



DARE

TO LEAD
CHANGE.

Integrated Annual Report 2019

WE DARE TOGETHER *Ontex*

ABOUT ONTEX

2019 AT A GLANCE

OUR BRANDS

We understand the complexities and opportunities of the personal hygiene business.

Our 40 years of experience in personal hygiene has enabled us to develop our own brands, which we mainly market in Europe, Russia, Middle East, Sub-Saharan Africa, North Africa and the Americas.



BIGFRAL

canbebe



lille healthcare



SERENITY

Sincere

OUR TRACK RECORD



2.28B €

Revenue

86.4M €

Adjusted profit for the period

5.86

Accident frequency rate (#/m worked hours)

26.6 gCO₂/€

Carbon emissions



18

Production facilities

28

Sales and marketing sites

9

R&D centers



~10,000

Employees

60+

Nationalities

OUR CATEGORIES



Baby Care

This is the largest part of our business. We manufacture baby diapers and baby pants for retailers as well as our own brands. They are designed to bring affordable comfort to babies and peace of mind to parents.



Adult Care

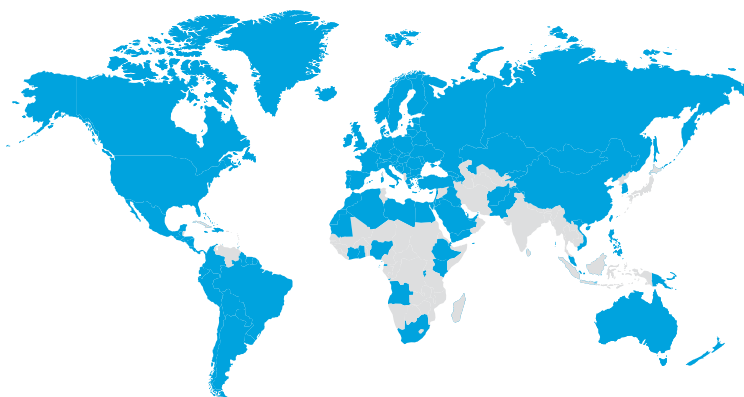
Discretion, protection and dignity are the three key considerations in the design and manufacture of our light, medium and heavy incontinence solutions. Products include pads, pants, adult diapers and underpads, which are sold through healthcare institutions as well as directly to retailers and other customers and consumers.



Feminine Care

By providing a range of products such as ultra-towels, fluff towels, panty liners and tampons we are able to respond to the different needs and lifestyles of women. All have innovative features that offer protection and comfort at all times.

OUR MARKETS



ONTEX PRODUCTS AND SERVICES ARE DISTRIBUTED IN MORE THAN 110 COUNTRIES AROUND THE WORLD.



CONTENTS

Strategic report

At a glance	
Interview	2
Key highlights	6
Market context	8
Strategy	10
Stakeholder engagement	16
KPIs	18
Divisions	20
AMEAA	22
Europe	24
Healthcare	26
Operations	28
Innovation/digitalization	30
People	32
Responsible production	40
Financial review	48

Corporate governance

Corporate governance statement	50
Remuneration report	66
Risk management	79

Financial statements

Contents	83
Statement of the Board of Directors	84
Independent auditor's report	85
General information	89
Consolidated financial statements	90
Notes to the consolidated financial statements	96
Summary statutory financial statements	144

Sustainability statements

Materiality approach	146
Sustainable Development Goals	148
Engaging with our stakeholders	149
Sustainability performance 2019	150
GRI index	156

Additional information

Investor relations and financial communication	160
Glossary	161
About this report	162



Find out more online

Our 2019 integrated annual report is also available online at [ontex.com](https://www.ontex.com)

DARE TO LEAD CHANGE

INTERVIEW OF THE CHAIRMAN OF THE BOARD AND CEO

How would you characterize Ontex's performance in 2019?

Charles Bouaziz, CEO: 2019 marks the end of the second chapter in the company's history since its initial public offering in 2014.

Admittedly, it made less captivating reading than the first one. As we have documented in previous reports, it has featured strong external headwinds and a number of internal challenges.

During the year, we introduced a number of measures to improve all areas of our business and prepare us for the future.

First, we moved to three large Divisions (rather than five small-to-medium sized ones) with specific go-to-market models. We also established a single, centrally managed Operations organization to further drive efficiency. This more agile structure was an integral part of our readiness to adopt Transform2Grow, an all-encompassing program to revitalize us at every level of the company.

Introduced in the second quarter, T2G will speed our path to operational and commercial excellence. It acts as an enabler of our strategy and will accelerate value creation, specifically in terms of margin improvement and free cash flow. It covers every aspect of our operations from production and supply chain, through innovation and commercial, to how we work and act as an organization.

In all, there are around 2,000 T2G initiatives across the company. We have resources allocated, governance to monitor execution and progress and investments ring-fenced to underpin and sustain the transformation. Our Chief Transformation Officer, Thierry Navarre, provides more details of

progress on this drive for sustainable change on page 12.

We are encouraged by the energy and enthusiasm behind the faster tempo, the improvement of our trading performance in the second half of the year, partly thanks to the first benefits of T2G, and we look forward to reaping the full benefits of T2G within the next two years.

The resilience of our business, our ability to adapt and the hard work, determination and creativity of our people have all been vital elements in the year's performance and the introduction of T2G.

Luc Missorten, Chairman: The Board is happy with the direction that management took and the rigorous focus on execution. No stone was left unturned. The initial results are encouraging. They speak volumes for the integrity of the company, the commitment of the people and the quality of leadership that we have.

Our Board work sets the tone for the company and ensures good governance (see pages 50 to 77). The support of the fellow Board members has been

invaluable. Their diversity brings balance and a spectrum of relevant skills and experience which complement the talents of our executive team.

We review Board membership regularly to maintain an appropriate balance and orderly succession. During the year, we welcomed two new non-executives. Esther Berrozpe brings more than 25 years of FMCG experience from various marketing and executive roles, while Aldo Cardoso's experience from many industries in a number of different regions will be of great value in our multinational and multicultural environment. (See page 54 for fuller biographies.)

Can you already see the effect of T2G?

Charles: The performance of our own brands in our AMEAA Division positively contributed to Like-for-like sales result and adjusted EBITDA, at constant currencies. Sales in retailer brands in Europe showed positive signs of recovery and, in Healthcare we are benefiting from boldly going beyond the traditional tender business into new areas such as self-pay, and extending our market offer to include more services.

Cash generation was stronger thanks to strict working capital management. We reduced our net debt and improved the important Debt/EBITDA ratio. We are comfortable with our covenant obligations.

Details of our operational and financial performance can be found on pages 28 to 29 and pages 78 to 143 respectively.

Luc: The Group's diversity in terms of geography and segments has clearly helped this year. And that diversity is something we plan to build on. We are encouraged by the changes we are seeing to ensure that we maximize our strengths and improve the long-term



"T2G will speed up our path to operational and commercial excellence. It acts as an enabler of our strategy and will accelerate value creation."

◆ CHARLES BOUAZIZ, CEO



CHARLES BOUAZIZ, CEO
LUC MISSORTEN, CHAIRMAN

sustainability of our business. The Board is confident that we will see the positive impact of the strategic choices that have been made, and the transformational initiatives that are well under way.

While your structure has changed, your model remains the same?

Charles: Our model remains unique. We are the only big player (we are number five in the world by revenue) playing equally on both the retailer side and the branded goods side. We manage to successfully satisfy the cost expectations of the retailer brand and to match the ever-changing needs of consumer brands. The fact that we play exclusively in three high value categories Baby Care, Feminine Care and Adult Care, distinguishes us from other large-scale operators. This is what really gives us a strong proposition.

Luc: The Ontex business model puts us in a position of trust – trust that we will grow our business in the right way, in

the interest of all of our stakeholders, and leave a sustainable legacy. It has been tested in recent years in terms of top line and margins, and our industry *per se* has proven more volatile than previously thought. The model has been a constant and the Board strongly supports it.

How have you dealt with the issues specific to Brazil last year?

Charles: The team in Brazil has put in a great effort and the business is well along the path to recovery after the post-acquisition challenges. We centralized production without major disruption and brought better structure to the business. At the same time, we increased efforts to engage and empower our people. The much-improved safety record says much about their attitude. Brazil is a very competitive market where all the main branded players are competing for share. The process of recovery will take time but I am encouraged at gradual top-line

Beyond Traditional Business

In Healthcare we are benefiting from boldly going beyond the traditional tender business into new areas such as self-pay.

“Diversity is something we plan to build on. We are encouraged by the changes we are seeing to ensure that we maximize our strengths and improve the long-term sustainability of our business.”

● LUC MISSORTEN,
CHAIRMAN



Details of our operational and financial performance can be found on pages 48 to 49 and pages 83 to 145 respectively.



"The Ontex business model puts us in a position of trust – trust that we will grow our business in the right way, in the interest of all of our stakeholders."

● LUC MISSORTEN,
CHAIRMAN

improvement, the sequential margin expansion and better cash management as our local brands continued to generate solid consumer demand.

Luc: Brazil is a very exciting and important market for Ontex's growth plans. The significance of this region was mirrored by our decision to hold one of our board meetings there this year which included a visit to the factory so that we could see for ourselves the results of the plans to re-create value. The impression left makes it easier to understand why the turnaround is in progress and why we expect it to continue.

Are there any standout successes you want to mention?

Charles: We are resilient people and restoring our performance will sustain that sense of pride (and daring) that has characterized us to date. Special mention should go to the efforts of our Healthcare team. They have made further inroads into the important self-pay channel and added different levels of service while maintaining their commitments to the institutional market. In Turkey, where we are big in Adult Care products, the Baby Care team managed to secure a substantial contract which means that we are now firing on all cylinders there. And in North America, we have succeeded in deepening our engagement with a very large supermarket chain in Baby Care, which will help drive scale and growth.

In terms of sustainability, are you on track to meet your aspirations?

Charles: We want to make a positive difference to the world around us through our products and how we act. We manufacture disposable products so sustainability is hugely relevant to our business. 2019 marked the end of the latest stage of our sustainability journey. The targets we set have largely been met (see page 19) and during the year, we worked on revising our strategy and setting new targets that will take us to 2030 (see page 14), the year we have said we will be carbon neutral. All our European plants are now powered by green energy, and there is always an environmental assessment accompanying any new request for investment to make sure we get it right from the start.

Luc: The way Ontex makes its products and the way it behaves give the company an opportunity to build trust and respect. It is seizing that opportunity. Ontex has a strong commitment to corporate responsibility and a highly knowledgeable and motivated team leading environmental matters at Group level. The Board is satisfied with the direction the company is taking and with the plans to go further with the next set of goals. The company has found some real opportunities to make a difference and align itself closely with the UN's Sustainable Development Goals.

And any news on the innovation front?

Charles: Our company is full of talented people with a real passion for and commitment to innovation. This report is sprinkled with examples of



THE FACT THAT WE PLAY EXCLUSIVELY IN THREE HIGH VALUE CATEGORIES BABY CARE, FEMININE CARE AND ADULT CARE, DISTINGUISHES US FROM OTHER LARGE-SCALE OPERATORS. THIS IS WHAT REALLY GIVES US A STRONG PROPOSITION.



our pioneering thinking. During the year, we refined our innovation process. We split our R&D into two streams (retailer brands and our own brands) to ensure that we are surfacing the best ideas and innovations specific to them. (See page 30).

Luc: Innovation is very important to us as a Board and is always on our agenda. Innovation is not just value-generating, it also demonstrates the mind-set of the company. The company has created an environment where creative thinking can flourish. Growth will come from the ability to turn that into exciting new propositions that create real value for our customers and the world around us.

You have just celebrated your 40th anniversary. Any reflections?

Charles: It is a reason to celebrate and we did that in various ways during the year, very much on a plant-by-plant basis. We appreciate the experience and expertise that those four decades have given us as we progressed from family ownership, through private equity to being a listed company. We are still a young and vital company. The actions we are taking today are preparing us for the next forty years. We are a completely different company today and we should also celebrate that.

Luc: We have much to look back on, but a lot more to look forward to. Our expectations for the Group in 2020 are positive. The new structure is bedded in, T2G is already having the desired effect, the geographic spread and pipeline of new products are promising. We are confident of progress.

In the longer term, the Board remains excited about the structural growth opportunities in the healthcare business, the potential for further revenue and profit growth, and healthy returns to shareholders.

Confident of Progress

Our expectations for the Group in 2020 are positive. The new structure is bedded in, T2G is already having the desired effect, the geographic spread and pipeline of new products are promising.



"We want to make a positive difference to the world around us through our products and how we act. We manufacture disposable products so sustainability is hugely relevant to our business."

● CHARLES BOUAZIZ, CEO

COVID-19 UPDATE APRIL 7TH, 2020

After the end of our 2019 financial year, on January 30th, 2020, the World Health Organization (WHO) declared a Covid-19 virus outbreak a Public Health Emergency of International Concern. On March 11th, 2020, the WHO Director General characterized COVID-19 as a pandemic.

We support global efforts to contain the virus and minimize its consequences. With more than 40 years of experience in personal hygiene, we feel our best course of action is to continue to produce and deliver our normal range of vital products to our customers and consumers.

We have implemented measures in all our production facilities and our global supply chain to keep our people safe and to ensure a steady, daily flow of millions of personal hygiene products to healthcare workers and retailers on five continents. Our suppliers are supporting us strongly in our efforts.

In addition, we are advising institutions on how our products can help doctors serve patients for longer uninterrupted periods. We have also donated tens of thousands of personal hygiene products to care-givers, including emergency response teams in China and Europe.

We thank all Ontex employees around the world at this difficult time. We are aware that this is not an easy time for them and their families and we are very proud of their dedication and sense of responsibility in these challenging times. We have taken the necessary measures to slow the spread of COVID-19 and protect our employees, and this will remain our number one priority throughout this difficult time. Please note that all pictures of employees in this report were taken prior to 2020.

KEY HIGHLIGHTS

Opening up the east

In February, Ontex officially opened its new factory in Radomsko, Poland. The plant's four lines help us better serve the growing eastern European market.



(See also page 25.)

Further commitment to human rights

We expect our own commitment to human rights to be shared by our business partners, and those that they, in turn, do business with. As part of our journey to advance the human rights of workers and positively shape global labor markets, we launched a new social compliance scheme, including third party social audits. We also updated our ethical sourcing program by revising our Supplier Code of Conduct and Ethical Sourcing policies.



Product of the Year 2019

iD Comfy Junior, a diaper designed for children aged four years and over, was named Voted Product of the Year 2019 by an online consumer panel in Belgium. First rated on attractiveness, innovation and intention to buy, they were also field-tested by Belgian consumers.

Factory of the future

Ontex Eeklo won the prestigious Factory of the Future award from Belgian sectoral employers' organization Agoria for the second time in two years. The award recognizes the plant's efforts to future-proof operations and its focus on ecological production and sustainable innovation.



Working with local communities

In Brazil, Ontex started an outreach program, Take Care, that works with local communities. During the year, four charitable organizations chosen by the employees themselves, received free consignments of diapers for distribution to local parents.



Professionalism rewards

Annick De Poorter, Executive Vice President R&D, Quality & Sustainability, was nominated as 2019 CSR Professional of the Year in Belgium. The award recognizes a consistently ambitious drive to create a truly integrated sustainability vision for a company.



7,200

Solar modules that generate over two gigawatthours of green power per year.

Green electricity produced on site

The Ontex plant in Eeklo, Belgium installed a large industrial solar power system. The photovoltaic system comprises 7,200 solar modules that have the potential to generate over two gigawatthours of green power per year, equivalent to the electricity consumption of 600 families. The system supplies 7.5 percent of the plant's annual electricity requirements.



Turbo-charging our organization

In the second quarter, we launched our company-wide Transform to Grow (T2G) program to boost our commercial focus and competitiveness and accelerate the execution of our strategic priorities. The aim is to turn Ontex into a stronger more profitable company and to enhance our ability to deliver sustainable growth.



(See page 12 for full details.)



The beautiful games

In June, women and men from 16 different Ontex locations came together to compete in the Ontex Football Cup 2019 in Belgium. The women's team from Brazil and the men's team from Mexico won the Cup.



Just like normal underwear

Launched in August in Brazil, BigFral pants are designed for young and physically active people with light or moderate incontinence. Consumers can wear them just like ordinary underwear, and absorption is twice as high as that of leading A-brands. They are also lighter and better fitting than other brands.



Big reward for Little Big Change

A campaign for our much-heralded diaper subscription service in France, Little Big Change, won the top category award at the French Grand Prix Stratégies du Digital 2019. The film in question, where babies demand diapers with fewer chemical substances, featured on Facebook and TV and reached 40 million people in only a few weeks.

Encouraged by the success with French consumers, a Little Big Change subscription model was also launched for moms and dads in Belgium, Luxembourg and the Netherlands.



Outclassing the rest

Our Brazilian baby diaper brand Pom Pom was launched in September to improve liquid distribution and speed up absorption. The changes keep it at the forefront of the local diaper market. The special Comfort Fit makes the diapers 40 percent thinner than 'normal' diapers and features such as elastic ears and front wings help make life easier for parents.

40%

The special Comfort Fit makes the diaper 40% thinner than 'normal' diapers

New solution for men

In October, Ontex started production of its latest Adult Care innovation, pants for men. Available in dark blue, these pants offer powerful protection, extreme comfort and ultimate discretion.



The future's in good hands

Ontex's popular Global Graduate program is going from strength to strength. In September, we welcomed our third generation of graduates who spent the first couple of months at our headquarters in Aalst familiarizing themselves with our company. Then, like their predecessors, they moved on to different assignments in Belgium and abroad.



FAVORABLE MARKET FUNDAMENTALS

THE PERFORMANCE, CONVENIENCE AND COST-EFFECTIVENESS OF OUR PERSONAL HYGIENE PRODUCTS MAKE AN ESSENTIAL CONTRIBUTION TO PEOPLE'S LIVES. THEY IMPROVE QUALITY OF EVERYDAY LIFE AND ENCOURAGE BETTER HYGIENE AND HEALTH. THEY ARE DESIGNED SO THAT EVERYONE CAN ENJOY INDEPENDENCE AND DIGNITY.

