balta

LSF9 Balta Issuer S.à.r.l

Senior Secured Notes due 2024
Q3 2021 - Period ended September 30, 2021

2021 QUARTERLY REPORT

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1. Key Figures

(€ thousands)	Q3 2021	Q3 2020
Results		
Revenue	**151,455**	**144,399**
Adjusted EBITDA	**20,951**	**21,805**
Adjusted EBITDA Margin	**13.8%**	**15.1%**
Integration and restructuring expenses	2,074	(1,187)
EBITDA	**23,025**	**20,618**
Depreciation / amortisation	(9,440)	(9,690)
Operating profit / (loss) for the period	**13,585**	**10,928**
Net finance expenses	(6,917)	(7,833)
Income tax benefit / (expense)	(5,554)	(2,327)
Profit/(loss) for the period	**1,114**	**767**

(€ thousands)	YtD 2021	YtD 2020
Results		
Revenue	**469,761**	**410,781**
Adjusted EBITDA	**65,119**	**40,014**
Adjusted EBITDA Margin	**13.9%**	**9.7%**
Integration and restructuring expenses	(8,881)	(3,805)
EBITDA	**56,238**	**36,209**
Depreciation / amortisation	(28,674)	(29,568)
Operating profit / (loss) for the period	**27,564**	**6,641**
Net finance expenses	(22,627)	(21,554)
Income tax benefit / (expense)	(7,152)	(1,189)
Profit/(loss) for the period	**(2,216)**	**(16,101)**
Cash flow		
Cash at beginning of period	106,289	19,241
Net cash generated / (used) by operating activities	8,019	69,590
Net cash used by investing activities	(19,149)	(16,460)
Net cash generated / (used) by financing activities	(41,516)	45,484
Cash at end of period	53,643	117,855

Financial position

In relation to Balta's financing agreements, the documentation provides for the effect of changes in accounting standards to be neutralized. As such, the application of IFRS 16 has no consequence for the Group's financing.

(€ thousands)	Q3 2021	Q3 2020
Net debt[1]	282,781	241,030
Leverage	3.3	4.7

Note 1: IFRS 16 effect is excluded from the leverage comparison (see glossary)

2. Management discussion and analysis of the results

2.1. Group Highlights

- Q3 consolidated Revenue of €151.5m, higher than Q3 2020 by €7.1m (+4.9% YoY).
  - Organic revenue improved by 4.9%, while FX effects were negligible
  - Revenue growth by division: Rugs +8.7%, Residential -3.6%, Commercial +9.9%
- Q3 Adjusted EBITDA slightly reduced to €21.0m from €21.8m in Q3 of last year (-4.0% YoY), with an Adjusted EBITDA margin of 13.8% compared to 15.1% in Q3 2020.
  - Rugs +€1.6m YoY
  - Residential -€3.1m YoY
  - Commercial +€0.8m YoY
- While slightly below Q3 2020, Q3 2021 Adjusted EBITDA was 21.4% higher than in Q3 2019.
- Net Debt at the end of Q3 2021 increased by 9.4% to €322.5m compared to the end of H1 2021 due to higher working capital, mainly as a result of cost increases in raw materials. Leverage[1] at the end of Q3 2021 was 3.3x compared to 3.0x at the end of H1 2021.
- Total available liquidity amounted to €71.1m at the end of Q3 2021, comprising cash of €53.6m and €17.5m headroom under our revolving credit facilities.

2.2. Business Update

- The results in Q3 2021 reflect better prices and product mix, as well as the impact of our NEXT initiatives. Fixed expenses normalised as our activities continued to recover to pre-pandemic levels.
- Price increases in all divisions partially compensated for the significantly higher raw materials, transportation and more recent energy costs impacting our industry. Cost of Goods Sold in Q3 has still somewhat benefitted from the lower cost of raw materials purchased earlier in the year, although this effect is coming to an end.
- Our volumes in the Commercial division are slower to recover than in Rugs and Residential and are still below pre-COVID-19 levels, however Q3 saw an improving US market.
- Net cashflow during Q3 2021 saw an outflow of €33.8m. Higher inventory, due to increasing raw material costs, and higher accounts receivables, as sales increased, accounted for most of the cash outflow.
- Our NEXT program continued to deliver strong results in Q3 2021. Operational NEXT savings added €5m to our YTD 2021 Adjusted EBITDA versus 2020. Top-line NEXT initiatives delivered €42m of incremental revenue YTD 2021 versus 2020. Overall, NEXT results are ahead of target.

