PRESS RELEASE



Sint-Baafs-Vijve, 5 March 2019
Regulated information
For immediate publication

Balta FY 2018 Results

Group Financial Highlights:

- Q4 consolidated: Revenue €173.3m +2.3%, Adjusted EBITDA €21.1m +11.6%
    - Organic revenue growth +1.7% and FX +0.6%
    - Organic revenue growth by division: Rugs +7.0%, Commercial +8.9%, Residential -8.8%
    - Adjusted EBITDA margin 12.2% up from 11.2% in Q4 2017
- Full year consolidated: Revenue €646.2m -2.3%, Adjusted EBITDA €72.4m -14.3%
    - Organic revenue growth -5.0%, FX -1.3% and M&A +4.0%
    - Organic revenue growth by division: Rugs -10.4%, Commercial +10.8%, Residential -11.9%
    - Consolidated Adjusted EBITDA margin 11.2% down from 12.8%, due to lower volumes and the impact from cost inflation
- Leverage of 3.6x (with net debt of €261.8m) compared to 3.9x as at Q3 2018
- In light of investments in the various growth and cost saving initiatives resulting from our strategic and operational review, combined with our Leverage exceeding 3.0x at year-end, the Board does not propose to pay a dividend for the year

Business Update:

- The continuing strategic and operational review we announced in November 2018 has progressed well and resulted in a variety of well-defined growth and cost saving initiatives, which together provide a holistic earnings enhancement program with a three year horizon, called NEXT.
- Our growth in Rugs in Q4 was underpinned by a solid performance in the US, benefiting from the first shipments for next season's outdoor program. To serve the growing e-commerce opportunity, we setup an expert team mid-2018 and have leased a new dedicated warehouse in Savannah since end 2018. In Europe, the retail trading environment remained challenging.
- In Commercial, the US continued its double-digit growth in the fourth quarter, well-above-market. In Europe, revenue in the quarter was down low single-digits versus Q4 2017.
- The trading environment across our key Residential markets, in particular the UK, remained subdued in Q4, despite a slight improvement in trend versus the first nine months of the year.

Outlook

We anticipate 2019 to be another challenging and transformational year for our business with Adjusted EBITDA broadly flat[1] versus 2018. Our outlook is based on a moderate macro-economic view with the trends we have seen in 2018 set to continue. In general, the European retail trading environment, amplified by Brexit uncertainty, is expected to remain a challenging backdrop for our Residential and Rugs businesses in Europe. At the same time, the outlook for our US Rugs and Commercial businesses remains more positive. 2019 will be marked by continued industry-wide raw material and other cost inflation as well as our growth investments in salesforce and related infrastructure. We expect the impact on our full year earnings to be offset by the price actions we have taken together with the first benefits from our growth and cost saving initiatives, which will have a more significant impact as from 2020.

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

"Looking back, 2018 has proven to be a difficult year for Balta. First, we were impacted by a slow trading environment across some of our key European markets in Rugs and Residential. In addition, Balta did not escape the industry-wide trend of cost inflation, in raw materials, freight and energy costs, which could not be fully offset by the pricing and cost actions we took. Despite the strong performance of our Commercial business and having executed well on the six key initiatives, the aforementioned headwinds led us to lower our expectations for the full year at our H1 2018 results announcement. We ended the year with an improved Q4 vs. Q4 2017 in line with that guidance.

Over the last few months, we have been working intensively on a strategic and operational review, and I am confident it will allow us to capture the full value creation potential of our business. With NEXT, we have already started implementing various strategic and tactical growth projects as well as cost saving initiatives, with a view to significantly enhancing our earnings over a three year horizon."

---

[1] Excluding the impact of IFRS16 (applicable as from 1 January 2019) as described on page 10

Key Group Financial Figures

€m	2018	2017	Growth Consolidated	Growth Organic
Revenue	646.2	661.3	(2.3)%	(5.0)%
Adjusted EBITDA	72.4	84.4	(14.3)%	
Adjusted EBITDA margin	11.2%	12.8%	(156) bps	
Adjusted Operating Profit	39.9	51.9	(23.1)%	
Operating Profit	32.2	37.6	(14.4)%	
Profit for the period	7.3	3.0	143.3%	

Full Year 2018 Revenue and Adjusted EBITDA per segment

(€ million, unless otherwise stated)	2018	2017	% change	o/w organic growth	o/w FX	o/w M&A
Rugs	198.3	228.3	(13.2)%	(10.4)%	(2.7)%	0.0%
Commercial	214.8	171.7	25.1%	10.8%	(0.9)%	15.3%
Residential	206.3	234.8	(12.1)%	(11.9)%	(0.2)%	0.0%
Non-Woven	26.7	26.5	1.0%	1.0%	0.0%	0.0%
Consolidated Revenue	**646.2**	**661.3**	**(2.3)%**	**(5.0)%**	**(1.3)%**	**4.0%**
Pro Forma Adjustment Bentley	-	27.7				
(Pro Forma) Revenue	**646.2**	**689.0**	**(6.2)%**	**(4.4)%**	**(1.8)%**	
Rugs	27.9	37.6	(25.7)%			
Commercial	30.6	23.9	27.8%			
Residential	11.4	20.2	(43.4)%			
Non-Woven	2.4	2.6	(9.5)%			
Consolidated Adjusted EBITDA	**72.4**	**84.4**	**(14.3)%**	**(17.8)%**	**(0.3)%**	**3.8%**
Pro Forma Adjustment Bentley	-	2.9				
(Pro Forma) Adjusted EBITDA	**72.4**	**87.3**	**(17.1)%**	**(16.3)%**	**(0.8)%**	
Rugs	14.1%	16.5%				
Commercial	14.2%	13.9%				
Residential	5.5%	8.6%				
Non-Woven	8.9%	9.9%				
Consolidated Adjusted EBITDA Margin	**11.2%**	**12.8%**				
Pro Forma Adjustment Bentley		10.6%				
(Pro Forma) Adjusted EBITDA Margin	**11.2%**	**12.7%**				

