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Balta announces intention to launch an Initial Public Offering and listing on Euronext Brussels

Sint-Baafs-Vijve, Belgium – Balta Group NV (the "Company" or "Balta"), a global leader in decorative rugs and European leader in residential and commercial carpets, today announces its intention to launch an initial public offering and listing of its ordinary shares on Euronext Brussels (the "Offering"). This announcement is the result of a process initiated at the beginning of this year to actively explore a new capital structure to support Balta's future growth ambitions.

The Offering is expected to comprise a primary offering, consisting of newly issued ordinary shares, and a secondary offering, consisting of ordinary shares which are held by Balta's current shareholder, Lone Star Fund IX ("Lone Star"). The Offering is expected to be made available to institutional and retail investors in Belgium and to certain institutional investors in various other jurisdictions. The Offering is expected to take place in the near future, subject to market conditions, and subject to the approval of the prospectus by the Belgian Financial Services and Market Authority (the "FSMA") and other relevant considerations.

Highlights of Balta

- Balta is a global leader in decorative rugs and European leader in residential and commercial carpets. The Company believes it enjoys #1 positions across its core markets
- Balta's leadership position is based on two main pillars that provide powerful barriers to entry:
 - o Operational excellence on the back of highly automated and efficient, both vertically and horizontally integrated, manufacturing facilities of scale in Belgium, Turkey and the United States



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- Proven track record of excellence in design, product development and innovation and long-standing strategic partnerships with blue-chip customers
- Balta's global presence and balanced exposure to diverse end markets in renovation and home decoration, combined with attractive consumer and flooring market dynamics are expected to drive resilient and sustainable growth
- Balta's recent acquisition of Bentley Mills, Inc. ("Bentley"), a leading provider of premium specified carpet tiles and broadloom carpets, provides a strong presence in the attractive United States commercial market
- On a pro forma basis, taking into account the acquisition of Bentley as if it had occurred on 1 January 2016, the Company achieved revenue of €668 million and adjusted EBITDA ("Adjusted EBITDA")¹ of €97 million for the full year 2016
- After completion of the Offering, a leverage ratio, defined as Net Debt divided by PF² Adjusted EBITDA (last twelve months), of approximately 2.5x is anticipated
- Balta's management team sees attractive consolidation opportunities in rugs, carpets and adjacent market segments and views M&A as an important pillar of the Company's development strategy
- The Company's senior management team, led by CEO Tom Debusschere and CFO Tom Gysens encompasses strong industry and public markets expertise and has a proven track record of acquisitions and integration

Tom Debusschere, CEO of Balta, said:

"Balta's IPO is an exciting milestone in the 53-year history of the group. Our ambition is to continue our transformation into a leading global player in decorative rugs and soft flooring.

We stay the course in commercial carpets USA. Bentley continues to execute its growth strategy with its successful team and independent brand identity.

Our listing on Euronext Brussels is a major step in the realization of our objectives as it will allow us to continue the virtuous cycle of ever faster design and innovation and will strengthen our position to further support the international growth of the company. We strongly believe that this will benefit our Customers, employees and shareholders."

Business overview and key strengths

Balta designs and manufactures decorative rugs and carpets for a broad range of blue-chip furniture and DIY retail chains, independent carpet stores and wholesalers, as well as a wide community of architects and designers in 135 countries. Balta's design teams follow latest fashion trends and create styles tailored to diverse consumer taste worldwide, and engineer the required properties adopted for each floor and interior.

With nine highly automated manufacturing facilities located in Belgium, Turkey and the United States and three dedicated distribution centres in Belgium and the United States, Balta is strategically positioned to serve global markets in a cost-efficient and timely manner.

Leading market position

Balta believes it enjoys leading positions in its markets of choice:

¹ Adjusted EBITDA refers to operating profit / (loss) adjusted for depreciation and amortization, impairments and write-offs, results from acquisitions and disposals, gain from discontinued operations, legal costs and integration and restructuring expenses

² PF includes Bentley (BPS Parent, Inc.)



