(Non-binding translation)

Balta Group NV
Wakkensteenweg 2
B-8710 Wielsbeke
Company number: 0671.974.626

(the **"Company")**

ANNUAL REPORT OF THE BOARD OF DIRECTORS
TO THE SHAREHOLDERS' MEETING OF 26 MAY 2020

Dear shareholders,

In accordance with legal and statutory Belgian regulations, we have the honour to present the annual report of the financial year 2019.

The Company is an holding company whose corporate purpose is the direct or indirect acquisition of shares and the management of the participating interests in Belgium and foreign countries. The Companies' shares are publicly traded. The Company was founded for an indefinite period on 1 March 2017.

1. Comments to the annual accounts

Article 3:6, §1, 1° of the Belgian Code of Companies and Associations ("Belgian Companies Code" or "BCCA") determines the annual report gives information about the annual accounts to provide a true and fair view of the financial position and operations of the Company.

	€
The balance sheet total is:	472,240,525.30
The financial result for the period available for distribution:	88,780.98

The financial fixed assets amount to €468,927,446.90, which is 99% of the balance sheet total.

The Equity at 31 December 2019 is composed as follows:

	2019 (€ thousands)	2018 (€ thousands)	In- or decrease (€ thousands)
Issued capital:	260,590	260,590	0
Share premium account:	65,660	65,660	0
Available reserves:	147,125	147,125	0
Accumulated loss:	-2,049	-2,138	89
Equity:	471,325	471,237	89

The Equity represents 99% of the balance sheet total.

In the schedule below, you can find an overview of the income and charges for the financial year 2019.

	2019 (€ thousands)	2018 (€ thousands)	In- or decrease (€ thousands)
Operating income incl. non-recurring operating income:	2,998	3,634	(636)
Operating charges incl. non-recurring charges:	2,907	3,409	(502)
Operating profit:	91	**225**	**(134)**
Financial income incl. non-recurring financial income:	-	8	(8)
Financial charges incl. non recurring financial charges:	2	7	(5)
Profit for the period before taxes:	89	**225**	**(136)**
Transfer from/to postponed taxes:	-	-	-
Income taxes:	0	-	0
Profit for the period:	89	**225**	**(136)**
Transfer from/to untaxed reserves:	-	-	-
Profit for the period available for apporpriation:	89	**225**	**(136)**

The Board proposes to appropriate the profit as follows:

Profit (loss) to be appropriated	88,780.98	EUR
Profit (loss) to be carried forward	(2,137,819.11)	EUR
Profit (loss) to be appropriated	(2,049,038.13)	EUR
Appropriation of profit (loss)		
Transfers to reserves	-	EUR
Profit (loss) to be carried forward	(2,049,038.13)	EUR
Transfers to capital	-	EUR

We ask you to approve the annual accounts for the year ended 31 December 2019.

2. Reporting and analysis in accordance with article 3:6, §1, 1° of the Belgian Companies Code

In accordance with article 3:6, §1, 1° of the Belgian Companies Code, the following is reported:

The Company itself is not exposed to any operational risks other than those which exist for the Balta Group because the main activity of the Company is to provide services to the Balta Group. We refer to section 7 of this report for an overview of the risks which are defined within the Balta Group.

3. Information concerning significant events after the year-end

In accordance with article 3:6, §1, 2° of the Belgian Companies Code the annual report contains information about significant events which have occurred after the year-end.

In response to the outbreak of the novel coronavirus (COVID-19), which first appeared in China in December 2019 and has since early 2020 been declared a pandemic and spread to every region of the world, governments globally and in the markets in which we operate have implemented strict social distancing measures, including varying degrees of lockdowns and the closure of non-essential businesses, including the businesses of a number of our customers. These measures have resulted in a significant disruption of daily life, and in a significant deterioration of global, regional and national macroeconomic conditions, with each of the markets in which we operate now expected to see negative economic growth for the year. Since the pandemic is an event of 2020, it is a subsequent event of the 2019 closing and has no impact on the 2019 financial statements.

To protect the health and safety of our workforce and customers and to mitigate the effect of COVID-19 on our operations, we have formed an internal COVID-19 taskforce which participates in daily calls and coordinates our response to the situation across the Balta group. In addition, we have implemented a number of measures to reduce our operating costs and manage our cash flows, including the temporary closure of plants as well as a reduction of employee costs, procurement costs and capital expenditures.

Following a strong start to the year, which saw an almost 16% increase in EBITDA in the two months ended 29 February 2020 compared to the same period in 2019, revenues decreased by more than 29% during March 2020 compared to the same period in 2019, mainly as a result of a decrease in orders from customers.

As a result of this reduced demand for our products and to reduce costs and preserve cash, we have temporarily shut down 6 of our 8 plants, which we estimate has reduced our operating costs by approximately 37% in April. Other than these voluntary closures, our plants are fully operational and have not yet been ordered to close by any government or other authority. Additionally, we have put our product launches on hold and we have reviewed all purchases of raw materials and are in negotiations with our suppliers to delay or, where possible cancel, our raw material orders. We estimate that these measures will result in a further reduction of our operating costs by 12% in Q2.

To reduce our employee costs, we have accessed available government unemployment support programmes in Belgium, UK, France and Germany for the vast majority of our workforce in those countries. Additionally, we have implemented a hiring freeze across the entire Balta group, postponed our annual merit-based salary reviews and reduced the monthly compensation of our CEO and the members of our Management Committee and group-wide leadership team by 50%, 40% and 30%, respectively. Our paid directors have also agreed to reduce their director fees by 50%. We believe that these measures will allow us to reduce employee costs by up to 25%. The reduced compensations will not be recaptured.

The current crisis has and will continue to impact our working capital. We are closely monitoring our daily cash flows. To further protect our liquidity position, we have also significantly reduced our marketing costs as well as samples and other capital expenditures by approximately €20m, which we believe is the minimum amount necessary to continue operating our business. Additionally, we are closely monitoring our accounts receivable and accounts payable to manage our cash outflows. As a precautionary measure, to address our short-term liquidity and working capital needs, on 11 March 2020, we drew €72.7m revolving credit facility. As of 31 March 2020, we held cash and cash equivalents in the amount of €80.4m.

As of the date of this report, it is too early to accurately predict the effect of COVID-19. We believe that the COVID-19 situation represents an unprecedented short-term disruption to our business and the wide variations in potential outcomes present a material challenge to our business and industry. We are in regular contact with the governments in our key markets to determine the availability of, and our eligibility for, state aid and other government support measures, including the availability of additional financing.

We are currently forecasting a ramp-up in production beginning in early June 2020, and under this scenario we are estimating that we would be producing at approximately 85% of capacity in the fourth quarter of 2020. We anticipate additional working capital requirements as we begin our production ramp-up. We have assumed that our customers will continue to pay according to invoice terms, and we plan to continue to manage our cash flow conservatively for the duration of the COVID-19 crisis. Based on these assumptions, we are currently forecasting our existing cash on hand and cash flow to be sufficient for our business through our expected production ramp-up, but as a result of the decreasing EBITDA levels we were facing the possibility of breaching our leverage covenant on our €61m RCF financing in Q2 of 2020 and in subsequent quarters where the twelve month period being tested includes months that are impacted by the COVID-19 pandemic. We have proactively reached an agreement with the relevant banks to adjust the covenant calculation for the impact of COVID-19 through Q2 of 2021. We are confident that with this amended calculation of the covenant, a breach will be avoided. Based on the currently available information and forecasts, although visibility remains limited as the pandemic is still progressing, the Group currently believes that it will be able to meet its liabilities and commitments as they fall due across the applicable forecast period and has determined that the going concern basis remains the appropriate basis of preparation for its financial statements. To further strengthen our position, we will likely look at government and other options to raise funds given the uncertainty as to when the COVID-19 crisis will end, and markets will return to normal.

4. Circumstances that could have a significant effect on the development of the Company

In accordance with article 3:6, §1, 3° of the Belgian Companies Code, the annual report contains information on circumstances that could have a significant effect on the development of the Company insofar as this information or circumstances does not harm the Company.

No risks other than the risks associated with the activities of the Company and relating to the activities described above should be mentioned.

5. Research and development

In accordance with article 3:6, §1, 4° of the Belgian Companies Code the annual report contains information of the activities of research and development.

No research and development activities have been executed.

6. Corporate governance statement

This chapter provides information on Balta Group NV's (hereinafter also referred to as "Balta" or the "Company") corporate governance.

Corporate governance charter

Pursuant to article 3:6 § 2, 1°of the Belgian Code of Companies and Associations ("Belgian Companies Code" or "BCCA"), Balta relies on the Belgian Code on Corporate Governance of 12 March 2009 (the "Corporate Governance Code") as a reference code. The Corporate Governance Code can be found on the website of the Belgian Corporate Governance Committee (www.corporategovernancecommittee.be).

As a Belgian headquartered, listed company with a commitment to high standards of corporate governance, the Board adopted a Corporate Governance Charter in May 2017, as required by the Corporate Governance Code. This Corporate Governance Charter is updated regularly and was most recently revised in 2018. It is available for download on the investor relations section of our corporate website www.baltagroup/corporate_governance.

The Company follows the rules provided by the Belgian Corporate Governance Code of 2009, except as explicitly stated otherwise and justified in the Corporate Governance Statement.

Capital and shareholders structure

Capital and capital evolutions

The capital of the Company amounts to €260,589,621 as at 31 December 2019 represented by 35,943,396 shares without nominal value. Each share carries one vote. No capital movements took place in 2019.

Shareholder evolutions
The applicable successive thresholds pursuant to the Law of 2 May 2007 on the disclosure of significant shareholdings in issuers whose shares are admitted to trading on a regulated market and other provisions are set at 5% of the total voting rights, and 10%, 15%, 20% and so on at incremental intervals of 5%.

In the course of 2019, the Company received a transparency declaration from LSF 9 Balta Holdco S.à r.l. on 24 June 2019, stating that by virtue of a disposal of shares on 21 June 2019, it holds at that date 19,640,516 shares of the Company, representing 54.64% of the voting rights. The disposal of shares forms part of the management incentive plan arrangements, implemented at the time of the IPO of the Company, in which LSF 9 Balta Holdco S.à r.l., on behalf of LSF 9 Balta Midco S.à r.l., agreed to transfer 935,635 shares to certain existing and former senior managers of Balta subject to certain conditions. Given that these conditions had been fulfilled, the final part of the shares vested and were transferred to the managers, causing the threshold of 55% to be crossed downwards.

