BELYSSE®

2023
Annual Report

itc modulyss® arc edition BENTLEY®

Table of contents

01 Strategic Report

Cyrille Ragoucy, Chairman of the Board

Message from the Chairman of the Board

Cyrille Ragoucy, Chairman of the Board of Belysse Group NV said,

“ In 2023, Bentley Mills, our US division, was able to successfully complete its yarn transition project at the end of Q1, but was recently confronted with a slowdown of market demand influenced by high inflation and increased interest rates. Thanks to its unique positioning in the soft flooring market and a flexible cost structure, the company was able to maintain its EBITDA margin.

Europe faced a pronounced slowdown in market demand in both Residential and Commercial segments throughout the year. The beneficial effects of actions taken since last year within sourcing and supply chain and the general normalization of raw material and energy prices, became only visible in our accounts at the end of the third quarter, due to delays caused by the FIFO accounting practice in combination with soft volumes. To compensate for the lower volumes, a fixed expense program was executed in July with savings seen in H2 2023. Towards the end of the year, all actions taken helped the European results to start recovering and reporting a double digit Adjusted EBITDA margin in Q4 2023.

In December, Belysse Group signed a €120m (equivalent) credit facility to repay the existing senior secured notes due in 2024. The repayment of these notes took place on 5 February 2024 which provides the company with sufficient time to recover from the weak market environment.

I would like to thank all the Belysse team members as they kept their dedication, their enthusiasm and their professionalism intact in this challenging market environment.”

Financial Review

Review Continuing Operations by Division

United States

Full year Revenue for 2023 decreased by 9.5% to €160.8m (€177.8m 2022). Sales volumes were lower compared to a very strong year 2022 following a general market demand softening, while cost inflation could be passed through with higher average sales price levels. Unfavourable FX translation also contributed to the lower reported Revenue.

Full year Adjusted EBITDA for 2023 of €30.6m was down by 7.8% (€33.2m 2022) with an Adjusted EBITDA margin of 19.0% (18.7% in 2022). At constant FX, the Full Year Adjusted EBITDA for 2023 was down by 5.0%. The negative impact of the lower volumes was partly offset by higher unitary margins and lower fixed expenses.

Europe

Full year Revenue for 2023 decreased by 12.2% to €140.1m (€159.6m 2022). The lower revenue is driven by the weak market demand while average sales prices are materially higher after the implementation of several price increase waves in the course of 2022 to compensate for the strong cost inflation.

Full year Adjusted EBITDA was €3.0m (€2.3m 2022) with an Adjusted EBITDA margin of 2.2% (vs. 1.4% in 2022). This performance is driven by the lower volumes in both the Commercial and Residential business lines throughout the year. Improved raw material and production costs as well as reduced fixed expenses brought positive effects, but only benefiting results in H2 2023.

Financial Review

Other Financial Items Review

Non-Recurring Items below Adjusted EBITDA

The net impact of non-recurring items on 2023 net result was negative €3.1m (€0.09 per share), as compared to negative €1.4m (€0.04 per share) in 2022. The expense in the current period is mainly driven by the one-off cost for the fixed expense reduction programme executed in Europe and strategic advisory fees.

Net Financing Costs

The net financing cost of €18.4m (€19.7m 2022), primarily represents the interest expense on external borrowings. This decrease is mainly driven by the lower financing cost of the group since the debt repayments after the divestment of Rugs and Residential PP in April 2022.

Taxation

The Group reported a tax expense for 2023 of €3.4m (€9.0m 2022) based on an overall loss before tax of €7.7m (loss before tax of €4.3m for the Continuing Operations for 2022). This amount results from the taxing of the profits at our US division and the fact that no deferred tax assets are recognized on the losses in Europe. The difference in tax expense year over year is mainly linked to the de-recognition of deferred tax assets in Europe, triggered by future prospects and a change in tax legislation.

Earnings per share

Loss per share of €0.31 in 2023 compared to loss per share of €0.37 in 2022.

Dividend

Our focus remains on deleveraging and investing into the business further, the Board will not propose a dividend for the year.

Silky Lush 079

BEYOND

As a reminder, our 4-year transformation roadmap which started in January 2022 called BEYOND consists of three pillars

- Increased focus on Sustainability through innovative products and production processes
- Incremental drive for Efficiency through lean strategies
- Emphasis on Agility through Digital and operational improvement initiatives

Sustainability through innovation

Total CO_2 emission* per m^2 produced has been reduced by 22% compared to the 2018 baseline. Compared to 2022, the share of renewable electric energy has grown from 30% to 36%.

Certified recycled content in our commercial carpet tiles has further improved in Europe, to 52% this year. After last year's industry-wide lower supply of recycled materials in the US, certified recycled content has increased this year from 24% to 34%. In both regions, this is the highest share of certified recycled content that we've achieved so far.

We continue to expand our Cradle to Cradle certification and our C2C certified collections. Currently we have 4 certificates for our modulyss collections (3 gold, 1 silver); '26 certified collections (vs 22 last year) out of 50 standard carpet tile collections.' We are the first carpet tile manufacturer that successfully completed a level Gold Material Health Assessment in version 4 of the Cradle to Cradle standard. For our Bentley collections we currently have 3 silver certificates, covering now all of our offered backings (12 C2C certified backings vs. 7 last year).

Strong focus is also given to designing our products from the start for easier recyclability, as part of our current product recovery & recycling programs, as well as initiating broader future recycling partnerships. One key aspect of this, is our carpet take back program where we collaborate with local partners in Belgium, the Netherlands, UK and France to recycle old carpet tiles in the most sustainable way possible.

Together, we're working to reduce waste and promote a greener future. As a specific example, in the UK we partner with Uplyfted who provide a UK-wide supply and fit service of like-new carpet tiles, tailored to providers of social housing. We were part of Uplyfted's pilot collaboration and the first carpet tile manufacturer to sign an agreement to work with Uplyfted for take-back of our carpet tiles. In the meantime, several take-back cases have already been realized.

**Scope 1 and 2*

BEYOND

Efficiency

Lean savings for 2023 amounted to 3.4 M€, driven by more than 40 improvement initiatives, against a target to deliver 2.8 M€ in this second year of Beyond. This means that half-way through the program, we've delivered 6.1 M€ in cumulative savings vs. a 4.7 M€ plan. These savings were driven by strong contributions in particular from material, energy and labor efficiency initiatives.

An example of such labor efficiency initiatives is the automation of tile stacking in our US plant, at the end of the production process.

For 2024, we expect to deliver incremental savings of 1.7 M€, as part of our 8 M€ savings ambition over the course of the program.

Agility

On the digital front, 2023 revolved mainly around the further technical IT split of the company following the transaction with Victoria.

On a more operational level, we have been working to further improve our delivery performance and service level to our customers, at the same time lowering our end-to-end inventory.

A telling example of this is our quick ship program. In the fast-paced world of design & build, time is of the essence. Therefore, we have defined a "quick ship" program consisting of 188 products across 23 collections, with products ready for shipment within 2 to 4 weeks.

Another telling example is the additional line we installed to print commercial carpet tiles, specifically aimed at flexibly producing small runs in custom designs, even allowing individual designs per tile.

Belysse Group business model

WE DRAW ON

RESOURCES

INTERNAL
PEOPLE
KNOWHOW
MANUFACTURING

EXTERNAL
MATERIALS
Virgin
Recycled

SOCIAL
Stakeholders
Legislation

FINANCIAL

CAPABILITIES

INNOVATION & R&D

EFFICIENCY & LEAN

HEALTH & SAFETY

GLOBAL COMMERCIAL PRESENCE

PASSION & EXPERTISE

How we do it?

Responsible sourcing

Lean manufacturing in a safe & healthy environment

TO PROVIDE OUR

PRODUCTS

BROADLOOM

CARPET TILES

How we do it?

Servicing our customers as their trusted partner

Belysse Group business model

TO CREATE

SERVICES

MANUFACTURING

PARTNERSHIPS IN
Technical support
Logistics
Marketing
Design & Creation

VALUE

PEOPLE
Job creation & Employment
Learning & Development
Community engagement
Well-living

PLANET
Contribution towards circular economy
Reduction of carbon footprint (waste, emission, water)
Switch to renewables

ECONOMIC
Company growth
Tax Contributions
Shareholder return

Sharing expertise & knowhow to create a positive impact on society

How we do it?

Contributing towards a circular economy by applying the principles of 'reduce, recycle, recover'

The group at a glance

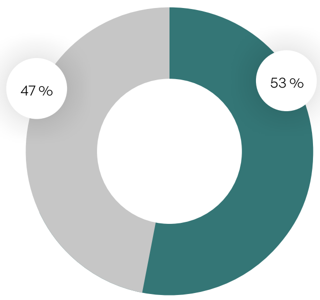
Belysse group is a leading producer of textile floor coverings with a strong legacy in soft flooring. Belysse creates, develops and produces sustainable flooring solutions for commercial and residential applications across the globe.

Belysse Group reported a consolidated revenue of €300.9m in 2023, focussing 90% on North-America and Europe. Belysse commercialises its products under the premium brands Bentley (US), modulyss, arc edition and ITC (Europe). Belysse employs around 1100 people and operates three manufacturing sites: 2 in Belgium (Tielt and Zele) and 1 in the United States (Los Angeles).

In 2022 the Balta brand was sold to Victoria PLC, together with Rugs, Residential polypropylene and Non-Woven businesses. From then on, the group's main focus lies on developing its commercial and premium residential businesses in Europe and the US, under mother brand Belysse.

Belysse's history spans almost 6 decades. Sixty years of textile innovation, filled with important milestones. From product launches to important corporate evolutions.

Since June 2017, Belysse Group NV has been a public company listed on Euronext Brussels.

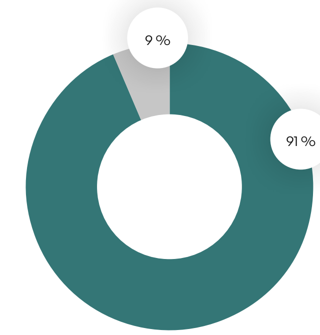


Revenue 2023
per segment

US: € 160.8m
Europe: € 140.1m

Total Revenue € 300.9m

- US
- Europe



Adjusted EBITDA 2023
per segment

US: € 30.6m
Europe: € 3.0m

Total Adjusted EBITDA € 33.7m

- US
- Europe

Segments

Europe	United States
	
Europe	United States
arc edition modulyss® itc	BENTLEY

Brands

Europe

Meadow 901, 579

modulyss®

modulyss® delivers the highest quality to the most discerning clients: since 2010, they have been designing and manufacturing carpet tiles for the international, commercial market. Always pushing forward and with an eye for creativity, functionality and sustainability. The result? Modular flooring that matches the distinctive character of a space.

itc

Inspiring, comfortable and sustainable flooring solutions? Look no further! ITC has the perfect product for any residential application. Tufted broadloom carpets and tufted carpet tiles that turn any space into a beautiful and comfortable haven. The softest way to go.

Marlene 90

Brands

arc edition

arc edition transforms rooms worldwide. Whether they have been designed for hospitality, leisure or office, arc edition's wall-to-wall carpet flooring solutions combine passion, creativity and technical know-how. Custom-made solutions that fit your requirements, whatever they may be.

SR Obscura 29

United States

Pop Up Shop

BENTLEY

California-based Bentley Mills Inc. has been at the forefront of carpet design for over 40 years. Their broadloom, carpet tile and area rug products can be found in the most stylish interiors across the globe. Timeless. Luxurious. And sustainable. Because Bentley Mills Inc. takes its social responsibility to heart, earning them top-industry certifications such as the Cradle to Cradle and NSF® 140.

Belysse Group in numbers

Financial

€300.9m
REVENUE 2023

Adjusted EBITDA Margin	Adjusted EBITDA
11,2%	€33.7m

Renewable energy

18,269
Solar panels on our roofs in Belgium

= 3.65GWh/year
= Solar energy consumed in 2023

-235tonnes
CO_2 emissions/year avoided

Worldwide

3
PLANTS
in the world

100
COUNTRIES WE SELL INTO

± 26 ha
TOTAL FOOTPRINT

= 50 Football pitches

People

± 1,100
EMPLOYEES WORLDWIDE

40+
NUMBER OF NATIONALITIES

Belysse Group worldwide

Belysse is active in both Europe and the USA. Belgium houses our headquarters (Waregem), and two production plants (Zele and Tielt), whereas the US has 1 production plant (Los Angeles).

But it is not only our facilities that can be found across the globe! Our products too are appreciated internationally. And that is why we stay close to the A&D community on both sides of the Atlantic. With modulyss showrooms in London, Paris and Ghent and Bentley Mills ones in New York, Boston, Chicago, Atlanta, Washington DC, Los Angeles and San Francisco.

Mangapikopiko School, New Zealand

Highlights 2023

Europe and US

- The board has established an ESG-committee that will oversee the Company's ESG governance and performance.
- On the sustainability front, in 2023 Belysse Group pledged our commitment to the Science Based Targets initiative (SBTi), aligning ourselves with the goals set forth in the Paris Climate Agreement. Widely recognized as a trusted framework for setting climate reduction goals, SBTi provides a rigorous and science-based approach to help companies set their emissions reduction targets to limit global warming.

Europe

- Belysse Europe's revenue experienced a -12,2% year-on-year change, accompanied by a notable increase in EBITDA to €3.0m. This shift in revenue was primarily influenced by the destocking of customers, especially in the Residential sector. However, we have observed a stabilisation of prices in both Residential and Commercial business lines.
- Diversification of the supplier base for raw materials, notably witnessing a significant shift in PA granulates supply from outside the EU.
- In response to lower market demand that was not anticipated to quickly rebound, a fixed expenses reduction program mid-year was initiated
- A significant reduction in inventories was achieved through a strategic shift in production towards Make To Order processes, aligning more closely with prevailing market conditions.
- Energy price levels reduced from the peaks of 2022, although not reaching long-term historical levels.
- Focus on expanding recycled polyester collections has led to rapid growth, positioning Belysse favorably in the higher end of the market. These collections predominantly replace lower-end polypropylene, further enhancing our market positioning.
- With the launch of the custom design service, modulyss propels designers into a realm of limitless possibilities, thanks to cutting-edge print tile technology. This initiative marks a significant step forward in our commitment to empowering designers and clients alike, offering complete control over their flooring solutions.
- In 2023, modulyss completed several prestigious projects. From the tranquil corridors of Mangapikopiko School in New Zealand to the opulent settings of La Réserve Knokke hotel catering to hospitality needs, and the vibrant office spaces of KBC bank in Brussels, our cutting-edge flooring solutions have left an indelible mark. These achievements underscore our sustained expansion and impact across the education, hospitality, and corporate segments, solidifying modulyss's position as a frontrunner in the industry.

United States

- Delivered strong results in a challenging economic environment primarily driven by an outsized impact from education and retail market segments with an overall decrease in revenue (-7.1%) YoY. YoY decreases in EBITDA were held to (-4.8%) thanks to effective commercial strategies and disciplined cost management.
- Despite lower volumes, contribution profit margins increased by 109 basis points reflecting continued benefits from our products premium price position and material costs deflation.
- Delivery of strong cash flow generation from operations reflecting the completion of the transition of the previous main yarn supplier which translated to a 23% reduction in net inventory levels YoY.
- Leverage of the investment in a new carpet sampling tufting machine to improve the products time to market and launched 14 styles in broadloom, modular tile, and LVT collections during the year, including the highly successful Culinary™ Collection, which comprises three signature products On the Block™, From Scratch™ and Serve It Up™. We featured the Culinary™ Collection at Three Days in June 2023 during Chicago's NeoCon, the largest commercial interiors show in North America. Also an expendure of our luxury vinyl tile offering with Classic Rock™ LVT, inspired by the timeless look of terrazzo, grounding the company's LVT offering, featuring foundational wood, stone and concrete finishes. During 2023, Prima Vista™ was introduced to the market, the new signature brand of artisan wool area rugs.
- The products continue to be highlighted in some of the most prestigious projects in North America, including three of the top five department store retailers in the United States, with a 32 store refurbishment by the leading U.S. department store. The products were proudly showcased in the VIP section of the inaugural Las Vegas Formula One Grand Prix race and the products were selected by the New Orleans Convention Center, one of the tenth largest convention spaces in the United States, as part of a multi-year refurbishment with a unique, custom design reflective of the City's unique character.
- In Summer 2022, Bentley Mills' main yarn supplier, ceased production of Nylon 6.6 carpet fibers. In 2023, the shift from this main yarn supplier to several alternative yarn suppliers has been completed successfully allowing Bentley to no longer be dependent on one main supplier and to transition some collections from PA6.6 yarns to PA6-yarns.

02 Sustainability Report

Nature 16

Introduction

At Belysse, we are a team of experts with a strong legacy in soft flooring. We create, develop and produce sustainable flooring solutions. This is our core business, but while doing so we consider it as our responsibility to take care of our people, to make products that create value for our customers without harming the environment, and to ensure profitability for our shareholders.

In this report, we explain how Belysse's activities have an impact on people and on the environment, but also how external events related to ESG impact Belysse. We will highlight our most important actions and share the results thereof.

Reporting principles

This report has been prepared in accordance with the Global Reporting Initiative Standards (GRI Core option). Belysse will be subject to the Corporate Sustainability Reporting Directive (CSRD) for the reporting year 2024, and has therefore already started the transition towards compliance with the ESRS guidelines.

For defining the content of this report, we considered our activities, impacts, and the substantive expectations and interests of our stakeholders from a double materiality perspective. The data disclosed in this years' report are not yet aligned with the ESRS guidelines.

In accordance with the previous annual reports, we continue to report data for a period of three years. Data for reporting year 2021, before the Divestment, are kept unchanged, thus reflecting the group structure as it was composed at that moment.

EU Taxonomy

We have carefully examined if Belysse's activities (NACE 13.93) fall within the scope of the EU Taxonomy Delegated Acts. None of our activities is described in the list of 'taxonomy eligible economic activities' of the Taxonomy Climate Delegated Act, nor of its Complementary Climate Delegated Act. For this reason, we confirm that they are taxonomy-non-eligible and that Belysse therefore is 0% aligned. Belysse has no activities in Gas or Nuclear Energy. The eligible economic activities of the Taxonomy Environmental Delegated Act describes "Collection and transport of non-hazardous and hazardous waste". Belysse has an activity as such, but this is not significant and therefore also considered to be non-eligible.

	Total (€ thousands)	Proportion of Taxonomy-eligible economic activities (in %)	Proportion of Taxonomy non-eligible economic activities (in %)
Net Turnover	300,90	0%	100%
Capex	11,79	0%	100%
Opex	5,15	0%	100%

The complete Taxonomy Tables for turnover, Capex and Opex are included at the end of the Sustainability Report (p. 53 - 56)

Introduction

People

We are an integrated soft floorcovering manufacturer with 1.149 employees, so people are naturally at the heart of our business, and of our success. We believe that we must create a positive and collaborative working environment where employees' personal development is promoted, to reach our objectives. By strong and transparent communication about our values and our strategic goals, everyone across the organisation can contribute to their achievement.

As staunch promotors of physical and mental wellbeing in the workplace, Health & Safety remains our top priority. We have worked incessantly to raise safety awareness and promote safety leadership, investing in prevention campaigns and rigorous training, and continuously increasing our adoption of digital tools.

In 2023, we obtained our first ISO 45001 certification for our Occupational Health & Safety Management System at the production site in Zele.

Planet

Belysse is headquartered in Europe, and has production sites in Belgium and the US. Two of our three manufacturing plants fall under the purview of EU policies and the associated EU Sustainable Finance Action Plan. The European Green Deal aims to make Europe climate-neutral by 2050. Belysse fully supports the shift from a linear to a circular economy and is fully aware of its responsibilities in this transition.

After the Divestment, we have reassessed the milestones that were set in 2018. As we observe the trend of international, national and regional targets getting tightened, we have not reformulated these goals. Based on our progress so far and the plans we have laid out for the coming years, we do realize that the right focus will be needed to achieve the goals.

Business Ethics

Belysse is dedicated to running its business under the applicable laws, as well as the highest standards of integrity and ethical practices. That is why we are making continuous efforts to raise awareness for our legal compliance programme. In 2023, this commitment was converted into a clear focus on the antitrust and GDPR legislation, as well as on cyber security.

The next step will be the further development and introduction of our formal Code of Conduct, in line with our overall vision and mission, as well as the consolidation of most of the existing stand-alone compliance policies into a single programme.

2023 achievements and Ambitions by 2030

In 2020, the Management Committee expanded the Group's 2018 sustainability ambitions and made them more specific, in order to cover all essential domains on terms of both People and Planet. Clear KPI's have been set to make the sustainability ambitions measurable. In the respective paragraphs of this chapter, we report the progress on these ambitions, and outline the framework on how to reach them.

Our ambition

Accident Frequency rate of less than 1

- Number of Lost Time Incidents per million hours worked.
- Contracted employees and contractors included.

In 2023, the lost-time Accident Frequency rate slightly increased, with 8.5% compared to last year.

Increase recycled content in our products

- Minimum 50% for modulyss and Bentley Mills products.

In 2023, we further increased the recycled content in our products across all our brands. We attained 33.6% and 52.9% recycled content for Bentley Mills and modulyss respectively.

30% reduction of GHG emission intensity by 2030

- Compared to 2018 baseline.
- Scope 1 and scope 2.

In 2023, the CO2-emission rate is reduced by -22% compared to the 2018 baseline.

100% recycling or production waste

- Waste coming from production lines (e.g. scrap, excess, residue).
- On-site or by external partners.

In 2023, the recycling rate for Belysse was 34.8%. The highest rate of recycling is attained by modulyss in Zele, where 61% of total waste is recycled, of which 47% is internal closed-loop recycling.

30% reduction of water consumption intensity by 2030

- Compared to the 2018 baseline.
- Liter/m^2

In 2023, the water consumption intensity was -1.8% lower compared to the 2018 baseline.

At least 40% women in all layers of Belysse's group top management

- Board of Directors and EBLT .

In 2023, female representation in our Board of Directors was 33%. Of all middle managers, 36% are women.

Materiality Analysis

In 2020, Belysse conducted a first Materiality Analysis to identify the key ESG topics, relevant to the company. In 2023, we decided to expand the scope of our Materiality Analysis to include the ‘outside-in’ as well as the ‘inside-out’ perspective. A so-called ‘Double Materiality Assessment’ was carried out.

This assessment was carried out in three phases;

Materiality Analysis

Impact, Risk and Opportunity Identification

Belysse, a company with local production but global supply chains and sales markets, has an impact on people and the environment. The analysis thereof, the 'Inside-Out perspective', was summarized in the list of impacts.

Not only does Belysse have an impact on people and the environment, our company is also impacted by ESG-activity outside of our company. The result of the 'Outside-In' perspective was analyzed, resulting in a list of Risks and Opportunities.

From the long lists of impacts, risks and opportunities, Belysse developed an Impacts, Risks & Opportunities ("IRO") framework. In this framework, impacts (Actual and Potential) and risks & opportunities (short, medium and long term) were assessed using CSRD requirements to rank all ESG topics and determine which are most material for Belysse.

Impact, Risk and Opportunity Assessment

At Belysse, we are very much aware of the importance of stakeholder engagement for the future sustainability of our business. In light of the Double Materiality Assessment, we reviewed and expanded our list of stakeholders.

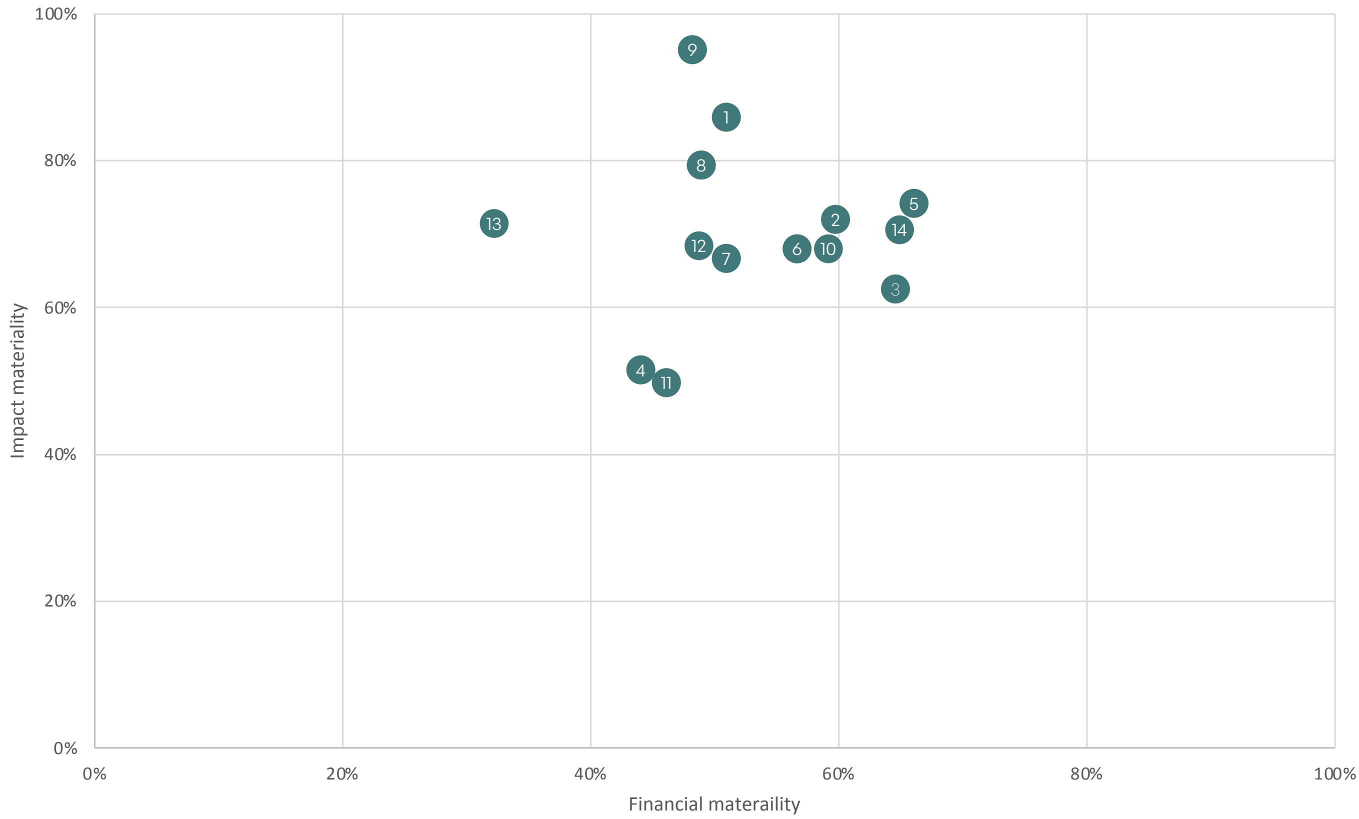
	Affected Stakeholders	Engagement Method	Users of The Report	Engagement Method
Internal	Executive Leadership Team	Workshop	Board of Directors	
Internal	Employees	Survey	Lender	(not yet known at time DMA was carried out)
Internal	Key People for ESG topics within the company	Workshops	Analysts and Investors	
External	Customers	Survey	Government, Institutional Bodies	desktop research
External	Suppliers	Survey	Federations	Interview
External	Local Communities		Scientific knowledge centers	desktop research
External	Partners	survey / interview	Press & Media	desktop research

To get external feedback on our IRO list, we reached out to both affected stakeholders and users of the report. The engagement methods were adjusted to the specific stakeholder, and included workshops, direct interviews, surveys and desktop research.

Based on the combined feedback of internal and external stakeholders, the identified IRO's were assessed. Scores were assigned based on severity and likelihood (Impacts), or time horizon and the magnitude of their financial effect (Risks and Opportunities).

Membership of associations

Materiality Analysis



The result of the assessment is the Double Materiality Matrix, that gives an overview of the ESG topics that are important for Belysse.

1. GHG emissions
Designing and creating new products which have a high degree of recycled or renewable content and/or are easily recyclable. Closing the loop with non-toxic, non-hazardous products in a Cradle to Cradle® vision. Use of renewables.

2. Energy Consumption
Using energy, needed to produce our carpets and carpet tiles, more efficiently and being conscious about the energy source.

3. Pollution from Own Operations
Avoid any emission of hazardous substances, originating from our factories, to the air, water or soil.

4. Pollution in the Supply Chain
Monitoring of our suppliers to avoid the emission of hazardous substances from processes to air, water or soil.

5. Water consumption
Take action to reduce our dependency of water.

6. Production waste
Reduce the amount of production waste, and increase the rate of recycling thereof.

7. Raw material selection
Increase the use of recycled or renewable raw materials to lower the environmental footprint of our products.

8. Product ecodesign
Develop our products with circularity in mind, to enable reuse, remanufacturing and recycling at the end of their life.

9. Product end-of-life
Avoid environmental pollution from end-of-life treatment of our products by setting up systems and services for collection, reuse and recycling.

10. Health, wellbeing & engagement
Create a workplace where our employees can thrive.

11. Safety
Create a working environment where any physical or mental harm is prevented, and where workers' health is promoted.

12. Supply chain management
Ensure that all our suppliers meet our standards for Ethical, Social and Environmental performance.

13. Products Safety
Our products must be safe to use at all times.

14. Product Transparency
Provide relevant information to our customers about the product they buy from us.

People

Our own Workforce

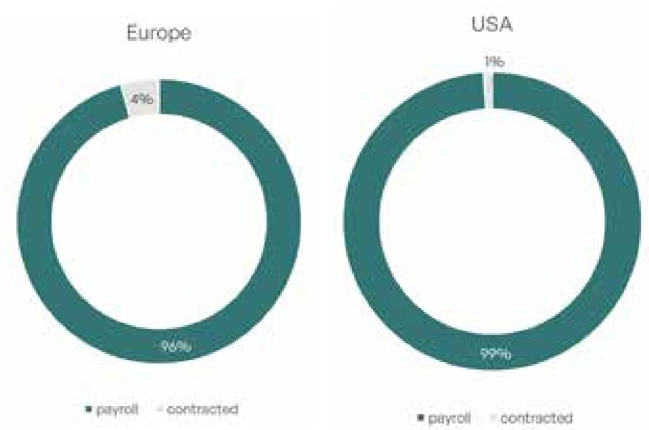
About Our employees

Belysse is a global business with headquarters in Belgium. At the end of December 2023, we employed 1.149 people, a decrease of -10% compared to last year. The decrease in Europe is partly the result of an adjustment of the organization.

We employ above 40 nationalities, but the majority of our employees are located in the countries where we have our production facilities: Belgium and the US. All employees working in Belgium, 59% of the total headcount, are covered by collective bargaining agreements.

Countries	Number of employees
Belgium	678
US	439
Rest of Europe	19
Rest of World	13
Total	1.149

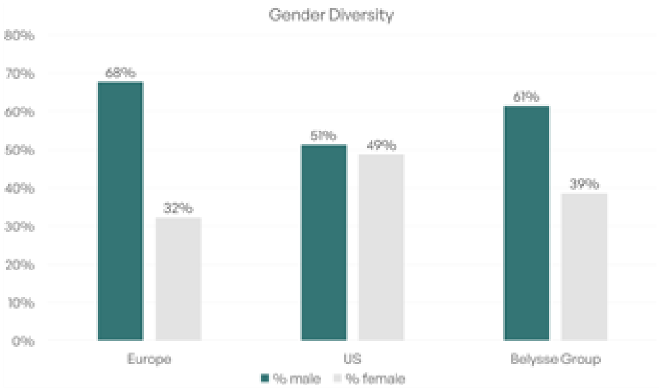
The majority of our employees have a fixed contract. We do add a small flexible layer of contracted personnel to cope with fluctuating demand or to execute specific projects. In Europe, 4% of employees are contracted. This number is lower in the US, where only 1% of employees are contracted.



People

Gender Diversity

At the end of 2023, our workforce was composed of 39% women and 61% men. In the US, the ratio men versus women is almost equal. In Europe, men still outweigh women.



In the different layers of our management, the representation of women is the following:

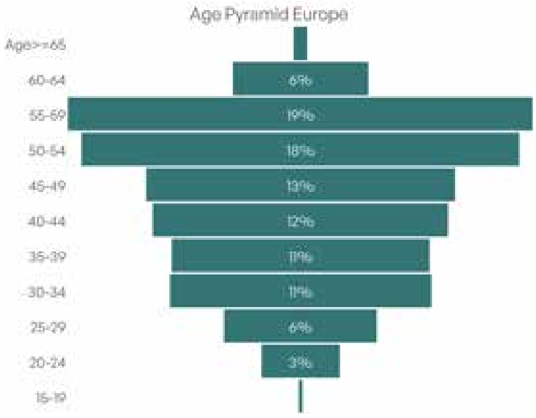
- Our Board of Directors has 9 members, of whom 3 identify as woman. The percentage women in the Board of Directors thus is 33%, equal to last year.
- The Extended Belysse Europe Leadership team, the middle management of the company, had 93 members at the end of 2023, of whom 27 identify as women. The percentage of female managers thus is 29%, an increase of +3% compared to last year.
- At Bentley Mills, 47% of managerial functions are occupied by women.

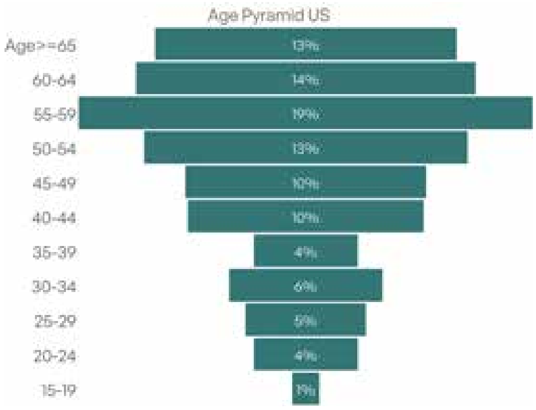
It's important to Belysse that we keep on recruiting based on people's capacity, not only on gender. We strive to be neutral in our recruitment communication and not to distinguish between male of female during the recruitment process.

Age diversity

Finding new workers is a challenge which Belysse gets confronted with in both regions where we operate in. This shows from our age pyramid: workers with an age older than 55 are the largest age group.

The age pyramid represents a wealth of valuable know-how and experience, but it shows also a threat, if we would not be able to attract young workers to whom this experience can be passed on to.





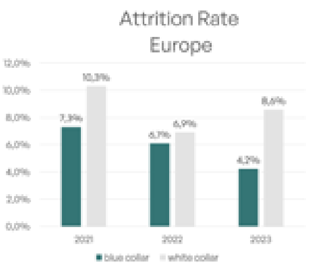
People

Attrition Rate

The Attrition Rate, the rate at which employees voluntarily leave the firm, is an indication of how happy employees are to work for Belysse.

In Europe, there has been a further decrease of the attrition rate for blue collar workers in 2023, to 4.2% (-1.9% versus LY). The attrition rate for white collar workers is higher, and has even increased by 1.7% in 2023 compared to LY. Attrition rate for white collar workers is now 8.6%.

In Bentley, we see the reverse pattern: attrition rate is higher for blue collar workers. In 2023, it did decrease however, to 16.5% (-40% versus LY). The attrition rate for white collar workers at Bentley Mills was 7.4% in 2023.



Health, Wellbeing and Engagement

Employees Health and Wellbeing

Wellbeing at the workplace is defined by the quality of work at one hand, and the work experience – the level of engagement and pleasure at work – on the other hand. As both factors have an impact on behavior and health, we invest strongly in stress prevention and work motivation.

Why it matters to Belysse

Employees that are provided with challenging assignments, are encouraged to grow as a person and in their function. If they receive social support, they are likely to be more engaged and have a better performance. On the other hand, employees who experience high levels of stress or don’t feel supported, have a higher risk for long-term illness or a burnout.

In Europe, one potential cause for higher stress levels is the measure of temporary unemployment due to economic reasons, that was again deployed in 2023. The adjustment of the organization can be another reason, as it requires a new way of working.

Bentley Mills’ employees are confronted with a higher cost of living, mainly from increases in the cost of fuel and food, which could negatively affect their stress experience.