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- The largest European and the second largest global rugs manufacturer with the leading position in the United States outdoor rugs segment
- The #1 player in the European residential carpets market with the largest market shares in the UK, Germany and Central and Eastern Europe
- Active challenger in the European commercial carpets market currently holding the #3 position³ and a leading player in the United States premium commercial carpets market through the acquisition of Bentley

Attractive consumer and carpet market dynamics

Balta has an attractive end-market exposure which is well-balanced between home decoration (approximately 39% of 2016 PF Adjusted EBITDA) and residential and commercial renovation projects (approximately 46% of PF Adjusted EBITDA), as well as balanced geographically between Europe (approximately 64% of 2016 PF revenue) and North America (approximately 28% of 2016 PF revenue).

Rugs enjoy an ever growing popularity with consumers as an easy and affordable way to improve home and office interiors. In particular, they enhance a room aesthetics and acoustics when put on hard floorings. Increasing automation and value engineering spurred the affordability of machine-woven rugs and has led to a replacement cycle of 4-6 years.

With its growing presence and focus on commercial carpet tiles, Balta is well-positioned to benefit from the expected growth of the market driven by the advantageous features of carpet tiles and favourable trends across corporate, education and healthcare markets in North America and Europe.

The resilient nature of European residential carpet markets is supported by limited cyclicity of residential renovation output, positive demographic macro trends and relatively high stickiness of customer preferences for floorcovering in certain key markets.

Operational excellence creates strong barriers to entry

Balta's market leadership across its markets of choice is supported by strong barriers to entry created by operational excellence at every level. With vertically and horizontally integrated, highly automated, well-invested and strategically located manufacturing facilities of scale, Balta enjoys significant competitive advantage.

Excellence in design and product innovation

Major blue-chip customers value Balta's in-house innovation and design capabilities and manufacturing know-how, which enable us to create bespoke products with tailored designs, ensure regular updates of collections and provide our customers with high quality products and a reliable service. These factors solidify Balta's position as a trusted strategic and product development partner for the major blue-chip home decoration and flooring retailers, with many of which it has relationships spanning over 15 years.

Track record of profitable growth

Over the last three years, Balta has experienced profitable growth across all its segments which it believes should continue going forward, and steady margin expansion driven by effective pricing power and cost initiatives. Active working capital management and its focus on cash generation has allowed the Company to generate c. €110 million of cumulative free

³ For commercial carpet tiles

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cash flow⁴ over the past three years while simultaneously investing in the asset base to capture future growth opportunities.

Organic and external growth potential

Balta continues to actively pursue numerous opportunities across all segments to ensure a healthy organic growth, for instance by:

- Leveraging its leading position in the outdoor rugs segment to develop its indoor rugs footprint in the United States
- Improving the product mix in residential carpets towards a higher margin innovative offering (e.g. super soft *Satino* carpets)
- Benefitting from cross-selling opportunities in the commercial carpet tiles market arising from the acquisition of Bentley

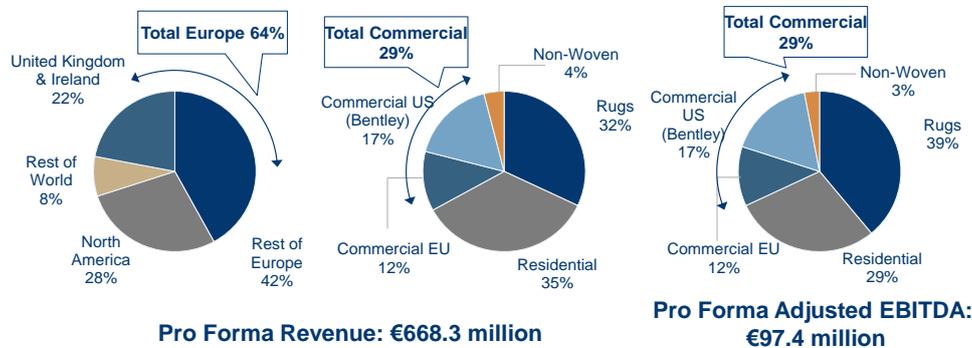
In addition to organic initiatives, the Company is well-positioned to drive the market consolidation by leveraging its scale and track record of operational excellence. The fragmented nature of the market, with numerous high-quality small-scale companies, coupled with Balta’s reputation in the market creates a solid M&A pipeline. With well-defined target selection criteria, a disciplined approach to valuation and integration capabilities, Balta’s management has sufficient resources, expertise and focus to explore further inorganic growth opportunities.