[1] Excluding IFRS 16 impact but including sale and leaseback

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

"Trading in the third quarter of 2021 added to the strong record of improvement over the last 15 months. Our YTD 2021 Adjusted EBITDA ended well above the same periods in 2019 and 2020. Revenue in the Commercial division, which has been slower to recover from the pandemic, grew compared to Q3 2020, mainly due to a recovery in the US construction sector.

In Q3, the strong increase in raw material and transportation costs first seen by the industry in Q2 2021 started to significantly impact Balta's Cost of Goods Sold. While the start of the quarter still saw some benefit from the lower cost of raw materials purchased earlier in the year, this effect is coming to an end. As well as focussing on growing our business and continuously improving efficiency through our NEXT program, Balta has implemented price increases across all divisions to pass on the inflationary pressure. The significant energy cost increases in Europe started to impact us as from September and will require further action."

3. Operating review per segment

3.1. Revenue and Adjusted EBITDA per segment

3.1.1. Q3 2021

(€ million, unless otherwise mentioned)	***Q3 2021***	**Q3 2020**	**% Change**	**o/w organic growth**	**o/w FX**
Rugs	52.5	48.3	8.7%		
Commercial	48.9	44.5	9.9%		
Residential	45.5	47.1	(3.6)%		
Non-Woven	4.6	4.4	2.9%		
Consolidated Revenue	**151.5**	**144.4**	**4.9%**	**4.9%**	**(0.0)%**
Rugs	8.5	6.9	22.3%		
Commercial	7.9	7.1	10.6%		
Residential	4.2	7.3	(42.5)%		
Non-Woven	0.4	0.5	(15.5)%		
Consolidated Adjusted EBITDA	**21.0**	**21.8**	**(4.0)%**	**(3.5)%**	**(0.4)%**
Rugs	16.1%	14.3%			
Commercial	16.2%	16.1%			
Residential	9.2%	15.4%			
Non-Woven	9.6%	11.7%			
Consolidated Adjusted EBITDA Margin	**13.8%**	**15.1%**			

Note: the segment table has been copied from the press release issued by Balta Group NV, where EBITDA is €0.03m higher than at LSF9 Balta Issuer level due to a markup on management services provided at level of Balta Group NV and then charged to LSF9 Balta Issuer and subsidiaries.

3.1.2. YtD 2021

(€ million, unless otherwise mentioned)	*YTD Q3 2021*	YTD Q3 2020	% Change	o/w organic growth	o/w FX
Rugs	177.3	132.6	33.7%		
Commercial	141.9	145.0	(2.1)%		
Residential	137.9	119.9	15.0%		
Non-Woven	12.6	13.2	(4.8)%		
Consolidated Revenue	**469.8**	**410.8**	**14.4%**	**15.8%**	**(1.4)%**
Rugs	29.6	8.0	271.3%		
Commercial	23.0	21.1	9.0%		
Residential	12.1	10.3	17.3%		
Non-Woven	0.5	0.7	(29.0)%		
Consolidated Adjusted EBITDA	**65.2**	**40.1**	**62.6%**	**65.6%**	**(3.1)%**
Rugs	16.7%	6.0%			
Commercial	16.2%	14.5%			
Residential	8.8%	8.6%			
Non-Woven	4.1%	5.4%			
Consolidated Adjusted EBITDA Margin	**13.9%**	**9.8%**			

Note: the segment table has been copied from the press release issued by Balta Group NV, where EBITDA is €0.07m higher than at LSF9 Balta Issuer level due to a markup on management services provided at level of Balta Group NV and then charged to LSF9 Balta Issuer and subsidiaries.