The three categories in which we play, Baby Care, Adult Care and Feminine Care all show good growth trends on a global basis, driven mostly by emerging markets.

The fundamentals of the hygiene segment remain positive. These include continued population growth, a growing ageing population, further urbanization and more awareness of what is available.

Growth patterns vary

While growth is being driven by emerging markets, the developed markets still offer good potential. The Americas (€24 billion market)¹ is expected to return a compound average growth rate (CAGR) of 7.6 percent up to the end of 2024. The mature market of Europe (€17 billion) is expected to grow 3.2 percent in the same period in terms of revenue, while Middle East and Africa (€7 billion) is expected to grow 14 percent and Asia Pacific (€36 billion) at just under 8 percent.

With the adoption of T2G, with its emphasis on improving our processes in the factory and in the office, and its focus on driving commercial excellence, we are confident that we will be able to benefit from the favorable growth environment.

Two major trends - e-commerce and natural

The below paragraph here sets out the major trends that are helping to reshape our thinking. While all are being addressed, two of them, the move towards more natural products and the shift towards online shopping are the most prevalent. We are adapting our business to capture the benefit of those changes.

E-commerce fastest growing channel

E-commerce has doubled its share of sales² of our personal hygiene products in recent years and is the fastest-growing channel for our categories. For example, in Baby Care, a €41 billion global business, 15 percent of sales are now online. For Feminine Care (€28 billion) and Adult Care (€9 billion), the figures are 10.6 percent and 12.6 percent respectively.

Shoppers are looking for messages and claims that talk to them on a personal level. The majority of our marketing expenditure is now in digital.

Pages 30 and 31 provide further information on our digital strategy and investments in training and systems, both internal and external, to address the challenges and reap the potential of this growing segment.



Natural, naturally

The concern for the future of society and the planet has triggered a shift towards a demand for products which have a natural profile and which support circular economy thinking. We are conscious that, today, you have to do more than run production facilities efficiently and you also have to minimize external impacts.

In our industry, the focus is also on product biodegradability and recyclability; the effects of the materials we use and the products themselves; where they come from and where they go when used. We are already addressing the post-use-life of diapers in some markets.

The success of our additive and hypoallergenic-free Feminine Care products in the US, using very specific positioning and primarily working online, is also evidence of our ambitions.

Both examples will help inform our future strategy and go beyond our promise to turn our operations carbon neutral by 2030.

UNDERLYING GROWTH TRENDS RESHAPING OUR INDUSTRY

Emerging markets drive growth

The demographics and the growing economic maturity of populations to spend money on hygiene products are generating market growth.

In recent years, we have grown with acquisitions in Mexico and Brazil and new plants in Pakistan and Ethiopia and are now consolidating our presence in these regions.

Retailer brands strengthening position in developed markets

European retailer brands in our categories have grown their market share in Baby Care from 30 percent to 36 percent in the last five years. In the US, the equivalent figures are 26 percent and 28 percent respectively³. The gap between the share of value continues to narrow between global and local brands. We expect the gap to narrow further as retailers in other markets adopt this approach.

Our position as the number one retailer brand partner across all categories in Europe is based on a broad and deep understanding of the success criteria in the retail world and close partnerships. Our success in transferring the base model to markets like the US confirms the strength of our offer.

Local and regional brands driving market growth and winning share

The shift towards local brands in Baby Care is intensifying as shoppers look for value and retailers look to build their own reputations (rather than those of others). Over the period 2014-2019, local/regional brands were responsible for over 70 percent of market growth⁴.

Our strategy focuses on acquiring, building and nurturing local brands, traditions and culture (see graph in right column).

Continued shift to baby pants

The shift from open diapers to pants continued across all markets globally driven by the big brands to stimulate volumes and regain competitive edge in what is a relatively flat baby care market. There is still room for growth but declining birthrates, improved product performance and (in some countries) economic barriers, open diapers are declining and pants (once only seen as a product for older children and potty training) are growing fast driven by the big players and their ability to produce.

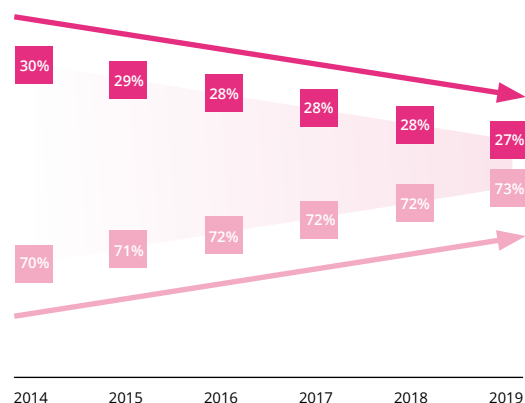
We continued to expand our manufacturing capacity at our various plants to meet the growing demand for baby pants.



"Local brands are proving more successful than global ones, and not just in our industry. Our work with retailer brands identifies consumer needs and expectations by region so that we can respond with suitable products. For example, baby diapers in the Americas have more versions with perfumes than diapers in Europe, which offer more 'natural' versions. T2G gives us the means to invest further in systems, capabilities and training to research our markets. This helps ensure that our propositions fulfil the needs for local relevance and differentiation in the most cost-effective way and that we can benefit from the successes of local brands."

◆ LAURENT BONNARD, PRESIDENT, EUROPE DIVISION AND GROUP COMMERCIAL

LOCAL/REGIONAL BABY CARE BRANDS DRIVE OVER 70% OF MARKET GROWTH OVER 2014-2019³



Share of retail value:

■ Global brands⁴ ■ Local/regional brands⁵

1. Figures in this paragraph from Tissue and Hygiene in Euromonitor. Categories included for Baby Care: "Nappies/Diapers/Pants", for Femcare: "Sanitary Protection" and for Adult Care: the sum of "AFH Adult Incontinence", "Rx/Reimbursement adult incontinence" and "Retail Adult Incontinence".

2. Retail Tissue and Hygiene in Euromonitor. Categories included for Baby Care: "Nappies/Diapers/Pants", for Femcare: "Sanitary Protection" and for Adultcare: "Retail Adult Incontinence".

3. Europe Nielsen Baby Pants, Europe Nielsen Baby Diapers.

4. Nappies/Diapers/Pants in Euromonitor. Global brands include: P&G, Kimberly Clark, Edgewell, Unicharm, Johnson & Johnson and Essity. Local brands also include retailer brands.

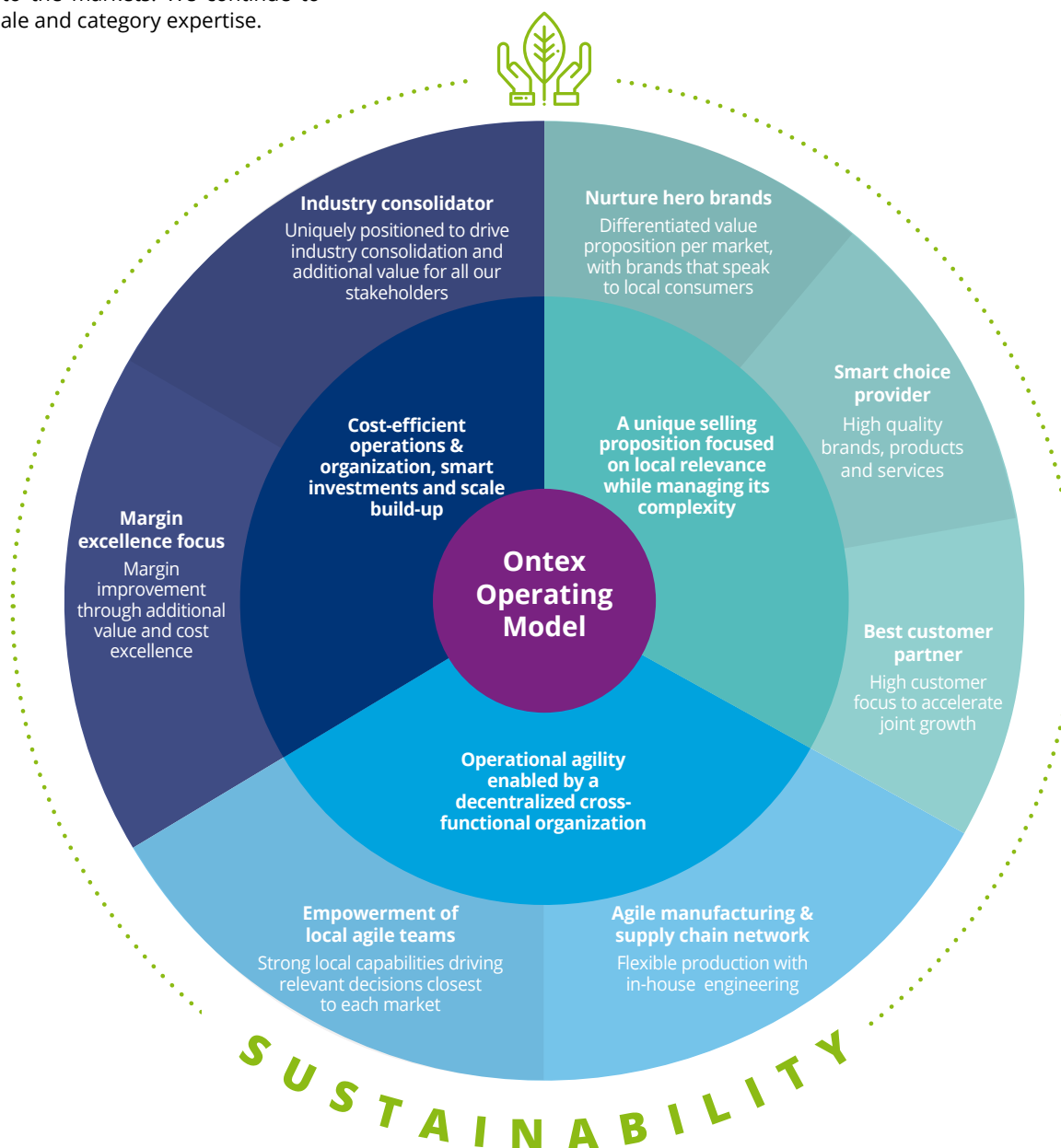
5. It also includes Retailer Brands.

OUR STRATEGY

ONTEX'S GOAL TO DELIVER SUSTAINABLE PROFITABLE GROWTH RESTS ON A TWO-PILLARED STRATEGY: STRENGTHEN CURRENT LEADERSHIP POSITIONS IN ITS THREE DIVISIONS, AND EXPAND INTO NEW BUSINESSES AND GEOGRAPHIES IN CORE CATEGORIES.

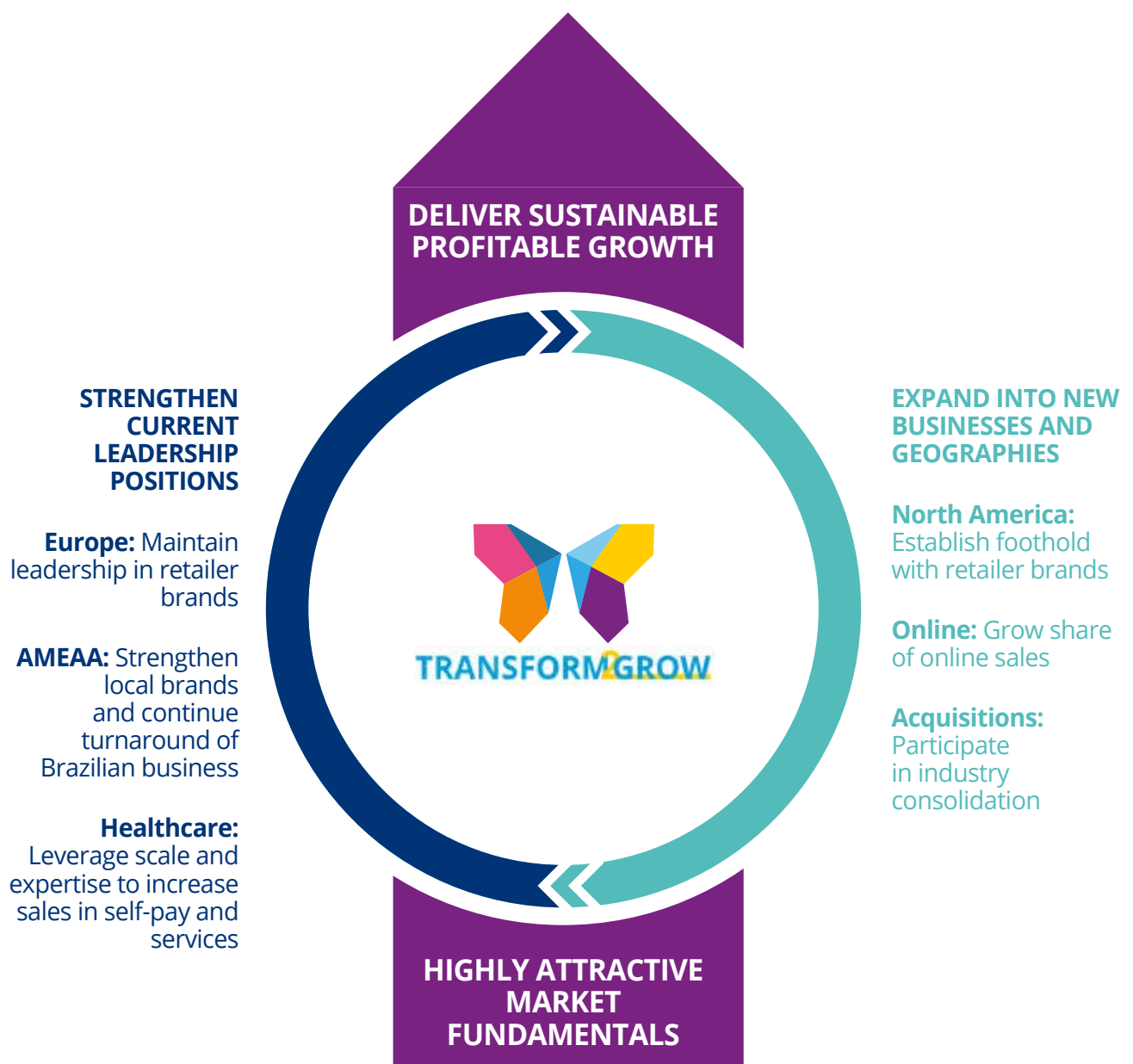
OPERATING MODEL

Ontex offers locally relevant affordable personal hygiene solutions, ensuring operational agility and proximity to the markets. We continue to leverage our scale and category expertise.



T2G

Our transformation plan T2G (Transform to Grow) touches every part of our business, reflected in the number and nature of the work streams (see image below). Each will help accelerate our strategy. While we are adopting a step-by-step approach to implementation, the scope is holistic.



DARE TO LEAD CHANGE. DRIVE SUSTAINABLE GROWTH. CREATE SUSTAINABLE VALUE.

THE TRANSFORM TO GROW PROGRAM (T2G) WILL HELP ACCELERATE EXECUTION OF OUR STRATEGIC PRIORITIES AND CREATE A STRONGER AND MORE PROFITABLE COMPANY DELIVERING SUSTAINABLE GROWTH.

At the beginning of 2019, we initiated Transform to Grow (T2G), a comprehensive transformation program to make us more competitive and return us to sustainable growth. Thierry Navarre, our Chief Operating Officer with more than 13 years of experience in the company, was appointed to the new role of Chief Transformation Officer to lead this critical program. Charles Bouaziz has assumed the current function of Thierry Navarre.

In summary, we are planning to invest €130 million in T2G up to the end of 2021 and expect full pay-back by the end of 2022.

For sustainable change

T2G is not a quick-fix, one-off cost cutting program. We are focused on sustainable change. Neither does T2G change our strategy. Rather it accelerates strategic execution by addressing every aspect of the company and the way we operate. It has its own specific structure, dedicated people and specific governance to ensure swift delivery.

T2G touches every part of our business, reflected in the number and nature of the work streams. Each will help accelerate our strategy. While we are adopting a step-by-step approach to implementation, the scope is holistic. In this way, the change becomes wholesale, we minimize the risk of any unforeseen knock-on effects, and the company remains in balance.

Planning to succeed

The first part of 2019 was dedicated to building the plan, and detailing and structuring more than 2,000 initiatives to support the work stream ambitions. We moved into implementation just before the middle of the year. Although we will not see the full effect of our work until the end of 2021, we are starting to deliver.

In our research and development, for example, we have modified our approach to clearly differentiate between our two main target audiences, retailers' brands and Ontex's own brands, which has allowed to materially increase our speed to market with innovations. In our commercial work, we are focusing on more

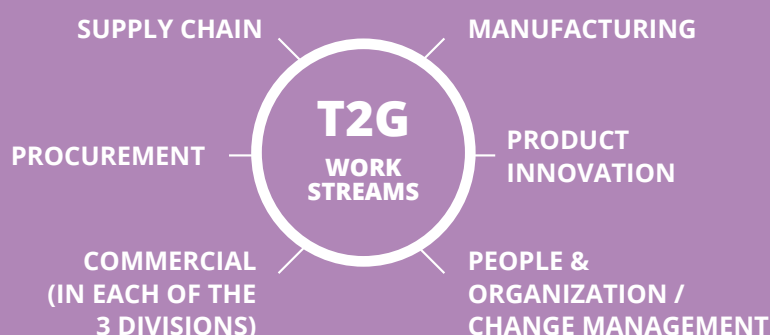


detailed planning, execution and follow up backed by a comprehensive governance system to raise any issues and solve them quickly. In manufacturing, the engine of the company, we have captured operations under one roof to standardize procedures and accelerate synergies. We are also adopting new models to increase shop-floor ownership and productivity, and in procurement, we are further leveraging our size using new tools.



"The new company structure recognizes the needs of our different customer bases—retailer brands and Ontex's own brands—and by carving out operations to accelerate efficiencies, the commercial Divisions can now focus all their efforts on staying close to the customers."

● LAURENT BONNARD, PRESIDENT, EUROPE DIVISION AND GROUP COMMERCIAL





Capability building to ensure success and sustainability

The success of T2G is dependent on our people. We recognise that T2G is a challenge and that employee engagement is key to success. We have introduced further training and systems to accelerate and expand capability and support our people in their personal and professional development as they adapt to the new environment. We are also incentivising all levels of the organization appropriately.