Shareholder structure
The following table shows the shareholder structure on 31 December 2019 based on the notifications made to the Company and the Belgian Financial Services and Markets Authority ("FSMA") by the shareholder listed below in accordance with article 6 of the Belgian law of 2 May 2007 on the notification of significant shareholdings:

	Shareholding	
	Number	**%**
LSF 9 Balta Holdco S.à r.l.	19,640,516	54.64%

The following acquisitions of shares by persons discharging managerial responsibilities ("PDMR") have been notified in the course of 2019:

Name	**Date**	**Number of shares**
Cyrille Ragoucy	9 May 2019	28,000
Tom Gysens	19 June 2019	46,814
Lieven Vandendriessche	19 June 2019	84,543
Marc Dessein	20 June 2019	84,543
Jim Harley	11 July 2019	20,278

Mr Ragoucy acquired the shares on Euronext. The other PDMR's acquired the shares following the vesting of pre-existing management incentive plan arrangements with Lone Star entities (our reference shareholder) following the second anniversary of the IPO.

Dividend policy
Subject to the availability of distributable reserves and the lack of any material external growth opportunities, the Company intends to pay a dividend of between 30% to 40% of its net profits for the year based on its consolidated IFRS financial statements. The amount of any dividend and the determination of whether to pay the dividend in any year may be affected by a number of factors, including the Company's business prospects, cash requirements, and any material growth opportunities.

Shareholders' Meeting
The Company's annual general Shareholders' Meeting took place for the second time on 28 May 2019.

The shareholders acknowledged the annual report and the statutory auditor's report with respect to the statutory and consolidated annual accounts relating to the financial year ending on 31 December 2018 and the consolidated annual account relating to the financial year ending on 31 December 2018. The shareholders also acknowledged the resignation of Kairos Management BVBA, permanently represented by Mr Tom Debusschere, as of 26 August 2018 as director of the Company and its full discharge for the execution of its mandate until 26 August 2018.

The shareholders approved the remuneration report relating to the financial year ending on 31 December 2018. They further approved the statutory annual accounts relating to the financial year ending on 31 December 2018, including the allocation of the results as proposed by the Board of Directors. Both the directors and the statutory auditor were discharged of liability regarding the execution of their mandates during the financial year ending on 31 December 2018. Upon a proposal by the Company's Board of Directors and based on the advice of the Company's Remuneration and Nomination Committee, the shareholders approved the appointment of a new independent director, Mr Itzhak Wiesenfeld, with immediate effect for a four year period, until the annual Shareholders' Meeting resolving on the annual accounts of the financial year ending on 31 December 2022. In accordance with article 7:151 of the Belgian Companies Code, the shareholders also approved the clauses in the Company's long term incentive plan and the CEO's performance share unit ("PSU") agreement, allowing for accelerated PSU vesting in the event of the closing of a public takeover bid on or a change of control over the Company.

Dealing code
On 29 August 2017, the Board approved the Company's Dealing Code in accordance with the EU Market Abuse Regulation EU 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse. The Dealing Code restricts transactions of Balta Group NV securities by members of the Board and the Management Committee, senior management and certain other persons during closed and prohibited periods. The Dealing Code also contains rules concerning the disclosure of intended and executed transactions by leading managers and their closely associated persons through a notification to the Company and to the FSMA. The General Counsel is the Compliance Officer for the purposes of the Balta Dealing Code.

The Board and Committees

Balta NV has a Board of Directors, a Management Committee, an Audit Committee and a Remuneration and Nomination Committee.

Board of Directors

Mandate of the Board

The Board of Directors is vested with the power to perform all acts that are necessary or useful for the realisation of the Company's purpose, except for those actions that are specifically reserved by law or the articles of association for the Shareholders' Meeting or other corporate bodies.

In particular, the Board of Directors is responsible for:

- defining the general policy and strategy of the Company and its subsidiaries;
- deciding on all major strategic, financial and operational matters of the Company;
- overseeing the management by the Chief Executive Officer ("CEO") and other members of the Management Committee; and
- all other matters reserved to and obligations imposed (including disclosure obligations) on the Board of Directors by law or the articles of association.

Composition of the Board of Directors

Pursuant to the articles of association, the Board of Directors must comprise at least five members.

Until 28 May 2019, the Board consisted of eight members, comprising three independent non-executive directors.

Following his temporary appointment as interim CEO on 26 August 2018, Mr Cyrille Ragoucy, the chairman, was appointed as permanent CEO on 1 April 2019.

As a result of this appointment, Mr Ragoucy no longer qualified as an independent director in accordance with article 7:87 §1 of the Belgian Companies Code. For a transitional period, the Board of Directors was composed of two independent non-executive members. On 28 May 2019, the shareholders approved the appointment of a new independent director, Mr Itzhak Wiesenfeld, upon a proposal of the Board of Directors, and based on the advice of the Company's Remuneration and Nomination Committee. On 31 December 2019 the Board of Directors consisted of nine members, again comprising of three independent non-executive directors.

The articles of association entitle LSF9 Balta Holdco S.à r.l., as long as it holds at least 50% of the total number of shares issued by the Company (which is the case), to nominate at least five members to be appointed by the Shareholders' Meeting.

The CEO has been the only executive member of the Board.

Although the term of office of directors under Belgian law is limited to six years (renewable), the Corporate Governance Code recommends that it be limited to four years. The articles of association limit the term of office of directors to four years.

The appointment and renewal of directors is based on a recommendation of the Remuneration and Nomination Committee to the Board of Directors and is subject to approval by the Shareholders' Meeting, taking into account the nomination rights described above.

On 31 December 2019, the Board of Directors was composed as follows:

Name	Position	Director since	Mandate expires
Cyrille Ragoucy	Chairman of the Board and CEO	2017	2021
Michael Kolbeck	Non-Executive Director and chairman of the Remuneration and Nomination Committee	2017	2021
Accelium BVBA, represented by Nicolas Vanden Abeele	Independent Director	2017	2021
Sarah Hedger	Independent Director	2017	2021
Itzhak Wiesenfeld	Independent Director	2019	2023
Neal Morar	Non-Executive Director	2018	2021
Hannah Strong	Non-Executive Director	2017	2021
Jeremy Fryzuk	Non-Executive Director and chairman of the Audit Committee	2017	2021
Patrick Lebreton	Non-Executive Director	2017	2021

Mrs Annelies Willemyns was appointed as Corporate Secretary of the Board of Directors.

- **Cyrille Ragoucy** has more than 25 years' experience in senior management positions. His last operational position, before becoming CEO of Balta, was as CEO of Tarmac Ltd (originally Lafarge Tarmac), a leading building materials and construction solutions firm in the UK, where he oversaw the creation of the joint venture between Lafarge SA and Anglo American as well as the integration of several acquisitions, before the entity was purchased by CRH, a large Irish construction firm in August 2015. From 1998 to 2012, Mr Ragoucy was with Lafarge, serving as CEO of Lafarge Shui On Cement, a Chinese joint venture between Lafarge and Shui On, and CEO of Lafarge Construction Materials for Eastern Canada, among other director and executive-level posts. Currently he is also non-executive chairman of Chryso Group.

  Mr Ragoucy holds a Master of Management from the University of Paris IX (Dauphine), France.

- **Michael Kolbeck** is Managing Director and Head of Europe for Corporate Investments at Hudson Advisors UK Limited, which advises Lone Star Funds, including Lone Star fund IX, an investor in the Company. Prior to his post at Hudson since January 2017, he was a Managing

Director at Lone Star Germany Acquisitions GmbH. He currently also serves as Board Member for Xella International S.A., a leading European building materials company and Dynamic Bulk LLC, a shipping company, and is an observer of the board of LSF 10 Edilians Investments S.a.r.l., a leading roof tile manufacturer in France. Prior to joining Lone Star and Hudson in 2004, Mr Kolbeck worked for several years as an investment manager for Allianz Group.

Mr Kolbeck holds a master's degree in Business Administration from Ludwig-Maximilians University, Munich, Germany.

- **Nicolas Vanden Abeele** is currently part of the executive team of Barco, a global leader in visualization solutions, heading the worldwide Entertainment Division. He is a seasoned global leader with over 25 years' experience in a variety of operational and business leadership roles delivering growth, business transformation and operational excellence. Before joining Barco, he served six years as a member of the executive committee at the Etex Group, a leading building materials company, where he headed its Insulation and Building Materials Division and also served as a director for several Etex Group companies. Prior to Etex Group, he held various global executive positions in the technology industry with Alcatel-Lucent and strategy consulting with Arthur Andersen; living in Europe, the Americas and Asia.

  Mr Vanden Abeele holds master's degrees in Business Administration (K.U. Louvain, Belgium), Management (Solvay School of Management/ULB Belgium) and International Business and European Economics (College of Europe, Belgium).

- **Sarah Hedger** was employed by General Electric for twelve years, prior to retiring in March 2017. She held leadership positions in its Corporate, Aviation and Capital business development teams, leaving General Electric as Leader of Business Development and M&A for its GE Capital division. While at General Electric, she served as a non-executive director of GE Money Bank AB from 2011 to 2014, prior to its sale to Santander Group, as well as GE Capital EMEA Services Limited from 2011 to 2018. Before General Electric, Mrs. Hedger worked at Lazard & Co. Limited for 11 years, leaving as Director Corporate Finance and spent five years as an auditor at PricewaterhouseCoopers.

  Mrs. Hedger was appointed as non-executive director of OneSavings Bank plc, a UK listed bank, on 1 February 2019.

  Mrs. Hedger holds a master's degree in Electrical and Electronic Engineering and Business Studies from Imperial College, London University and is a qualified chartered accountant.

- **Itzhak (Tzachi) Wiesenfeld** has thirty years' experience in senior management positions. For 12 years he was the EMEA CEO at ASSA ABLOY, the global leader in door opening solutions. EMEA is a €2 billion division with 10,000 employees across 40 factories and 100 selling units. Under Mr Wiesenfeld's leadership, the EMEA revenues grew by 50% and delivered high profits and strong cash flows. Previously Mr Wiesenfeld was CEO of ASSA ABLOY in the UK and CEO of Mul-T-Lock. His experience includes optimization of manufacturing footprint, digitization of industrial companies and execution of many M&A deals. His commercial background includes B2B and B2C in a multi-channel market environment.

Mr Wiesenfeld is currently the Chairman of iLOQ, a fast growing digital locks company, based in Finland and owned by Nordic Capital. He is also a board member at FlaktGroup, a leading European ventilation and air management solutions company, owned by Triton Partners. He is also a Senior Industry Expert, involved predominantly in M&A deals for private equity firms.

Mr Wiesenfeld holds a BSc degree in Industrial Engineering and an MBA. He is also a Sloan graduate from London Business School. He holds dual British and Israeli citizenships.

- **Neal Morar** is a Managing Director in the Corporates team at Hudson Advisors UK Limited, which advises Lone Star and the funds which it administers, including Lone Star Fund IX, which is an investor in the Company. Prior to his current role he held the post of UK CFO of Hudson Advisors UK Limited for five years and served on the Boards of various entities across industries including hotels and developments, Loan Servicer in Italy and an equity release company. Prior to joining Hudson in 2012, Mr Morar worked for 5 years as Managing Director, International CFO for AIG Investments and 10 years in various CFO roles for the FTSE 100 Capita Group including the set up and running of a captive server in Mumbai, India in 2003. Mr Morar obtained membership of the Chartered Certified Accountants in 1996, gained Fellow status (FCCA) in 2001 and has also been regulated in various capacities with the FCA (UK), JFSC (Jersey) and CBI (Ireland) over the last 19 years.