Note: Bentley was included from the start of Q2 2017, therefore from Q2 2018 Bentley is reported under the Commercial division with organic growth and FX shown separately. For Q1 2018 Bentley is shown under M&A (including the FX impact of US Dollar to Euro translation) and the prior year comparative is shown in the pro-forma figure

Q4 2018 Revenue and Adjusted EBITDA per segment

(€ million, unless otherwise stated)	Q4 2018	Q4 2017	% change	o/w organic growth	o/w FX	o/w M&A
Rugs	54.2	50.7	6.8%	7.0%	(0.2)%	0.0%
Commercial	58.4	52.7	10.9%	8.9%	2.0%	0.0%
Residential	54.1	59.3	(8.7)%	(8.8)%	0.1%	0.0%
Non-Woven	6.5	6.7	(3.1)%	(3.1)%	0.0%	0.0%
Consolidated Revenue	**173.3**	**169.5**	**2.3%**	**1.7%**	**0.6%**	**0.0%**
Rugs	9.5	7.4	28.1%			
Commercial	8.5	6.6	30.0%			
Residential	2.7	4.3	(37.1)%			
Non-Woven	0.3	0.6	(44.5)%			
Consolidated Adjusted EBITDA	**21.1**	**18.9**	**11.6%**	**4.7%**	**6.9%**	**0.0%**
Rugs	17.6%	14.7%				
Commercial	14.6%	12.5%				
Residential	5.0%	7.3%				
Non-Woven	5.0%	8.8%				
Consolidated Adjusted EBITDA Margin	**12.2%**	**11.2%**				

CEO Review

Performance in 2018

Looking back, 2018 has proven to be a difficult year for Balta. First, we were impacted by a slow trading environment across some of our key markets. In addition, we did not escape the industry-wide trend of cost inflation in raw materials, freight and energy costs. Despite the strong performance of our Commercial business and having executed well on the six key initiatives, the aforementioned headwinds led us to lower our expectations for the full year at our H1 2018 results. We ended the year with an improved Q4 in line with this revised guidance.

The trading environment across some of our key markets has been challenging throughout most of the year. At the same time, the raw material price increases that started impacting our performance in the second half of 2017 continued to have an adverse effect in 2018 as expected. But in addition to raw materials, inflation in energy and freight costs weighed on earnings.

In UK Residential, volumes saw a sharp decline after Boxing Day 2017, a trend that continued throughout 2018 as retail and wholesale were under pressure amid a longer period of unfavorable weather and declining consumer confidence. In European Rugs, after a good start to the year, trading worsened as of the second quarter and our customers started indicating lower footfall in their stores, with only a slightly improved trend towards the end of the year. Finally, in US Rugs, we lost share of wallet with two home improvement customers for the 2018 outdoor season. Despite regaining part of the share of wallet with these customers for the new season resulting in year-on-year growth in H2 2018 and growth in the rest of the US business this was a setback after consecutive years of growth in US Rugs. The lower volumes in Rugs and Residential have materially impacted our earnings evolution year on year.

While we saw a decline in our Rugs and Residential businesses, our Commercial division delivered strong growth in 2018, driven by further market share gains in the US where we strengthened our sales teams across the country and increased our focus on national and global accounts.

At the start of the year we laid out six key priorities for 2018, focused on growing profitable revenue and delivering an increased level of cost savings. We returned to growth in US Rugs in the second half of the year, delivered a solid performance in Commercial and increased the share of high margin products in Residential. At the same time, we successfully completed the Residential operational footprint reorganization, realized the operational synergies from the Bentley acquisition and continued our focus on operational excellence. Though we executed well on these six initiatives, the associated benefits we realized were not sufficient to offset the new headwinds we faced.

2019 Key Initiatives & Outlook

As a result of the strategic and operational review begun in November 2018, we launched a holistic program, NEXT, designed to deliver a significant improvement in earnings over a three year period. The key initiatives focus on (i) delivering sustainable growth, (ii) improving commercial excellence and (iii) increasing cost competitiveness:

1. <u>Delivering sustainable growth</u>

Despite the challenging environment, we continue to be confident about the long term growth potential of our Rugs and Commercial businesses.

In Rugs, one of the fastest growing channels for the coming years is e-commerce, both in the US and Europe. In order to be the best partner for our existing and future e-commerce customers, whether brick-and-click, pure-play or marketplaces, we have invested in people, logistics and processes to service these partners. We established an expert US e-commerce team in mid-2018 and have leased a dedicated warehouse in Savannah, Georgia since the end of 2018. We also invested in the digital assets required to be successful in e-commerce, such as high quality picture and video content to drive website traffic and consumer sales. With the learnings from the US, we will take similar steps in Europe.