Lastly, the economic reality and less optimistic perception about the future of the textile sector in general, both in Europe and in the US, can lead to increased uncertainty amongst our employees.

The actions we take

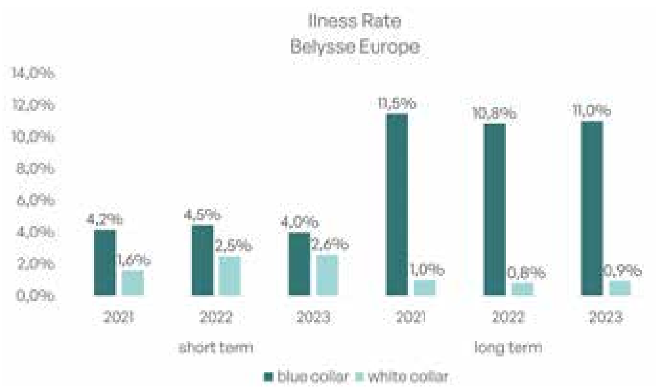
We believe that clear communication is key in times of uncertainty and change.

In September we have organized townhall meetings in the two Belgian production sites for the first time. The goal of these meeting was to inform employees about the future of the company and stimulate interaction between employees and the European management team. At Bentley Mills, townhall meetings are organized regularly.

Following the townhall meetings, a new employee wellbeing survey has been launched. The intent is to monitor how employees are feeling, and to provide individual follow up for those employees who indicate the need for it.

Data

Illness rates are an indicator of health of employees, but also of the engagement of the workforce. Research indicates that strongly engaged employees do not call in sick, even when feeling symptoms, which can result in up to 50% less absenteeism.



Growth and opportunities

Belysse employs people with many different skills. For some functions, skills or knowledge that is very specific for the textile industry are required. For other functions, the skills that employees need are less specific for our industry. For all employees however, Belysse aims to provide a challenging environment where people can grow in their function.

People

Why it matters to Belysse
Flanders once was very well known for its flourishing carpet industry. Anno 2023 however, the training offer at Flemish schools and universities has sized down, making it hard to find skilled people. With an aging population, Belysse is at risk of being confronted with a knowledge gap when older employees retire and we would not be able to replace them by new employees with the right skills.

In general, it is a challenge to attract new people for open positions. The scarcity on the labor market is high, both in Europe and in the US, which translates to open positions not getting filled.

The actions we take
To attract new workers, Belysse takes part in job fairs at schools and universities, and we promote internships. Also, we have launched the employer branding campaign 'The people from Belysse', by which we aim to create more cohesion in the current workforce, which on its turn makes us a more attractive employer.

Within the current workforce, we invest in personal growth and development.

- All employees, regardless of their function, receive training. Some of the proposed trainings are mandatory as they relate to skills that are required for the job. Other trainings, IT skills for example, are voluntary.
- In Europe, all white collar workers get feedback on their performance and personal KPI's during formal performance reviews.
- At Bentley Mills, all blue and white collars have annual performance reviews.
- We strongly believe in our own talent and therefore stimulate internal mobility.
- For employees who aim to grow within their function or to another function, a personal development plan is set up, to support them in that growth.

Data

Support for growth		
	Blue collar	**White collar**
Belysse Europe		
Annual performance review	100% *	98%
Personal development plan	0,4%	7%
Bentley Mills		
Annual performance review	87%	100%

** Informal performance reviews*

Average number of training hours per person		
	Blue collar	**White collar**
Belysse Europe	21	67
Bentley Mills	11	8

People

Safety

Accidents at work and occupational diseases are neither determined by fate nor unavoidable: they always have causes. By building a strong prevention culture, these causes can be eliminated so that work-related accidents, harm and occupational diseases can be prevented.

Why it matters to Belysse

On our production sites, employees work with large equipment and other tools. Many preventable accidents happen when people are in a hurry, when they fall victim to routine or when they are less alert due to other circumstances.

In some departments, working circumstances can be noisy or dusty. Also, some jobs require lifting of heavy loads. Even for white collar workers, who don't have to perform heavy tasks in general, impact of their job on ergonomics has to be considered.

The actions we take

Belysse Group has been a Vision Zero company since its start in 2017, an initiative developed by the International Social Security Association (ISSA). Companies implementing the Vision Zero strategy set up a management system for the prevention of incidents in the three dimensions safety, health and wellbeing at all levels of work. All our employees are covered by such an HSE management system.

Our ambition is to reduce the Lost-Time Accident frequency rate (LATFR) to below 1. This means that, per million hours worked, less than 1 accident occurs by which the injured person is not able to perform his or her job for a certain period of time. The target includes own workers, temporary workers and contracted workers.

In Europe, the foundations of our Health and Safety management are the monthly HSE committee meetings. The role of the HSE committee is to facilitate consultation of the HSE team with employees and to discuss together the actions that are required to realize our ambition.

The work of the HSE committee is supported by the following initiatives;

- For formal worker participation and consultation on the work of the HSE committee, 'Committees for Prevention and Protection at Work' (CPBW) are installed. Members of the CPBW committee have to be elected, and receive updates on the safety results and ongoing projects.
- Further spreading the message of Health and Safety are the safety coaches, who act as ambassadors of our safety culture. These men and women receive appropriate training, and are key to encourage participation of our on-site workforce. Our safety coach network consists of 26 volunteers (15 in Zele and 11 in Tielt).
- Since 2022, we introduced the use of a software app for many of the work processes at the production sites. Related to health and safety, this app facilitates the reporting of any risks, allows for easy follow up on workplace inspections and safety walks and enables managers to track performance of their teams. The app was first introduced in Zele is now also being implemented in Tielt.

Safety walks in the factories have been organized periodically in 2023 with the aim of detecting unsafe situations.

Belysse Europe is proud to have obtained the ISO 45001 certification for its production site in Zele. This is our first site to get certified for its Occupational Health and Safety Management system. The certification awards our strong commitment to health and safety in the workplace, and could not have been realized without our highly dedicated HSE team, and on-site management team.

Having a well-functioning safety management system is not sufficient to establish a safety culture. In addition to that, it is key to increase knowledge and awareness about Health and Safety amongst our employees. We have set up a list of actions to achieve this;

- At the Belgian productions sites, monthly safety themes are defined. Content related to those themes is shown on screens in the factories and communicated to workers via the toolbox meetings.
- In Bentley Mills, monthly safety awareness days are organized, which involve interaction with all employees and departments on any relevant incidents or safety training of that month.
- In December, a safety quiz was organized to test employee knowledge about Health & Safety measures.
- A new working group has been initiated, with the aim of objectively measuring the safety culture in our Belgian factories. In 2023, scores have been assigned to several safety themes. In 2024, we will start measuring to define the baseline and set targets for improvement.

People

Data

Incidents - Belysse Group			
Metric	**2021**	**2022**	**2023**
Fatalities (number)	0	0	0
Own workforce	0	0	0
Subcontracted workers	0	0	0
LTA (number)	63	17	14
LTA Frequency Rate	10,8	9,4	10,2
LTA Severity Rate	0,26	0,15	0,13
Number of Days lost (number)	1 444	283	356
Own workforce	1 444	261	176
Subcontracted workers		22	180
Non-LTA (number)	58	24	14
Own workforce	57	23	11
Subcontracted workers	1	1	1
Recordables accidents (number)	121	99	39

Our Supply Chain

Belysse's own sites are located in Belgium and in the US, both countries where government enforces laws that are aimed at, or have the effect of, requiring businesses to respect human rights. Our supply chain however is spread over many different countries, where different policies apply.

Why it matters to Belysse

In many of the regions where Belysse's suppliers are located, the policies to protect human rights are similar to those that apply in Belgium and California. However, we also source materials from non-European and non-US suppliers. This requires a different approach, as some measures cannot be considered as a given in these regions.

In March 2024, the European Parliament's Legal Affairs Committee has approved the latest changes to the Corporate Sustainability Due Diligence Directive (CSDDD). The changes include an increase of the global revenue treshold for companies in scope to €450 million. Therefore, Belysse is not in scope of this directive anymore.

The actions we take

Towards our suppliers, we clearly express our expectations regarding environmental and social impacts by means of our Supplier Code of Conduct. The document is based on the 'United Nations Guiding Principles on Business and Human Rights', but covers more than only Human Right topics. It requires suppliers to

- Show compliance with applicable laws and regulations
- Respect Human and Labor Rights
- Adhere to health and safety standards
- Limit their environmental impact
- Follow standards for ethical business conduct

Signing the Supplier Code of Conduct is a hard requirement to become a supplier of Belysse.

People

Customers and End users

Health and Safety of our Products

We make products on which our end consumers spend a great deal of their time. Whether it's in a public or in a private setting, carpets and carpet tiles are often a fixed element in interiors. All the more reason to ensure that our products safeguard health and safety of people walking on and living with our products.

Why it matters to Belysse

Our carpets and carpet tiles are made of synthetic polymers such as nylon and polyester, which could trigger a negative perception regarding their impact on human health. Despite this bias, soft flooring is known to offer many advantages. It gives a cozy and comfortable feeling, helps to reduce noise and can be designed to prevent slips and trips.

The actions we take

With production sites in Belgium and California, we comply with very strict regulations regarding the use of chemicals in our products, such as the REACH and POP regulation. All raw materials are screened before they can be delivered to our sites. Our products also comply with the minimum criteria for health and safety as out in the harmonized European standard EN14041, better known as the CE marking, with criteria for safety, slip, antistatic properties and hazardous substances.

Compliance with local legislation and standards are a prerequisite to deliver our products to the market. In addition to that, we take voluntary initiatives to demonstrate that our products will not harm its users.

In our product design, we focus on using materials with low Volatile Organic Compound (VOC) emissions.

- All Bentley products are certified to meet the requirements of the Carpet and Rug Institute's Green Label Plus test protocol. The program sets a high standard for Indoor Air Quality.
- All modulyss and ITC products are certified by GUT, the European label that has been recognized as a guarantee for environmental and consumer protection.

In addition to reducing VOC emissions, we have set the target of zero harmful chemicals. We follow the guidelines of recognized certification schemes:

- The Cradle to Cradle Material Health Assessment is one of the strictest chemical assessments for products. At the end of 2023, modulyss has 26 carpet tile collections certified at the gold level and 19 collections certified at the silver level. At Bentley Mills, all collections are certified at the silver level on 12 backing platforms.
- All Bentley Mills' products have the Declare label from the International Living Institute. Declare screens a product's ingredients against the Living Building Challenge Red List, ensuring that the product contains no chemicals known to pose a risk to human health or the environment.

People

Transparency

In a society where access to information of all kinds is much easier compared to a few years ago, one should not be surprised that our customers and end users expect a higher level of transparency related to the products they purchase. They wish to know how and where the products were produced, which materials where used and what the impact of these materials is on their own health, or on the environment.

Why it matters to Belysse

We consider our customers' expectations for increased transparency as an opportunity to increase customers' trust and loyalty. Within this context, we are fully aware of the challenge of substantiating every claim we make, as requested by the European Green Claims Directive.

The actions we take

Bentley Mills has Health Product Declarations (HPD) on all 12 backing platforms. The HPD Open Standard is a standardized specification for reliable reporting of product contents and associated health information for products used in the built environment.

All modulyss and ITC products are registered in the PRODIS system. A recent development of the PRODIS system is the product passport, an online tool that allows users to get information about technical details, harmful substances, recycled content and LCA results of our products. In 2023, we updated the Eco&Wellbeing Sheets of our modulyss carpet tiles, and added a QR-code that gives customers the direct link to the PRODIS Product Passport.

Bentley Mills is an extremely engaged member of the Los Angeles County community as they seek out opportunities to partner with local organizations dedicated to improving the lives of those who have been historically underserved.

- In 2023, Bentley has donated 2000 hygiene kits to the LA Food Bank, organized blood drives and has activated their local community to sponsor gifts for Halloween and Christmas.
- By supporting 'Homeboy Industries', the largest gang rehabilitation and re-entry program in the world, Bentley has stood as a beacon of hope in Los Angeles to provide training and support to formerly gang-involved and previously incarcerated people, allowing them to redirect their lives and become contributing members of Bentley's community.
- Delhaven is an initiative that organizes over 25 programs for children ages 5-18 years, at risk youth, young adults, special needs children and adults, those struggling with emotional and/or mental challenges, and family services. Also Delhaven is supported by Bentley.

In Europe, we participated again in the Youth for Change and Action (YOUCA) Days. High-school students got the chance to gain some real-life experience working at Belysse for one day. The money they earned went to various youth projects and social charities around the world.


Heritage collection

Planet

Climate Change

GHG Emissions

The Greenhouse Gas Protocol has introduced the concept of Scope 1, 2 and 3 Greenhouse Gas (GHG) Emissions. The concept was developed to determine where emissions originate from. Belysse's CO2equivalents (CO2e) emissions are to be allocated to all three scopes:

- Scope 1 and 2: for the production of carpet and carpet tiles, gas (scope 1) and electricity (scope 2) are the main sources of energy.
- Scope 3: our raw materials, of which many are derived from fossil fuels, are the first, major contributor to our Scope 3 emissions. Secondly, in many regions where we sell, end-of-life treatments for our products are landfilling and incineration. Also at the end of our product's life cycle, there is thus a contribution to our total Scope 3 emissions. Lastly, we source our raw materials from a global supply chain and sell products on a global market. Transport is therefore a third contributor to the Scope 3 emissions.

Why it matters to Belysse

Belysse has a non-negligible impact on the environment resulting from our Scope 1, 2 and 3 GHG emissions, that contribute to global warming. We have a good understanding of our Scope 1 and 2 emissions. In particular for the factory in Tielt, these are high, because both our yarn and printing and dyeing departments, with their very specific and energy-intensive processes, are accommodated in this site.

Our Scope 3 emissions are less well documented still. However, based on Life Cycle Assessments (LCA) of our products, we can estimate their magnitude. Despite this being an approximation, the LCAs clearly show that our scope 3 emissions exceed total Scope 1 and 2 emissions.

The European Commission has set the ambitious target of reducing net greenhouse gas emissions by at least 55% by 2030, compared to 1990 levels. The policies that have been developed to support that ambition, will affect Belysse:

- At the medium to long term, we expect increased cost of sourcing, in particular for products sourced outside of the European Union, due to CO2 emission taxes to be paid. (Carbon Border Adjustment Mechanism, 'CBAM').
- Investors and other financial institutions are likely to raise their expectations towards the companies they lend to or invest in, as a consequence of EU Taxonomy.

Over the past few years, customers have become more demanding for products with a low carbon footprint. This trend has started for customers in the commercial market, and we expect it to make its way to the residential market on the short term as well. Being able to offer products with a Carbon Footprint that is comparable, or lower, than that of our competitors will become even more important to maintain market share.

Planet

The actions we take

In the Beyond Program, we have set the target to reduce the CO2-intensity from our operations (Scope 1 and 2) with 30% by 2030.

Group target – CO2 emission’		
2018	2025	2030
1,18	-28%	-30%

One important action that will help us achieve this target, is to source green electricity to the factory in Tielt.

In May 2023, Belysse made its commitment to the Science Based Targets Initiative (SBTI). In the course of 2024, we will develop our Science Based targets, including Scope 3 emissions.

SCIENCE BASED TARGETS

Despite the Scope 3 target still to be developed, Belysse does already take action to reduce its Scope 3 emissions, by increasing the use of recycled or biobased raw materials.

Data

CO_2 emission	2018	2021	2022	2023	Gain vs 2018 base year
Ton CO_2emissions - Scope 1	20.300	17.095	13.736	11.123	-45%
Ton CO_2emissions - Scope 2	10.733	6.388	4.433	3.000	-72%
Ton CO_2emissions - total	31.033	23.483	18.169	14.123	-54%
1000m2 production volumes	26.112	20.783	19.670	15.285	-41%
CO_2intensity - Scope 1	0,777	0,823	0,698	0,728	-6%
CO_2intensity - Scope 2	0,411	0,307	0,225	0,196	-52%
CO_2intensity - total	1,188	1,130	0,924	0,924	-22%

Energy Consumption

Belysse's scope 1 and 2 emissions are largely attributable to the energy consumption at our production sites. Both the total amount of energy consumed and the type of energy define the volume of GHG emitted by Belysse.

Why it matters to Belysse

To meet our energy demand, we purchase gas, a non-renewable energy source. The electricity supply for our production site in Tielt is also still largely grey electricity, apart from the supply from the solar panels on the factory's rooftops. In Zele and at Bentley Mills, we do purchase 100% renewable electricity.

Based on the size of the installed capacity, the production site in Tielt falls under the ETS system, and is therefore obliged to purchase emission rights. The price of emission rights is volatile, as is the energy price in general, which we have clearly experienced in the past two years.

The volatility of energy prices and EU-ETS credits are an incentive to reduce our both our energy consumption and installed capacity. By doing so, we might not only fall out of the system, but will be less impacted by fluctuations of energy prices in general, also for the other production sites.

The actions we take

Our target to reduce scope 1 and 2 CO2-emisson intensity by 30% directly imposes actions to adjust our energy consumption, and can be achieved by a combination of actions.

Energy Efficiency

- In 2022, we started with the implementation of new software for energy management and monitoring on our two Belgian plants. This has been completed in Zele, and is still ongoing in Tielt.
- Our continuous improvement projects keep on running. Examples are the optimalisation actions in our cabling department, for the steam boilers, and for the dryers in the print & dye department.
- The production site in Zele is ISO 50001 certified. Certified organizations are required to systematically enhance their energy performance.
- The production site in Tielt takes part in the new period of the voluntary Energy Management Covenant ("EBO"), that started in 2023. With this participation, we commit to improve the energy-efficiency of the production site and to reduce our total energy consumption. In the first year, 2023, an energy audit was conducted. By June 2024, an energy plan will be developed, with concrete actions.
- Bentley Mills is transitioning to small electric boilers, by which they save on energy loss and reduce natural gas consumption.

Planet

This year again, we held campaigns to reduce our energy consumption. The gains of these campaigns were partly offset by reduced efficiency due to smaller run sizes in the Belgian plants. Our production lines are less efficient when more startups, changeovers or shutdowns take place.

Type of energy supply

- All of the electricity for the production sites in Zele and at Bentley Mills is sourced from renewable sources.
- The solar panels on the rooftops in Zele and Tielt generated 3.651Mwh in 2023.
- In Tielt, we are making the switch to electrical fork lifts. Currently, 11 out of 35 forklifts have an electrical engine.
- The electricity supply for the factory in Tielt will be converted to green electricity.
- Electrification of the steam boiler in the factory in Zele will reduce GHG-emission, as the electricity supply for that plant is fully renewable.

Data

Energy Consumption by Source		
Total energy consumtion	Mwh	95.449
Energy consumption from fossil sources	Mwh	65.767
Percentage energy consumption from fossil sources	%	69,2%
Energy from nuclear sources	Mwh	9.806
Percentage energy from nuclear sources	%	10,1%
Energy from renewable sources	Mwh	19.876
Percentage energy from renewable sources	%	20,7%

Pollution

Pollution from our own operations

All Belysse's production sites are located within industrial zones, but nevertheless emissions from the factory, either to air, water or land, could have adverse effects on the environment and should therefore be controlled.

Why it matters to Belysse

In our factories, we use chemical substances. Even though all chemicals need to be assessed before they can be used in our factories, emissions to the environment could cause harm to the environment. In particular in the factories where we have dying activity (Tielt and Bentley Mills), emissions should be closely monitored.

In Belgium, companies are obliged to have an environmental permit. To obtain the environmental permit, companies should comply with environmental legislation, that is becoming stricter year after year. The environmental permit for the site in Tielt expires in February 2025, hence the case will be submitted in February 2024.

In California, Bentley is required to comply with the most robust California Regulations. California is known to be the state in the US with the strictest environmental regulations.

The actions we take

Belysse fully complies with the EU REACH regulation. We have set up a centrally managed survey system of all raw materials and products before they enter production, and we have strict quality controls in place in the field of product compliance.

As environmental regulation is continuously updated, we carry out an environmental compliance audit on an annual basis. The audit, for which we rely on a specialized external company, focuses on management system, screening of the environmental permits and verification of the permit's conditions, evaluation of water use and discharge, and a check of the atmospheric conditions. In 2023, we did not get any charge of violations.

For our Belgian sites, we have adopted the ISO 14001 methodology. By doing so, we introduced a structured way of setting objectives, defining actions and monitoring effectiveness thereof. Both Belgian production sites are ISO 14001 third-party certified.

Bentley Mills is fully compliant with the South Coast Air Quality Management District (SCAQMD) and the Los Angeles Sanitation District Regulation. The latter regulates wastewater management for the city of Los Angeles and surrounding areas. For its manufacturing facility, Bentley Mills goes beyond compliance with the LEED certification of this facility. Since 2012, the building is certified at the LEED EB: O+M Gold level. By doing so, Bentley Mills is the world's first and only LEED-EB gold carpet manufacturing facility.

Planet

Pollution in the Supply Chain

Belysse is expected to take the necessary steps to prevent and mitigate negative environmental impacts in the supply chain. Due to the nature of our activities, we are most liable for the sourcing of raw materials or semi-finished products

Why it matters to Belysse

Historically, most of our suppliers where based in Europe of in the US, where they are subject to similar environment regulations as we are ourselves. Belysse however does follow the general evolution in the market to expand its supply chain globally, which introduces the challenge for having a more strict assessment of potential suppliers' environmental impact.

The actions we take

In 2021, Belysse introduced the Supplier Code of Conduct, which includes clear expectations regarding environmental performance. In addition to that, we have developed a survey for potential new suppliers, with in-depth questions about suppliers' environmental impact. This allows us to position potential new suppliers relative to our existing supplier base. In 2024, we aim to take this one step further by developing a formal supply chain management system that will allow us not only to position suppliers, but also to define the set of requirements that need to be met by all key suppliers.

Water Management

Our production processes, dyeing and printing in particular, rely heavily on water. Scarcity of water is a worldwide issue, aggravated by global warming. Belysse therefore seeks ways to consume less freshwater sources.

Why it matters to Belysse

All three factories are in regions at high risk of water scarcity, as is shown by high scores in the WWF Water Risk Filter. As a result of climate change, prolonged periods of drought are alternated with periods of extreme rainfall, posing challenges on both the use of groundwater and maximizing the use of rainwater.

For our Belgian operations, the average run size has decreased in the past year as a results our strategy to produce more 'made to order'. A trade-off of this way of working is an increase in water consumption per unit output, as the size of the dye vessels is fixed, and have been dimensioned for large run sizes.

The actions we take

In the Beyond Program, we have set the target to reduce the water intensity from our operations with 30% by 2030.

Group target - water consumption		
2018 baseline	**2025**	**2030**
17,3 l water/m^2	-22%	-30%

To achieve this target, we focus primarily on our production site in Tielt, which accounts for almost 85% of the total water consumption of the Belysse Group. We have defined a roadmap with two pillars, that run in parallel.

First, we intend to reduce the total water consumption by lowering our dyeing activity. Bentley Mills is using their continuous dye range more instead of using their vessels to reduce water consumption. In Tielt, the goal is to develop more collections with solution dyed yarns, for which dying is not required anymore. At the end of 2023, 21% of the broadloom carpets produced in Tielt are Solution Dyed.

Secondly, we are studying the options to re-use process water, that will allow us to further decrease groundwater extraction.

1. First, we mapped out the water flows in the factory.
2. Secondly, we defined and started the implementation of water reduction measures. This is still ongoing, but is partly offset by the smaller run sizes that are the consequence of made-to-order production.
3. As a third step, we are defining the desired quality of water, related to the different processes.
4. The last step, studying the different options for water re-use, has been initiated as well. The challenge in this step is the fact that options for re-use relate directly to the quality of the discharged water. The scope of this study therefore is not limited to water purification technology alone, but also includes, for example, the use of alternative dyestuff.

Our factory in Tielt is located on the industrial site 'Tielt-North', which is a demo case of the project 'WaterProof', initiated by the Flemish government. The aim of the project is to maximize the use of water from alternative sources such as rain water, purified industrial waste water and drainage water. This project will enable us to use water from a large rain water basin, that will be installed close to our factory.

Planet

Data

Water consumption	2018	2021	2022	2023
1,000m^2 production volumes	26.112	20.783	19.670	15.285
water consumption in m^3	452.630	346.966	345.650	260.055
water consumption on rate l / m^3	17,33	16,69	17,57	17,01
gain versus 2018 Baseline		**-3,7%**	**-1,4%**	**-1,8%**

Water Sources 2023	m^3
total water consumption	**260.055**
total withdrawal (shallow groundwater)	117.234
total rainwater	44.675
total drinking water	43.039
total grey water	57.456
total discharge	**228.980**

Circular Economy

According to the Ellen McArthur Foundation, a circular economy is based on the principles of designing out waste and pollution, keeping products and materials in use and regenerating natural systems. In contrast to the 'take-make-waste' linear model, a circular economy is regenerative by design and aim to gradually decouple growth from the consumption of finite resources.

Raw Material selection and ecodesign

The Paris Agreement, the EU Green Deal, and many other regulations and initiatives, set ambitious objectives to reduce GHG emissions. Adopting the principles of a circular economy is essential for achieving those objectives.

Our raw material consumption directly affects our scope 3 carbon emissions; how much materials do we use? How do we use them in our products? Where do we source our raw materials from and what is their origin?

Ecodesign entails more than only being conscious about our raw materials. It's equally important to adjust the technical properties of products to make them recyclable at the end of their life.

Why it matters to Belysse

An important step towards circularity is the use of recycled or renewable raw materials. This translates to the carbon footprint of our products, that is significantly lower for products with a higher recycled content.

Our customers are becoming more aware of the environmental impacts of the products they buy. More and more, they compare different products based on their Recycled Content and Carbon Footprint. In Europe, governments are stimulating this by defining minimum requirements for both parameters in public tenders.

Sourcing raw materials with recycled content however has become more challenging. The demand for this type of materials is higher than the current supply, affecting the cost thereof. It's promising that a high level of innovation is taking place for both new recycling technologies and development of biobased materials. Nevertheless, the availability of these new developments is at this point still rather low.

The low availability of recycled or renewable materials becomes even more stringent because of our specific requirements for this type of materials. At Belysse, we demand suppliers of recycled materials to provide a third-party verified 'Certificate of Origin', as a guarantee that the material is indeed recycled or renewable. Furthermore, recycled materials should meet our expectations regarding material health and presence of legacy chemicals. In particular for post-consumer recycled materials, it is often not evident to prove that the product indeed complies, due to the origin of the waste.

Planet

The actions we take

We have set ourselves the ambition to increase the recycled or renewable content in our products.

Group target - recycled content (weight / weight %)		
brand	**2025**	**2030**
modulyss	50%	target not yet published
Bently Mills	50%	

The percentage of recycled content is defined as the proportion of recycled raw materials, relative to our total raw material consumption over all products.

Our first focus is to reduce our overall raw material consumption, by reducing any waste in the production process, and by lowering product weight. The latter mainly applies for carpet tiles. Modulyss introduced its 'ecoBack' carpet tile in 2020, that was 25% lighter than its conventional backings. The collections that will be launched in 2024 will have an improved version of this backing with, amongst other advantages, a further weight reduction.

Next to reducing material consumption, Belysse increases the use of recycled materials.

- Bentley Premium™ fibers are selected from the highest quality of nylon available. Bentley Mills set the standard for yarn performance and the inclusion of recycled content. The yarn system is designed to be recovered over and over again, resisting soiling, remaining resilient and retaining texture and color even under the most challenging conditions.
- Ympact is the quality label for sustainable yarns at Belysse Europe. The Ympact quality label is allocated to the various innovative types of yarns, including 100% recycled Polyester, 100% regenerated PA6 econyl and our internally produced PA6 yarn with 35% allocated recycled content. In 2023, ITC launched five new products with a 100% recycled polyester yarn. At modulyss, the yarn in the new products that will be launched in 2024 will contain at least 75% recycled content.
- At ITC, we expanded our backing offer with a new type of backing, 'Ecoluxe', that is made of recycled PET bottles.
- In our yarn department, we continued the development of our internally produced yarn with recycled content. Different alternatives have been tested with positive results.
- The improvement of our modulyss ecoBack backing, that will be launched in 2024, includes the use of renewable raw materials, all positively assessed according the C2C Material Health Standard.

An important focus of our R&D department is to adjust the design of our products to improve recyclability.

- Modulyss' ecoBack and comfortBackeco backings are designed to be recycled. This has been recognized by the cradle to cradle (C2C) institute, which has high standards for 'product circularity'. Both ecoBack and comfortBackeco are certified at the gold level. Bentley Mills expanded their C2C silver certification to all of its backing platforms in 2023.
- Bentley Mills has chosen to comply with the NSF/ANSI 140 sustainability Assessment standard for Carpet. This standard was developed through a consensus-based public process by a multi-stakeholder group of American manufacturers, suppliers, regulatory agencies and other stakeholder groups, and is based on life-cycle assessment principles, including the use of non-virgin input materials and ecodesign. Bentley Mills successfully completed the NSF/ANSI 140 Audit and holds a certification for all of its products over the 12 backing platforms. Three of them attained Platinum level, the others reached Gold.
- In 2022, we started the exploration of a next innovation that should allow us to improve the recyclability of our products even more. In the course of 2023, we have been running many trials. We now have a good understanding of what the possibilities are and which challenges need to be solved.

The collection of waste for reuse or recycling is described in the list of EU Taxonomy eligible activities. As is it not economically significant to Belysse however, it is considered to be non-eligible.

Planet

Data

Recycled Content (weight/weight%)				
Brand	**2021**	**2022**	**2023**	**Target 2025**
Bentley Mills	29,5%	24,5%	33,6%	50%
Modulyss	35,1%	51,9%	52,9%	50%

C2C certification level	Bentley Mills	modulyss	ITC
number of products C2C certified			
bronze	**0**	**0**	**2**
silver	**130**	**209**	**0**
gold	**0**	**177**	**0**
number of backing platforms C2C			
bronze	**0**	**0**	**1**
silver	**12**	**0**	**0**
gold	**0**	**2**	**0**
total	**1560**	**772**	**2**

Operational Waste

One of the principles of the circular economy is to design out waste. This can be achieved either by adjusting design and process to reduce the volume of waste, or by revaluing waste for it to become a resource for our own products, or for another product. At Belysse, operational waste includes remnants and scraps and packaging.

Why it matters to Belysse

Operational waste are raw materials that cannot be valorized as a finished product for which our customers are willing to pay a fair price. As such, waste is a cost for Belysse.

Higher volumes of operational waste do not only increase the material cost, they also increases our Scope 3 carbon footprint, as more raw materials are used for the same output.

The actions we take

Since 2012, we have ensured that zero waste from the Belgian production sites goes to landfill. In the US, this cannot be guaranteed because of the available waste treatment practices.

Our ambition for 2030 is to maximize the recycling of our waste, with the aim to have all waste recycled either internally, or by external partners.

We continuously strive to reduce the operational waste volumes. One example we have been focusing on in 2023 is the reduction the waste from seams at the beginning of the precoating process of carpet tiles.

After reduction comes recycling. We are focusing on internal recovery of non-used materials.

- For more than 10 years already, we are able to recycle cutting waste from carpet tiles. The edges are first run through an edge shredder and then reprocessed into filler material that is used in the backing of new products. Only in 2022, we have installed measuring equipment to follow up how much waste we are actually recycling. Since then, we have been working on processing more waste, with success. The volumes have been increasing for two years in a row. We now not only recycle edges, but also faulted carpet tiles.
- In Tielt, we have initiated a project to evaluate how cardboard cones, used in the yarn department could be reused. This project is ongoing.

When reduction (elimination) or internal recycling are not possible, we search for external partners that can collect our waste, still with the aim to maximize recycling.

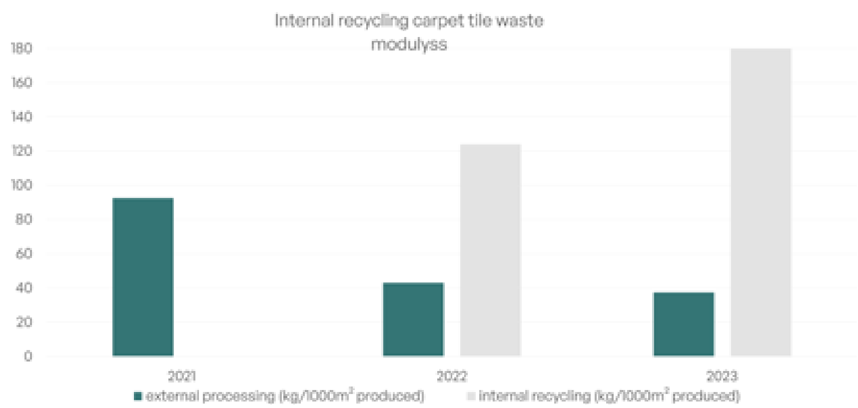
- We separate our waste in more than 20 fractions for separate collection.
- In 2023, we have evaluated different potential waste treatment partners for our production site in Tielt, with the aim of appointing a new partner who can recycle more.
- We will start a project to sort out some of our waste fractions even more. We focus on the 'high calorific' fractions, for which the only treatment method available is valorization in the cement industry.

Planet

Data

Waste	2021	2022	2023
total waste (ton)	21.972	7.531	9.278
recycled waste (ton)	16.645	3.278	3.277
recycled waste (%)	75,8%	43,5%	34,8%

Type of waste processing		
diverted from disposal (internal waste treatment)	**Hazardous waste**	**Non-Hazardous Waste**
reuse	-	-
recycling (internal)	-	798
other	-	-
directed to disposal (external waste treatment)	**Hazardous waste**	**Non-Hazardous Waste**
reuse (external)	-	2
recycling (external)	-	2.431
incineration	-	4.418
landfilling	-	1.625
other	7	1



Planet

Products end-of-life

Anno 2023, the responsibility of companies for its products does not end when the product is sold. Companies are expected to anticipate what should happen with their product at the end-of-its life

Why it matters to Belysse

Traditional end-of-life treatment methods of carpet and carpet tiles are landfilling and incineration. Both treatments cause serious harm to the environment. In Belgium, landfilling of carpet and carpet tiles is not allowed anymore. In the US however, as in many other regions where we sell our products, it is still a common practice.

This negative environmental impact of landfilling or incineration can be avoided by providing alternative end-of life solutions for our products, such as reuse, remanufacturing and recycling. One of the driving forces to realize this shift is the set of European 'Extended Producer Responsibility' (EPR) policies, by which the European Union makes producers responsible for the entire life cycle of their products. In addition to that, standards are being developed for 'Digital Product Passports' that should contain all information that is necessary to reuse, remanufacture or recycle products correctly. France was the first European country to translate the European directives into national legislation, in 2023.

Not only governments, but also customers are pushing manufacturers of carpet and carpet tiles to provide end-of-life solutions. In particular on the commercial market in western Europe, this starts to become a basic element of competitiveness.

For Belysse, providing end-of-life solutions is an opportunity; we have designed products with the aim of recycling them.

Having the mechanisms in place to collect end-of-life products gives us direct access to recycled materials which we can use in the production of new products.

The actions we take

Designing products that can be recycled, goes hand in hand with testing the technologies by which these products will be recycled. At modulyss, we have been recycling cutting waste for more than 10 years. The same process can be deployed to recycle end-of-life carpet tiles. In 2021, modulyss renewed its environmental permit and expanded the scope. Since then, we are allowed to store and process up to 2.850 tonnes of non-hazardous, post-consumer waste per year at the production site in Zele. Meanwhile, we keep on improving our recycling technology.

Recycling requires waste. To generate those streams, we have launched our Take Back programs.

- For the European divisions, this program is called 'Take Back, Give Back'. The program does not offer one single solution, but rather aims to provide the solution that rates highest in the hierarchy of circular economy. To realize this, we collaborate with several local partners who are active in the field of reuse. Only when reuse is not possible, carpet tiles are recycled or valorized.
- At Bentley Mills, the reclamation program is called 'FULFILL™'. With this program, Bentley Mills coordinates the transportation and processing of used carpet, with the goal of 100% landfill diversion.

The collection of waste for reuse or recycling is described in the list of EU Taxonomy eligible activities. As is it not economically significant to Belysse however, it is considered to be non-eligible.