3.2. Rugs

Our Rugs division realised Q3 2021 revenue of €52.5m, up 8.7% versus Q3 2020 driven by favourable pricing and strong sales in the US.

Adjusted EBITDA in Q3 2021 was €8.5m with a margin of 16.1%, an improvement over the comparable period last year due to favourable pricing and improved product mix in major territories. Currency impacts are slightly favourable, mainly due to a weaker Turkish Lira.

3.3. Commercial

Our Commercial division realised Q3 2021 revenue of €48.9m, up 9.9% versus Q3 2020 supported by higher average pricing and improved volumes in the US.

Adjusted EBITDA in Q3 2021 was €7.9m, up from €7.1m in Q3 2020. Adjusted EBITDA margin was 16.2% benefitting from the improving US market.

3.4. Residential

Our Residential division realised Q3 2021 revenue of €45.5m, -3.6% versus a strong Q3 2020 reflecting lower volumes at better pricing.

Adjusted EBITDA in Q3 2021 was €4.2m, down from €7.3m in a strong Q3 2020. Even though price increases were implemented in all markets, margins were impacted by lower volumes and higher material costs.

4. Other financial items review

4.1. Integration and Restructuring Expense

Non-recurring expenses for integration and restructuring over the first nine months of 2021 amounted to an expense of €8.9m, as compared to €3.8m expense in the same period last year. The expense in the current period is mainly related to the one-off cost of extending the Senior Secured notes as well as other non-recurring advisory services.

4.2. Net financing expenses

Net finance expenses for the first nine months of 2021 are equal to €22.7m, as compared to €21.6m in the same period last year. This increase is mainly driven by the one-off recognition in P&L of the remaining capitalized expenses on the refinanced Senior Secured notes due September 2022 (€2.5m).

4.3. Taxation

Income tax cost is equal to €7.2m for the nine months ended September 30, 2021. This compares to a cost of €1.2m in the same period last year. The reason is a deferred tax cost of €3.2m and an income tax expense of €4.0m for the period. The deferred tax cost is primarily driven by the non-recognition of a deferred tax asset for exceptional costs while the income tax expense is driven by the strong YoY improvements in pre-tax results. The normalized effective tax rate of the Group is around 25%.

4.4. Earnings per share

Net earnings per share for the first nine months of 2021 were a loss of €0.02, compared to a loss of €0.12 for the same period last year.

4.5. Cashflow and net debt

Net debt at the end of September 2021 is equal to €322.5m, versus €283.2m at the end of December 2020. The increase in net debt was primarily driven by higher working capital largely caused by increased raw material prices as well as the exceptional refinancing fees (reported net Debt Q3 2021 of €322.5m includes €39.7m IFRS16 impact).