As well as targeting new channels, we are constantly refreshing and developing our product offering. We invested in Papilio Rugs mid last year to address the growing niche of natural hand-woven rugs in which Balta home had no presence before. While still very small today, we believe the underlying drivers are present for Papilio's niche to grow over the next few years. In addition, we continue to work on making our products more sustainable, in line with what our customers are asking for longer term.

In Commercial, we see further potential for our US business to broaden its addressable market by expanding the multi-family and education segments, in addition to continue to increase share in the office segment in which we are active today. We have and will continue to hire new sales representatives to address the opportunities at hand.

In Europe, we are aiming to grow in the higher end Commercial specification business. We believe in the mid-term growth opportunity here which will require us to target the Architects & Designers (A&D) community. Therefore, we are building a dedicated salesforce and adding showrooms later this year in addition to the existing showroom in London, to target the UK, Benelux, France and Germany. At the same time, we will continue to defend and expand our existing position as a challenger in the mid-segment indirect channel.

In Residential, the UK market has seen a sharp decline since the end of 2017 spurred by Brexit uncertainty which impacted consumer confidence, thereby resulting in fewer housing transactions and lower retail footfall. While we expect the trend to continue in 2019, we believe in the long-term potential and a normalization of the UK, being the largest European carpet market, in the mid-term. In the meantime we are committed to improve our cost efficiency and service towards this market.

We remain committed to bringing new and innovative products to market. Additional new collections have been and will be launched in Residential and Commercial on top of our normal renewal cycle. In Rugs, we continue to introduce new collections every six months.

2. Improving commercial excellence

The industry-wide cost inflation trend for raw materials, energy and transport costs, has impacted our earnings over the last two years, as we have not always been able to increase prices in time and in full. In order to offset these headwinds and improve margins, we have been and will continue to work both on pricing and costs.

We have launched a group-wide project to increase our sales force effectiveness and have setup a dedicated commercial action room which identifies and targets the potential across our businesses and customers. Through an increased focus on key account management, we will continue to improve our understanding of customer needs and improve planning.

At the start of 2019 we increased prices across all our divisions and regions to account for industry-wide cost inflation and for our services provided to customers, with the exception of UK Residential where price competition has been intense. Cost and value based pricing as well as a shift to higher margin product remain a key focus.

3. Increasing cost competitiveness

Our efforts in operational excellence will be accelerated in 2019, as we keep on identifying ways to make our processes more efficient. We have performed an in-depth review of our cost competitiveness and have setup several Lean projects across our plants which will be implemented during this year with a meaningful impact from 2020.

The Lean initiatives we are implementing will not only benefit our conversion cost, but further reduce the complexity of some of our processes and allow us to improve working capital. Furthermore, we have launched a sales & operations planning (S&OP) improvement project which will benefit inventory management.

Additionally, we have taken several measures targeting cost savings in procurement and SG&A.

Outlook

We anticipate 2019 to be another challenging and transformational year for our business with Adjusted EBITDA broadly flat[1] versus 2018. Our outlook is based on a moderate macro-economic view with the trends we have seen in 2018 set to continue. In general, the European retail trading environment, amplified by Brexit uncertainty, is expected to remain a challenging backdrop for our Residential and Rugs businesses in Europe. At the same time, the outlook for our US Rugs and Commercial businesses remains more positive. 2019 will be marked by continued industry-wide raw material and other cost inflation as well as our growth investments in salesforce and related infrastructure. We expect the impact on our full year earnings to be offset by the price actions we have taken together with the first benefits from our growth and cost saving initiatives, which will have a more significant impact as from 2020.

Our strategy

Our vision is to bring beautiful design at affordable prices to the mid-segment mass markets by leveraging innovation capabilities and commercial and operational excellence, and to target large segments with attractive margin opportunities. We see ourselves being the preferred partner to our customers, providing leading innovation and great customer service. In the Rugs division, our goal is to be the global innovation and design leader in machine-made rugs. In Commercial, Balta is the growing challenger in the North American and European commercial carpet and tiles segment. Finally, in Residential, we intend to hold a market leading position in Europe.

The execution of these goals is based on a three pillar strategy:

- Strengthen our leading position across core segments
- Focus on Commercial and Operational Excellence
- Selectively seek complementary acquisition opportunities

STRENGTHEN OUR LEADING POSITION ACROSS CORE SEGMENTS

We believe that a strong focus on product development and launching new innovation is a profitable way for Balta to sustainably grow sales and margin. We are also mindful that we have to invest to expand our sales reach and capabilities for future growth in the attractive Rugs and Commercial divisions.

Our Rugs division had a challenging year, with a difficult market environment in Europe through most of the year and a setback in the US as we lost share of wallet with two home improvement customers, which could only be partly offset within the year after regaining part of the share of wallet for 2019's program. At the same time, we continued to invest in the long-term growth opportunity and have made good progress in further diversifying our US Rugs business, with new customer wins and growth in indoor rugs and e-commerce. To further support the fast growing e-commerce opportunity, we hired an expert US e-commerce team and have leased a new dedicated e-commerce warehouse in Georgia since the end of 2018, complementing our existing distribution center in Rome.

Our Commercial performance in 2018 was mixed. Our US business delivered a strong performance, growing more than 20% in a nearly flat market, as our investments in sales resources and innovative products paid off. We will continue to invest in growth opportunities, as we see potential to further take share in the office segment and at the same time make inroads in the education and multi-family segments.

