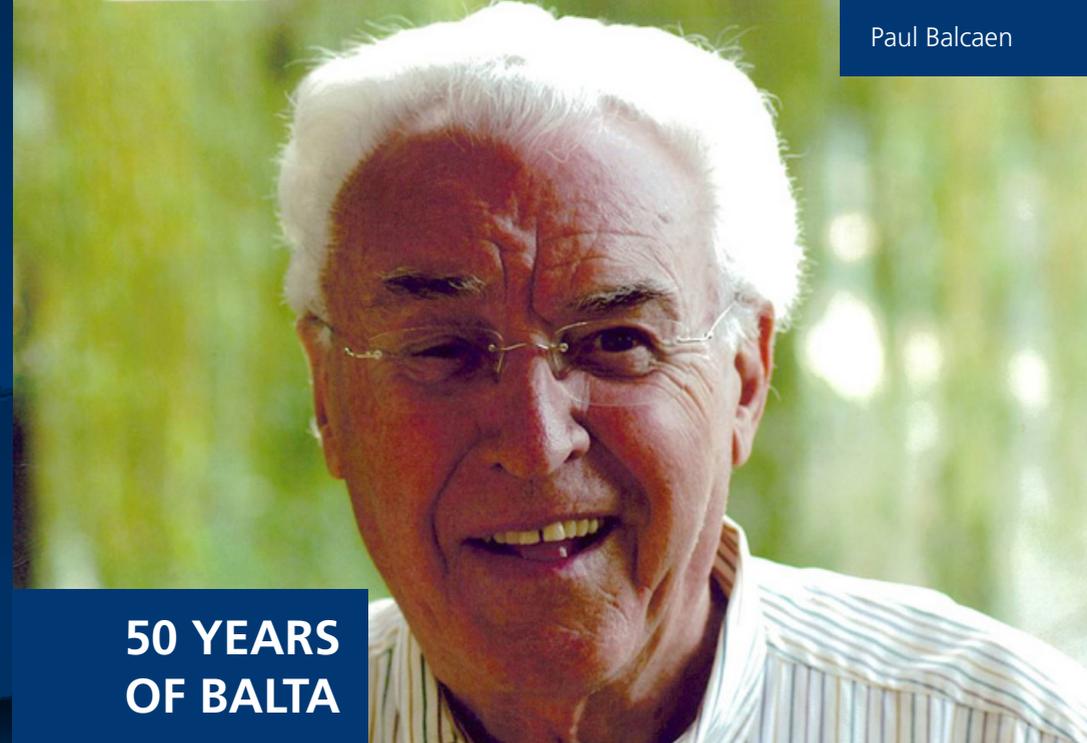




balta



50 YEARS OF BALTA

50 YEARS OF BALTA	3
HISTORY	4
BALTA SET UP ON 29 APRIL 1964	6
> ARTICLES OF ASSOCIATION	8
> GENERAL MEETING – BOARD OF DIRECTORS	9
HOME WEAVERS	10
EXPANSION OF THE BALTA GROUP	12
> EXPANSION	12
> POLYPROPYLENE CARPETS	16
> MARKETING STRATEGY	20
> TEXTILE PLAN	21
> PAUL AND FILIP BALCAEN RETAINED THE SAME MENTALITY	23
> BALTEZERS	26
> PARTNERSHIP WITH VAN DE WIELE	28
> DIVERSIFICATION AND GEOGRAPHICAL EXPANSION	31
NEW OWNER DOUGHTY HANSON	34
> AGREEMENT ON TAKE-OVER	35
> 2004-2014	36
THE BALTA GROUP IN 2014	40
COMMITTEE OF DIRECTORS	44
BALTA 50 YEAR ANNIVERSARY EVENT AT THE HIPPODROME IN WAREGEM	45
MILESTONES IN THE 50 YEAR HISTORY OF BALTA	46

NV. BALTA turns 50 this year, officially set up on 29 April 1964. The name stands for “BALcaen TApijten”. The founder, Paul Balcaen, had been operating as an entrepreneur in the sector for some years previously, and by starting up again he wanted to fulfill his ambition of becoming a substantial player in the market. During the subsequent decades, Balta has grown consistently, becoming a fully fledged vertically integrated carpet manufacturer.

In 1990, Paul Balcaen passed the baton to his son, Filip Balcaen,

who in his turn drove the company on to become the current global leader it is today. Started in 1964 with five employees, Balta has grown into a world-renowned manufacturer of carpet and vinyl flooring, with more than 3300 employees and a turnover of 600 million euros.

In 2004 the company was taken over by Doughty Hanson, but Filip Balcaen retained IVC. Today, Balta is the manufacturer that produces the greatest number of square metres of woven and tufted carpet in Europe.¹

¹ In preparation for this contribution, we had conversations with Filip Balcaen, Eric Van Poucke, Lucien Dewinter, Geert Vanden Bossche, and others. In 1990, Filip Balcaen succeeded his father and founder Paul Balcaen as head of the company. Eric Van Poucke was Financial Director, and was active in Balta from 15 April 1971 until the end of January 2010. Lucien Dewinter was General Manager of the polypropylene carpet division and “Balteser” from 1 November 1965 until December 2006. Geert Vanden Bossche is Marketing Manager, and has been in Balta since 1 June 1984.



HISTORY

As is the case with other world-renowned Wielsbeekse companies, the history of Balta is founded in flax. For that we go back to Gaston Balcaen (° Moen 5 April 1896 - † Sint-Baafs-Vijve 8 February 1990), who, with his brother-in-law, had a flax business² on the Wakkensesteenweg in Sint-Baafs-Vijve. He was a native of Moen, but came to Sint-Baafs-Vijve in the 1920s because it offered better opportunities for a flax business. However, in the 1950s

the once thriving flax industry collapsed like a stack of cards. For the Balcaen family, the flax crisis was the signal to transfer their business activities to the textile sector. In 1951, Gaston and his son Paul Balcaen set up Bavotex for the manufacture of fabrics for women's ready-to-wear clothing.

The company mainly used mechanical looms to produce fabrics for this. According to eye-witnesses, Gaston was very proud of his flatweave fabric 'sans plis'³,

crease-resistant open weave, ideally suited for ladies clothing.⁴

In its heyday, the flax industry in Sint-Baafs-Vijve comprised 125 companies, by 1960 it had already reduced to 25. Many companies switched to other fields of business, such as textiles, including Breiwerkfabriek Lava (°1925) and Bavotex. In 1960 there were still six artificial flax mills in operation.⁵ Among the former flax traders, many moved into the chipboard industry as it was directly related to the waste products derived from the flax industry.

Paul Balcaen (° Sint-Baafs-Vijve 20 August 1928 - † Wortegem-Petegem 25 February 2007) already had textiles in his sights, and, after completing grammar school in Waregem, decided to study textile engineering. He saw no future for himself in the manufacture of flatweave fabric. His father and sister did not agree with him in his different view of the family company, and continued to be active in Bavotex. Paul Balcaen⁶ followed his calling, and set up his own company. In the end

he also left Bavotex to concentrate solely on the carpet sector. It was Paul Balcaen's ambition to produce a higher-value textile product, and in particular an end product, specifically, area rugs. At that time this was still a luxury product, that could be sold only to the "higher" classes (doctors, lawyers, etc.). These were still made from silk (for example, Lano) and wool (Prado, De Poortere), and that was too expensive for the average person. Paul Balcaen searched for a different raw material of lower cost to make it possible to produce area rugs at an attractive price. Initially he used jute or cotton yarn for the pile.

The origins of the Balta Empire really go back to 1959, when he started his own company, pvba Etablissementen Paul Balcaen. As a textile engineer he was able to fully exploit his professional expertise. To start with he was able to share the family factory on the Wakkenstraat (nr. 5) in Sint-Baafs-Vijve with Bavotex. He bought three second-hand looms⁷ and, with his own ef-

² Gaston Balcaen also wrote political history as wartime Mayor of Sint-Baafs-Vijve. In contrast to many colleagues in other municipalities, he was not stigmatised by this sensitive period, and after the war he was able to continue his life normally in Sint-Baafs-Vijve. He is still remembered there as a good Mayor, who did his best for his fellow villagers in difficult circumstances (info from conversation with Annie De Waele, 21 March 2014). We also refer to a rare mention in the book "oorlogsburgemeesters (wartime mayors) 40-45" by Nico Wouters, page 554.

³ This refers to a fabric that does not show creases, is supple, and is very suitable for clothing. A quote from Annie De Waele. She was active as nurse on various occasions with the family Balcaen. She sometimes bought the crease-resistant fabrics from Gaston Balcaen, and was very satisfied with them.

⁴ The company Bavotex is mentioned under Sint-Baafs-Vijve in "Dit is West-Vlaanderen" (published in 1974 by Flandria). We have reservations about the content because no distinction is made with the company of Paul Balcaen, and there is also no reference to Balta. Under Bavotex pvba is stated: "Founded in 1951 by Gaston Balcaen and his son Paul. Manufacturing programme chiefly fabrics for women's clothing. Additionally carpets (wool and mixed) "face-to-face" genre. 36 mechanical looms. Market Belgium and export. Factory buildings 3000 m² approx. Expansion in progress. 30 employees".

⁵ According to the inventory, inherited properties: <https://inventaris.onroerendergoed.be/dibe/geheel/22145>

⁶ Paul had fundamentally different interests from his father. For example, Paul was more of an entrepreneur than his father, and his father having been mayor left him less politically-inclined.

⁷ From the 1963 inventory we can assume that these were Tonnar looms.

forts, got his company going and was able to extract the maximum technical benefit from the looms. He did everything himself: the setting up, the production of jute carpets, and the selling (largely to the German market). Paul Balcaen focused immediately on weaving face-to-face woven carpets. His decision certainly did the region no harm, and Roger De Clerck (°1924), who first sought his salvation in furniture fabrics, quickly followed Paul Balcaen into the carpet sector.