5. Risk Factors

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

6. Consolidated Interim Financial Statements

6.1. Consolidated Statement of Comprehensive Income

(€ thousands)	Q3 2021	Q3 2020	YtD 2021	YtD 2020
I. CONSOLIDATED INCOME STATEMENT				
Revenue	151,455	144,399	469,761	410,781
Raw material expenses	(71,163)	(53,850)	(213,940)	(170,102)
Changes in inventories	5,353	(9,688)	17,342	(20,609)
Employee benefit expenses	(37,232)	(36,093)	(122,717)	(109,772)
Other income	219	706	2,248	1,753
Other expenses	(27,681)	(23,669)	(87,577)	(72,037)
Depreciation/ amortization	(9,440)	(9,690)	(28,674)	(29,568)
Adjusted Operating Profit [1]	**11,511**	**12,115**	**36,444**	**10,446**
Integration and restructuring expenses	2,074	(1,187)	(8,881)	(3,805)
Operating profit / (loss) [1]	**13,585**	**10,928**	**27,564**	**6,641**
Finance income	68	(79)	69	1
Finance expenses	(6,985)	(7,754)	(22,696)	(21,554)
Net finance expenses	**(6,917)**	**(7,833)**	**(22,627)**	**(21,554)**
Profit / (loss) before income taxes	**6,667**	**3,095**	**4,937**	**(14,912)**
Income tax benefit / (expense)	(5,554)	(2,327)	(7,152)	(1,189)
Profit / (loss) for the period from continuing operations	**1,114**	**767**	**(2,216)**	**(16,101)**
Profit/ (loss) for the period from discontinued operations	-	-	-	-
Profit/(loss) for the period	**1,114**	**767**	**(2,216)**	**(16,101)**
Attributable to:				
Equity holders	1,114	767	(2,216)	(16,101)
Non-controlling interest	-	-	-	-
II. CONSOLIDATED OTHER COMPREHENSIVE INCOME				
Items in other comprehensive income that may be subsequently reclassified to P&L				
Exchange differences on translating foreign operations	3,111	(10,595)	3,062	(16,565)
Changes in fair value of hedging instruments qualifying for cash flow hedge accounting	126	(288)	58	281
Items in other comprehensive income that will not be reclassified to P&L				
Changes in deferred taxes	16	90	(50)	(9)
Changes in employee defined benefit obligations	40	(72)	236	51
Other comprehensive income for the period, net of tax	**3,293**	**(10,864)**	**3,305**	**(16,242)**
Total comprehensive income for the period	**4,407**	**(10,097)**	**1,089**	**(32,344)**
Basic and diluted earnings per share from continuing operations attributable to the ordinary equity holders of the company	**0.01**	**0.01**	**(0.02)**	**(0.12)**

(1) Adjusted Operating Profit / Operating profit/(loss) are non-GAAP measures (see glossary).

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

6.2. Consolidated Statement of Financial Position

(€ thousands)	30 Sept 2021	31 Dec 2020
Property, plant and equipment	309,231	312,288
Of which IFRS 16 related right-of-use assets (excluding sale-and-leaseback)	*36,730*	*34,030*
Land and buildings	169,121	170,545
Plant and machinery	130,520	131,624
Other fixtures and fittings, tools and equipment	9,590	10,118
Goodwill	193,861	189,952
Other intangible assets	9,799	9,466
Deferred income tax assets	6,737	8,259
Trade and other receivables	709	815
Total non-current assets	**520,337**	**520,780**
Inventory	172,911	125,072
Derivative financial instruments	34	-
Trade and other receivables	55,158	50,581
Current income tax assets	695	334
Cash and cash equivalents	53,643	106,289
Total current assets	**282,442**	**282,276**
Total assets	**802,778**	**803,056**
Share capital	137,848	137,848
Share premium	155,486	155,486
Other comprehensive income	(54,733)	(58,037)
Retained earnings	235	2,450
Other reserves	(14,283)	(14,283)
Total equity	**224,554**	**223,464**
Senior Secured Notes	233,630	233,936
Bank and Other Borrowings	73,532	74,513
Of which IFRS 16 related lease liabilities (excluding sale-and-leaseback)	*31,773*	*29,515*
Deferred income tax liabilities	40,068	38,404
Provisions for other liabilities and charges	2,152	2,487
Employee benefit obligations	3,562	3,643
Total non-current liabilities	**352,943**	**352,982**
Senior Secured Notes	1,606	3,425
Bank and Other Borrowings	65,188	73,981
Of which IFRS 16 related lease liabilities (excluding sale-and-leaseback)	*7,939*	*6,846*
Derivative financial instruments	-	103
Other payroll and social related payables	32,884	33,837
Trade and other payables	123,698	112,242
Income tax liabilities	1,905	3,020
Total current liabilities	**225,281**	**226,609**
Total liabilities	**578,225**	**579,592**
Total equity and liabilities	**802,778**	**803,056**