Getting back on track

T2G will enable us to accelerate execution of our strategic priorities and create a stronger, more profitable company delivering growth, now and in the long term.

T2G will restore confidence in the company and enable us to resume our plans for external growth and, in doing so, create further value for all stakeholders.



"The profile of our company has drastically changed in a short period of time and the markets we work in likewise. Originally retailer brands were our main business, now they are half of it. We were mostly European focused, and that has also changed with our entry into the Americas and further expansion in Africa and the Middle East. And competition is stiffening. While we had shown resilience, and had started to adapt, we needed to accelerate the pace of change. That's where Transform to Grow came in. It is renewing our commercial focus and our operational competitiveness on all fronts, and accelerating execution of our strategic priorities."

● THIERRY NAVARRE, CHIEF TRANSFORMATION OFFICER

THE AIM OF T2G IS TO BOOST OPERATIONAL EFFICIENCY AND DRIVE COMMERCIAL EXCELLENCE

OPERATIONAL EFFICIENCY

Manufacturing excellence: boost strengths, leverage best practices and improve shop floor models

Supply chain optimization: upgrade transportation, warehousing and end-to-end planning

Strategic procurement: better leverage scale, deploy new technology and tools, and target further cost reduction in direct/indirect purchasing

Product optimization: leverage the cross-functional Transformation Office and the new governance to further accelerate optimization of raw materials usage and product concepts

DRIVE COMMERCIAL EXCELLENCE

Category mix: increased focus on the high-growth product segments

Customer value proposition: offer more differentiated value propositions to customers through enhanced category expertise, partnership relationships as well as product and logistics excellence

Innovation relevance and speed:

build the right innovation roadmap and adapt innovation process to end customers' specific expectations

WHAT ARE WE LOOKING TO ACHIEVE?

Like-for-like revenue¹ outperforming the markets in which we operate by at least 50 basis points (bps)

By end of 2021

- EBITDA margin improvement at constant currency² compared with 2018: +125bps to +175bps
- Working capital³ improvement compared with 2018: 10 percent
- Capital expenditure: 4 to 5 percent of revenue
- Cash flow conversion: c. 55 to 65 percent

By end of 2022

- Full return on investment expected

1. Like-for-like revenue is defined as revenue at constant currency excluding change in scope of consolidation or M&A.

2. Net of the impact of the application of IFRS 16 effective as of January 1, 2019.

3. On the basis of the 2018 reported working capital of €421 million, excluding factoring (inventories, trade receivables, prepaid expenses and other receivables minus trade payables, accrued expenses and other payables).

4. Cash flow conversion is calculated as (Adj. EBITDA - Capex + Change in Working Capital)/Adj. EBITDA.

DARING TO PUSH THE BOUNDARIES

ONTEX'S SUSTAINABILITY STRATEGY SETS AMBITIONS FOR 2030. IT DEFINES A COMMON SUSTAINABILITY AGENDA BASED ON CIRCULAR ECONOMY THINKING¹ AND SETS GOALS FOR ALL PARTS OF OUR COMPANY INCLUDING THE VALUE CHAIN. WE BELIEVE THAT THE NEW SUSTAINABILITY STRATEGY WILL HELP US TO CONTRIBUTE STRONGLY TO THE ACHIEVEMENT OF THE UN'S SUSTAINABLE DEVELOPMENT GOALS.

THE NEW SUSTAINABILITY STRATEGY SETS AMBITIONS FOR 2030.



"Big change requires an element of daring and the courage to aim high. So, if we want to make a real change, we have to be bold, push the boundaries. And not be afraid to fail. With our new sustainability strategy, we challenge ourselves. We may not have all the solutions yet but believe it's the right and only way to go."

● ANNICK DE POORTER,
EXECUTIVE VICE
PRESIDENT, R&D, QUALITY
AND SUSTAINABILITY

We articulated our first formal sustainability strategy in 2016. It included goals to reduce the impact of our production sites, manage our value chain and reduce any environmental effect our products may have.

We updated our sustainability strategy in 2019 to ensure that it remains relevant and that we, as an ambitious and growing business, continue to make a positive difference for the planet and all the elements in our value chain.

As a starting point, we used our vision and values, which state the need for us to act in a socially responsible way. We feel that this is more important than ever in times of climate change, pressure on natural resources and inequalities in our society.

Developing the strategy

We have made significant progress since 2016. But we need to dare to go further.

The new sustainability strategy sets ambitions for 2030. It defines a common sustainability agenda based on circular economy thinking¹ and sets goals for all parts of our company including the value chain. We believe that the new sustainability strategy will help us to contribute strongly to the achievement of the UN's Sustainable Development Goals.

Close cooperation

We worked closely with our stakeholders across our value chain and beyond to develop the strategy. Their input and advice were invaluable as was the challenge to stretch ourselves. The consultations helped us map and prioritize challenges, and identified how and where we can have the greatest impact. Read more about stakeholder engagement on page 16.

Our focus areas

We identified four main focus areas and set out what we aim to achieve in each of them:

- 1. Building trust:** our ambition is to enhance transparency, and lead the way to a fair society.
- 2. Circular solutions:** our ambition is to move towards a circular business model.
- 3. Climate action:** our ambition is to have climate neutral operations by 2030.
- 4. Sustainable supply chain:** our ambition is to create a positive impact in our supply chain and regenerate natural resources.

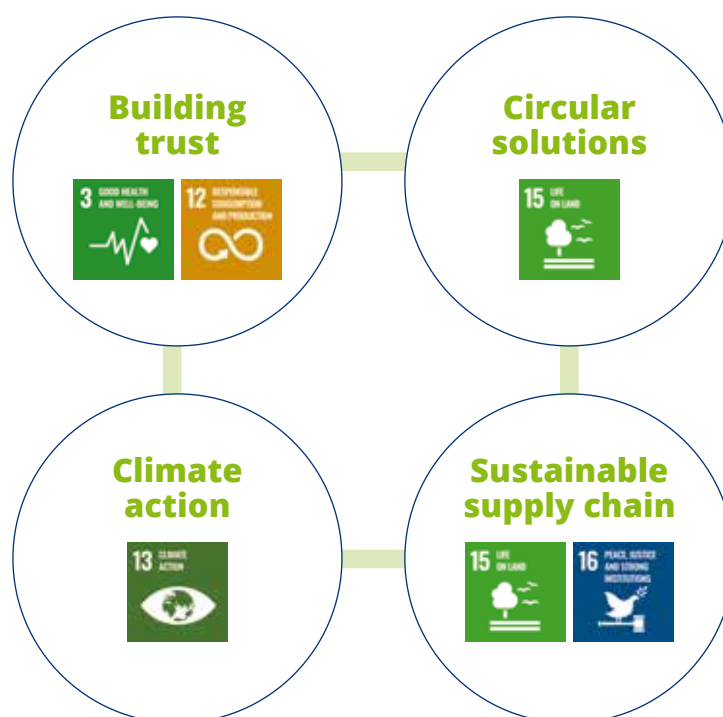
These four areas form the basis of our strategy, and are all interconnected. For example, working on circular solutions will have an impact on climate change or tackling human rights issues in our value chain and will increase trust in us as a brand and as an employer.



Open and still learning

We will go beyond setting commitments and will be open about our successes and failures and the challenges we face along the way. We don't have all the answers yet, and we will join forces with others to be part of a wider conversation to find new solutions.

The UN's Sustainability Development Goals (SDGs) and the 2030 Agenda for Sustainable Development call on governments, business and civil society to take action to address social and economic challenges. We believe this collaborative approach is essential and, as you can see here, our sustainability strategy aligns well with the SDGs.



1. A circular economy is an economic system aimed at eliminating waste and the continual use of resources.

STAKEHOLDER ENGAGEMENT

AS A PUBLICLY LISTED COMPANY, ONTEX HAS A WIDE RANGE OF STAKEHOLDERS WHO ARE AFFECTED BY OR INFLUENCE OUR DAY TO DAY BUSINESS. A TABLE ON PAGE 149 SHOWS THE KEY TOPICS, OUR RESPONSES AND HOW WE ENGAGE. THE RELATIONSHIP THAT WE FOSTER WITH THESE STAKEHOLDERS AND THE WAY WE MANAGE THEIR VARYING NEEDS AND EXPECTATIONS HAVE A DIRECT IMPACT ON OUR SUCCESS.

Stakeholder engagement concerns all levels of the business (international, divisional and local) but most of our work focuses on the local level. We require all our sites to identify their respective stakeholders and establish the best ways of engaging with them. In many cases, such as dialogue with customers and suppliers, the stakeholder relationships are primarily managed by the departments themselves.

The executive committee receives feedback from stakeholders directly from visits to customers and suppliers, as well as employee and investor meetings. They also get information from Divisions, departments or workers' representatives during their regular briefings by senior management. Other forms of input include periodic employee survey results.

STAKEHOLDER ENGAGEMENT CONCERNS ALL LEVELS OF THE BUSINESS (GLOBAL, COUNTRY AND LOCAL) BUT MOST OF OUR WORK FOCUSES ON THE LOCAL LEVEL.



We actively participate in various industry associations. This enables us to engage with policy makers and contribute to a better understanding of industry-related issues. These associations are also important platforms for us to contribute to broader, industry-wide action on sustainable development. (For details about the organizations see page 155.)

On a less formal level, members of our management team are often called upon to participate in public forums to discuss our business strategy and approach to sustainability. Events like this provide an opportunity to interact with various groups including business leaders, academics, other companies and society as a whole.

Rewarding suppliers

Suppliers play a vital role in our efforts to create value, deliver quality, and drive innovation. We want to acknowledge their contribution and every 18 months we officially recognize outstanding performance of our suppliers with our supplier of the year award. In 2019, it went to a leading global adhesive specialist.

Co-creating with employees

Our sustainability goals were set to expire in 2020. We needed to develop a new set of goals to build on the progress made. As a sustainable future is everybody's concern and climate change is very much linked with carbon emissions, in November 2019, we asked representatives from across our functions to help develop our roadmap towards carbon neutrality.

At a co-creation session, facilitated by an external consultant, we considered the status of climate change, the impact our business has, the trends and regulatory changes such as carbon taxes and their effects, and discussed possible ways forward. The results of the deliberations helped set the base for our new carbon-related goals (see page 45) which will be key to a sustainable future for us and our planet.

CO-CREATING OUR NEW CARBON-RELATED GOALS.



CONSUMER PANEL ALGERIA.



Listening to consumers

Listening is key to the long-term success of our company. In November, 100 students with various academic backgrounds (civil engineering, bio-engineering, economic science and more) were given the task to develop a circular business model for Ontex focusing especially on emerging markets. They presented their findings and ideas to a jury of Belgium-based academics and Ontex employees.

We regularly consult panels of our consumers on five continents, like a recent panel in Algeria (pictured above).

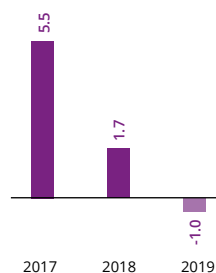
WE RECOGNIZE OUTSTANDING PERFORMANCE OF OUR SUPPLIERS WITH OUR SUPPLIER OF THE YEAR AWARD.



OUR KEY PERFORMANCE INDICATORS



LIKE-FOR-LIKE REVENUE GROWTH¹ (%)



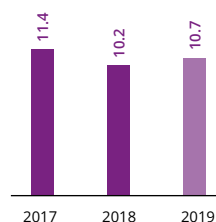
Outperform the markets we chose to play in

READ MORE ON PAGE 48-49

1. Like-for-like revenue is defined as revenue at constant currency excluding change in scope of consolidation or M&A.



ADJUSTED EBITDA MARGIN (%)



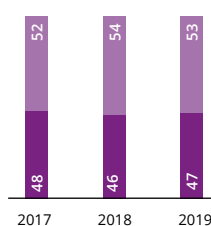
Expand profit margin over time

READ MORE ON PAGE 48-49



BALANCED PORTFOLIO

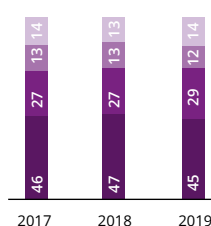
1. BRANDS (%)



Grow balance in own brands vs. retailer brands in terms of business

■ Retailer brands
■ Ontex brands

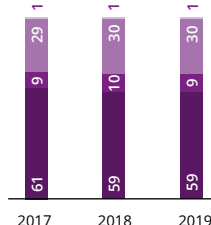
2. GEOGRAPHIES (%)



Grow further outside Western Europe

■ Rest of the world
■ Eastern Europe
■ Americas
■ Western Europe

3. CATEGORIES (%)



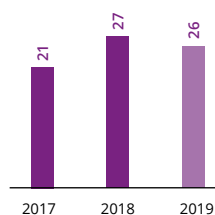
Grow our three product categories

■ Other
■ Adult Care
■ Feminine Care
■ Baby Care





FEMALE MANAGEMENT (%)

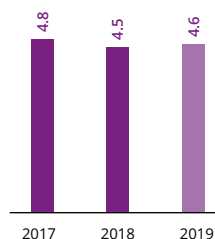


Be an inclusive and diverse capabilities-driven employer

[READ MORE ON PAGE 107](#)



CAPEX SPENDING (% NET SALES)

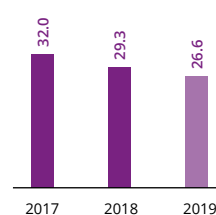


Remain efficient in capex spending in the personal hygiene industry

[READ MORE ON PAGE 107](#)



CARBON INTENSITY RATIO (gCO₂/€) (SCOPE 1-2)

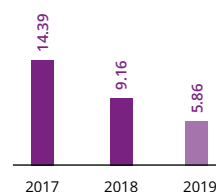


Aim to be carbon neutral by 2030

[READ MORE ON PAGE 44](#)



HEALTHY AND SAFE WORKING CONDITIONS² (FREQUENCY RATE)



Continue to decrease the number of accidents towards a vision of zero accidents

[READ MORE ON PAGE 36](#)

2. The number of labor accidents per million worked hours.



NURTURE LOCAL BRANDS

Build sustainable leading positions in our core categories and countries

[READ MORE ON PAGE 8](#)



OUR DIVISIONAL STRUCTURE

2019 REVENUE - PER DIVISION	€ M	PERCENTAGE OF GROUP
Europe	956.9	42%
Americas, Middle East, Africa and Asia	891.9	39%
Healthcare	432.5	19%
Ontex Group	2,281.3	100%

After careful reflection on how far we have come in terms of re-shaping our portfolio of geographies and balance of retailer and own brands, effective as from January 2019, we have revamped our organization in order to better leverage our strengths and improve execution. Our commercial activities are now organized in three Divisions: Europe, which is predominantly focused on retailer brands; Americas, Middle East Africa and Asia (AMEAA), which is predominantly focused on local brands; and Healthcare which continues to focus on the institutional markets and dedicated incontinence brands.

In addition, Group Manufacturing and Supply Chain have been regrouped into a newly-created Operations unit, with a focus on production efficiency and customer service excellence.



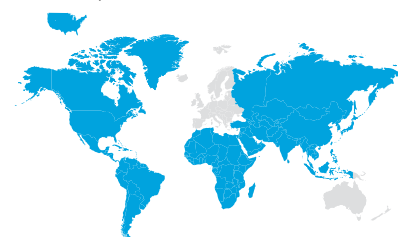
"At Ontex AMEAA Division we provide personal hygiene products and solutions that make it easier for families to embrace life's many changes. We do it by encouraging a happy and optimistic work environment that will make us successful in providing smart choices for our consumers and customers."

◆ **ARMANDO AMSELEM,**
PRESIDENT AMEAA
DIVISION

AMERICAS, MIDDLE EAST, AFRICA AND ASIA DIVISION

The AMEAA Division predominantly focuses on local hero brands. Sales and marketing activities are split into four geographical areas:

- North America
- Mexico and Central America
- South America
- MEAA (Middle East, Africa & Asia)



€891.9M

Revenue





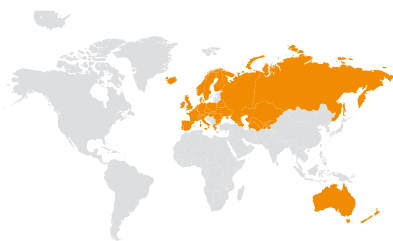
EUROPE DIVISION

The Europe Division is predominantly retailer brand focused. It comprises three geographical areas:

- **Area North:** UK/Ireland, Australia/New Zealand, Belgium/Netherlands/Nordics. Contract Manufacturing also reports into this area.
- **Area South:** France and Iberia, Italy & Greece
- **Area East:** Russia & CIS, DACH, Poland, and CEE.

€956.9M

Revenue



"When customers need help to design, manufacture and market hygiene products sold under their brands, they turn to Ontex, as they recognize and value our innovation capabilities, responsiveness, superior service levels and dedication."

● **LAURENT BONNARD,**
PRESIDENT EUROPE
DIVISION

€432.5M

Revenue

HEALTHCARE DIVISION

The Healthcare Division continues to focus on the institutional markets and dedicated incontinence brands.

Marketing is organized on a divisional level, with dedicated support at area level.

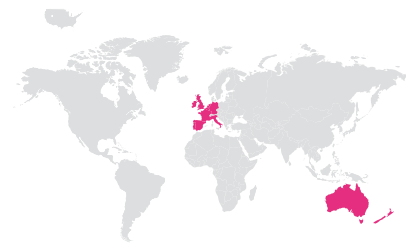
The sales activities are split into two geographical areas.

- **Area North:** France & Belgium, Germany, UK & Ireland and distributors
- **Area South:** Italy and Iberia.



"We never forget that our business is contributing to the quality of life and dignity of the end users of our products and services, providing them with innovative products and smart solutions at affordable prices."

● **XAVIER LAMBRECHT,**
PRESIDENT
HEALTHCARE DIVISION



THE ENGINE OF GROWTH

AMEAA

THE AMEAA DIVISION SERVES THE ATTRACTIVE GROWTH MARKETS OF THE AMERICAS, MIDDLE EAST, AFRICA AND ASIA. THE DIVISION IS PREDOMINANTLY FOCUSED ON ONTEX'S OWN BRANDS BUT HAS A GROWING RETAILER BRAND BUSINESS IN THE US. THE TOP-LIGHT ORGANIZATION RELIES ON THE AGILITY AND ENTREPRENEURSHIP OF LOCAL TEAMS.