In Commercial Europe, our results for 2018 were below our expectations with revenue broadly flat year-on-year. Looking forward, learning from US Commercial's example, we aim to grow our share of specification business. We are building a dedicated salesforce and are adding showrooms later this year as add-ons to the existing showroom in London, targeting the A&D community in the UK, Benelux, France and Germany.

In Residential, the market environment across our key markets has been and continues to be challenging. With volumes under pressure, our strategy has been to grow the proportion of revenues from the relatively higher margin broadloom products. While we have succeeded in increasing sales of these products, which currently represent 33% of Residential sales (versus 20% a year ago and 7% three years ago), this was more than offset by overall volume declines. In addition, significant raw material cost price increases and the decline in the GBP have further impacted

[1] Excluding the impact of IFRS16 (applicable as from 1 January 2019) as described on page 10

our margins. Brexit uncertainty impacted consumer confidence, thereby resulting in fewer housing transactions and lower retail footfall. The resulting sharp decline in the UK market since the end of 2017 is expected to persist in 2019. We remain committed to the UK, as we believe in a normalization of this market in the mid-term and in the meantime work on improving our cost efficiency and service towards this market.

FOCUS ON COMMERCIAL & OPERATIONAL EXCELLENCE

To be successful in today's market, it takes more than having the right product. That is why we increased our focus on 'Commercial Excellence'. We have launched a group-wide dedicated commercial action room, which identifies and targets the potential across our businesses and customers. By reviewing and optimizing our sales processes, setting up a uniform Customer Relationship Management (CRM) tool and using a more structured approach towards market segmentation and pricing we aim to increase our sales force effectiveness.

In a capital intensive manufacturing industry such as ours, 'Operational Excellence' is a key ingredient of success. We continue to automate our Rugs and Commercial production processes to lower the cost of manufacturing. If our products cannot benefit from automation, we have been shifting production to our Turkish facilities, where we can manufacture labor intensive products at competitive prices. We constantly strive to optimize our infrastructure to changes in the markets we operate in.

In 2018, as part of the six key initiatives, we continued with and extended the annual program of 'Operational Excellence' initiatives to compensate for cost inflation from wage, energy and transportation costs. With the continued cost inflation we are seeing, renewing and accelerating our efforts in 'Operational Excellence' will be a key pillar for 2019 as well. We have identified and dedicated resources to start implementing Lean initiatives across our factories. In addition to lowering our conversion cost, these initiatives will further reduce the complexity of some of our processes and benefit our working capital management.

We completed the restructuring of the operational infrastructure in Belgium within our Residential business, by consolidating the Oudenaarde facility into our two factories in the region. We executed well and fully captured the anticipated benefits. However, with the continued volume declines we saw in Residential, these benefits were already more than offset.

SELECTIVELY SEEKING COMPLEMENTARY ACQUISITION OPPORTUNITIES

At current leverage levels, our focus will be to deleverage before we continue evaluating complimentary acquisition opportunities with attractive shareholder returns.

In 2018, we made a very small investment in Papilio Rugs, active in designing and sourcing natural hand-made rugs. Papilio allows us to broaden the product offering of Balta home and address a growing niche of the rugs segment in which we had no presence before. While still very small today, we believe the underlying drivers are present for Papilio's niche to grow over the next few years.

CFO Financial Review

Balta delivered full year 2018 Consolidated Revenue of €646.2m, a decline of 2.3% versus 2017 and Consolidated Adjusted EBITDA of €72.4m, down 14.3% year on year. Consolidated Adjusted EBITDA margin of 11.2% was down from 12.8%, reflecting the impact to earnings of lower volumes, adverse currency movements and industry wide cost inflation, which was not sufficiently offset in the financial year by the compensating actions we have taken.

Including Bentley Mills for twelve months for both the current and prior year, Revenue was down 6.2% (with an organic decline of 4.4%) and Adjusted EBITDA declined 17.1% (with an organic decline of 16.3%).

Financial Review by Division

Rugs

In Rugs, we realized full year Revenue of €198.3m, or 13.2% below last year, of which 10.4% was organic decline and 2.7% negative currency impact. From a regional perspective, Europe and North America declined slightly more than the average for the division, while Rest of World declined slightly less.

In North America, we lost share of wallet with two home improvement customers for the 2018 outdoor season program after years of strong growth in the region. Although we have regained part of that share for next season's outdoor program, and the first shipments started in the fourth quarter of 2018, this was not sufficient to fully offset the negative impact in 2018. At the same time, our US business benefited from new customer wins, growth of our indoor products and sales into the e-commerce channel.

Across Europe, a challenging trading environment developed in the second quarter and continued throughout the remainder of the year.

Full year Adjusted EBITDA declined 25.7% to €27.9m with an Adjusted EBITDA margin of 14.1%, down from 16.5%. The year on year margin reduction reflects the lower volumes and impact of industry wide cost inflation.

In the fourth quarter, Rugs was back to growth with Revenue up 6.8%, of which 7.0% was organic growth driven by the first shipments of next season's US outdoor program and growth in the Rest of World, and a decline of 0.2% due to FX. In Europe, while Revenue was still below last year, we saw an improvement versus the first nine months. Fourth quarter Adjusted EBITDA margin of 17.6% up from 14.7% in Q4 2017.

Commercial

The Commercial division achieved full year organic Revenue growth of 10.8%, posting full year Revenue of €214.8m. The positive impact of the acquisition of Bentley Mills, which was only consolidated as of the second quarter of 2017, amounted to 15.3%, whereas currencies had a negative impact of 0.9%, resulting in reported growth of 25.1%.