Business Ethics

The way we achieve our results is just as important as the results themselves, and this is an important measure of the Group's success. Our commitment to doing business the right way means acting with integrity towards all our stakeholders and being a reliable and responsible partner towards them.

We have developed and continue to develop a suite of different policies and procedures, which are kept under close scrutiny and always up-to-date. These policies are the operational translation of the latest applicable regulations and recommendations and include the Group's ethical principles and standards of integrity. They provide guidance and clarity for all stakeholders and employees acting within and/or cooperating with the companies that comprise the Belysse Group.

The main challenges by which Belysse is faced today are still non-compliance with current antitrust, GDPR and economic sanctions regulations and awareness about cyber security issues. Therefore, we have keep on focussing on these domains in our 2023 compliance programme.

Building an ethics and compliance culture

An effective compliance programme requires a solid foundation. Ours consists of five cornerstones, dedicated to protecting and preserving Belysse's ethical and legal compliance, upholding our integrity and reputation.

Leadership

Belysse's compliance programme is fully endorsed by the Board of Directors and the Management Committee. Their commitment to reinforce the Group's strategy of compliance has been a driving force behind our ambition to put in place procedures and internal controls to maintain the highest ethical standards in compliance with all relevant policies and regulations. As such, compliance has become an integral part of our company culture, and a watchword in the way we conduct our business.

In each Belysse's Audit Committee meeting, an update on the compliance action points taken and to be taken is presented. Following its regular contacts and discussions with the Compliance Officer, the Management Committee is actively involved and co-decides the compliance actions to be taken.

Business Ethics

Risk assessment
We conduct regular risk assessments and have established a robust and proactive monitoring system to detect and address issues. On the basis of their data and conclusions, the Group's compliance focus and/or strategy may change and result in internal policy updates.

Standards and controls
Over the past years, Belysse has greatly invested in creating a structured, Group-wide compliance programme. The programme includes policies and tools to identify, assess and tackle the main compliance risks. Our policies are reviewed annually and on an ad hoc basis, e.g. when the applicable legislation is changed. In addition, internal controls are gradually being integrated into all operational processes in close coordination with the finance department, accounts payable, the different business units and other relevant functions.

Training and communication
Compliance is at the very heart of our company culture: it is fundamental to our day-to-day business, informing our vision, activities, conduct, and even the way we think. To put this outlook front and centre, we run a yearly compliance training programme for our staff, including e-courses for which we have an agreement with a third-party e-learning provider, and live training sessions for specific target groups. As part of their onboarding, moreover, newcomers receive a special introductory course to familiarise them with Belysse's compliance culture. We also added external consultants and agents to the onboarding programme to make sure they are fully aware of Belysse's policies and ethical standards.

Oversight (monitoring – auditing - response)
At Belysse, we have checks and balances in place to detect and remediate compliance issues as quickly as possible. Belysse's Compliance Officer and a dedicated legal counsel, together, manage Belysse's compliance programme on a day-to-day basis. Reaching beyond our in-house protocols, we continue to work towards a strong and global framework of compliance – in line with local legislation, monitored from all sides, and adhered to by our partners and collaborators around the world.

In 2023, we further focused on creating awareness about our global whistleblowing line as effective and accessible tool for employees to report or escalate wrongdoings or other compliance issues, allowing us to take quick and decisive action and nip potential problems in the bud. By lowering the threshold and giving our people the discrete opportunity (and responsibility) to blow the whistle on issues arising in the workplace, we are also able to prevent regulatory actions and reputational damage. Belysse furthermore invested in a restricted and denied party screening tool, helping the Company to enhance compliance with the applicable of watch lists from around the world. The online and dynamic (i.e. automatic rescreening on a daily basis) system allows Belysse to easily screen customers, vendors, and anyone else the Company or its subsidiaries do business with, and instantaneously receive results that are accurate and easy-to-interpret.

Belysse resolve to draw up a global Code of Conduct outlining the moral and ethical behaviour we expect from our employees remains strong. This will be put in place in accounting year 2024.

Human Rights

Why it matters to Belysse

The expectations of responsible conduct for business enterprises with respect to human rights are defined by the United Nations in its 'Guiding Principles on Business and Human Rights', endorsed by the UN Human Rights Council in 2011. Belysse is implementing these principles as we want to contribute to socially sustainable globalisation.

The actions we take
Our manufacturing locations are located in countries where government enforces laws that are aimed at, or have the effect of, requiring business enterprises to respect human rights, and which periodically assess the adequacy of such laws to address any shortcoming. It is evident that Belysse complies with al local legislation.

59% of our workers are covered by collective bargaining agreements. We guarantee freedom of association and have

Business Ethics

many employees who are members of unions and who work to ensure we meet any viable requests related to working practices. There have been no recorded strike incidents, which is a testament to our open relationship with our employees and the unions.

Belysse has a zero-tolerance approach to modern slavery and is fully committed to preventing slavery and human trafficking in its operations and supply chain. Every year, pursuant to section 54(1) of the Modern Slavery Act of 2015, a separate statement about the procedures and results is made by the CEO for Belysse and its subsidiaries.

Belysse requires all suppliers to sign and show compliance with our Supplier Code of Conduct. The code covers social, safety and environmental topics. It stipulates that suppliers must ensure that their own suppliers, contractors and other business partners comply with our requirements. Belysse reserves the right to audit compliance with the code on-site.

In 2022, after the divestment, the updated code of conduct was sent to our major suppliers (as per the 80/20 rule), of which nearly 95% has positively responded. In 2023, we contacted non-responsive and smaller suppliers. At the end of 2023, more than 90% of all suppliers have signed our code of conduct. Based on our suppliers' feedback, we did not find any cause or indication to raise a red flag.

In 2024, we will further develop our supply chain risk assessment analysis, which will help us to identify potential risk, mainly targeting new suppliers.

Antitrust

Why it matters to Belysse

Belysse's risk assessment revealed that antitrust issues continue to pose a potential material risk for the Group, due to a number of factors, such as the high number of competitors located in a small geographical area, employee turnover in the business, antitrust sanctions imposed on several industry players, etc. We continue to put a strong focus on increasing the awareness, among employees and collaborators alike, of the paramount importance of compliance with all applicable antitrust regulations.

The actions we take

As described below, we mainly create and increase this awareness by regularly organising antitrust training sessions, awareness programs and refreshers, specifically targeting employees of high-risk departments (i.e. employees who come in contact with competitors or have other roles with critical exposure to the competition). Belysse's legal department and Compliance Officer reviews Belysse's approach and strategy on a regular basis.

Since the start of our compliance programme in 2018, we have organised annual antitrust training sessions, mainly targeting the departments that are most at risk.

In 2023 again, an online antitrust e-course was set up for all white-collar employees, incorporating the following topics: what is antitrust, dealing with competitors, dealing with customers, communication and document creation, and trade associations Questions arising out of this training are addressed by the legal department, as well as monitoring of engagement in the training.

We can report that there were no pending or completed legal actions during the reporting period regarding anti-competitive behaviour, nor any violations of antitrust or monopoly legislation in which the organisation was identified as a participant.

Business Ethics

Anti-Corruption and Anti-Bribery

Why it matters to Belysse

The European Union introduced Anti-Fraud, Anti-Corruption and Anti-Money Laundering policies, which outline the measures to combat fraud, corruption and bribery as they are convinced that a high standard of legislation is mandatory to prevent unethical business practices. These policies are regularly updated.

The actions we take

Company-wide compliance with these policies is closely and continuously monitored by Belysse's Finance department, which also oversees our internal safeguards and controls.

We recognise that the exposure to fraud and corruption varies across the Group, depending on the nature and location of the business. In the past, we identified the use of third parties and intermediaries, such as commercial agents, as a risk. These target groups are now included in our communication and training programmes, and they will remain so in the future.

The Delegation of Authority and Signing (DOAS) Policy , which determines who should be consulted, who should approve a business decision before it is taken and who has the authority to sign the accompanying documents, was updated in 2022 in accordance with the organisation of the Group after the Divestment.

In 2024, we will remain laser-focused on combatting fraud, corruption and bribery, raising awareness every step of the way. In Q1, for instance, we will roll out new e-course training courses on Anti-Bribery and Corruption and Anti-Money Laundering.

Anti-Discrimination and speak-up culture

Why it matters to Belysse

Belysse wants to actively promote a genuine speak-up culture where ethical questions or dilemmas can be raised without fear of retaliation. These ethical questions can relate to discrimination or harassment within our workforce, or to non-ethical business practices.

The actions we take

Employees can use several channels to raise their questions, concerns and/or issues. The first points of contact are the direct supervisors, the members of the dedicated HR team, or - on matters of social integrity - the trained confidential advisors (in Belgium). In addition, every employee can reach out to the Compliance Officer.

Since October 2020, employees can use our digital Whistleblowing tool to anonymously report predefined types of wrongdoing and impropriety, as specified in Belysse's whistleblowing policy. These reports are sent to a dedicated mailbox that is managed by an external and independent organisation, ensuring all information is treated in a fair and confidential manner. Records are kept of all questions and concerns.

In a next stage, the submitted reports are put to the discretion of Belysse's Compliance Officer and the HR Director. If and when a disclosure falls within the purview of Belysse's policy, it is promptly assigned to an investigation team, composed of different (internal and/or external) experts, depending on the subject matter. A dedicated group of people then decides on the remedial actions that need to be taken and prepares a response to the whistle-blower. All incidents reported through the whistleblowing tool are presented to the Audit Committee. In 2021, we devised and implemented an internal protocol for handling such cases, called the 'Whistleblowing flowchart'.

The whistleblowing policy and concomitant tool were deployed across the Belysse Group, and introduced by a company-wide awareness campaign in different languages, which was reprised in 2023. In the future, we will continue to promote our speak-up culture through a variety of actions and communications. During the course of 2023, no incidents were reported.

In addition to the whistleblowing policy, Belysse has a good worker grievance mechanism in place, mostly based on legal requirements. These systems consist of procedures, roles and rules for receiving and addressing complaints. We have certified internal confidential advisors at each

Business Ethics

site in Belgium, and there is a possibility to escalate issues to (neutral) external advisors specialized in psychosocial aspects. Anyone reporting any kind of misconduct will be protected against any form of retaliation.

The confidential advisors in Belgium had 15 interventions in 2023, compared to 4 cases last year.

Cyber-security and data protection

Why it matters to Belysse

In the changing environment of the last couple of years, data protection and cyber-security have been among the highest priorities at Belysse Group. Continuous efforts are being made to improve the protection of our security system and of personal data.

The actions we take

Cyber-security

In the fourth quarter of 2023, similar as last year, we organised a mandatory online compliance course on cyber-security. Globally, 349 employees took part. The course covered the following topics: phishing, secure social media, protect the workplace, secure out of office and business email compromise.All participants had to take a pop-quiz, which required a score of 80pct. to pass.

In 2024, we will continue to focus on this subject, considering the worldwide increase in cyber-security risks.

Data protection and data privacy

Belysse continues its efforts to ensure full GDPR compliance throughout its entire organisation.

In 2022, we evaluated our GDPR compliance programme and installed a new procedure for monitoring the execution and filing of data processing agreements with external parties. This assessment was performed by the legal department and involved input from HR, Finance and IT. These departments will continue to exchange necessary input to keep Belysse's GDPR registers up-to-date, under the guidance of the legal department.

We updated all GDPR and privacy related policies to reflect new jurisprudence and conform to the Company's new structure following the Divestment.

In addition, we also organised a GDPR and Data Privacy training session in the fourth quarter of 2023. This online e-course on GDPR and Data Privacy was mandatory for all white-collars. This e-course provided in-depth training on GDPR regulations and guidelines on dealing and protecting personal data.

The legal department serves as a single point of contact for GDPR and privacy related questions and all requests are addressed with the utmost diligence and care. The Company is committed to supporting the legal department by providing the necessary budget for in depth refresher courses.

Artcore collection

Risk Report

In the previous sections of this report, impacts, risks and opportunities have been described for each material topic.

We summarize below the most important impacts, risks and opportunities that will affect our business in the coming years.

European Green Deal

With the European Green Deal, the European Commission aims to transform the EU into a modern, resource-efficient and competitive economy, where there are no net emissions of greenhouse gases by 2050 and where economic growth is decoupled from resource use. Many of the policies, designed to realize this ambition have an impact on our business.

EU Emission Trading System (ETS)

In Belgium, Belysse falls under the EU ETS Directive. ETS stands for (CO2) Emissions Trading System. The revised EU ETS Directive, covering 2021 – 2030, provides predictable, robust and fair rules to address the risk of carbon leakage. The system of free allocation will be prolonged for another decade and has been revised to focus on sectors that are most at risk of relocating their production outside the EU. To increase the pace of emission cuts, the overall number of emission allowances will decline from 2021 onwards.

Carbon Border Adjustment Mechanisms (CBAM)

The CBAM is a carbon tariff on carbon intensive products that are imported to the European Union. This law entered into application on the October 1st 2023 in its transitional phase. The permanent system will enter into force on January 1st 2026. Currently, CBAM only applies to goods whose production is highly carbon intensive: cement, iron and steel, aluminium, fertilizers, electricity and hydrogen. Speculators predict that the scope will be enlarged to other products as well, including plastics. This has not yet been confirmed.

Extended producer responsibility (EPR)

With a set of Extended Producer Responsibility Policies, the European Union is driving the economy towards a higher level of circularity, by making companies responsible for their products at the end of their life. This encourages not only ecodesign, but also to structured collection and

Risk Report

treatment of waste, and the maximization of circular practices such as reuse, remanufacturing and recycling.

As of January 1, 2023, 'La REP PMCB', the French Extended Producer Responsibility legislation entered into force. All entities who place construction products on the French market (manufacturers and first importers) are obliged to report the marketed volumes and pay an 'eco-contribution' for their products to the French Government. Not having any production facilities in France, Belysse is not subject to this legislation. Nevertheless, we have adhered to French eco-organisms to be able to provide better service to our French customers.

France is the first European country to implement a legislative EPR system. Our other neighbouring countries are expected to follow soon.

- The Netherlands has introduced an EPR for apparel and home textiles (excluding carpets) in July 2023. It is expected that more complex textile products, like carpets, will follow in the coming years.
- Discussion on an EPR scheme are ongoing in the UK as well. It is however not yet clear how carpets will be classified. Coming from the industry, there is a strong lobby against adding carpets to the waste category 'Bulky Household waste'.
- An EPR system for matrasses exists in Belgium since 2021. It is expected that a similar system will be set up for textile floor coverings as well. Belysse is part of the consortium 'Living Lab Carpet'. This is a VLAIO-funded project in which new methods for end-of-life collections, processing and reuse or recycling of textile floor coverings, will be developed. One of the deliverables of this project is a recommendation for a Belgian EPR system.
- In the U.S., California was the first state to establish EPR legislation in 2010. It is an industry-designed and managed state-wide carpet stewardship program. This program follows producer responsibility principles to ensure that discarded carpets become a resource for new products in a manner that is sustainably funded and adheres to the waste management hierarchy. Bentley participates in this program through the Carpet America Recovery Effort (CARE) to achieve state goals.

Circular Economy Action Plan (CEAP)

The EU CEAP announces initiatives along the entire life cycle of products, targets how products are designed, promotes circular economy processes, encourages sustainable consumption, and aims to ensure that waste is prevented and the resources used are kept in the EU economy for as long as possible.

- The ecodesign for Sustainable Products Regulation (ESPR) sets requirements for how products are designed to improve their circularity and other environmental sustainability aspects. For Belysse, this means that we will have to adjust the design of our products to comply with these requirements. Belysse is member of different working groups and norm committees, such as the project 'CISUFLO', that are writing recommendations for our sector. As such, we can give our input and are well informed about potential future expectations.
- Within the ESPR, products will be required to have a 'Digital Product Passport' (DPP), aimed to enhance the traceability of products and facilitate repair, reuse, remanufacturing and recycling. For the textile floor coverings sector, the PRODIS system is proposed as DPP. All modulyss and ITC products are already registered in PRODIS.
- The EU Plastics strategy puts a high focus on plastics packaging, and aims to set minimum requirements for recycled content in plastics packaging. In particular the 'bottle to bottle' strategy might impact Belysse, as availability of recycled polyester for application in the textile sector is likely to decrease.

Risk Report

Climate change

Impact of climate change on resources

We are reliant on polymers — polyamide, polyester and polypropylene yarns or granules — derived from the petrochemical sector as the main material for our floor coverings. So evidently, the protection of our planet is of primary concern.

Impact of climate change on manufacturing and products

While we need to reduce our carbon footprint to comply with the European Green Deal and the governmental regulations on emissions in Belgium (federal and regional) and the US, we must also be fully aware of all the risks presented by climate change. Global warming, drought, rising sea levels and extreme weather all have the potential to impact our business, and we are taking positive steps to minimise these risks.

Impact of water scarcity

All of our production plants are above sea level, so there is currently little risk from rising sea levels caused by global warming. However, our production processes — particularly dyeing and printing — rely heavily on water. The region of Flanders, Belgium, has one of the lowest water reserves per capita. This is caused by the combination of a high population density and a rather low presence of surface and groundwater. Climate change is already disrupting this fragile balance.

Information on drought and the awareness around it is still limited today, but the economic consequences of drought could be considerably bigger than from any other climate effect. We will make further investments in water recycling or process changes with lower water consumption, focussing on our production site in Tielt. We are also working actively with the Flemish Government on optimising water consumption.

GRI content index

GRI ref.	Disclosure	Page report
ORGANISATIONAL PROFILE		
102-1	Name of the organisation	54
102-2	Activities, brands, products and services	11 - 14
102-3	Location of headquarters	16
102-4	Location of operations	16
102-5	Ownership and legal form	54 and next
102-6	Markets served	16
102-7	Scale of the organisation	11; 15
102-8	Information on employees and other workers	26 and next
102-9	Supply chain	9; 31; 37; 87
102-10	Significant changes to the organisation and its supply chain	54 and next
102-11	Precautionary principle or approach	36
102-12	External initiatives	33
102-13	Membership of associations	24
STRATEGY		
102-14	Statement from senior decision-maker	4
ETHICS AND INTEGRITY		
102-16	Values, principles, standards and norms of behaviour	43 and next
GOVERNANCE		
102-18	Governance structure	54 and next
STAKEHOLDER ENGAGEMENT		
102-40	List of stakeholder groups	24
102-41	Collective bargaining agreements	26
102-42	Identifying and selecting stakeholders	24
102-43	Approach to stakeholder engagement	24
102-44	Key topics and concerns raised	25
REPORTING PRACTICE		
102-45	Entities included in the consolidated financial statements	174
102-46	Defining report content and topic boundaries	20; 24 - 25
102-47	List of material topics	25
102-48	Restatements of information	41
102-49	Changes in reporting	20

GRI content index

GRI ref.	Disclosure	Page report
102-50	Reporting period	1
102-51	Date of most recent report	1; 159
102-52	Reporting cycle	151 and next
102-53	Contact point for questions regarding the report	159
102-54	Claims of reporting in accordance with the GRI Standards	20
102-55	GRI content index	51 - 52
102-56	External assurance	151 and next
MATERIAL TOPICS — TOPIC-SPECIFIC DISCLOSURES		
201-1	Direct economic value generated and distributed	94 - 98
205-2	Communication and training about anti-corruption policies and procedures	43 and next
206-1	Legal actions for anti-competitive behaviour, antitrust and monopoly practices	43 and next
301-2	Recycled input materials used	39
302-3	Energy intensity	36
302-4	Reduction of energy consumption	36
303-1	Interactions with water as a shared resource	37 - 38
303-5	Water consumption	38
305-1	Direct (Scope 1) GHG emissions	35
305-2	Energy indirect (Scope 2) GHG emissions	35
305-4	GHG emissions intensity	35
305-5	Reduction of GHG emissions	35
306-3	Waste generated	40 - 41
306-4	Waste diverted from disposal	41
306-5	Waste directed to disposal	41
307-1	Non-compliance with environmental laws and regulations	36
308-2	Negative environmental impacts in the supply chain and actions taken	31; 37
403-9	Work-related injuries	31
405-1	Diversity of governance bodies and employees	26 - 27
406-1	Incidents of discrimination and corrective actions taken	44 - 45
416-1	Assessment of the health and safety impacts of product and service categories	32 - 33
417-1	Requirements for product and service information and labelling	32 - 33

Taxonomy reporting – turnover

Economic Activities (1)	Code (a) (2)	Turnover (3)	Proportion of Turnover, year N (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) turnover, year N-1 (18)	Category enabling activity (19)	Category transitional activity (20)
Text		Currency	%	; N; N/EL (b) (c	; N; N/EL (b) (c	; N; N/EL (b) (c	; N; N/EL (b) (c	; N; N/EL (b) (c	; N; N/EL (b) (c	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
ACTIVITY 1		0,00	0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								%		
ACTIVITY 1 (d)		0,00	0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								%		
ACTIVITY 2		0,00	0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								%		
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0%	%	%	%	%	%	%								%		
Of which Enabling		0	0%	%	%	%	%	%	%								%	E	
Of which Transitional		0	0%	%													%		T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (g)																			
				EL; N/EL (f)	*EL; N/EL (f)*	*EL; N/EL (f)*	*EL; N/EL (f)*	*EL; N/EL (f)*	*EL; N/EL (f)*										
ACTIVITY 1 (e)		0,00	0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								%		
Turnover of Taxonomy- eligible but not environmentally sustainable activities (not Taxonomy-aligned		0,00	0%	%	%	%	%	%	%								%		
A. Turnover of Taxonomy eligible activities (A1+A2)		0	0%	%	%	%	%	%	%										
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy- non-eligible activities		300,90	100%																
TOTAL		300,90	**100%**																

	Proportion of turnover/Total turnover	
	Taxonomy-aligned per	Taxonomy-eligible per
CCM	0%	0%
CCA	0%	0%
WTR	0%	0%
CE	0%	0%
PPC	0%	0%
BIO	0%	0%

Taxonomy reporting – CapEx

Economic Activities (1)	Code (a) (2)	CapEx (3)	Proportion of CapEx, year N (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) CapEx, year N-1 (18)	Category enabling activity (19)	Category transitional activity (20)
Text		Currency	%	; N; N/EL (b) (c	; N; N/EL (b) (c	; N; N/EL (b) (c	; N; N/EL (b) (c	; N; N/EL (b) (c	; N; N/EL (b) (c	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
ACTIVITY 1		0,00	0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								%		
ACTIVITY 1 (d)		0,00	0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								%		
ACTIVITY 2		0,00	0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								%		
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0,00	0%	%	%	%	%	%	%								%		
Of which Enabling		0,00	0%	%	%	%	%	%	%								%	E	
Of which Transitional		0	0%	%													%		T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (g)																			
				EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)	EL; N/EL (f)										
ACTIVITY 1 (e)		0,00	0%	11	N/EL	N/EL	N/EL	N/EL	N/EL								%		
CapEx of Taxonomy- eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0	0%	%	%	%	%	%	%								%		
A. CapEx of Taxonomy eligible activities (A1+A2)		0,00	0%	%	%	%	%	%	%										
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy- non-eligible activities		11,79	100%																
TOTAL		11,79	**100%**																

	Proportion of CapEx/Total CapEx	
	Taxonomy-aligned per	Taxonomy-eligible per
CCM	0%	0%
CCA	0%	0%
WTR	0%	0%
CE	0%	0%
PPC	0%	0%
BIO	0%	0%

Taxonomy reporting – OpEx

Financial year N	2023			Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')(h)									
Economic Activities (1)	Code (a) (2)	OpEx (3)	Proportion of OpEx, year N (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) OpEx, year N-1 (18)	Category enabling activity (19)	Category transitional activity (20)
Text		Currency	%	; N; N/EL (b) (c	; N; N/EL (b) (c	; N; N/EL (b) (c	; N; N/EL (b) (c	; N; N/EL (b) (c	; N; N/EL (b) (c	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
ACTIVITY 1		0,00	0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								%		
ACTIVITY 1 (d)		0,00	0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								%		
ACTIVITY 2		0,00	0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								%		
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0%	%	%	%	%	%	%								%		
Of which Enabling		0	0%	%	%	%	%	%	%								%	E	
Of which Transitional		0	0%	%													%		T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (g)																			
				EL; N/EL (f)	*EL; N/EL (f)*	*EL; N/EL (f)*	*EL; N/EL (f)*	*EL; N/EL (f)*	*EL; N/EL (f)*										
ACTIVITY 1 (e)		0,00	0%	N/EL	N/EL	N/EL	N/EL	N/EL	N/EL								%		
OpEx of Taxonomy- eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0	0%	%	%	%	%	%	%								%		
A. OpEx of Taxonomy eligible activities (A1+A2)		0	0%	%	%	%	%	%	%										
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy- non-eligible activities		5,15	100%																
TOTAL		5,15	**100%**																

	Proportion of OpEx/Total OpEx	
	Taxonomy-aligned per	Taxonomy-eligible per
CCM	0%	0%
CCA	0%	0%
WTR	0%	0%
CE	0%	0%
PPC	0%	0%
BIO	0%	0%

03 Corporate Governance

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Corporate Governance

This chapter provides information on Belysse Group NV's (hereinafter also referred to as 'Belysse' or 'the Company') Corporate Governance.

Corporate governance charter

Pursuant to article 3:6 §2, 1° of the Belgian Code of Companies and Associations ('Belgian Code on Companies and Associations' or 'BCCA'), Belysse relies on the Belgian Code on Corporate Governance of 9 May 2019 (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 occasionally and was most recently revised in 2022. It is available for download on the Corporate Governance section of our corporate website via www.belysse.com/en/about-us/corporate-governance.

The Company follows the rules provided by the Belgian Corporate Governance Code of 2020, except as explicitly stated otherwise and justified in this Corporate Governance Statement.

Capital and shareholders structure

Capital and capital evolution

The capital of the Company amounts to € 260,589,621 as of 31 December 2023 represented by 35,943,396 shares without nominal value. Each share carries one vote. No capital movements took place in 2023.

Shareholder evolution

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%.

Corporate Governance

Shareholder structure

The following table shows the shareholder structure on 31 December 2023 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:

No acquisitions or disposals of shares by persons discharging managerial responsibilities ('PDMR') have been notified in the course of 2023.

Shareholders	Shares	
	Number	**%**
LSF9 Belysse Holdco S.à r.l.	19,408,879	54.00 %
Farringdon Capital Management	2,383,300	6.63 %
Prime AIFM Lux S.A.	2,139,100	5.95 %
Management	28,000	0.08 %
Public	11,984,117	33.34 %

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 several factors, including the Company's business prospects, cash requirements, and any material growth opportunities.

Annual General Shareholders' Meeting

The Company's Annual General Shareholders' Meeting ('Shareholders' Meeting') took place on 24 May 2023.

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 2022 and the consolidated annual accounts relating to the financial year ending on 31 December 2022.

Shareholders approved the remuneration report relating to the financial year ending on 31 December 2022. They further approved the statutory annual accounts relating to the financial year ending on 31 December 2022, including the allocation of the results as proposed by the Board of Directors. Both the directors and the statutory auditor (PwC, Bedrijfsrevisoren BV, represented by Mr Peter Opsomer, with registered seat at Culliganlaan 5, 1831 Machelen), were discharged of liability regarding the execution of their mandates during the financial year ending on 31 December 2022.

The shareholders also acknowledged the resignation of Mr. Jeremy Fryzuk, as non-executive director of the Company, with effect as of 26 October2022 at 23h59m59.

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 confirmed the co-optation by the Board of Directors of Mrs Flora Siegert as non-executive director of the Company, with effect as of 27 October 2022 at 00h00m01 for the remainder of the mandate of Mrs Jermey Fryzuk, being until the annual Shareholders' Meeting resolving on the annual accounts of the financial year ending on 31 December 2024.

The shareholders also approved the increase of the statutory auditor's fee to EUR 108,300 for the financial year ending on 31 December 2022 pursuant to the restructuring of the Company's group after the divestment of part of the group's activities and the indexation.

Furthermore, the shareholders also approved the reappointment of Mr Itzhak Wiesenfeld, upon proposal of the Board of Directors of the Company based on the recommendation received from the Remuneration and Nomination Committee, as independent director of the Company with immediate effect for a two-year period, until the annual Shareholder's Meeting resolving on the annual accounts of the financial year ending on 31 December 2024, and the reappointment of PwC Bedrijfsrevisoren BV, with registered seat at 1831 Machelen, Culliganlaan 5, as statutory auditor for a 3-year term. Mr Wouter Coppens was appointed as representative of the statutory auditor The term of office shall terminate at the end of the annual Shareholder's Meeting resolving on the annual accounts of the financial year ending on 31 December 2025.

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 ('MAR'). The Dealing Code restricts transactions of Belysse 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 Secretary of the Board of Directors is the Compliance Officer for the purposes of the Belysse Dealing Code.

The board and committees

Belysse Group NV has a Board of Directors, a Management Committee, an Audit Committee, a Remuneration and Nomination Committee and an ESG 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

The BCCA proposes different governance models. The Company has chosen monism, meaning a single Board of Directors. This governance model aligns with the existing model and is the most suitable for our organisation. The CEO chairs the Management Committee and the Board of Directors. The CEO is a vital link between different management levels and the Board of Directors, and is best placed to connect the supervision of the business. That is the main reason we did not adopt a dualism governance model (with a Supervisory Board and Management Board). This model does not allow those individuals to be a member of both Boards.

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

On 31 December 2023, the Board consisted of nine members, comprising three independent non- executive directors. The CEO is the only executive member of the Board of Directors.

The articles of association entitle LSF9 Belysse Holdco S.à r.l., if 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.

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 (renewable). The articles of association limit the term of office of directors to four years (renewable).

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, considering the nomination rights described above.

Corporate Governance

On 31 December 2023, the Board of Directors was composed as follows:

Name	Position	Director since	Mandate expires
Cyrille Ragoucy	Chairman of the Board and CEO	2017	2025
Michael Kolbeck	Non-Executive Director and chairman of the Remuneration and Nomination Committee	2017	2025
Accelium BV, represented by Nicolas Vanden Abeele	Independent Director	2017	2025
Vanessa Temple	Independent Director	2022	2025
Itzhak Wiesenfeld	Independent Director	2019	2025
Neal Morar	Non-Executive Director and chairman of the Audit Committee	2018	2025
Hannah Strong	Non-Executive Director	2017	2025
Flora Siegert	Non-Executive Director	2022	2025
Patrick Lebreton	Non-Executive Director	2017	2025

Corporate Governance

Mr Hannes D'Hoop was appointed as Corporate Secretary of the Board of Directors.

Mr Cyrille Ragoucy has more than 30 years experience in senior management positions. His last operational position, before becoming CEO of Belysse, 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.

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

Mr 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 being appointed to his post at Hudson in January 2017, he was a Managing Director at Lone Star Germany Acquisitions GmbH. He currently also serves as Board Member of Xella International S.A., a leading European building materials Company, and of Evoca S.p.A., a leading manufacturer of professional coffee machines, and is an observer of the Board of LSF10 Edilians Investments S.à r.l., a leading roof tile manufacturer in France and of the Board of LSF11 Folio Lux S.à r.l., a leading specialist for the global flexographic printing industry. 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.

Mr Nicolas Vanden Abeele is CEO of Ascom (since 2022), a global leading player in medtech and healthcare ICT solutions. He is a seasoned global leader with over 25 years of multi-market and deep commercial, financial and operational expertise. Nicolas brings a valuable track record in sales acceleration, business transformation and operational excellence in a variety of leadership roles. Prior to Ascom, he served as a member of the Executive Committee and divisional head of Barco, a global leader in visualisation solutions (from 2017 until 2021), and with the Etex Group (from 2011 until 2017), as a member of the Executive Committee, where he headed the Insulation and Building Materials Division. Prior to Etex, he held various global executive positions in the technology industry with Nokia/Alcatel- Lucent, with postings also in the Americas and Asia, and in strategy consulting with Arthur Andersen.

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).

Mrs Vanessa Temple has been ESG Lead for ING Belgium since April 2022. Between Q1 2021 and Q1 2022, she was a member of ING Group's Climate Risk team. Previously, she led ING's Belgian capital structuring & advisory team, followed by a position as head of ING's corporate sector teams for Belgium, Luxembourg & the Nordics. Before stepping into these leadership positions, she worked as an originator for various debt products, including complex financing, acquisition & leveraged finance, and bonds for large & mid-sized corporates. In the early stages of her career, she was a Corporate Relationships Manager for ING Singapore, for 3 years.

Mrs Temple holds a Master's degree in Business Engineering (Louvain School of Management, Belgium).

Corporate Governance

Mr Itzhak (Tzachi) Wiesenfeld has 30 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 had a revenue of € 2bn and 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 in Israel. His experience includes optimisation of manufacturing footprint, digitisation of industrial companies and execution of many M&A deals. His commercial background includes B2B and B2C in a competitive, multi-channel market environment.

Mr Wiesenfeld is currently the chairman of ACRE, a global integrated security business, headquartered in Dallas, Texas, and iLOQ, a fast-growing digital locks Company, based in Finland. He is also a board member at FläktGroup, a leading European air management solutions Company. Mr Wiesenfeld is also a Senior Industry Expert, supporting private equity firms with M&A deals.

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

Mr 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 FTSE100 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 20 years.

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

Mrs Hannah Strong is Senior 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.

Ms Flora Siegert is a legal counsel at Lone Star Capital Investments S.à r.l., a Belysse investor. Prior to her current position, she was a corporate and financing associate at Elvinger Hoss Prussen and she worked in the M&A department of Canal+, a subsidiary of the Vivendi Group.

She currently also serves as a board member in several multinational corporations:

- LSF11 Folio Lux S.à r.l., the entity at the head of XSYS, a leading provider of consumables and equipment to the flexographic printed packaging industry
- LSF11 Magpie Topco S.à r.l., an investor in Manuchar NV, a leading chemicals and commodities distributor in emerging markets
- LSF10 XL Holdings S.à r.l., an indirect shareholder of Xella International S.A., a leading European building materials Company

Ms Siegert holds Master's degrees in Global Business Law and Governance (Columbia Law School New York, US), Business Law (Sorbonne University Paris, France) and in Law and Economics (Paris Institute of Political Studies, France).

Mr 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 a non-executive Director of McCarthy and Stones, a UK retirement home builder and operator, and of Edilans S.à r.l., the leading French roofing solutions 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.

Corporate Governance

Evolution in composition during 2023

There were no changes in the composition of the Board of Directors during 2023.

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 total, the Board met on seven occasions. All Directors were present (or were represented) at these meetings.

Major matters reviewed and discussed by the Board of Directors in 2023 were:

- Financial and overall performance of the group;
- Continuous monitoring of the cashflow situation, the procurement action plan and follow-up of the evolution of the market circumstances and the effects of the pricing implementation;
- Implementation, actions, outcome and follow-up of health & safety initiatives;
- Presentation and detailed follow-up of the progress made with the Company's four-year sustainability, innovation, efficiency & agility program BEYOND;
- General strategic, financial and operational matters for the business;
- Follow-up on the lift and shift of the ERP-platform after closing of the Divestment;
- On a recommendation from the Audit Committee, approval of the quarterly and half-year financial results and the corresponding reports and press releases, the refinancing business plan, the 2023 budget, the conclusion of a new committed term facility of €120 million (equivalent) by subsidiary LSF9 Belysse Investments S.à r.l. to repay the outstanding Senior Secured Notes;
- On a recommendation from the Remuneration and Nomination Committee, approval of the 2022 bonus and the 2023 bonus methodology for members of the Management Committee, approval of the compensation & benefit packages of members of the Management Committee and others, approval of the new contract of the CEO/Chairman, the reappointment of a director and the reappointment of the statutory auditor;
- Follow-up of specific projects and approval of relevant documents related to these projects;
- Establishment of an ESG-committee and the approval of the ESG-committee charter;
- Approval of corporate strategy.

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.