  Mr Morar holds a degree in Accounting and Finance from the University of Hertfordshire, UK.

- **Hannah Strong** is Vice President, Legal Counsel at Hudson Advisors UK Limited, which advises Lone Star and the funds which it administers, including Lone Star Fund IX, an investor in the Company. Prior to her position at Hudson, Mrs. Strong worked as in-house legal counsel at The Carlyle Group (2013-2017) and was a corporate associate at Latham & Watkins in London (2007-2013). Mrs. Strong has extensive experience advising on legal and compliance issues that face companies across numerous industries and jurisdictions.

  Mrs. Strong holds a bachelor's degree in Jurisprudence from Oxford University.

- **Jeremy Fryzuk** is Director in the Corporate Private Equity Team at Hudson Advisors UK Limited, which advises Lone Star and the funds which it administers, including Lone Star Fund IX, an investor in the Company. Prior to his post at Hudson, he worked for Rhône Group (2013-2015), a mid-market private equity fund based in London. Prior to joining Rhône, he worked for Morgan Stanley in the firm's principal investments group and investment banking division.

  Mr Fryzuk holds a Bachelor of Commerce with a major in Finance from Dalhousie University in Canada.

- **Patrick Lebreton** is Managing Director Corporates at Hudson Advisors UK Limited, which advises Lone Star and the funds which it administers, including Lone Star Fund IX, an investor in the Company. Prior to his post at Hudson, he was a Director (Operating Partner) of Montagu Associates (2012-2015), advising the Montagu Private Equity Fund. From 2004 to

2012, he was an Executive Vice President in the Portfolio Group at Bain Capital. Previously he held executive posts at General Electric, was a manager at Accenture, and is a retired U.S. Army Officer, having served in Operation Desert Storm. He is currently the chairman of Stark Group, the leading Scandinavian builders merchant chain, and a Director of Edilans S.à r.l., the leading French roofing products company.

Mr Lebreton holds a Bachelor of Science in International Economics and Finance from Georgetown University and a master's degree in Business Administration from Harvard Business School.

Evolution in composition during 2019

Upon a recommendation by the Remuneration and Nomination Committee and a proposal from the Board of Directors, the shareholders approved, on 28 May 2019, the appointment of Mr Itzhak Wiesenfeld as an independent director with immediate effect for a four year period.

Functioning of the Board of Directors

In principle, the Board of Directors meets at least five times a year. Additional meetings may be called with appropriate notice at any time to address specific business needs. In 2019 the Board met on ten occasions.

Major matters reviewed and discussed by the Board of Directors in 2019 are:

- Financial and overall performance of the group;
- Implementation, actions and outcome of the 'One Balta for Safety' initiative;
- Detailed follow-up of the progress made with the Company's three-year transformation and earnings enhancement program NEXT;
- General strategic, financial and operational matters of the business;
- On a recommendation from the Audit Committee, approval of the quarterly and half-year financial results and the corresponding reports and press releases, refinancing opportunities, the 2019 budget, and the sale and leaseback;
- On a recommendation from the Remuneration and Nomination Committee, approval of the 2018 bonus and the 2019 bonus methodology for members of the Management Committee, the 2019 long term incentive plan, and appointment of new management.

Directors' attendance at Board and Committee meetings

	Board of Directors	Audit Committee	Remuneration and Nomination Committee
Cyrille Ragoucy	10/10		
Michael Kolbeck	10/10		7/7
Accelium BVBA, represented by Nicolas Vanden Abeele	10/10	6/6	7/7
Sarah Hedger	10/10	6/6	7/7
Itzhak Wiesenfeld	5/5		1/1

Neal Morar	10/10		
Hannah Strong	10/10		
Jeremy Fryzuk	10/10	5/6	
Patrick Lebreton	10/10		

The Board of Directors is convened by the chairman or the CEO whenever the interest of the Company so requires, or at the request of two directors.

Under the lead of its chairman, the Board will regularly evaluate its scope, composition and performance and those of its Committees, as well as its interaction with the executive management.

The CEO and other executive managers are invited to attend meetings as appropriate. The Chief Financial Officer ("CFO") is present at all Board meetings and other members of the Management Committee are regularly invited to attend. This guarantees appropriate interaction between the Board and management.

Diversity

For companies whose securities are admitted to a regulated market for the first time, the requirement to have at least one-third of board members of an opposite gender than the other members is to be met as of the first day of the sixth financial year starting after the IPO, being for the Company as of 1 January 2023. Our Board of Directors is currently 22% female. The necessary attention is being paid to meet this requirement as soon as practically possible. Our Board also features a mix of expertise from different operational fields.

We face a challenge to make our broader workforce diverse and create equal fully equal opportunities regardless of gender, race or cultural background given the nature of our operations. While no formal diversity targets have been set, we have made steps in the right direction.

Balta employees have diverse backgrounds across all age groups, from our identified 'future leaders' through to those with deep domain expertise, and are gender diverse with an increasing number of women in management roles.

Being a global business headquartered in Belgium, we operate in several different languages and employ 47 nationalities across 11 locations. The recent appointments made to our Management Committee reflect this, with the Committee now made up of diverse German, French, Belgian and American nationalities.

It is our strong belief that employing the right people for the right roles encourages a balanced workplace and this has been reflected in a slight improvement in gender balance at the end of 2019. However, our diversity does need to improve in senior management functions and we expect the steps taken in engagement and well-being will help address this issue. During 2020, we will continue to work towards making our workforce reflect more closely the international stage on which we operate.

Audit Committee

In accordance with the stipulations in book 7, title 4, chapter 1 of the Belgian Companies Code and provision 5.2 of the Corporate Governance Code, the Board of Directors of Balta has established an Audit Committee.

On 31 December 2019, the Audit Committee consisted of three members, all being non-executive directors and a majority of them being independent directors.

Name	Position	Mandate since	Mandate expires
Jeremy Fryzuk	Chairman of the Committee and Non-Executive Director	2017	2021
Accelium BVBA, represented by Nicolas Vanden Abeele	Member and Independent Director	2017	2021
Sarah Hedger	Member and Independent Director	2017	2021

In the course of 2019, the Audit Committee met six times.

As required by the Belgian Companies Code, Mr Jeremy Fryzuk, chairman of the Audit Committee possesses appropriate expertise and experience in this field. Reference is made to his biography in the 'Board of Directors' section above.

The chairman reported the outcome of each meeting to the Board of Directors.

The CEO and CFO are not members of the Audit Committee, but are invited to attend its meetings. This guarantees appropriate interaction between the Committee and management. As appropriate, other Board members are invited to attend the Audit Committee meetings.

The statutory auditor attended three meetings during which it reported on the outcome of the audit and presented the global audit plan.

In addition to its statutory powers and its power under the Corporate Governance Charter, the Audit Committee considered the following main subjects: the quarterly financial statements, refinancing opportunities, the internal legal restructuring, the compliance approach and related policies, the Company's Brexit readiness, the set-up of the internal audit department, its risk management approach, ICT security measures, the sale and leaseback, and the 2019 and 2020 budget.

Remuneration and Nomination Committee

In accordance with the stipulations in book 7, title 4, chapter 1 of the Belgian Companies Code and provision 5.3 and 5.4 of the Corporate Governance Code, the Board of Directors of Balta Group NV has established a Remuneration and Nomination Committee.

On 5 November 2019, Mr Itzhak Wiesenfeld was appointed as member of the Remuneration and Nomination Committee.

On 31 December 2019, the Remuneration and Nomination Committee was composed as follows:

Name	Position	Mandate since	Mandate expires
Michael Kolbeck	Chairman and Non-Executive Director	2017	2021
Accelium BVBA, represented by Nicolas Vanden Abeele	Member and Independent Director	2017	2021
Sarah Hedger	Member and Independent Director	2018	2021
Itzhak Wiesenfeld	Member and Independent Director	2019	2023

In 2019 the Remuneration and Nomination Committee met seven times.

The CEO and the Group HR director are not members of the Committee, but are invited to attend its meetings, unless the members of the Committee want to meet separately (eg when discussing remuneration). This guarantees appropriate interaction between the Committee and management.

In addition to its statutory powers and its powers under the Corporate Governance Charter, the Remuneration and Nomination Committee discussed the following main subjects: the performance of members of the Management Committee, the 2018 bonus for members of the Management Committee, the compensation and benefit packages for members of the Management Committee, the recruitment and remuneration of the new CEO and senior management, the new composition of the Management Committee, the 2019 long term incentive plan, the 2019 bonus methodology for members of the Management Committee, the remuneration report, and talent and succession planning at management level.

Chief Executive Officer

On 1 April 2019, Mr Ragoucy, who was already CEO ad interim, was appointed in a permanent capacity. He reports directly to the Board. The CEO has direct operational responsibility for the Company and oversees the organisation and day-to-day management of the Company and its subsidiaries.

The CEO is responsible for the execution and management of the outcome of all Board of Directors' decisions.

The CEO heads the Management Committee, which reports to him, within the framework established by the Board of Directors and under its ultimate supervision.

Management Committee

The Management Committee is chaired by the CEO. Other members of the Management Committee are appointed and removed by the Board of Directors upon the advice of the CEO and the Remuneration and Nomination Committee.

The Management Committee exercises the duties assigned to it by the CEO, under the ultimate supervision of the Board of Directors.

The composition of the Company's Management Committee changed in 2019. The CFO, Tom Gysens BVBA, represented by Mr Tom Gysens, and the managing director of the European carpets and tiles division, Vandendriessche Consulting BVBA, represented by Mr Lieven Vandendriessche, left the company and were replaced.

On 3 July 2019, a new CFO was appointed. In addition, the Management Committee expanded through appointing the Managing Director for the modulyss division, the President of Bentley Mills Inc and the Group HR director as members. On 2 September 2019, the Managing Director of Balta carpets, ITC and arc edition was appointed. On 1 October 2019, a Chief Transformation Officer was appointed.

The Company's Management Committee consists of the following members on 31 December 2019:

Name	**Position**
Cyrille Ragoucy	Chief Executive Officer
Jan-Christian Werner	Chief Financial Officer
Marc Dessein BVBA, represented by Marc Dessein	Managing Director Balta home
Oliver Forberich	Managing Director Balta carpets, ITC and arc edition
Quercum BVBA, represented by Stefan Claeys	Managing Director modulyss
Jim Harley	President Bentley Mills Inc.
Kris Willaert	Group HR Director
Emmanuel Rigaux	Chief Transformation Officer

For the biography of **Cyrille Ragoucy**, please see the "Board of Directors" section above.