In the US, on a pro forma basis and in underlying US Dollar terms, our business realized low 20s Revenue growth in 2018, as we have continued to take share, spurred by our investment in sales resources and increased focus on national accounts. In Europe on the other hand, full year Revenue was nearly flat in a challenging market with slight growth in tiles offset by low single-digit decline in commercial broadloom.

Full year Adjusted EBITDA increased by 27.8% to €30.6m. Commercial Adjusted EBITDA margin slightly increased year on year to 14.2% (versus 13.9% in 2017).

In the fourth quarter, Commercial Revenue saw organic growth of 8.9% and a positive currency impact of 2.0%. While we realized another quarter of strong growth in the US and our European broadloom business achieved low single-digit growth, we saw a decline in our European tiles business. Fourth quarter Adjusted EBITDA margin was 14.6% vs. 12.5% in Q4 2017.

Residential

Residential full year Revenue declined by 12.1% to €206.3m, a combination of an organic decline of 11.9% and a negative currency impact of 0.2%. The performance reflected the challenging trading environment across our key markets in Continental Europe but in particular the UK.

Full year Adjusted EBITDA of €11.4m, down from €20.2m or 43.4% versus the prior year. The Residential Adjusted EBITDA margin of 5.5% was impacted by the lower volumes and adverse impact of currency movements and cost inflation. These were not sufficiently offset by the benefits from the optimization of the Residential operational footprint that was completed in the first half of 2018.

While our overall top-line declined, the sales of higher margin broadloom products have grown high single digit in 2018. As a result, these products now represent 33% of Residential sales versus 20% a year ago and 7% three years ago.

Fourth quarter Revenue saw a decline of 8.7%, a slower decline versus the first nine months of the year, of which 8.8% organic decline and a positive currency impact of 0.1%. Fourth quarter Adjusted EBITDA margin of 5.0% reflects the lower volumes across our key markets and the continued competitive pricing environment in the UK.

Since January 2019, price increases have been in effect across all our key markets, except for the UK where price competition currently is more intense, to further offset the industry wide cost inflation. The ongoing uncertainty around Brexit continues to weigh on our performance in the UK and our Residential division in particular.

Other Financial Items Review

Non-Recurring Items

Several one off events had a material impact on our 2018 results. The impact of these events amounts to a net expense of €7.7m (€0.21 per share). 2017 was characterized by a net expense of €13.8m, mainly as a result of the one off's related to integration and restructuring (€11.4m) and finance expenses related to the debt financed acquisition of Bentley and the partial early redemption of Senior Secured Notes (€9.3m), offset by re-measurement of deferred tax assets and liabilities (€8.6m).

The non-recurring expenses for 2018 mainly relate to:

- Integration and restructuring expenses of €4.2m for the optimization of the operational footprint within the Residential division. This restructuring project was initiated in 2017 and concluded mid-2018. Total one off cost for the Residential optimization amounted to €12.4m (of which €8.2m in 2017), in line with our expectations.
- One-off integration and restructuring expenses of €1.1m for changes in executive leadership
- Integration and restructuring expenses of €2.7m for a strategic and operational evaluation of the business

Net Financing Costs

The net finance expense amounted to €26m, primarily the interest expense related to external borrowings. Compared to prior year, the net financing cost decreased as a result of the full year run rate benefit from repayment of €55.1m Senior Secured Notes in 2017 and the fact one-off finance expenses related to the IPO, partial repayment of the Senior Secured Notes and acquisition of Bentley in 2017 did not repeat.

Taxation

The Group reported an income tax income for the year of €1.0m based on profit before taxes of the year of €6.4m. The tax income is mainly driven by the utilization of previously unrecognized deferred tax assets.

Earnings per share

Earnings per Share are equal to €0.20 in 2018 compared to €0.08 in 2017.

Dividend

In light of our investments in the various growth and cost saving initiatives resulting from the strategic and operational review, combined with our Leverage exceeding 3.0x at year-end, the Board does not propose to pay a dividend for the year.

Cashflow and Net Debt

Net debt at the end of 2018 equalled €261.8m, compared to €253.5m at the end of 2017. Leverage has increased from 2.9x Pro Forma Adjusted EBITDA at the end of 2017 to 3.6x Adjusted EBITDA at the end of 2018, mainly as the result of the lower Adjusted EBITDA. The increase in Net debt was the result of a reduction in cash of €10.5m, while at the same time gross debt decreased by €2.1m. As a reminder, 2018 saw one-off cash out of approximately €10m related to the Residential operational footprint reorganization. Gross debt at the end of 2018 equalled €288.7m (excluding capitalized financing fees), of which €240.3m Senior Secured Notes, €35.0m Senior Term Loan Facility and €13.4m of finance leases.

Impact of IFRS 16 in 2019

IFRS 16 has been applicable since 1 January 2019. The new accounting standard results in almost all leases being recognized on the balance sheet by lessees, as the distinction between an operating and finance lease is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized.

The Group has set up a project team which has reviewed all of the group's leasing arrangements over the last year in light of the new lease accounting rules in IFRS 16. The standard will primarily affect the accounting for the Group's operating leases. For the remaining lease term, the Group expects to recognize right-of-use assets and lease liabilities of approximately €45m on 1 January 2019.