On 29 April 1964, Paul Balcaen changed the legal status of his company and gave it the name BALTA NV. The decision to form a public limited company (NV) was prompted by the advantages relating to the continuity of the business, liability, the attraction of funding, and the fiscal aspects. With the name BALTA (BALcaen TApijten), the family name was preserved in some way. However this link is mentioned nowhere in the documents.

BALTA SET UP ON 29 APRIL 1964

The founding document⁸ shows that Paul Balcaen already had an ambitious view of the future of his company. On 29 April 1964 seven “comparanten”⁹ asked the notary André Verschoore of Nieuwkerke to prepare the articles of association for the public limited company that they had set up. The founders were:

1. Mr. Paul BALCAEN, industrialist, living at Wakkensteenweg 5, Sint-Baafs-Vijve.

2. Mrs. Godelieve VAN DEN EYNDE, without profession, wife of and authorised by Mr. Paul Balcaen, living at the same address.

3. Mr. René BALCAEN, without profession, living at Wakkensteenweg 3, Sint-Baafs-Vijve.

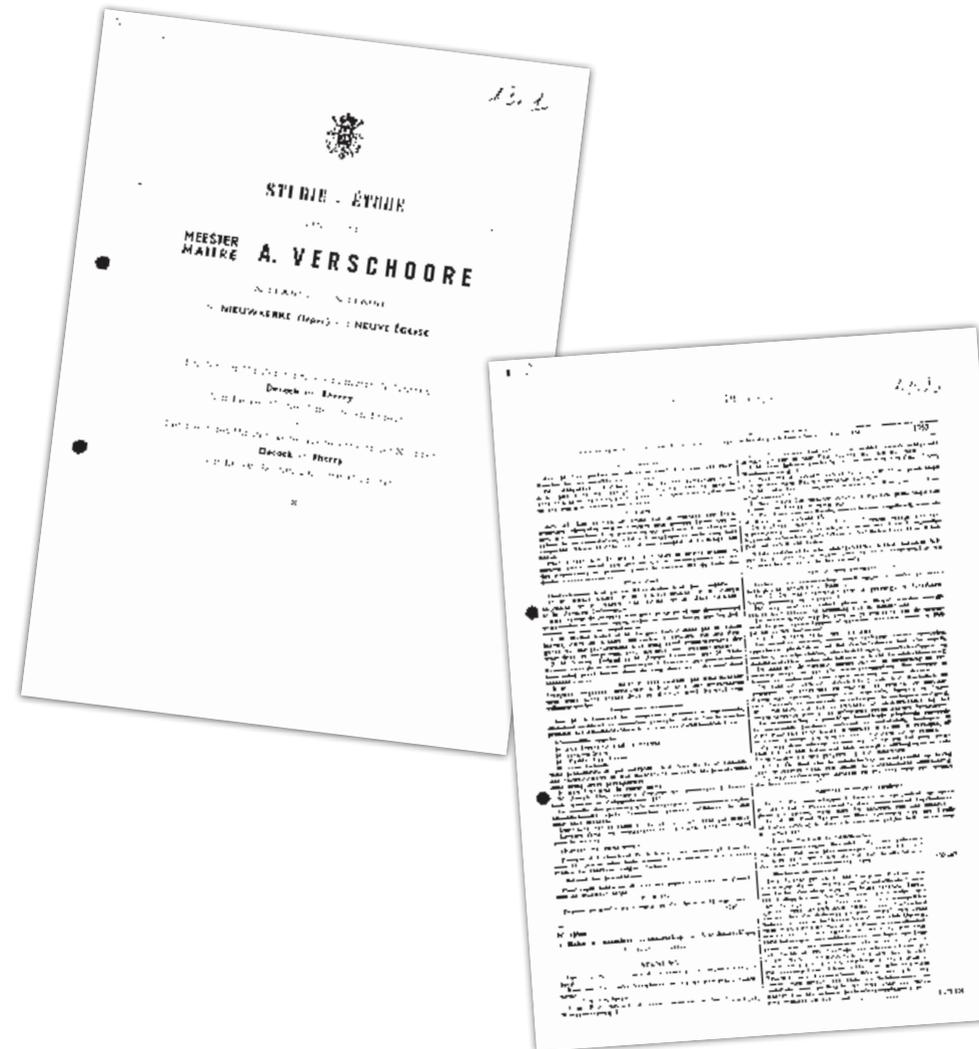
4. Mrs. Maria GEERAERT, without profession, wife of and authorised by Mr. René Balcaen, living at the same address.

5. Mr. John LORREZ, office worker, living at O. Verschuierenstraat 5, Waregem.

6. Mrs. Lydie DELOMBAERDE, manager, wife of and authorised by Mr. John Lorrez, living at the same address.

7. Miss Anna VAN DEN EYNDE, without profession, single, living at Holstraat 15, Waregem.

On 29 April 1964, the conveyances were signed at notary Verschoore by those present, Paul Balcaen and office worker John Lorrez, who had power of attorney for the other associates.



⁸ Notary A. Verschoore, establishment of the Balta company, 29 April 1964. Belgisch Staatsblad 16 May 1964 page 3957 No. 13349 Balta, Public Limited Company, at Steenweg op Wakken 5, Sint-Baafs-Vijve, Established 29 April 1964.

⁹ A “comparant” is a person who appears before a notary or judge to arrange or declare something.

► ARTICLES OF ASSOCIATION

I. - Name – Registered in – Purpose – Duration:

Article 1:

The company is set up under the company name “BALTA”.

Article 2:

The company is registered at Steenweg op Wakken 5, Sint-Baafs-Vijve. It may be transferred to another location in Belgium by a simple decision of the Board of Management. The company may set up branches, agencies, or offices, both in Belgium and abroad, on a simple decision of the Board of Management.

Article 3:

The purpose of the company is:

- Preparation, spinning, weaving, manufacturing, dyeing, yarn processing, finishing, plastification, and the manufacture of finished products from all fibres, weaves, textile products, floor coverings, wall coverings, and insulation products, in every form directly and through subcontracting.
- Purchase, sale, import, export, treatment, and processing of these and of all textile raw materials. Transport at home and abroad on own account and for third parties.

- Purchase, sale, manufacture of all machines and looms, creation and drawing of designs, preparation of patterns, as well as all industrial, business, and financial transactions relating to movable and immovable goods, representation, committees, that can directly or indirectly further the purpose of the company or its expansion.
- The company is authorised in relation to all kinds of movable and immovable goods, material, and installations, to make purchases, to make rental agreements, to construct, to purchase, to sell, or to exchange, as well as to set up all shops and/or branches.
- Through contributions, mergers, or in any other way, it may participate in enterprises, associations, or companies with similar goals.

Article 4:

The duration of the company is set at 30 years calculated from 1 January 1964. It may enter into and enforce agreements for a period that exceeds this duration.

II. – Capital – Contributions - Shares

Article 5 and 6.

III – Management and supervision
Article 7 to 13.

IV – General meetings
Article 14 to 23.

The vehicles and accessories, the machines, the stocks, the raw materials, the finished products, the products in the process of manufacture, and the goods purchased from the business of the former Etablissements Paul Balcaen in Sint-Baafs-Vijve were put into the new company¹⁰. The total contribution in kind from the former company was calculated to be 5,200,000 BEF, for which Paul Balcaen and his wife Godelieve Van den Eynde were each allocated 2,600 shares of 1000 BEF.

Additional capital was subscribed in cash to a total of 7,000 shares. Of these, Paul Balcaen and Godelieve Van den Eynde each received another 723 shares. John Lorrez subscribed for 350 shares, while the other shareholders, Maria Geeraert, René Balcaen, Lydie Delombaerde, and Anna Van

den Eynde each received one share.

► GENERAL MEETING – BOARD OF DIRECTORS

Immediately after the company was set up, the general meeting of shareholders decided unanimously on 29 April 1964, “in accordance with the articles of association” to take the following decisions:

1. - The number of directors is initially set at three.
2. - Those appointed as directors are: 1. Mr. Paul Balcaen, 2. Mrs. Godelieve Van den Eynde, 3. Mr. John Lorrez; and, as commissioner, Mr. André Watteyne, accountant of Ieperstraat 17, Geluwe. They expressly declare their willingness to accept their functions.

The aforementioned directors immediately met as Board of Management, and unanimously elected Mr. Paul Balcaen as Chairman-Director, and Mrs. Godelieve Van den Eynde and Mr. John Lorrez as Representative-Directors, who declared their willingness to accept...

¹⁰ From article 6 of the articles of association we learn that the vehicles of the Paul Balcaen company consisted of a Mercedes 1962 private car, a 1963 car radio, and a 1963 Citroën AZ, and were charged at 133,047 BEF. The machines and materials to a value of 1,372,101 BEF included three Tonnar looms, a Franfeuse Perkins, Mauser and Union winding machines, two heaters, two bobbin winding machines, a steam boiler, a pulping machine, calculators (Rheinmetall and Addox 1300), typewriters, installation for high voltage power report, etc. The raw materials and finished and unfinished products were charged at 3,445,596 BEF, and packaging materials at 249,256 BEF. The total contribution in kind amounted to 5,200,000 BEF. The report of this contribution was produced by the auditor André Watteyne under warrant of 13 April 1964 at the instruction of the chairman of the commercial court of Kortrijk.

HOME WEAVERS

The new start with the change of legal status to NV Balta created new perspectives for Paul Balcaen. An important decision made on 1 November 1965 was the move to use home weavers or piece workers. The reason for the decision was the lack of sufficient capital and the ambition to nevertheless provide a rapid and fully-fledged response to the huge market demand. Balta provided the raw materials and the assignment. The home weaver invested in his own loom, and was paid per square metre.

At the beginning of 1971 Balta was already employing some eight home weavers, and that number was further increased so that at a particular moment in the 80s a peak was reached of around 25 home weavers. One of the largest

home weaver partners was the Oestapis weaving mill in Oeselgem. This company was also Balta's last home weaver. After a fire, the contract was no longer renewed due to changes in market conditions.