Strategy

Balta’s strategy is built upon the Company’s vision of bringing to customers beautiful design and high quality products at an affordable price. The Company has identified key strategic initiatives and detailed action plans aimed at achieving sustainable value creation for its shareholders by strengthening its market leading positioning, continuing focus on cost effective production and pursuing focused acquisition opportunities. The Company believes it can achieve these strategic objectives by further enhancing and capitalizing on its well-invested core asset base.

Summary financials

Balta has delivered strong revenue growth in recent years with revenue increasing by 3.6% CAGR between 2014 and 2016. In the same period, Group Adjusted EBITDA has increased at a CAGR of 11.8%, with margins expanding by more than 200bps from 12.5% in 2014 to 14.6% in 2016. The recent acquisition of Bentley has significantly enhanced Balta’s business profile by increasing exposure to both the commercial segment and the North American market.



⁴ Defined as Adjusted EBITDA – capex – Δ working capital



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	2014	2015	2016	2014-16 CAGR	2016PF	Q1-16 ⁵	Q1-17PF	Δ
Revenue	520	557	558	3.6%	668	172	183	6.4%
Adjusted EBITDA	65	75	81	11.8%	97	21	23	7.5%
<i>%margin</i>	12.5%	13.6%	14.6%	205bps	14.6%	12.4%	12.6%	
Capex	(29)	(37)	(38)		(45)	(9)	(10)	
Net debt	101	274	269		384		385	
<i>Leverage</i>	1.6x	3.6x	3.3x		3.9x		3.9x	

Pro forma revenue growth in 2017 is expected to benefit from a strong North American market especially in rugs, and from the integration of Bentley which offers a solid platform to further capitalize on North American momentum in the commercial segment. Furthermore, our continued investments in product development and a more tailored sales approach is expected to support our sales and earnings performance across all divisions by underpinning volume and price increases.

Group Q1-17 LTM pro forma revenue is equal to €679.3 million and pro forma Adjusted EBITDA is equal to €99.0 million, corresponding to a 14.6% margin. Net debt at the end of Q1-17 is equal to €385 million, representing a leverage of 3.9 times pro forma Adjusted EBITDA of the latest twelve months.

Mid-term objectives

Balta is targeting the following objectives for purposes of measuring operational performance on a Group-wide levels:

- Revenue growth: mid-single digit percentage point sales growth, despite the lower GBP FX rates post the Brexit referendum negatively affecting a portion of the sales compared to the first half of 2016;
- Adjusted EBITDA: gradual margin improvement, aiming for a run-rate Adjusted EBITDA margin of above approximately 15%; and
- Cash flow: capital expenditure slightly below historical levels with a slight improvement in working capital.

Leadership and governance

The Company benefits from a dynamic and experienced management team with a strong corporate culture, the expertise and the experience needed to continue delivering on strategic plans and sustainably creating value for the shareholders.

Balta has a Management Committee, led by Tom Debusschere as Chief Executive Officer and Tom Gysens as Chief Financial Officer.