The Group expects that net profit after tax will not be materially impacted for 2019 as a result of adopting the new rules. Adjusted EBITDA, used to measure segment results is expected to increase between approximately €6m and €8m, as the operating lease payments were included in the Adjusted EBITDA, but the amortization of the right-of-use assets and interest on the lease liability are excluded from this measure. The effect of IFRS 16 on our Leverage will be to increase leverage by between 0.2x – 0.3x.

Glossary: Alternative Performance Measures

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

Organic Growth is defined as growth at constant currency and excluding M&A.

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

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

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

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

Leverage is defined as the ratio of Net Debt to Adjusted EBITDA

Reconciliation of Alternative Performance Measures

Impact of non-recurring items on profit of the period

(€ thousands)	2018 Reported	2017 Reported	2017 Non-recurring	2017 PPA	2017 Reported figures before impact of PPA and non-recurring
Revenue	646,197	661,320	-	-	661,320
Raw material expenses	(306,640)	(310,391)	-	-	(310,391)
Changes in inventories	5,826	(3,359)	-	(3,008)	(351)
Employee benefit expenses	(159,106)	(151,334)	-	10	(151,343)
Other income	3,363	7,112	-	-	7,112
Other expenses	(117,287)	(121,869)	-	96	(121,965)
Adjusted EBITDA	**72,352**	**81,479**	**-**	**(2,902)**	**84,381**
Depreciation/amortization	(32,430)	(32,499)	-	(30)	(32,469)
Adjusted Operating Profit	**39,922**	**48,980**	**-**	**(2,933)**	**51,912**
Gains on asset disposals	-	-	-	-	-
Integration and restructuring expenses	(7,699)	(11,368)	(11,368)	-	-
Operating profit / (loss)	**32,223**	**37,611**	**(11,368)**	**(2,933)**	**51,912**
Finance income	51	41	-	-	41
Finance expenses	(25,881)	(37,327)	(9,307)	-	(28,019)
Net finance expenses	**(25,831)**	**(37,285)**	**(9,307)**	**-**	**(27,978)**
Profit / (loss) before income taxes	**6,393**	**326**	**(20,676)**	**(2,933)**	**23,934**
Income tax benefit / (expense)	953	2,654	8,615	1,149	(7,110)
Profit / (loss) for the period from continuing operations	**7,346**	**2,980**	**(12,060)**	**(1,784)**	**16,825**

Note: Predecessor: Balta Group NV was incorporated on 1 March 2017. The financial information relating to periods before has been extracted from the consolidated financial statements of LSF9 Balta Issuer S.à r.l.

Net debt and leverage

(€ million)	December 31, 2018 Non Current	December 31, 2018 Current	December 31, 2018 Total	December 31, 2017 Non Current	December 31, 2017 Current	December 31, 2017 Total
Senior Secured Notes	230.1	3.4	233.5	228.1	3.4	231.5
Senior TermLoan Facility	34.9	(0.1)	34.8	34.8	(0.1)	34.7
Bank and other borrowings	12.2	1.3	13.5	13.3	2.4	15.7
Less: Cash and Cash equivalents		(26.9)	(26.9)		(37.3)	(37.3)
Adjusted for capitalized financing fees	4.9	2.1	7.0	7.0	1.9	8.9
Net debt	282.1	(20.2)	261.8	283.2	(29.7)	253.5
Adjusted EBITDA (1)			72.4			87.3
Leverage			3.6x			2.9x

Note: Predecessor: Balta Group NV was incorporated on 1 March 2017. The financial information relating to periods before has been extracted from the consolidated financial statements of LSF9 Balta Issuer S.à r.l.
(1) Leverage on 31 December 2017 is determined as the ratio of net debt to pro forma Adjusted EBITDA.

Financial Statements

1. Statutory auditor's note on the financial information for the year ended 31 December 2018

"The statutory auditor, PwC Bedrijfsrevisoren cvba / Reviseurs d'Entreprises scrl, represented by Peter Opsomer, has confirmed that the audit, which is substantially complete, has not to date revealed any material misstatement in the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of change in shareholder equity of the Group or the consolidated statement of cash flow as included in this press release."

The statutory auditor
PwC Bedrijfsrevisoren/Reviseurs d'Entreprises sccrl
Represented by

Peter Opsomer, Registered auditor

2. Consolidated Statement of Comprehensive Income

(€ thousands)	For the year ended December 31 2018	2017
I. CONSOLIDATED INCOME STATEMENT		
Revenue	646,197	661,320
Raw material expenses	(306,640)	(310,391)
Changes in inventories	5,826	(3,359)
Employee benefit expenses	(159,106)	(151,334)
Other income	3,363	7,112
Other expenses	(117,287)	(121,869)
Depreciation / amortization	(32,430)	(32,499)
Adjusted Operating Profit	**39,922**	**48,980**
Gains on asset disposals	-	-
Integration and restructuring expenses	(7,699)	(11,368)
Operating profit / (loss)	**32,223**	**37,611**
Finance income	51	41
Finance expenses	(25,881)	(37,327)
Net finance expenses	**(25,831)**	**(37,285)**
Profit / (loss) before income taxes	**6,393**	**326**
Income tax benefit / (expense)	953	2,654
Profit / (loss) for the period from continuing operations	**7,346**	**2,980**
Profit / (loss) for the period from discontinued operations	-	-
Profit / (loss) for the period	**7,346**	**2,980**
II. CONSOLIDATED OTHER COMPREHENSIVE INCOME		
Items in other comprehensive income that may be subsequently reclassified to P&L		
Exchange differences on translating foreign operations	(13,833)	(13,522)
Changes in fair value of hedging instruments qualifying for cash flow hedge accounting	87	123
Items in other comprehensive income that will not be reclassified to P&L		
Changes in deferred taxes	(107)	(457)
Changes in employee defined benefit obligations	379	1,005
Other comprehensive income for the period, net of tax	**(13,474)**	**(12,850)**
Total comprehensive income for the period	**(6,128)**	**(9,870)**

Note: Predecessor: Balta Group NV was incorporated on 1 March 2017. The financial information relating to periods before has been extracted from the consolidated financial statements of LSF9 Balta Issuer S.à r.l.