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

6.3. Consolidated Statement of Cash Flows

(€ thousands)	YtD 2021	YtD 2020
I. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit / (loss) for the period	**(2,216)**	**(16,101)**
Adjustments for:		
Income tax expense/(income)	7,152	1,189
Finance income	(69)	(1)
Financial expense	22,696	21,554
Depreciation, amortisation	28,674	29,568
(Gain)/loss on disposal of non-current assets	(40)	(32)
Movement in provisions and deferred revenue	(241)	(114)
Fair value of derivatives	(80)	(349)
Cash generated before changes in working capital	**55,877**	**35,714**
Changes in working capital:		
Inventories	(48,710)	31,701
Trade receivables	(8,260)	4,377
Trade payables	9,200	(6,324)
Other working capital	5,375	8,215
Cash generated after changes in working capital	**13,482**	**73,683**
Net income tax (paid)	(5,463)	(4,093)
Net cash generated / (used) by operating activities	**8,019**	**69,590**
II. CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(17,766)	(14,957)
Acquisition of intangibles	(1,881)	(1,503)
Proceeds from non-current assets	497	-
Net cash used by investing activities	**(19,149)**	**(16,460)**
IIII. CASH FLOW FROM FINANCING ACTIVITIES		
Interest and other finance charges paid, net	(23,363)	(22,216)
Proceeds from borrowings with third parties	-	113,416
Repayments of Senior Secured Notes	(243)	-
Repayments of Senior Term Loan Facility	-	(35,019)
Repayments of borrowings with third parties	(17,910)	(10,698)
Net cash generated / (used) by financing activities	**(41,516)**	**45,484**
NET INCREASE/ (DECREASE) IN CASH AND BANK OVERDRAFTS	**(52,646)**	**98,613**
Cash, cash equivalents and bank overdrafts at the beginning of the period	106,289	19,241
Cash, cash equivalents and bank overdrafts at the end of the period	53,643	117,855

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

6.4. Consolidated Statement of Changes in Equity

(€ thousands)	Share capital	Share premium	Other comprehensive income	Retained earnings	Other reserves	Total	Non-controlling interest	Total equity
Balance at 31 December 2019	**137,848**	**155,486**	**(37,111)**	**15,116**	**(14,283)**	**257.056**	**-**	**257.056**
Profit / (loss) for the period	-	-	-	(12,646)	-	(12.646)	-	(12.646)
Other comprehensive income								
Exchange differences on translating foreign operations	-	-	(21,287)	-	-	(21.287)	-	(21.287)
Changes in fair value of hedging instruments qualifying for cash flow hedge accounting	-	-	116	(19)	-	97	-	97
Cumulative changes in deferred taxes	-	-	(45)	-	-	(45)	-	(45)
Cumulative changes in employee defined benefit obligations	-	-	290	-	-	290	-	290
Total comprehensive income for the period	**-**	**-**	**(20.926)**	**(12.665)**	**-**	**(33.591)**	**-**	**(33.591)**
Balance at 31 December 2020	**137,848**	**155,486**	**(58,037)**	**2,450**	**(14,283)**	**223,464**	**-**	**223.464**
Profit / (loss) for the period	-	-	-	(2,216)	-	(2,216)	-	(2,216)
Other comprehensive income								
Exchange differences on translating foreign operations	-	-	3,062	-	-	3,062	-	3,062
Changes in fair value of hedging instruments qualifying for cash flow hedge accounting	-	-	58	-	-	58	-	58
Cumulative changes in deferred taxes	-	-	(50)	-	-	(50)	-	(50)
Cumulative changes in employee defined benefit obligations	-	-	236	-	-	236	-	236
Total comprehensive income for the period	**-**	**-**	**3,305**	**-**	**-**	**3,305**	**-**	**3,305**
Balance at 30 September 2021	**137,848**	**155,486**	**(54,733)**	**235**	**(14,283)**	**224,554**	**-**	**224,554**

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

6.5. Selected Explanatory Notes to the Condensed Consolidated Interim Financial Statements

6.5.1. Significant Accounting Policies

These consolidated condensed interim financial statements for the nine months ended September 30, 2021 have been prepared in accordance with IAS 34 *Interim financial reporting*. They do not include all the notes of the type normally included in an annual report. Accordingly, this report is to be read in conjunction with the annual report for the year ended December 31, 2020 and any public announcements made by the Balta Group during the interim reporting period.