Jan-Christian Werner started at Balta in February 2019 as Head of Group Controlling and Reporting and was appointed Chief Financial Officer on 3 July 2019. Mr Werner has extensive experience in financial controllership, Corporate Finance and M&A at international stock market listed companies. Before joining Balta, Mr Werner was Head of the Finance organisation for the EMEA region at Orion Engineered Carbons for five years and afterwards spent one year as acting CFO of AvesOne AG, a listed Investment holding company.

Marc Dessein has worked for Balta since 1992, serving as Managing Director of the Rugs division since 2006. From 1993 until 2006, he was General Manager of the Wool-Heatset Rugs Business Unit of Balta and prior to that Export Sales manager. From 1985 to 1992 he held sales and management positions at Pfizer, Radar and Sun International.

Oliver Forberich joined the Balta on 2 September 2019 as managing director Balta carpets, ITC, arc edition and Captiqs. In 1998, he started his career at SCHOTT focussing on business development and marketing. In 2006 Mr Forberich joined thinXXS Microtechnology and moved on in 2007 to join Bekaert in Belgium. Mr Forberich worked at Bekaert for 12 years holding various general management positions before being appointed Chief Marketing Officer and Senior Vice President Stainless Technologies. Over the last 20 years he gained extensive experience in many different industries across the globe.

Stefan Claeys joined Balta on 23 April 2019, as Managing Director modulyss.

Stefan worked at Beaulieu from 2012 to 2017 as general manager of the technical textiles division. From 2002 to 2012, he was in the Wienerberger Group in various positions including director corporate marketing and export, CEO of Wiekor in Poland and product group business manager at the Vienna HQ. Prior to that he occupied international sales, marketing and business development positions within CNH Group, Bekaert and the Koramic Investment Group.

Jim Harley, , a seasoned industry executive, rejoined Bentley in February 2013 as Chief Operating Officer, and became President in November 2017. He started his career with Bentley more than 32 years ago, as part of the management team that built the company from a small start-up carpet manufacturer in 1980 into a brand widely recognised for its innovative design, high-quality products and excellence in customer service. Prior to re-joining Bentley, he spent eight years in executive roles at Tandus (now Tarkett), Monterey Carpets and Chroma Systems.

Kris Willaert joined Balta on 3 June 2019 as Group HR Director. Kris holds a Master’s degree in Communication Sciences and has a wealth of HR management experience having worked for leading global companies. He has previously served in international HR executive roles at KONE International (Southern Europe, Middle East and Africa), MasterCard Europe and Lloyds Pharma.

Emmanuel Rigaux joined Balta on 1 October 2019 as Chief Transformation Officer. Mr Rigaux previously held leadership positions at LafargeHolcim, most recently as Head of West and Central Africa. During his time at LafargeHolcim, Mr Rigaux gained extensive experience in leading transformation programs. Mr Rigaux started his career with the Boston Consulting Group.

Statutory auditor

The audit of the statutory and consolidated financial statements of the Company is entrusted to the statutory auditor appointed at the Shareholders’ Meeting, for renewable terms of three years. The current statutory auditor is PricewaterhouseCoopers Bedrijfsrevisoren BV, with its registered office at Woluwedal 18, 1932 Sint-Stevens-Woluwe, and represented by Mr Peter Opsomer.

The mandate of PricewaterhouseCoopers Bedrijfsrevisoren BV will expire at the annual Shareholders’ Meeting that will be asked to approve the annual accounts for the financial year ended on 31 December 2019.

Article 3:71 of the Belgian Companies Code and article 24 of the Law of 7 December 2016 on the organisation of the profession of and the public supervision over auditors, limit the liability of auditors of listed companies to €12 million for, respectively, tasks concerning the legal audit of annual accounts within the meaning of article 3:55 of the Belgian Companies Code and other tasks reserved to auditors of listed companies by Belgian law or in accordance with Belgian law, except for liability resulting from the auditor's fraud or other deliberate breach of duty.

In 2019, the remuneration paid to the statutory auditor for auditing activities amounted to €369,000. Remuneration paid for special assignments was €48,000 and €99,000 for other assignments outside the audit mandate. Re-appointment of the statutory auditor will be presented to the shareholders in May 2020.

Relevant information in the event of a takeover bid

Article 34 of the Royal Decree of 14 November 2007 on the obligations of issuers of securities which have been admitted to trading on a regulated market, requires that listed companies disclose certain items that may have an impact in the event of a takeover bid.

Capital structure

A comprehensive overview of our capital structure as at 31 December 2019 can be found in the "Capital Structure" section of this Corporate Governance Statement.

Restrictions on transfers of securities

The Company's articles of association do not impose any restrictions on the transfer of shares. Furthermore, the Company is not aware of any such restrictions imposed by Belgian law except in the framework of the Market Abuse Regulation.

Holders of securities with special control rights

There are no holders of securities with special control rights other than the nomination rights set out below.

Employee share plans where control rights are not exercised directly by the employees

The Company has not set up employee share plans where control rights over the shares are not exercised directly by the employees.

Restriction on voting rights

The articles of association of the Company do not contain any restrictions on the exercise of voting rights by the shareholders, provided that the shareholders concerned comply with all formalities to be admitted to the Shareholders' Meeting.

Shareholder agreements

Balta is not aware of any shareholder agreement which includes, or could lead to, a restriction on the transfer of its shares or exercise of voting rights related to its shares.

Rules on the appointment and replacement of members of the Board of Directors and on amendments to the articles of association

The term of office of directors under Belgian law is limited to six years (renewable) but the Corporate Governance Code recommends that it be limited to four years.

In accordance with the articles of association, the Company is managed by a Board of Directors that shall consist of a minimum of five directors. These are appointed by the Shareholders' Meeting for a maximum term of four years, as recommended by the Corporate Governance Code, and may be reappointed. Their mandate may be revoked at any time by the Shareholders' Meeting.

Should any of the directors' mandates become vacant, for whatever reason, the remaining directors may temporarily fill such vacancy until the next Shareholders' Meeting appoints a new director.

For as long as LSF9 Balta Holdco S.à r.l. ("LSF9") or a company affiliated therewith within the meaning of article 1:20 of the Belgian Companies Code (a "company affiliated therewith"), directly or indirectly, holds at least 50% of the total number of shares issued by the Company – which was the case in 2019 – it is entitled to nominate at least five directors to be appointed by the Shareholders' Meeting.

For as long as LSF9 or a company affiliated therewith, directly or indirectly, holds less than 50% but at least 40% of the total number of shares issued by the Company, it is entitled to nominate four directors to be appointed by the Shareholders' Meeting.

For as long as LSF9 or a company affiliated therewith, directly or indirectly, holds less than 40% but at least 30% of the total number of shares issued by the Company, it is entitled to nominate three directors to be appointed by the Shareholders' Meeting.

For as long as LSF9 or a company affiliated therewith, directly or indirectly, holds less than 30% but at least 20% of the total number of shares issued by the Company, it is entitled to nominate two directors to be appointed by the Shareholders' Meeting.

For as long as LSF9 or a company affiliated therewith, directly or indirectly, holds less than 20% but at least 10% of the total number of shares issued by the Company, it is entitled to nominate one director to be appointed by the Shareholders' Meeting.

If the direct or indirect shareholding of LSF9 or a company affiliated therewith in the Company falls below one of the aforementioned thresholds, LSF9 shall cause a director appointed upon its nomination to tender its, his or her resignation as director with effect as of the date of the next annual Shareholders' Meeting, failing which the mandate of the director who was most recently appointed upon LSF9's nomination, shall automatically terminate on the date of the next annual Shareholders' Meeting.

The CEO is vested with the day-to-day management of the Company and the representation of the Company in respect of such management. The Board of Directors appoints and removes the CEO.

Within the limits of the powers granted to him/her by or pursuant to the articles of association, the CEO may delegate special and limited powers to a management committee or any other person.

Save for capital increases decided by the Board of Directors within the limits of the authorised capital, only an Extraordinary Shareholders' Meeting is authorised to amend the Company's articles of association. A Shareholders' Meeting is the only body which can deliberate on amendments to the articles of association, in accordance with the articles of the Belgian

Companies Code.

Authorised capital and acquisition of own shares

Authorised capital

According to article 6 of the articles of association, the Board of Directors may increase the share capital of the Company once or several times by a (cumulated) amount of maximum 100% of the amount of the share capital as such amount was recorded immediately after the closing of the Initial Public Offering of the shares of the Company on 16 June 2017.

This authorisation may be renewed in accordance with the relevant legal provisions. The Board of Directors can exercise this power for a period of five years as from the date of publication in the Annexes to the Belgian State Gazette of the amendment to the articles of association approved by the Extraordinary Shareholders' Meeting of 30 May 2017.

Any capital increases which can be decided pursuant to this authorisation will take place in accordance with the modalities to be determined by the Board of Directors and may be made (i) by means of a contribution in cash or in kind (where appropriate including a non-distributable share premium), (ii) through conversion of reserves, whether available or unavailable for distribution, and issuance premiums, with or without issuance of new shares with or without voting rights. The Board of Directors can also use this authorisation for the issuance of convertible bonds, warrants or bonds to which warrants or other tangible values are connected, or other securities.

When exercising its authorisation within the framework of the authorised capital, the Board of Directors can limit or cancel the preferential subscription right of the shareholders in the interest of the Company, subject to the limitations and in accordance with the conditions provided for by the Belgian Companies Code. This limitation or cancellation can also occur to the benefit of the employees of the Company or its subsidiaries, or to the benefit of one or more specific persons, even if these are not employees of the Company or its subsidiaries.

The Board of Directors is expressly empowered to proceed with a capital increase in any and all form, including but not limited to a capital increase accompanied by the restriction or withdrawal of the preferential subscription right, (even after receipt by the Company of a notification by the FSMA) of a takeover bid for the Company's shares. Where this is the case, however, the capital increase must comply with the additional terms and conditions laid down in article 7:202 of the Belgian Companies Code. The powers hereby conferred on the Board of Directors remain in effect for a period of three years from the date of the completion of the condition precedent of the amendment to the articles of association approved by the Extraordinary Shareholders' Meeting of 30 May 2017. These powers may be renewed for a further period of three years by resolution of the Shareholders' Meeting, deliberating and deciding in accordance with applicable rules. If the Board of Directors decides upon an increase of authorised capital pursuant to this authorisation, this increase will be deducted from the remaining part of the authorised capital specified in the first paragraph.

In the course of 2019, the Board of Directors did not make use of its mandate to increase Balta's capital as stated in article 6 of the articles of association. The Board will submit a resolution to renew this authorization for approval to the Extraordinary Shareholders' Meeting of 2020.