Performance

2019 was a good year for the AMEAA Division as a whole as we skilfully managed our portfolio mix to leverage the strong local brands in emerging markets and the retailer brand opportunity in the US. The introduction of a new organization at the start of the year ensures that we remain close to the market, an essential aspect when dealing with local brands.

BABY DIAPERS CONTINUED TO GROW WELL, AS DID THE MEDIUM AND LIGHT ADULT CARE PRODUCTS.

Revenue increased 6.7 percent, well ahead of the market, based on solid commercial execution, distribution gains and a series of innovations to support our product platforms.

Sales increased in all three categories and most regions, driven by increased volumes as well as an improvement in price/mix. Baby diapers continued to grow well, as did the medium

and light Adult Care products. Solid consumer demand for our own brands in Mexico (a declining market) also drove revenue growth.

In Brazil, we stabilized the base and are pleased with the progress and the improvement in sell out. We consolidated two plants into one, streamlined the organization, and optimized product specifications. We also extended distribution into new regions of this vast country.

Revenue in the Middle East, Africa and Asia also grew despite a challenging political and economic environment in some markets. It was encouraging to see the market in Turkey recovering.

While there were many product successes in our markets, three stand out. We relaunched the Pom Pom baby diaper brand in Brazil. The pricing strategy clearly signalled innovation and, judging by sales, consumers were very appreciative of the new product features that included a thinner core, channels and elastic 'ears'. Also in Brazil, we successfully launched adult pants. And in Mexico, we launched a new Kiddies brand diaper pant that proved popular with consumers.

US\$ 145 million

Lifestyle diapers sales have tripled in the last five years to around US\$ 145 million. We are present in this niche market with a number of diaper products.



ONTEX IS WELL KNOWN IN PAKISTAN FOR ITS CANBEBE DIAPERS. IN 2019, WE LAUNCHED SINCERE, OUR LATEST FEMININE CARE BRAND THERE. THE SANITARY NAPKINS WITH THEIR ACTIVE FRESH SYSTEM AND DELICATE SILK TOUCH ARE DESIGNED TO GUARANTEE TOTAL PROTECTION.



POM POM IS A LEADING BRAND OF DIAPERS IN BRAZIL. IT IS THIN AND FEATURES TECHNOLOGY THAT IMPROVES LIQUID DISTRIBUTION AND SPEEDS UP ABSORPTION.





ORGANIC COTTON TAMPONS CONTINUE TO GROW. WE ARE WORLD LEADERS IN THE DEVELOPMENT OF THESE PRODUCTS THAT TARGET THE ECO CONSCIOUS CONSUMER.



IN THE US, ECO RETAILER BRANDS ACCOUNT FOR A DOUBLE DIGIT PART OF RETAILER BRAND SALES FOR LEADING RETAILERS.



WHILE MOST OF OUR MEAA MARKETS ARE STILL DEVELOPING THEIR RETAIL AND DISTRIBUTION MODELS, IN COUNTRIES LIKE SOUTH KOREA THE LARGE MAJORITY OF BABY CARE PRODUCTS ARE SOLD ONLINE. WE ARE ALREADY SUPPLYING ONE OF THE MARKET LEADERS IN THIS VIBRANT SEGMENT.

Strategy

The main part of our strategy is to nurture local brands in various markets. Our goal is to drive baby diapers adoption in key markets, improve distribution channels, and upgrade our products with locally relevant innovation. We will build on our leadership in Adult Care products, shifting the focus towards light Incontinence and adult pants.

Market overview

The AMEAA region is a massive market. Maturity differs widely, as do the needs. Our range of products and models have proven attractive enough to gain share in markets that are slowing (such as the US and Mexico) and to capture growth in developing segments (such as adult incontinence) and emerging markets, for example, North Africa. There are many markets in which we are not present today. We have a well-grounded plan for future growth and are focused on capturing our share of the potential.

Outlook

AMEAA continues to be a challenging yet rewarding market. Our strengths lie not just in product design and manufacturing but managing complexity. That's why our resources are located in the various end-markets. We see further growth potential in building brands that are relevant to a specific country or region, adapting the product platform to ensure relevance, and then communicating with a special target audience in mind. At the same time, the retailer brand opportunity in the US is substantial. Working with the top name in retailing has given us much more visibility and experience from which we should benefit.



OUR RANGE OF PRODUCTS AND MODELS HAVE PROVEN ATTRACTIVE ENOUGH TO GAIN SHARE IN MARKETS THAT ARE SLOWING.



"Our market approach is tailored to meet consumer needs. In emerging markets our efforts are channeled into strengthening local Ontex brands, while in the US we focus mainly on retailer and lifestyle brands."

● ARMANDO AMSELEM,
PRESIDENT AMEAA
DIVISION

REVITALIZING EUROPE

IMPROVING SALES TRENDS IN THE SECOND HALF OF 2019

AS THE LEADING SUPPLIER OF RETAILER BRANDS IN EUROPE, WE SUPPORT OUR CUSTOMERS IN SUCCESSFULLY GROWING THEIR CATEGORIES THROUGH A COMBINATION OF PRODUCT INNOVATION AND A BROAD OFFERING OF COMMERCIAL EXPERTISE.

Performance

The non-renewal of major contracts in 2018 was reflected in our divisional results for 2019. The improved sales trends in the second half of the year, however, indicate that the measures that we took, and are taking, to improve execution and organic revenue growth in our large customer base are starting to take effect, underpinning our expectations for the future. Feedback from the retailers has been extremely positive.

The benchmark of our performance against key customer criteria carried out as part of preparations for T2G confirmed many opportunities to return to growth. The series of measures and commercial initiatives implemented turned the year into one of reconstruction in what was, after all, a new division.

The primary task was to make sure that we had the right capabilities among our people to partner with our retailer customers. In some important markets, we brought in completely new line-ups. The Ontex Europe Division now have a highly talented, multifunctional team with the right leadership in all areas to engage retailers and help them grow their business in all three categories of personal hygiene. The job they have done is extraordinary, and this is reflected in our progress during the year.

When you work with retailers it is essential to get the basics right and fix the key business drivers – the right product with the right amount of innovation at the right price and the right supply. We made a step change in our sales and operations planning (S&OP) processes to focus, align and synchro-

nize our functions and thereby run an effective supply chain management. The new S&OP affords us excellent visibility on future demand and ensures that we can provide the right innovation, in the right place, at the right time.

The opening of the new plant in Radomsko, Poland helps us better serve the major retailers in central and eastern Europe. It allows us to act quickly to their needs and generally improve the execution in the supply chain.

THE OPENING OF THE NEW PLANT IN RADOMSKO, POLAND HELPS US BETTER SERVE THE MAJOR RETAILERS IN CENTRAL AND EASTERN EUROPE.





"Our priority in 2019 was to rebuild the trust with retailers we once enjoyed so that we could grow our businesses together. That is the very essence of our business model. Judging by the results we are on the right track but there is still some way to go."

◆ **LAURENT BONNARD,**
PRESIDENT EUROPE DIVISION



ECOLOGICAL
OR NATURAL
PRODUCTS
ACCOUNT FOR
ABOUT 1% (€44 M)
OF EUROPEAN
BABY CARE, A
DOUBLING OF
LAST YEAR'S
FIGURE.



BABY PANTS
CONTINUE TO
GROW IN EUROPE.

RADOMSKO PLANT OPENING

The newly built Radomsko plant fits in Ontex's ambition to expand its international presence and will allow the company to better serve the eastern European market.

The first production line of the Radomsko site was officially opened in February 2019 at an event attended by local media and partners. Construction of the facility began back in 2017, with an entire investment estimated at €16 million. The 26,000 sqm factory was built on a 110,000 sqm site.

"We are very proud to extend our production capacity in Poland, which is testimony to our strong commitment to the eastern European market," said CEO of Ontex, Charles Bouaziz.

Ontex had been serving Poland by importing products from the Czech Republic. The swift development of the Polish market and its advantageous location drove the decision to set up a local facility, CEO Charles Bouaziz explained: "At Ontex, we strongly believe in a local market approach, with manufacturing plants which are strategically located to allow us to respond efficiently and flexibly to consumers and customers' needs. The new production facility in Radomsko will help us better serve our expanding retailer customer base in the region."

Strategy

Our strategy is to develop broad-based and in-depth partnerships with our retailer customers so that we can be their smart-choice provider and strengthen our leadership position. The partnership will add value to business planning, category management, shopper behavior, innovation, brand building, e-commerce and other areas to help drive growth in their categories and own brands in a multi-channel landscape.

Market overview

Retailer brands in general in Europe are growing and taking market share. In Baby Care specifically, they continued to gain volume share in a declining market.

The pressure in the baby care market remains relentless, led by the deep promotions and innovation of the big brands and the aggressive stance of some smaller competitors looking to scale up their operations. We have the capabilities, scale and speed to serve this market competitively.

Outlook

Forty years ago, Ontex started as a small retailer brand business. Today, the Europe Division is approaching €1 billion in sales and accounts for more than 50 percent of group revenue. The story confirms the attractiveness and potential of the business provided you manage to skillfully orchestrate all the constituent parts, which is what we have focused on this year.

The 40 years are testimony to the resilience of the Division, its business model and its people. A clear strategy with very few choices, an entrepreneurial mindset, good leadership and 'trust in the local', have all contributed. We look forward to retailer brands continuing to grow worldwide.

SOLID PERFORMANCE BASED ON TRUST AND CONFIDENCE

HEALTHCARE

OUR RANGE OF PRODUCTS FOR ADULT CARE INCLUDES PADS, PANTS, ADULT DIAPERS AND UNDERPADS. EACH IS DESIGNED AND MADE WITH DISCRETION, PROTECTION AND DIGNITY IN MIND. THEY ARE SOLD THROUGH INSTITUTIONS AS WELL AS DIRECTLY THROUGH SELF-PAY CHANNELS.

Performance

2019 was another motivating year for the Healthcare Division. Organizationally, we split our business into two distinct geographic segments, north and south Europe. This helped us to better accommodate the different customer bases and different brands (*iD* in the north and *Serenity* in the south). It also speeded up decision making and ensures we have the resources where we need them.



PRODUCT OF THE YEAR

Research shows that bladder control issues in children and teenagers have an important impact on their psychological well-being. Our *iD Comfy Junior* offers a discreet and comfortable solution for night and daytime wetting and is aimed at children between 4 and 15 years old. It was voted 'Product of the Year 2019' by Belgian consumers.

In the absence of a dedicated range for children with bladder control issues, parents had to rely on baby diapers or Adult Care products for their children. With *iD Comfy Junior*, we offer a complete solution to help children and their parents manage these issues. It allows children to regain confidence and continue their active lives in a dignified, discreet and comfortable way.

The award reconfirms the trust placed in our products by consumers – the trust that drives us to continually deliver high quality solutions.

We introduced a Marketing & Services cluster to concentrate on e-commerce and services as well as product development. With the new working environment, we aim to maximize the knowledge of our people and continue to build future capability in important areas such as revenue and category management as well as shopper experiences as the self-pay channel grows.

Divisional revenue remained flat at €432.5, as predicted, in a market largely declining in value, and raw material costs remained high. We had positive developments in most of our markets and were able to pass on some costs through pricing.

We maintained a disciplined approach in the aggressive pricing environment of institutional channels and had to deal with a number of major contract reversals. Encouragingly, in self-pay channels, the market continued to show confidence and trust in our products. Sales in France, Spain and Italy with our own as well as some distributor brands were robust, while in Germany we enjoyed success with home delivery models and some key partners.



Online opportunity

A small share of our Healthcare sales is online at present, but the discreet nature of this channel means that it is growing fast and we continue to invest strongly in this area.



iD INTIME IS OUR NEW AWARD-WINNING RANGE OF DISCREET PROTECTION UNDERWEAR FOR WOMEN DESIGNED TO MANAGE MODERATE URINARY INCONTINENCE. THE PANTS LOOK AND FEEL LIKE REAL UNDERWEAR THANKS TO THE SUPER SOFT WAISTBAND, AND THEY SHAPE LIKE NORMAL UNDERWEAR.



THE MARKET IN WHICH WE OPERATE IS GOING THROUGH DEEP CHANGE: FROM REIMBURSEMENT TO SELF-PAY; FROM PUBLIC INSTITUTIONS TO PRIVATE ORGANIZATIONS; FROM AWAY-FROM-HOME TO AT-HOME CARE AND FROM A FOCUS ON PRODUCTS TO PRODUCTS AND RELEVANT SERVICES.

In Australia, we changed strategy to increase our focus on home care, and in Spain, Portugal, Poland, US and Canada our good relationships with distributors helped develop various channels. In the UK, we reversed a declining trend and won a significant contract with a major nursing home group, while in Belgium we retained one of the major accounts in addition to winning new business. All these examples provide us with sustainable and profitable paths to growth, and fit exactly with our strategy.

We continued to optimize products based on circular economy thinking. We are conscious of the need to look at the whole life cycle up to disposal. We carried out a significant number of trials in institutions with Odobin, our closed odorless disposal system for Adult Care products. We secured a number of contracts and we see a lot more potential in this area.

Strategy

The institutional segment provides the base of our business and we are conscious of the need to maintain our position. We also offer a range of ancillary services such as waste handling

and care management so that we can provide a comprehensive offer for this type of customer. We will use our experience with institutions to invest in the attractive, higher margin and growing self-pay market.

Market overview

The market in which we operate is going through deep change: from reimbursement to self-pay; from public institutions to private organizations; from away-from-home to at-home care; and from a focus on products to products and relevant services. Parallel with this is the increase in the significance of digitalization in all areas of our business. In addition, the taboo around incontinence is diminishing

Outlook

The institutional market still constitutes the base of our sales but we see great potential in the trends that are shaping our business. Budget restrictions in reimbursement systems are set to continue and will push patients to look for options in the self-pay market. Sustainability is now a given in our business and the increase in digital is requiring different capabilities and more agility. As a leading supplier in the Adult Care field we are more than prepared for these shifts.



"Institutions continue to be our main customers but the retail self-pay market is growing significantly as are digital channels, both from small bases. Our business model, products, and innovation pipeline are geared to meet all the market trends."

● XAVIER LAMBRECHT,
PRESIDENT OF
HEALTHCARE DIVISION

Private care homes

We are starting to become a significant player in the private care home segment. The homes are not just attracted by our product properties but by the whole concept we offer including training and digital tools to help optimize the way they look after their own clients.

RIGOR AND DISCIPLINE

OPERATIONS

TO BE EFFECTIVE, WE PRODUCE OUR GOODS AS CLOSE TO OUR CUSTOMERS AS POSSIBLE. THIS MINIMIZES TRANSPORTATION COSTS AND ENVIRONMENTAL IMPACTS. WE FOCUS RIGOROUSLY ON THE ELEMENTS THAT ENABLE US TO OPERATE PREDICTABLY AND AT HIGH LEVELS OF EFFICIENCY.

The restructuring of the organization at the start of 2019 established a single centralized operations unit to flawlessly integrate manufacturing excellence and supply chain. As part of this, we hired an executive vice-president of operations, Axel Loebel (see page 61), who brings more than 25 years of operations experience, most of them in diaper manufacturing but also in supply chain.

Production and capability building

The year has focused on both production line improvements and strengthening our capabilities. One of the fundamental capabilities to grow is safety. (See page side story.)

We established a new manufacturing excellence team to document and share best practices and establish a system of agreed production standards at a pilot plant and further rollout to all 18 manufacturing sites. We are already seeing the impact of the actions taken in the improved efficiency.

We strengthened our capabilities in preventive maintenance and root cause analysis. We also strengthened our management methods so that we are able to control and continually improve our

processes and eliminate losses. In those plants where we have been implementing change, production efficiency measured in uptime, runtime efficiency and quality has improved significantly. We have instigated training programs in other plants to re-apply and roll out the practices.

Transform to grow

The introduction of the T2G program provides a framework for our planned actions. It has also helped to strengthen the links between our network of 18 plants. We have transformation managers in place and we see good potential for even more technology sharing and transfer between plants, which will help us become more efficient. T2G has also enabled us to hire and assign external people with a deep knowledge of lean manufacturing capabilities to take the organization to the next level.



WIN WIN

The rise in demand for our Feminine Care products was putting pressure on our plant in Großpostwitz, Germany, which is dedicated to tampon production. The difficulty was finding local skilled people to run the lines. Our plant in Mayen, Germany is one of our largest plants and is a significant and stable economic factor in the local region. It was not at full capacity and had no tampon production. The solution? Relocate the Großpostwitz tampon production to Mayen. Ten lines were transferred to the plant and production started up in December. The switch ensured continued supply for our customers and enhanced the co-operation between our plants. A very positive outcome for all.



BY ELECTING TO RUN OUR LINES ON TARGET SETTINGS WE HAVE REDUCED THE AMOUNT OF STOPS AND THE RELATED START/ STOP SCRAP.



“Manufacturing personal hygiene products is all about rigor, discipline, and following standards. Our vision is to operate like a cost-efficient Swiss clock—predictable and always on time. This relates to both operations and maintenance. The production lines are operating according to defined targets and standards. We have optimized those standards and introduced actions during the year to further embed the singular mindset you see in a Formula 1 pit crew in our own operating teams to minimize the downtime of the line. We are already seeing the benefits in longer running times and scrap reduction.”

◆ AXEL LOEBEL,
EXECUTIVE VICE
PRESIDENT OPERATIONS

Engagement

Increased ownership of a process has shown itself to be a sound way of engaging people and improving performance. During the year, we deployed an autonomous manufacturing unit (AMU) model in one of our factories with a view to extending it to other production units.

AMU effectively hands ownership of the line to the operators and we are already seeing a concomitant improvement in the engagement and actions at the plants. Already implemented in four sites, we will roll AMU out to other plants using a team of coaches to lead the transformation, train the people in new working methods, and implement the systems to monitor progress.