3. Consolidated Balance Sheet

(€ thousands)	For the year ended December 31 2018	2017
Property, plant and equipment		
Land and buildings	153,752	162,103
Plant and machinery	132,632	130,977
Other fixtures and fittings, tools and equipment	14,875	18,080
Goodwill	194,643	198,814
Intangible assets	11,399	12,218
Deferred income tax asset	5,470	4,747
Trade and other receivables	996	1,165
Total non-current assets	**513,765**	**528,104**
Inventories	153,894	147,868
Derivative financial instruments	119	-
Trade and other receivables	60,772	61,539
Current income tax assets	278	3,434
Cash and cash equivalents	26,853	37,338
Total current assets	**241,916**	**250,179**
Total assets	**755,681**	**778,283**
Share capital	252,950	252,950
Share premium	65,660	65,660
Preferred Equity Certificates	-	-
Other comprehensive income	(33,388)	(19,913)
Retained earnings	9,457	6,297
Other reserves	(39,876)	(39,878)
Total equity	**254,804**	**265,116**
Senior Secured Notes	230,065	228,130
Senior Term Loan Facility	34,908	34,782
Bank and Other Borrowings	12,225	13,310
Deferred income tax liabilities	47,837	54,471
Provisions for other liabilities and charges	2,458	2,335
Employee benefit obligations	3,106	4,127
Total non-current liabilities	**330,598**	**337,155**
Senior Secured Notes	3,425	3,425
Senior Term Loan Facility	(118)	(108)
Bank and Other Borrowings	1,261	2,361
Provisions for other liabilities and charges	1,165	7,316
Derivative financial instruments	55	2
Other payroll and social related payables	36,714	33,373
Trade and other payables	123,599	126,375
Income tax liabilities	4,178	3,265
Total current liabilities	**170,279**	**176,010**
Total liabilities	**500,877**	**513,165**
Total equity and liabilities	**755,681**	**778,283**

Note: Predecessor: Balta Group NV was incorporated on 1 March 2017. The financial information relating to periods before has been extracted from the consolidated financial statements of LSF9 Balta Issuer S.à r.l.

4. Consolidated Statement of Cash Flow

(€ thousands)	For the year ended December 31 2018	2017
I. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit / (loss) for the period	**7,346**	**2,980**
Adjustments for:		
Reclass of capital increase expenses to cashflow from financing activities (gross)	-	132
Income tax expense/(income)	(953)	(2,654)
Finance income	(51)	(41)
Financial expense	25,881	37,327
Depreciation, amortisation	32,430	32,499
Movement in provisions	(6,215)	7,252
(Gain) / loss on disposal of non-current assets	29	(58)
Fair value of derivatives	21	8
Expense recognised in respect of equity-settled share-based payments	7	-
Non-cash impact of purchase price allocation	-	2,902
Cash generated before changes in working capital	**58,495**	**80,347**
Changes in w orking capital:		
Inventories	(4,447)	(4,280)
Trade receivables	(4,497)	1,913
Trade payables	3,056	(15,460)
Other w orking capital	(1,436)	(2,248)
Cash generated after changes in working capital	**51,170**	**60,272**
Net income tax (paid)	(4,782)	(5,344)
Net cash generated / (used) by operating activities	**46,388**	**54,928**
II. CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition & disposal of property, plant and equipment	(30,765)	(38,261)
Acquisition of intangibles	(930)	(1,673)
Proceeds from non-current assets	867	912
Acquisition of subsidiary	-	(68,752)
Net cash used by investing activities	**(30,828)**	**(107,775)**
III. CASH FLOW FROM FINANCING ACTIVITIES		
Interest and other finance charges paid, net	(21,032)	(32,388)
Proceeds from borrow ings w ith third parties	-	110,000
IPO Proceeds	-	145,000
Incremental costs paid directly attributable to IPO	-	(7,772)
Repayments of borrow ings w ith third parties	(2,137)	(171,987)
Dividends paid	(2,875)	-
Proceeds from contribution in kind	-	1,343
Net cash generated / (used) by financing activities	**(26,044)**	**44,196**
NET INCREASE/ (DECREASE) IN CASH AND BANK OVERDRAFTS	**(10,485)**	**(8,650)**
Cash, cash equivalents and bank overdrafts at the beginning of the period	**37,338**	**45,988**
Cash, cash equivalents and bank overdrafts at the end of the period	**26,853**	**37,338**

Note: Predecessor: Balta Group NV was incorporated on 1 March 2017. The financial information relating to periods before has been extracted from the consolidated financial statements of LSF9 Balta Issuer S.à r.l.