Thanks to being able to make use of home weavers, Balta was able to achieve rapid growth without itself having to invest in a larger machine park and extra permanent staff.

It could count on highly experienced and motivated home weavers to achieve added value. Home weavers were technically very skilled, strongly motivated, and very flexible. The use of piece workers made it easy to create a capacity buffer. In this way, through the use of this external production capacity, Balta could plan better for the highly variable demand, absorb the peaks, or slowdown production by the home weavers when there was reduced demand, while in-house production could simply continue.

Another advantage was that the prices could be calculated on the basis of a concrete fixed cost price. Without the home weavers the rapid growth of Balta would not have been possible in practice. Partly thanks to being able to call upon the piece workers, Balta was able to

expand to become the world's largest producer of face-to-face woven carpets.

The arrival of a new generation of ultramodern looms was the reason for running down the system using home weavers. It was no longer cost-effective to work with a small number of looms. Around 1988, Balta decided on the construction and expansion of Balta Weaving in Sint-Eloois-Vijve, and this decision also proved the final straw for the use of piece workers. Balta Weaving had at its disposal a machine park of 24 electronic looms, the largest weaving unit in the world. With the Jacquard automation, the classic shuttle guidance was replaced by electronic control, and this resulted in increased yield. The new generation of modern carpet looms enabled the weavers to operate several looms,

1969



10

Balta Weaving - 1988



11

so that the cost of the home weavers could no longer compete with the internal production, and was therefore no longer cost-effective. Home weavers were unable to undertake the heavy investments because of the very high cost price and the

fact that, for increased cost effectiveness, it was better to purchase several looms (at least 3 or 4). Moreover, larger working places were needed to accommodate such a machine park, with larger bobbins, and therefore larger creels.

EXPANSION OF THE BALTA GROUP

When NV Balta was set up, the company still only produced area rugs, using pile made from jute, mixed/cotton, and wool yarns.

Later a department followed for finishing area rugs. An important changeover point was the move to new buildings in 1969, and the systematic expansion at the current location at Wakkensteenweg 2. In 1969 it was possible to start work on the current establishment on land acquired from neighbours opposite the location at the time. After 10 to 15 expansions, Balta now occupies some 30 ha in the area. This was achieved systematically, as it became necessary and as the land became available from va-

rious owners, specifically, the land of the Vergotte family, the Daniel brothers, Arnold and Jan Planckaert, Michel Van de Putte, the Lippens family (hangar), the former milk factory, Jerome's meadow, and the property of Stefaan Heyerick.

► EXPANSION

Balta was able to expand organically, and became the largest employer in the region. When NV Balta was set up in 1964 there were five employees. In 1970, at the time of the move to the current location at Wakkensteenweg 2, the company had already grown to about 125 employees. This number continued to expand to about



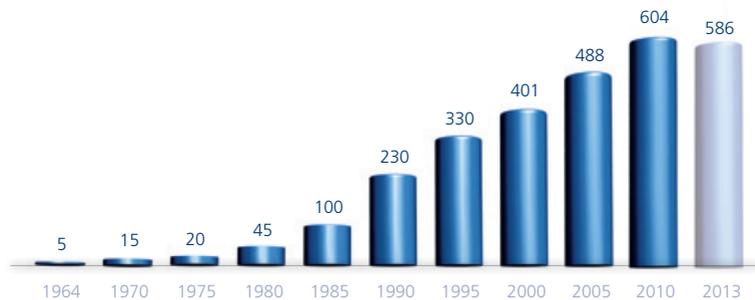
200 in 1975, 400 in 1980, 600 in 1985, 1600 in 1990, 2200 in 1995, 3040 in 2000, 3543 in 2005, and 3546 in 2007.¹¹

The Jubilee brochure shows 3367 employees for 2013. The turnover grew proportionately, when converted to our current monetary unit the Euro, from 1 million in 1964 to 7.5 mil-

lion in 1970, 20 million in 1975, 45 million (1980), 100 (1985), 230 (1990), 330 (1995), 489 (2000), 639 (2005), 728 (2006).¹²

In the 2014 brochure the figures were corrected to exclude Ideco, Grantil, Exelto and J.V. Trinterio (Spanolux – Balterio) to 488 (2005), 604 (2010), and 586 (2013).

GROSS TURNOVER EVOLUTION



Consolidated gross turnover – not incl. Ideco & Grantil – Including Domo Floorcoverings as from November 2010 – 2013 excluding J.V. Trinterio and Exelto.

In 1969 the construction of new buildings at the current location was started on land opposite Wakkensteenweg 2. Over the years, Balta has expanded to become a fully-fledged and fully vertically integrated carpet manufacturer covering the complete working cycle from raw materials to finishing. The objective was complete control over the products from raw material, through spinning,

to the detailed finishing. This means that, besides weaving, the field of work of the company encompassed the yarn processing, the dyeing, and the finishing. This gave Balta a lead in terms of cost price and quality. It worked on a larger scale than most of its competitors.

New buildings were consistently added for additional production departments. In 1969,

along with a new weaving mill, a number of yarn processing departments were set up, including one for finishing area rugs, a department for winding the beams, a spinning mill, and a hank dye works for spinning and dyeing wool yarns for weaving area rugs. The office section dates from 1970.

In 1973/74 a start was made in Sint-Baafs-Vijve and in Tielt (ITC) with the tufting of broadloom carpet. The latex department for the backing of broadloom carpet followed in 1975/76, and the Berber yarn spinning mill for broadloom carpet was set up in 1976/77, followed by the dyeing mill for broadloom carpet.

Other milestones were the extruding of polypropylene yarns (1980/81), and the threading and heat setting of polypropylene yarns. In 2000 came the felting installation for broadloom carpet, and a year later extrusion for warp yarns.

In 1988/89 a start was made on the extension at Wakkensteenweg 37 (on the land of the Lauwers manor). In that year a start was also made on a new weaving mill, Balta Weaving, on the Roterijstraat in Sint-Eloois-Vijve (easily visible from the Waregem ring road). In 1991/92 the extension of the wool/heat-setting weaving mill in Avelgem was also started.



Tufting machine ITC

¹¹ According to internal graph 2.2. 'evolution of the number of employees'.

¹² According to the same internal graph 'evolution of the Balta group' of 2007.



► POLYPROPYLENE CARPETS

The success of Balta was anything but self-evident, and came about only after a long evolution through the daily efforts of all “Baltezers”, a clear view of improvements, brilliant innovations, knowledge of the market, major investments, attention to detail, good fortune... An important milestone in the success of Balta was the start of the production of area rugs with a pile made of polypropylene yarns (PP BCF yarns).¹³ It was a unique substitute for jute and mixed/cotton pile yarns. In September 1973 this was a world first for Balta.

Paul Balcaen was not blind to the shortcomings of his product

using jute or cotton pile yarns, and was open to possible improvements.

His first area rugs in jute suffered from the insurmountable problem of a lack of spring in the pile, so the carpets pretty quickly looked flattened. Furthermore, they were not particularly colourfast. He also worked with cotton from yarn remains and recovered cotton. Here the pile was upright initially, but this product was also not completely satisfactory as the quality proved short-lived.

The founder of Balta was looking for something that retained acceptable quality and at the same time remained price competitive.

He first came into contact with the potential of polypropylene¹⁴, under the product name Meraklon, at a trade fair in Italy. The producer of Meraklon had not yet recognised the possibility of using BCF polypropylene as pile yarn for weaving area rugs. But Paul Balcaen did see the opportunity, and tests confirmed his wildest dreams. The end product made one think of carpets woven from wool, with the added bonus of being colourfast and the pile remaining upright, but with a much lower cost price.

Balta was the first carpet manufacturer in the world to produce area rugs using these Polypropylene BCF (Bulk Continuous Filament) yarns. He

had agreed on ten-year world exclusive rights to the product Meraklon with the only yarn producer (Neofil Italy) and was thus able to maintain a lead over his competitors.¹⁵ There were naturally the usual difficulties in achieving smooth production. To start with, Paul Balcaen’s problem was that he did not have suitable looms. Therefore he first proposed to Van Neder Waregem to weave area rugs with polypropylene for him, but they were not interested, so he undertook the investment himself, and also worked with his home weavers.

Balta sold polypropylene carpets mainly under the Samira brand. It was a decisive step in the success story of Balta as they became the largest producer in the

¹³ By means of extrusion, a liquid substance (in this case polypropylene) is converted into indefinitely long yarns (BCF), that, according to requirements, can still be processed in various ways (twisting, twining, thermofixing, etc.). The finished yarns are mainly used in the production of tufted and woven carpet.

¹⁴ Polypropylene (PP) was an invention of the chemist Giulio Natta, who, through an improved process of polymerisation, created the possibility of producing cheap industrial plastics. Initially these were still polypropylene films (produced in 1957 at Montecatini), but in due course also monofilament in PP and BCF, and Multi-filament PP (under the brand name Meraklon in 1969). For his invention, Prof. Giulio Natta was awarded the 1963 Nobel Prize for Chemistry.

¹⁵ Eventually, also Beaulieu would gain access to the product via the alternative supplier Philips Oil Corporation and a Canadian licence. Neofil (Montedison/Montecatini) had taken out a patent on the product for most countries in Europe and the rest of the world, but Canada was not among them.



Avelgem - 1994

world. There is no brand that has sold so much as Samira, this becoming a big success for Balta. The cheap brand stood for large production and low selling price with BCF PP pile.

This quality was sold heavily in the Eastern Bloc, the Middle East, and the Far East. BCF PP carpets were produced in the Waregem Department, with Lucien Dewinter as General Director Polypropylene.

In 1992 the carpet division was divided into two parts. The cheaper product Samira continued to be produced in Waregem and Sint-Baafs-Vijve under the management of **Lucien Dewinter**, and a new factory was built in Avelgem for the production of wool and heatset carpets (the better segment) under the management of **Marc Dessein**.