The amounts in this document are presented in thousands of euro, unless otherwise stated. Rounding adjustments have been made in calculating some of the financial information included in these consolidated condensed interim financial statements.

The accounting policies are consistent with those of the previous financial year and corresponding interim period, except for the adoption of new and amended standards as set out below.

New and amended standards adopted by the Group

The following new standards, amendments and interpretations to standards have been issued, but have not been endorsed by the European Union or are considered to have a limited impact on the financial statements of 2021. The Group intends to adopt these standards and interpretations if they have a material impact and when they become effective.

- Amendments to IAS 1, Presentation of financial statements' on classification of liabilities (effective 1 January 2023).
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (effective 1 January 2023).
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (effective 1 January 2023).
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective 1 January 2023).
- A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 17 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16 (effective 1 January 2022).

6.5.2. Segment Reporting

Segment information is presented in respect of the Company's business segments. The performances of the segments is reviewed by the chief operating decision maker, which is the Management Committee.

(€ thousands)	Q3 2021	Previous reported figures (1)	YtD 2021	Previous reported figures (1)
Revenue by segment	**151,455**	**144,399**	**469,761**	**410,781**
Rugs	52,531	48,307	177,303	132,629
Commercial	48,889	44,501	141,946	144,975
Residential	45,457	47,142	137,904	119,929
Non-Woven	4,578	4,449	12,609	13,248
Revenue by geography	**151,455**	**144,399**	**469,761**	**410.781**
Europe	90,494	88,150	266,033	229,643
North America	49,484	45,732	168,581	156,699
Rest of World	11,477	10,517	35,147	24,438
Adjusted EBITDA by segment	**20,951**	**21,805**	**65,119**	**40,014**
Rugs	8,430	6,900	29,537	7,947
Commercial	7,910	7,140	22,954	21,030
Residential	4,170	7,245	12,117	10,319
Non-Woven	440	520	511	719
Net capital expenditure by segment	**6,213**	**4,654**	**19,149**	**16,460**
Rugs	2,227	1,325	7,348	4,672
Commercial	952	1,491	3,732	4,569
Residential	2,932	1,732	7,729	6,920
Non-Woven	101	106	340	299
Inventory by segment	**172,911**	**125,072**	**172,911**	**125,072**
Rugs	74,717	53,621	74,717	53,621
Commercial	35,240	31,545	35,240	31,545
Residential	58,131	36,132	58,131	36,132
Non-Woven	4,822	3,774	4,822	3,774
Trade receivables by segment	**51,153**	**42,335**	**51,153**	**42,335**
Rugs	15,728	12,101	15,728	12,101
Commercial	18,268	16,010	18,268	16,010
Residential	16,433	13,596	16,433	13,596
Non-Woven	724	628	724	628

Note 1: For Revenue, Adjusted EBITDA and Capital Expenditure, the previous reporting period refers to September 30, 2020. The previous reported period for Net Inventory and Trade Receivables refers to December 31, 2020.

6.5.3. Integration and Restructuring Expenses

The following table sets forth integration and restructuring expenses for the period ended September 30, 2021 and 2020. This comprises various items which are considered by management as non-recurring or unusual by nature.

(€ thousands)	Q3 2021	Q3 2020	YtD 2021	YtD 2020
Integration and restructuring expenses	**(2,074)**	**1,187**	**8,881**	**3,805**
Corporate restructuring	(752)	590	10,235	1,796
Business restructuring	(1,332)	742	(1,332)	2,392
Other	10	(145)	(23)	(384)

Integration and restructuring expenses over the first nine months of 2021 amounted to €8.9m, as compared to €3.8m in the same period last year. The expense in the current period is mainly driven by the one-off cost of extending the Senior Secured notes as well as other non-recurring advisory services.

