	283,510	319,000
Bank and other borrowings	Level 2	18,111	18,111	18,002	18,002
Trade and other payables		150,411	150,411	131,562	131,562
Financial liabilities measured at fair value through OCI		**0**	**0**	**162**	**162**
Foreign exchange derivative financial instruments	Level 2	0	0	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 19. 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, the Bentley Revolving Credit facilities. Our debt service obligations consist primarily of interest payments on the Notes and on amounts drawn under the Revolving Credit Facilities and the capital lease obligations.

We refer to note 16 and 17 for a detailed description of the changes which occurred between December 31, 2016 and June 30, 2017. As of June 30, 2017 the Company has a net debt of €263.5 million.

Note 20. Employee benefit obligations

Employee benefit obligations decreased from €5.1 million as of December 31, 2016 to €4.8 million at June 30, 2017.

The decrease was partly offset by the acquisition of Bentley, which generated an increase of the employee benefit obligations of €0.3 million.

Note 21. Other payroll and social related payables

Other payroll and social related payables increased from €31.2 million as of December 31, 2016 to €34.9 million at June 30, 2017.

The increase mainly relates to other payroll and social related payables in relation to the acquisition of Bentley (€2.9 million). The remaining amount of €0.8 million can be allocated to the Balta Group.

Note 22. Trade and other payables

The outstanding trade and other payables increased from €131.6 million as of December 31, 2016 to €150.4 million as of June 30, 2017. This increase is mainly driven by the acquisition of Bentley. Trade and other payables due in Bentley amount to €12.0 million at June 30, 2017.

Note 23. Dividends per share

The Group did not declare any dividends to shareholders for the period ended December 31, 2016 and June 30, 2017.

Note 24. Earnings per share

(€ thousands)	For the three months ended June 30, 2017	For the three months ended June 30, 2016	For the six months ended June 30, 2017	For the six months ended June 30, 2016
Basic earnings per share				
Net result from continuing operations	(2,580)	13,398	(2,422)	15,858
Percentage of net result from continuing operations attributable to holders of ordinary shares LSF9 Balta Issuer S. à r.l.	100%	1%	100%	1%
Net result from continuing operations attributable to holders of ordinary shares LSF9 Balta Issuer S. à r.l.	**(2,580)**	**134**	**(2,422)**	**159**
Net result from discontinued operations attributable to holders of ordinary shares LSF9 Balta Issuer S.à r.l.	-	-	-	-
Weighted average number of ordinary shares outstanding (in thousands)	137,848	171	137,848	171
Net result per share attributable to holders of ordinary shares LSF9 Balta Issuer S.à r.l. (in €)	(0.02)	0.78	(0.02)	0.93

The acquisition of Balta Finance has been partially funded by the issuance of PECs. Each PEC was 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.

As a result of the capital reorganization these PECs have been converted into the share capital of The Company. As such 100% of the net result from continuing operations is attributable to the holders of the ordinary shares as from June 30, 2017.

The number of shares outstanding, did increase from 171 to 137,848 thousand which results in a decrease of the net result per share.

Note 25. 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 26. Commitments

There have been no material changes in the commitments compared to December 31, 2016.

Note 27. Seasonality of operations

The Group has very limited seasonality impact on operations.

Note 28. List of consolidated companies

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

	June 30, 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 Investments S.à r.l.	100%	100%	100%	100%
Turkey				
Balta Orient Tekstil Sanayi Ve Ticaret A.S.	100%	100%	100%	100%
Balta Floorcovering Yer Dös¸emeleri San.ve Tic A.S	100%	100%	100%	100%
Bermuda				
LSF9 Renaissance GP (Bermuda)	100%	100%		
LSF9 Renaissance Bermuda Partners LP (*)	100%	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%	-	-

(*) During the second quarter of 2017 the remaining minority equity stake of 1.61% (owned by Bentley management) was acquired by the group, resulting in 100% ownership of LSF9 Renaissance Bermuda Partners LP as at June 30, 2017, compared to 98.39% as at March 31, 2017.

Note 29. Related party transactions

Shares

Until February 22, 2017, 100 % of shares of LSF9 Balta Issuer S.à r.l.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.à r.l. were sold to LSF9 Balta Holdco S.à r.l..

Balta Holdco S.à r.l. contributed 100% of the shares of LSF9 Balta Issuer S.à r.l. to the share capital of Balta Group NV by means of a contribution in kind in exchange for 25 million shares. This contribution was described in an agreement dated May 30, 2017 and was subject to the IPO as being described in Note 6.

Following the IPO, Lone Star Fund IX, through intermediate holding companies, controls approximately 56.3% of the issued share capital of LSF9 Balta Issuer S.à r.l.

The remaining Bentley equity stake (of less than 2% of the total interest), acquired from LSF9 Balta Holdco S.à r.l., resulted in an equity increase of €1.3 million in LSF9 Balta Issuer S.à r.l.

The following transactions were carried out with related parties:

Contributions in the capital and reserves of LSF9 Balta Issuer S.à r.l.

As described in note 10, LSF9 Balta Holdco S.à r.l. contributed €1.3 million in the share capital of LSF9 Balta Issuer to integrate the former Bentley Management equity stake in the group prior to the IPO.

As described in Note 11, the Preferred equity certificates (PECs) issued by LSF9 Balta Issuer S.à r.l. and owned by LSF9 Balta Holdco S.à r.l. were contributed in the share capital of LSF9 Balta Issuer S.à r.l. for an amount of €152.9 million prior to the IPO.

Key management compensation

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

Key management compensation is in line with FY2016 and will be further updated in the annual report of 2017.

Certain members of the Management Committee are entitled to a share related bonus payment pursuant to a phantom share bonus scheme with Balta NV.

Balances arising from daily operations:

(€ thousands)	June 30, 2017	December 31, 2016
Other payables to related parties	5,977	54

The balances mainly arise from current accounts positions at year end and quarter 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.

The amount of €6.0 million, as at June 30, 2017, includes in majority the transaction expenses recharged from Balta Group NV.

Note 30. Subsequent events

On 18 July 2017, Balta announced that it has renegotiated and obtained more favourable commercial terms in respect of its European super senior revolving credit facility, including a reduction of the margin from the original 3.75% p.a. in August 2015 to an average margin below 1.80% p.a. at current leverage. At the same time, the facility was increased from €45 million to €68 million.

On 28 July 2017, the Company announced the partial redemption of €7.8 million of the Notes, reducing the aggregate principal amount to €261.0 million.