Scrap reduction

The greatest gains are to be found in the reduction of scrap (optimization of materials) in the manufacturing process. By electing to run our lines on target settings we have reduced the amount of stops and the related start/stop scrap. Our plants have made good progress and our aim is to keep on improving.

Improving service

We analyzed where finished goods are manufactured to improve customer service and reduce cost of transport and our environmental impact (cost-to-serve). Our data-based reallocation work is having the desired effect to optimize our global footprint to improve this indicator. At the same time, we are optimizing truck utilization, for example, compressing our products to get more per pallet without jeopardizing quality and performance.

Intelligent solutions

One highlight of our digital journey during 2019, was the successful trial of artificial intelligence (AI) to predict potential failures in the production line. The data captured will help to reduce line stoppage. It will also add predictability, reduce maintenance and downtime, and cut costs.

INCREASED OWNERSHIP
OF A PROCESS HAS SHOWN
ITSELF TO BE A SOUND WAY
OF ENGAGING PEOPLE AND
IMPROVING PERFORMANCE.

SAFETY IMPROVEMENTS

Clarity, rigor and discipline permeate all we do in safety. The expectations from the leadership are unequivocal, and those expectations are cascaded through the manufacturing vice presidents to the plants and followed up.

We saw a significant improvement on last year in both frequency and severity rates. For example, Karachi in Pakistan passed the two-year mark without having an incident and Ontex Engineering (Germany), went more than one year. We also saw good results in Brazil.

The improvement stems from our focus on driving the right behavior at work, not relying on the provision of physical guards. If our people are fully aware of the dangers that machinery poses, then that is half the battle won. The guarding aspect is an important back-up but should only come into play if behavior fails. We have implemented a very clear ‘lock out, take out’ strategy this year so that nobody can enter a line without locking out the power.



DIGITALIZATION AND INNOVATION

GETTING UP TO SPEED

MODERN DAY BUSINESS IS NOT SO MUCH DEPENDENT ON SIZE BUT SPEED. IN 2018, WE STARTED OUR DIGITAL TRANSFORMATION TO ADD AGILITY AND SWIFTNESS TO PROCESSES ACROSS ALL OF OUR BUSINESSES AND FUNCTIONS. DURING 2019, E-COMMERCE CONTINUED TO GROW ITS SHARE OF SALES IN OUR CATEGORIES AND WE CONTINUED TO INVEST IN DIGITAL SYSTEMS AND COMPETENCIES TO OPEN UP NEW GROWTH OPPORTUNITIES. NOW, MORE THAN ONE THIRD OF OUR MARKETING EXPENDITURE HAS SHIFTED TOWARDS DIGITAL MEDIA.

Four areas of external focus

The digital route to market has many advantages—convenient and low-cost access, a heightened sense of engagement and not least, discretion, an important consideration for some of our product categories.

We have a dedicated management team with specialized competencies to run our commercial digital activities. They focus on four areas: retailers, direct-to-consumer brands, subscription models and online marketplaces.

Retailers

Leading retailers continue to emphasize the importance of their own brands in their e-commerce channels. Our retailer experience positions us uniquely to support their growth plans. The addition of e-commerce expertise to key account management teams is

helping retailers maximize the online potential of their own brands.

Direct-to-consumer

We work closely with direct-to-consumer brands and are today a leading manufacturer of third-party brands across our three categories Baby Care, Adult care and Feminine care. Often very specific and purpose-centric, these types of company are experts at connecting with their customers, often through ecological, organic lifestyle branding. We provide category expertise and suitable products to co-develop new value propositions.

Subscription

We continued to extend the subscription model which we started with Little Big Change diapers in France. The success has now been rolled out to the neighboring countries Belgium, Luxembourg and the Netherlands and

the brand further developed to include new products, including baby pants.

Market places

The fourth leg of our digital strategy focuses on pure-play, online marketplaces. We adopt a step-by-step approach. Our partnership in Mexico with a multinational marketplace, for example, has proven a good motor for our growth there, and in China our Feminine Care products are all sold on the country's main platform.

Internal focus on processes and operations

Digital is having a positive effect on our processes and operations. In 2019, for example, we introduced digital systems and training to help operators understand their lines better and enable them to make on-the-floor decisions. The extra layer of intelligence increases

IN TOUCH WITH ONLINE

Online purchase of hygiene products is a global trend, with China and the US leading the way.

The percentage of hygiene products sold online globally, across the Adult Care, Baby Care and Feminine Care categories, increased from 6.6 to 13.3 percent between 2014 and 2019. For example, there were €106M incremental Baby Care sales through e-commerce in '19 v. '18, €45M in feminine care and 112M in Adult Care¹.

1. Retail Tissue and Hygiene in Euromonitor. Categories included for Baby care: "Nappies/Diapers/Pants", for Femcare: "Sanitary Protection" and for Adultcare: "Retail Adult Incontinence".





SECONDRY® ENSURES QUICK LIQUID TRANSPORT IN THE DIAPERS WHICH RESULTS IN FAST DRYNESS AND OPTIMAL SKIN PROTECTION AND COMFORT. WE SUCCESSFULLY LAUNCHED SECONDRY® WITH SOME OF OUR EUROPEAN RETAILER PARTNERS, AND WILL CONTINUE TO ROLL OUT THE TECHNOLOGY IN OUR OWN BRANDS AS WELL.

sense of ownership and helps us fine-tune our manufacturing to run lines at the efficiency required.

In our offices, we adopted powerful business intelligence tools for data analytics at Ontex's HQ in Aalst, Belgium.

Digital marketing transformation

We are also using digital to change the way we market our products. In Healthcare, for example, we set up a new, specific e-commerce team to create rich and authentic content for customers and carers. Their output included the creation of a number of new articles every month on various topics like bladder weakness or managing burnout for carers, all based on search engine algorithms to boost Ontex rankings. Other initiatives included the launch of a number of active digital campaigns to keep our brands at the top of search engines, a mobile responsive Healthcare site, and new product-oriented mini-sites to create more engagement and conversion, as well as samples and discounts for online shoppers.

Continuous flow of innovations

As can be seen in the stories here and elsewhere in the report, the pipeline of innovation continued to deliver for us during the year.

Product performance first

Surface dryness is a hugely important aspect of our development work and during the year we finalized work on SeconDRY®, an innovative instant-dryness system that we are now applying to our diapers. Tests carried out by independent labs in France and Germany showed that our technology results in diapers that are as dry as A-brand diapers and better than the other retailer brands used in the test.

Safe for me... and the world

Our cross-functional teams not only continued to work with suppliers on materials with natural ingredients but also on greater transparency in such areas as trace chemicals. The relaunch of the Little Big Change diapers during the year exemplifies the type of work



WE CONTINUED TO EXTEND THE SUBSCRIPTION MODEL WHICH WE STARTED WITH LITTLE BIG CHANGE DIAPERS IN FRANCE.

we are doing. Natural based products account for just 1 percent of European baby care but are growing extremely fast, and our new products will help us gain a strong foothold in this exciting segment.

Convenience is a must

Baby and adult pants are growing in popularity owing to the convenience of the format. In Adult Care, we launched our first pants for men which couple protection and comfort with discretion (see page 7) and we also rolled out our proven channel technology to new, easy-to-use baby Lycra pants.

Local production important

As a result of the increased partnering between our R&D and Engineering people across the world, we were able to roll out our technologies to a number of regions in the world quickly and efficiently. For example, in Brazil we introduced channel technology to our diaper brand Pom Pom (see page 7) to improve liquid distribution and absorption which will help keep the brand at the forefront of the local diaper market.

PEOPLE

BETTER BEFORE BIGGER

T2G IS SET TO END IN 2021 BUT ITS LEGACY WILL LAST FAR BEYOND. THE NEW ORGANIZATION, THE GRANULAR PREPARATION AND FOLLOW-UP, THE NEW PROCESSES AND PRACTICES, AND THE REFOCUSSED ORGANIZATION WILL SIMPLY BECOME THE ONTEX WAY OF DOING THINGS EVERYWHERE WE OPERATE. THE MAGNITUDE AND INTENSITY OF CHANGE MAY DECREASE, BUT WE CAN NEVER STAND STILL.



“What makes our transformation program Transform to Grow (T2G) different is that it has been built by everyone, touches everyone, and will be delivered by everyone. In short, it’s a program where everyone has a stake and can make a difference.”

◆ ASTRID DE LATHAUWER, EXECUTIVE VICE-PRESIDENT HUMAN RESOURCES



WHILE IT FOLLOWS CENTRAL GUIDELINES, RECRUITMENT IS A LOCAL ACTIVITY. LOCAL PLANTS AND OFFICES KNOW THEIR MARKETS BETTER THAN A CENTRALLY LOCATED ORGANIZATION. WHILE WE MAY MANUFACTURE THE SAME PRODUCTS, AND USE SIMILAR MACHINERY AND PROCESSES, WE RESPECT THE NEED FOR A LOCAL TOUCH TO ATTRACT PEOPLE. IT ALSO HELPS TO EMPHASIZE THE ENTREPRENEURIAL SPIRIT. ACTIVITIES VARY WIDELY FROM ATTENDING LOCAL TRADE FAIRS TO SETTING UP A LOCAL GRADUATE PROGRAM TO ATTRACT AND TRAIN TALENT IN MEXICO.



Our transformation program Transform to Grow (T2G) dominated the year in terms of people management and development. Any action we took, and any work we did with, and for, our people, was aimed at ensuring that they understood the need for us to get better before we get bigger, and were aware of our plans to affect change across the whole of the company and in every function.

It could have been a very unsettling year for our people. The response was outstanding. It reflects the strong culture and values that underpin our company, and that our people have helped define. We continue to nurture and invest in that special Ontex culture. It has proven to be one of our most important assets. It smoothed the path for transformation. The leadership team recognizes the pride and passion of our people in driving T2G and is confident we will reach our stated goals.

All-encompassing change

T2G touches all our operational and commercial processes. It affects our ways of working and the processes we employ. It also addresses the capabilities we need for each and every function. Feedback indicates that there was general understanding of the logic behind the change and the need to improve our operational and commercial excellence before we can take the next step.

Phased and measured introduction

The transformation is phased, rather than being implemented all at once company-wide. For example, the new manufacturing excellence model with autonomous manufacturing units (AMU) was piloted in Turnov, Czech Republic. The AMU model brings ownership of and responsibility for production, quality and maintenance to the shop floor. It also helps to standardize staffing levels.

The work in Turnov illustrates the extent of the changes we want to make. But change will not happen overnight. Every operator and person involved in an AMU needs to be thoroughly trained in running what is, in effect, a miniature factory and made aware of the expectations. Over a period of three months we gradually ramped up the processes so that everyone had time to take on the information, receive the necessary training and fully absorb the new way of working.

While each plant is individual, the work done has provided a model that we are now rolling out according to an agreed schedule as we aim to standardize manufacturing processes plant by plant and make them more effective.

We conducted an Organizational Health Survey during the year to understand how our people assess the organization and the support they need during the transformation. The survey confirmed the desire for continual and regular communication at shop floor level, the importance of one-to-one meetings for personal development, and the need to celebrate milestones and successes in each of the work streams. These were all incorporated into the T2G work streams.

IN TRUE ONTEX STYLE, CELEBRATIONS OF THE COMPANY'S 40TH ANNIVERSARY WERE VERY MUCH LEFT IN THE HANDS OF THE LOCAL ENTITIES. THEY UNDERSTAND BEST THE NEEDS OF THEIR LOCAL AUDIENCES, SO OUR PLANTS AND OFFICES ORGANIZED THEIR CELEBRATIONS.

THE CELEBRATIONS INCLUDED THE ONTEX FOOTBALL CUP. EVERY FACTORY FROM AROUND THE WORLD SENT ONE TEAM TO BELGIUM TO PARTICIPATE IN THE DAY-LONG EVENT. IN ALL, WE HAD ABOUT 200 PEOPLE FROM A CROSS SECTION OF FUNCTIONS INCLUDING 10 ALL FEMALE TEAMS, 20 ALL MALE TEAMS AS WELL AS MIXED ONES. IT WAS A TRULY UNIQUE GLOBAL GATHERING AND CELEBRATION.



THE WORK IN TURNOV ILLUSTRATES THE EXTENT OF THE CHANGES WE WANT TO MAKE.

THE SHIFT FROM FIVE TO THREE DIVISIONS GAVE US FOCUS AND SCALE. ONE CENTRAL MANUFACTURING ORGANIZATION FREES UP THE COMMERCIAL ORGANIZATION TO FOCUS FULLY ON THE CUSTOMER. IT MAKES IT EASIER FOR US TO ADOPT A SINGLE-MINDED APPROACH TO MANUFACTURING EXCELLENCE AND TO DEPLOY THAT IN ALL OUR PLANTS, IRRESPECTIVE OF REGION AND THE SPECIFIC GO-TO-MARKET MODEL.



Building sense of ownership

One of the aims of T2G is to boost productivity. We want to ensure that all employees share in the gains. We introduced an incentive scheme with monthly targets to translate the concept of value creation to a personal level and increase engagement. It will be adopted by each plant as they implement T2G.

The gains are not just economic. T2G is a major investment in training and capability-building in our organization and our people are appreciating the opportunity for their own personal growth.

Although there are some top-down initiatives, the vast majority of the value creation plans came from the ground up from across the whole organization. This was essential to creating a sense of ownership. Each initiative has a formal structure and plan for realization and is reviewed on a monthly basis. In all, our people created around 2,000 initiatives.

Communication is key

Because of the nature of the rollout, our plants and functions are all at different stages of T2G. We have structured and systematic communication procedures using, for example, team meetings, presentations and posters, to update those who have started the T2G journey and to prepare those not yet involved for what to expect when T2G arrives.

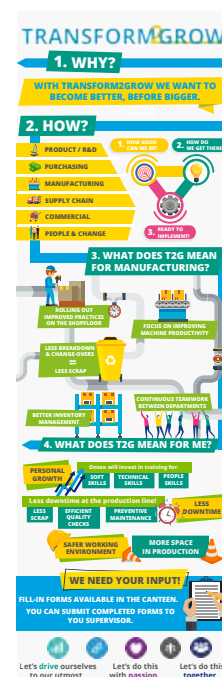
Any plant or office visit by the CEO or other executives from the leadership team in the year was accompanied by a structured Q&A session. This gave management the opportunity to personally tell the story behind the transformation and answer any questions. Meeting attendees could then cascade the message to their own colleagues.

From 5 to 3

The shift from 5 to 3 Divisions gave us focus and scale.

1,000

By the end of 2019, our Ability2Execute training reached more than 1,000 people managers.



WE USE A VARIETY OF CHANNELS TO COMMUNICATE THE PROGRESS OF T2G. POSTERS ARE A GOOD MEDIUM TO GET OUR MESSAGES AND SUCCESSES ACROSS.

Recognizing and celebrating success

Recognition and communication are a major part of T2G. We introduced the Transformation Spot Awards to formally recognize any individual in the organization who makes a meaningful contribution to the realization of the plan.

Investment in hard and soft skills

During the year, we invested in both hard and soft skills to drive T2G. For example, we launched Ability2Execute' a program covering topics such as priority setting, feedback, measuring the impact of communication and more, to improve the skills of all our people managers in their daily job.

The training was deployed in local languages in each country where we operate. By the end of the year, we had reached more than 1,000 people managers. Monthly follow-up on work on each of the topics is now reinforcing the earlier learnings and strengthening the campaign.

We also introduced standardized skills matrices for each and every function in the company, as we invested in core training and capability-building. Previously this was done plant by plant, function by function. The new streamlined and structured approach sharpens our focus. It establishes a common agenda with agreed ways of working and shared processes across the entire company. It provides a framework for the Ontex entrepreneurial spirit and will help drive growth and create value.

Digital training modules

In keeping with T2G, work continued swiftly in 2019 with the digital deployment of HR systems and modules to train and build skills. We added various e-HR training modules, developed by our own communities of subject matter experts, to the learning management system. These complement existing commercial modules and will eventually lead to a full curriculum for each function. They have proven an efficient way to address skill or knowledge gaps raised by the performance management system.

99%

Of our employees received one or more training sessions during 2019.

20

The average number of hours training per fulltime equivalent employee.

IN 2019, WE WELCOMED THE THIRD GENERATION OF GRADUATES TO OUR SPECIAL GRADUATE PROGRAM. THE NUMBER OF APPLICATIONS CONTINUES TO GROW ALTHOUGH OUR INTAKE REMAINS CONSTANT. THE RETENTION RECORD IS ENCOURAGING AND OUR FIRST GRADUATES HAVE NOW FOUND THEIR PLACE IN THE ORGANIZATION. WE PLAN TO CONTINUE THE PROGRAM.



FIVE CHAIRS TRAINING

We continued with our Five Chairs training which we introduced in 2018 to boost our cultural intelligence and to make the most of our diversity. Also intended to help people cope with change not just at work but in life in general, it has proven very popular and useful in facilitating the change brought about by T2G.

Respecting human rights

The respect of human rights is a fundamental part of Ontex's ethos and is vital to the sustainability of our business. We believe the most relevant issues in creating a fair place of work for all employees are occupational health and safety and the number of hours that people work.

Our Human Rights policy contains sound due diligence and risk assessment processes that enable us to quickly identify any potential human rights risks in our operations. We conduct regular internal and third party social audits to understand any imminent or actual risks.

Addressing health & safety

An active and positive safety culture is critical to protecting the well-being of our people and end-consumers. We believe in preventive measures. We train our people regularly in health and safety matters and in awareness-raising. We also ensure that there are open channels so that they can raise any safety concerns themselves. We encourage worker representation, dialogue with factory management, and worker involvement in decisions that affect workplace-related health and safety issues.



TWO YEARS WITHOUT LOST WORK DAY CASE (LWDC)

Ontex Pakistan won a second Gold Star Safety Award for its continued accident-free record. It is now two years since they registered their latest LWDC.

The secret of their success? In short, commitment from management and employees, allied to an environment where employees feel a strong personal connection to their own safety and the safety of others.

The work place is regularly assessed to identify potential hazards. There are open discussions with shop floor employees about potential risks, and any recommendations for improvement involve employees.

A consistent stream of communication keeps safety top of mind, and recognition of the best safety performers has also proven to be an important motivator.