Acquisition of own shares

According to article 16 of its articles of association, the Board of Directors may, without any prior authorisation of the Shareholders' Meeting, in accordance with articles 7:215 ff. of the Belgian Companies Code and within the limits set out in these provisions, acquire, on or outside a regulated market, the Company's own shares, profit-sharing certificates or associated certificates for a price which will respect the legal requirements, but which will in any case not be more than 10% below the lowest closing price in the last thirty trading days preceding the transaction and not more than 10% above the highest closing price in the last thirty trading days preceding the transaction. This authorisation is valid for five years from the date of the completion of the condition precedent of the amendment to the articles of association approved by the Extraordinary Shareholders' Meeting of 30 May 2017. This authorisation covers the acquisition on or outside a regulated market by a direct subsidiary within the meaning and the limits set out by article 7:221, indent 1 of the Belgian Companies Code. If the acquisition is made by the Board of Directors outside a regulated market, even from a subsidiary, the Board shall comply with article 7:215 §1 4° of the Belgian Companies Code.

The Board of Directors is authorised, subject to compliance with the provisions of the Belgian Companies Code, to acquire for the Company's account the Company's own shares, profit-sharing certificates or associated certificates if such acquisition is necessary to avoid serious and imminent harm to the Company. Such authorisation is valid for three years as from the date of publication of the completion of the condition precedent of the amendment of the articles of association, approved by the Extraordinary Shareholders' Meeting of 30 May 2017, in the Annexes to the Belgian State Gazette.

By resolution of the Extraordinary Shareholders' Meeting held on 30 May 2017, the Board of Directors is authorised to divest itself of part of or all the Company's shares, profit-sharing certificates or associated certificates at any time and at a price it determines, on or outside the stock market or in the framework of its remuneration policy to employees, directors or consultants of the Company or to prevent any serious and imminent harm to the Company. The authorisation covers the divestment of the Company's shares, profit-sharing certificates or associated certificates by a direct subsidiary within the meaning of article 7:221, indent 1 of the Belgian Companies Code. The authorisation is valid without any time restriction, irrespective of whether the divestment is to prevent any serious and imminent harm for the Company or not.

In the course of 2019, the Board of Directors did not make use of its mandate to increase Balta's capital as stated in article 6 of the articles of association. The Board will submit a resolution to renew this authorization for approval to the Extraordinary Shareholders' Meeting of 2020.

Material agreements to which Balta or certain of its subsidiaries is a party containing change of control provisions

Senior Secured Notes

On 3 August 2015, LSF9 Balta Issuer S.à r.l. (the "Issuer") issued €290,000,000 in aggregate principal amount of 7.75% Senior Secured Notes due 2022 of which €234,900,000 remained outstanding after the partial redemptions in 2017.

Upon the occurrence of a change of control (as defined in the Senior Secured Notes Indenture), the Senior Secured Notes Indenture requires the Issuer to offer to repurchase the Senior Secured

Notes at 101% of their aggregate principal amount, plus accrued and unpaid interests and additional amounts, if any, to the date of purchase.

Revolving Credit Facility

On 3 August 2015, the Issuer and LSF9 Balta Investments S.à r.l. entered into a Super Senior Revolving Credit Facility Agreement (as amended or supplemented from time to time, the "Revolving Credit Facility"), which provides for €68,000,000 of committed financing at 31 December 2019.

The Revolving Credit Facility requires mandatory prepayment in full or in part in certain circumstances including upon a change of control (as defined in the Revolving Credit Facility).

Senior Term Loan

On 29 August 2017, LSF9 Balta Issuer S.à r.l. entered into a €35,000,000 Senior Term Loan Facility Agreement (the "Senior Term Loan").

The Senior Term Loan requires mandatory prepayment in full or in part in certain circumstances including upon a change of control (as defined in the Senior Term Loan).

On 21 January 2020, the Company prepaid all amounts outstanding under the Senior Term Loan.

2018 Long Term Incentive Plan

In 2018, a long term incentive plan (the "2018 LTIP") was implemented to create alignment between managers' and shareholders' interests. The 2018 LTIP consists of Performance Share Units ("PSU"s) which convert into shares and vest to relevant managers that still provide services to the Balta Group on the third anniversary of their award, to the extent that the Company's share price reaches certain defined targets. As approved by the Shareholders' Meeting of 16 June 2017 in accordance with article 7:151 of the Belgian Companies Code, the PSU vesting is accelerated in the event of a change of control or the closing of a public takeover bid over the Company.

One-off PSU package CEO

As mentioned below in the section relative to remuneration, Mr Ragoucy has been awarded a one-off package consisting of PSUs in view of his appointment as permanent CEO. The agreement relative to this one-off award contains a clause that triggers an accelerated vesting of the PSUs on the occurrence of a public takeover resulting in a change of control (i.e. the closing/first settlement date of a voluntary or mandatory public takeover bid on all shares of Balta Group NV).

2019 Long Term Incentive Plan

Also in 2019, a long term incentive plan (the "2019 LTIP") was implemented by the Board of Directors. The PSUs granted under the 2019 LTIP will vest to relevant managers that still provide services to the Balta Group on the second and third anniversaries of their award, to the extent that the Company's share price reaches certain defined targets. The clause allowing for accelerated PSU vesting in the event of the closing of a public takeover bid over the Company was approved by the Shareholders' Meeting of 28 May 2019, in accordance with article 7:151 of the Belgian Companies Code.

Sale and leaseback

On 20 December 2019, the Company entered into a sale and leaseback agreement with three banks. This agreement contains a change of control clause in favour of the banks. In case a third party gains control over the Company, the banks are entitled to terminate the agreement at their own discretion. This change of control clause will be submitted to the general Shareholders' Meeting of 26 May 2020 for approval in accordance with article 7:151 of the Belgian Companies Code.

2020 Long Term Incentive Plan

On 5 March 2020, the Board of Directors approved a new long term incentive plan (the "2020 LTIP"). The PSUs granted under the 2020 LTIP will vest to relevant managers that still provide services to the Balta Group on the third anniversary of their award, to the extent that the Company's share price reaches certain defined targets. The clause allowing for accelerated PSU vesting in the event of the closing of a public takeover bid over the Company will be submitted for approval to the Shareholders' Meeting of 26 May 2020, in accordance with article 7:151 of the Belgian Companies Code.

Severance pay pursuant to the termination of contract of Board members or employees pursuant to a takeover bid

The Company has not concluded any agreement with its Board members or employees which would result in the payment of specific severance pay if, pursuant to a takeover bid, the Board members or employees resign, are dismissed or their employment agreements are terminated.

Please see section "Provisions concerning individual severance payments for Management Committee members / Termination Provisions" of this Corporate Governance Statement on termination provisions of the members of the Management Committee.

Conflicts of interest

Directors' conflicts of interest

Articles 7:96 and 7:97 of the Belgian Companies Code provides for a special procedure if a director of the Company, save for certain exempted decisions or transactions, directly or indirectly has a personal financial interest that conflicts with a decision or transaction that falls within the Board of Directors' powers. The director concerned must inform the other directors before any decision of the Board of Directors is taken and the statutory auditor must also be notified. For listed companies, the director thus conflicted may not participate in the deliberation or vote on the conflicting decision or transaction.

Relevant section of the minutes of the Board of Directors of 4 March 2019:

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

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

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

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

The fixed monthly remuneration amounts to €50,000 gross. The quarterly variable fee is linked to performance objectives determined by the Board for each three months' reference period. Subject to satisfying all the performance objectives set by the Board of Directors, each quarterly variable fee may be a maximum of €120,000 gross.

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

Relevant section of the minutes of the Board of Directors of 1 April 2019:

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

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

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

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

Independent Service Agreement: (a) a fixed remuneration of €700,000 per year, (b) a variable fee of up to 80% of the fixed remuneration, in accordance with the terms of the Independent Service Agreement, (c) participation in the 2019 LTIP, and (d) several other advantages (in kind) (such as a company car and a mobile phone).

PSU Agreement: the grant of 200,000 Performance Share Units in accordance with the PSU Agreement.

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

Relevant section of the minutes of the Board of Directors of 16 April 2019:

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

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

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

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

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

The interim managing director/CEO is eligible to receive a quarterly variable fee with respect to performance during each three months' period of his appointment. The performance objectives applicable with respect to each three months' reference period are determined by the Board. Subject to satisfying all the performance objectives set by the Board of Directors, each quarterly variable fee may be a maximum of €120,000 gross.

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

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

Compliance with the 2009 Belgian Code on Corporate Governance

Balta is committed to high standards of corporate governance and to the 2009 Corporate Governance Code as a reference code for the financial year ending 31 December 2019. For the financial year starting on 1 January 2020, the new 2020 Corporate Governance Code will be used as a reference code. As the Corporate Governance Code is based on a "comply or explain" approach, the Board of Directors intends to comply with the Corporate Governance Code, except with respect to the following:

1. the articles of association allow the Company to grant shares, stock options and other securities vesting earlier than three years after their grant;
2. certain members of the Management Committee are entitled in certain circumstances to severance pay higher than 12 months of remuneration. This is due to binding agreements which were already in place at the time of the Company's IPO. All agreements with members of the Management Committee entered into by the Company after its IPO are in compliance with the 2009 Corporate Governance Code;
3. the group of directors appointed at the nomination of LSF9 Balta Holdco S.à r.l., constitute a majority of the directors (5 out of 9) as a consequence of the majority of

shares held by that company. This situation is specific to the Company's shareholding structure and is based on nomination rights set out in the Company's articles of association. As LSF 9 Balta HoldCo S.à r.l. reduces its shareholding below certain agreed percentages their right to appoint directors is also reduced (see above). The Remuneration and Nomination Committee aims to ensure, in consultation with LSF 9 Balta Holdco S.à r.l., the Board of Directors is well-balanced and that non-executive directors have complementarity skills and experience; and

4. the chairman of the Board and the CEO are the same individual. The Board of Directors has appointed its chairman as CEO. Following his mandate as interim CEO, during which he was instrumental in developing and starting to implement the NEXT program, the Board requested that Mr Ragoucy assume the role in a permanent capacity. Given his deep knowledge of the organisation and his strong track record of leading and driving strategy and profitability improvements, the Board is convinced that Mr Ragoucy is best placed to continue to drive and deliver the implementation of our transformation program.

Remuneration report

Procedures for developing the remuneration policy and for determining the remuneration granted to individual directors

The remuneration of the independent members of the Board of Directors was decided by the Shareholders' Meeting dated 30 May 2017 as follows:

Director fee for independent directors: annual fee of €40,000 gross;
Additional fee for Committee membership (per Committee): annual fee of €10,000 gross; and
Additional fee applicable to the chairman of the Board of Directors: annual fee of €70,000 gross.

The remuneration of the chairman of the Board of Directors is capped at €120,000 gross. During the period that the chairman was executing the mandate of managing director and interim CEO of the Company, i.e. until 31 March 2019, Mr Ragoucy was only entitled to a director's fee connected to his mandate as chairman, i.e. the annual fee of €70,000. As of assuming the role of permanent CEO from 1 April 2019, Mr Ragoucy was no longer remunerated for his directors' mandate.