Corporate Governance

Directors' attendance at Board and Committee meetings

	Board of Directors	Audit Committee	Remuneration and Nomination Committee
Cyrille Ragoucy	7/7		
Michael Kolbeck	7/7		4/4
Accelium BV, represented by Nicolas Vanden Abeele	7/7	6/6	4/4
Vanessa Temple	7/7	6/6	
Itzhak Wiesenfeld	7/7	6/6	4/4
Neal Morar	7/7	6/6	
Hannah Strong	7/7		
Patrick Lebreton	7/7		
Flora Siegert	7/7		

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 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. Currently, one-third of our board members is female, meaning that the aforementioned requirement is met. Our Board also features a mix of expertise from different operational fields.

We face a challenge to make our broader workforce diverse and create fully equal opportunities regardless of gender, race or cultural background given the nature of our operations. In 2020, the Management Committee launched a new ambition, to have at least 40% women in all layers of Belysse Group's top management by 2030. This would reflect the partition of gender in the whole of our organisation. Increasing gender diversity both in the workplace and in the leadership teams are critical success factors in making better decisions and developing more innovative business solutions.

A demonstrated focus on gender equality enables an organisation to attract and retain the best talent. It also ensures that all employees within the organisation have access to equal opportunities in developing their careers in a workplace free of bias.

Belysse 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 over 40 nationalities across 4 main locations on 2 continents. This is reflected in the Management Committee, composed of diverse nationalities: Australian, Belgian, French and US.

It is our strong belief that employing the right people for the right roles encourages a balanced workplace and this has been reflected in the quasi status quo in gender balance at the end of 2023.

Belysse is actively trying to attract and promote women to managerial positions through our recruitment campaigns and our internal talent management process. A great deal of actions in promoting an optimal work-life balance were promoted for men and women. This way, we encourage all our employees and managers to move to this new way of working.

Audit Committee

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

Corporate Governance

During 2023, the Audit Committee consisted of three members, all being non-executive directors and a majority of them being independent directors.

In the course of 2023, the Audit Committee met six times.

As required by the Belgian Code on Companies and Associations, Mr Neal Morar, 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 he 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, the compliance approach and related policies, the 2024 budget, the refinancing project, the approval of the reappointment of the statutory auditor and the approval of non-audit services.

Name	Position	Director since	Mandate expires
Neal Morar	Non-Executive Director and chairman of the Audit Committee	2018	2025
Accelium BV, represented by Nicolas Vanden Abeele	Independent Director	2017	2025
Vanessa Temple	Independent Director	2022	2025

Remuneration and Nomination Committee

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

During 2023, the Remuneration and Nomination Committee consisted of three members, all being non-executive directors and a majority of them being independent directors:

Name	Position	Director since	Mandate expires
Michael Kolbeck	Chairman and Non-Executive Director	2017	2025
Accelium BV, represented by Nicolas Vanden Abeele	Member and Independent Director	2017	2025
Itzhak Wiesenfeld	Member and Independent Director	2019	2025

Corporate Governance

In 2023 the Remuneration and Nomination Committee met four times.

The CEO and the 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 (e.g., 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 2022 bonus for members of the Management Committee and the general management, the 2023 compensation and benefit packages for members of the Management Committee, review of the reward and performance of the members of the Management Committee, the Bentley organisation, the recommendation to the Board of Directors regarding the reappointment and remuneration of a director, the 2023 remuneration report and remuneration policy and retention plan for the key managers of European BU, HR challenges and talent assessment, consideration about the CEO-role after the reorganisation of the group post-closing of the Divestment.

ESG Committee

In November 2023, the Board of Directors has established an ESG Committee.

The Committee is chaired by Vanessa Temple, independent and non-executive director of the Company. On 31 December 2023, the members of the ESG Committee are:

Name	Position
Vanessa Temple	Chairman of the ESG Committee and Independent Director of the Company
Cyrille Ragoucy	Chief Executive Officer
Andy Rogiest	Chief Financial Office
Ruben Pattheeuws	Sustainability and Strategic Projects Director
Marie De Laet	Sustainability Manager

The ESG committee will review the Company's ESG governance and ESG Risk Monitoring. It will identify the ESG-related topics that are most relevant to the Company, and make recommendations regarding the Company's roadmap, plans and actions related to material ESG aspects, thereby aligning ESG efforts with the Company's overall strategy.

Chief Executive Officer

Mr Ragoucy was appointed as CEO by the Board of Directors and reports directly to it. 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 did not change in 2023. It consists of the following members on 31 December 2023:

Name	Position
Cyrille Ragoucy	Chief Executive Officer
ANMIRU BV, represented by Andy Rogiest	Chief Financial Office
EQIDNA BV, represented by James Neuling	Managing Director Europe
Jay Brown	President Bentley Mills
Charlotte Veys	HR Director

Corporate Governance

For the biography of **Mr Cyrille Ragoucy**, please see the ‘Board of Directors’ section above.

Mr Andy Rogiest (representative of ANMIRU BV) was appointed Chief Financial Officer of Belysse in early June 2022. He has extensive experience in corporate finance and joined us from Belgian healthcare innovator Home Health Products, where he was COO. Before, he held several senior functions in finance, strategy and operations at Imperial Meat Products, Ontex and PSA HNN.

Mr Rogiest holds Masters degrees in Applied Economics (Ghent University, Belgium) and Finance (Vlerick Business School, Belgium).

Mr James Neuling (representative of EQIDNA BV) joined Belysse in October 2022 as Managing Director Europe. He is a seasoned and dynamic executive who brings vast experience from a number of industries where he held senior positions and transformative roles. He began his career in South East Asia in the Lighting sector where he progressed to be Regional Manager for Zumtobel before moving to Europe for his MBA. Mr Neuling then joined GE Plastics in a senior commercial role, and then subsequently led the turnaround of GE’s European Sheets and Film business. He then went on to reorganise and divest two global divisions at Rio Tinto Alcan, before taking on senior roles at Mondi Group and Scapa. In 2017, Mr Neuling was appointed as the Vice President at Beaulieu Flooring Solutions. Immediately prior to Belysse, he aided Melrose in the divestment of Nortek HVAC to Madison.

Mr Neuling holds a Bachelor’s degree in Electrical & Electronic Engineering (University of Adelaide, Australia), a Graduate Diploma in Marketing (Thames Business School, Singapore) and a Master of Business Administration (IMD Business School, Switzerland).

Ms Charlotte Veys Charlotte Veys started her career at Belysse in 2010. Before becoming HR Director in March 2022, she held various other HR functions at Belysse Group and was the Company’s Compensation & Benefits manager.

Ms Veys holds a Master’s degree in Psychology (Catholic University Leuven, Belgium).

Mr Jay Brown is a seasoned industry executive, with 33 years operations and sales experience. He joined Bentley Mills in 2020, as Vice President of Operations. In May 2022, he took the helm as President and COO. Before arriving at Bentley, he held various leadership positions at Interface, a global leader in modular flooring, and at Multi Packaging Solutions (MPS).

Mr Brown holds a Bachelor’s degree in Science (Auburn, US) and a Juris Doctorate from Faulkner University (US).

Corporate Governance

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 Culliganlaan 5, 1831 Machelen, and represented by Mr Wouter Coppens.

The current mandate of PricewaterhouseCoopers Bedrijfsrevisoren BV will expire at the Annual General Shareholders' Meeting that will be asked to approve the annual accounts for the financial year ended on 31 December 2025.

Article 3:71 of the Belgian Code on Companies and Associations 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 € 12m for, respectively, tasks concerning the legal audit of annual accounts within the meaning of article 3:55 of the Belgian Code on Companies and Associations 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 2023, the remuneration paid to the statutory auditor for auditing activities amounted to € 460,100. Remuneration paid for other assignments outside the audit mandate were €14,000 and € 22,200 for tax related services.

Corporate Governance

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 of 31 December 2023 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.

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

Belysse 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 (renewable), 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 Belysse Holdco S.à r.l. ('LSF9') or a Company affiliated therewith within the meaning of article 1:20 of the Belgian Code on Companies and Associations (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 2023 – 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.

Corporate Governance

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 Code on Companies and Associations.

Corporate Governance

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 capital of the Company once or several times by a (cumulated) amount of maximum 100% of the amount of the capital.

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 Official State Gazette of the amendment to the articles of association approved by the Extraordinary Shareholders' Meeting of 26 May 2020.

Any capital increase 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 effected (i) by means of a contribution in cash or in kind (where appropriate including a in 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, subscription rights or bonds to which subscription rights 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 shareholders in the interests of the Company, subject to the limitations and in accordance with the conditions provided for by the Belgian Code on Companies and Associations. 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 all forms, 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 Code on Companies and Associations. The powers hereby conferred on the Board of Directors remain in effect for a period of three years from the date of publication in the Annexes to the Belgian Official State Gazette of the authorisation of the Extraordinary Shareholders' Meeting of 26 May 2020. 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 2023, the Board of Directors did not make use of its mandate to increase the Company's capital as stated in article 6 of the articles of association.

Acquisition of own shares

According to article 16 of its articles of association, the Company may, without any prior authorisation of the Shareholders' Meeting, in accordance with articles 7:215 of the Belgian Code on Companies and Associations and within the limits set out in these provisions, acquire, on or outside a regulated market maximum 20% of its own shares 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 publication in the Annexes to the Official Belgian State Gazette of the authorisation of the Extraordinary Shareholders' Meeting of 26 May 2020. 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 Code on Companies and Associations. If the acquisition is made by the Company outside a regulated market, even from a subsidiary, the Company shall comply with article 7:215 §1, 4° of the Belgian Code on Companies and Associations.

The Board of Directors is authorised, subject to compliance with the provisions of the Belgian Code on Companies and Associations, to acquire and to divest 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 in the Annexes to the Official Belgian State Gazette of the authorisation of the Extraordinary Shareholders' Meeting of 26 May 2020.

In accordance with article 7:218 of the Belgian Code on Companies and Associations the Board of Directors is authorised to divest itself of part of or all the Company's shares at any time and at a price it determines, on or outside the stock market or in the framework of its remuneration policy to members of the personnel of the Company. This 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 Code on Companies and Associations. By authorisation of the Extraordinary Shareholders' Meeting of 26 May 2020 the Board of Directors is, in accordance with article 7:218 §1, 4° of the Belgian Code on Companies and Associations, explicitly authorised to divest its own shares, in favour of persons who are not part of the personnel of the Company.

In the course of 2023, the Board of Directors did not make use of its mandate to acquire its own shares as stated in article 16 of the articles of association.

Corporate Governance

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

Senior Secured Notes

As of 31 December 2023, LSF9 Belysse Issuer S.à r.l. (the 'Issuer') had €128,684,663 in aggregate principal amount outstanding (excluding capitalized financial fees and excluding capitalized PIK interests) of senior secured notes due 2024 (the '2024 Notes'), which were issued pursuant to an indenture dated as of 8 March 2021, as amended (the 'Indenture'), and €1,838,700 in aggregate principal amount of senior notes due 2030 (the '2030 Notes'), which were issued pursuant to an indenture dated as of 3 August 2015, as amended.

On 5 February 2024, the Issuer refinanced all of the outstanding 2024 Notes with the proceeds of a new €120 million (equivalent) term facility agreement provided by Blantyre to LSF9 Belysse Investments S.à r.l. (see below). The refinancing was completed partly by repurchasing the 2024 Notes held by certain noteholders holding approximately 75% of the total outstanding 2024 Notes at a price equal to 86.5% of the face value, with the balance amount being redeemed at 100% of the face value through the optional redemption provisions under the Indenture.

Revolving Credit Facility

As at 31 December 2023, the Issuer had a €45 million super senior revolving credit facility due in 2024 (the 'Existing RCF'). On 11 January 2024, the Issuer's direct subsidiary, LSF9 Belysse Investments S.à r.l. entered into a new €20 million super-senior revolving credit facility (the 'New RCF'), and which has replaced the now-cancelled Existing RCF. The New RCF has been made available on customary terms for facilities of this nature, for a term ending on 2 August 2027, with the option to extend by one year if the new Term Facility is extended concurrently.

The New RCF provides that a mandatory prepayment in full or in part will be required upon the occurrence of certain circumstances (each, an 'Exit Event'), being either (i) a disposal of all or substantially all of the assets of the LSF9 Belysse Investments S.à r.l. or its subsidiaries or (ii) a change of control where (a) certain shareholders directly or indirectly holding a majority of the total outstanding shares of LSF9 Belysse Investments S.à r.l. (the 'Permitted Holders') cease to own more than 40% of the shares of LSF9 Belysse Investments S.à r.l., (b) any person acquires more of shares in LSF9 Belysse Investments S.à r.l. than are held in aggregate by the Permitted Holders, (c) the Issuer ceases to directly own all of the share of LSF9 Belysse Investments S.à r.l. (excluding any shares issued to roll-up investors for a temporary period of time) or (d) a sale of the company's business and operations conducted in the United States.

Committed Term Facility

On 7 December 2023, LSF9 Belysse Investments S.à r.l. entered into a new €120 million (equivalent) term facility agreement provided by Blantyre (the 'Term Facility').

The Term Facility has been made available on customary terms for facilities of this nature, priced at 6.00% p.a. cash pay plus 5.00% p.a. payment-in-kind ('PIK') interest (in respect of EUR loans) and 7.00% p.a. cash pay plus 5.00% p.a. PIK interest (in respect of USD loans) (in each case, at a fixed rate, except that PIK interest on EUR loans and USD loans is subject to a leverage-based margin ratchet and so may in each case increase by a further 2.00% p.a. where certain financial ratios have been exceeded). The PIK Interest will be capitalised at the end of each interest period and bear interest at the prevailing rate. LSF9 Belysse Investments S.à r.l. may unilaterally request to extend the maturity of the Term Facility by one year.

The Term Facility provides that a mandatory prepayment in full or in part will be required upon the occurrence of an Exit Event.

As a condition to funding, Blantyre was granted contingent value rights (the 'CVR') linked to the equity value of Belysse Group NV, that, upon the occurrence of certain trigger events, entitles the CVR holder to receive a cash payment or, at the option of Belysse (subject to any requisite shareholder approval), an issuance of shares equal to 20% of the equity value of Belysse Group NV above a specified threshold of €41.1 million (the 'Threshold'). The payments under the CVRs are to be made: (i) mandatorily in case of a sale of all or substantially all of the assets of, or shares of Belysse Group NV; and (ii) at the option of the CVR holder in case either (a) the shareholding of the Permitted Holders falls to 40% or less; or (b) another person or persons acting in concert acquires more shares in Belysse Group NV than the Permitted Holders (the events described at (i) and (ii) above, each a 'CVR Control Event'). In addition to a CVR Control Event, the CVR holders have the option to exercise their payment rights from 7 December 2027 onwards.

The proceeds of the Term Facility have been used to complete the refinancing of all of the outstanding 2024 Notes (see above).

Sale-and-leaseback

On 20 December 2019, the company entered into a sale-and-leaseback agreement with three banks. If 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 was approved by the general Shareholders' Meeting of 26 May 2020 in accordance with article 7:151 of the Belgian Code on Companies and Associations.

On 31 March 2022, this sale-and-leaseback agreement was split as part of a partial demerger in the framework of the Divestment and remained in place with the company solely in relation to the Tielt property.

Factoring Agreement

On 7 September 2012, several subsidiaries of the Company entered into a Commercial Finance Agreement with ING. On several occasions, this agreement has been amended. The last time on 16 December 2022. According to the applicable general terms, the outstanding sums are immediately due in case of a change of control, if such a change would not be in the interest of the bank. Several subsidiaries of the Company entered into separate invoice-discounting agreements with KBC Commercial Finance NV ('KBCCF') dated 1 April 2022, pursuant to which these subsidiaries transfer title to all their current and future trade receivables falling under such arrangements to KBCCF. According to the applicable general terms, the outstanding sums are immediately due in case of a change of control, if such a change would not be in the interest of the bank. The general terms and conditions include typical clauses standard for this type of transaction, including grounds for termination if the envisaged transaction volume is not achieved.

2022 Long Term Incentive Plan

On 15 June 2022, the Board of Directors approved a new long-term incentive plan (the '2022 LTIP'). The PSUs granted under the 2022 LTIP will vest to relevant managers that still provide services to the Belysse 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 for the Company was approved by the Shareholders' Meeting of 26 May 2020, in accordance with article 7:151 of the Belgian Code on Companies and Associations.

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 the 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.

Corporate Governance

Conflicts of interest

Directors' conflicts of interest

Articles 7:96 and 7:97 of the Belgian Code on Companies and Associations 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 2 March 2023

Before the deliberation started, Mr Cyrille Ragoucy declared a conflict of interest, as defined in article 7:96 of the Belgian Code on Companies and Associations ('BCCA'), concerning the following items on the agenda:

(i) the approval of the 2022 bonus for the members of the Management Committee and the general management (ii) approval of the 2023 bonus policy, (iii) approval of the 2023 compensation and benefits packages for the members of the Management Committee and (iv) addendum to service agreement of Mr Cyrille Ragoucy.

The conflict results from the fact that Mr Ragoucy is both director of the Company and member of the Management Committee.

In observance of article 7:96 of the Belgian Code on Companies and Associations, the Board acknowledged that the approval of the 2022 bonus for the members of the Management Committee and the general management and approval of the 2022 compensation & benefits packages for members of the Management Committee would have the following financial consequences for the Company: the 2022 bonus pay out amounts to € 95,363 gross. The fixed annual remuneration for 2023 amounts to € 426,494 gross. Subject to satisfying all performance objectives set by the Board of Directors, the target variable fee for 2023 may be a maximum of € 313,333 gross.

In accordance with article 7:96 BCCA, Mr Ragoucy refrained from taking part in the deliberations and from voting on those resolutions. The Board noted that Mr Ragoucy did not participate in the deliberation and decision making on the approval.

The Board noted that the quorum was met notwithstanding that Mr Ragoucy did not participate in the deliberation nor in the voting on any item giving rise to the conflict of interest.

Notwithstanding the aforementioned conflict of interest, each director, by signing the minutes, confirmed approval of any documents, events, transactions mentioned therein, to be in the corporate interest.

Corporate Governance

Compliance with the 2020 Belgian Code on Corporate Governance

Belysse is committed to high standards of corporate governance and to the 2020 Corporate Governance Code as a reference code for the financial year ending 31 December 2023. 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. The current Long Term Incentive Plans (2022 LTIP) include a vesting period of three years after the date of reward of the PSUs, with the sole exception of an accelerated PSU vesting in the event of the closing of a public takeover bid for the Company. The Board considers that the vesting of the Performance Share Units to the relevant managers that still provide services to the Belysse Group on the third anniversary of their award fosters a sustainable and long-term commitment of these managers to shareholder value creation that addresses the goal of Principle 7.11 of the Corporate Governance Code;
2. The group of directors appointed at the nomination of LSF9 Belysse 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 LSF9 Belysse 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 LSF9 Belysse Holdco S.à r.l., that the Board of Directors is well-balanced and that non-executive directors have complimentary skills and experience;
3. The chairman of the Board and the CEO are the same individual. The Board of Directors 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 of Directors requested that Mr Ragoucy assumed 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 of Directors is convinced that Mr Ragoucy is best placed to continue to drive and deliver the implementation of the Company's transformation program;
4. The non-executive directors of the Board of Directors are not remunerated in shares, which are held until one year after they leave the Board of Directors and at least three years after the moment of the award. As the remuneration policy of the Company entails that the directors appointed upon nomination by LSF9 Belysse Holdco S.à r.l. are not remunerated, they are also not entitled to shares. Their personal interests are aligned with the long-term interests of the Company. Also the non-executive independent directors are not remunerated in shares, because the Company feels that they are sufficiently oriented to the creation of long-term value for the Company and in this way they maintain their independent status. This will be reviewed annually;
5. The members of the Management Committee are not remunerated in shares. To ensure the personal interests of the Management Committee are aligned with the interests of long-term shareholders, other mechanisms were put in place, i.e., LTIP and variable remuneration;
6. The variable remuneration awarded to members of the Management Committee for 2023 was based upon Group financial targets (Group management: CEO, CFO and HR director) or upon the divisional financial targets (MD commercial/residential Europe and MD Bentley) and not on individual targets. This will be reviewed annually;
7. No specific provisions on the recovery of or with-holding of payment of variable remuneration are inserted in the contracts with Management Committee members. The customary triggers included in claw-back provisions, such as fraud or gross misconduct, can be addressed in other ways such as dismissal (for cause), recovery on the basis of civil law, exclusion from D&O insurance coverage and others. In addition, the number of situations that could give rise to a claw-back is very limited, as grants of variable remuneration will be based on audited financial information.

Corporate Governance

Remuneration report

Introduction

The remuneration report is structured in a way to be transparent and to comply with the latest rules, regulations and guidance on the (standardised) presentation of the remuneration report, including the Shareholder Rights Directive and the related Belgian Implementation Act.

The remuneration paid to the members of the Board of Directors and the Management Committee in 2023 was in line with Belysse's remuneration policy, as amended and approved by the Shareholders' Meeting of 26 May 2021.

This remuneration policy continues the existing practices, while updating certain principles to better promote the long-term interests of the Company and the alignment of all stakeholders.

During the financial year 2023, Belysse did not deviate from the principles laid down in its remuneration policy.

Remuneration of directors

In accordance with the Company's remuneration principles, as decided by the Shareholders' Meeting dated 26 May 2021, only the independent directors of the Board of Directors are entitled to a (fixed) remuneration for their director's mandate. No director's remuneration was paid to the directors appointed upon nomination by LSF9 Belysse Holdco S.à r.l.

The remuneration of the independent members of the Board of Directors was as follows in 2023:

- Annual independent director's fee of € 40,000 gross;
- Additional annual fee for each Committee membership of € 10,000 gross; and
- Additional annual fee for the chairman of the Board of Directors of € 70,000 gross.

The remuneration of the chairman of the Board of Directors is capped at € 120,000 gross. Since the chairman of the Board of Directors has been mandated as CEO of the Company, he is no longer remunerated for his director's mandate.

Corporate Governance

The actual remuneration granted to the directors in 2023

Name / position	Chairmanship	Independent directorship	AC membership	RNC membership	Total
Cyrille Ragoucy CEO Chairman of the Board of Directors	-	-	-	-	**-**
Michael Kolbeck Non-executive director Chairman of the Remuneration and Nomination Committee	-	-	-	-	**-**
Flora Siegert Non-executive director	-	-	-	-	**-**
Accelium BV, represented by Nicolas Vanden Abeele Independent director	-	€ 40,000	€ 10,000	€ 10,000	**€ 60,000**
Vanessa Temple Independent director	-	€ 40,000	€ 10,000	-	**€ 50,000**
Itzhak Wiesenfeld Independent director	-	€ 40,000	-	€ 10,000	**€ 50,000**
Neal Morar Non-executive director Chairman of the Audit Committee	-	-	-	-	**-**
Hannah Strong Non-executive director	-	-	-	-	**-**
Patrick Lebreton Non-executive director	-	-	-	-	**-**
Total	**-**	**€ 120,000**	**€ 20,000**	**€ 20,000**	**€ 160,000**

No other benefits were paid to the members of the Board of Directors for their director's mandate.
A total of € 160,000 gross was granted.

Remuneration granted to the CEO and other members of the Management Committee
The remuneration for the members of the Management Committee was reviewed by the Board of Directors on 2 March 2023 based on recommendations from the Remuneration and Nomination Committee of 27 February 2023.

In line with the Company's remuneration principles, as decided by the Shareholders' Meeting dated 26 May 2021, the remuneration of the members of the Management Committee included (i) a fixed annual fee, (ii) a variable annual fee (short-term incentive plan ('STIP')), (iii) a long-term incentive plan ('LTIP'), (iv) pension contributions, and (v) various other benefits.

(i) Fixed annual fee
For the financial year 2023, the CEO received a fixed annual fee of € 426,494 (gross) and the other members of the Management Committee received a total fixed annual fee of € 940,092 (gross).

(ii) Short-term incentive plan ('STIP')
The short-term incentive plan rewards the realisation of key financial performance indicators with targets recommended by the Remuneration and Nomination Committee and approved by the Board of Directors for the period from 1 January 2023 to 31 December 2023.

For the CEO, the CFO and the HR Director, the STIP for 2023 was based on Group financial targets: 70% on Group Adjusted EBITDA and 30% on Group Quarterly Cash.

For the Managing Directors of the divisions, the STIP was based on the divisional financial targets: 70% on Divisional Adjusted EBITDA and 30% on Divisional Quarterly Cash.

The Remuneration and Nomination Committee evaluated achievement against the 2023 performance objectives for each member of the Management Committee and proposed their short-term variable remuneration component to the Board of Directors.

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 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 variable remuneration is not spread over time.

In 2023, the target STIP was 80% of fixed annual remuneration for the CEO and, on average, 38% of annual fixed remuneration for other members of the Management Committee.

(iii) Long-term incentive plan ('LTIP')
In 2018, the Board of Directors decided to implement annual Long-Term Incentive Plans ('LTIPs') to create alignment between manager's and shareholders' interests. These LTIPs consist of Performance Share Units ('PSUs').

The PSUs in the 2018 LTIP could vest to relevant managers that still provide services to the Belysse Group on the third anniversary of their award and are converted into shares, to the extent that the Company's share price had 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. Since the minimum hurdle was not reached, there was no vesting in 2021.

In 2019, a similar LTIP was 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 and was 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 that 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 Code on Companies and Associations. The 2019 LTIP was awarded to the CEO and to the other members of the Management Committee.

Since the minimum hurdle was not reached, there was no vesting in 2022.

For the same purposes, a 2020 LTIP was also implemented. The PSUs granted under the 2020 LTIP will vest to relevant managers that still provide services to the Belysse 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 for the Company was approved by the Shareholders' Meeting on 26 May 2020, in accordance with article 7:151 of the Belgian Code on Companies and Associations. The 2020 LTIP was awarded to the members of the Management Committee, except to the CEO.

In 2021 no LTIP was implemented.

For the same purposes as the previous LTIPs, a 2022 LTIP was implemented. The PSUs granted under the 2022 LTIP will vest to relevant managers that still provide services to the Belysse 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 for the Company was approved by the Shareholders' Meeting on 26 May 2020, in accordance with article 7:151 of the Belgian Code on Companies and Associations. The 2022 LTIP was awarded to the members of the Management Committee, except to the CEO.

In 2023 no LTIP was implemented.

(iv) Pension contributions

Members of the Management Committee can be entitled to affiliation with a Group insurance scheme.

(v) Other benefits

Members of the Management Committee can be entitled to a Company car or car allowance, lunch vouchers and fixed expenses.

(vi) Overall remuneration awarded to the CEO as a member of the Management Committee

For the year ended 31 December 2023, the total remuneration of the CEO was as follows:

- Base salary (gross remuneration): € 426,494
- Variable remuneration (relating to performance in 2023, paid out in 2024): € 95,363
- Pension: nil
- Other compensation components (Company car, fuel card and smartphone): nil
- No PSUs were granted in 2023.

(vii) Remuneration awarded to the other Management Committee members

For the year ended 31 December 2023, the total remuneration of the other Management Committee members was as follows:

- Base salary (gross remuneration): € 940,092
- Variable remuneration (relating to performance in 2023, paid out in 2024): € 235,248
- Pension: € 10,037
- Other compensation components (car, insurance, lunch vouchers, representation allowances): € 57,211
- No PSUs were granted in 2023.

Overview LTIP

Main conditions of LTIP						Information regarding the financial year
In 2023 no LTIP was implemented.						
Beneficiaries	**Plan**	**Performance period**	**Award date**	**Vesting date**	**PSU awarded**	**Shares vested**
Members of the Management Committee	2022	01/07/2022 - 01/07/2025	01/07/2022	01/07/2025	52,205	0
	2020	11/09/2020 - 11/08/2023	11/09/2020	11/08/2023	84,500	0
	2019	Period 1: 05/16/2019 - 05/15/2021 Period 2: 05/16/2019 - 05/15/2022	16/05/2019	Vesting date 1: 05/15/2021 Vesting date 2: 05/15/2022	343,500	0
	2018	07/01/2018 - 06/30/2021	07/01/2018	06/30/2021	46,666	0

Overview remuneration

Name and position	Fixed annual fee	STIP	LTIP	Pension	Various other benefits	Total remuneration	% of fixed and variable
Cyrille Ragoucy (CEO)	€ 426,494	€ 95,363	€ 0	€ 0	€ 0	€ 521,856	78% fixed 22% variable
Other members of the Management Committee (total)	€ 940,092	€ 235,248	€ 0	€ 10,037	€ 57,211	€ 1,185,377	75% fixed 25% variable

Changes to the remuneration policy since the end of 2023

No changes have been made to the remuneration policy since the end of 2023.

Provisions concerning individual severance payments for Management Committee members / Termination provisions

During 2023, no changes were made for the following specific termination provisions of the enumerated Management Committee members.

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 and a termination fee equal to the relevant portion of his fixed fee for early termination of the notice period.

Ms Charlotte Veys is entitled to the notice period applicable in accordance with Belgian employment law.

Other than in the case of termination in certain events of breach of contract, Mr James Neuling is entitled to a notice 6 (six) months in case of termination of the contract by the Company directly resulting from the closing of a voluntary or mandatory public takeover bid on all shares of the Company and of 6 (six) months in case of termination.

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

Comparative information on change of remuneration and Company performance, and ratio

	FY 2017[1]	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Board of Directors members' total remuneration	€ 124,584	€ 216,022	€ 162,930	€ 154,462	€ 170,000	€ 160,000	€ 160,000
CEO's total remuneration	€ 584,000	€ 776,490	€ 990,664	€ 867,141	€ 1,493.472	€ 1,596,008	€ 521,856
Management Committee members' total remuneration	€ 1,708,496	€ 1,353,114	€ 2,230,675	€ 2,536,733	€ 3,901,427	€ 2,120,537	€ 1,185,377
Company performance							
Group Adjusted EBITDA	€ 84,381,000	€ 72,352,000	€ 74,356,000	€ 67,990,000	€ 87,800,000	€ 35,500,000	€ 33,700,000
Average remuneration (on a full-time equivalent basis) for employees							
Employees of the Company[2]	€ 584,000	€ 776,490	€ 990,664	€ 867,141	€ 1,493,472	€ 1,596,008	€ 521,856

(1) As Belysse Group NV was incorporated in 2017, only data as from 2017 can be mentioned

(2) Only one individual has an employment agreement with Belysse Group NV.

Clawback provision regarding members of the Management Committee

There are no clawback provisions. No specific provisions on the recovery of or withholding of payment of variable remuneration are inserted in the contracts with Management Committee Members. The customary triggers included in claw-back provisions, such as fraud or gross misconduct, can be addressed in other ways such as dismissal (for cause), recovery on the basis of civil law, exclusion from D&O insurance coverage and others. In addition, the number of situations that could give rise to a claw-back is very limited, as grants of variable remuneration will be based on audited financial information.

Compliance with remuneration policy, long-term objectives and sustainability

Remuneration is aligned with current market practice and targets a market median position for the total salary package. The remuneration system rewards individual performance. Short-term variable pay incentivises actions and results in line with annual Company targets. Long-term commitment to the Company is stimulated through a share-based long-term incentive plan, that considers the share price performance of the Company. Belysse's remuneration rewards its employees fairly and appropriately regardless of gender, nationality or beliefs, and will solely be based on function and performance.

Derogations and deviations from the remuneration policy

There were no derogations or deviations in 2023.

In 2023, the ratio between the highest remunerated executive and the least remunerated employee (on a full-time equivalent basis) within the Company was 1.

Information on shareholder vote

The Shareholders' Meeting on 24 May 2023 approved the remuneration report for financial year 2022 with a majority of 93.3%.

Corporate Governance

Risk management and internal control framework

Introduction

Belysse operates a risk management and control framework in accordance with the Belgian Code on Companies and Associations and the Corporate Governance Code. Belysse 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 Belysse'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

Belysse 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: the line management is the first body responsible for assessing emerging risks continuously and implementing controls in response to these risks.
- Second line of defence: oversight functions such as Finance, Controlling, Safety Health Environment and 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 verify whether the first line of defence is properly designed, in place, and operating as intended.
- Third line of defence: 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.

There is no internal audit (director) as the current control environment is considered to provide sufficient security within the area of risk and control.

Policies, procedures and processes

Corporate culture is sustained by the implementation of different Company-wide policies, procedures and processes such as , 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, Delegation Of Authority and Signing (DOAS) policy, the economic sanctions policy, the privacy and data protection policies (GDPR) (including the data breach policy, data protection policy, the privacy policy for collaborators, the privacy policy for recruitment and selection), the whistleblowing 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 to develop sufficient risk management and control at all levels and in all areas of the organisation. Belysse is a Company with an open culture, striving to uphold the outmost business ethics. As unethical behaviour might take place in most organisations, having an open corporate culture is not always enough to eliminate such unethical behaviour. For this reason, Belysse has implemented a speak-up procedure, policy and tool in 2020 and has further rolled out the awareness to all Belysse employees in the following years. Cases which are reported in the whistleblowing tool and which fall within the scope of the policy are anonymously managed by a dedicated investigation team. General and discrete reporting on whistleblowing cases is provided to the Audit Committee.

Group-wide ERP system

Both Belysse Europe and Belysse Bentley divisions operate a centrally managed ERP platform, embedding division-level roles and responsibilities. These systems enforce standardized main flows, key internal controls, and undergo regular testing by the corporate finance department. The systems also allow detailed monitoring of activities and direct central access to data. In 2023, Belysse Europe's ERP platform underwent a final disentanglement and is currently hosted in two externally certified datacenters, accredited with ISO9001 and ISO27001.

Control activities

Control measures are in place to minimise the effect of risk on Belysse's ability to achieve its objectives. These control activities are embedded in Belysse's key processes and systems to ensure that the risk responses and Belysse'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 Belysse Europe: 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 from budgets and previous reference periods are carefully analysed and explained. In 2023, an array of additional security measures, including multi-factor authentication, ZTNA technology, and network segmentation with firewalls, were implemented to strengthen further the security of all data stored within computer systems.

Information and communication

Belysse recognises the importance of timely, complete and accurate communication of information, top-down as well as bottom-up. The Group 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 are managed through each Division's 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. Throughout 2023, further actions were implemented to safeguard the security and accessibility of reporting tools utilized by the Belysse Europe division.

The Management Committee also discuss the achieved financial 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 in which all reporting dates are set out 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 Belysse employees are accountable for the timely identification and qualitative assessment of the risks within their area of responsibility. Belysse 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. These checklists ensure 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 ERP system and management information tools of each Division 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 Belysse stakeholders with the information necessary for making sound business decisions. Supervision and monitoring of control mechanisms 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. The aim is 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.

Remuneration Policy

Scope

The Board of Directors has drawn up the remuneration policy in accordance with article 7:89/1 of the Belgian Code of Companies and Associations (the 'BCCA') and the Belgian Code of Corporate Governance 2020 (the 'Corporate Governance Code'). It sets out the remuneration principles as regards the members of the Board of Directors and the Management Committee.

The Board of Directors adopted the remuneration policy on 9 March 2021, upon proposal of the Remuneration and Nomination Committee. The policy was approved at the Shareholders' Meeting of 26 May 2021. The remuneration policy is applicable within Belysse as from 1 January 2021 and replaces the former remuneration policy, which was approved at the Shareholders' Meeting of 30 May 2017.

Remuneration to the members of the Board of Directors and the Management Committee will be paid in accordance with the remuneration policy.

In the event of a material change to the policy and in any case at least every four (4) years, the Board of Directors shall submit a (revised) remuneration policy, adopted upon proposal of the Remuneration and Nomination Committee, to the Shareholders' Meeting. Non-material changes to the policy will be made without shareholder approval being required.

Belysse's vision on remuneration

Belysse's remuneration philosophy is to ensure that all employees are rewarded fairly and appropriately for their contribution.

The overall remuneration policies and practices are governed by the following principles:

- Remuneration needs to be aligned with the current market practices and target a market median positioning of the total salary package.
- The remuneration needs to reward individual performance.
- Short-term variable pay needs to incentivise actions and results in line with the yearly Company targets.
- Long-term commitment to the Company is stimulated through a share-based long-term incentive plan, that takes into account the stock performance of the Company.
- Belysse's remuneration will reward its employees fairly and appropriately regardless of gender, nationality and beliefs. It will solely be based on function and performance.