5. Consolidated Statement of Change in Shareholder Equity

(€ thousands)	Share capital	Share premium	Preferred Equity Certificates	Other comprehensive income	Retained earnings	Other reserves	Total	Non-controlling interest	Total equity
Balance at December 31 2017	**252,950**	**65,660**	**-**	**(19,913)**	**6,297**	**(39,878)**	**265,116**	**-**	**265,116**
Adjustment on initial application of IFRS 9					(1,308)		(1,308)		(1,308)
Adjusted balance January 1 2018	**252,950**	**65,660**	**-**	**(19,913)**	**4,990**	**(39,878)**	**263,809**	**-**	**263,809**
Profit / (loss) for the period	-	-	-	-	7,346	-	7,346		7,346
Dividends paid	-	-	-	-	(2,875)	-	(2,875)	-	(2,875)
Equity-settled share-based payment plans	-	-	-	-	7	-	7	-	7
<u>**Other comprehensive income**</u>									
Exchange differences on translating foreign operations	-	-	-	(13,833)			(13,833)	-	(13,833)
Changes in fair value of hedging instruments qualifying for cash flow hedge accounting	-	-	-	87	-	-	87	-	87
Cumulative changes in deferred taxes	-	-	-	(107)	-	-	(107)	-	(107)
Cumulative changes in employee defined benefit obligations	-	-	-	379	-	-	379	-	379
Total comprehensive income for the period	**-**	**-**	**-**	**(13,473)**	**-**	**-**	**(13,473)**	**-**	**(13,473)**
Balance at December 31 2018	**252,950**	**65,660**	**-**	**(33,388)**	**9,458**	**(39,876)**	**254,804**	**-**	**254,804**

(€ thousands)	Share capital	Share premium	Preferred Equity Certificates	Other comprehensive income	Retained earnings	Other reserves	Total	Non-controlling interest	Total equity
Balance at January 1 2017	**171**	**1,260**	**138,600**	**(7,063)**	**3,351**	**-**	**136,319**	**-**	**136,319**
Profit / (loss) for the period	-	-	-	-	2,946	-	2,946	34	2,980
<u>**Other comprehensive income**</u>									
Exchange differences on translating foreign operations	-	-	-	(13,522)	-	-	(13,522)	-	(13,522)
Changes in fair value of hedging instruments qualifying for cash flow hedge accounting	-	-	-	123	-	-	123	-	123
Cumulative changes in deferred taxes	-	-	-	(457)	-	-	(457)	-	(457)
Cumulative changes in employee defined benefit obligations	-	-	-	1,005	-	-	1,005	-	1,005
Total comprehensive income for the period	**-**	**-**	**-**	**(12,850)**	**2,946**	**-**	**(9,904)**	**34**	**(9,870)**
Incorporation of founders' share	62	-	-	-	-	-	62	-	62
Capital contribution Bentley Management Buy-out	1,343	-	-	-	-	-	1,343	(34)	1,309
Contribution in kind of LSF9 Balta Issuer S.à r.l.	331,250	-	-	-	-	-	331,250	-	331,250
Transfer of share capital to other reserves	(150,000)	-	-	-	-	150,000	-	-	-
Cancellation of founders' share	(62)	-	-	-	-	-	(62)	-	(62)
Contribution of net proceeds from the Primary Tranche of the IPO	79,340	65,660	-	-	-	-	145,000	-	145,000
IPO expenses attributed to the Primary tranche of the IPO	(7,640)	-	-	-	-	-	(7,640)	-	(7,640)
Capital reorganisation under common control	(1,514)	(1,260)	(138,600)	-	-	(189,878)	(331,252)	-	(331,252)
Total transactions with the owners	**252,779**	**64,400**	**(138,600)**	**-**	**-**	**(39,878)**	**138,701**	**(34)**	**138,667**
Balance at December 31 2017 [1]	**252,950**	**65,660**	**-**	**(19,913)**	**6,297**	**(39,878)**	**265,116**	**-**	**265,116**

<u>Note:</u> Predecessor: Balta Group NV was incorporated on 1 March 2017. The financial information relating to periods before has been extracted from the consolidated financial statements of LSF9 Balta Issuer S.à r.l.

Earnings call

The FY 2018 Results will be presented on **5 March 2019 at 10.00 am CET** via a webcast, by the Chairman of the Board and interim CEO Cyrille Ragoucy and CFO Tom Gysens. Dial-in details and the results presentation will be available on www.baltainvestors.com

For further information, please contact

Investors:
investor.relations@baltagroup.com

Media:
Geert Vanden Bossche - Marketing Director
geert.vandenbossche@baltagroup.com

About Balta

Balta is a leading manufacturer of textile floor coverings, selling to over 130 countries worldwide. The Balta divisions are Balta Rugs (Balta home), Balta Residential Carpets & Tiles (under the brands Balta Carpets, ITC and Balta carpet tiles), Balta Commercial Carpets & Tiles (under the brands modulyss, Arc Edition and Bentley), and Balta Non-Woven (under the brand Captiqs). With the addition of Bentley, Balta employs nearly 4,000 people in 10 manufacturing sites and distribution centres in Belgium, Turkey and the United States.

Important notice

Certain financial data included in this press release are "non-IFRS financial measures." These non-IFRS financial measures may not be comparable to similarly titled measures presented by other entities, nor should they be construed as an alternative to other financial measures determined in accordance with International Financial Reporting Standards. Although Balta believes these non-IFRS financial measures provide useful information to users in measuring the financial performance and condition of its business, users are cautioned not to place undue reliance on any non-IFRS financial measures or any ratios included in this presentation.

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

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