In order to ensure the independence of the Board of Directors in its supervisory function over the Management Committee, the remuneration system for the non-executive directors does not contain any performance-related components. It takes into account the responsibilities and the commitment of the Board members to develop the Company and is intended to attract and retain individuals who have the necessary experience and competencies for this role.

No director's fee is paid to the non-executive directors appointed upon nomination by LSF 9 Balta Holdco S.à r.l. No attendance fees are granted.

The remuneration policy will be reviewed on a regular basis by the Remuneration and Nomination Committee and the Board of Directors in line with prevailing market conditions for listed companies in Belgium. It will submit proposals in this regard to the General Shareholders' Meeting for decision.

Actual remuneration granted to the non-executive directors in 2019:

Name	Chairmanship	Independent directorship	AC membership	RNC membership	Total
Cyrille Ragoucy	€17,500 (until 31 March 2019)	-		-	€17,500
Michael Kolbeck	-	-	-	€0	€0
Jeremy Fryzuk	-	-	€0	-	€0
Accelium BVBA, represented by Nicolas Vanden Abeele	-	€40,000	€10,000	€10,000	€60,000
Sarah Hedger	-	€40,000	€10,000	€10,000	€60,000
Itzhak Wiesenfeld		€23,763 (appointed since 28 May 2019)		€1,667 (member as of 5 November 2019)	€25,430
Neal Morar	-	-	-	-	€0
Hannah Strong	-	-	-	-	€0
Patrick Lebreton	-	-	-	-	€0

Procedures for developing the remuneration policy and for determining the remuneration granted to members of the Management Committee

The remuneration policy for the CEO and members of the Management Committee takes account of prevailing legislation, the Corporate Governance Code and market data.

It is monitored by the Remuneration and Nomination Committee – with the assistance of specialist members of staff – to see whether it complies with the law, the Corporate Governance Code and prevailing market practices and trends. The chairman of the Remuneration and Nomination Committee informs the Board of Directors of the Committee's activities and advises it of any proposed changes to the remuneration policy and its practical implementation.

Based on the advice obtained from the Remuneration and Nomination Committee, the Board of Directors determines the remuneration to be granted to the CEO and members of the Management Committee and will assess this amount at regular intervals. The amount in question is split into a fixed component and performance-related components.

Remuneration policy regarding the remuneration granted to members of the Management Committee

For the remuneration related to 2019, the following principles were applied for the CEO and the other members of the Management Committee:

Principles to determine the remuneration

Balta's remuneration philosophy is to ensure that all employees are rewarded fairly and appropriately for their contribution. In setting remuneration levels, the Remuneration and Nomination Committee takes appropriate market benchmarks into account, ensuring an emphasis on pay for performance. This approach helps to attract, engage, retain, and motivate key management, while ensuring their behaviour remains consistent with its values and strategy.

A review of the performance of each member of the Management Committee will be conducted annually by the CEO and discussed with the Remuneration and Nomination Committee. This performance review was carried out during the Committee meeting of 18 December 2019. The results were presented to and discussed by the Board of Directors on 24 January 2020.

The Board of Directors also meets annually in a non-executive session (i.e. without the CEO being present) in order to discuss and review the performance of the CEO.

Different components of remuneration and their characteristics

The remuneration of individual Management Committee members is made up of a fixed annual fee, a variable annual fee and a long-term incentive.

The **fixed annual fee** is defined on the basis of various criteria, such as the market value of the role, the scope of the position and the profile of the incumbent in terms of skill set and professional experience. The purpose of the guaranteed fixed fee is to compensate the manager for time and competence at a market-related rate.

The aim of the **variable fee** is to create a high-performance culture through a cash bonus linked to performance against contracted deliverables with due regard to preventing excessive risk taking. This Short-Term Incentive Plan ("STIP") is harmonised throughout the organisation. It is designed to reward the manager for the performance of the Company and its divisions over a one-year time horizon.

The STIP rewards the realisation of key financial performance indicators against targets recommended by the Remuneration and Nomination Committee and approved by the Board of Directors (this year, for the period from 1 January 2019 to 31 December 2019).

During his appointment as interim CEO, i.e. until 31 March 2019, Mr Ragoucy was eligible for a quarterly variable fee with respect to performance during each three-month period. Due to the interim nature of the assignment, the performance objectives for the first quarter of 2019 were a combination of short term financial, organisational and strategic targets.

For the CEO (as of 1 April 2019 in his permanent capacity), the CFO, the Group HR Director and the CTO, the STIP for 2019 was based on Group financial targets: 50% on Group Adjusted EBITDA, 20% on Group Seasonality Adjusted Net Debt and 30% on realisation of personal objectives set to drive longer term financial improvements in the context of project NEXT. For the Managing Directors of the divisions, the STIP was based on the realisation of Group and divisional financial targets: 25% on Group Adjusted EBITDA, 25% on Divisional Adjusted EBITDA, 20% on Divisional Working Capital and 30% on realisation of personal objectives set to drive longer term financial improvements in the context of project NEXT.

The Remuneration and Nomination Committee evaluated achievement against the 2019 performance objectives for each member of the Management Committee and proposed their short-term variable remuneration component to the Board of Directors.

The variable remuneration is not spread over time.

In 2019, the target STIP was 80% of fixed annual remuneration for the CEO and, on average, 45% of annual fixed remuneration for other members of the Management Committee.

Since 2018, Long Term Incentive Plans ("LTIP"s) have been implemented to create alignment between manager's and shareholders' interests.

The 2018 LTIP consists of PSUs. The PSUs will vest to relevant managers that still provide services to the Balta Group on the third anniversary of their award and are converted into shares, to the extent that the Company's share price has reached defined targets with a minimum hurdle of €13.25 per share required for any conversion. The 2018 LTIP was awarded to members of the Management Committee at that time.

In 2019, the Board of Directors approved a similar LTIP designed to drive the performance and long-term growth of the Group by offering long-term incentives to managers who contribute to such performance and growth. The 2019 LTIP is also intended to facilitate recruiting and retaining personnel of outstanding ability. The PSUs granted under the 2019 LTIP will vest to relevant managers that still provide services to the Group on the second and third anniversaries of their award, to the extent the Company's share price has reached certain defined targets, all significantly above the current share price. The clause allowing for accelerated PSU vesting in the event of the closing of a public takeover bid for the Company was approved by the Shareholders' Meeting on 28 May 2019, in accordance with article 7:151 of the Belgian Companies Code. The 2019 LTIP was awarded to the CEO and to the other members of the Management Committee.

Remuneration policy for the next two financial years

Going forward, the remuneration policy will be reviewed on a regular basis by the Remuneration and Nomination Committee in line with prevailing market conditions for listed companies in Belgium and companies of similar scale and business characteristics.

Changes to the remuneration policy since the end of 2019

At the beginning of 2020, the Remuneration and Nomination Committee reviewed the 2020 short term targets for all members of the Management Committee. In 2020, non-financial targets will no longer be part of the STIP. For the CEO, CFO, Group HR Director and CTO, the 2020 STIP will be based on the following financial targets: 70% on Group Adjusted EBITDA and 30% on Group Seasonality Adjusted Net Debt. For the Managing Directors of the divisions, the STIP will be based on the following financial targets: 25% on Group Adjusted EBITDA, 50% on Divisional Adjusted EBITDA and 25% on Divisional Working Capital. For all members of the Management Committee, conducting an agreed minimum number of factory safety walks will be a condition for any 2020 bonus pay-out. In light of the ongoing uncertainty caused by the COVID-19 pandemic and its significant impact on the Group and the economy as a whole, the Board of Directors, taking advice from the Remuneration and Nomination Committee, will continue to monitor the fast evolving market circumstances and their impact on the appropriateness of the financial targets.

On 5 March 2020, the Board of Directors approved a new long term incentive plan (the "2020 LTIP"). Similar to the previous LTIPs, the purpose of the 2020 LTIP is to drive the performance and long-term growth of the Company by offering long term incentives to managers who contribute to such performance and growth. The PSUs granted under the 2020 LTIP will vest to relevant managers that still provide services to the Balta Group on the third anniversary of their award, to the extent that the Company's share price reaches certain defined targets. The clause allowing for accelerated PSU vesting in the event of the closing of a public takeover bid over the Company will be submitted for approval to the Shareholders' Meeting of 26 May 2020, in accordance with article 7:151 of the Belgian Companies Code.

Remuneration awarded to the CEO as member of the Management Committee

Cyrille Ragoucy (until 31 March 2019 in his capacity as interim CEO and as of 1 April 2019 in a permanent capacity)

- Base salary (gross remuneration): €675,000
- Variable remuneration (relating to performance in 2019, paid out in 2020): €302,944
  To help mitigate the impact on the Coronavirus COVID-19 on the Company, the CEO decided to delay the part of the pay-out of his 2019 bonus awarded after 1st April 2019.
- Pension: nil
- Other compensation components (company car, fuel card and smartphone): €12,720.
- Within the framework of the 2019 LTIP 40,000 PSU's were granted in 2019.

As mentioned above, Mr Ragoucy was appointed as permanent CEO on 1 April 2019. The several components of the remuneration are explained in the subtitle "conflict of interest" hereabove. In the context of his appointment as permanent CEO and in order to compensate (a) Mr Ragoucy in view of the fact that no LTIP award was made to him in 2018 and (b) the loss of income connected to him giving up external roles, Mr Ragoucy has been awarded a one-off package consisting of PSU's in view of this appointment, which would vest subject to a significant increase in the Company's share price (i.e. a minimum share price of €13).

Mr Ragoucy has also been offered by Balta Group's reference shareholder (LSF9 Balta Holdco S.à r.l.) a conditional incentive that would be payable in cash by LSF9 Balta Holdco S.à r.l. subject to and linked to a significant increase of the value of its stake in Balta Group NV.

Remuneration awarded to the other Management Committee members

For the year ended 31 December 2019, the total remuneration of the Management Committee members was as follows:

- Base salary (gross remuneration): €1,862,363
- Variable remuneration (relating to performance in 2019, paid out in 2020): €301,413
  To help mitigate the impact of the Coronavirus COVID-19 on the Company, the Management Committee memebers decided to delay the pay-out of the 2019 bonuses
- Pension: €20,145
- Other compensation components (car, insurance, lunch vouchers, representation allowances): €46,754
- Within the framework of the 2019 LTIP, 103,500 PSU's were granted in 2019.

As part of the IPO process, members of the Management Committee at that time were entitled to a share related bonus payment pursuant to a phantom share bonus scheme with Balta Group NV representing the value of 86,361 shares at the pay-out date. The members of the Management Committee that were still providing services to the Balta Group on the second anniversary of the IPO, were entitled to this bonus.