Belysse's overall remuneration policies and practices are regularly assessed and updated, in order to promote the Company's sustainability and the successful implementation of its strategy, so as to continue creating value for all stakeholders including customers, shareholders and employees.

Remuneration Policy

Members of the board of directors

Decision-making process and measures to avoid or manage conflicts of interest.

The Shareholders' Meeting determines the remuneration of the members of the Board of Directors upon proposal of the Board of Directors. The Board of Directors adopts its proposal upon proposal of the Remuneration and Nomination Committee.

The remuneration of non-executive directors is determined taking into account their role as ordinary Board of Directors' members, and specific roles as Chairman of the Board of Directors, Chairman or member of Board of Directors' committees, as well as their resulting responsibilities and commitment to develop the Company. The remuneration system is intended to attract and retain individuals who have the necessary experience and competencies for this role.

The Shareholders' Meeting is solely competent for the remuneration of members of the Board of Directors. This exclusive competence ensures that there are no conflicts of interest in this area.

In order to ensure the independence of the Board of Directors in its supervisory function over the Management Committee, and to avoid short-term pay-outs that jeopardise Belysse's long-term vision, non-executive directors are not entitled to performance-related remuneration such as bonuses, stock related long-term incentive schemes, fringe benefits or pension benefits.

Remuneration components

Since its approval by the Shareholders' Meeting, the remuneration awarded to the independent directors consists of the following fixed elements:

- Director fee for independent directors
- Additional fee for committee membership (per committee)
- Additional fee applicable to the chairman of the Board of Directors

These are paid monthly.

The amount of the remuneration is set according to market practice. Salary surveys are conducted every two years in order to ensure remuneration levels are aligned with market practices. Remuneration of the Board members can be reviewed every two years.

The independent directors do not receive any variable remuneration, shares, stock options or other rights to acquire shares (or other share-based remuneration) or other bonuses or benefits.

Appointment, dismissal and evaluation of the directors

The directors have a self-employed status and are appointed by the Shareholders' Meeting for a maximum period of four years (in accordance with the provisions of the articles of association of the Company and the BCCA).

The Shareholders' Meeting can dismiss a director without any notice period or severance payment, without any justification, and by a simple majority vote. However, the Shareholders' Meeting is free to grant a notice period or severance payment upon dismissal.

At the end of each director's term, the Remuneration and Nomination Committee also evaluates the director's presence at the Board of Directors or committee meetings, his/her commitment and his/her constructive involvement in discussions and decision-making. This evaluation is taken into account by the Remuneration and Nomination Committee when formulating its recommendations with respect to (re) appointments and remuneration to the Board.

Remuneration Policy

Members of the management committee

Decision-making process and measures to avoid or manage conflicts of interest

The Board of Directors determines the remuneration of the members of the Management Committee upon proposal of the Remuneration and Nomination Committee.

The Remuneration and Nomination Committee determines – with the assistance of specialist members of staff – proposals in respect of the remuneration of the CEO and the other members of the Management Committee taking into account prevailing legislation, the Corporate Governance Code, the profile of the individual in terms of skills and professional experience as well as market practices and trends.

In setting remuneration levels, appropriate market benchmarks are taken 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 the values and strategy.

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 the other 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.

The CEO does not participate in the deliberations and votes within the Board of Directors as regards to his own remuneration. The CEO and the HR Director are not members of the Remuneration and Nomination Committee, but are invited to attend its meetings, unless the discussions within the Remuneration and Nomination Committee relate to their own remuneration. Reference is also made to the conflict-of-interest rules laid down in Article 7:96 of the BCCA.

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, which will report to the Board of Directors.

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.

Remuneration components

The remuneration that can be awarded to the members of the Management Committee consists of the following elements:

- Fixed remuneration
- Short-term variable remuneration
- One-off bonuses
- Long-term plan
- Other benefits

Fixed remuneration

The fixed remuneration consists of a fixed annual fee in cash, granted independently of Belysse's results.

The fixed annual fee is determined 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. Belysse aims to pay its managers at market median. In order to correctly benchmark, the Remuneration and Nomination Committee conducts at least every two years a salary study through an external Company.

Salary reviews are conducted every year. All managers are eligible, but not automatically entitled, to merit increases based on their performance and position at market.

Remuneration Policy

Short-term variable remuneration

The short-term variable remuneration consists of a Short-Term Incentive Plan ('STIP'), paid in cash.

The aim of the STIP is to create a high-performance culture through a cash bonus linked to performance against annual targets with due regard to preventing excessive risk taking. The 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 set by the Board of Directors upon recommendation of the Remuneration and Nomination Committee. These targets are based only on the realisation of Group or divisional financial targets. For the members of the Management Committee these targets are based on three financial indicators, aligned with the yearly objectives. They can be Group performance indicators or divisional indicators. These key performance indicators are approved by the Board on proposal of the Remuneration Committee once a year.

These key financial performance indicators create a close link between the interests of, on the one hand, the members of the Management Committee and, on the other hand, the Company and its shareholders. The recognition of performance at both divisional and Group level contributes to the long-term interest and sustainability of the Company and the successful achievement of its strategy.

The performance against the targets (and resulting pay-outs) are assessed annually by the Board of Directors upon recommendation of the Remuneration and Nomination Committee, supported by the controlling and finance department.

The annual potential of the STIP for the members of the Management Committee at target amounts to up to 70% of their respective annual fixed remuneration, with a minimum of as low as 0% in the case of under-performance and a maximum of up to 170% in the case of overperformance.

For the CEO, the annual potential of the STIP at target can amount up to 100% of his annual fixed remuneration, with a minimum of as low as 0% in the case of underperformance and a maximum of up to 200% in the case of overperformance.

One-off bonuses

The Board of Directors may, in exceptional or specific circumstances and upon recommendation of the Remuneration and Nomination Committee, grant one-off bonuses to one or more members of the Management Committee for special performance.

The one-off bonuses may amount to up to 100% of the annual fixed remuneration of the member of the Management Committee concerned.

Remuneration Policy

Long-term plan
The long-term plan ('LTIP') consists of a remuneration in Performance Share Units ('PSUs').

The PSUs vest to relevant members of the Management Committee who still provide services to the Company on the third anniversary of their award and are converted into shares if the Company's share price reaches certain defined targets with a certain minimum hurdle. The shares received are not subject to any lock-up arrangements.

As approved by the Shareholders' Meeting of 16 June 2017 in accordance with article 7:151 of the BCCA, the PSU vesting is accelerated in the event of a change of control or the closing of a public takeover bid for the Company.

The LTIP aims to create alignment between the managers' and shareholders' interests. It is also intended to facilitate recruiting and retaining personnel of outstanding ability. The LTIP thus contributes to the Company's business strategy and long-term interests.

Based on a yearly submission, members of the Management Committee are eligible but not automatically entitled to a grant of PSUs under the LTIP. On proposal of the Remuneration and Nomination Committee, the Board of Directors will decide on the terms and modalities of the LTIP and approve the list of beneficiaries.

The Board of Directors, on proposal of the Remuneration Committee, will approve the threshold price, the accelerator and the vesting date once a year.

The value of the PSUs granted under the LTIP, at the time of grant, may amount to up to 100% of the annual fixed remuneration of the member of the Management Committee concerned.

Other benefits
Members of the Management Committee can receive other benefits, such as the affiliation to a group insurance scheme, Company car, fuel card, smartphone, lunch vouchers and representation allowances. These benefits are benchmarked regularly and adapted according to local standard practices.

The group insurance scheme includes defined contribution in pension plan, guaranteed income insurance and life insurance.

These other benefits may amount to up to 10% of the annual fixed remuneration of the member of the Management Committee concerned.

Contractual arrangements with the members of the management committee
The rights and obligations related to the function of CEO are formalised in a management agreement of indefinite duration. 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 remuneration he would be entitled to during the severance period).

The members of the Management Committee work for the Company under an employment or management agreement of indefinite duration. Other than in the case of termination in certain events of breach of contract and other than the exceptions included under the chapter 'Provisions concerning individual severance payments for Management Committee members / Termination provisions', they are entitled to a notice period of six (6) months (or a termination fee equal to the proportion of the fixed remuneration they would be entitled to during the severance period).

Derogations from the remuneration policy

Belysse shall pay remuneration to the members of the Board of Directors and the Management Committee only in accordance with the remuneration policy.

However, the Board of Directors may, in exceptional circumstances and upon proposal of the Remuneration and Nomination Committee, temporarily derogate from the remuneration policy. Exceptional circumstances shall cover only situations in which the derogation from the remuneration policy is necessary to serve the long-term interests and sustainability of Belysse as a whole or to assure its viability.

Derogations are allowed with respect to all elements of the remuneration policy.

When resolving on derogations from the remuneration policy, the Board of Directors must comply with the decision-making procedure set out above.

The Board of Directors shall explain any derogations in the remuneration report of the relevant financial year.

No significant changes to the current policy

This remuneration policy was approved by the Shareholders' Meeting of 26 May 2021 and aims to implement the remuneration practices in a formal remuneration policy in accordance with the requirements of Article 7:89/1 of the Belgian Code of Companies and Associations.

Summary of Main Risks

At Belysse, risk management is an inherent part of doing business. The summary below, though not exhaustive, provides an overview of the main risks we were able to identify. While we take mitigating actions, we cannot guarantee that such risks will not materialize.

Market competition

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

The key to our competitiveness is our ability to identify and respond to rapidly changing consumer preferences which require us to frequently renew our designs and product mixes, and to continuously innovate.

In the course of 2022 - 2023, a number of flooring companies (announced to) close(d) down (part of) or to reorganize their European operations, due to increased raw material, labour and energy costs.

Customer dependency

Our customer dependency has been significantly reduced since the Transaction. In 2023, our top three customers accounted for approximately 10% of our revenue.

General macro-economic and geopolitical events & trade regulations

Product demand depends significantly on consumer confidence, the economic environment and factors impacting both the residential and commercial renovation as well as the construction markets. With production and distribution facilities in Belgium and the United States, and sales in over 100 countries, we are exposed to geopolitical risk on both the demand and supply side.

The direct effect of higher interest rates are limited as we are mostly financed as explained above at a fixed interest rate.

Supplier risk

By end of March 2023, Bentley Mills successfully achieved the transition away from its historical main yarn supplier.

Legal and compliance

Failure to comply with the laws of the countries we do business with may result in a delay or temporary suspension of our sales and operations which may impact our financial position. Insufficient precautions or awareness regarding safeguarding confidential matters in our highly competitive market may lead to competitive disadvantages, loss of business intelligence and reputation damage.

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 efforts 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 these suppliers are large companies and can exert substantial supplier power. We have long-standing relationships with our key suppliers. In the course of 2023, we continued to extend our network of raw material suppliers.

In 2023, raw material expenses represented approximately 50% of our revenues. The key raw materials used were polypropylene (purchased in finished goods), polyester and polyamide yarn, latex and polyamide. Together they represented approximately 75% of our total raw material expenses.

Raw material prices are volatile and depend on factors that are often beyond our control. This includes, but is not limited to, local supply and demand balance, general economic conditions (e.g. Red Sea shipping crisis) 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 26 of the section ‘Financial Risk Management’ in the Financial Statements.

Summary of Main Risks

Production and logistics

The ability to produce and deliver products on time is key to both attracting new and retaining existing customers. Disruptions at our manufacturing or distribution facilities may occur and could result in temporary shortfalls in production, late or incomplete deliveries or an increase in 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 a timely delivery of our products.

IT

As our IT platform serves as the backbone for our operations (including sales, customer service, logistics and administration), any failure could tamper our ability to process orders on time. Amidst the disentanglement process from Balta Victoria, we have now fortified our critical IT applications with a high-availability architecture, complete with automatic failover capabilities. Service level agreements guarantee a maximum outage period of 8 hours, safeguarding our operational continuity during unforeseen events.

Businesses are also contending with increasing cybercrime-related incidents. Belysse is focusing on awareness training and made significant investments in secure networks and defense mechanisms against cyber-attacks in 2023.

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 the euro. Key currencies include pound sterling and US dollar. The fluctuation of these currencies versus the euro may impact our results. Additionally, 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 or cost 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 operational result if we would be unable to meet these. More details on this can be found in Note 26 of the section ‘Financial Risk Management’ in the Financial Statements.

Summary of Main Risks

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. On 7 December 2023, LSF9 Belysse Investments S.à r.l. entered into the Term Facility. The proceeds of the Term Facility have been used to complete the refinancing of all of the outstanding 2024 Notes (see above). As of 31 December 2023, the Issuer had a €45 million Super Senior Revolving Credit Facility due in 2024 (the 'Existing RCF'). On 11 January 2024, the Issuer's direct subsidiary, LSF9 Belysse Investments S.à r.l. entered into a new €20 million super-senior revolving credit facility, and which has replaced the now-cancelled Existing RCF.

The Group's outstanding senior indebtedness now consists of the new term facility, a €20 million super-senior revolving credit facility and its €1.8 million senior notes due 2030.

The completion of the refinancing of its Senior Secured Notes improved Belysse' s debt maturity profile and will enable Belysse to further execute its strategy. Reference is made to the risk factors referred to in Note 26 of the section 'Financial Risk Management' in the Financial Statements.

BEYOND program

Our transformational program called 'BEYOND' was launched in 2022. This program is designed to deliver a significant improvement in earnings over a four-year period. The key initiatives focus on sustainability through innovative products and production processes, an incremental drive for Efficiency through Lean strategies and agility through digital and operational improvement initiatives. While our BEYOND initiatives are essential to reinforce our competitive position and drive margin improvement, we may be delayed or fall below our expectations on the anticipated improvements in earnings.

Sustainability

Customer expectations on delivering sustainable products are increasingly demanding and challenging. The risk of not meeting new technology and sustainability requirements and missing out on market developments may lead to competitive disadvantages as well as significant loss of share. Failing to integrate sustainability as a part of the group strategy can affect future competitiveness, long-term value creation and Group longevity. In 2023, the ESG committee was established to address this risk. ESG priorities have been defined in the ESG-committee charter and will be closely monitored. With a set of Extended Producer Responsibility Policies, the European Union is driving the economy towards a higher level of circularity by making companies responsible for their products at the end of their life. France was the first country to develop national EPR legislation, which entered into force on January 1st 2023. It is expected that UK, The Netherlands and Belgium will follow soon, although no concrete proposals have been drafted yet. Also with the CSRD directive, the European Union is putting ESG higher 'on the agenda of European businesses. Belysse will need to comply with this Directive in 2025, but has already taken the necessary first step, as the double materiality assessment was finalized in 2023.

Global warming or the effect of climate change has resulted in new material climate-related risks (physical and transition risks, mobility and transport, sourcing raw materials, etc.) which may have significant impacts on our reputation, access to finance, cost of complying with new regulations, business profitability and long-term resilience. A significant trend observed over the past years is the increased demand for low-carbon raw materials, resulting in lower availability and steep price increases.

04 Financial Statements

Tove 37

1. Consolidated statement of comprehensive income for the period ended 31 December

		For the year ended 31 December	
(€ thousands)	Note	2023	2022
I. CONSOLIDATED INCOME STATEMENT			
Revenue	Note 4	300,918	337,430
Raw material expenses		(124,174)	(162,318)
Changes in inventories	Note 15	(11,018)	10,434
Employee benefit expenses	Note 6	(76,021)	(78,049)
Other income	Note 7	929	316
Other expenses	Note 7	(56,956)	(72,308)
Depreciation / amortisation	Note 8	(19,890)	(18,688)
Adjusted Operating Profit[1]		**13,788**	**16,818**
Integration and restructuring expenses	Note 9	(3,069)	(1,445)
Operating profit / (loss)		**10,718**	**15,373**
Finance income	Note 10	367	-
Finance expenses	Note 10	(18,795)	(19,650)
Net finance expenses		**(18,428)**	**(19,650)**
Profit / (loss) before income taxes		**(7,710)**	**(4,277)**
Income tax benefit / (expense)	Note 11	(3,386)	(9,010)
Profit / (loss) for the period from continuing operations		**(11,095)**	**(13,287)**
Profit / (loss) for the period from discontinued operations	Note 39	-	(54,459)
Profit / (loss) for the period		**(11,095)**	**(67,746)**
Attributable to:			
Equity holders		(11,095)	(67,746)
Non-controlling interest		-	-
II. CONSOLIDATED OTHER COMPREHENSIVE INCOME			
Items in other comprehensive income that may be subsequently reclassified to P&L			
Exchange differences on translating foreign operations		(4,529)	10,214
Changes in fair value of hedging instruments qualifying for cash flow hedge accounting		-	152
Items in other comprehensive income that will not be reclassified to P&L			
Changes in deferred taxes		(40)	268
Changes in employee defined benefit obligations		(13)	68
Other comprehensive income for the period, net of tax, for continuing operations		**(4,583)**	**10,702**
Total other comprehensive income from discontinued operations		-	54,456
Total comprehensive income for the period		**(15,678)**	**(2,587)**
Basic and diluted earnings per share from continuing operations attributable to the ordinary equity holders of the company	**Note 33**	**(0.31)**	**(0.37)**
Basic and diluted earnings per share from discontinued operations attributable to the ordinary equity holders of the company	**Note 33**	**-**	**(1.52)**
Basic and diluted earnings per share from continuing + discontinued operations attributable to the ordinary equity holders of the company	**Note 33**	**(0.31)**	**(1.88)**

1 Adjusted Operating Profit / Operating profit / (loss) are non-GAAP measures as defined in Note 1.25.

The accompanying Notes form an integral part of these Consolidated Financial Statements.

2. Consolidated statement of financial position as at 31 December

		For the year ended 31 December	
(€ thousands)	**Note**	**2023**	**2022**
Property, plant and equipment		100,795	108,178
Of which IFRS 16 related right-of-use assets (excluding sale-and-leaseback)		*23,533*	*29,388*
Land and buildings	Note 13	44,963	51,245
Plant and machinery	Note 13	49,742	50,025
Other fixtures and fittings, tools and equipment	Note 13	6,090	6,908
Goodwill	Note 5	103,046	105,662
Other intangible assets	Note 12	5,212	5,432
Deferred income tax assets	Note 14	426	829
Trade and other receivables	Note 16	586	599
Total non-current assets		**210,066**	**220,700**
Inventory	Note 15	52,257	76,177
Trade and other receivables	Note 16	28,377	24,994
Current income tax assets		1,045	-
Cash and cash equivalents	Note 17	35,812	38,488
Total current assets		**117,491**	**139,660**
Total assets		**327,557**	**360,359**
Share capital	Note 18	252,950	252,950
Share premium	Note 18	65,660	65,660
Other comprehensive income	Note 19	1,283	5,866
Retained earnings	Note 20	(202,298)	(191,208)
Other reserves		(39,876)	(39,876)
Total equity		**77,720**	**93,392**
Senior Secured Notes	Note 21	1,839	130,745
Bank and Other Borrowings	Note 22	34,778	41,590
Of which IFRS 16 related lease liabilities (excluding sale-and-leaseback)	*Note 23*	*20,375*	*25,577*
Deferred income tax liabilities	Note 14	5,814	6,355
Provisions for other liabilities and charges	Note 29	2,229	2,176
Employee benefit obligations	Note 27	159	150
Total non-current liabilities		**44,818**	**181,015**
Senior Secured Notes	Note 21	135,203	1,611
Bank and Other Borrowings	Note 22	8,875	8,760
Of which IFRS 16 related lease liabilities (excluding sale-and-leaseback)	*Note 23*	*6,757*	*6,872*
Derivative financial instruments	Note 25	-	-
Other payroll and social related payables	Note 28	14,444	17,161
Trade and other payables	Note 30	46,462	57,201
Income tax liabilities		36	1,219
Total current liabilities		**205,019**	**85,952**
Total liabilities		**249,837**	**266,967**
Total equity and liabilities		**327,557**	**360,359**

The accompanying Notes form an integral part of these Consolidated Financial Statements.

3. Consolidated statement of cash flows for the period ended 31 December

		For the year ended 31 December	
(€ thousands)	**Note**	**2023**	**2022**
I. CASH FLOW FROM OPERATING ACTIVITIES			
Net profit / (loss) from the period for continuing operations		**(11,095)**	**(13,287)**
Adjustments for:			
Income tax expense / (income)	Note 11	3,386	9,010
Finance income	Note 10	(367)	-
Financial expenses	Note 10	18,795	19,650
Depreciation / amortisation	Note 8	19,890	18,688
(Gain) / loss on disposal of non-current assets		-	(2)
Movement in provisions		(1,999)	3,276
Expense recognised in respect of equity-settled share-based payments		6	(61)
Fair value of derivatives		-	125
Cash generated before changes in working capital		**28,615**	**37,399**
Changes in working capital:			
Inventories	Note 15	24,459	(14,507)
Trade receivables	Note 16	979	1,156
Trade payables	Note 30	(9,124)	10,534
Other working capital		(8,476)	(1,061)
Cash generated after changes in working capital		**36,452**	**33,522**
Net income tax (paid)		(5,400)	(5,641)
Net cash generated / (used) by operating activities		**31,053**	**27,880**
II. CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition and disposal of property, plant and equipment	Note 13	(10,458)	(11,778)
Acquisition of intangibles	Note 12	(1,332)	(128)
Proceeds from non-current assets		-	163,700
Net cash used by investing activities		**(11,790)**	**151,794**
III. CASH FLOW FROM FINANCING ACTIVITIES			
Interest and other finance charges paid, net		(13,565)	(25,918)
Proceeds of Senior Secured Notes	Note 21	-	130,000
Repayments of Senior Secured Notes	Note 21	-	(232,818)
Repayments of borrowings with third parties	Note 22	(7,892)	(60,665)
Net cash generated / (used) by financing activities		**(21,457)**	**(189,402)**
NET INCREASE/ (DECREASE) IN CASH AND BANK OVERDRAFTS		**(2,195)**	**(9,728)**
Cash, cash equivalents and bank overdrafts at the beginning of the period for continuing operations		38,488	51,393
Exchange gains/(losses) on cash and cash equivalents		(482)	903
Financing and cash transactions between continued and discontinued operations		-	(4,081)
Cash, cash equivalents and bank overdrafts at the end of the period from continuing operations	Note 17	35,812	38,488

The accompanying Notes form an integral part of these Consolidated Financial Statements.

Financial Statements

4. Consolidated statement of changes in equity for the year ended 31 December

(€ thousands)	Share capital	Share premium	Other comprehensive income	Retained earnings	Other reserves[2]	Total	Elements of comprehensive income from discontinued operations	Total equity
Balance 31 December 2021	**252,950**	**65,660**	**(4,836)**	**(15,140)**	**(39,876)**	**258,759**	**(162,767)**	**95,991**
Profit / (loss) for the period	-	-	-	(13,287)	-	(13,287)	(54,459)	(67,746)
Other comprehensive income								
Exchange differences on translating foreign operations	-	-	10,214	-	-	10,214	54,863	65,077
Changes in fair value of hedging instruments qualifying for cash flow hedge accounting	-	-	152	-	-	152	-	152
Cumulative changes in deferred taxes	-	-	268	-	-	268	158	425
Cumulative changes in employee defined benefit obligations	-	-	68	-	-	68	(565)	(496)
Total other comprehensive income for the period	-	-	10,702	-	-	10,702	54,456	65,158
Total comprehensive income for the period	**-**	**-**	**10,702**	**(13,287)**	**-**	**(2,585)**	**(3)**	**(2,587)**
Change in scope[1]	-	-	-	(162,770)	-	(162,770)	162,770	-
Equity-settled share-based payment plans	-	-	-	(12)	-	(12)	-	(12)
Balance at 31 December 2022	**252,950**	**65,660**	**5,866**	**(191,208)**	**(39,876)**	**93,392**	**-**	**93,392**

1 Change in scope reflects the transfer of the elements of comprehensive income from discontinued operations to retained earnings of the group at completion date of the Divestment without currency translation adjustments which are recycled over the income statement

2 Other reserves were created as a result of certain pre IPO transactions. Refer to the 2017 annual report for more information

The accompanying Notes form an integral part of these Consolidated Financial Statements.

Financial Statements

(€ thousands)	Share capital	Share premium	Other comprehensive income	Retained earnings	Other reserves[2]	Total	Elements of comprehensive income from discontinued operations	Total equity
Balance 31 December 2022	**252,950**	**65,660**	**5,866**	**(191,208)**	**(39,876)**	**93,392**	**-**	**93,392**
Profit / (loss) for the period	-	-	-	(11,095)	-	(11,095)	-	(11,095)
Other comprehensive income								
Exchange differences on translating foreign operations	-	-	(4,529)	-	-	(4,529)	-	(4,529)
Cumulative changes in deferred taxes	-	-	(40)	-	-	(40)	-	(40)
Cumulative changes in employee defined benefit obligations	-	-	(13)	-	-	(13)	-	(13)
Total other comprehensive income for the period	-	-	(4,583)	-	-	(4,583)	-	(4,583)
Total comprehensive income for the period	**-**	**-**	**(4,583)**	**(11,095)**	**-**	**(15,678)**	**-**	**(15,678)**
Equity-settled share-based payment plans	-	-	-	6	-	6	-	6
Balance at 31 December 2023	**252,950**	**65,660**	**1,283**	**(202,298)**	**(39,876)**	**77,720**	**-**	**77,720**

2 Other reserves were created as a result of certain pre IPO transactions. Refer to the 2017 annual report for more information

The accompanying Notes form an integral part of these Consolidated Financial Statements.

Financial Statements

5. Notes to the Consolidated Financial Statements

Note 1. Accounting policies

The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. These policies have been consistently applied in the years presented, unless otherwise stated.

Note 1.1. Basis of preparation

Basis of preparation

These Consolidated Financial Statements of Belysse Group NV ("the Company"), registered at Franklin Rooseveltlaan 172-174, 8790 Waregem, Belgium (Registration number 0671.974.626) and its subsidiaries ("Belysse Group" or "the Group") have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). These include all IFRS standards and IFRIC interpretations issued and effective at 31 December 2023. The Group was previously named Balta Group NV, registered at Wakkensteenweg 2, 8710 Sint-Baafs-Vijve, Belgium (Registration number 0671.974.626), but was renamed in October 2022 to Belysse Group NV.

The Belysse Group NV is domiciled in Belgium under the legal form of a Naamloze Vennootschap ("NV"). Belgium was also the country of incorporation. Furthermore, Belgium is the principal place of business for the Group. Belysse manufactures sustainable textile floor coverings for commercial and residential applications and commercializes its products focusing 90% on North-America and Europe under the premium brands Bentley (US), modulyss, arc edition and ITC (Europe). Belysse employs about 1,100 people and operates three manufacturing sites in Belgium (Tielt and Zele) and the United States (Los Angeles). Since June 2017, Belysse Group has been listed on Euronext Brussels and is majority owned by LSF9 Belysse Holdco S.à r.l.

On 4 April 2022, Belysse Group NV announced the completion of the sale of its Rugs, Residential polypropylene (PP) and Non-Woven businesses (the "Discontinued Operations"), together with the Balta brand, to Victoria PLC ("the Transaction" or the Divestment). We refer to Note 39 for more information.

The Consolidated Financial Statements of Belysse Group NV and its subsidiaries (collectively, the Group) for the year ended 31 December 2023 were authorised for issue in accordance with a resolution of the directors on 18 April 2024.

The Consolidated Financial Statements of the Company for the period 1 January 2023 to 31 December 2023 comprise the Company and its subsidiaries (together referred to as "the Group" and individually as "group entities").

These Consolidated Financial Statements are presented in EUR, which is the Group's presentation currency and the functional currency of the Company. All amounts in these Consolidated Financial Statements are presented in thousands of EUR, unless otherwise stated. Rounding adjustments have been made in calculating some of the financial information included in these Consolidated Financial Statements.

These Financial Statements are prepared on a going concern basis, i.e. assuming that operations will continue for the foreseeable future, that is at least the next 12 months.

Any events and/or transactions significant to an understanding of the changes since 31 December 2022 have been included in these notes to the Consolidated Financial Statements.

The preparation of Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements are disclosed in Note 2.

Impact of new standards and amendments to standards
The below listed new standards, amendments and interpretations to standards have been issued. The Group intends to adopt these standards and interpretations if applicable and considered to be significant, when they become effective and mandatory.

The following **amendments** to standards **are mandatory** for the first time for the financial year beginning 1 January 2023 and have **been endorsed by the European Union**:

- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (effective 1 January 2023). The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies. The IAS 1 amendment requires companies to disclose their material accounting policy information rather than their significant accounting policies. Further, the amendment to IAS 1 clarifies that immaterial accounting policy information need not be disclosed. To support this amendment, the Board also amended IFRS Practice Statement 2, 'Making Materiality Judgements', to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted (subject to any local endorsement process). These amendments are not applicable to the Belysse Group.
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (effective 1 January 2023). The amendment to IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted (subject to any local endorsement process). These amendments are not applicable to the Belysse Group.
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective 1 January 2023 but immediate application permitted). The amendments clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations. The main change in the amendments is an exemption from the initial recognition exemption of IAS 12.15(b) and IAS 12.24. Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Early adoption is permitted. These amendments are not applicable to the Belysse Group.
- Amendments to IAS 12 'Income Taxes': International Tax Reform – Pillar Two Model Rules (effective 1 January 2023). The IASB has issued these amendments introducing:
  - a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes; and
  - targeted disclosure requirements for affected entities.

  These amendments are not applicable to the Belysse Group.

The following **amendments** have been issued, but are **not mandatory** for the first time for the financial year beginning 1 January 2023 and have **been endorsed by the European Union**:

- Amendments to IFRS 16 'Leases': Lease Liability in a Sale and Leaseback (effective 1 January 2024). The amendments explain how an entity accounts for a sale and leaseback after the date of the transaction, specifically where some or all the lease payments are variable lease payments that do not depend on an index or rate. They state that, in subsequently measuring the lease liability, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use it retains. Any gains and losses relating to the full or partial termination of a lease continue to be recognised when they occur as these relate to the right of use terminated and not the right of use retained. It is expected that these amendments have no material impact on the Group.

The following **amendments** have been issued, but are **not mandatory** for the first time for the financial year beginning 1 January 2023 and have **not been endorsed by the European Union**:

- **Amendments to IAS 1 'Presentation of Financial Statements: Classification of Liabilities as current or non-current' (effective 1 january 2024)**, affect only the presentation of liabilities in the statement of financial position — not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. They:
  - Clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least 12 months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
  - Clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services;
  - Clarify how conditions with which an entity must comply within 12 months after the reporting period, such as covenants, affect the corresponding liability's classification.

It is expected that these amendments have no material impact on the Group.

- **Amendments to IAS 7 'Statement of Cash Flows' and IFRS 7 'Financial Instruments: Disclosures': Supplier Finance Arrangements (effective 1 january 2024).** The amendment describes the characteristics for which reporters will have to provide additional disclosures regarding the impact of supplier finance arrangements on liabilities, cash flows and exposure to liquidity risk. These amendments are not applicable to the Belysse Group.
- **Amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability' (effective 1 January 2025).** IAS 21 previously did not cover how to determine exchange rates in case there is long-term lack of exchangeability and the spot rate to be applied by the company is not observable. The narrow scope amendments add specific requirements on:
  - Determining when a currency is exchangeable into another and when it is not;
  - Determining the exchange rate to apply in case a currency is not exchangeable;
  - Additional disclosures to provide when a currency is not exchangeable.

  These amendments are not applicable to the Belysse Group.

Financial Statements

Note 1.2. Consolidation

Subsidiaries

Subsidiaries are all entities for which the Group is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

The Group applies the acquisition method to account for business combinations. The consideration paid reflects the fair value of the assets transferred, the liabilities assumed and the equity instruments issued. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration agreement (for example, variable consideration contingent on future events such as achievement of post-acquisition earnings targets or success of a significant project).

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Acquisition related costs are expensed in the income statement.

The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest and previously held interest in the entity acquired. For each business combination, the Group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. The excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net recognised amount (generally at fair value) of the identifiable assets acquired and liabilities assumed is recognised as goodwill. Negative goodwill is recognised immediately in the income statement.

Intercompany transactions, balances and unrealised gains on transactions between Group entities are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred in which case the asset is impaired through the income statement. Accounting policies of subsidiaries are changed where necessary to ensure consistency with the policies adopted by the Group.

IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations) does not specify the treatment for the elimination of intercompany transaction between the discontinued and continuing operations. As an accounting policy Belysse Group opts to eliminate intercompany transactions within the income statement between the discontinued and continuing operations. In line with the required elimination of all intercompany balances for the BS presentation (IFRS10).

Segment reporting

Note 4 provides the Group's segment information, in line with IFRS 8. The Group will operate thus its remaining business through 2 segments, which are organised by region. The Europe segment designs, manufactures and distributes branded broadloom carpets (ITC brand) and modular carpet tiles (modulyss brand). The US segment designs, manufactures and distributes modular carpet tiles mainly for offices and public projects through the Group's Bentley brand in the US.

Operating segments are reported in a manner consistent with the internal reporting provided to the Board and the Management Committee. Items that are provided on a monthly basis to the Management Committee are revenues, Adjusted EBITDA, net inventory, accounts receivable and capital expenditure. The segment information provided in Note 4 has been selected on this basis. It follows that other items such as total assets and liabilities per segment are not reviewed internally and hence not disclosed. Interest income, interest expense and taxes are managed centrally and accordingly such items are not presented by segment as they are excluded from the measure of segment profitability.

Financial Statements

Note 1.3. Foreign currency translation

Functional and presentation currency

Items included in the Financial Statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates ("the Functional Currency"). The Consolidated Financial Statements are presented in EUR, which is the Group's functional and the Group's presentational currency. All amounts are stated in thousands of EUR unless otherwise stated.

Transactions and balances

Foreign currency transactions are translated into the Functional Currency using the exchange rates prevailing at the dates of the transactions or date of valuation, in case of items that are re-measured at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to cash and cash equivalents and borrowings, including borrowings, payables and receivables between Group entities that do not qualify as a net investment in a foreign operation are presented in the Consolidated statement of comprehensive income within "Finance income" and "Finance expenses". All other foreign exchange gains and losses are presented in the Consolidated statement of comprehensive income within "Other income" or "Other expenses" which are part of the operating profit.

The principal exchange rates that have been used to prepare these Financial Statements are as follows:

	31 December 2023		31 December 2022	
	Closing	**Average**	**Closing**	**Average**
USD	1.1050	1.0813	1.0666	1.053
TRY	0.00	0.00	19.9649	17.4088
GBP	0.86905	0.86979	0.8869	0.85276

Group entities

The results and financial position of Group entities (none of which have the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each Statement of financial position presented are translated at the closing or year-end rate;
- income and expenses for each Statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in "Other comprehensive income".

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments (if any), are taken to "Other comprehensive income". When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the Statement of comprehensive income as part of the gain or loss on sale.

Foreign exchange gains and losses that relate to borrowings and transactions between Group entities in a different currency compared to the functional currency, are presented in the Statement of comprehensive income within "Finance income" and "Finance expenses", if these borrowings do not qualify as a net investment in a foreign operation.

Foreign exchange gains and losses resulting from hedging instruments which are of a trading nature, are presented in "Other comprehensive income" before they vest. At vesting date the results are recognized in the Statement of comprehensive income within "Finance income" and "Finance expenses".

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Note 1.4. Property, plant and equipment
Property, plant and equipment are carried at acquisition cost less any accumulated depreciation and less any accumulated impairment loss. Cost of property, plant and equipment also includes the estimated cost of dismantling and removing the asset and restoring the site, to the extent that the provision is recognised under IAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Statement of comprehensive income during the financial period in which they are incurred.

Freehold land is not depreciated. Depreciation on other assets is calculated using the straight-line method, to allocate the costs over the estimated remaining useful lives, as follows:

Industrial and administrative buildings

• Structural work	40-50 years
• Other elements	10-25 years
• Machinery	10-33 years
• Vehicles, transport equipment	5 years
• Furniture, fittings and equipment	5-15 years

Owned cars are depreciated to a residual value of 20% of the initial cost.

Spare parts purchased for particular items of plant are capitalised and depreciated over the useful life not exceeding 4 years. Samples of products are capitalised and depreciated over 2 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Fair value adjustments as a result of Business Combinations are depreciated over the estimated remaining useful life of the applicable assets.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other income" or "Other expenses" in the Statement of comprehensive income.