ONTEX PAKISTAN WON A SECOND GOLD STAR SAFETY AWARD FROM ONTEX FOR THEIR CONTINUED ACCIDENT-FREE RECORD. IT IS NOW TWO YEARS SINCE THEY REGISTERED THEIR LATEST LOST WORK DAY CASE.

PROGRESS IN 2019

- Continued improvement in Accident Frequency Rate. Now at 5.86, reaching our 2020 goal one year ahead of schedule. (For more details, see page 29.)
- We rolled out the Radar Chart (internal audit program) in six of our plants in 2019.
- Zero fatalities in any of our sites across the world.
- We saw some outstanding safety achievements at our plants, managing the day to day business without any accidents. Ontex Pakistan and Ontex Engineering won safety awards.
- The Health & Safety program 2020 has been fully implemented. The team is currently developing the 2030 Health & Safety strategic program.

Working hours

We believe that the use of overtime is meant to be exceptional, voluntary and should be paid at a premium rate.

As an absolute minimum requirement, we stipulate that no Ontex factory should ask its workers to work more than 48 regular hours per week¹, and we continually monitor compliance. In plants where we see regular overtime, we set up programs to decrease the number of working hours to acceptable limits.

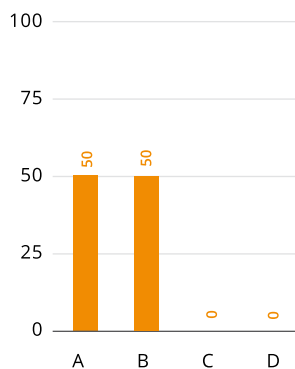
RADAR CHART AUDIT PROGRAM

The Radar Chart program is an internal audit program carried out by our own sustainability and quality team. Over a period of three days, two internal auditors check a site's compliance with applicable regulations and company policies and use the opportunity to share best practices between sites.

PROGRESS IN 2019

In 2019 Business Social Compliance Initiative (BSCI) audits took place in seven of our sites. In total 12 of our plants are in the scope of this audit process. All of them scored a B or better. We use both internal (through radar chart audits) and third party (through BSCI) audits to understand the status and track progress.

BUSINESS SOCIAL COMPLIANCE INITIATIVE (BSCI) SCORE PLANTS (%)



THE AUDITORS DO NOT JUST CHECK COMPLIANCE, THEY ALSO HELP SPREAD BEST PRACTICES BETWEEN THE PLANTS.

¹ We recognize the exceptions specified by the ILO.

Engaging with local communities around the world

We recognize that each Ontex site is part of a unique community, and that community engagement is a local matter. We do have Local Community Involvement guidelines, which set out certain standards and expectations, but we encourage our factories and offices to motivate and empower employees to actively participate in and support events that will have a positive impact on their immediate community, and serve to enhance the reputation of the company.

These below stories are examples of the many community engagement activities which took place in 2019.

PROGRESS IN 2019

In 2019, 57% of Ontex sites were engaged in one or more local community initiatives



CHARITY BEGINS AT HOME

Close relations with local communities are very important to us as a company. In 2019, the Ontex Legal team at headquarters in Aalst took the initiative to organize a toy collection for Belgian children's charity Kinderfonds de Tondeldoos VZW, which helps families with children in need. The toys collected from employees and others were handed over to the charity in the presence of two journalists and a TV station, whose reporting helped encourage further donations. We were very pleased with the engagement of our employees and the positive outcome. Koen Van Hedent, president of De Tondeldoos: "The collection came just in time for our Tondeldoos goes VIP children's party in mid-November. At the end of the event, each child chose a toy from the donations. Children love presents and this was only made possible by the solidarity shown by Ontex."

AIDING LOCAL COMMUNITIES IN MEXICO

Ontex México was involved in a number of programs and donations during the year. For example, they donated a stretcher to the Mexican Red Cross, and blankets to the nursing home Yermo y Parres so that they could cope with the onset of the cold season. They helped a family who had given birth to quadruplets in Puebla City by giving them a two-year subscription to diapers. They also helped the charity Banco de Tapitas to collect plastic bottle caps in Puebla and Tijuana. The organization is dedicated to recycling plastic caps. The profits deriving from this are earmarked for young cancer patients (0-21 years) in Mexico.



HELPING FAMILIES IN NEED IN POLAND

The Ontex Radomsko plant and the Warsaw based commercial teams in Poland participated in a charity event called Szlachetna Paczka (Noble Gift). Noble Gift is one of Poland's largest and most effective charity organizations. Its aim is to personalize aid to provide individual help to specific people in difficult situations. Ontex employees in Poland collected money and various gifts including Ontex baby products, food, microwave ovens, bunk beds, household products and clothing which went to two thankful families in need of support.



INCLUSION MAKES FOR A BETTER WORKING ENVIRONMENT

In Brazil, Ontex launched a number of activities in the second half of the year to promote inclusion of people with disabilities. It followed a local initiative to identify the needs of people with disabilities currently employed by Ontex in Brazil and to increase the recruitment of such people. João Paulo Borges, a production assistant with disabilities, has been employed at the Ontex plant in Senator Canedo for more than eight years. He commented: "initiatives aimed at strengthening inclusion will make the working environment better for all Ontex employees."

Ontex Brazil also lent its support to four Brazilian community organizations by making donations of diapers. Various organizations were nominated by the Brazilian employees and the final choice was made by a designated committee.



Business ethics

Code of Ethics

We are committed to setting the highest standards for responsible business practice. These are supported by a number of policies and measures and are implicit in our vision and values, the way we conduct business and are enshrined in the Ontex Code of Ethics (the Code). The Code sets out the standards we expect and which we support with communications and training programs.

The annual compliance objectives are approved by the Ontex Management Committee and cascaded to the local compliance community in each location. A local compliance coordinator is tasked with concrete local actions to meet the compliance objectives under the supervision and with the support of local management.

Raising concerns

Any transgression or alleged transgression of the Code is assessed on a case by case basis by the Compliance team at global or local level, together with the other relevant functions (such as HR or Legal) depending on the type of incident. The remedial actions also depend on the nature of the breach.

We have a number of channels for raising concerns and reporting any violation or potential violation of the Code. These include an externally managed Speak Up channel where people can report misconduct anonymously.

Ontex people need to feel comfortable in reporting incidents or breaches of the Code and we are constantly seeking to foster such behavior. In order to make the different channels to report breaches more broadly known, and encourage their use, we have issued a series of regular communications during the year, each of which highlighted a specific compliance topic.

MAIN FOCUS AREAS

Our main focus areas during the year remained fair competition, anti-bribery and corruption, and personal data and privacy. However, all the topics included in our Code (see list) are equally important to us and reflect the way we want to conduct our business. Our aim is to ensure that our people are fully aware of the risks in their daily business.

Fair competition

We conducted an e-learning refresher course on competition law for all sales and marketing employees as well as the leadership team, and launched a poster campaign on competition law to emphasize the main applicable principles and the high risks in case of infringement.



Anti-bribery and corruption

Face-to-face training sessions were organised in a number of countries (Turkey, Algeria, Ethiopia, Pakistan, Mexico and Brazil), emphasizing our zero tolerance policy towards bribery and corruption. These types of sessions are a very efficient way to communicate. They enable us to listen to specific concerns and allows us to keep on improving our program.

Personal data and privacy

In addition to the strengthening of our data privacy compliance program in line with the General Data Protection Regulation (GDPR), we have initiated a number of actions to comply with newly adopted national laws in and outside Europe.

The Ontex Code of Ethics relates to:

- Working conditions
- Health & safety
- Human rights
- Product quality
- Responsible marketing & advertising
- Fair competition
- Sustainability
- Conflicts of interest
- Anti-bribery and corruption
- Gifts & hospitality
- Anti-money laundering
- Economic sanctions
- Community involvement
- Confidential information
- Social media & networks
- Company assets
- Intellectual property
- Personal data and privacy
- Insider dealing

RESPONSIBLE PRODUCTION

HOW WE ARE SET UP TO DELIVER

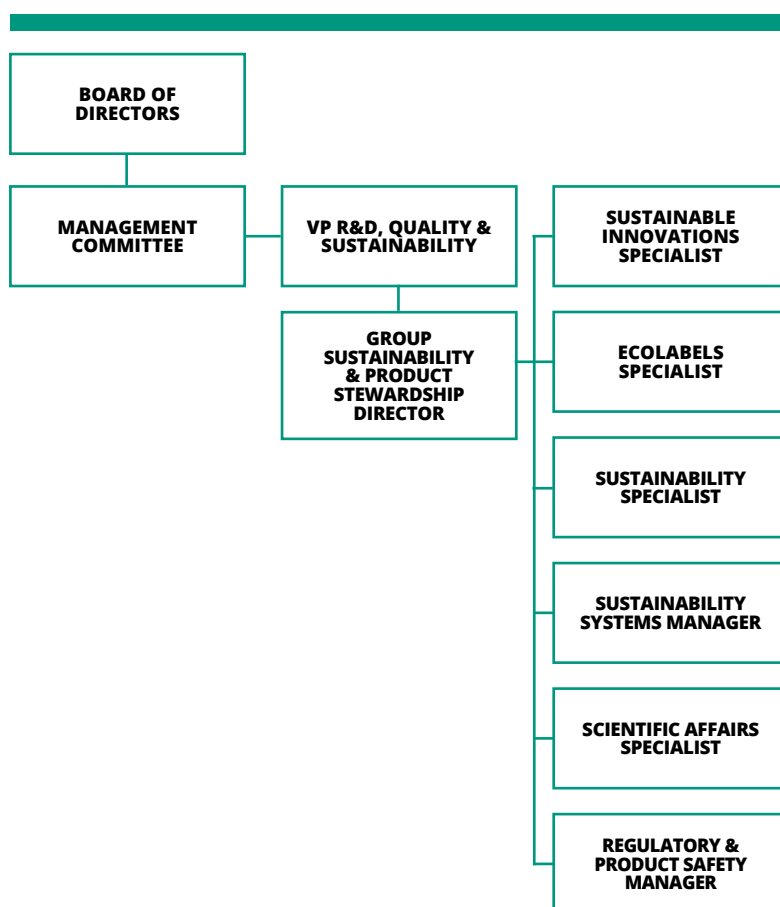
The Board of Directors, CEO and Executive Leadership Committee are responsible for the supervision and management of our sustainability strategy and our role in society as a whole.

In 2019, we disbanded the Sustainability and Health & Safety steering committees and integrated sustainability in existing committees to better align our efforts as our ambitions grow and we fine-tune our strategy. We also strengthened our sustainability governance by adding two new people to the sustainability team to focus on scientific affairs and product safety.

Annick De Poorter, Vice-President R&D, Quality & Sustainability, is the custodian of our sustainability vision. She leads the Group sustainability team whose task is to set the sustainability strategy and the related goals, and to monitor progress. The team works closely with other departments and local production sites to ensure sustainability is embedded in the organization.

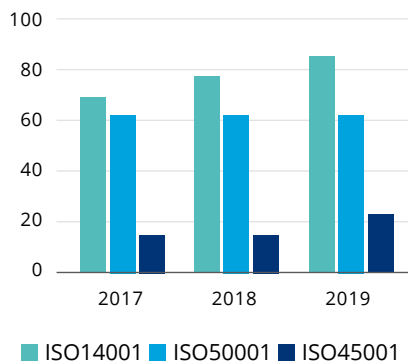
The team reports to the Executive Leadership Committee and Board of Directors once a month.

To ensure sustainability is systematically embedded in our daily operations, our aim is to have all our main plants certified according to ISO 14001 and 15001 by the end of 2020.



THE GROUP SUSTAINABILITY TEAM SETS THE SUSTAINABILITY STRATEGY AND RELATED GOALS AND MONITORS ITS PROGRESS.

CERTIFICATIONS IN ONTEX'S 18 PLANTS AROUND THE WORLD (%)



Our sustainability standards and policies

Our standards and policies are critical in supporting our sustainability strategy. Our values are also essential in this respect—they define who we are and what we stand for. We use our standards and policies to implement and embed these values with all our employees and business partners.

Where applicable, we base our policies and standards on international norms and well-recognized guidelines and accords such as the ILO Conventions and the UN Guiding Principles on Business and Human Rights.

We group our standards into three categories:

- Own operations
- Business partners
- Materials/products

Our human rights policy sits above all these categories and applies to all areas of our work. This section illustrates how we implement our standards and policies along our value chain, and how we assess and monitor them to ensure compliance and improvement. The table at the right shows a selection of our policies.

Our standards and policies are an essential component in turning our strategy into action and making our vision a reality.



TO ENSURE SUSTAINABILITY IS SYSTEMATICALLY EMBEDDED IN OUR DAILY OPERATIONS, OUR AIM IS TO HAVE ALL OUR MAIN PLANTS CERTIFIED ACCORDING TO ISO 14001 AND 15001 BY THE END OF 2020.



POLICIES

Human Rights policy

OWN OPERATIONS	BUSINESS PARTNERS	MATERIALS/PRODUCTS
Code of ethics	Supplier code of conduct	Animal testing statement
Diversity policy	Ethical sourcing requirements	
SHEQ policy	Modern slavery statement	
Speak up policy		

CIRCULAR SOLUTIONS

Using natural resources in an efficient, responsible and sustainable way is highly relevant to our business. At Ontex, we believe that using the principles of the circular economy model will help us reduce the environmental impact of our products.

The circular economy model is based on designing out waste and pollution, regenerating natural systems, and keeping materials and products in use for as long as possible (as described by the Ellen McArthur Foundation). For us, this entails reducing oil-based raw materials and increasing the use of bio-based materials. It also means minimizing production waste and re-designing the products so that they either biodegrade or are easier to recycle. In addition, it is our ambition to be part of the solution for the after-use treatment of products.

A business model can only be truly circular if it is powered by renewable electricity, which is why we are aiming for 100 percent renewable electricity throughout our own operations. (See page 44.)

Design for recycling

When designing new products for markets with sophisticated waste handling infrastructure, we choose our raw materials carefully so that the used products can be recycled easily once recycling infrastructure becomes available. In markets with inadequate waste handling infrastructure, we opt to maximize the use of biodegradable materials to address the impact of plastic pollution.

Reduce

A lot of our research and development work is channelled into reducing the amounts of material we use in our products while achieving equal or better performance. A thinner, less bulky product also results in less packaging and more efficient logistics, which positively impact our carbon footprint.

Using recycled materials

All our packaging is already 100 percent recyclable, and in 2019, we started initiatives focusing on recycled material for packaging.

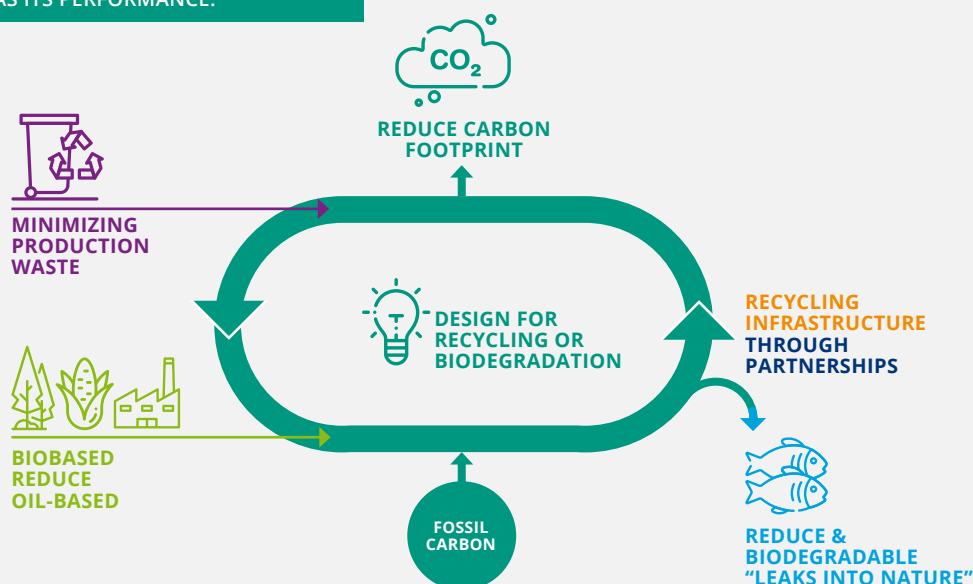
Recycled materials reduce the use of virgin raw materials as well as the chemicals, energy and water used to make them, and prevents waste material from going to landfill. We are always conscious that we can never compromise on the hygiene, health and safety of our users.

Bio-based materials and sourcing

We look to sustainably sourced bio-based materials that are grown or cultivated naturally. This results in a reduction of oil-based raw materials.

We have specific sourcing policies for many of our raw materials. These typically require the use of credible third-party certification schemes to ensure sustainable sourcing. These include the Global Organic Textile Standard (GOTS), recycled standards, the Forest Stewardship Council (FSC®) and Programme for the Endorsement of Forest Certification (PEFC™).

WE UNDERSTAND THAT IN AN INDUSTRY LIKE OURS, CONSIDERATION FOR WHAT HAPPENS AFTER A PRODUCT'S LIFE IS BECOMING JUST AS IMPORTANT AS ITS PERFORMANCE.



"With the launch of our Circular Economy Program, we will execute initiatives reducing the environmental impact of our products while creating value for our stakeholders."

● GRIET DECONINCK,
CIRCULAR ECONOMY
PROGRAM DIRECTOR

MAIN RAW MATERIALS (TONS)



- Pulp **49%**
- SAP (superabsorbent polymer) **23%**
- Plastic non-woven **17%**
- Plastic film **6%**
- Glue & wetness indicators **3%**
- Tapes **1%**
- Viscose **1%**

Recycling infrastructure and recycling through partnerships

Post-usage waste is one of the main challenges associated with our products. Currently, little infrastructure is available to effectively recycle used diapers or feminine care products. In addition, defining proper, safe and generally accepted hygiene standards for the recycled fraction remains a challenge for the industry.

In 2019, we joined a pilot project to investigate the feasibility and viability of different recycling options for used diaper waste. The outcome was promising and challenging and we will continue to explore possible routes.

Minimize production waste

Minimizing production waste is an important part of reducing the environmental impact of our products. We achieve this through a well thought-out product design and a good monitoring of the production process and we make sure our production waste is recycled rather than sent to landfill or incineration (see graph).