Remuneration awarded in the context of the IPO
In the context of the IPO, certain managers received shares and a cash bonus from LSF 9 Balta Midco S.à r.l pursuant to pre-existing management incentive schemes with Lone Star entities. The total number of shares awarded to the these members of the Management Committee and to the current President Bentley Mills Inc amounted to 633,592 shares, of which 161,232 shares were granted upon completion of the IPO, another 236,182 shares vested on the first anniversary of the IPO and the remainder (236,178 shares) vested on its second anniversary.

Provisions concerning individual severance payments for Management Committee members / Termination Provisions
Other than in the case of termination in certain events of breach of contract, the CEO is entitled to a notice period of six (6) months or a termination fee equal to the proportion of the fixed fee that he would be entitled to during this six months' period.

Other than in the case of termination in certain events of breach of contract, the CFO is entitled to a minimum notice period of six (6) months. As an exception, in case of termination of the employment contract by the employer before 31 August 2021 directly resulting from a divestment or reorganisation, he will be entitled to a notice period of twelve (12) months. If the employer does not require him to perform his duties during the entire notice period, he will be entitled to an amount equal to his fees for the time of the notice period related to the non-performed period.

Other than in certain cases of termination for breach of contract, Mr Marc Dessein is entitled to a notice period of eighteen (18) months and a termination fee equal to the relevant portion of his fixed and variable fee paid out in the preceding calendar year for early termination of the notice period. Mr Dessein is subject to a non-competition clause for a period of up to one (1) year from the date of termination or resignation, restricting his ability to work for competitors. He is entitled to receive compensation of an amount up to €162,500 of remuneration if this non-competition clause is applied in full.

Mr Dessein's management agreement dates from before the IPO. The termination provision included in Mr Dessein's management agreement was justified given his skills and seniority.

Other than in the case of termination in certain events of breach of contract, Mr Oliver Forberich is entitled to a minimum notice period of six (6) months. As an exception, in case of termination of his employment contract by the employer before 31 August 2021 directly resulting from a divestment or reorganisation of the broadloom division, he will be entitled to a notice period of twelve (12) months. If the employer does not require him to perform his duties for the entire notice period, he will be entitled to an amount equal to the fees for the time of the notice period related to the non-performed period.

Other than in the case of termination in certain events of breach of contract, Mr Stefan Claeys is entitled to a notice period of six (6) months or a termination fee equal to the proportion of the fixed fee that he would be entitled to during this six months' period.

Other than in the case of termination in certain events of breach of contract, Mr Emmanuel Rigaux is entitled to a minimum notice period of six (6) months. If the employer does not require him to perform his duties during the entire notice period, he will be entitled to an amount equal to the fees for the time of the notice period related to the non-performed period.

Other than in the case of termination in certain events of breach of contract, Mr Kris Willaert is entitled to a minimum notice period of six (6) months. If the employer does not require him to perform his duties during the entire notice period, he will be entitled to an amount equal to the fees for the time of the notice period related to the non-performed period.

The notice period of Mr Jim Harley can be negotiated, with a minimum of two (2) weeks.

Severance payments for Management Committee members who left in 2019
No severance payments were made to Management Committee members leaving during 2019.

Clawback provision regarding members of the Management Committee
There are no clawback provisions if remuneration is paid on the basis of inaccurate data. Grants will be based on audited financial information.

Risk management and internal control framework

Introduction
Balta operates a risk management and control framework in accordance with the Belgian Companies Code and the Corporate Governance Code.

Balta is exposed to a wide variety of risks within the context of its business operations, possibly resulting in its objectives being affected or potentially not being achieved. Controlling such risks is a core task of the Board of Directors, the Management Committee and all other employees with managerial responsibilities.

The risk management and control system has been set up to achieve the following goals: achieving Balta's objectives, achieving operational excellence, ensuring correct and timely financial reporting and ensuring compliance with all applicable laws and regulations.

Control environment
The control environment constitutes the basis of the internal control and risk management system. The control environment is defined by a mix of formal and informal rules and corporate culture on which the operation of the business relies.

Three lines of defence
Balta applies the "three lines of defence model" to clarify roles, responsibilities and accountabilities, and to enhance communication within the area of risk and control:

- First line of defence: line management is the first body responsible for assessing risks on a day-to-day basis and implementing controls in response of these risks;
- Second line of defence: oversight functions like Finance, Controlling, Quality, Compliance and Legal oversee and challenge risk management as executed by the first line of defence. Those constituting the second line of defence provide guidance and direction and develop a risk management framework;

- Third line of defence: internal audit provides the governing body and senior management with comprehensive assurance based on the highest level of independence and objectivity within the organisation, and challenges the risk management processes as executed by the first and second line of defence. In 2019, a Group Internal Audit and Control Director has been appointed.

External auditors, regulators, and other external bodies reside outside the organisation's structure, but they have an important role in the organisation's overall governance and control structure. When coordinated effectively, external auditors, regulators and other groups outside the organisation can be considered as additional lines of defence, providing assurance to the organisation's shareholders, including the governing body and senior management.

Policies, procedures and processes

Corporate culture is sustained by the implementation of different company-wide policies, procedures and processes such as the Balta compliance charter, the anti-fraud and anti-corruption policy, the gift and entertainment policy, the travel and expense note policy, the non-audit services policy, the reserved matters policy, the antitrust policy, the anti-money laundering policy, the delegation of authority policy, the economic sanctions policy, the data protection policy and data breach policy, and the quality management system. Both the Board of Directors and the Management Committee fully endorse these initiatives. Employees will be regularly informed and trained on these subjects in order to develop sufficient risk management and control at all levels and in all areas of the organisation.

Group-wide ERP system

The majority of Balta's entities operate the same group-wide ERP system which is managed centrally. This system embeds the roles and responsibilities defined at group level. Through this system, the main flows are standardised, key internal controls are enforced and regular testing is carried out by the corporate finance department. The system also allows detailed monitoring of activities and direct central access to data.

Control activities

Control measures are in place to minimise the effect of risk on Balta's ability to achieve its objectives. These control activities are embedded in the Balta's key processes and systems to ensure that the risk responses and the Balta's overall objectives are carried out as designed. Control activities are conducted throughout the organisation, at all levels and within all departments.

The following control measures have been implemented at Balta: an authorisation cascade in the computer system, access and monitoring systems in the buildings, payment authorities, cycle counts of inventories, identification of machinery and equipment, daily monitoring of the cash position and an internal reporting system by means of which both financial data and operational data are reported on a regular basis. Deviations against budgets and previous reference periods are carefully analysed and explained. Great importance is attached to security of all data stored in computer systems.

Information and communication

Balta recognises the importance of timely, complete and accurate communication and information both top-down as well as bottom-up. The Company therefore communicates operational and financial information at both divisional and group level. The general principle is to ensure consistent and timely communication to all stakeholders of all information impacting their area of responsibility.

All key business processes in the majority of the subsidiaries are managed through the ERP system. This not only offers extensive functionality with regard to internal reporting and communication, but also the ability to manage and audit access rights and authorisation management on a centralised basis.

The Management Committee also discusses the results on a monthly basis. The corporate finance department directs the information and communication process. For both internal and external reporting and communication, a financial calendar exists in which all reporting dates are set out and which is communicated to all parties involved.

Risk management

Sound risk management starts with identifying and assessing the risks associated with the business, in order to minimise such risks on the organisation's ability to achieve its objectives and to create value for its stakeholders.

All Balta employees are accountable for the timely identification and qualitative assessment of the risks within their area of responsibility.

Balta has identified and analysed its key corporate risks as disclosed under the "Summary of main risks" chapter of this Annual Report.

Risk management and internal control with regard to financial reporting

The accurate and consistent application of accounting rules throughout the Company is ensured by means of Finance and Accounting procedures and guidelines.

The accounting teams are responsible for producing the accounting figures, whereas the controlling teams check their validity. These checks include consistency tests, comparing current figures with historical and budget figures, as well as sample checks of transactions according to their materiality.

Specific internal control activities with respect to financial reporting are in place, including the use of a periodic closing and reporting checklist. This checklist ensures clear communication of timelines, the completeness of tasks, and the clear assignment of responsibilities.

Uniform reporting of financial information throughout the organisation ensures a consistent flow of information, in turn allowing potential anomalies to be detected. The group-wide ERP system and management information tools give the central controlling team direct access to disaggregated financial and non-financial information.

An external financial calendar is planned in consultation with the Board of Directors and the Management Committee. This calendar is announced to external stakeholders via the investor relations section of our corporate website. The objective of this external financial reporting is to provide Balta stakeholders with the information necessary for making sound business decisions.

Supervision and monitoring of control mechanisms

Supervision and monitoring is mainly performed by the Board of Directors through the work of the Audit Committee and the Management Committee. Internal audit also reports to the Audit

Committee on the risk-based audit plan. Risk-based auditing focuses on the analysis and management of the corporate, operational and strategic risks, to provide assurance to the Board of Directors and the Audit Committee that risk management processes are managing risks effectively and adequately in relation to the risk appetite. Moreover, the statutory auditor, in the context of reviewing the annual accounts, reports to the Audit Committee on their review of internal controls and risk management systems. In doing so, the statutory auditor focuses on the design and effectiveness of internal controls and systems relevant for the preparation of the financial statements.

7. Risk management system and internal control

For Balta, risk management is an inherent part of doing business. The summary below, though not exhaustive, provides an overview of the main risks we have identified[1]. While we take mitigating actions, there can be no guarantee that such risks will not materialise.

Market competition

The global flooring market is competitive and each of our divisions faces competition from other soft flooring manufacturers as well as hard flooring alternatives.

Key to our competitiveness is our ability to identify and respond to rapidly changing consumer preferences, requiring us to frequently renew our designs and product mix and to innovate.

Customer dependency

Our main customers are large retailers and wholesalers with substantial buying power. Our top three customers accounted for 16.9% of our 2019 revenues. We may not be successful at retaining our key customers, which could have an adverse impact on our sales. In addition, we are dependent on the success of our customers.

In line with normal industry practice, we have no formal contracts with the majority of our customers. We typically deal with our customers on a non-exclusive basis without minimum purchase obligations.

General macro-economic and geopolitical events & trade regulations

Demand for our products depend significantly on consumer confidence and factors impacting the residential and commercial renovation and construction markets.

With production and distribution facilities in Belgium, Turkey and the United States and sales to more than 114 countries, we are exposed to geopolitical risk on both the demand and supply side.

As the UK represents 16.4% of our total revenues, mainly related to our Residential business, the Group is exposed to the outcome of the UK's exit from the European Union (Brexit). Management assessed all potential scenarios and has made preparations with regard to logistical flows through local stock keeping and an in depth assessment of the Brexit-readiness

[1] The order in which the risks are listed is not an indication of the potential impact nor the probability of occurence

of our logistical partners. The Group continues to translate the impact of potential outcomes into practical measures.

In 2019 Balta received an official AEO (Authorised Economic Operator) certificate from the Belgian Customs administration for all the Belgian production sites of both Balta Industries NV and modulyss NV. This AEO certificate will allow the Group to facilitate exports to non-EU countries, with less controls and holds at borders, securing a continuation of our premium delivery service to customers worldwide. The AEO certificate can, in the long term, also help the Group deal with post Brexit export formalities to the UK.