Note 1.5. Goodwill
Goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Goodwill is tested annually for impairment and carried at cost in the underlying currency less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of a cash-generating unit include the carrying amount of goodwill relating to the cash-generating unit sold.

Note 1.6. Other intangible assets
Trademarks
Trademarks acquired in a business combination are recognised at fair value at the acquisition date. The fair market value is determined based on a net present value calculation corrected for the cost to be taken to further support the trademarks in the market. Trademarks have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of the trademarks over the shortest of their estimated useful lives or the period of the legal right which is for the current trademarks 10 years.

Software and licenses
Cost associated with acquiring software are capitalised at their cost price and are subsequently amortised over their estimated useful life using the straight line method, or over the term of the contract, if this is shorter. The useful life is usually estimated at 5 years.

Expenditure for acquired licenses are capitalised at their cost price and are subsequently amortised over their estimated useful life using the straight line method, or over the term of the contract, if this is shorter. The useful life is usually estimated at 5 years.

Financial Statements

Internally generated software and other development cost

Costs associated with maintaining computer software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of directly attributable overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which in general is between 3-5 years.

Note 1.7. Impairment of assets

Goodwill is not subject to amortisation and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. These values are generally determined based on discounted cash flow calculations. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Note 1.8. Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The Group records all gains or losses resulting from changes in fair value of derivatives in the Statement of comprehensive income within "Other income" or "Other expenses" to the extent that they relate to operating activities and within "Finance income" or "Finance expenses" to the extent that they relate to the financing activities of the Group.

Derivative financial instruments used to hedge the exposure to variability in future cash flows are designated as hedges under cash flow hedge accounting. The effective portion of changes in fair value as from the designation date of the cash flow hedge are recorded in the cash flow hedge reserve, part of "Other comprehensive income". Amounts recorded in the cash flow hedge reserve will be recognised in the Statement of comprehensive income in the same period or periods during which the hedged forecast transaction affects the Statement of comprehensive income. In case of the hedge of a forecast sales transaction, this coincides with the date upon which the revenue and trade receivable is recognised.

When the underlying hedged transactions no longer meet the criteria for hedge accounting, the cumulative gain or loss on the hedging instrument that has been recognised in "Other comprehensive income" from the period when the hedge was effective shall be reclassified from equity to profit or loss as a reclassification adjustment.

When the underlying hedged transaction is no longer expected to occur, the cumulative gains or loss on the hedging instrument that has been recognised in "Other comprehensive income" from the period when the hedge was effective shall be reclassified from equity to profit or loss as a reclassification adjustment.

Note 1.9. Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable values are reviewed on a regular basis and updated to reflect the estimated selling price less selling expenses, based on historical data and expectations. Cost is determined using the first-in, first-out ("FIFO") method. The cost of finished goods and work in progress comprises amongst other design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Based on a quantified methodology, provisions against the carrying value of inventories are recorded taking qualitative aspects into account including a lower of cost versus net realisable value assessment. These provisions are reviewed by management.

Note 1.10. Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less bad debt allowance. Trade receivables are reviewed on a continuing basis, if collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

The Group has applied IFRS 9 by applying the modified retrospective approach, by using the standard's simplified approach and calculated ECLs (Expected Credit Loss) based on lifetime expected credit losses. The Group has established a provision matrix. Trade receivables have been categorised by common characteristics that are representative of the customer's ability to pay (based on geographical region and type of customer such as retail, wholesale or construction & building, and delinquency status). The provision matrix is based on forecasted default rates published by Moody's, adjusted by scalar factors to reflect differences in the Group's view of current and expected economic conditions and historical conditions.

In addition to this general approach, the Group includes individually managed exposures on a case by case basis if not covered by the ECL model, and reflecting additional risk factors not yet included in the ECL model.

Note 1.11. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held on call with banks, other short-term highly liquid investments and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the Statement of financial position.

Note 1.12. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 1.13. Government grants

Government grants are recognised at their fair value when there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the Statement of comprehensive income within "Other income" over the period necessary to match them with the costs that they are intended to compensate against.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the Statement of comprehensive income on a straight-line basis over the expected useful lives of the related assets.

Note 1.14. Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Supplier finance arrangements are recognised as a financial liability unless the original trade payable is extinguished or its terms are significantly modified to the extent that it qualifies for de-recognition under IFRS 9 (we refer to de-recognition of financial assets and liabilities in Note 1.17).

Note 1.15. Classification liability or equity

Some instruments that have the legal form of a liability are, in substance, equity. A financial instrument is classified as a financial liability or an equity instrument depending on the substance of the arrangement rather than the legal form. Liabilities arise when the issuer is contractually obligated to deliver cash or another financial asset to the holder. An instrument is an equity instrument only if the issuer has no such obligation, i.e. it has an unconditional right to avoid settlement in cash or another financial asset. The ability to defer payment is not enough to achieve equity classification, unless payment can be deferred indefinitely. Generally an obligation for the entity to deliver its own shares is not a financial liability because an entity's own shares are not considered its financial assets. An exception to this is where an entity is obliged to deliver a variable number of its own equity instruments.

Note 1.16. Senior Secured Notes, bank and other borrowings

Senior Secured Notes and bank and other borrowings are recognised initially at fair value, net of transaction costs incurred. They are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Note 1.17. De-recognition of financial assets and liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass through" arrangement;
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where IFRS 9 de-recognition criteria are not met, the receivables continue to be recognised in the Statement of financial position, while the proceeds received by the Group under any financing/factoring arrangements are recognised as a financial liability.

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or when the existing liability is transferred to a different lender and the Group obtains a legal release from the initial lender, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective amounts is recognised in the Statement of comprehensive income.

The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least ten per cent different from the discounted present value of the remaining cash flows of the original financial liability.

Financial Statements

Note 1.18. Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except to the extent that it relates to items recognised in "Other comprehensive income" or directly in "Equity". In this case the tax is also recognised in "Other comprehensive income" or directly in "Equity", respectively.

The current income tax charge is calculated based on the tax laws enacted or substantively enacted at the Statement of financial position date in the countries where the Group entities operate and generate taxable income. In line with paragraph 46 of IAS 12 'income taxes', management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate based on amounts expected to be paid to the tax authorities. This evaluation is made for tax periods open for audit by the competent authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the Statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. Deferred tax is not discounted.

IFRIC 23 'Uncertainty over income tax treatments'. This interpretation clarifies the accounting for uncertainties in income taxes. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over whether tax assessed by a Group will be accepted by the tax authority. It is applied to both current and deferred tax where there is uncertainty over a Group's tax position. The Group made a detailed assessment of all tax uncertainties within the Group having the following implications on the accounting policies:

a. It has decided whether to consider its uncertain tax positions (UTPs) individually or collectively, based on which approach provided the best predictions of the resolution of the uncertainties with the tax authority;

b. It has assumed that the tax authority will examine the position (if entitled to do so) and will have full knowledge of all the relevant information;

c. On a case by case basis, the Group has decided to recognise a UTP (group of UTPs) using either the most likely amount or the expected value, depending on which is thought to give a better prediction of the resolution of each (group of) UTP(s), to reflect the likelihood of an adjustment being realised on examination.

Note 1.19. Provisions

Provisions for restructuring expenses, legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Note 1.20. Employee benefits

Pension obligations

IAS 19 distinguishes between two types of post-employment benefit plans:

- Defined contribution plans (DC plans) are post-employment benefit plans under which an enterprise pays fixed contributions into a separate entity (a fund or group insurance contract) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current or prior periods;
- Defined benefit plans (DB plans) are post-employment benefit plans other than defined contribution plans.

Group entities operate one defined benefit plan for a group of managers and various pension schemes funded through payments to insurance companies. Because of the Belgian legislation applicable to 2nd pillar pension plans (so-called "Law Vandenbroucke"), all Belgian defined contribution plans have to be considered under IFRS as defined benefit plans. Law Vandenbroucke states that in the context of defined contribution plans, the employers must guarantee a minimum return of 3.75% on employee contributions and 3.25% on employer contributions. However, shortly before year-end 2015, a change in the Belgian Law was enacted resulting in a decrease of the guaranteed return from 3.25% to a minimum interest rate defined based upon the Belgian 10-year interest rate but within the range 1.75% - 3.25%. The new rate (1.75% at 31 December 2023 and 31 December 2022) applies for the years after 2015 on future contributions and also on the accumulated past contributions as from 31 December 2015 if the financing organisation does not guarantee a certain result on contributions until retirement age. If the organisation does guarantee such a result, the historical rates still apply.

Because of this minimum guaranteed return, the employer is exposed to a financial risk: further contributions could be required if the return on the assets is not sufficient to reach the minimum benefits to be paid. The Group has post-employment benefit plans that are financed through insurance contracts. The projected unit credit method has been used as the actuarial technique to measure the defined benefit obligation. Note that for the bonus plans, a simplified approach is applied as it is not possible to predict future bonuses (which define future contributions). The fair value of the plan assets is based on §113 of IAS 19 and is defined as the present value of the retirement capitals guaranteed by the insurance company (using the tariffs as set out by the insurance company). The discount rate used takes into account the investment risk of financial institutions by referring to financial single A bonds. Therefore an additional gap is added to the Defined Benefit Obligation ("DBO") discount rate which reflects the difference between AA rated corporate bonds and single A rated corporate bonds. At 31 December 2023 this gap was 125 basis points.

Other post-employment obligations

The Group does not have other post-employment obligations.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises a liability and expense for termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

In Belgium, the system of early retirement pensions ensures that elderly people who are dismissed by their employer or who are encouraged to terminate their employment and who fulfil certain conditions, are eligible to receive supplementary unemployment allowance, paid by their former employer, on top of the unemployment allowances paid by social security. This benefit is generally paid until normal retirement age, which is 65 years.

Within the Group, several former employees benefit from the system of "early retirement fee or pension", based on several Belgian Collective Labour Agreements (CLAs) in place for the sector (textielnijverheid en breiwerk/ industrie textile et de la bonneterie) or specifically for the Group. These CLAs describe the potential for employees in the sector to benefit from "early retirement fee or pension", the creation of a sector fund (fonds voor bestaanszekerheid/ fonds de sécurité d'existence), part-time work, education and training etc. Certain CLAs exist for blue collar workers and others for white collar workers.

For those early retirement fees or pensions which are directly paid out by the employer, a provision should be made under IAS 19, determined as the present value of the best estimate of future cash flows. The discount rate used is based on the return on high quality corporate bonds (AA rated) of a maturity equivalent to the duration of the liabilities. The changes in pension liabilities are accounted for through Other comprehensive income when the changes relate to a change in actuarial assumptions from one year to another.

Bonus plans

Bonuses received by company employees and management are based on pre-defined Group and individual target achievement. The estimated amount of the bonus is recognised as an expense in the period the bonus is earned.

Share based payments

An equity-settled share-based payment transaction is a transaction in which the Group receives services as consideration for its own shares (or share options). The fair value of the services received in exchange for the grant of the shares (or share options) measured by reference to the grant date fair value of the shares (or share options), is recognised as an expense over the vesting period.

When share-based payment plans are cash-settled: the goods or services acquired and the liability are measured at the fair value of the liability. Until the liability is settled, the fair value of the liability is re-measured at the end of each reporting period and at the date of settlement with any changes in fair value recognised in profit and loss for the period.

Short-term employee benefits

These include wages, salaries and social security contributions, paid annual leave and sick leave, bonuses and non-monetary benefits, and are taken as an expense in the relevant period. All company managers are eligible for bonuses that are based on indicators including personal performance and key financial targets. The amount of the bonus is recognized as an expense, based on an estimation made at the end of the reporting period.

Note 1.21. Revenue recognition

Revenue from contracts

Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new standard establishes a five-step mode to account for revenue arising from contracts with customers. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The five steps are to identify the contract(s) with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to each performance obligation and recognise revenue as each performance obligation is satisfied.

The Group has assessed each of the revenue streams from an IFRS 15 revenue recognition perspective (as disclosed in Note 4) and has concluded that IFRS 15 does not have an impact on the amount and timing of revenue recognition. In adopting IFRS 15, the Group has considered the following:

Recognition of revenue from distinct performance obligations

The Group has analysed its contracts with customers to determine all its performance obligations. Performance obligations arising from the Group's sales contracts are mainly order-driven customer deliveries related to the sale of goods. Services mostly have an ancillary role in the Group's business operations, or they complement deliveries of goods. The Group did not identify any distinct performance obligations that should be accounted for in accordance with IFRS 15.

Variable considerations

Some contracts with customers provide volume rebates, financial discounts, price concessions or a right of return for quality claims. Revenue from these sales are recognised based on the price specified in the contract, net of returns and allowances, trade discounts and volume rebates. During a financial year, the presentation of the effect of a variable price component can be based on management's judgement of discount drivers, for example the sales quantity reached with a given customer during the year. IFRS 15 does not change the principles applied by the Group to the determination or allocation of the transaction price.

Recognising revenue as each performance obligation is satisfied

According to IFRS 15, revenue is recognised in the period during which the customer assumes control of the delivered goods. The Group delivers goods under contractual terms based on internationally accepted delivery conditions (Incoterms) and has concluded that the transfer of risks and rewards generally coincides with the transfer of control at a point in time under Incoterms. Consequently, the timing of revenue recognised for the sales of its products does not change under IFRS 15.

Warranty obligations

The Group provides assurance-type warranties that the products sold comply with agreed-upon specifications. These warranties do not qualify as a separate service (performance obligations) and hence will continue to be accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets, consistent with past practice.

Financial Statements

Interest income
Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables are recognised using the original effective interest rate.

Dividend income
Dividend income is recognised when the right to receive payment is established.

Impairment losses on trade receivables or contract assets
The Group applies IFRS 9 in relationship to the impairment losses on trade receivables (refer to Note 1.10). The Group has no significant contract balances where either the Group has performed the Performance Obligation (PO) for which no billing has occurred yet, or alternatively has received advance payments for which the PO has not been satisfied.

Note 1.22. Leases
The Group leases certain property, plant and equipment.

IFRS 16 “Leases” (effective 1 January 2019). As of 1 January 2019, the Group changed its accounting policies to adopt IFRS 16. IFRS 16 has replaced IAS 17 Leases, and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a lease (on-balance sheet) and an operating lease (off-balance sheet). IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a right-of-use asset for virtually all lease contracts. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Under the IFRS 16 adoption method chosen by the Group (modified retrospective approach), prior years are not restated to conform to the new policies. Hence, the Group opted to measure the right-of-use asset at an amount equal to the lease liability at opening (no prepaid nor accrued lease expenses). Consequently, the year over year changes in profit, assets and liabilities and cash flows are impacted by the new policies.

The new accounting standard results in almost all leases being recognised on the balance sheet (except for low-value assets or leases with a lease term of 12 months or less which are accounted for in the Statement of comprehensive income).

Under the new standard, an asset (the right-to-use asset) and a liability to make lease payments (the lease liability) are recognised. The right-to-use asset of the leased assets are capitalised under property, plant and equipment and comprises the net present value of the lease. The corresponding lease liability is subdivided into current (lease payment within 12 months) and non-current liabilities. For each lease contract at the application date, an estimate has been made for the duration of the contract including an optional lease period in case there is reasonably certainty that the option would be extended.

Lease terms remain unchanged, unless an occurrence of a significant event or a significant change in circumstances that are in control of the lessee impacted the duration of the lease, in that case, the lease term will be reassessed.

The Group also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessments made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

At the commencement date of a lease, lessees recognise a lease liability (i.e. a liability to make lease payments), and a right-of-use asset (i.e. an asset representing the right to use the underlying asset over the lease term). The lease liabilities are recognised at the present value of the remaining lease payments. The right-of-use asset is depreciated over the term of the lease. Interest expense is recognised on the lease liability. The lease liability is remeasured upon the occurrence of certain events (e.g. a change in the lease term or a change in future lease payments resulting from a change in index). Such remeasurements of the lease liability will generally be recognised as an adjustment to the right-of-use asset.

The Group applies the lease recognition exemptions for short-term leases and leases for which the underlying asset is of low value. The Group elects, by class of underlying asset, not to separate non-lease components from lease components and instead accounts for each lease component and any associated non-lease component as one single lease component.

In relation to our financing agreements, the documentation provides for the effect of changes in accounting standards to be neutralized. As such, the application of IFRS 16 has no consequences for the Group’s financing. We will continue to calculate Leverage in line with the definition in our financing agreements.

Note 1.23. Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's Financial Statements in the period in which the dividends are approved by the Company's shareholders.

Note 1.24. Cash flow statement

The cash flows of the Group are presented using the indirect method. This method reconciles the movement in cash for the reporting period by adjusting net profit for the year for any non-cash items and changes in working capital, and identifying investing and financing cash flows for the reporting period.

Note 1.25. Non-GAAP measures

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

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

Adjusted Earnings per share is defined as profit / (loss) for the period 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) non-recurring finance expenses and (v) non-recurring tax effects, divided by the number of shares of Belysse Group NV.

Adjusted EBITDA 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, (iv) depreciation / amortisation and (v) impairment and write-off.

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

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

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

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

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

Leverage is defined as the ratio of Net Debt to Adjusted EBITDA (both excluding IFRS 16 impacts as per financing documentation, except for sale-and-leaseback transactions).

Note 2. Critical accounting estimates and judgements

The amounts presented in the Financial Statements involve the use of estimates and assumptions about the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions will seldom equal the related actual results. The estimates and assumptions that could have an impact on the Financial Statements are discussed below.

Goodwill

The amount of goodwill initially recognised as a result of a business combination is dependent on the allocation of the purchase price to the fair value of the identifiable assets acquired and the liabilities assumed. The determination of the fair value of the assets and liabilities is based, to a considerable extent, on management's judgement. Allocation of the purchase price affects the results of the Group as finite life intangible assets are amortised, whereas indefinite life intangible assets, including goodwill, are not amortised and could result in differing amortisation charges based on the allocation to indefinite life and finite life intangible assets.

Impairment testing

IFRS requires management to undertake an annual test for impairment of indefinite life assets and, for finite life assets, to test for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of:

- growth in Adjusted EBITDA, calculated as adjusted operating profit before depreciation and amortisation;
- timing and quantum of future capital expenditure;
- long-term growth rates;
- the selection of discount rates to reflect the risks involved.

Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect the Group's impairment evaluation and hence results. The Group's review includes the key assumptions related to sensitivity in the cash flow projections. Further details are provided in Note 5.

Income taxes

The Group operates in various tax jurisdictions and therefore has to determine tax positions under respective local tax laws and tax authorities' views which can be complex and subject to different interpretations between taxpayers and local tax authorities. The Group incurs costs centrally which are allocated to subsidiaries in different jurisdictions and which exposes the Group to inherent tax risks, as is the case for all companies operating in an international context. Based on these tax risks, management performed a detailed assessment for uncertain tax positions which resulted in provisions recorded for these uncertainties, in line with IFRIC 23.

IFRIC 23 'Uncertainty over income tax treatments' (effective 1 January 2019). This interpretation clarifies the accounting for uncertainties in income taxes. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over whether tax assessed by a Group will be accepted by the tax authority. It is applied to both current and deferred tax where there is uncertainty over a Group's tax position. The Group made a detailed assessment of all tax uncertainties within the Group having the following implications on the accounting policies:

a. It has decided whether to consider its uncertain tax positions (UTPs) individually or collectively, based on which approach provided the best predictions of the resolution of the uncertainties with the tax authority;

b. It has assumed that the tax authority will examine the position (if entitled to do so) and will have full knowledge of all the relevant information;

c. On a case by case basis the Group has decided to recognise a UTP (group of UTPs) using either the most likely amount or the expected value, depending on which is thought to give a better prediction of the resolution of each (group of) UTP(s), to reflect the likelihood of an adjustment being realised on examination.

The total IFRIC 23 provision for the continuing operations amounts to €4.5m for 2023 compared to €4.0m last year.

The Group has tax credits in respect of losses carried forward and Dividend Received Deduction (relief for dividend payments by qualifying EU subsidiaries to qualifying EU parent companies, to avoid double taxation of dividend income). These tax credits can be used to offset against future taxable profits. The valuation of this asset depends on a number of judgemental assumptions regarding the future taxable profits of different Group subsidiaries in different jurisdictions and on the outcome of tax planning strategies. These estimates are made prudently based on current knowledge and reasonable long-term projections. Where circumstances to change, and the final tax outcome would be different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Trade receivables

In applying IFRS 9, the Group makes significant judgements in determining the realisable value in respect to trade receivables. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the lifetime expected credit losses, the Group has established a provision matrix. The Group included the following parameters: probability of default and the exposure at default (including estimated coverage by credit insurance). In order to approximate these parameters, the trade receivables have been categorised based on common characteristics (mainly geographical area, type of customer and the days past due). The provision matrix is based on forecasted default rates published by Moody's, adjusted by scalar factors to reflect differences in the Group's view of current and expected economic conditions and historical conditions. In addition to this generalized approach, the Group included individually managed exposures on a case by case basis, if not covered by the ECL model.

Customer rebates

The Group also needs to make some judgements in determining accruals for customer rebates as presented in the Statement of Financial Position, "Other payables". When estimating the rebates payable, the Group uses all available information, including historical and forecast results and takes into consideration the type of customer, the type of transaction and the specifics of each arrangement. Refer to revenue recognition, Note 1.21.

Property, plant and equipment

The Group needs to make some judgements in determining the useful life of the intangible and tangible assets. We refer to note 1.4 where we give an overview of the estimated useful lives per asset category. The assets' useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Leases

In applying IFRS16, the Group makes some judgements on the lease terms. For each lease contract at the application date, an estimate has been made for the duration of the contract including an optional lease period in case there is reasonably certainty that the option would be extended. The lease terms remain unchanged, unless an occurrence of a significant change in circumstances that are in control of the lessee impacted the duration of the lease, in that case, the lease term will be reassessed. We refer to Note 1.22.

Note 3. Reconciliation of non-GAAP measures

The table below shows the impact of non-recurring items on the Combined statement of comprehensive income for the period and provides a reconciliation between the reported information and the non-GAAP measures as presented in these Financial Statements.

(€ thousands)	2023	2022
Revenue	300,918	337,430
Raw material expenses	(124,174)	(162,318)
Changes in inventories	(11,018)	10,434
Employee benefit expenses	(76,021)	(78,049)
Other income	929	316
Other expenses	(56,956)	(72,308)
Adjusted EBITDA[1]	**33,678**	**35,506**
Depreciation/amortisation	(19,890)	(18,688)
Adjusted Operating Profit[1]	**13,788**	**16,818**
Integration and restructuring expenses	(3,069)	(1,445)
Operating profit / (loss)	**10,718**	**15,373**
Finance income	367	-
Finance expenses	(18,795)	(19,650)
Net finance expenses	**(18,428)**	**(19,650)**
Profit / (loss) before income taxes	**(7,710)**	**(4,277)**
Income tax benefit / (expense)	(3,386)	(9,010)
Profit / (loss) for the period from continuing operations	**(11,095)**	**(13,287)**
Profit / (loss) for the period from discontinued operations	-	(54,459)
Profit / (loss) for the period	**(11,095)**	**(67,746)**

1 Adjusted Operating Profit and Adjusted EBITDA are non-GAAP measures as defined in Note 1.25.

Several non-recurring items had a material impact on our 2023 net income. The impact of these events amounts to a net expense of €3.1m (€0.09 per share), as compared to €1.4m (€0.04 per share) in 2022 for the continuing operations. The expense in the current period is mainly driven by the one-off cost for the fixed expense reduction programme executed in Europe and strategic advisory fees.

Financial Statements

Note 4. Segment reporting

Segment information is presented in respect of the Group's business segments as defined earlier. We refer to Note 1.2 for more information on the EU and US segment. The performance of the segments are reviewed by the Group's chief operational decision making body, which is the Management Committee.

(€ thousands)	2023	2022
Revenue by segment for continuing operations	**300,918**	**337,430**
Europe	140,089	159,641
US	160,829	177,789
Discontinued Operations	**-**	**96,729**
Revenue by geography for continuing operations	**300,918**	**337,430**
Europe	118,038	133,435
North America	164,590	182,310
Rest of World	18,289	21,686
Discontinued Operations	**-**	**96,729**
Adjusted EBITDA by segment[1] for continuing operations	**33,678**	**35,506**
Europe	3,043	2,265
US	30,635	33,241
Discontinued Operations	**-**	**7,140**
Net Capital expenditure by segment for continuing operations	**11,790**	**11,906**
Europe	7,175	6,966
US	4,615	4,941
Discontinued Operations	**-**	**5,209**
Net inventory by segment for continuing operations	**52,257**	**76,177**
Europe	30,927	47,333
US	21,330	28,844
Trade receivables by segment for continuing operations	**21,799**	**24,994**
Europe	6,503	7,915
US	15,296	17,079

1 We refer to Note 1.25 where we provide a glossary of the non-GAAP measures.

Given the international sales footprint of the Group, 98% of revenue is realised outside Belgium, with sales in Belgium being equal to around €6.2m in 2023 (2022: €14.5m).

All revenue mentioned in the table above reflects the revenue related to contracts with customers, recognised in accordance with IFRS 15. The Group has recognised this revenue at a point in time, in accordance with the accounting policies as disclosed in Note 1.21.

We have no customers that represent more than 10% of total sales for continuing operations.

Note 5. Goodwill

The goodwill represents, amongst other things, the value of the longstanding customer relationships, the Group's market position, brand and reputation, as well as the value of the Group's workforce.

The goodwill impairment test is performed at the level of a cash-generating unit ("CGU") or a group of cash-generating units ("CGUs"), which is the lowest level at which goodwill is monitored for internal management purposes. Our CGUs are in line with our segments. After the Divestment there are 2 geographical segments, Europe and US. In the US there is one cash generating unit. Also in Europe all the assets should be grouped together to identify the smallest group of assets generating cash inflows independent of the cash inflows from other assets since the two production plants are operationally completely connected with each other to produce tiles and broadloom for both residential and commercial businesses. Decisions on resource allocation and capex towards both of the European plants are taken for the business as a whole. The European management level is fully centralised and comprises following main functions: production, procurement, HR, product development, supply chain and finance. There is one key manager responsible for both plants in Europe and it is impossible to split assets to allocate them to the residential and commercial business separately since they are fully incorporated.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the CGUs that are expected to benefit most from the business combination. Consequently, the goodwill arising from the acquisition of Balta Finance and after the write-down of the goodwill on our in 2022 sold Rugs business (€94.3m) amounts to €103.0m and was allocated to Europe (€30.4m), whilst the goodwill arising from the acquisition of Bentley has been allocated to US (€72.6m).

The impairment testing has been performed as at 31 December 2023.

Based on the comparison of the "value in use" (derived using discounted cash flow analysis) and the carrying amount (book value of capital employed) per CGU as at 31 December 2023, the Group has been able to demonstrate that the recoverable amount exceeds the carrying amount and hence the goodwill is not impaired. The "value in use" calculations use cash flow projections (which include EBITDA, working capital movements, capital expenditure and taxes) and are based on financial projections covering a five-year period. Estimates beyond this five-year period are calculated using a growth rate that reflects the long-term growth rate applicable to the CGU, moderated to reflect management's view of long-term earnings across the cycle.

Key assumptions on which management has based its determinations of the "value in use" include terminal value growth rates of 1% for Europe and 2% US (2022: 1% and 2% respectively) and an after-tax discount rate of 9.9% (2022: 10.0%).

The "value in use" is mainly driven by the terminal value which is particularly sensitive to changes in the assumptions on the terminal value growth rate and discount rate. Discount rates are based on the weighted average cost of capital. This weighted average cost of capital is benchmarked with comparable competitors. Terminal value growth rates take into consideration external macroeconomic sources of data and industry specific trends. The table below includes the CGUs to which goodwill has been allocated and presents the value these two assumptions need to be independently in order to reduce the "value in use" to the carrying amount.

Sensitivity analysis per CGU	Minimal growth rate	Maximum discount rate
Europe	(4.6)%	13.1%
US	(88.9)%	24.6%

Movements compared to prior year for the continuing operations relate solely to changes in exchange rate.

Note 6. Employee benefit expenses

The following table sets forth employee benefit expenses for the years ended 31 December 2023 and 2022:

(€ thousands)	2023	2022
Total employee benefit expenses for continuing operations	**76,021**	**78,049**
Wages and salaries	53,652	55,786
Social security costs	11,390	11,846
Pension costs	3,886	3,488
Other employee benefit expenses	7,092	6,929
Total discontinued operations	**-**	**25,763**

The decrease in employee benefit expenses is mainly driven by lower volumes produced in Europe as well as the implementation of a fixed cost reduction program. The total amounts to €76.0m, compared to €78.0m for the continuing operations as at 31 December 2022.

The average number of employees in 2023 and 2022 was respectively 1,074 and 1,139 (both in full time equivalents) for the continuing operations. Part-time employees are included on a proportionate basis.

	2023	2022
Average number of total employees for continuing operations	**1,074**	**1,139**
Average number of employees blue collar	741	785
Average number of employees white collar	333	354
Total average number of employees discontinued operations	**-**	**2,372**

Financial Statements

Note 7. Other income and expenses

(€ thousands)	2023	2022
Other income for continuing operations	**929**	**316**
Foreign exchange gains	36	(64)
Rental income from solar rooftop installations	431	308
Sales of energy certificates	-	(10)
Grants	182	16
Gain on sale of fixed assets	-	2
Other	281	64
Total discontinued operations	**-**	**1,879**
Other expenses for continuing operations	**56,956**	**72,308**
Services and other goods	34,792	44,143
Selling expenses	21,380	26,957
Foreign exchange losses	119	(92)
Real estate tax	828	1,126
Other	(164)	174
Total discontinued operations	**-**	**20,455**

Other income largely comprises a gain in relation to rental payments received from third parties who lease the space to install solar panels and grants received.

Other expenses for the continuing operations decreased by €15.3m to €57.0m for the year ended 31 December 2023 from €72.3m for the year ended 31 December 2022. The main component of other expenses is services and other goods which mainly includes electricity and gas, maintenance and repair and interim blue collars. Selling expenses mainly include freight and commissions. The decrease in other expenses is mainly related to decrease in energy, maintenance and transportation cost.

The costs of research and development are also included within “Other expenses”.

The continuing operations incurred €6.1m of research and development expenses during the 12 months ended 31 December 2023 (2022: €6.1m). One of the competitive advantages of our business is our long history of creativity and innovation. The Group aims to leverage research and development to continually optimize the production capacity and provide designs that appeal to our customers. Trends in product design and innovation are closely monitored through continuous testing and analysis, with a focus on anticipating customers’ preferences and market developments.

Note 8. Depreciation / amortisation

The components of depreciation and amortisation can be summarised as follows:

(€ thousands)	2023	2022
Depreciation/amortisation for continuing operations	**19,890**	**18,688**
Amortisation of intangible assets	1,711	1,516
Depreciation property, plant and equipment	18,179	17,172

Depreciation / amortisation amounts to €19.9m for the continuing operations, an increase of €1.2m compared to 2022.

Financial Statements

Note 9. Integration and restructuring expenses

The total integration and restructuring expenses incurred in 2023 amount to €3.0m (2022: €1.4m). This comprises various items which are considered by management as non-recurring or unusual by nature.

(€ thousands)	2023	2022
Integration and restructuring expenses	**3,069**	**1,445**
Strategic advisory fees	1,993	-
Reorganisation	1,077	-
Corporate restructuring	-	1,445
Total discontinued operations	**-**	**5,302**

The expense in the current period is mainly driven by the one-off cost for the fixed expense reduction programme executed in Europe and strategic advisory fees. The 2022 expense for continuing operations was mainly driven by the one-off cost for attracting and retaining employees to Belysse Group after the Transaction.

Note 10. Finance income / expenses

(€ thousands)	2023	2022
Finance income	**367**	**-**
Other finance income	367	-

(€ thousands)	2023	2022
Total finance expenses continued operations	**18,795**	**19,650**
Interest expense on Senior Secured Notes	15,177	16,688
Interest expense on Lease liabilities	1,781	1,809
Interest expense on Bank borrowings	709	877
Foreign exchange result on interco transactions	(106)	(216)
Other finance costs	1,235	493
Total discontinued operations	**-**	**58,161**

The net finance expense for the continuing operations amounts to €18.8m in 2023, and primarily contains the interest related to external borrowings (Senior Secured Notes, Super Senior Revolving Credit Facility and Leasing obligations). Refer to Notes 21 until 23 for a description of these facilities. Compared to 2022, the net cost decreased due to the lower financing cost of the Group caused by the debt repayments after the Divestment in 2022. In line with the completion of the Group's refinancing on 5 February 2024, the 2023 Statement of comprehensive income contains a one-off recognition of the remaining capitalised expenses on the Senior Secured Notes due in 2024 of €1.7m. as a result of the shortened maturity date.

Other finance costs mainly relate to factoring, commitment fees and other bank related charges. The effective interest expense for the Senior Secured Notes comprises cash interest of €10.2m, PIK interest of €1.3m and the amortisation of capitalised financing fees of €3.6m which includes the one-off recognitions as explained in the previous paragraph.

Note 11. Income tax benefit / expense

(€ thousands)	2023	2022
Income tax benefit / (expense) for continuing operations	**(3,386)**	**(9,010)**
Current tax	(3,290)	(6,791)
Deferred tax	(96)	(2,219)
Total discontinued operations	**-**	**851**
Income tax benefit / (expense) for continuing operations	**(3,386)**	**(9,010)**
Income tax calculated at Belgian tax rate (25%)	1,927	1,069
Rate differential due to transactions with foreign entities	(269)	(487)
Disallowed expenses	(2,174)	(2,583)
Tax losses for which no deferred tax asset is recognized	(3,007)	(1,690)
Taxation of untaxed reserves	-	(83)
Reversal of previously recognized tax assets	-	(4,474)
Other	137	(762)
Total discontinued operations	**-**	**851**

The Group reported a tax expense for 2023 of €3.4m (€9.0m for 2022) based on a loss before tax of €7.7m (loss before tax of €4.3m for the Continuing Operations for 2022). This amount results from the taxing of the profits at our US division and the fact that no deferred tax assets are recognized on the losses in Europe. The difference in tax expense year over year is mainly linked to the de-recognition of deferred tax assets in Europe, triggered by future prospects and a change in tax legislation.

Note 12. Other intangible assets

(€ thousands)	Trademark	Software and licences	Internally generated intangible assets	Total
Opening net book value at 1 January 2022	**5,408**	**183**	**834**	**6,425**
Additions	-	121	7	128
Disposals	-	-	-	-
Transfers	-	29	-	29
Amortisation charge	(1,094)	(38)	(384)	(1,516)
Exchange differences	335	31	-	366
Closing net book value 31 December 2022	**4,649**	**326**	**457**	**5,432**
Cost or fair value	10,939	1,438	3,085	15,462
Accumulated amortisation, impairment and other adjustments	(6,290)	(1,112)	(2,628)	(10,030)
Closing net book value at 31 December 2022 for continuing operations	**4,649**	**326**	**457**	**5,432**
Opening net book value at 1 January 2023	**4,649**	**326**	**457**	**5,432**
Additions	-	1,332	-	1,332
Disposals	-	-	-	-
Transfers	-	333	-	333
Amortisation charge	(1,056)	(282)	(374)	(1,711)
Exchange differences	(162)	(13)	-	(174)
Closing net book value at 31 December 2023	**3,432**	**1,697**	**84**	**5,212**
Cost or fair value	10,559	2,793	3,085	16,437
Accumulated amortisation, impairment and other adjustments	(7,127)	(1,096)	(3,002)	(11,225)
Closing net book value at 31 December 2023	**3,432**	**1,697**	**84**	**5,212**

The trademark of €3.4m relates to the acquisition of Bentley.

The total amortisation expense for the continuing operations of €1.7m (2022: €1.5m) is included in the line "Depreciation, amortisation and impairment" in the Statement of comprehensive income.