Tom Debusschere joined the Balta Group as CEO in 2016. From 2009 to 2016, he served as CEO of Deceuninck NV, a global leader in PVC window and door systems. Prior to

⁵ Represents first quarter 2016 results of Balta with the addition of the first quarter 2016 results of Bentley as adjusted for IFRS and Balta's accounting treatment, and converted into euros

⁶ Balta (together with its subsidiaries, the "Group") has not defined, and does not intend to define, "medium term", and these financial objectives should not be read as indicating that the Group is targeting such metrics for any particular fiscal year. These financial objectives are internal objectives against which the Group measures its operational performance, and they should not be regarded as forecasts or expected results or otherwise as a representation by it or any other person that the Group will achieve these objectives in any time period. The Group's ability to achieve these financial objectives is inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the Group's control, and upon assumptions with respect to future business decisions that are subject to change. As a result, the Group's actual results may vary from these financial objectives, and those variations may be material.



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Deceuninck, Mr. Debusschere was the President of Unilin Decor from 2004 to 2008 and served multiple roles at Deceuninck USA between 1995 and 2004 including General Manager, Vice President of Operations, Vice President of Supply Chain & IT and Director of Logistics & IT. Mr. Debusschere holds a Master of Science in Electromechanical Engineering (magna cum laude) from University of Ghent.

Tom Gysens joined the Balta Group as CFO in 2016. Prior to joining the Balta Group, Mr. Gysens worked for Beaulieu International Group for over ten years, serving as Group CFO from 2008 to 2016 and Group Controller from 2005 to 2008. Before Beaulieu, Mr. Gysens was Financial Projects Manager for Berry Floor Group from 2004 to 2005 and Senior Audit Manager for PricewaterhouseCoopers Bedrijfsrevisoren from 1997 to 2004. He holds a Master in Commercial Engineering (cum laude) and a Master in Accountancy and Auditing (cum laude) from the Catholic University of Leuven.

Capital structure and dividend policy

Subject to the availability of distributable reserves, the Company currently intends to pay a dividend of between 30% to 40% of its net profit for the year based on its consolidated IFRS financial statements (excluding Offering-related fees and commissions for 2017)⁷.

For the 2017 financial year, any amount of dividends would be calculated pro rata such that the Company would pay dividends only in respect of the portion of the financial year for which the Company were listed on Euronext Brussels.

The net debt / adjusted EBITDA (last twelve months) ratio as of 31 March 2017 was 3.9x. The Company intends to raise approximately €137.6 million in net primary proceeds through the Offering (excluding the estimated Offering-related fees and commissions), targeting a pro forma net debt / adjusted EBITDA (last twelve months) of approximately 2.5x⁸.

In conjunction with the acquisition of Balta by Lone Star Fund IX in August 2015, the Balta Group issued 7.750% Senior Secured Notes for a total amount of €290 million maturing in September 2022. At issuance the company faced volatile macro-economic conditions and market backdrop mainly due to the Greece sovereign debt crisis and macro concerns about China. Since then, debt markets have eased and now offer higher volumes and lower pricing. As a consequence, Balta Notes' yields have materially improved with a YTW of 3.20% and a trading value of 109.6 as of May 11th, 2017. This combined with redemption options under the current bond documentation could offer the Company an opportunity to consider its refinancing options, although no firm refinancing plan has been confirmed to date and ability to refinance in the future will remain subject to market conditions.

Offering

The Offering will comprise the sale of newly issued and existing ordinary shares to institutional and retail investors in Belgium and to certain institutional investors internationally.

The Offering is expected to consist of approximately €137.6 million net primary proceeds and a secondary sell down by the current shareholder of existing shares.

⁷ The amount of any dividends and the determination of whether to pay dividends in any year may be affected by a number of factors including the Company's business prospects, cash requirement, including related to any material external growth opportunities, and financial performance, the condition of the market and the general economic climate and other factors, including tax and other regulatory considerations

⁸ The calculation of the adjusted EBITDA is based on the actual results of the first quarter of 2017



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Balta intends to use the net primary proceeds of the Offering to reduce its leverage by redeeming existing debt.