A further diversification step was the technology for pro-

ducing sisal-look carpets. This took place in 1998. For this purpose, Balta developed three-colour PP tone on tone in a single thread, with the natural appearance of sisal, but much better for weaving, and less expensive. Sisal-look carpet was introduced into the market under the 'Natura' brand.

These modern design carpets are much in demand for indoor and outdoor use, for example,

the USA and Europe.

In 2003 Balta produced the first carpets with soft tufted loop pile, flatweave, and tufted cut pile, and in 2005 Balta developed a wide range of heatset PP yarns for Shaggy rugs or long pile carpet with up to 7 cm pile height. Recently the Kelim innovation was also introduced, in which the art of the hand knotted nomad carpets was imitated technically using polypropylene.

► MARKETING STRATEGY

Behind the success of Balta lay the well thought out policy of the entrepreneurs Paul Balcaen and later his son Filip Balcaen. We have already talked about the aim of becoming a completely vertically integrated carpet manufacturer with control from raw material to final details.

As a result of the expansion of the complex, from 1969 this control could be achieved because, in addition to the weaving, also the yarn processing, the dyeing, and the finishing could be carried out in-house. This gave Balta a lead in terms of cost price and quality.

At the beginning of the 1990s, the original logo was replaced by the familiar blue square with the baseline 'Home of Decoration'. This slogan really dates from a time when Balta was active in several complementary product categories. Besides broadloom carpeting, carpets, laminate, and vinyl, Balta also had two companies for wallcovering (wallpaper). This matched the slogan perfectly.

After IVC was kept out of the sale of the Balta Group, and after the wallpaper companies (Ideco en Grantil) and the laminate division Balterio were sold, only textile floorcovering was left. For this reason it was decided to look for a new baseline.



Balta sponsors SV Waregem

After the long break in 2012, the baseline was transformed into 'Inspiring Floors' by Geert Vanden Bossche, responsible for marketing. This striking slogan stands for innovation, creativity as the foundation for success, naturally in combination with the core activity 'flooring'.



INSPIRING FLOORS

Balta has never been a consumer brand, and has no ambitions in this direction. However, in the market the products are known under a number of brand names such as Berclon®, Line A®, Imprel®, StainSafe®, Ultratex®, etc. that stand for a collection or for

specific product characteristics. Everything is directed towards a professional, customer-friendly approach through which Balta can profile itself as the most reliable partner. Unique market-oriented creativity, forcefully driven vertical integration, and 'operational excellence' at every level, form the main lines of the strategy. Sustainable development of all activities is important to Balta. The installation of solar panels for the production of green electricity, one of the largest projects in the Benelux, is an example of this ambition.¹⁶

► TEXTILE PLAN

Another important landmark was the Textile plan.¹⁷ The outlook for the textile sector in general, and no less for the carpet sector, was very uncertain. The Textile plan could save the situation, but heavy investment would have to be made both through the contribution of own resources (capital) and the implementation of important investments.

¹⁶ Press release on the occasion of the celebration of 50 years of Balta.

¹⁷ It was launched in August 1980 by Willy Claes, the former Minister for Economic Affairs, as a "five-year plan for textile and clothing". This was put into effect by the Belgian government in 1982.

In the second half of the 1970s the sector suffered from serious setbacks. Partly through the Textile plan, which provided for new investments in the sector, there followed a period of cautious recovery in the 1980s. As Minister of Economic Affairs, Mark Eyskens made a great success of the Textile plan.. On 17 December 1981 he succeeded Claes as Minister of Economic Affairs in the Martens V government, and continued in that function until 28 November 1985, when he was succeeded by Philippe Maystadt. Prior to this, Eyskens had become Minister of Finance on 22 October 1980, and remained so until 6 April 1981 when he became Prime Minister until December.

At the beginning of the 1980s, at the conception and start-up of the Textile plan, the Managing Director, Paul Balcaen, was faced with the dilemma of whether or not to participate. The financial component of the Textile plan was based on the Royal Decree of 23 March 1982 that made it possible for the NMNS (National organisation for the restructuring of companies in the national sectors) to underwrite the preferential shares-without-voting-rights of textile companies. This element provided that companies could repurchase the shares-without-voting-rights from the government in annual installments of 10 percent from the sixth year to the extent allowed by the available reserves.

From the 16th year, the non-repurchased shares would become shares with voting rights. The participating companies had the contractual right to repurchase the “non-voting shares” prematurely at any time.

Paul Balcaen was primarily concerned about the fact that if the shares were not bought back, from the 16th year they would automatically gain vo-

ting rights, meaning that the state would have a voice in his company. In the end, the advice of Roger Parmentier¹⁸, the then CEO of Bekaert Textiel, won Paul Balcaen over. Mr. Parmentier said: “Paul, I’m not going to tell you what to do. But I’m going to tell you what I’m going to do.

Paul, I’m going for it. I am not going to miss this chance, but make sure that we can pay back if the state wants to gain a say in our company. In other words, make sure there are sufficient reserves to buy back the shares should there be a change in the legislation, to prevent the possibility that you as owner would lose control of your company.”

The funds from the Textile plan made it possible to invest heavily at two levels:

- improving the capital structure.
- non-voting shares system: introduce shares without voting rights, and buy back 1/10th of the shares every year from the sixth year. Balta was able to take double advantage of a capital injection (which amounted to a sort of rent-free loan). This gave a boost to

the development of the company. Balta consistently repaid its obligations correctly (which could not be said of all the participating textile companies, since the Textile plan was watered down under a political tug-of-war so that the principle “back the winner” was later not always respected, and good contacts with certain politicians became important).

The Balta dossier was the third to be submitted, and, in view of its importance, the first that had to be decided in the Council of Ministers. Furthermore, Balta could also benefit from the “Commercieel Dienstenluik”, that gave the possibility of substantial expansion of Balta’s promotion and commercialisation.

Not every company owner in the region was in favour of the terms of the Textile plan. For example, Marc Santens of Concordia Textiles were more averse to the action. As previously stated, Roger Parmentier of Bekaert Textiles was himself in favour, and was able to convince Paul Balcaen to also participate in the Textile plan.

Thanks to the Textile plan¹⁹ Balta experienced strong growth and development, which is clearly evident from the graphs of turnover and number of employees. Between 1985 and 1990 the turnover rose from 100 to 230 million euros, and the number of employees from 600 to 1600. This level of growth made it possible for Balta to consistently buy back the “non-voting shares”.

► PAUL AND FILIP BALCAEN RETAINED THE SME MENTALITY

The great strength of Balta and the Balcaen family was that they surrounded themselves with very good employees. They were very demanding, but the employees’ level of effort and motivation was very high thanks to the generous pay and support. Even after the large growth in the number of employees, the SME spirit was retained, and the management continued to be inspired by “family”. The employees were moulded into good “Baltezers”. The Board, with father Paul Balcaen and later Filip Balcaen, were real pioneers and thus themselves provided the example. As good father figures,

¹⁸ Roger Parmentier was Chairman of Febeltex (Federation of the Belgian Textile industry) from 1982 to 1985. For many years he devoted himself to the various boards of the Textile employers organisation, was Chairman of COMITEX, and vice-chairman of the ITCB. In that capacity, he participated in the delegation that had an audience with King Boudewijn on 10 May 1983 to explain the purpose and details of the Textile plan. (Info. Victor-Hugo De Grijse, Textiel – 50 jaar ondernemen voor een toekomst, DF Leuven 2007).

¹⁹ The revival of the textile industry was largely thanks to the Textile plan, but must also be attributed to the general measures of the Martens V government, such as devaluation, wage restraint, limited indexation, and fiscal measures aimed at the recovery of the competitive position of the business community.

they were generally the first to arrive at the company and stayed there at work until late in the evening.

When they were walking round the company they also made contact with the people on the shopfloor, and demonstrated that they were also involved and willing to listen. They regularly chatted with the employees on the shopfloor, showing their appreciation and gratitude for their achievements. They were not above regularly giving a pat on the back with the words: "I'm counting on you, so keep it up" or "How are things going here, what improvements can we make, how is your family, etc."

At Balta they made sure that the SME mentality was retained by splitting it into different divisions each with an individual at the head who could be described as 'a manager with a lot of common sense'. Paul Balcaen was once heard to say that for a company owner there were three paths that could lead to bankruptcy:

- getting involved with gam-

bling (e.g. casino, betting on horses, etc...)

- drinking, and getting involved with women
- bringing Civil Engineers into your company.

He expressed this view in the 1970s, but Filip Balcaen later succeeded in strongly professionalising Balta by attracting well-educated and pragmatic engineers.

Another saying of father Paul Balcaen was: "You are better off with a bad agreement than a good lawsuit; a judge is like a drunk - when a drunk is walking in the street you never know whether he is going to walk on the left or the right; and it is exactly the same with a judge; you can never predict the verdict of a judge".

Filip Balcaen, the son of the founder Paul Balcaen, joined the company in 1984 after gaining his MBA²⁰ in America. "It was a fantastic opportunity to enter at the lower level where I have been able to learn everything in several departments, and it was a very interesting



Filip Balcaen

experience," he once stated in Dalton Magazine²¹.

In 1984 Balta had been in existence for 20 years, with 500 employees good for a turnover of 4 billion Belgian francs. Twenty years later, when sold to the British buy-out fund Doughty Hanson, the company had grown to 3700 employees and a turnover of 28 billion BEF (700 million euros).

In 1990 the handover took place with son Filip Balcaen taking the helm. Paul Balcaen stepped aside, and Filip became Managing Director. This handover went very smoothly, Filip already thoroughly integrated. For insiders who knew the character of father Paul, it is still a mystery how he managed, day after day, to distance himself from his company and handover all responsibility to his son Filip without any visible friction. He still dropped in now and then, but did not get involved in decisions. Perhaps he still gave advice to his son, but not even the closest employees could notice this.