Note 13. Property, plant and equipment

(€ thousands)	Land and buildings	Plant and machinery	Other Equipment	Total
Opening net book value at 1 January 2022	**52,390**	**47,134**	**6,420**	**105,943**
Additions	2,600	8,105	6,942	17,647
Disposals	-	(69)	(124)	(193)
Transfers	1,158	318	(1,505)	(29)
Depreciation charge	(5,780)	(6,549)	(4,843)	(17,172)
Exchange differences	877	1,088	18	1,983
Closing net book value at 31 December 2022	**51,245**	**50,025**	**6,908**	**108,178**
Cost or fair value	91,053	164,082	15,155	270,290
Accumulated depreciation, impairment and other adjustments	(39,808)	(114,057)	(8,247)	(162,112)
Closing net book value at 31 December 2022 for continuing operations	**51,245**	**50,025**	**6,908**	**108,178**
Opening net book value at 1 January 2023	**51,245**	**50,025**	**6,908**	**108,178**
Additions	200	6,377	5,931	12,509
Disposals	-	(82)	(50)	(131)
Transfers	301	911	(1,546)	(333)
Depreciation charge	(5,952)	(7,223)	(5,005)	(18,179)
Exchange differences	(832)	(267)	(149)	(1,247)
Closing net book value at 31 December 2023	**44,963**	**49,742**	**6,089**	**100,795**
Cost or fair value	89,660	166,322	14,372	270,354
Accumulated depreciation, impairment and other adjustments	(44,697)	(116,580)	(8,282)	(169,559)
Closing net book value at 31 December 2023	**44,963**	**49,742**	**6,090**	**100,795**

In 2023, a total of €12.5m (2022: €17.6m for the continuing operations) has been added. The main investments in 2023 were in plant and machinery and other equipment.

The total depreciation expense of €18.2m (2022: €17.2m for the continuing operations) has been charged to “Depreciation and amortisation” in the Statement of comprehensive income.

(€ thousands)	Right-of-use assets	Owned PP&E	Total PP&E
As at 31 December 2022	**52,662**	**55,516**	**108,178**
Additions	2,389	10,120	12,509
Disposals	(158)	26	(131)
Depreciations	(7,680)	(10,499)	(18,179)
Transfer	-	(333)	(333)
FX impact	(739)	(508)	(1,247)
As at 31 December 2023	**46,473**	**54,322**	**100,795**

(€ thousands)	2023	2022
Right-of-use assets - Land and Buildings	**41,407**	**47,728**
Cost - Capitalised leases	80,595	82,185
Accumulated depreciation	(39,188)	(34,457)
Right-of-use assets - Plant and machinery	**5,066**	**4,934**
Cost - Capitalised leases	9,246	8,174
Accumulated depreciation	(4,180)	(3,240)
Right-of-used assets - Total leased Property, Plant & Equipment	**46,473**	**52,662**
Cost - Capitalised leases	89,841	90,359
Accumulated depreciation	(43,368)	(37,697)

The Group's assets which are pledged as security for the borrowings are described in Note 21 and 22.

A soil contamination is present at one of the European production sites. As part of further investigations, risk assessment and groundwater modelling, it can be concluded that no remediation is required or a remediation plan needs to be agreed upon including O&M costs of the water treatment unit and additional costs for source area and sediment. Depending on the source of the contamination, it may be demonstrated that the Company is not responsible for this historical case. Based on this assessment, management concluded that it is not probable that a cash outflow will be required to settle the remediation obligation. Moreover the amount of the obligation, if any, cannot be measured with sufficient reliability and the source, hence responsibility for this historical case, is unknown. In accordance with IAS 37, management concluded that this is a contingent liability to be disclosed.

Note 14. Deferred income tax assets and liabilities

IFRS requires the deferred taxes for each jurisdiction to be presented as a net asset or liability. Offsetting deferred tax liabilities from one jurisdiction against deferred tax assets of another jurisdiction is not allowed. The table below presents the net deferred tax position in accordance with these presentation principles.

(€ thousands)	2023	2022
Total Deferred tax assets	**426**	**829**
Deferred tax assets to be reversed after more than 12 months	394	767
Deferred tax assets to be reversed within 12 months	32	62
Total Deferred tax liabilities	**(5,814)**	**(6,355)**
Deferred tax liabilities to be reversed after more than 12 months	(5,166)	(5,646)
Deferred tax liabilities to be reversed within 12 months	(649)	(709)
Net deferred tax liabilities	**(5,388)**	**(5,526)**

The movement in the net deferred tax positions can be summarised as follows:

(€ thousands)	2023	2022
At 1 January	**(5,526)**	**(3,432)**
Exchange differences	26	(144)
Other comprehensive income	(40)	268
Income statement charge	153	(2,219)
At 31 December	**(5,388)**	**(5,526)**

In contrast to the table above, the table below shows the movement in deferred taxes on a gross basis, i.e. without netting deferred tax liabilities and deferred tax assets within the same jurisdiction.

Deferred tax assets

(€ thousands)	Tax losses carried forward	Intangible assets	Employee benefits	Inventory	Provisions	Other	Total
At 1 January 2022	**7,360**	**-**	**144**	**310**	**1,483**	**1,102**	**10,400**
(Charged)/credited to the income statement	(3,328)	-	(380)	484	(118)	242	(3,101)
Exchange differences	-	-	-	190	327	-	517
Other comprehensive income	-	-	268	-	-	-	268
At 31 December 2022	**4,032**	**-**	**33**	**984**	**1,692**	**1,344**	**8,084**
At 1 January 2023	**4,032**	**-**	**33**	**984**	**1,692**	**1,344**	**8,084**
(Charged)/credited to the income statement	1,162	-	42	(542)	(152)	(259)	251
Exchange differences	-	-	-	(12)	(43)	-	(55)
Other comprehensive income	-	-	(40)	-	-	-	(40)
At 31 December 2023	**5,194**	**-**	**34**	**429**	**1,497**	**1,084**	**8,239**

In assessing the realisability of deferred tax assets, management considers the extent to which it is probable that the deferred tax asset will be realised. The ultimate realisation of deferred tax assets is dependent upon the generation of future taxable profits during the periods in which those temporary differences and tax loss carry forwards become deductible. Management considers the expected reversal of deferred tax liabilities and projected future taxable income in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is probable the Group will realise the benefits of these deductible differences. As of 31 December 2023, the Group has certain tax losses subject to significant limitations. For those losses, deferred tax assets are not recognised, as it is not probable that gains will be generated to offset those losses. Uncertain tax positions, as described in Note 2, are taken into account when recognising deferred tax assets and liabilities.

As of 31 December 2023, total tax credits amounted to €434.6m, resulting in a potential deferred tax asset of €107.6m of which we only recognised €5.2m at the end of 2023. The majority of the tax credits are incurred at the level of the Group entities in Belgium, where there is no expiry date regarding the tax credits.

Deferred tax liabilities

(€ thousands)	Property, plant and equipment	Intangible assets	Inventory	Other	Total
At 1 January 2022	**(12,236)**	**(1,262)**	**(214)**	**(120)**	**(13,832)**
Charged/(credited) to the income statement	721	835	(562)	(112)	882
Exchange differences	(705)	(76)	-	121	(660)
At 31 December 2022	**(12,220)**	**(503)**	**(775)**	**(111)**	**(13,610)**
At 1 January 2023	**(12,220)**	**(503)**	**(775)**	**(111)**	**(13,610)**
Charged/(credited) to the income statement	(50)	686	229	(963)	(98)
Exchange differences	102	(5)	-	(16)	81
At 31 December 2023	**(12,168)**	**178**	**(546)**	**(1,091)**	**(13,627)**

Deferred income tax liabilities have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are permanently reinvested. Aggregate unremitted earnings are equal to €46.4m as of 31 December 2023 (as compared to €51.6m as of 31 December 2022 for the continuing operations). Adding up the gross amounts of deferred tax assets of €8.2m and gross amount of deferred tax liabilities (€13.6m) results in a net deferred tax liability position at 31 December 2023 of €5.4m.

Financial Statements

Note 15. Inventories

The table below provides a breakdown of total inventories as at 31 December:

(€ thousands)	2023	2022
Total inventories for continuing operations	**52,257**	**76,177**
Raw materials and consumables	25,295	38,197
Work in progress	14,860	17,557
Finished goods	12,102	20,424

Inventories decreased from €76.2m to €52.3m. Inventory decrease is in line with lower degree of demand and activity in 2023 compared to 2022, increased focus on working capital as well as lower input prices.

The Group decreased the provision for obsolete inventory in 2023 by €0.3m compared to an increase of €2.9m for the continuing operations in 2022 which is included in the Consolidated Statement of Comprehensive income under "Raw materials used" and "Changes in inventories of finished goods and work in progress".

The sum of raw material expenses and changes in inventories recognised as expenses in 2023 amounts to €135.2m as compared to €151.9m in 2022 for the continuing operations.

The Group's assets pledged as security for the Senior Secured Notes and borrowings are described in Notes 21 to 22.

Note 16. Trade and other receivables

(€ thousands)	2023	2022
Total Trade and other receivables	**28,963**	**25,593**
Trade and other receivables (non-current)	**586**	**599**
Other amounts receivable	586	599
Trade and other receivables (current)	**28,377**	**24,994**
Net trade receivables	21,799	23,208
Trade receivables	22,368	23,960
Less: Bad debt allowance	(570)	(752)
Prepayments and accrued income	5,531	1,311
Other amounts receivable	1,047	475

The fair value of trade and other receivables approximates their carrying amount as the impact of discounting is not significant. As part of its normal course of business, the Group has entered into non-recourse factoring agreements with financial parties. The Group has derecognised the accounts receivable for which substantially all risk and rewards of ownership have been transferred excluding reserves which are still on the balance sheet.

Current trade and other receivables have increased from €25.0m per 31 December 2022 to €28.4m as of 31 December 2023.

Financial Statements

The prepayments and accrued income increased by €4.2m from €1.3m per 31 December 2022 to €5.5m as of 31 December 2023. This increase is mainly due to the financing fees in the context of the refinancing of our Senior Secured Notes.

As of 31 December 2023, net trade receivables that were past due amounted to €2.0m (as compared to €2.0m as of 31 December 2022)

The Group uses credit insurance in Europe as a means to transfer the credit risk related to trade receivables. Furthermore, our trade receivables portfolio is very diversified, in terms of both segmentation and client base, which mitigates the credit risk. The credit quality of the trade receivables that are neither past due nor impaired is good.

The carrying amounts for the Group's trade and other receivables are denominated in the following currencies:

(€ thousands)	2023	2022
Total trade and other receivables	**28,963**	**25,593**
EUR	11,537	7,429
USD	17,207	18,065
GBP	219	99

The Group is monitoring the recoverability of trade and other receivables on a case by case assessment. In addition, the Group has applied IFRS 9, by applying the modified retrospective approach, by using the standard's simplified approach and calculated ECLs (Expected Credit Loss) based on lifetime expected credit losses. The Group has established a provision matrix. Trade receivables have been categorised by common characteristics that are representative of the customer's abilities to pay (based on geographical region and type of customers such as retail, wholesale or construction & building, and delinquency status). The provision matrix is based on forecasted default rates published by Moody's, adjusted by scalar factors to reflect differences in the Group's view of current and expected economic conditions and historical conditions.

At 31 December 2022 for continuing operations	Not due or less than 15 days past due	More than 15 days past due	Total
Expected loss rate	2.8%	9.0%	
Gross carrying amount - trade receivables	22,832	1,128	23,960
Loss allowance	**650**	**102**	**752**
At 31 December 2023 for continuing operations	**Not due or less than 15 days past due**	**More than 15 days past due**	**Total**
Expected loss rate	2.3%	6.0%	
Gross carrying amount - trade receivables	21,167	1,202	22,368
Loss allowance	**497**	**73**	**570**

Movements in the Group's bad debt allowance with respect to trade receivables are as follows:

(€ thousands)	2023	2022
At 1 January	**(752)**	**(670)**
Increase in loss allowance recognised in profit or loss during the year	(278)	(295)
Receivables written off during the year as uncollectible	35	60
Unused amounts reversed	405	175
FX difference	19	(21)
At 31 December	**(570)**	**(752)**

The creation and release of allowances for impaired receivables has been included in "Other income/expenses" in the Statement of comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. As at 31 December 2023 the Group holds no collateral (letters of credit and corporate or bank guarantees).

Financial Statements

Note 17. Cash and cash equivalents

(€ thousands)	2023	2022
Total cash and cash equivalents	**35,812**	**38,488**
Cash at bank and on hands	28,481	24,009
Cash in subsidiaries outside the EU	7,331	14,479
Of which in countries with legal restrictions	-	-

The credit quality of the banks and financial institutions is disclosed in Note 26. The Group's assets pledged as security for the Senior Secured Notes and borrowings are described in Notes 21 and 22.

Note 18. Share capital and share premium

The legal issued share capital of the Group is €252.9m divided into 35,943,396 ordinary shares without a nominal value. All shares issued by the Group are fully paid, as is a share premium of €65.7m.

Financial Statements

Note 19. Other comprehensive income

Components of "Other comprehensive income" ("OCI") are items of income and expenses (including reclassification adjustments) that are not recognised in the Statement of comprehensive income as required or permitted by other IFRSs. The Group has other comprehensive income which mainly relates to re-measurement of post-employee defined benefit obligations, the gains and losses arising from translating the Financial Statements of foreign entities and the changes in the fair value of hedging instruments.

The movements in OCI are summarised in the table below:

(€ thousands)	2023	2022
Items in OCI that may be subsequently reclassified to P&L	**(970)**	**3,559**
Cumulative translation reserves as of 31 December	**(970)**	**3,559**
Cumulative translation reserves at beginning of the period	3,559	(6,655)
Exchange differences on translating foreign operations	(4,529)	10,214
Cumulative changes in fair value of hedging instruments as of 31 December	**-**	**-**
Cumulative changes in fair value of hedging instruments at beginning of the period	-	(152)
Changes in fair value of hedging instruments during the period	-	152
Items in OCI that will not be reclassified to P&L	**2,254**	**2,307**
Changes in deferred tax at 31 December	**(739)**	**(699)**
Changes in deferred taxes at beginning of the period	(699)	(967)
Changes in deferred taxes during the period	(40)	268
Changes in employee defined benefit obligations at 31 December	**2,993**	**3,007**
Changes in employee defined benefit obligations at beginning of the period	3,007	2,938
Changes in employee defined benefit obligations during the period	(13)	68
Total other comprehensive income for continuing operations at 31 December	**1,283**	**5,866**

The movement in the exchange differences on translating foreign operations reflects the changes in foreign exchange rate from the US dollar to Euro.

Employee defined benefit obligations

The Group operates defined benefit pension plans. The changes in pension liabilities are accounted for through Other comprehensive income when the changes relate to a change in actuarial assumptions from one year to another.

In the past, several insurance companies have decided to reduce the technical interest rate on group insurance contracts to a level below the minimum return guaranteed by law for Belgian defined contribution pension plans. Because the employer has to guarantee the statutory minimum return on these plans, not all actuarial and investment risks relating to these plans are transferred to the insurance company or pension fund managing the plans. Therefore these plans do not meet the definition of defined contribution plans under IFRS and should by default be classified as defined benefit plans. Refer to Note 27 for further details.

The liability has been measured using a discount rate of 2.65% for 2023 and 3.50% for 2022.

Deferred Taxes

The changes in pension liabilities also affect deferred taxes. When the change in pension liabilities are recorded through Other comprehensive income, the related deferred tax charge is also recorded in Other comprehensive income.

Note 20. Retained earnings

(€ thousands)	2023	2022
At 1 January for continuing operations	**(191,208)**	**(15,140)**
Change in scope[1]	-	(162,770)
Equity-settled share-based payment plans	6	(12)
Profit / (loss) continued for the year allocated to equity owners	(11,095)	(13,287)
At 31 December	**(202,298)**	**(191,208)**

1 Change in scope reflects the transfer of the elements of comprehensive income from discontinued operations to retained earnings of the Group at completion date of the Divestment without currency translation adjustments which are recycled over the income statement

Retained earnings may be distributed to shareholders upon the decision of a general meeting of shareholders, taking into account the restrictions as defined in the Senior Secured Debt Facilities and the restrictions which are imposed by law.

Note 21. Senior Secured Notes

(€ thousands)	2023	2022
Total Senior Secured Notes for continuing operations	**137,041**	**132,355**
Non-Current portion	**1,839**	**130,745**
Of which: gross debt	1,839	132,489
Of which: capitalised financing fees	-	(1,744)
Current portion	**135,203**	**1,611**
Of which: accrued interest	3,388	3,355
Of which: capitalised financing fees	(145)	(1,744)
Of which: gross debt	131,960	-

On 3 August 2015, LSF9 Belysse Issuer S.à r.l. (formerly LSF9 Balta Issuer S.à r.l.) issued €290.0m aggregate principal amount of Senior Secured Notes with an interest rate of 7.75% as part of the financing of the acquisition of Balta Finance S.à r.l. and its subsidiaries. The maturity date of the Senior Secured Notes was 15 September 2022. In June, July and August 2017, the Group performed a partial repayment of €55.1m in total.

The Group announced on 2 February 2021 that it entered into an agreement with noteholders representing c. 52% of the aggregate principal amount of the 7.75% Senior Secured Notes due 2022 (the “Existing Notes”) issued by LSF9 Belysse Issuer S.à r.l (formerly LSF9 Balta Issuer S.à r.l. (the “Issuer”), to tender their Existing Notes in an exchange offer (the “Exchange Offer”) for new Senior Secured Notes with a maturity of 31 December 2024 (the “New Notes”), to vote in favour of certain amendments to the terms of the Existing Notes and the indenture governing the Existing Notes (the “Existing Indenture”) by way of a consent solicitation (“Consent Solicitation”) and to support commencement of a scheme of arrangement under Part 26 of the UK Companies Act 2006 or an analogous legal process in the United Kingdom (the “Scheme”) (the “Scheme Solicitation”).

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

Interest on the Senior Secured Notes accrues at the rate of 7.75% per annum and is payable semi-annually in arrears on 15 March and 15 September of each year, commencing on 15 March 2016. As part of the above mentioned extension, a PIK interest of 1% per annum was added.

On 4 April 2022, the Issuer completed a tender offer and consent solicitation in respect of its then outstanding €234,027,888 in aggregate principal amount of the Senior Secured Notes, along with a concurrent private placement of the Senior Secured Notes to an existing noteholder. More than 90% of the holders of the principal amount of the Notes participated in the tender offer and consent solicitation, resulting in a new financing for an aggregate principal amount of €130 million of the Senior Secured Notes due December 2024, including the Senior Secured Notes issued in the private placement and the amendments mentioned below.

Pursuant to the tender offer and consent solicitation, the Issuer also made certain amendments to the Indenture, including decreasing the redemption price of the Senior Secured Notes during the period on or after 15 March, 2023 to (but excluding) the date of redemption, to 100% of the principal amount thereof plus accrued and unpaid interest and Additional Amounts.

Costs related to the issuance of Senior Secured Notes have been included in the carrying amount and are amortised through the Statement of comprehensive income over the term of the debt in accordance with the effective interest method. It follows that the amount of capitalised financing fees expensed during 2022 is equal to €2.8m. This amount is largely driven by the one-off recognition of the remaining capitalised expenses on former Senior Secured Notes due 2024 of €1.3m in the Statement of comprehensive income, while an amount of €5.1m of financing costs has been capitalised with regards to the refinancing through the €120m equivalent new term facility.

The current portion of the debt associated with the Senior Secured Notes relates to accrued interest payable at the next interest payment date, the PIK interest, the portion of the capitalised financing fee that will be amortised through the Statement of comprehensive income over the next month as well as the full amount of gross debt of the Senior Secured Notes with initial maturity on 31 December 2024.

Security agreements that have been entered into in the past remain in place which collectively secure the Senior Secured Notes and accrued interest on the Senior Secured Notes. Under the Senior Secured Notes indenture, the Group is subject to quarterly reporting requirements and certain limitations on restricted payments and debt incurrence.

The Senior Secured Notes are secured by first-ranking security interests over a number of assets which mainly relate to shares of the guarantors and certain intra-group loans and receivables of the guarantors. In 2020, additional securities were issued in favour of the noteholders and the European Super Senior Revolving Credit Facility banks with respect to the Belgium real estate property in Waregem and Sint-Baafs-Vijve. The Group retained full ownership and operating rights for the assets pledged. In the event of a default of repayment of the Senior Secured Notes and related interest payments, the noteholders may enforce against the pledged assets. The securities on the Belgium real estate property in Waregem and Sint-Baafs-Vijve have been released as part of the operation concluded at 4 April 2022 while Bentley entered as guarantor.

The collateral also secures the Super Senior Revolving Credit Facility (see Note 22) and certain hedging obligations. Under the terms of the Intercreditor Agreement, in the event of enforcement of the security over the collateral, holders of the Senior Secured Notes will receive proceeds from the enforcement of the collateral only after indebtedness in respect of the Super Senior Revolving Credit Facility and certain hedging obligations have been repaid in full. Any such proceeds will, after all obligations under the Super Senior Revolving Credit Facility and such hedging obligations have been repaid from such recoveries, be applied pro rata in repayment of all obligations under the Indenture and any other obligations that are permitted to be secured over the collateral under the Indenture on an equal and rateable basis.

On 8 December 2023 the Group announced that its subsidiary LSF9 Belysse Investments S.à r.l. had signed definitive documents for a new committed term facility of €120m (available in EUR and USD) (the "Term Facility") provided by Blantyre Capital Limited. The proceeds of the facility would be used to repay the Group's outstanding Senior Secured Notes. The Term Facility matures 4 years with the option to extend maturity by 1 year. The Group had as well obtained consent of noteholders holding an aggregate of approximately 75% of its total outstanding Senior Secured Notes due 2024 (the "SSN '24") to repurchase SSN '24 at a price equal to 86.5% of the face value, with the balance amount being redeemed at 100% of the face value through the optional redemption provisions under the Indenture.

Interest on the Term Facility accrues at the rate of 6% per annum on the EUR tranche and accrues at the rate of 7% per annum on the USD tranche. The interest is payable quarterly in arrears in February, May, August and November, commencing on 2 May 2024. Next to the cash interest, a PIK interest of 5% per annum is applicable on both EUR and USD tranches. The PIK interest is subject to a leverage-based margin ratchet and so may in each case increase by a further 2.00% per annum where certain financial ratios have been exceeded. The PIK Interest will be capitalised at the end of each interest period and bear interest at the prevailing rate.

The Term Facility also provides the lender with Contingent Value Rights linked to the equity value of Belysse Group NV. The Contingent Value Rights entitle the lender to receive a cash payment or, at the option of the Group (as the case may be, subject to approval of its shareholders), an issuance of shares, upon certain events, equal to 20% of the equity value of the business above a specified threshold (the 'Threshold'). These events triggering the payments under the contingent value rights are: (i) mandatorily in case of a sale of all or substantially all of the assets of, or shares of, the company; and (ii) at the option of the contingent value rights holder in case either (a) shareholding of certain existing holders currently holding more than a majority of the total outstanding shares of the Company ('Permitted Holders') falls to 40% or less; or (b) another person or persons acting in concert acquires more shares in the Company than the Permitted Holders. The holders also have the option to exercise their contingent value rights from 7 December 2027 onwards. The Threshold is defined as one and a half times the average daily volume-weighted average price of the shares for the 60 trading days preceding the closing of the financing.

We confirm that we have complied with all covenants over the reporting period.

Note 22. Bank and other borrowings

The table below provides an overview of the bank and other borrowings that existed on 31 December 2023 and 31 December 2022:

(€ thousands)	2023	2022
Total Bank and other borrowings for continuing operations	**43,652**	**50,350**
Non-current portion for continuing operations	**34,778**	**41,590**
Other lease liabilities	20,375	25,577
Sale-and-leaseback liabilities	14,645	16,427
Of which: capitalised financing fees related to the sale-and-leaseback	(242)	(290)
Capitalised financing fees related to the SSRCF	-	(124)
Current portion for continuing operations	**8,875**	**8,760**
Other lease liabilities	6,757	6,872
Sale-and-leaseback liabilities	2,096	1,978
Of which: capitalised financing fees related to the sale-and-leaseback	(48)	(48)
Super Senior RCF (SSRCF)	80	82
Capitalised financing fees related to the SSRCF	(10)	(124)

In relation to Group's financing agreements, the documentation provides for the effect of changes in accounting standards to be neutralized. As such, the application of IFRS 16 has no consequences for the Group's financing. We will continue to calculate Leverage in line with the definition in our financing agreement (excluding IFRS 16 except for sale-and-leasebacks).

Bank borrowings
On 3 August 2015, LSF9 Belysse Issuer S.à r.l. and LSF9 Belysse Investments S.à r.l. entered into a six-year agreement providing for a €40.0m European Super Senior Revolving Credit Facility; which was increased to €45.0m in 2016, €68.0m in 2017 and eventually lowered again to €61.0m in January 2020.

On 18 July 2017, the Group renegotiated the agreement and obtained more favourable commercial terms in respect of its European Super Senior Revolving Credit Facility, including a reduction of the margin from the original 3.75% p.a. in August 2015 to an average margin below 2.00% p.a. at current leverage.

The European Super Senior Revolving Credit Facility is secured by first-ranking security interests over the collateral, which also secures the Senior Secured Notes and the guarantees. Under the European Super Senior Revolving Credit Facility, a lender may make available an ancillary facility, such as overdrafts, guarantees, short-term loan facilities, derivatives or foreign exchange facilities subject to the satisfaction of certain conditions precedent, to a borrower or an affiliate of a borrower in place of all or part of its unutilised commitment under the European Super Senior Revolving Credit Facility. Amounts drawn under the European Super Senior Revolving Credit Facility may be used for working capital and other general corporate purposes of the Restricted Group (as defined in the contract), operational restructurings or permitted reorganisations of the Group.

The agreement contains customary and certain deal specific affirmative loan style covenants and restrictive covenants such as a springing financial covenant (based on total net leverage ratio) and an annual guarantor coverage test. The European Super Senior Revolving Credit Facility is also guaranteed by each guarantor. In 2020, additional securities were issued in favour of the noteholders and the European Super Senior Revolving Credit Facility banks with respect to the Belgium real estate property in Waregem and Sint-Baafs-Vijve. Under the terms of the Intercreditor Agreement, in the event of enforcement of the security over the collateral, holders of the Senior Secured Notes and the Senior Term Loan Facility banks will receive proceeds from the enforcement of the collateral only after indebtedness in respect of the European Super Senior Revolving Credit Facility and certain hedging obligations have been repaid in full.

On 9 October 2020, the Group signed agreements with each of its lenders under its existing European Super Senior Revolving Credit Facility to amend and extend the maturity date from 11 August 2021 to at least 30 June 2022. The maturity date was further extended to 30 June 2024 after the successful amendment and extension of the Senior Secured Notes as described in Note 21. Per 4 April 2022, €61m European Super Senior Revolving Credit Facility was repaid and replaced by a €45m Super Senior Revolving Credit Facility. The securities on the Belgium real estate property in Waregem and Sint-Baafs-Vijve have been released as part of the operation concluded at 4 April 2022 while Bentley entered as guarantor.

In the context of the Group's refinancing, LSF9 Belysse Investments S.à r.l. signed on 11 January 2024 definitive documents for a new Super Senior Revolving Credit Facility (the "new RCF") of €20m, replacing the €45m Super Senior Revolving Credit Facility with maturity date 30 June 2024. The new RCF has been made available at customary terms for facilities of this nature, for a term of 3.5 years following the completion of the refinancing, with the option to extend by one year if the term facility is also extended concurrently.

We confirm that we have complied with all covenants over the reporting period.

Factoring
As part of its normal course of business, the Group has entered into non-recourse receivables factoring agreements, whereby it may sell trade receivables arising from its normal course of business at face value less certain reserves and fees. The credit risk related to the factored receivables has been transferred to the factoring company, who in turn has transferred this risk to a credit insurance company. Under the non-recourse agreements, the Group collects payments from its customers on behalf of the factoring company to which it has factored its receivables. Given that substantially all of the risks and rewards of ownership have been transferred, the trade receivables assigned to the factoring companies have been derecognised from the Statement of financial position.

In 2023 the Group continues to recognise a portion of the receivables to the extent of its continuing involvement, in accordance with IFRS 9 (€5.8m) (2022: €5.0m).

Note 23. Leases

The lease liabilities have decreased from €50.5m as of 31 December 2022 to €43.6 as of 31 December 2023. At the end of 2023, the corresponding lease liability related to IFRS 16 (so excluding sale-and-leaseback) amounts to €27.1m.

The liability was measured at the present value of the remaining lease payments, discounted at a predetermined discount rate. The Group applied several discount rates, depending on the type of asset (buildings or machines), lease term, geographical area, risk premium (from 1.80% to 3%) and the variability of the base rate (based on the market swap rates of 31 December 2018). The applied incremental borrowing rate depends on the geographical environment and the remaining duration of the agreement. For contracts in Europe, this is between 0% and 2.8%. While in the US, the incremental borrowing rate is between 3.4% and 7.7%.

The leasing agreements under IFRS 16 have a remaining term between 1 and 7 years. We relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 31 December 2023.

In relation to Group's financing agreements, the documentation provides for the effect of changes in accounting standards to be neutralized. As such, the application of IFRS 16 has no consequences for the Group's financing. We will continue to calculate Leverage in line with the definition in our financing agreement.

Carrying amounts of lease liabilities and the movements in 2023:

(€ thousands)	IFRS 16 excl sale- and-leaseback	Sale- and-leaseback	Total
At 31 December 2022	**32,449**	**18,066**	**50,515**
Additions	1,919	351	2,270
Disposals	-	-	-
Financing fees	-	48	48
Accretion of interest	1,283	479	1,762
Payments	(7,702)	(2,493)	(10,195)
FX impact	(817)	-	(817)
At 31 December 2023	**27,132**	**16,451**	**43,583**

(€ thousands)	IFRS 16 excl sale- and-leaseback	Sale- and-leaseback	Total
Current lease liability	6,757	2,048	8,805
Non-current lease liability	20,375	14,402	34,778
Total lease liability	**27,132**	**16,451**	**43,583**

(€ thousands)	2023	2022
Total present value of lease liabilities (excluding capitalised financing fees)	**43,873**	**50,854**
No later than 1 year	8,853	8,849
Later than 1 year and no later than 5 years	29,066	33,924
Later than 5 years	5,954	8,080

The Group uses foresight in determining the lease term where the contract contains options to extend or terminate the lease. Beside the impact on the business, criteria such as penalties and leasehold improvements are considered in this analysis. Variable lease payments are not included in the measurement of lease liabilities.

Note 24. Net debt reconciliations

The following table sets out an analysis of net debt and the movements in net debt:

	Liabilities from financing activities						Cash and Cash equivalents	
(€ thousands)	**Senior Secured Notes due after 1 year**	**Senior Secured Notes due within 1 year**	**Lease liabilities due after 1 year**	**Lease liabilities due within 1 year**	**Super Senior RCF**	**Total gross financial debt**	**Cash and Cash equivalents**	**Total net financial debt**
Net debt at 31 December 2022	**(132,489)**	**(3,479)**	**(42,004)**	**(8,849)**	**(82)**	**(186,903)**	**38,488**	**(148,415)**
Cashflows	-	-	-	-	-	**-**	(2,676)	**(2,676)**
Repayments of borrowings with third parties	-	-	-	8,242	-	**8,242**	-	**8,242**
Other non-cash movements (includ. FX movements)	130,650	(131,869)	6,984	(8,246)	3	**(2,479)**	-	**(2,479)**
Net debt at 31 December 2023	**(1,839)**	**(135,348)**	**(35,020)**	**(8,853)**	**(80)**	**(181,140)**	**35,812**	**(145,328)**

The table above does not include the movements in capitalised financing fees, or the half yearly interest paid (see Note 21 to 23). The non-cash movement on the Senior Secured Notes relates to the reclass of €132.0m from long term to short term, the semi-annual PIK interest that is added to the principal (€1.3m) during the period and the net movement in accrued interest of €0.1m.

Note 25. Additional disclosures on financial instruments

The following table presents the carrying amounts and fair values of each category of financial assets and financial liabilities for the continuing operations:

(€ thousands)	Fair value hierarchy	2023	2023	2022	2022
		Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Assets as per statement of financial positions		**64,775**	**64,775**	**64,082**	**64,082**
Loans and receivables		**64,775**	**64,775**	**64,082**	**64,082**
Trade and other receivables		28,963	28,963	25,593	25,593
Cash and cash equivalents	Level 1	35,812	35,812	38,488	38,488
Liabilities as per statement of financial positions		**227,155**	**203,843**	**239,907**	**229,309**
Financial liabilities measured at amortised cost		**227,155**	**203,843**	**239,907**	**229,309**
Senior Secured Notes	Level 1	137,041	113,729	132,355	121,758
Bank and other borrowings	Level 2	43,652	43,652	50,350	50,350
Trade and other payables		46,462	46,462	57,201	57,201
Financial liabilities measured at fair value through OCI		**-**	**-**	**-**	**-**
Foreign exchange derivative financial instruments	Level 2	-	-	-	-

Different valuation levels have been defined as follows:

- Level 1: are valuations derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: are valuations derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);
- Level 3: are valuations derived from inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The fair values of the Senior Secured Notes are based on a Level 1 estimate. The fair values of all other financial instruments, with the exception of cash- and cash equivalents, have been determined using Level 2 estimates. The fair values of the forward foreign exchange contracts have been determined using forward exchange rates that are quoted in an active market. The effects of discounting are generally insignificant for Level 2 derivatives. For trade and other receivables, as well as trade and other payables, the carrying amount is considered to be a good estimate of the fair value, given the short-term nature of these items.

There were no changes in valuation techniques during the period.

Note 26. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and commodity price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The objective is to identify, quantify, manage and then monitor events or actions that could lead to financial losses. Derivative financial instruments are no longer used to hedge certain risk exposures at Group level as the exposure to foreign currencies has been reduced.

Qualitative and quantitative disclosures about market risk

Foreign exchange risk

We have significant exposure to the value of the U.S. dollar for the continuing operations. Consequently, our financial results have been, and in the future will likely continue to be, subject to currency transaction and translation effects resulting from fluctuations in exchange rates, primarily the EUR/USD. The proportion of our revenue recognised in each currency does not exactly correspond with the revenue derived from each geography, as we sometimes invoice customers in currencies other than their local currency.

Our Consolidated Financial Statements are prepared in EUR. We are therefore exposed to translation risk on the preparation of our Consolidated Financial Statements when we translate the Financial Statements of our subsidiaries which have a Functional Currency other than EUR. A portion of our assets, liabilities, revenue and costs are denominated in various currencies other than EUR, principally USD. As a result, our Consolidated statement of comprehensive income, which is reported in EUR, is affected by currency exchange rate fluctuations.

Changes in foreign exchange rates may have a long-term impact on our sales volumes. For example, if there is a long-term depreciation of the EUR, our sales volumes may increase as we become more competitive in non-Eurozone markets. In contrast, a long-term strengthening of the EUR may decrease our volumes and price competitiveness in non-Eurozone markets.

The following table presents the main Statement of financial position items affected by foreign exchange risk.

(€ thousands)	EUR	GBP	USD	TOTAL
31 December 2023 Net exposure for continuing operations	**(11,477)**	**4,479**	**25,312**	**18,314**
Trade and other receivables	11,537	219	17,207	28,963
Cash and cash equivalents	9,918	1,057	24,837	35,812
Trade and other payables	(29,642)	(87)	(16,733)	(46,462)
31 December 2022 Net exposure for continuing operations	**(9,753)**	**1,993**	**14,640**	**6,880**
Trade and other receivables	7,429	99	18,065	25,593
Cash and cash equivalents	21,353	2,059	15,076	38,488
Trade and other payables	(38,535)	(165)	(18,502)	(57,201)

Financial Statements

The following table presents the sensitivity analysis of the year-end Statement of financial position in GBP and USD if the EUR would weaken by 10%.