6.5.4. Goodwill

The goodwill increased by €3.9m from €190.0m as of December 31, 2020 to €193.9m as of September 30, 2021. The increase in goodwill reflects the changes in foreign exchange rate from the US dollar to euro from the date of acquisition of Bentley. The related foreign exchange fluctuations are presented in other comprehensive income. We have performed an impairment analysis per H1 and no triggering events have occurred since then.

6.5.5. Net Debt Reconciliation

The following table reconciles the net cash flow to movements in net debt:

	Liabilities from financing activities							*Cash and Cash equivalents*	
(€ thousands)	**Senior Secured Notes due after 1 year**	**Senior Secured Notes due within 1 year**	**Lease liabilities due after 1 year**	**Lease liabilities due within 1 year**	**Super Senior RCF**	**Bentley RCF**	**Total gross financial debt**	**Cash and Cash equivalents**	**Total net financial debt**
Net debt as at 31 December 2020	**(234,900)**	**(5,360)**	**(75,189)**	**(11,236)**	**(55,486)**	**(7,342)**	**(389,514)**	**106,289**	**(283,225)**
Cashflows	-	-	-	-	-	-	**-**	(52,646)	**(52,646)**
Proceeds of borrowings with third parties	-	-	-	-	-	-	**-**	-	**-**
Repayments of borrowings with third parties	243	-	-	7,425	10,485	-	**18,153**	-	**18,153**
Non- cash movements	-	3,298	1,044	(8,581)	(96)	(441)	**(4,776)**	-	**(4,776)**
Net debt as at 30 September 2021	**(234,657)**	**(2,062)**	**(74,145)**	**(12,392)**	**(45,097)**	**(7,783)**	**(376,137)**	**53,643**	**(322,493)**

The net debt at the end of Q3 2021 amounts to € 322.5m, compared to €283.2m per Q4 2020. The table above does not include the movements in capitalized financing fees, or the interest paid.

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

6.5.6. Related Party Transactions

The related party transactions with shareholders and parties related to the shareholders have not substantially changed in nature and impact compared to the year ended December 31, 2020 and hence no updated information is included in this interim report.

The remuneration of key management is determined on an annual basis, therefore, no further details are included in this interim report.

6.5.7. Commitments

There is no significant evolution to report in terms of commitments. Please refer to Note 36 ‘Commitments’ in the IFRS Financial Statements of the 2020 annual report.

6.5.8. Events After the Statement of Financial Position Date

Balta Group NV (Balta Group) is pleased to announce that it has entered into a binding agreement to sell its Rugs, Residential polypropylene (Residential PP) and Non-Woven businesses, together with the Balta brand, to Victoria PLC (the Transaction, the Divested Businesses). Completion of the Transaction is subject to certain conditions precedent, most of which are operational in nature and involve the carve out of the Divested Businesses.

The Transaction has an enterprise value on a debt and cash free basis of €225m and is expected to close at the beginning of Q2 2022.

The Transaction will allow the remaining Group to focus on developing its commercial businesses in Europe and the United States under the main brands modulyss and Bentley Mills, as well as its premium European Residential polyamide (Residential PA) business (ITC). These businesses are yet to fully recover from the effects of pandemic restrictions. The remaining Group has a stronger cash flow and balance sheet, as well as a reduced risk profile. A higher average EBITDA margin and better cash conversion will enable more investment in sustainability and growth through innovation, manufacturing optimization and more agile digital solutions. Being more focused and less complex is also expected to improve overall efficiency. Furthermore, the impact of currency fluctuations and international transport costs will be significantly reduced in the remaining Group.

The Transaction will significantly reduce Balta Group’s absolute debt and is expected to deleverage the Group’s balance sheet at the time of completion based on expected FY21 full year results.