²⁰ Master of Business Administration (abbreviation: MBA) is a Special Masters degree intended for people with a Bachelors or Masters diploma and at least several years of work experience. MBA is a professionally-oriented business management and business economics study. In contrast to the usual Masters degrees, MBA courses are heavily practice-oriented. An MBA is not always rounded off by a thesis, but on the other hand a degree of effort must often be expended during the programme in the form of projects and case studies.

²¹ Jamie Jones, Dalton Magazine Nov - Dec 2009 pp 17-21: "IVC investing \$70 million in area while creating 115 jobs". ("It was a fantastic opportunity to enter the lower level where I have been able to learn everything in several departments and it was a very interesting experience," he said.)

Under Filip Balcaen, Balta went for a professional approach at an early stage. Filip stood for professionalism and firm management. Balta expanded to become the largest player in floorcoverings, via a concept of home decoration offering a combination of individual carpets, broadloom carpet, wall covering, vinyl, and laminate (Balterio). The carpet group Balta was expanded into the largest in Western Europe, and in 2004 was worldwide number five.²² The group became the largest private employer in West Flanders, with about 3,400 employees, and 3,700 worldwide. Turnover rose from 230 to 700 million euros.

The motto of the Balta Group remained 'never rest on your laurels'. When things got difficult, Filip Balcaen always said: "We must try new and different things, distinguish ourselves from the competition. That is the spirit of a family business." Thanks to motivated management and the never ceasing drive for innovation, they achieved an exceptionally high level. Quality and production improvements are looked for everyday, with forcefully driven vertical integration,

strict quality policy, and a unique, market-oriented creativity, forming the main lines of their strategy.

► BALTEZERS²³

Paul and Filip Balcaen were ably supported by motivated staff known as "Baltezen", or "Baltezers". Baltezers are employees of Balta who fully identify with the company's philosophy of hard work, commitment and a "no-nonsense" approach and who set an example for their fellow employees. Baltezers are, by definition, loyal to the company and to the Balcaen family, who indeed themselves always set an example.

They are highly motivated employees with a positive attitude, who fully support Balta's ethos and do everything they can to ensure THEIR company's long-term success. Baltezers work towards a common goal and would do anything for their company, their fellow employees and the management of Balta. They will do everything possible to help achieve the targets set by management, even if sometimes it

feels like an impossible task. The word "can't" was not part of their vocabulary - it was not something they could understand. They were all heading in the same direction. The most important thing was to deliver high quality in consultation with the CUSTOMER, who always came first and who appreciated this "commitment". The highly enthusiastic employees (from top management to the operator on the shop floor) regarded the name Baltezer as an "honour" which commanded respect and esteem.

Balta's employees²⁴ also gained a reputation for themselves in the local area and within the industry. Local employers knew that 10 years working for Balta was a really good reference. Anyone who had worked for Balta for 10 years and was looking for another job would automatically be highly regarded by a prospective employer. At the annual trade fair Domotex in Hanover, all Baltezers would always be at the stand at 8.30 sharp, as they'd been instructed, drilled with military precision. The Bal-

caens also put a great deal of trust in the Baltezers and gave them a great deal of responsibility. They were the driving force which was the making of the company. A project that would normally take 3 months to complete would take the Baltezers 6 weeks, Baltezers proud of Balta and keen to spread the word to others.

It was no coincidence that Balta was the first company in the area to successfully introduce weekend shifts. At one point it was headline news that Siemens in Koolskamp was planning to introduce a new work regime, i.e. weekend shifts. But Balta had already been working that way without making a fuss about it for 3 or 4 years. Another example of the dedication of the Baltezers was that Balta had very few problems with the unions and its employees never went on strike. If there was a strike in the textiles sector, Paul or Filip Balcaen told the members of the works council to take a day's leave, which they did, while the rest of the employees came into work as usual. Balta was also the first company in

²² De Standaard, Pascal Dendooven, Balta sends shudders through the carpet sector, 16 March 2004.

²³ With thanks to Lucien Dewinter, Eric Van Poucke and Geert Vanden Bossche for the information they supplied.

²⁴ We deliberately don't call these employees Baltezers because true Baltezers never leave the company.

the area to ensure continuous operations throughout the holiday season. As an international business, Paul Balcaen felt that it was unacceptable for the company to close completely for three weeks during the holiday period. He made sure that different departments took leave at different times. The dispatch office was manned permanently and rugs and carpets were dispatched daily all over the world. Paul told employees: "while others are sleeping we must stay awake and deliver a continuous service to our customers". It was not acceptable for customers to hear an answerphone message telling them that the company was closed for three weeks. This new regime served Balta and its employees well. And, many years later, it was adopted by other companies in the area.

We also found the following definition of 'Baltezer' from former CEO, Herman Paridaens²⁵: "Men who "knuckled down to it", Spartans almost and always hard working. Sometimes too busy to sit and chat over a cup of coffee. It was almost like a

sect. All management meetings were deadly serious, always to the point and efficient. The ultimate aim was also clearly defined: how can we improve and how can we boost the group's results?"

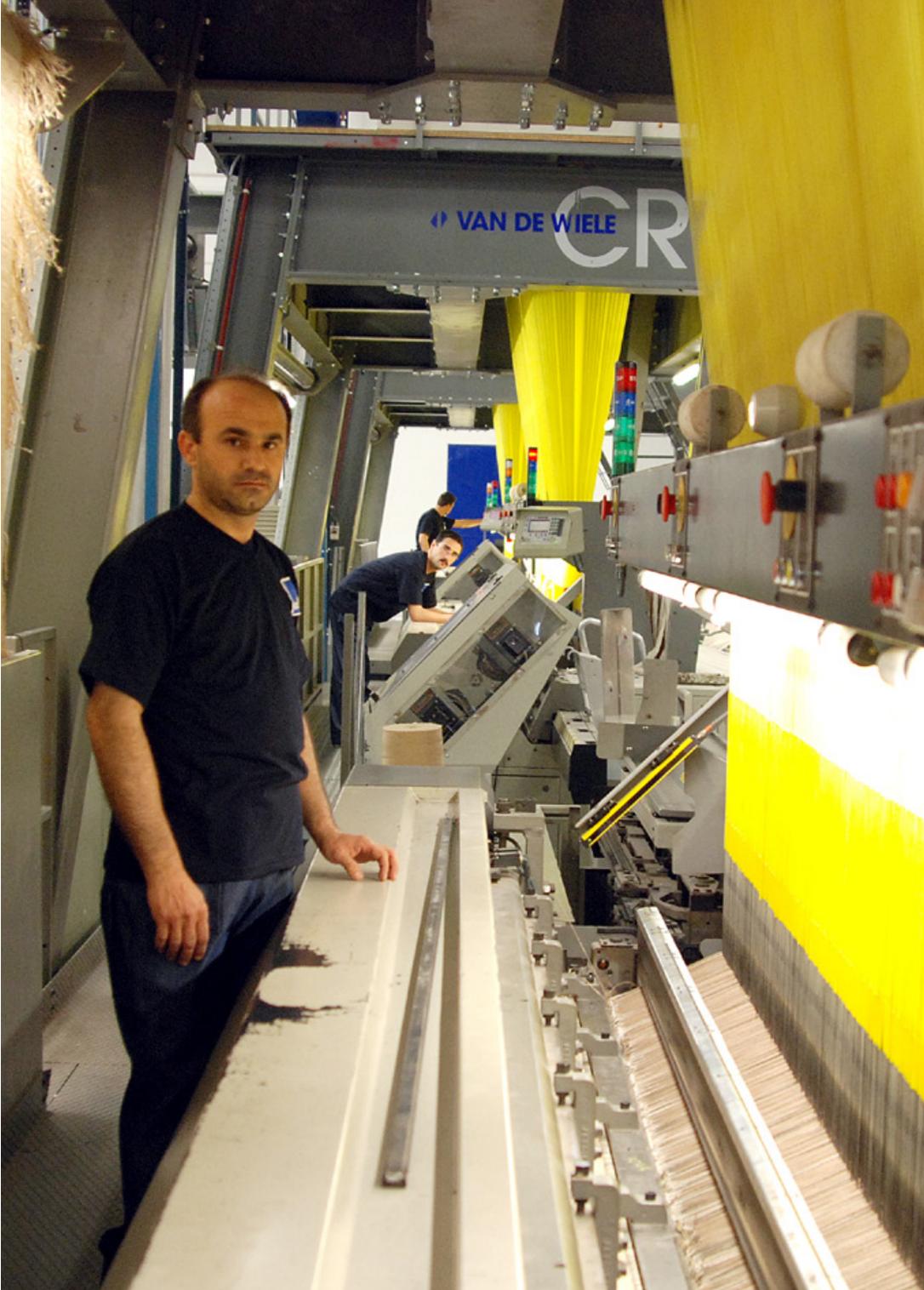
► PARTNERSHIP WITH VAN DE WIELE²⁶

Balta had a good partnership with loom manufacturer Van De Wiele, the two companies working well together. In total, Van De Wiele supplied some 200 looms to Balta. Between 1964 and 1975, these were AL 1 type looms, shuttle looms for 3 m wide carpets and subsequently also 4 m wide carpets. The looms had a speed of 45-50 (max) rpm. These AL 1 face-to-face looms still used shuttles to insert the weft. This resulted in a fair amount of loss of productivity through stoppages, simply because the bobbin in the shuttle was empty. With shuttle looms, a weaver can only operate one machine at a time.

Paul Balcaen constantly encouraged Van De Wiele to find a way of improving productivity

²⁵ PARIDAENS Herman, It's all in the Family, Roulartabooks, 2008, page 35. Herman Paridaens worked for Balta from 1988 until 2006 and was CEO and managing director from 2004.

²⁶ With thanks to sales rep Gilbert Moulin who retired from Vandewiele at the end of last year.



Modern face-to-face loom

by developing a system which would increase the speed of the weaving process, keep stand-stills to a minimum and allow the weaver to operate several looms at once.