(€ thousands)	2023	2022
GBP denominated	**498**	**221**
Changes in carrying amount of monetary assets and liabilities	498	221
USD denominated	**2,812**	**1,627**
Changes in carrying amount of monetary assets and liabilities	2,812	1,627

The following table presents the sensitivity analysis of the year-end Statement of financial position in GBP and USD case the EUR would strengthen by 10%:

(€ thousands)	2023	2022
GBP denominated	**(407)**	**(181)**
Changes in carrying amount of monetary assets and liabilities	(407)	(181)
USD denominated	**(2,301)**	**(1,331)**
Changes in carrying amount of monetary assets and liabilities	(2,301)	(1,331)

Commodity price risk

We are exposed to fluctuations in the price of the major raw materials used in the manufacturing process.

In 2023 raw material expenses represented 41.3% of the revenue compared to 48.1% last year. This is mainly due to a new procurement strategy where we managed to open additional ways of raw materials sourcing globally lowering our purchasing prices. As there is a time delay to pass on raw materials price increases to its customers, changes in the cost of raw materials typically have a temporarily negative impact on the Group's gross margin.

If the commodity prices of our main raw materials had been 10% higher (lower), in the absence of any mitigating actions taken by management, adjusted EBITDA would have been approximately €6m lower (higher). This impact has been determined by multiplying the volumes of our main raw materials purchased on an annual basis by a 10% variance on the average purchase price for the year. The sensitivity calculation takes into account the typical time lag between purchasing raw materials and recognising the raw material expenses against sales.

When we hedge, we might do so by entering into fixed price contracts with our suppliers. No such arrangements were entered into in 2023 or 2022.

Interest rate risk

Our interest rate risk principally relates to external indebtedness that bears interest at variable rates. Excluding IFRS 16 (except for sale-and-leasebacks), only the amounts that we borrow under the Super Senior Revolving Credit Facility and the amounts under our factoring arrangements are subject to variable interest rates, as the Senior Secured Notes carry interest at a fixed rate. We therefore did not use interest rate swaps in respect of our financing during the current reporting period. The following table presents the sensitivity analysis of the interest expenses and income when there is a 25 bps shift in the € yield curve. The Super Senior Revolving Credit Facility is currently not drawn in cash so an increase in interest has no impact and the impact of 25 bps on the factoring is below €0.1m.

Financial Statements

(€ thousands)	31 December 2023	
	25 bps downward shift in EUR yield curve	25 bps upward shift in EUR yield curve
Total impact on interest expenses/income	**(40)**	**40**
Non-derivative floating rate financial liabilities	(40)	40

Qualitative and quantitative disclosures about credit risk

Our credit risk is managed on a Group-wide basis. We assess the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual credit limits are set based on historical experience, in-depth knowledge of the customer and in close cooperation with the business unit manager. These credit limits are regularly reviewed by the business unit managers and by finance management. In addition, we have obtained credit insurance to cover a large portion of the credit default risk. Finally, credit risk is also mitigated through non-recourse factoring of the trade receivables where the credit risk has been transferred to the counterparty. Trade receivables are spread over a number of countries and counterparties. There is no large concentration of trade receivables. For derivative financial assets, credit quality has been assessed based on the Fitch rating of the counterparty. All our forward exchange contracts are over the counter with a financial institution as counterparty.

Default rates did not exceed 1% for 2023 and 2022.

Excess liquidities are invested for very short periods and are spread over a limited number of banks, all enjoying a satisfactory credit rating. For cash at bank and short-term bank deposits, the table below gives an overview of credit ratings for banks used by the Group.

(€ thousands)	2023	2022
Total cash and bank equivalents for continuing operations	**35,812**	**38,488**
AA rating	6,582	20
A rating	29,231	38,468

Qualitative and quantitative disclosures about liquidity risk

We monitor cash flow forecasts and liquidity requirements centrally, ensuring that we have sufficient cash to meet operational needs while maintaining sufficient headroom on our committed borrowing facilities at all times so that we do not breach borrowing limits or covenants on any of our borrowing facilities.

The operating activities of our subsidiaries and their cash inflows are our main source of liquidity. Our cash pooling system enables us to benefit from the surplus funds of certain subsidiaries to cover the financial requirements of other subsidiaries. We invest surplus cash in interest-bearing current accounts and short-term cash deposits, selecting instruments with appropriate maturities or the liquidity to provide sufficient headroom as determined by the above-mentioned forecasts.

In order to meet our cash outflow obligations, we use cash flows generated from operating activities and credit facilities with financial institutions if necessary. In addition, we have entered into factoring agreements with financial institutions where cash is made available to us in consideration for certain trade receivables generated by us.

The principal financing arrangements that are in place at 31 December 2023 are the Senior Secured Notes (see Note 21), the Super Senior Revolving Credit Facility (see Note 22) and capital lease agreements (see Note 23).

The following table reflects all contractually fixed pay-offs for settlement, repayments and interest resulting from recognised financial liabilities. The amounts disclosed are undiscounted net cash outflows, based on the market conditions existing at 31 December 2023.

(€ thousands)	Less than 6 months	Between 6 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Total at 31 December 2023	**85,410**	**(4,427)**	**(7,267)**	**(21,800)**	**(7,793)**
Senior Secured Notes	(135,348)	-	-	-	(1,839)
Super Senior RCF	(80)	-	-	-	-
Lease liabilities	(4,427)	(4,427)	(7,267)	(21,800)	(5,954)
Trade and other payables	(46,462)	-	-	-	-

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. We refer to the subsequent event section of this report (Note 40) for more information.

In particular, the Super Senior Revolving Credit Facility includes a springing Leverage covenant at 6.5x, however this is only tested at the end of a quarter and provided more than 30% of the Super Senior Revolving Credit Facility is used at that time which is not case at the end of December 2023. The Leverage at the end of the year was 4.5x.

The following table reflects all contractually fixed pay-offs for settlement, repayments and interest resulting from recognised financial liabilities. The amounts disclosed are undiscounted net cash outflows, based on the market conditions existing at 31 December 2022.

(€ thousands)	Less than 6 months	Between 6 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Total at 31 December 2022 for continuing operations	**(66,799)**	**(9,788)**	**(139,131)**	**(25,443)**	**(9,919)**
Senior Secured Notes	(5,090)	(5,364)	(130,650)	-	(1,839)
Super Senior RCF	(82)	-	-	-	-
Lease liabilities	(4,425)	(4,425)	(8,481)	(25,443)	(8,080)
Trade and other payables	(57,201)	-	-	-	-

Financial Statements

A key factor in maintaining a strong financial profile is our credit rating which is affected by, among other factors, our capital structure, profitability, ability to generate cash flows, geographic and customer diversification and our competitive position. Our current corporate credit ratings from Moody's Investor Service (Moody's) and Standard & Poor's Ratings Services (S&P) are as follows:

	2023	2023	2022	2022
	Moody's	S&P	Moody's	S&P
Long-term issue rating Senior Secured Notes	-	B-	Caa1	B-
Corporate rating	-	B-	B3	B-

On 10 August 2015, Moody's assigned a 'B2' rating to the €290m Senior Secured Notes issued by LSF9 Belysse Issuer S.à r.l., the previous parent holding company of the Group, following a review of the final bond documentation. In June 2017, following the IPO of the Belysse Group, the ratings were upgraded to 'B1' to reflect the strengthening of the Group's financial profile, increased transparency as a public company, strengthened corporate governance arrangements and enhanced access to equity capital markets. In November 2018, the rating was downgraded to 'B2' with a negative outlook on the back of financial performance. During April 2020, Moody's decided to further downgrade the corporate rating to 'B3' and the Senior Secured Notes to 'Caa1' both with a negative outlook mainly referring to the uncertainties caused by the outbreak of COVID-19 and the challenges that the Group may face in refinancing its near-term debt maturities.

In March 2021, Moody's affirmed the B3 corporate family rating (CFR) of LSF9 Belysse Issuer S.à r.l. and B3-PD probability of default rating (PDR). At the same time Moody's assigned a Caa1 rating to the new guaranteed Senior Secured Notes due 2024. The Caa1 rating on the existing Senior Secured Notes will be withdrawn. The outlook was changed from negative to stable after the Group successfully managed to extend the maturity dates of it Senior Secured Notes and the European Senior Secured Revolving Credit Facility to 2024.

In April 2022, Moody's affirmed the B3 corporate family rating (CFR) of LSF9 Belysse Issuer S.à r.l. and B3-PD probability of default rating (PDR). Concurrently, Moody's has affirmed the Caa1 rating of the remaining €130 million guaranteed Senior Secured Notes due 2024 following the refinancing of the notes from proceeds of its Rugs, Residential polypropylene and Non-Woven business.

On 14 September 2015, S&P assigned its 'B' long-term corporate credit rating to LSF9 Belysse Investments S.à r.l. At the same time, S&P assigned its 'B' long-term issue rating to the €290m Senior Secured Notes and its 'BB-' long-term issue rating to the €68m European Super Senior Revolving Credit Facility. In July 2017, the corporate rating was increased to 'B+' and the long-term issue rating to 'BB' to reflect the improvements in the Group's financial credit metrics following the use of net proceeds from the IPO to repay part of the Group's debt. In November 2018, on the back of financial performance, the corporate rating was reduced to 'B' and the long-term issue rating on the European Super Senior Revolving Credit Facility to 'BB-' . In March 2020, S&P decided to further downgrade the ratings for the Senior Secured Notes and the Group to 'B-' due to cash flow generation uncertainty and refinancing risks with a negative outlook. On 22 February 2021, S&P revised the Company's outlook from negative to positive after the Group successfully managed to extend the maturity dates of its Senior Secured Notes and the European Senior Secured Revolving Credit Facility to 2024. The rating was reaffirmed during 2023.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the dividends paid to shareholders, issue new shares or sell assets to reduce debt. The Group is closely monitoring its financial performance to comply with financial covenants. Refer to Notes 21 to 22 for further details.

Climate Related Matters

- **Impact of climate change on resources**
  Polymers are the main material for our floor coverings. The impact of the transformation of the petrochemical sector could be expected to have an impact on Belysse' s financials.
- **Impact of climate change on manufacturing and products**
  To comply with the European Green Deal and the governmental regulations on emissions in Belgium and the US, Belysse is making operating and capital expenditures to reduce its carbon footprint.
- **Impact of water scarcity**
  A number of our production processes, especially dyeing and printing, are dependent on the availability of water. Operating and capital expenditures will continue to be made to lower and optimize water consumption, with a special attention to the site of Tielt (Flanders, Belgium). On the other hand, given all production plants being situated above sea level, there is little risk from rising sea levels caused by global warming.

Macro-economic environment

The invasion of Russia in Ukraine and the resulting sanctions only had limited direct impact on our Group. The fierce inflation on the other hand did have an impact with a steep increase in almost all of our input costs. This is addressed by a constant review of our cost base and a pass-on to customers where needed. In our European business, we noticed a timing delay between incurring these cost and the pass-on to customers. The indirect effect of higher interest rates is limited as we are mostly financed with a fixed interest rate as explained above.

Note 27. Employee benefit obligations

The Group operates a pension plan and provides for pension liabilities. These benefits have been measured in compliance with IAS 19 revised and in accordance with the Group accounting policies described in Note 1.20. The liability was measured using a discount rate of 2.65% and 3.50% in 2023 and 2022, respectively. The annual pension cost, relating to the pension plan is disclosed in Note 6.

The employee benefit obligations recognised in the Financial Statements are detailed below:

(€ thousands)	2023	2022
Total employee benefit obligations for continuing operations	**169**	**165**
Pension plans	151	140
Provisions early retirement pension	19	25
Total employee benefit obligations for continuing operations	**169**	**165**
Non current	159	150
Current	11	15

Pension plans: overview

Pension plans have been put in place for management and are financed through employer contributions which increase depending on seniority (base contribution of 3.75% of pensionable salary, increasing by 0.5% for every 5 years of service rendered within the Group up to a maximum contribution rate of 5.75%). This plan also includes a “death in service” benefit amounting to twice the pensionable salary. Several pension plans are in place for white collar workers and are financed through fixed employer contributions. In addition, as part of the bonus policy for members of management, a portion of the bonus is awarded via employer contributions to a pension plan scheme.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets.

Pension plans: valuation methodology

The pension and bonus plans described above have been classified as defined benefit. The valuation of the pension and bonus plans has been performed in accordance with IAS 19.

We refer to Note 1.20 concerning the valuation methodology which has been used. The liability is based on the difference between the present value of the “defined benefit obligation”, taking into account the minimum return and a discount factor, less the fair value of any plan assets at the relevant date.

Pension plans: main valuation assumptions

The main assumptions used to perform the valuation are described below:

(€ thousands)	2023	2022
Discount rate BE	2.65%	3.50%
Retirement age	65 years	65 years
Mortality	MR/FR-5	MR/FR-5

For the year ended 31 December 2023, the defined benefit obligation, taking into account the tax effect, amounts to €2.1m (2022: €2.1m) and the offset by plan assets of €2.0m (2022: €2.0m).

Note 28. Other payroll and social related payables

(€ thousands)	2023	2022
Total other payroll and social related payables for continuing operations	**14,444**	**17,161**
Holiday pay	5,537	5,361
Social security taxes	2,105	2,341
Salaries and wages payable	5,953	7,308
Early retirement provision	11	15
Group insurance	37	30
Withholding taxes	374	1,186
Other	428	921

Other payroll and social related payables decreased from €17.2m as of 31 December 2022 to €14.4m as of 31 December 2023. This decrease is mainly driven by lower volumes produced in Europe as well as the implementation of a fixed cost reduction program.

Note 29. Provisions for other liabilities and charges

(€ thousands)	Asset retirement obligation	Warranty	Total
At 1 January 2023 for continuing operations	**1,034**	**1,141**	**2,176**
Additions	19	115	134
Unused amounts reversed	-	-	-
Exchange differences	(37)	(44)	(80)
At 31 December 2023 for contuining operations	**1,017**	**1,212**	**2,229**

(€ thousands)	2023
Non-current	2,229
Current	-
	2,229

The provision for other liabilities and charges remains stable at €2.2m for the year ended 31 December 2023.

Financial Statements

Note 30. Trade and other payables

(€ thousands)	2023	2022
Trade and other payables	**46,462**	**57,201**
Trade payables	37,693	47,349
Accrued charges and deferred income	6,198	7,764
Other payables	2,571	2,089

Trade payables as of 31 December 2023 of €37.7m include the amounts for outstanding invoices (€26.6m, as compared to €37.5m as of 31 December 2022) and invoices to be received in relation to goods and services received during the current period (€7.0m, as compared to €5.9m as of 31 December 2022).

Accrued charges and deferred income mainly relate to accrued charges for customer discounts (€3.0 m as compared to €4.0m as of 31 December 2022) and various other costs.

Note 31. Share based payments

The Company has a long-term incentive plan for certain employees, which depends on the share price reaching a defined target. As this moment, the options are "out-of-the money". Refer to the remuneration report, part of the "Corporate Governance Statement".

Note 32. Government grants

The Group's government grants relate to incentives given by Belgian authorities based on the Group's investment, environmental and employment policies. The amounts received during 2023 were below €0.2m.

Note 33. Earnings per share

Basic and diluted earnings per share

	2023	2022
Basic and diluted earnings per share		
Net result from continuing operations	**(11,095)**	**(13,287)**
Percentage of net result from continuing operations attributable to holders of ordinary and diluted shares	100%	100%
Net result from continuing operations attributable to holders of ordinary and diluted shares	(11,095)	(13,287)
Weighted average number of ordinary and diluted shares outstanding (in thousands)	35,943	35,943
Net result per share attributable to holders of ordinary and diluted shares (in Euro) from continuing operations	**(0.31)**	**(0.37)**
Net result from discontinued operations attributable to holders of ordinary shares	-	(54,459)
Weighted average number of ordinary and diluted shares outstanding (in thousands)	35,943	35,943
Net result per share attributable to holders of ordinary and diluted shares (in Euro) from discontinued operations	**-**	**(1.52)**
Net result per share attributable to holders of ordinary and diluted shares (in Euro) from continuing and discontinued operations	**(0.31)**	**(1.88)**

In accordance with IAS 33, basic earnings per share is calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Adjusted earnings per share

The results for 2023 and 2022 included some non-recurring items which affected the earnings per share calculation. From a management perspective we calculated an adjusted earnings per share which excluded the impact of non-recurring items.

	2023	2022
Adjusted earnings per share[1]		
Net result from continuing operations	(11,095)	(13,287)
Normalisation adjustments:	5,310	7,330
Adjusted Net Result from continuing operations	**(5,786)**	**(5,957)**
Percentage of net result from continuing operations attributable to holders of ordinary and diluted shares	100%	100%
Net result from continuing operations attributable to holders of ordinary and diluted shares	(5,786)	(5,957)
Weighted average number of ordinary and diluted shares outstanding (in thousands)	35,943	35,943
Net result per share attributable to holders of ordinary and diluted shares (in Euro) from continuing operations	**(0.16)**	**(0.17)**
Net result from discontinued operations	-	(54,459)
Normalisation adjustments:	-	59,436
Adjusted Net Result from discontinued operations	**-**	**4,977**
Weighted average number of ordinary and diluted shares outstanding (in thousands)	35,943	35,943
Net result per share attributable to holders of ordinary and diluted shares (in Euro) discontinued operations	**-**	**0.14**
Net result per share attributable to holders of ordinary and diluted shares (in Euro) from continuing and discontinued operations	**(0.16)**	**(0.03)**

1 We refer to the Note 1.25 in which we provide a glossary of the non-GAAP measures and Note 3.

The loss for 2023 includes the net of tax impact of the €3.1m non-recurring expenses for integration and restructuring (see Note 9) and non-recurring tax effects amounting to €3.0m (see Note 11). In the absence of such events, the normalized loss for the period would have been €5.8m. Similarly, the continuing profit for 2022 includes a net of tax impact non-recurring expense of €1.4m and non-recurring tax effects amounting to €6.2m (see Note 11), resulting in a normalised loss of €6.0m.

The high normalisation amount for discontinued operations in 2022 is mainly explained by the mandatory recycling of currency translation adjustments (CTA) of the discontinued operations at the moment of loss of control which are recycled over the income statement (€56.5m or €1.57 per share).

The Group or a direct subsidiary or a person, acting in its own name but on behalf of the Company, has not acquired shares of the Company.

Financial Statements

Note 34. Dividends per share

Our focus remains on deleveraging and further investing into the business, the Board will not propose a dividend for the year.

Note 35. Commitments

Energy

Our fixed price purchase commitments for electricity and gas, for deliveries in 2024 and 2025, are equal to €4.2m as of 31 December 2023 compared to an amount of €5.2m as of 31 December 2022 for the continuing operations.

Capital expenditures

As of 31 December 2023, €0.4m capital commitments are outstanding compared to €2.5m as of 31 December 2022 for the continuing operations.

Note 36. List of consolidated companies

The subsidiaries and jointly controlled entities of Belysse Group NV, the Group's percentage of interest and the Group's percentage of control of the active companies are presented below.

	2023		2022	
	% of interest	**% of control**	**% of interest**	**% of control**
Continuing operations				
Belgium				
Belysse NV	100%	100%	100%	100%
ITC Co BV (founded in 2022)	100%	100%	100%	100%
Modulyss NV	100%	100%	100%	100%
Luxembourg				
LSF9 Belysse Issuer S.à r.l.	100%	100%	100%	100%
Balfin Services S.à r.l. (liquidated in 2022)	0%	0%	0%	0%
LSF9 Belysse Luxembourg S.à r.l.	100%	100%	100%	100%
LSF9 Belysse Investment S.à r.l.	100%	100%	100%	100%
USA				
LSF9 Renaissance Holdings LLC	100%	100%	100%	100%
LSF9 Renaissance Acquisitions LLC	100%	100%	100%	100%
BPS Parent, Inc.	100%	100%	100%	100%
Bentley Prince Street Holdings, Inc.	100%	100%	100%	100%
Bentley Mills, Inc.	100%	100%	100%	100%
Prince Street, Inc.	100%	100%	100%	100%
United Kingdom				
Modulyss UK Ltd. (founded in 2022)	100%	100%	100%	100%

Note 37. Related party transactions

The Company may enter into transactions with its shareholders and other entities owned by its shareholders in the ordinary course of business. Those transactions include, among others, financing agreements and professional, advisory, consulting and other corporate services. In 2018, a contract was signed with a related party of the main shareholder, the impact on the 2022 and 2023 financials is limited.

The Company has entered into arrangements with a number of its subsidiaries and affiliated companies in the course of its business. These arrangements relate to manufacturing, sales transactions, service transactions and financing agreements and were conducted at market prices. Transactions between the Company and its subsidiaries, which are related parties, have been eliminated in the consolidation and are accordingly not disclosed in this Note.

Key management compensation

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

Key management compensation		
(€ thousands)	**2023**	**2022**
Total key management compensation	**1,857**	**3,772**
Short-term employee benefits	1,697	3,569
Board compensation	160	160
Termination benefits	-	40
Share-based payments	-	3

Refer to the 'Corporate Governance Report' for information with respect to remuneration of directors and members of the Group's Management Committee.

There were no other transactions with related parties.

Note 38. Fees paid to the Group's auditors

(€ thousands)	2023	2022
Audit services	**460**	**567**
Audit of the Group pursuant to legislation	460	567
Non-audit services	**36**	**188**
Tax services	22	44
Other services	14	144
Total fees paid to the Group's auditor	**496**	**755**

Note 39. Discontinued operations

On 4 April 2022, Belysse Group NV announced the completion of the sale of its Rugs, Residential polypropylene (PP) and Non-Woven businesses ("the Discontinued Operations"), together with the Balta brand, to Victoria PLC ("the Transaction" or "the Divestment").

The result on the Transaction and net result for the three months period ending 31 March 2022 for the Rugs, Residential polypropylene (PP) and Non-Woven business are included in result from discontinued operations. This also included the mandatory recycling of currency translation adjustments (CTA) of the discontinued operations at the moment of loss of control are recycled over the income statement (€56.5m or €1.57 per share). The full transaction price was paid.

Intercompany Transaction between the continuing and Discontinued Operations have been eliminated.

Note 40. Events after the reporting period

Following non-adjusting subsequent events occurred after 31 December 2023:

- In the context of the Group's refinancing, LSF9 Belysse Investments S.à r.l. signed on 11 January 2024 definitive documents for a new Super Senior Revolving Credit Facility (the "new RCF") of €20m. The new RCF has been made available at customary terms for facilities of this nature, for a term of 3.5 years following the completion of the refinancing, with the option to extend by one year if the term facility is also extended concurrently.
- On 5 February 2024 the Group announced the completion of the refinancing of all outstanding Senior Secured Notes due 2024 with the proceeds of the new €120m (equivalent) term facility to LSF9 Belysse Investments S.à r.l. The Group's senior indebtedness consists as of then of the new term facility, the new RCF and €1.8m Senior Notes due in 2030.
- On 29 February 2024 the Group announced the appointment as of 1 March 2024 of James Neuling (representative of EQIDNA BV) as CEO of Belysse Group NV, succeeding Cyrille Ragoucy. Mr Neuling continues to hold his position as Managing Director Europe in parallel. Mr Ragoucy continues to support the Group in his roles as member and Chairman of the Board of Directors and as an advisor to the management.

Financial Statements

6. Condensed version of Statutory Financial Statements Belysse Group NV

The statutory statement of financial position and the statutory statement of comprehensive income for the period ended 31 December 2023 of Belysse Group NV are given below in a condensed form.

The accounting principles used for the Statutory Financial Statements of Belysse Group NV differ from the accounting principles used for the Consolidated Financial Statements: the Statutory Financial Statements follow the Belgian legal requirements, while the Consolidated Financial Statements follow the International Financial Reporting Standards.

The management report of the Board to the Annual General Meeting of Shareholders and the Statutory Financial Statements of Belysse Group NV, as well as the auditor's report, will be filed with the National Bank of Belgium within the statutory periods. These documents are available on www.belysse.com and can be requested free of charge.

The statutory auditor's report is unqualified and certifies that the non-Consolidated Financial Statements of Belysse Group NV for the year ended 31 December 2023 gives a true and fair view on the financial position and results of the company in accordance with all legal and regulatory dispositions.

(€ thousands)	2023	2022
Fixed assets	280,241	280,241
Financial assets	280,241	280,241
Total non-current assets	**280,241**	**280,241**
Amounts receivable within one year	1,383	3,535
Cash and cash equivalents	3,102	63
Total current assets	**4,485**	**3,598**
Total assets	**284,726**	**283,839**

(€ thousands)	2023	2022
Share capital	260,590	260,590
Share premium	65,660	65,660
Other reserves	147,125	147,125
Retained earnings	(190,398)	(190,447)
Total equity	**282,977**	**282,927**
Trade and other payables	1,749	912
Total current liabilities	**1,749**	**912**
Total equity and liabilities	**284,726**	**283,839**

(€ thousands)	Period ended 31 December 2023	Period ended 31 December 2022
Other income	2,503	5,196
Other expenses	(2,539)	(5,146)
Operating profit / (loss)	**(36)**	**50**
Finance income	98	5
Finance expenses	(12)	(9)
Non-recurring financial charges	-	(11,929)
Profit / (loss) for the period before taxes	**50**	**(11,883)**
Income tax benefit/ (expense)	-	-
Profit / (loss) for the period after taxes	**50**	**(11,883)**

The result of the year has been allocated to the retained earnings awaiting shareholders' approval.

STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING OF BELYSSE GROUP NV ON THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2023

We present to you our statutory auditor's report in the context of our statutory audit of the consolidated accounts of Belysse Group NV (the "Company") and its subsidiaries (jointly "the Group"). This report includes our report on the consolidated accounts, as well as the other legal and regulatory requirements. This forms part of an integrated whole and is indivisible.

We have been appointed as statutory auditor by the general meeting d.d. 24 May 2023, following the proposal formulated by the board of directors and following the recommendation by the audit committee. Our mandate will expire on the date of the general meeting which will deliberate on the annual accounts for the year ended 31 December 2023. We have performed the statutory audit of the Group's consolidated accounts for 7 consecutive years.

Report on the consolidated accounts

Unqualified opinion

We have performed the statutory audit of the Group's consolidated accounts, which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, and which is characterised by a consolidated statement of financial position total of EUR '000 327,557 and a loss for the year (Equity holders) of EUR '000 11,095.

In our opinion, the consolidated accounts give a true and fair view of the Group's net equity and consolidated financial position as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Basis for unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Belgium. Furthermore, we have applied the International Standards on Auditing as approved by the IAASB which are applicable to the year-end and which are not yet approved at the national level. Our responsibilities under those standards are further described in the "*Statutory auditor's responsibilities for the audit of the consolidated accounts"* section of our report. We have fulfilled our ethical responsibilities in accordance with the ethical requirements that are relevant to our audit of the consolidated accounts in Belgium, including the requirements related to independence.

We have obtained from the board of directors and Company officials the explanations and information necessary for performing our audit.

PwC Bedrijfsrevisoren BV - PwC Reviseurs d'Entreprises SRL - Financial Assurance Services
Maatschappelijke zetel/Siège social: Culliganlaan 5, B-1831 Diegem
Vestigingseenheid/Unité d'établissement: Sluisweg 1 bus 8, B-9000 Gent
T: +32 (0)9 268 82 11, F: +32 (0)9 268 82 99, www.pwc.com
BTW/TVA BE 0429.501.944 / RPR Brussel - RPM Bruxelles / ING BE43 3101 3811 9501 - BIC BBRUBEBB / BELFIUS BE92 0689 0408 8123 - BIC GKCC BEBB

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated accounts of the current period. These matters were addressed in the context of our audit of the consolidated accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<u>Valuation of the European goodwill and other European (in)tangible fixed assets</u>

Description of the Key Audit Matter

Belysse Group carries a significant amount of European goodwill, amounting to EUR 30,4 million, and other European (in)tangible fixed assets on the consolidated statement of financial position. Under IFRS, the Company is required to test the amount of goodwill for impairment at least annually. The impairment test was significant to our audit due to the complexity of the assessment process and judgments and assumptions involved which are affected by expected future market and economic developments. The most important assumptions concern the growth rates of revenue and anticipated profit improvements.

How our Audit addressed the Key Audit Matter

We challenged the cash flow projections used in the impairment test and the process through which it was prepared. For our audit we furthermore critically assessed and tested the assumptions, methodologies, the weighted average cost of capital and other data used, for example by comparing them to external and historical data, such as external market growth expectations and by analysing sensitivities in Belysse Group's valuation model. We have assessed the historical accuracy of management's estimates and evaluation of the business plan by comparing the prior year's forecast with the company's actual performance. We included valuation specialists in our team to assist us with these procedures. We specifically focused on the sensitivity in the headroom for the cash generating units, evaluating whether a reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount. We discussed the likelihood of such change with management. We also assessed the adequacy of the disclosures (Note 5) in the financial statements.

From our sensitivity analysis, we found the likelihood of changes resulting in impairment losses to be low.

<u>Uncertain tax positions and recoverability deferred tax assets</u>

Description of the key audit matter

Income tax was of most significance to our audit because the assessment process is complex and the amounts involved are material to the financial statements as a whole. The company went through several capital market transactions over the last years and has operations in different tax and legal jurisdictions where transfer pricing assessments can be challenged by the tax authorities. The accounting for the tax positions comprise significant judgement by the company mainly in the area of the recognition and measurement of uncertain tax positions and the recoverability of deferred taxes. Referring to Note 2, management performed a detailed assessment for uncertain tax positions which resulted in a total provision of EUR 4.5 million recorded for these uncertainties.

How our audit addressed the key audit matter How our audit addressed the key audit matter

We have tested the completeness and accuracy of the amounts reported for current and deferred taxes, including the assessment of the uncertain tax positions and the recoverability of deferred taxes, based on the developments in 2023. In addition, we have evaluated the tax opinions of the companies' experts on the respective cases. We also involved our local subsidiaries' auditors as well as tax specialists in those subsidiaries determined to be the regions with significant tax risks. In respect of deferred tax assets, we analysed and tested the companies' assumptions used to determine the probability that deferred tax assets will be recoverable. During our procedures, we use amongst other budgets, forecasts and tax laws.

We found the Companies' judgements in respect of the Group's position on uncertain tax items and the recoverability of deferred taxes to be consistent and in line with our expectations.

Responsibilities of the board of directors for the preparation of the consolidated accounts

The board of directors is responsible for the preparation of consolidated accounts that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated accounts, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Statutory auditor's responsibilities for the audit of the consolidated accounts

Our objectives are to obtain reasonable assurance about whether the consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated accounts.

In performing our audit, we comply with the legal, regulatory and normative framework applicable to the audit of the consolidated accounts in Belgium. A statutory audit does not provide any assurance as to the Group's future viability nor as to the efficiency or effectiveness of the board of directors' current or future business management at Group level. Our responsibilities in respect of the use of the going concern basis of accounting by the board of directors are described below.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors;

- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the consolidated accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the consolidated accounts, including the disclosures, and whether the consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation;

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated accounts of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Responsibilities of the board of directors

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated accounts, the separate report on non-financial information and the other information included in the annual report on the consolidated accounts.

Statutory auditor's responsibilities

In the context of our engagement and in accordance with the Belgian standard which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, the directors' report on the consolidated accounts, the separate report on non-financial information and the other information included in the annual report on the consolidated accounts and to report on these matters.

Aspects related to the directors' report on the consolidated accounts and to the other information included in the annual report on the consolidated accounts

In our opinion, after having performed specific procedures in relation to the directors' report on the consolidated accounts, this directors' report is consistent with the consolidated accounts for the year under audit and is prepared in accordance with article 3:32 of the Companies' and Associations' Code.

In the context of our audit of the consolidated accounts, we are also responsible for considering, in particular based on the knowledge acquired resulting from the audit, whether the directors' report on the consolidated accounts and other information included in the annual report on the consolidated accounts is materially misstated or contains information which is inadequately disclosed or otherwise misleading. In light of the procedures we have performed, there are no material misstatements we have to report to you.

The non-financial information required by virtue of article 3:32, §2 of the Companies' and Associations' Code is included in the directors' report on the consolidated accounts. The Company has prepared the non-financial information, based on the reference framework Global Reporting Initiative (GRI) Standards. However, in accordance with article 3:80, §1, 5° of the Companies' and Associations' Code, we do not express an opinion as to whether the non-financial information has been prepared in accordance with the Global Reporting Initiative (GRI) Standards as disclosed in the directors' report on the consolidated accounts.

Statement related to independence

- Our registered audit firm and our network did not provide services which are incompatible with the statutory audit of the consolidated accounts, and our registered audit firm remained independent of the Group in the course of our mandate.

- The fees for additional services which are compatible with the statutory audit of the consolidated accounts referred to in article 3:65 of the Companies' and Associations' Code are correctly disclosed and itemized in the notes to the consolidated accounts.

European Uniform Electronic Format (ESEF)

We have also verified, in accordance with the draft standard on the verification of the compliance of the financial statements with the European Uniform Electronic Format (hereinafter "ESEF"), the compliance of the ESEF format with the regulatory technical standards established by the European Delegate Regulation No. 2019/815 of 17 December 2018 (hereinafter: "Delegated Regulation").

The board of directors is responsible for the preparation, in accordance with ESEF requirements, of the consolidated financial statements in the form of an electronic file in ESEF format (hereinafter "digital consolidated financial statements") included in the annual financial report.

Our responsibility is to obtain sufficient appropriate evidence to conclude that the format and marking language of the digital consolidated financial statements comply in all material respects with the ESEF requirements under the Delegated Regulation.

Since Belysse Group NV does not prepare digital consolidated financial statements in English we are unable to express an opinion on these. However, we refer to our report on the consolidated financial statements for the year ended 31 December 2023 in Dutch. This contains our opinion on the official Dutch version of the digital consolidated financial statements of Belysse Group NV which have been prepared in accordance with the ESEF requirements under the Delegated Regulation.

Other statements

This report is consistent with the additional report to the audit committee referred to in article 11 of the Regulation (EU) N° 537/2014.

Ghent, 18 April 2024

The statutory auditor

PwC Bedrijfsrevisoren BV/PwC Reviseurs d'Entreprises SRL
Represented by

Wouter Coppens*
Bedrijfsrevisor/Réviseur d'entreprises

*Acting on behalf of Wouter Coppens BV

Financial Statements

8. Statement of the Board

We, the Board, hereby certify that, to the best of our knowledge, the Consolidated Financial Statements as of 31 December 2023, prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, and with the legal requirements applicable in Belgium, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole, and that the management report includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Financial Statements

Glossary

Alternative Performance Measures

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

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

Adjusted Earnings per share is defined as profit / (loss) for the period 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) non-recurring finance expenses and (v) non-recurring tax effects, divided by the number of shares of Belysse Group NV.

Adjusted EBITDA 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, (iv) depreciation / amortisation and (v) impairment and write-offs.

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

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

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

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

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

Leverage is defined as the ratio of Net Debt to Adjusted EBITDA (both excluding IFRS 16 impacts as per financing documentation, except for sale-and-leaseback transactions).

Investor Relations

Overview

Our aim is to provide transparent, clear and timely information on Belysse's strategy, business and financial performance to all financial market players.

Since the IPO, we have met with investors in road- shows and conferences in several locations across Europe and have hosted a number of site visits both to our head office and production facilities in Belgium as well as to our United States subsidiary, Bentley.

Shareholder structure

The shareholder structure of Belysse Group NV, based on the declarations received in the period up to 31 December 2023, is as follows:

Shareholder	Number of Shares	%
LSF9 Belysse Holdco S.à r.l.	19,408,879	54.00%
Farringdon Capital Management	2,383,300	6.63%
Prime AIFM Lux S.A.	2,139,100	5.95%
Management	28,000	0.08%
Public	11,984,117	33.34%
Total	**35,943,396**	**100%**

Share performance

Belysse shares are listed on Euronext Brussels.

The calendar year ended with a share price of € 0.72, 58% under the share price of € 1.14 at the end of 2022.

Financial calendar

1
March 2024
2023 Full Year Results

22
May 2024
Annual General Meeting

23
August 2024
2024 Half Year Results

Investor & Press contact

press@belysse.com
investor.relations@belysse.com

Legal Counsel

Hannes D'Hoop – hannes.dhoop@belysse.com

Belysse Group NV

Franklin Rooseveltlaan 172-174
8790 Waregem
Belgium

hello@belysse.com www.belysse.com

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