In 2019, we managed to reduce the production waste at our plants but there is more to do.

In markets with inadequate waste handling infrastructures, we opt to maximize the use of biodegradable materials to address the impacts of plastic pollution.

SOME OF THE THINGS WE'VE DONE IN 2019

CIRCULAR THINKING IN BRAZIL

Plastic waste generated during the packing process of our products in Brazil plant is now re-purposed into new plastic garbage bags for use at the plant.



IMPROVED PRODUCT, LESS PACKAGING

For our own Moltex Pure&Nature brand we decided to push even further and remove the handle all together with going to a new design of the diaper and optimized the pack-counts.

SINGLE-USE PLASTICS

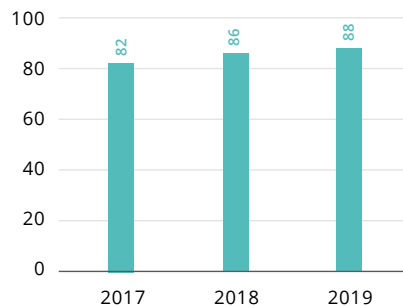
By popular demand, we abolished the use of single-use plastic cups at our headquarters in Aalst, Belgium.



A LOT OF OUR RESEARCH AND DEVELOPMENT WORK IS CHANNELLED INTO REDUCING THE AMOUNTS OF MATERIAL WE USE IN OUR PRODUCTS WHILE ACHIEVING EQUAL OR BETTER PERFORMANCE



RECYCLING INDEX¹ (%)



PROGRESS IN 2019

- 100% of our fluff comes from **certified or controlled sources**.
- 100% **organic cotton** in our tampons.
- All our packaging is **100% recyclable**.
- 92% of cardboard used for packaging is **recycled**.
- **Removal of plastic cups** at our HQ.
- **88% recycling index¹**. Details can be checked on page 152.
- Partnership with **waste processing company** to work on **diaper recycling technology**.

1. Recycling index: % of production waste (tons) being recycled or incinerated with energy recuperation.



OUR GOAL IS TO BECOME CLIMATE NEUTRAL BY 2030, EVEN THOUGH WE DO NOT YET HAVE ALL THE SOLUTIONS TO GET THERE.

CLIMATE ACTION

As a responsible international company, and a principal player in our field, we will take up our role in tackling the challenge of climate change. That pledge goes beyond simply cutting emissions. (See pages 150-151 for details on 2019 energy consumption and emissions.) As a minimum, we commit to making a significant contribution to help our planet stay below the 2°C global warming limit as set by the Paris Climate Agreement. We will hasten our transition to climate neutral operations.

Our goal is to become climate neutral by 2030. It is a stretch target and we do not yet have all the solutions to get there but the urgency of imminent climate change means we must dare to take decisive action now.

We have identified three key priorities that relate to both our own operations and those across our value chain.

- **Priority 1** focuses on leadership in energy efficiency so that we use as little energy as possible.
- **Priority 2** tackles our 100 percent renewable electricity goal, which will help us ensure the energy we source is renewable.
- **Priority 3** targets climate resilience and carbon sinks (natural or artificial deposits that absorb and store carbon from the atmosphere helping reduce the greenhouse effect) to address unavoidable emissions and emissions beyond our value chain.

**FIRST MAJOR STEP
TOWARDS CARBON
NEUTRAL**

The 7,200 solar panels on the roof of our Eeklo plant in Belgium generated more than 600 megawatt-hours of green power in 2019. This installation is the first stage of our sustainability journey towards carbon neutrality by 2030.

**PRIORITY 1****Leadership in energy efficiency**

Our primary focus is on improving energy efficiency in our plants. It is something that we can influence and control directly. The use of electricity accounts for the majority of our emissions (90 percent), the rest comes from fuels such as natural gas and oil.

PRIORITY 2**100% renewable electricity**

We want to source 100 percent renewable electricity in our own operations. In 2019, 70 percent of the electricity purchased was renewable. We understand that more capacity is needed to generate renewable energy to contribute to the necessary decarbonisation of energy systems. Going forward, our energy purchasing strategy will evolve from today's focus on green electricity to a balanced portfolio of green electricity and the electricity generated on our own sites. (For details, see page 151.)

**PRIORITY 3****Climate resilience**

The most recent IPCC report urgently recommends rapid transition from fossil fuels to renewable and sustainable energy technologies to reduce greenhouse gas emissions into the atmosphere. The report also includes a section on carbon dioxide removal. It singles out 'reforestation and ecosystem restoration', along with similar nature-based activities, as the only methods that are well understood to be effective in reducing the polluting gases that are already in the atmosphere. We have adopted this in our new 2030 Sustainability strategy and will be examining the best way to move forward on this topic.



ALL EUROPEAN PLANTS NOW RUN ON 100% RENEWABLE ELECTRICITY.

PROGRESS IN 2019

- All European plants run on 100 percent renewable electricity
- Globally, 70 percent of the electricity we use is renewable
- Inauguration of first on-site solar rooftop system, generating 628 Mwh electricity
- We set an absolute emission reduction target of 50 percent by 2030, base year 2018,, in line with science-based target setting
- We further reduced our absolute scope 1 & 2 greenhouse gas emissions by 10 percent compared with last year.

SUSTAINABLE SUPPLY CHAIN

We have more than 200 raw material and packaging suppliers. To do business with us, they have to abide by our Supplier Code of Conduct and our Ethical Sourcing Requirements which stipulate our expectations on business ethics, environmental matters, health and safety and human rights, all of which are based on the code of ethics we apply to ourselves.

All new raw material and packaging suppliers are screened for product safety, product quality, environmental considerations, working conditions and human rights. In terms of human rights, we carry out a risk analysis based on country-specific circumstances so that we can identify high-risk suppliers.

Raw material & packaging suppliers with operations in a high-risk country must be able to show proof of compliance with the Ontex Supplier Code of Conduct through a valid, third-party social audit. We introduced these requirements in 2019 and will have the first reports during 2020.

Our main direct procurement materials include superabsorbent material, fluff, non-woven and PE film and bags. Technical goods and services, marketing services and research and development are important components of our indirect procurement portfolio.



PROGRESS IN 2019

- We launched updated versions of our Supplier Code of Conduct and Ethical Sourcing Requirements.
- 64 percent of our raw material and packaging suppliers signed our updated Supplier Code of Conduct.
- We rolled out a new social compliance program.

ALL NEW SUPPLIERS ARE SCREENED FOR PRODUCT SAFETY, PRODUCT QUALITY, ENVIRONMENTAL CONSIDERATIONS, WORKING CONDITIONS AND HUMAN RIGHTS.



200+

Raw material and packaging suppliers

26%

Are located in high-risk countries¹



1. High-risk countries as defined by the country risk classification of amfori.

SAFE PRODUCTS

Product safety is always a top concern. When developing products, we carefully evaluate the materials that go in to them, conducting risk assessments and testing each one to ensure it meets our standards. We listen to market feedback as well and are continually conscious of the quality and safety of our products. In 2019, there were no product recalls or withdrawals.

We use chemicals to give texture to materials, glue parts together, and sometimes to provide a protective layer to guarantee the safety performance of our products. Safety is always the priority and we thoroughly assess any chemicals to make sure they are safe for customers, our employees and the environment.

We work together with EDANA² on industry standards for chemicals. Our standards often go beyond legal requirements, and, in advance of legislation, we phase out chemicals that we suspect of being harmful.

We are currently revising our chemical roadmap focusing on:

- Increasing information on chemical content in products.
- Assessing all our products for chemical safety.
- Phasing out substances that could cause harm.
- Ensuring suppliers share our values on chemical safety and compliance.
- Increasing awareness among co-workers, consumers, and key stakeholders.

TRANSPARENCY TOWARDS CONSUMERS IS KEY

We are committed to communicating the sustainable features of our products on-pack. Our share of labelled products has grown steadily over the past years. In 2019, 34% of our turnover came from products with one or more eco or health labels.



WE WORK TOGETHER WITH EDANA ON INDUSTRY STANDARDS FOR CHEMICALS. OUR STANDARDS OFTEN GO BEYOND LEGAL REQUIREMENTS, AND, IN ADVANCE OF LEGISLATION, WE PHASE OUT CHEMICALS THAT WE SUSPECT OF BEING HARMFUL.



“Chemical safety is key as we transition to a circular business and use more recycled and alternative materials. We do not accept that recycling happens at the expense of chemical safety. To ensure safety, we conduct a thorough chemical risk assessment before a product or packaging is introduced into our product portfolio.”

◆ BART WATERSCHOOT,
ONTEX GROUP SUSTAINABILITY & PRODUCT
STEWARDSHIP DIRECTOR

2. EDANA is the European industry association serving the nonwoven and related industries.

IMPROVING PERFORMANCE TREND ACROSS THE YEAR

FINANCIAL REVIEW

THE CHALLENGES THAT ONTEX HAS FACED IN THE LAST THREE YEARS SHOWED LITTLE SIGN OF ABATING FOR MOST OF 2019. OUR COMPETITIVE CULTURE, WHICH MANIFESTS ITSELF THROUGH COST CONTROL AND DIFFERENTIATION THROUGH INNOVATION, ONCE AGAIN ACCOUNTED FOR THE RESILIENCE OF OUR OPERATING PERFORMANCE.

Revenue¹ (€B)

2.28

-1%
(LFL growth %)

Gross profit¹ (€/M)

620.0

-1.4%

Adjusted EBITDA¹ (€/M)

245.1

-7.0%

Adjusted profit for the period¹ (€/M)

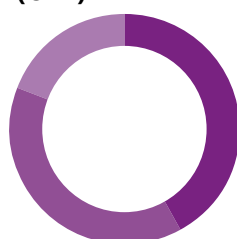
86.4

-20.0%

A highlight of the year was our strong cash flow generation on the back of a comprehensive working capital management effort led by Group Finance. Tight control of our financial leverage also contributed, as did improvements to the quality and reliability of the forecasting processes in the perpetually volatile environment of input prices, currency and operations.

The finance function was also intimately involved in the planning and implementation of T2G, from the overall economic evaluation of the project, through the assessment of each of its initiatives, to the tracking of results as those projects moved into implementation.

REVENUE BY DIVISION (€/M)



■ Europe **956.9**
■ Americas **891.9**
■ Healthcare **432.5**

Revenue

We delivered a resilient like-for-like (LFL) revenue performance with growth in developing markets nearly compensating lower sales in developed markets. LFL revenue was down 1.0%, with a positive price/mix in each of the three product categories and all three Divisions, largely offsetting the anticipated decline in volume.

Group sales of €2.28 billion were broadly stable (-0.5%) including a positive foreign exchange impact of €11 million.

Gross profit

Gross profit amounted to €620 million in FY 2019, a limited decrease of 1.4% compared with the previous year. Gross profit growth in H2 2019 nearly offset the decrease recorded in the first half of the year. Gross profit as a percentage of sales was 27.2% in 2019, down 26 basis points versus prior year. 2019 gross profit benefitted from another year of savings and efficiencies, mostly as results of the T2G implementation, as well as a positive contribution from sales price/mix effects, nearly offset foreign exchange and raw material headwinds.

Adjusted EBITDA

2019 Adjusted EBITDA came in at €261 million at constant currencies, 1.1% below prior year and supported by improving trends in

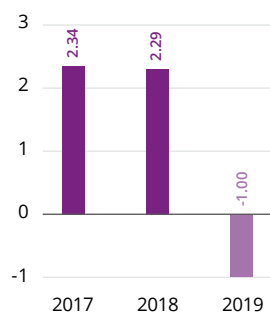
1. All comparisons vs. 2018, pro forma IFRS 16. Like-for-like revenue is defined as revenue at constant currency excluding change in scope of consolidation or M&A.



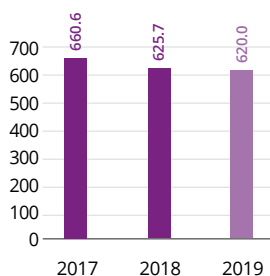
"A highlight of the year was our strong cash flow generation on the back of a comprehensive working capital management effort led by Group Finance."

● CHARLES DESMARTIS, CFO

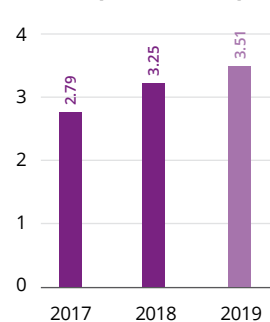
REVENUE GROWTH² (LFL GROWTH %)



GROSS PROFIT (€M)



NET FINANCIAL DEBT/LTM ADJUSTED EBITDA RATIO (LEVERAGE)³



2. Like-for-like revenue is defined as revenue at constant currency excluding change in scope of consolidation or M&A.

3. Net financial debt is calculated by adding short-term and long-term debt and deducting cash and cash equivalents. LTM adjusted EBITDA is defined as EBITDA plus non-recurring income and expenses for the last twelve months (LTM).

the second half of the year as anticipated. Adjusted EBITDA at constant currencies was broadly stable while we continued to invest to strengthen our engineering and commercial capabilities.

Non-recurring income and expenses

Non-recurring expenses amounted to €70.3 million in 2019, primarily due to restructuring expenses and consulting fees related to the implementation of the T2G program. The cash flow impact of non-recurring expenses was limited to €30.1 million in 2019 due to differences between expense recognition, which has been more front-loaded in 2019 linked to the start of many T2G initiatives, and cash out which will be more evenly spread over the T2G program period of 2019 to 2021.

Foreign exchange

The rates of our functional currencies versus the euro remained volatile during 2019. Group revenue ended up benefiting from a positive effect of +€11.1 million, essentially due to a stronger Mexican peso and US dollar partly offset by weaker Turkish lira, Brazilian real and Pakistani rupee, relative to the euro. However, the impact on Adjusted EBITDA of variations of currencies versus the euro was -€15.7 million, mainly attributable to the stronger US dollar, the currency in which we purchase a large part of our raw materials, as well as the weaker Turkish lira.

Net finance costs

2019 net finance costs were €37.7 million, 6.6% more than prior year.

Income tax expense

The income tax expense was €12.2 million in 2019, for an effective tax rate of 24.7%.

Working capital

At the end of 2019, working capital as a percentage of FY revenue was 9%, marking a strong improvement on top of the 11.2% achieved at 2018 end. A coordinated, cross-functional approach implemented during 2019, including specific trade receivables, trade payables and inventory management practices implemented through the T2G program, account for this excellent performance.

Capital expenditure

Capital expenditure was €103.9 million in 2019, or 4.6% of revenue. This amount includes T2G-specific capex and was at the lower end of our initial range planned for the year.

Free cash flow (post tax)

Free cash flow (post tax) improved by a very strong +50.5% or €36.8 million in 2019 to €109.7 million, net of €29.9 million in T2G-specific cash outflows (for one-off expenses and capital expenditure). Improved management of our working capital was the main driver for the strong cash generation.

Net debt and leverage

Net debt stood at €861.3 million at December 31, 2019, down €37.5 million compared with June 30, 2019, and down €46.3 million compared with December 31, 2018 (pro forma for IFRS 16). Leverage was 3.51x at December 31, 2019, lower than the 3.71x reported at June 30, 2019 and only marginally higher than one year ago (pro forma for IFRS 16). We remained fully compliant with the leverage covenant of our financing agreements, and headroom improved over H2.

Dividends

The Board of Directors has proposed a dividend of €0.16 per share, in line with Ontex's policy to pay out 35% of net profit.

(€M UNLESS OTHERWISE SPECIFIED)	2019	2018	CHANGE
Revenue	2,281.3	2,292.2	-0.5%
Gross profit	620.0	628.9	-1.4%
Adjusted EBITDA	245.1	263.6	-7.0%
Adjusted profit for the period	86.4	107.9	-20.0%
Adjusted free cash flow	109.7	72.9	+50.5%
Net debt	861.3	907.6	-5.1%
Leverage	3.51x	3.44x	+0.07x

CORPORATE GOVERNANCE STATEMENT

THE FOLLOWING SECTION PROVIDES INFORMATION ABOUT THE CORPORATE GOVERNANCE OF ONTEX GROUP NV (ALSO REFERRED TO HEREIN AS THE 'COMPANY' OR AS 'ONTEX').

This section includes changes to the Company's corporate governance, together with the relevant events that took place during 2019, such as changes in the Company's shareholder structure, its governance and in the composition of the Company's Board of Directors (hereafter the 'Board') and its committees, the main features of the Remuneration Policy and Report, and the internal control and risk management systems of the Ontex group. This chapter also includes explanations, where applicable, of any deviations from the Corporate Governance Code (see section 7 of this Corporate Governance Statement).

In view of the recent and expected changes of legislation, the Company's approach is as follows:

- With respect to the Belgian Code of Companies and Associations of 23 March 2019 (hereinafter "Belgian Code of Companies and Associations"), replacing the Belgian Code of Companies of 7 May 1999 (hereinafter "Belgian Companies Code") Ontex envisages to submit, at the next extraordinary general meeting of shareholders, a proposal for amendment of its Articles of Association to bring these in accordance with the new legislation.
- With respect to the Belgian Corporate Governance Code of 9 May 2019 (hereinafter "the 2020 Corporate Governance Code"), replacing the 2009 Corporate Governance Code, the Board will adapt its Corporate Governance Charter subsequently to amendment of its Articles of Association as mentioned above. Until then, the 2009 Corporate Governance Code will continue to be applied.
- With respect to the Directive as regards the encouragement of long-term shareholder engagement of 7 May 2017, replacing the Directive of 11 June 2007 on the exercise of certain rights of shareholders in listed companies, Ontex has opted to anticipate the envisaged entry into force to the extent that this annual report will contain a remuneration policy as well as a remuneration report, and both will be presented for approval to the ordinary general meeting of shareholders, scheduled on 25 May 2020.

1. REFERENCE CODE

Pursuant to Article 3.6, § 2 of the Belgian Code of Companies and Associations and the Royal Decree of June 6, 2010 designating the Corporate Governance Code to be complied with by listed companies, Ontex Group NV has adopted the 2009 Corporate Governance Code as its reference code on corporate governance¹.