With this in mind, Van De Wiele developed its first gripper loom, the Carpetmatic ALL 60. This was a spool-less loom in which the weft was inserted by a giver gripper and a taker gripper. The weavers called this gripper insertion system the 'coffee grinder'. It had a minimum speed of 65 rpm and productivity also increased to 85-90%. One weaver could operate 3-4 ALL60 carpet weaving machines rather than one AL1. The first ALL60 gripper loom was supplied to Balta in 1975.

The technique for weaving face-to-face carpets on the single gripper weaving machines resulted in two carpets: an upper piece and a bottom piece with floating pile yarns which were not woven in to produce the pile. The weavers called this bottom piece the "schartstuk", or "scratching piece", because it was scratched off after weaving.

The next stage was double gripper weaving machines such as the CRM72, which no longer produced any "scratching pieces". The pile yarns were incorporated into the carpet by the Piletronic electronic Jacquard machine.

The first CRM 72 double gripper weaving machines were installed at Balta in 1992. The CRM72 weaves in 4 m widths at 2x120 rpm and is equipped with Piletronic electronic Jacquard machines. This resulted in further major gains in productivity and offered greater flexibility for weaving different carpet designs. The double gripper technology and faster speed resulted in lower labour costs per carpet.

One major innovation which resulted from the close partnership between Balta and Van De Wiele was the ability to manufacture Sisal-look carpets. This came in 1998 with the advent of the 3-gripper carpet weaving machine, at that time a world first. Balta developed a 3ply tonal PP in 1 thread, with a natural Sisal look but far easier to weave and less expensive.

Sisal look carpets were marketed under the brand name 'Natura'. These contemporary design carpets were very popular for indoor and outdoor use in the USA and Europe in particular.

In 2002, Balta started producing soft loop pile, flat weave and cut pile carpets on the Universal Cut Loop UCL83 looms.

In 2003, Filip Balcaen asked Charles Baudouin, CEO of Van De Wiele, to develop a loom which could weave thick, deep-pile rugs which could compete with the handwoven rugs from Asia. And he was the first to purchase 10 machines. This was a huge success and, as a result, between 2005 and 2012, Balta became the world leader in shaggy rugs.

In order to increase productivity, in 2011 Balta converted from 4 m wide to 5 m wide machines. Balta opted for 4.80 m wide Sisal look looms. More recently, 2014 saw the addition of an innovation from Kelim which enables the art of handwoven nomadic carpets to be reproduced technically using polypropylene.

► DIVERSIFICATION AND GEOGRAPHICAL EXPANSION

Balta didn't limit itself to one product and one location but embarked on a journey of diversification and geographical expansion.



In 1977, **Ideco** (Imperial Decoration Company) was established through ITC, and Balta entered the wall coverings market. The company has been based on the industrial park in Tielt since 1991. ITC is also based in Tielt, on Kanegemstraat, where it has a tufting department and manufactures printed polyamide broadloom carpets. The current CEO, Hendrik Deruyck, was one of the pioneers of ITC (1976). Together with Willy Desmet, Albert Geeraert (IDECO) and Leon Belflamme, after a difficult start, he saw ITC grow rapidly.

In 1988, **Balta Weaving** was established in Waregem. In 1992, a Balta site was also established in Avelgem.



Also based in Avelgem is **IVC** (International Vinyl Company), a company which was also set up through ITC in 1997 and which was retained by Filip Balcaen in 2004 following the sale to the London-based investment company. From the outset, the aim was to expand rapidly to become an independent world player on the market for vinyl floor coverings, with products for residential and contract use. And Filip certainly succeeded in his aim.

duction of laminate floors with click system. In 1999, the woollen mill, which opened in 1969, was relocated to Uşak in Turkey under the name Balta Orient. That year also saw the takeover of Grantil, which manufactures vinyl and wallpaper in Châlons-en-Champagne in France.



In 1990, ITC and Ideco were incorporated into the Balta Group.²⁷ ITC specialised in tufted broadloom carpets primarily based on polyamide pile yarns.



With the launch of **Balterio**, a joint venture with the **Spano Group**, in 2001 the Wakkenstraat 37 site diversified into the pro-

duction of laminate floors with click system. In 1999, the woollen mill, which opened in 1969, was relocated to Uşak in Turkey under the name Balta Orient. That year also saw the takeover of Grantil, which manufactures vinyl and wallpaper in Châlons-en-Champagne in France.

Ideco was only involved in the manufacture and sale of fabric wall coverings (murals and wallpaper), originally fabric wallpaper and subsequently PVC wallpaper, which it switched to when demand for fabric wallpaper fell dramatically to the point of being virtually non-existent. Albert Geeraert was in charge of setting up and expanding the business.

Internationalisation and diversification continued at pace with Princeton Carpets Georgia and Balta US Dalton, Ideco UK, Balta Far East, Balta Orient Tekstil in Turkey, Grantil France, and subsequently, in 2001, holdings in Trinterio, Spanolux and Balterio, in order to expand the floor coverings range to include laminates (hard floors) ...

This meant that Balta had operations in the two major international centres for floor coverings, Wielsbeke near Kortrijk, in Belgium, and US equivalent Dalton. Their mutual development arose out of similar circumstances. In Belgium, the move came in the wake of the flax crisis and the offer of loom manufacturer Van De Wiele. This gave entrepreneurs a new challenge and an opportunity. In Dalton, USA, that offer came from Singer (tufting machine).

In 2002, **Balta US** was established in Dalton as a distribution centre for the North American



²⁷ In December 1990, the two companies in Tiel, Imperial Tufting Company (ITC) and Ideco NV, were still based at Kanegemstraat 15. Ideco would later have its own site at Wakkenssteenweg 49 in Tiel.

NEW OWNER DOUGHTY HANSON



A potential move into the capital market was first discussed by a handful of individuals within the company in October 2003. The main reason for considering such an option was that the way in which Filip Balcaen was managing the group was becoming physically very difficult and he wanted to step down as operations manager, so thought it best to sell the business! Ultimately, the majority of the shares were sold to Doughty Hanson, although Filip Balcaen managed to keep IVC out of the deal.²⁸

Until the time of the sale, IVC still belonged to the Balta Industries group. Prior to that, on 25 April 2002, Balta Industries NV, Balta NV, ITC NV and Ideco NV had merged to form the legal entity Balta Industries NV.

At the end of 2003, with this in prospect, a 'Breskens' memo

containing useful information about the Balta Group was prepared. The news was first announced in the spring of 2004. "All eyes in the sector are on Balta. One industrialist spoke of a potential local earthquake," said newspaper De Standaard.

The paper's business section reported that the process was still in the early stages and that the bank ABN Amro may act as consultant for the deal following its recent involvement in the sale of aluminium group Aliplast to Electra Partners. Managing director Filip Balcaen said in the report that Balta was seeking financial support in anticipation of consolidation in the sector. "Balta sees the process as "offensive". We want to open our capital up to a financial group in order to prepare ourselves for the consolidation in the floor coverings sector," said Filip. Finally, the report stated that it was anticipated that all major financial investment funds, such as Cinven, JP Morgan, PAI, Blackstone, CVC and Candover, would consider the portfolio.²⁹

The announcement that an agreement had been reached between Balta and the investment company Doughty Hanson was made on 15 June 2004. The deed of transfer was signed in Brussels on 10 August 2004. A few weeks prior to that the media had reported that there were two candidates remaining in the takeover bid and that, at that time, UK investment group Doughty Hanson & Co was the only one involved in negotiations, ahead of French venture capital group Paribas Affaires Industrielles (PAI).³⁰

► AGREEMENT ON TAKEOVER

UK venture capital fund Doughty Hanson takes a majority stake of 70% in floor coverings group Balta, which is based in Sint-Baafs-Vijve in West Flanders. The press release issued on 15 June 2004 confirmed this, the deal valued at 600 million Euros. The Balcaen family remain the largest private shareholder with a stake of 20%, Balta's management team owning the remaining 10%. IVC, the vinyl division of the Balta Group, will not be part of the deal and will continue as a separate business outside of the Balta Group, with Filip

Balcaen as Managing Director. Balta's board of directors will comprise five representatives from Doughty Hanson and two from the management team. The current shareholder Filip Balcaen (son of the founder of the company) is the remaining member of the board. The five representatives of Doughty Hanson and Filip Balcaen will have a non-executive role on the board. Day-to-day management will be in the hands of the two executive directors who represent the management team: Herman Paridaens (CEO) and Didier Ysenbaert (CFO). In his capacity as board member, Filip Balcaen will continue to have an advisory role within the management team.

Filip said this about the move: "The new structure is a logical step in the development of a family business of this size, and with this financial partner Balta can play a leading role in the imminent consolidation process within the carpet industry." Yann Duchesne, Doughty Hanson's Managing Director for France: "We were immediately impressed by Balta's management team and by their results over the last few years. Balta is a leader in this market with

²⁸ IVC, whose head office is in Avelgem, is still managed by Filip Balcaen and his second-in-command and CEO, Jan Vergote. Since that time the IVC Group has expanded to such an extent that it can now once again compete with Balta in terms of turnover. In financial terms, on the other hand, it has already overtaken Balta.

²⁹ De Standaard, 16 March 2004, Pascal Dendooven, ABN Amro seeks financial partner for carpet giant Balta.

³⁰ De Tijd and De Standaard, 27 May 2004.

a significant competitive edge and excellent growth potential. We look forward to working with Balta's management team to develop the business further with the same 'no-nonsense' approach that they have adopted so far." Doughty Hanson said it had plans for "a number of takeovers" of competitors. Clearly, it did not name any names.³¹

► 2004-2014

At the suggestion of Filip Balcaen, after the sale of the company in 2004, Herman Paridaens³² was made Chief Executive Officer (CEO) and general manager on behalf of the new owner. He continued to manage the Balta Group in difficult circumstances³³ until February 2006, on the whole with the same "Baltezer" mentality and industrial vision as before.