If the Transaction had occurred on 1 January 2021, unaudited pro-forma results for the remaining Balta Group YTD Q3 would have been:

(€ million, unless otherwise mentioned)	**YTD Q3 2021**	**YTD Q3 2020**	**% Change**
Commercial	141.9	145.0	(2.1)%
Residential PA	58.1	46.8	24.1%
Consolidated Revenue	**200.1**	**191.8**	**4.3%**
Commercial	23.0	21.1	9.0%
Residential PA	8.3	4.1	102.8%
Consolidated Adjusted EBITDA	**31.2**	**25.1**	**24.2%**
Commercial	16.2%	14.5%	
Residential PA	14.2%	8.7%	
Consolidated Adjusted EBITDA Margin	**15.6%**	**13.1%**	

If the Transaction had occurred on 1 January 2021, the unaudited pro-forma YTD Q3 results of the Divested Businesses would have been:

(€ million, unless otherwise mentioned)	**YTD Q3 2021**	**YTD Q3 2020**	**% Change**
Consolidated Revenue	**269.7**	**219.0**	**23.2%**
Consolidated Adjusted EBITDA	**33.9**	**14.9**	**127.1%**
Consolidated Adjusted EBITDA Margin	**12.6%**	**6.8%**	

The Balta Group has secured a commitment to provide a facility after the Transaction completes in the form of new senior secured notes. This facility, together with the cash proceeds from the Transaction, will provide holders of our existing senior secured notes (Notes) the opportunity to retain their Notes or to receive a cash payment for their Notes.

As part of our drive to simplify the organisation and move in pace with our markets, we created a new Business Unit on 22nd November 2021, Commercial and Residential Europe, to align our business model with customer needs and move towards a more agile and flexible approach. Emmanuel Rigaux, previously Chief Transformation Officer, has been appointed as the Business Unit's Managing Director.

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

"I am pleased that we have achieved this mutually beneficial agreement with Victoria PLC. While our Rugs, Residential PP and Non-Woven businesses have found a new owner with a great operational fit, the Transaction will allow the remaining Group to focus on its Commercial businesses in Europe and the United States and their expected recovery after the lifting of pandemic restrictions, and on its premium European Residential PA business. The remaining Group has a stronger cash flow and balance sheet, as well as a reduced risk profile, allowing us to invest in growth and strengthen our position across markets.

Until the Transaction closes, we will continue to run our businesses "as usual" and our employees and customers remain a top priority. Customers will receive a call from their sales representative to explain the next steps in this transforming transaction."

Philippe Hamers, CEO of Victoria said,

"This selective acquisition of two highly complementary businesses will be significantly value creating for Victoria's shareholders. The rugs division has been hugely successful over many years and there are very material operating synergies between the carpet division and Victoria's existing business. These are both businesses that Victoria already knows extremely well."

7. Glossary: Alternative Performance Measures

The following alternative performance measures (non-IFRS) have been used as management believes that they are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. The alternative performance measures may not be comparable to similarly titled measures of other companies, have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results, our performance or our liquidity under IFRS.

Organic Growth is defined as growth excluding (i) FX impact, which comprises the translation of key foreign entities, (ii) M&A impact and (iii) the impact of IFRS16.

Adjusted EBITDA is defined as operating profit / (loss) adjusted for (i) the impact of the purchase price allocation mainly on change in inventories, (ii) gains on asset disposals, (iii) integration and restructuring expenses, (iv) depreciation / amortization and (v) impairment and write-off.

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

Adjusted Operating Profit/Loss is defined as operating profit/(loss) adjusted for (i) the impact of the purchase price allocation mainly on changes in inventory, (ii) gains on assets disposals, (iii) integration and restructuring expenses and (iv) impairment and write-off.

Gross Debt is defined as (i) Senior Secured Notes adjusted for the financing fees included in the carrying amount and (ii) Bank and other borrowings adjusted for capitalized financing fees.

Net Debt is defined as (i) Senior Secured Notes adjusted for the financing fees included in the carrying amount,(ii) Bank and other borrowings adjusted for capitalized financing fees and (iii) cash and cash equivalents.

Net-investment or net-CAPEX is defined as of the sum of all investments in tangible and intangible fixed assets adjusted for proceeds from sales of fixed assets.

Leverage is defined as the ratio of Net Debt to Adjusted EBITDA (excluding IFRS16 as per financing documentation, except for sale-and-leaseback transactions).

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

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