J.P. Morgan Securities plc and Deutsche Bank AG, London Branch have been appointed Joint Global Coordinators; J.P. Morgan Securities plc, Deutsche Bank AG, London Branch and Barclays Bank PLC have been appointed Joint Bookrunners, and ING Belgium SA/NV and KBC Securities NV have been appointed Joint Lead Managers (together with the Joint Global Coordinators and the Joint Bookrunners, the "Banks") in connection with the Offering.

Further details on the Offering will be announced in due course.

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About Balta:

Balta is a leading manufacturer of textile floor coverings, selling to over 135 countries worldwide. The Balta divisions are Balta Rugs (woven area rugs), Balta Residential Carpets & Tiles (under the brands Balta and ITC), Balta Commercial Carpets & Tiles (under the brands modulyss, Arc Edition and Bentley), and Balta Non-Woven (under the brand Captiqs). Balta employs over 3,600 FTEs in 9 manufacturing sites and in distribution centres in Belgium, Turkey and the United States.

About Lone Star:

Lone Star Funds ("Lone Star") is a leading private equity firm that invests globally in real estate, operating companies, credit and other financial assets. Since the establishment of its first fund in 1995, Lone Star has organized seventeen private equity funds (the "Funds") with aggregate capital commitments totalling over \$70 billion.

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The Securities are not and will not be registered under the U.S. Securities Act of 1933, as amended (the Securities Act) and may not be offered or sold in the United States absent registration or an exemption from the registration requirements of the Securities Act. The Company has no intention to register any part of the offering in the United States or make a



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The Company has not authorised any offer to the public of Securities in any Member State of the European Economic Area other than Belgium. With respect to any Member State of the European Economic Area, other than Belgium, which has implemented the Prospectus Directive (each a Relevant Member State), no action has been undertaken or will be undertaken to make an offer to the public of Securities requiring publication of a prospectus in any Relevant Member State. As a result, the Securities may only be offered in Relevant Member States (i) to any legal entity which is a qualified investor as defined in the Prospectus Directive; or (ii) in any other circumstances falling within Article 3(2) of the Prospectus Directive. For the purpose of this paragraph, the expression "offer of securities to the public" means the communication in any form and by any means of sufficient information on the terms of the offer and the Securities to be offered so as to enable the investor to decide to exercise, purchase or subscribe for the Securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State.

No action has been taken by the Company that would permit an offer of Securities or the possession or distribution of these materials or any other offering or publicity material relating to such Securities in any jurisdiction where action for that purpose is required.

The release, publication or distribution of these materials in certain jurisdictions may be restricted by law and therefore persons in such jurisdictions into which they are released, published or distributed, should inform themselves about, and observe, such restrictions.

This announcement does not constitute a prospectus. An offer to acquire Securities pursuant to the proposed offering will be made, and any investor should make his investment, solely on the basis of information that will be contained in the prospectus to be made generally available in Belgium in connection with such offering. When made generally available, copies of the prospectus may be obtained at no cost from the Company or through the website of the Company.

Certain financial data included in this press release are "non-IFRS financial measures." These non-IFRS financial measures may not be comparable to similarly titled measures presented by other entities, nor should they be construed as an alternative to other financial



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measures determined in accordance with International Financial Reporting Standards. Although Balta believes these non-IFRS financial measures provide useful information to users in measuring the financial performance and condition of its business, users are cautioned not to place undue reliance on any non-IFRS financial measures or any ratios included in this presentation.

The financial information included in this press release includes preliminary figures that have not been subject to an audit or review by any independent auditor in accordance with any generally accepted auditing standards. This presentation also includes certain unaudited pro forma consolidated financial information. The unaudited pro forma adjustments are based upon available information and certain assumptions that Balta management believes to be reasonable. Neither the assumptions underlying the pro forma adjustments nor the resulting unaudited pro forma combined financial information have been audited or reviewed in accordance with any generally accepted auditing standards.

This press release may include projections and other “forward-looking” statements within the meaning of applicable securities laws. Any such projections or statements reflect the current views of the issuer about further events and financial performance. No assurances can be given that such events or performance will occur as projected and actual results may differ materially from these projections.

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