After his contested dismissal, Herman Paridaens, who had worked for both Filip Balcaen and the investment group, was

somewhat disillusioned over the major change of approach.³⁴ "In a family run business there's far more entrepreneurial spirit. People think far more in the long term and there are far fewer short-term pressures."³⁵

Filip Balcaen has always invested heavily. When flat weave looms were first developed, Filip was the first to buy ten looms, as a result of which loom manufacturer Vandewiele was working to full capacity, the new technology was out of reach of the competition and Balta had given itself an edge. Financiers don't have such a strong entrepreneurial spirit. They have to be able to show evidence of results every quarter, to give investors good news. That puts them under pressure and is not good for long-term thinking. Take, for example, the shaggy rug, which is now such a success. Filip Balcaen bought 10 looms but the financiers wouldn't have dared to. As a result, everyone got on the bandwagon and competition is now very stiff. I believe

that private equity companies, like listed companies, focus on the financial and the short term.

On the recommendation of the investment group, in March 2006, Swede Marcus Billman took over the reins. Marcus Billman was clearly not appointed for his knowledge of carpets but for his ability to streamline and optimise the business. He had a reputation for getting acceptance for tough decisions by communicating the need for them clearly. But this ability proved not to be necessary. At Balta there were never too many people to do the work that was needed.³⁶ In 2006, Balta's turnover increased by almost 14%, from 639 million Euros to 728 million Euros, a major improvement on a very poor performance in 2005. In terms of profitability, Balta was still slightly below its strong performance in 2004. The business plan assumed that Balta would grow twice as quickly as the market as a whole and, according to Billman, this could be achieved without takeovers.

In 2007, a further 36 million Euros was invested, amongst other things in an expansion of



Balta Orient (Turkey)

polypropylene extrusion yarn capacity in Sint-Baafs-Vijve. Balta invested in the new patented "softline yarns", which eliminated the customary disadvantages of BCF (which felt like plastic) without having to go through the expensive heatset process. Balta (including ITC) was European market leader in the broadloom carpet sector. A new factory for acrylic rugs opened in Uşak, Turkey, under the name Balta Floorcovering. Acrylic rugs are rugs which are intended for the Western European market but which cannot be manufactured competitively here. Balta did not want these rugs to give the Chinese and the Turks an opportunity to penetrate the Western European

³¹ Parketplein/Doughty Hanson press release, 16 June 2004

³² Herman Paridaens had been working for Balta since 1988 and, as Filip Balcaen's right-hand man, he knew the business and its approach inside out. Before Paridaens took over the reins from Filip Balcaen he had headed up the broadloom carpets and vinyl division.

³³ Carpets is a sector that goes in cycles, and 2004 was the last year in a period of relatively good economic performance. 2005 was a very difficult year.

³⁴ We are referring here, amongst other things, to interviews in the media, such as newspaper De Standaard. On the "Spraakmakers" (headliners) page of the business section on 18 November 2006 he said this: "The biggest disappointment for me is that the consolidation which Doughty Hanson promised when it took over Balta never actually happened". It came as a surprise when, in March 2006, Paridaens was asked to move on in spite of his strong record of service.

³⁵ De Standaard, 22 April 2008, 'Een buy-out lijkt wel financiële euthanasie' [A buyout would seem to be financial suicide], interview on the occasion of the launch of his book, "It's all in the Family".

³⁶ Herman Paridaens in De Standaard, 22 April 2008.



25 ha of solar panels

carpet market.³⁷ Also in 2007, Ideco and Grantil were sold to GIMV. In 2008, Balta Floorcovering was expanded to include PP extrusion and heatsetting.

In early 2009, Marcus Billman was succeeded by Jules Noten. The investor's original intention was to sell Balta within three years but these plans were thwarted by the credit crisis of 2005. In 2009, Balta gained media attention through its installation of solar panels, which highlighted its sustainability credentials. At 115,000 m², the solar panels installed at Balta's site in Sint-Baafs-Vijve constitute the largest number of solar panels on one roof in the Benelux countries. The following year a second batch of solar panels was installed at ITC Tielt and Balta Waregem, and Balta now had a total of 250,000 m² of roofing covered with 50,000 solar panels.

On 1 November 2009, Balta Industries was awarded a rating of 1 by Dun & Bradstreet, i.e. it was deemed to be in the highest category for credit rating and had a minimum risk of failure. This recognition gave Balta international credibility as a reliable business partner.³⁸



13 August 2010 saw the takeover of Domo Floorcoverings, the floor covering division of Domo, including modulyss carpet tiles. The Balta Group's turnover again increased to more than 700 million Euros, and the company now employed more than 4,000 people. Unlike other textile companies, it was a long time before Balta undertook its first restructuring. In mid-June 2012, Balta

³⁷ De Standaard, 17 January 2007, Marcus Billman (Balta): "I'm not here to restructure."

³⁸ Balta Industries was awarded its D&B rating on 23 November. Dun & Bradstreet is the world's largest source of business information and commercial insight.

announced a round of redundancies with the loss of 84 jobs. Shortly after this, Jules Noten announced that he was leaving to take up a position at Vandemoortele.

Following the departure of Jules Noten, from July 2012 financial director Carl Verstraelen acted as interim CEO until, on 1 October 2012, we appointed Hendrik Deruyck, who knew the business and the sector well.³⁹ On the recommendation of Filip Balcaen, with the new CEO, Doughty Hanson had once again appointed someone who worked with the true Balta mentality and entrepreneurial spirit. Hendrik Deruyck started working for ITC in 1976 and co-founded Ideco in 1977. In 1997, together with production manager Willy Lievens, he also established IVC, and left Balta at the end of 2000 to work as a consultant, returning at the end of 2012. He re-focused the

company's strategy on soft floor coverings and restructured the group in 2013.

In this context, on 25 January 2013, Balterio & Spanolux (100%) were sold to Filip Balcaen's IVC Group.⁴⁰ On 5 September 2013, Exelto nv was sold to International Fibres Group.

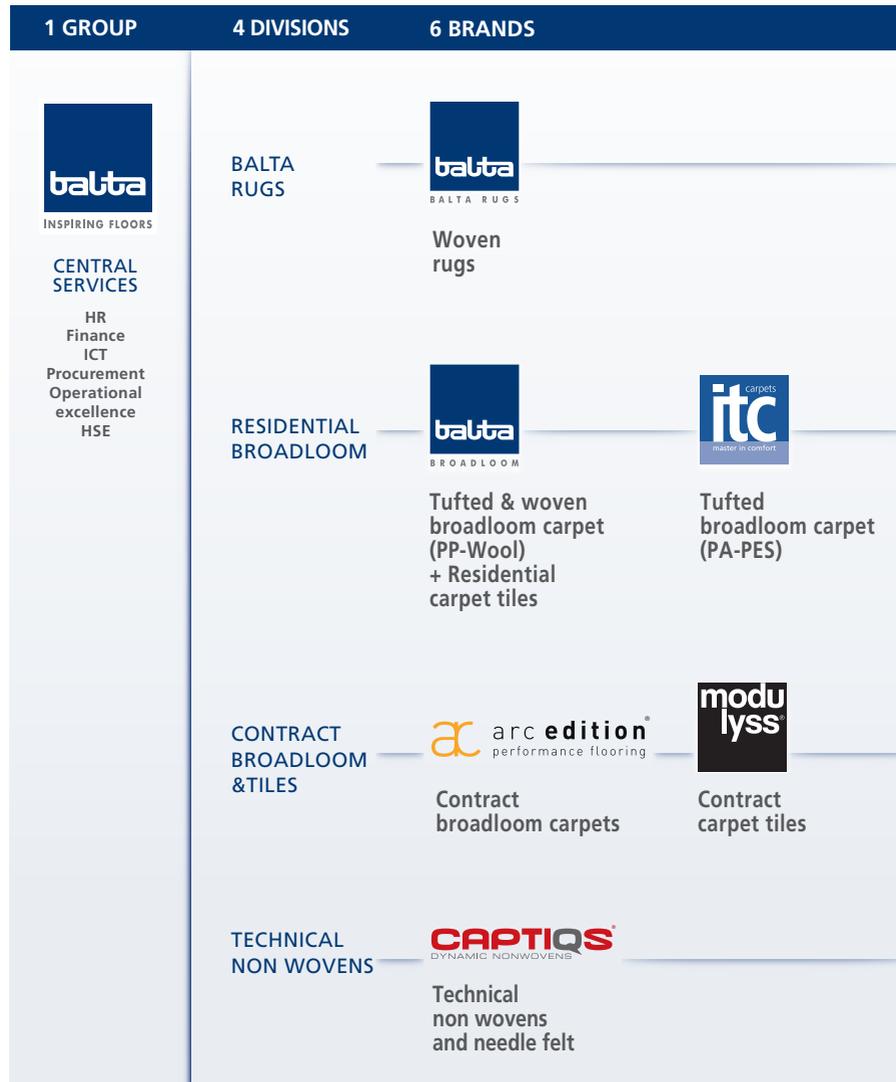
"The eye of the tiger" the "fighting spirit" of Balta



³⁹ De Standaard, 26 September 2012. Deruyck was familiar with Balta, because he was Business Unit manager of ITC until 2000 and was involved in the launch of IVC in Avelgem. According to newspaper De Standaard, the appointment of Deruyck once again gave the company a leader who not only knew the sector inside out but who was also a confidant of former owner Filip Balcaen. At the request of private equity company Doughty Hanson (owner since 2004), minority shareholder Balcaen will, from his position on the board, play a more active role in Balta, providing the new CEO with advice and assistance.

⁴⁰ Filip Balcaen thereby offers a solution to the blocking of the takeover of wood group Spano by Unilin. Balterio was a joint venture, half of which was owned by Spano, and the other half by Balta. The most logical course of action would have been for Balta to increase its share in the laminate roofing business to 100%, but the majority shareholder in Balta, UK investment fund Doughty Hanson, was not willing to pay the price that was being asked.