In addition, measures have been taken to protect the revenue stream for a potential devaluation of the Pound Sterling, through a combination of pricing mechanisms and hedging contracts.

Increased import duties or sanctions against the importing of certain goods in certain countries could pose barriers to successful business. One such example is the risk of possible US sanctions on Turkey, where Balta has a production facility, targeting our product category.

Legal and compliance

Failure to comply with the laws of the countries we do business in may result in a delay or temporary suspension of our sales and operations, and may impact our financial position.

Publicity and reputation

We may be affected by product recall or liability claims or otherwise be subject to adverse publicity.

Employees

Our ability to successfully execute our strategy depends on our success in attracting, retaining and developing our employees.

If the relationship with our employees or trade unions were to deteriorate, this could have an adverse impact on our business.

Raw materials and supply chain

We use large quantities of raw materials for which we depend on a limited number of suppliers. Most of our suppliers are large companies and can exert substantial supplier power. We have longstanding relationships with our key suppliers.

In 2019, raw materials expenses represented 47.2% of our revenues. The key raw materials used were polypropylene, yarn, latex and polyamide, which together represented approximately 70% of our total raw material expenses.

Raw material prices can be volatile and depend on a number of factors that are often beyond our control including, but not limited to, local supply and demand balance, general economic conditions and fluctuations in commodity prices. The majority of our price agreements with customers do not include raw material price indexation mechanisms.

Reference is made to commodity price risk, as described under note 27 of the section financial risk management in the Financial Statements.

Production and logistics

The ability to produce and deliver products on time is key to attracting new and retaining existing customers.

Disruptions at our manufacturing or distribution facilities may occur and could result in temporary shortfalls in production and late or incomplete deliveries or increase our cost of sales. We may incur losses that are completely or partially uninsured.

We do not have our own transportation facilities and depend on third-party service providers for the timely delivery of our products to our customers.

IT

Failure of our IT platform could hamper our ability to process orders in time. We use our IT platform to manage our operations (including sales, customer service, logistics and administration). We have a complex and heterogeneous application landscape that in part consists of certain systems from prior acquisitions that have only been partially integrated, which could trigger operational risks.

We are also contending with increasing cybercrime-related incidents, which require us to maintain adequate cyber security. Any failure to do so may adversely affect our operations.

Financial

Our activities expose us to a variety of financial risks including, but not limited to, currency risk, interest rate risk, credit risk and liquidity risk.

Part of our sales and purchases are denominated in currencies other than Euro. Other key currencies include Pound Sterling, US Dollar and Turkish Lira. The fluctuation of these currencies versus the Euro may impact our results. In addition, a devaluation of currencies versus the Euro for countries where our competitors manufacture or source raw materials, such as Turkey or Egypt, may have an impact on our competitiveness.

Some of our external borrowings carry interest at a variable rate.

Not all the credit risk exposure towards our customers is covered by our external credit insurance agreements. Amongst others, a reduction in external credit limits might cause the existing factoring not to be available at existing levels going forward.

Changes in our own credit rating could detrimentally affect our working capital and liquidity.

Our external financing agreements include obligations, restrictions and covenants, which may have an adverse effect on our business, financial situation and results of operations if we are unable to meet these. More detail can be found in note 27 of the section financial risk management in the Financial Statements.

Changes in tax legislation or accounting rules could affect future results.

Changes in assumptions underlying the carrying value of our assets could result in an impairment of such assets, including intangible assets such as goodwill.

Reference is made to the risk factors referred to in note 27 of the section financial risk management in the Financial Statements.

NEXT

As a result of the strategic and operational review, As a result of the strategic and operational review, we launched the transformational program NEXT, designed to deliver a significant improvement in earnings over a three year period. The key initiatives focus on delivering sustainable growth, improving commercial excellence and increasing cost competitiveness through Lean initiatives and procurement savings. Anticipated improvements in earnings may be delayed or fall below our expectations.

Sustainability

The expectations on corporate responsibility, including recyclability of products and in general greener footprints, is increasing. Consequently, it has become essential to develop a solid sustainability roadmap with clear milestones and quantified targets, as launched by Balta in 2019. Even with such a roadmap, several risks can be identified, for example:

- A negative perception of our products by our customers
- A negative perception of our activity and our production processes by our stakeholders (shareholders or local communities)
- A competitive gap with competitors or with other flooring solutions

Coronavirus (COVID-19)

In response to the outbreak of the novel coronavirus (COVID-19), which first appeared in China in December 2019 and has since early 2020 been declared a pandemic and spread to every region of the world, governments globally and in the markets in which we operate have implemented strict social distancing measures, including varying degrees of lockdowns and the closure of non-essential businesses, including the businesses of a number of our customers. These measures have resulted in a significant disruption of daily life, and in a significant deterioration of global, regional and national macroeconomic conditions, with each of the markets in which we operate now expected to see negative economic growth for the year. Since the pandemic is an event of 2020, it is a subsequent event of the 2019 closing and has no impact on the 2019 financial statements.

To protect the health and safety of our workforce and customers and to mitigate the effect of COVID-19 on our operations, we have formed an internal COVID-19 taskforce which participates in daily calls and coordinates our response to the situation across the Balta group. In addition, we have implemented a number of measures to reduce our operating costs and manage our cash flows, including the temporary closure of plants as well as a reduction of employee costs, procurement costs and capital expenditures.

Following a strong start to the year, which saw an almost 16% increase in EBITDA in the two months ended 29 February 2020 compared to the same period in 2019, revenues decreased by more than 28% during March 2020 compared to the same period in 2019, mainly as a result of a decrease in orders from customers.

As a result of this reduced demand for our products and to reduce costs and preserve cash, we have temporarily shut down 6 of our 8 plants, which we estimate has reduced our operating costs by approximately 37% in April. Other than these voluntary closures, our plants are fully operational and have not yet been ordered to close by any government or other authority. Additionally, we have put our product launches on hold and we have reviewed all purchases of raw materials and are in negotiations with our suppliers to delay or, where possible cancel, our raw material orders. We estimate that these measures will result in a further reduction of our operating costs by 29% in Q2.

To reduce our employee costs, we have accessed available government unemployment support programmes in Belgium, UK, France and Germany for the vast majority of our workforce in those countries. Additionally, we have implemented a hiring freeze across the entire Balta group, postponed our annual merit-based salary reviews and reduced the monthly compensation of our CEO and the members of our Management Committee and group-wide leadership team by 50%, 40% and 30%, respectively. Our paid directors have also agreed to reduce their director fees by 50%. We believe that these measures will allow us to reduce employee costs by up to 25%. The reduced compensations will not be recaptured.

The current crisis has and will continue to impact our working capital. We are closely monitoring our daily cash flows. To further protect our liquidity position, we have also significantly reduced our marketing costs as well as samples and other capital expenditures by approximately €20m, which we believe is the minimum amount necessary to continue operating our business. Additionally, we are closely monitoring our accounts receivable and accounts payable to manage our cash outflows. As a precautionary measure, to address our short-term liquidity and working capital needs, on 11 March 2020, we drew €72.7m revolving credit facility. As of 31 March 2020, we held cash and cash equivalents in the amount of €80.4m.

As of the date of this report, it is too early to accurately predict the effect of COVID-19. We believe that the COVID-19 situation represents an unprecedented short-term disruption to our business and the wide variations in potential outcomes present a material challenge to our business and industry. We are in regular contact with the governments in our key markets to determine the availability of, and our eligibility for, state aid and other government support measures, including the availability of additional financing.

We are currently forecasting a ramp-up in production beginning in early June 2020, and under this scenario we are estimating that we would be producing at approximately 85% of capacity in the fourth quarter of 2020. We anticipate additional working capital requirements as we begin our production ramp-up. We have assumed that our customers will continue to pay according to invoice terms, and we plan to continue to manage our cash flow conservatively for the duration of the COVID-19 crisis. Based on these assumptions, we are currently forecasting our existing cash on hand and cash flow to be sufficient for our business through our expected production ramp-up, but as a result of the decreasing EBITDA levels we were facing the possibility of breaching our leverage covenant on our €61m RCF financing in Q2 of 2020 and in subsequent quarters where the twelve month period being tested includes months that are impacted by the COVID-19 pandemic. We have proactively reached an agreement with the relevant banks to adjust the covenant calculation for the impact of COVID-19 through Q2 of 2021. We are confident that with this amended calculation of the covenant, a breach will be avoided. Based on the currently available information and forecasts, although visibility remains limited as the pandemic is still progressing, the Group currently believes that it will be able to meet its liabilities and commitments as they fall due across the applicable forecast period and has determined that the going concern basis remains the appropriate basis of preparation for its financial statements. To further strengthen our position, we will likely look at government and other options to raise funds given the uncertainty as to when the COVID-19 crisis will end, and markets will return to normal.

8. Renumeration report

The renumeration report is included by the Board in the annual Corporate Governance Statement.

The Remuneration and Nomination Committee advises the Board and consist of all non-executive directors and a majority of them being independent directors.

The following directors form the Remuneration and Nomination Committee: Michael Kolbeck, Sarah Hedger, Itzhak Wiesenfeld and Nicolas Van Den Abeele (providing services through Accelium BVBA).

9. Information concerning permanent establishments of the Company

In accordance with article 3:6, §1, 5° of the Belgian Companies Code the annual report contains information on the permanent establishments of the Company.

We confirm there are no permanent establishments.

10. Justification of the application of the valuation rules

In the case the balance shows a loss carried forward or the income statement of the financial year and the income statement of the previous year shows a loss in two consecutive periods, in accordance with article 3:6, §1, 6° of the Belgian Companies Code, the annual report contains a justification of the application of the valuation rules under going concern.

The Company incurred a number of one-off costs which related to the formation of the Company and the IPO. These one-off costs have been financed with cash received from the capital increase. The remaining portion of the capital increase received in cash was used to perform a capital increase in LSF9 Balta Issuer S.à r.l.

The Board proposes to apply the valuation rules under going concern.

11. <u>Information of the use of financial instruments</u>

In accordance with article 3:6, §1, 8° of the Belgian Companies Code, the annual report contains information concerning the use of financial instruments by the Company and the risk management.

The Company doesn't use financial instruments.

12. <u>Discharge directors and auditor</u>

We ask to individually discharge the directors and the auditor for the execution of their mandate.

Done at Wielsbeke on April 24th, 2020.

The Board of Directors

RAGOUCY Cyrille
Chairman

Accelium BVBA
Permanently represented by
VAN DEN ABEELE Nicolas
Director

KOLBECK Michael
Director

MORAR Neal
Director

HEDGER Sarah
Director

STRONG Hannah
Director

FRYZUK Jeremy
Director

LEBRETON Patrick
Director

WIESENFELD Itzhak
Director