BALTA GROUP ANNO 2014



The Balta Group has grown from a small business into a world leader in floor coverings. Its range currently includes woven rugs (Balta Rugs), broadloom carpets for the residential market and needle felt (Balta Broadloom and ITC), broadloom carpets for the contract market (Arc Edition®), residential carpet tiles (Balta) and carpet tiles for the contract market (modulyss®), needle felt and technical nonwovens for industrial applications (Captiqs®).

The **Balta Group** has 10 manufacturing plants worldwide, 2 of which are in Uşak, Turkey, and 1 North American distribution centre in Dalton, USA. Its head office is still at Wakkensteenweg 2, Sint-Baafs-Vijve. Balta Oudenaarde is based at Industriepark De Bruwaan 4 and also has manufacturing divisions for ITC and Captiqs. The nonwovens warehouse in Sint-Niklaas is based at Industriepark West 43, and Balta Rugs Avelgem is based at Nijverheidslaan 15. Balta Weaving is based at Roterijstraat 205 in Sint-Eloois-Vijve (Waregem), with ITC based at Kanegemstraat 15 in Tielt and modulyss at Zevensterrestraat 21 in Zele.

Balta Rugs is a world leader in machine woven rugs. The rugs are manufactured in Sint-Baafs-Vijve, Waregem and Avelgem and in Uşak, Turkey (Balta Floor-covering yer dösemeleri AS) and Balta US Inc. in Dalton. With its two brands, Line A and Berclon, Balta Rugs offers a wide range of product families in all price brackets, from entry level to luxury products.

Extensive manufacturing capacity, vertical integration from raw materials to finished product, a stringent system of quality control, flexible service provision and constant focus on product development and innovation ensure that Balta Rugs meets customers' requirements.

Balta Broadloom is market leader in the broadloom carpets sector, tufted or woven from wool and synthetic yarns. The company has operations at Wakkensteenweg 2 in Sint-Baafs-Vijve and Balta Oudenaarde. With original, market-oriented collections, the company is constantly on the lookout for the latest trends in the residential market. Thanks to its flexible customer service, Balta meets the expectations

of even the most exacting of customers. Vertical integration from raw materials to finished product, technologically advanced and ultra-modern equipment, driven management and a team of dynamic, motivated professionals are your guarantee of the highest quality at the most competitive price.

ITC, Imperial Tufting Company, is one of the world's biggest manufacturers of tufted polyamide (nylon) carpet. The company is based on Kanegemstraat in Tielt and has expanded rapidly as a result of its clearly defined policies and vision for the future. In its efforts to gain a leading position in the key market segments, ITC follows a well-defined strategy of market-oriented creativity and faultless customer service: ITC is a reliable partner and a "master in comfort" for its customers worldwide. As a result of its vertically integrated structure, ITC monitors the entire manufacturing process, paying particular attention to integrated quality assurance.

Arc edition® is innovative, high-quality broadloom carpeting

for commercial use from Balta's Broadloom Division. It is part of ITC's site on Kanegemstraat in Tielt.

Modulyss® designs and manufactures modular carpet tiles for the European contract market and prides itself on the supply of top-quality products. The company is based at Zevensterrestraat 21 in Zele. The modulyss® range features both innovative ideas and more conventional solutions. It uses only top-quality raw materials which ensure the durability and environmentally friendly nature of the products.

The company prides itself on its customer-focused approach, which is reflected in fast delivery times and flexible solutions which enable it to demonstrate clearly its commitment to environmental and social responsibility.

Balta is managed by a management team led by Hendrik Deruyck, CEO.

Carl Verstraelen is CFO, Marc Desein heads up the Rugs division and Philippe Hamers the Residential and Commercial divisions (tuft, tiles, nonwovens).

Captiqs, which is part of the Balta Residential Broadloom Division, specialises in technical nonwovens. The company is based on Industriepark De Bruwaan in Oudenaarde. As well as an extensive and innovative range of standard products, Captiqs has the technical knowhow to develop specific

products using needle-punched, air through bonded and calendered nonwovens. The products have numerous applications, ranging from swimming pool liners, felt backings for carpets, packagings, geotextiles and automotive and medical applications. Captiqs is a reliable partner for all creative businesses.





Hendrik Deruyck

Carl Verstraelen

Marc Dessein

Philippe Hamers

COMMITTEE OF DIRECTORS

Balta's success is attributable to the hard work and enthusiasm of its 3,300 employees, 2,750 of whom are employed in West and East Flanders, which makes Balta one of the biggest employers in our region. The focus is on a professional, customer-friendly approach which ensures that customers regard us as the best partner for the job. Unique market-oriented creativity, strictly enforced vertical integration and operational excellence at all levels are

the key features of our strategy. The sustainability of all our activities is important to Balta. The installation of solar panels to generate green electricity, one of the largest projects in the Benelux countries, is just one example of our ambitions in this field. The Balta Group is keen to pursue its growth through possible takeovers. They work hard as a team to ensure that we continue to be a strong and profitable business.⁴¹

⁴¹ <http://www.baltagroup.com>



BALTA 50 YEAR ANNIVERSARY EVENT AT THE HIPPODROME IN WAREGEM

To celebrate the company's 50 year anniversary, all Belgian employees and their partners were invited to an event at the Waregem Hippodrome on 21 June. The event, which was attended by around 3,000 people, was a sociable occasion with lots of music and entertainment to thank all Balta's

employees for their years of hard work and their contribution to Balta's success.

On the occasion of its 50th anniversary, Balta donated a substantial sum of money to the Sint Idesbald charity's Ten Bunderen campus for autistic children in Moorslede.

This year, Bernard Delange's contribution features in the Leiesprokels Yearbook published by the Juliaan Claerhout local history association, which is based in Wielsbeke.

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www.facebook.com/juliaanclaerhoutkring

info@juliaanclaerhoutkring.be

MILESTONES IN THE 50 YEAR HISTORY OF BALTA

- 1964 **29 April 1964 Balta nv established by Paul Balcaen, manufacture of woven rugs in Sint-Baafs-Vijve.**
- 1969 Start of semi-worsted spinning mill in Sint-Baafs-Vijve
- 1970 Start of hank dyeing production.
- 1974 **Start of tuft in Sint-Baafs-Vijve and establishment of ITC (Imperial Tufting Company) in Tielt.**
- 1974 Start of piece dyeing.
- 1977 Establishment of Ideco nv (Imperial Decoration Company) in Tielt.
- 1978 Start of latexing line (SBV, Sint-Baafs-Vijve)
- 1982 Start of extrusion of polypropylene yarns (SBV)
- 1983 Start of berber spinning mill (SBV)
- 1984 **Filip Balcaen starts at Balta (SBV).**
- 1984 Start of open-end spinning mill.
- 1986 Start of Balta Contract Division.
- 1988 **New weaving mill in Waregem, Balta Weaving: face-to-face and axminster.**
- 1990 **Establishment of Balta Industries nv. Balta nv becomes the holding company for Balta Industries, ITC and Ideco.**
- 1991 Ideco relocates to Industriepark Zuid in Tielt, starts production of vinyl wall coverings. ITC expands on former Ideco site.
- 1992 **New manufacturing plant in Avelgem:** manufacture of PP yarns, face-to-face weaving and warehouse. ITC launches dope-dyed polyamide, expansion of yarn processing.
- 1993 Establishment of CCB, Coordination Centre Balta. ITC: start of a second dye and print line.
- 1994 Ideco, expansion to 30,000 m², second vinyl production line. ITC, second warehouse for 25,000 rolls of broadloom carpet. Balta Far-East, sales office in Hong Kong. Balta Sint-Baafs-Vijve, second latexing line for Broadloom carpets, additional capacity for tufting, spinning and warehouse. Balta Weaving: expansion of weaving capacity.

- Avelgem: expansion of extrusion and finishing department for rugs, more capacity for cabling and heatsetting.
- 1997 **Start of new company IVC (International Vinyl Company) in Avelgem, manufacture of vinyl floor coverings.**
- 1999 **Acquisition of Grantil sa in Châlons-en-Champagne, France, manufacture of wall coverings. Establishment of Balta Orient in UŞAK, Turkey. Semi-worsted woollen mill.**
- 2001 **Establishment of Trinterio, holding company for Balterio and Spanolux, a 50/50 joint venture with Triax, now Spanogroup. Manufacture of laminate floor coverings and MDF-HDF.**
- 2002 **Establishment of Balta US, North American distribution centre in Dalton, USA.** Expansion of Balta Orient in Turkey. Incorporation of ITC nv and Ideco nv into Balta Industries nv to form a single legal entity called Balta Industries nv.
- 2004 **Balta Group sold to Doughty Hanson. IVC no longer part of the Group.** 70% of the shares held by Doughty Hanson, 20% by Filip Balcaen and 10% by management.
- 2007 Expansion of PP extrusion capability in Sint-Baafs-Vijve. **New manufacturing site under the name of Balta Floor-covering in Uşak, Turkey.** Manufacture of acrylic rugs. **Ideco and Grantil sold to GIMV.**
- 2008 PP extrusion and heatsetting at Balta Floorcovering.
- 2009 Largest number of **solar panels** on 1 roof in the Benelux countries at Balta Sint-Baafs-Vijve, 115,000 m².
- 2010 Second batch of solar panels at ITC Tielt and Balta Waregem - Balta now has a total of 250,000 m² of roofing covered with 50,000 solar panels. **13/08: Balta Group buys the floor coverings arm of the Domo Group.** Balta Group's turnover >700 million Euros; >4,000 employees.
- 2012 Further expansion of Balta Floorcoverings in Uşak.
- 2013 **25/01: Balterio & Spanolux (100%) sold to IVC Group, Filip Balcaen.**
- 2014 **05/09: Exelto nv sold to International Fibres Group. 29/04: 50 Years of Balta, event on 21 June, Hippodrome in Waregem**





Balta Industries nv
Wakkensteenweg 2, 8710 Sint-Baafs-Vijve - Belgium
T +32 (0)56 62 22 11 - F +32 (0)56 62 22 46 - info@baltagroup.com

www.baltagroup.com