As appropriate for a Belgian listed company with a commitment to high standards of corporate governance, the Board adopted a Corporate Governance Charter in June 2014 (hereafter the 'Corporate Governance Charter'), as required by the 2009 Corporate Governance Code. The Board amended the Corporate Governance Charter on June 28, 2016. The Corporate Governance Charter can be consulted on the Company's website².

The Corporate Governance Charter describes the main aspects of Ontex Group NV's corporate governance, including its governance structure and the terms of reference of the Board, as well as those of the Board committees and of the Management Committee. The Corporate Governance Charter is regularly updated and will be annually reviewed by the Board to be in line with applicable laws, regulations, the 2009 Corporate Governance Code and their interpretation.

¹ The '2009 Belgian Code on Corporate Governance' is available on the website of the Belgian Corporate Governance Committee (<http://www.corporategovernancecommittee.be>)

² The English version of Ontex's Corporate Governance Charter is available on the Ontex website (http://www.ontexglobal.com/sites/default/files/20170509_ontex_corporate_governance_charter_e.pdf).

2. CAPITAL AND SHAREHOLDERS

2.1. Capital and capital evolution

At December 31, 2019, the capital of Ontex Group NV amounted to €823,587,466.38 and was represented by 82,347,218 shares without nominal value. Each share represents 1/82,347,218th of the capital and carries one vote. The shares are listed on Euronext Brussels.

In 2014, the Company adopted a Long-Term Incentive Plan approved by the Board and the Shareholder Meeting on June 3, 2014 and June 10, 2014 respectively (the 'Long Term Incentive Plan') which consists of a combination of stock options and restricted stock units (hereafter 'RSUs'). The Board has previously approved grants under the Long-Term Incentive Plan, in 2014, 2015, 2016, 2017 and 2018 (respectively the 'LTIP 2014', the 'LTIP 2015', the 'LTIP 2016', the 'LTIP 2017', the 'LTIP 2018', and the Long-Term Incentive Plan including the LTIP 2014, the LTIP 2015, the LTIP 2016, the LTIP 2017, and the LTIP 2018 being referred to as the 'LTIP'). In 2018, the Company adopted a revised Long Term Incentive Plan, as adopted by the shareholders meeting on 25 May. Going forward, the LTIP consists of 1/3 of stock options, restricted stock units and performance shares each (hereafter referred to as "LTIP 2"). In 2019 the Board has approved a grant under the LTIP 2.

The stock options, performance shares and RSUs granted under the LTIP do not confer any shareholder rights. The grants made by Ontex under its LTIP typically consist of Restricted Stock Units (RSU) and stock options and provided for a three-year vesting period. The shares to be delivered to participants upon exercise of their stock options or upon vesting of their RSUs or performance shares are existing shares of the Company with all rights and benefits attached to such shares. A more detailed description of the LTIP and the LTIP 2019 and the LTIP 2 is set out in the Remuneration Report.

The grants made by Ontex under its LTIP provide for a three-year vesting period. Accordingly, the grants that were made in 2016 vested as from 2019. In order to meet its obligations thereunder, Ontex has partially exercised a forward purchase agreement with the following characteristics:

Ontex has exercised the relevant forward purchase agreement in order to meet its obligation to deliver its own shares under grants made under its Long-Term Incentive Plan (LTIP) in 2016.

Date	Number of shares	Strike Price	Highest Price	Lowest Price
Originally entered into on 21 July 2015	36,589	€ 27.070	€ 28.685*	€ 25.800*

* The highest price and lowest price, respectively, reflects the highest price and lowest price of Ontex shares on Euronext Brussels during the period 1 July 2015 until 21 July 2015 during which underlying Ontex shares were bought by its counterparty under the forward purchase agreement and on the basis of which the strike price of € 27.070 was determined.

Date	Number of shares	Strike Price	Highest Price	Lowest Price
Originally entered into on 1 July 2016 and extended on 22 June 2018	26,788	€ 28.965	€ 30.515**	€ 27.145**

* The highest price and lowest price, respectively, reflects the highest price and lowest price of Ontex shares on Euronext Brussels during the period 20 June 2016 until 1 July 2016 during which underlying Ontex shares were bought by its counterparty under the forward purchase agreement and on the basis of which the strike price of € 28.965 was determined.

In addition, Ontex has entered into the following forward purchase agreements in order to hedge its obligations under grants made under its LTIP in 2016, 2017 and 2018. These consist of (i) one-year forward purchase agreements entered into in 2015, 2016 and 2017 which have been extended on 22 June 2018 to cover its future delivery obligations under grants made under its 2016 and 2017 LTIP and (ii) a new one-year forward purchase agreement entered into on 21 June 2019 to cover its future delivery obligations under grants made under its 2018 LTIP.

As of today, the following purchase agreements are outstanding in respect of Ontex's own shares:

Date	Maturity	Number of shares	Strike Price	Highest Price	Lowest Price
Originally entered into on 1 July 2016 and extended on 21 June 2019	21 June 2020	291,757	€ 28.965	€ 30.515*	€ 27.145*
Originally entered into on 22 June 2017 and extended on 21 June 2019	21 June 2020	332,043	€ 32.2982	€ 33.405**	€ 31.555**
Originally entered into on 22 June 2018 and extended on 21 June 2019	21 June 2019	536,409	€ 22.4709	€ 24.240***	€ 19.200***

* The highest price and lowest price, respectively, reflects the highest price and lowest price of Ontex shares on Euronext Brussels during the period 20 June 2016 until 1 July 2016 during which underlying Ontex shares were bought by its counterparty under the forward purchase agreement and on the basis of which the strike price of € 28.965 was determined.

** The highest price and lowest price, respectively, reflects the highest price and lowest price of Ontex shares on Euronext Brussels during the period 7 June 2017 until 22 June 2017 during which underlying Ontex shares were bought by its counterparty under the forward purchase agreement and on the basis of which the strike price of € 32.298 was determined.

*** The highest price and lowest price, respectively, reflects the highest price and lowest price of Ontex shares on Euronext Brussels during the period 29 May 2018 until 22 June 2018 during which underlying Ontex shares were bought by its counterparty under the forward purchase agreement and on the basis of which the strike price of € 22.4709 was determined.

More details about the vested Stock Options and RSUs can be found in the Remuneration Report.

More details about the forward purchase agreement can be found in the financial statements, note 7.5.6.

Pursuant to the above, on December 31, 2019, 335.273 shares of the Company were held by the Company.

On December 31, 2019, 82.218 shares of the Company were registered shares.

2.2. Shareholder evolution

Pursuant to the Company's Articles of Association and the Corporate Governance Charter, the applicable successive thresholds as regards the application of the Law of May 2, 2007, on the disclosure of significant shareholdings in issuers whose shares are admitted to trading on a regulated market and other provisions (hereafter the 'Law of May 2, 2007') and the Royal Decree of February 14, 2008 on the disclosure of significant shareholdings, are set at 3%, 5%, 7.5%, 10% and any subsequent multiples of 5%.

In the course of 2019, the Company received the following transparency declarations:

On February 26, 2019, Axa Investment Managers SA notified Ontex that it has, as a result of sales of shares, crossed below the threshold of 3.00% of the total number of voting rights in Ontex.

On March 13, 2019, Zadig Gestion (Luxembourg) SA notified Ontex that it holds, as a result of the acquisition of voting securities or voting rights, 3,041,284 shares in Ontex and so has crossed the threshold of 3.00% of the total number of voting rights in Ontex to 3.69%.

On March 25, 2019, Black Creek Investment Management Inc. notified Ontex that it had, as a result of sales of shares, crossed below the threshold of 3.00% of the total number of voting rights in Ontex.

On May 13, 2019, Zadig Gestion (Luxembourg) SA notified Ontex that it had, as a result of sales of shares, crossed below the threshold of 3.00% of the total number of voting rights in Ontex.

On May 14, 2019, Bank of America Corporation notified Ontex that it holds, as a result of the acquisition of voting securities or voting rights, 7,010,239 shares in Ontex and so has crossed the threshold of 5.00% of the total number of voting rights in Ontex to 8.51%.

On May 16, 2019, Bank of America Corporation notified Ontex that it had, as a result of sales of shares, crossed below the threshold of 5.00% of the total number of voting rights in Ontex.

On May 30, 2019, Bank of America Corporation notified Ontex that it holds, as a result of the acquisition of voting securities or voting rights, 4,544,722 shares in Ontex and so has crossed the threshold of 5.00% of the total number of voting rights in Ontex to 5.52%.

On May 30, 2019, Bank of America Corporation also notified Ontex that it had, as a result of sales of shares, crossed below the threshold of 5.00% of the total number of voting rights in Ontex.

On June 5, 2019, ENA Investment Capital notified Ontex that it holds, as a result of the acquisition of voting securities or voting rights, 2,621,528 shares in Ontex and so has crossed the threshold of 3.00% of the total number of voting rights in Ontex to 3.18%.

On August 2, 2019, Bank of America Corporation notified Ontex that it holds, as a result of the acquisition of voting securities or voting rights, 4,174,240 shares in Ontex and so has crossed the threshold of 5.00% of the total number of voting rights in Ontex to 5.07%.

On August 5, 2019, Bank of America Corporation notified Ontex that it had, as a result of sales of shares, crossed below the threshold of 3.00% of the total number of voting rights in Ontex.

On August 6, 2019, Bank of America Corporation notified Ontex that it holds, as a result of the acquisition of voting securities or voting rights, 4,403,856 shares in Ontex and so has crossed the threshold of 5.00% of the total number of voting rights in Ontex to 5.35%.

On August 13, 2019, Black Creek Investment Management Inc. notified Ontex that it holds, as a result of the acquisition of voting securities or voting rights, 2,483,000 shares in Ontex and so had crossed the threshold of 3.00% of the total number of voting rights in Ontex to 3.02%.

On August 21, 2019, ENA Investment Capital notified Ontex that it holds, as a result of the acquisition of voting securities or voting rights, 4,223,768 shares in Ontex and so has crossed the threshold of 5.00% of the total number of voting rights in Ontex to 5.13%.

On September 10, 2019, CIAM notified Ontex that it holds, as a result of the acquisition of voting securities or voting rights, 2,614,990 shares in Ontex and so had crossed the threshold of 3.00% of the total number of voting rights in Ontex to 3.18%.

On September 18, 2019, Black Creek Investment Management Inc. notified Ontex that it had, as a result of sales of shares, crossed below the threshold of 3.00% of the total number of voting rights in Ontex.

On September 26, 2019, ENA Investment Capital notified Ontex that it holds, as a result of the acquisition of voting securities or voting rights, 4,223,768 shares in Ontex and so has crossed the threshold of 5.00% of the total number of voting rights in Ontex to 5.13%.

On October 7, 2019, Assenagon SA notified Ontex that it holds, as a result of the acquisition of voting securities or voting rights, 2,961,131 shares in Ontex and so has crossed the threshold of 3.00% of the total number of voting rights in Ontex to 3.60%.

On October 8, 2019, Assenagon SA notified Ontex that it holds, as a result of the disposal of voting securities or voting rights, 823,414 shares in Ontex and so has crossed below the threshold of 3.00% of the total number of voting rights in Ontex.

On October 21, 2019, Bank of America Corporation notified Ontex that it had, as a result of sales of shares, crossed below the threshold of 5.00% of the total number of voting rights in Ontex.

On November 6, 2019, ENA Investment Capital notified Ontex that it holds, as a result of the acquisition of voting securities or voting rights, 8,392,504 shares in Ontex and so has crossed the threshold of 10.00% of the total number of voting rights in Ontex to 10.19%.

On December 3, 2019, Morgan Stanley notified Ontex that it holds, as a result of the acquisition of voting securities or voting rights, 4,202,626 shares in Ontex and so has crossed the threshold of 5.00% of the total number of voting rights in Ontex to 5.10%.

On December 24, 2019, Bank of America Corporation notified Ontex that it holds, as a result of the acquisition of voting securities or voting rights, 6,139,439 shares in Ontex and so has crossed the threshold of 5.00% of the total number of voting rights in Ontex to 7.46%.

On December 27, 2019, Bank of America Corporation notified Ontex that it had, as a result of the disposal of voting securities or voting rights, crossed below the threshold of 5.00% of the total number of voting rights in Ontex.

On December 27, 2019, ENA Investment Capital notified Ontex that it holds, as a result of the disposal of voting securities or voting rights, 1,757,385 shares in Ontex and has so crossed below the threshold of 3.00% of the total number of voting rights in Ontex to 2.13%. ENA Investment Capital also notified Ontex that it holds 8,562,481 equivalent financial instruments in Ontex or 10.40% of the total number of voting rights in Ontex if all the instruments are exercised. Consequently, ENA Investment Capital remained above the threshold of 10.00% of the total number of voting rights in Ontex with 12.53%.

We refer to our website for transparency declarations received after December 31, 2019.

2.3. Shareholder structure

The shareholder structure of the Company on December 31, 2019³ was, based on the transparency declarations received by the Company, as follows:

Shareholders	Shares	% ⁴	Date threshold crossed
Groupe Bruxelles Lambert SA	16,454,453	19.98%	December 3, 2018
ENA Investment Capital	8,562,481	12.53% ⁵	November 6, 2019
Morgan Stanley	4,202,626	5.10%	December 3, 2019
Janus Capital Management LLC	3,424,055	4.75%	November 10, 2018
The Pamajugo Irrevocable Trust	2,722,221	3.64%	February 29, 2016
CIAM	2,614,990	3.18%	September 10, 2019

2.4. Dealing and Disclosure Code

On June 3, 2014, the Board approved the Ontex Dealing and Disclosure Code (the "Dealing and Disclosure Code") in accordance with provision 3.7 of the 2009 Corporate Governance Code. The Dealing and Disclosure Code was subsequently amended on April 2, 2015 and most recently on June 28, 2016. The Dealing and Disclosure Code restricts transactions in Ontex Group NV securities by members of the Board and of the Management Committee, and by certain senior employees of the Ontex Group during closed and prohibited periods. The Dealing and Disclosure Code also contains rules concerning the internal approval of intended transactions, as well as the disclosure of executed transactions through a notification to the Belgian Financial Services and Markets Authority, and disclosure of inside information. The Corporate Legal Counsel is the Compliance Officer for purposes of the Dealing and Disclosure Code.

³ Updates subsequent to December 31, 2019 are described on our website (<http://www.ontexglobal.com/ShareInformation>).

⁴ Percentage based on the outstanding share capital of the Company at the time of the declaration.

3. BOARD AND BOARD COMMITTEES

3.1 Board composition

Pursuant to the 2009 Corporate Governance Code, at least half of the directors should be non-executive and at least three directors should be independent in accordance with the criteria set out in Article 526ter of the Belgian Companies Code and the 2009 Corporate Governance Code. The composition of the Board as at December 31, 2019 complies with these recommendations.

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

Name	Mandate Board	Other Mandates per December 31, 2019	Mandate Since	Mandate Expires
Revalue BVBA, represented by Luc Missorten ⁽¹⁾	Chairman, Independent Director	Barco NV, GIMV, Recticel NV, Scandinavian Tobacco Group, Mateco	2015	2022
Regina SARL, represented by Regi Aalstad ⁽²⁾	Independent Director	A drop in the ocean	2017	2021
Esther Berrozpe	Independent Director	Fluidra, Pernod Ricard, Roca, Tasty Bidco	2019	2023
Inge Boets BVBA, represented by Inge Boets	Independent Director	Euroclear SA, Econoholding NV, QRF Management NV, Triginta, La Scoperta BVBA, VZW Altijd Vrouw	2014	2022
Michael Bredael	Non-Executive Director	Upfield Group BV	2017	2021
Aldo Cardoso	Non-Executive Director	Bureau Veritas, Imerys, Worldline, DWS (Deutsche Wealth Management)	2019	2023
Tegacon Suisse GmbH, represented by Gunnar Johansson	Independent Director	Laeringsverkstedet AS, Laeringsverkstedet Gruppen AS, CK CreKids Germany GmbH, CreaKids GmbH	2017	2022
Desarrollo Empresarial Joven Sustentable SC, represented by Juan Gilberto Marin Quintero	Non-Executive Director	Member of the World Economic Forum	2016	2020

Jonas Deroo was appointed as Corporate Secretary by the Board on May 8, 2015.

(1) As communicated in our press release of March 3, 2020, Luc Missorten will resign from its position as Independent Director as of the General Meeting of 25 May 2020. The Board has decided, upon recommendation of the Remuneration and Nomination Committee, to propose to the general meeting to appoint Hans Van Bylen as Independent Director. Subsequent and subject to the approval of the appointment by the general meeting, the Board has expressed the intention to appoint Mr. Hans Van Bylen as Chairman.

(2) On 27/06/2019 the Board has resolved, by way of cooptation, on the replacement of Regi Aalstad by her management company, Regina SARL. The said replacement will be submitted for ratification at the ordinary general meeting of shareholders on 25 May 2020.

The following paragraphs set out the biographical information of the current members of the Board, including information on other director mandates held by these members.



Luc Missorten

Chairman of the Board of Directors, Independent Director

Luc Missorten was appointed as Independent Director of Ontex Group NV as of June 30, 2014. On April 10, 2015, Luc Missorten was appointed Chairman, as replacement for Paul Walsh. On May 26, 2015, Revalue BVBA, with Luc Missorten as its permanent representative, was appointed as Independent Director to replace Luc Missorten who resigned. Luc Missorten holds a law degree from the Catholic University of Leuven, a Certificate of Advanced European Studies from the College of Europe, Bruges and an LL.M from the University of California, Berkeley. In the past, Luc Missorten served as a Vice President of Citibank from 1981 to 1990, and held the function of Corporate Finance Director for Interbrew from 1990 to 1995. From 1995 to 1999, he served as CFO for Labatt Brewing Company. Afterwards, Luc Missorten held the function of Chief Financial Officer at Interbrew (now AB InBev) from 1999 until 2003, and of CFO at UCB from 2003 to 2007. Luc Missorten has been the Chief Executive Officer and a Board member of Corelio from 2007. As from September 2014, he resigned as Chief Executive Officer from Corelio. Currently, Luc Missorten is also an Independent Director of Barco, chairs its Audit Committee and is a member of its Remuneration Committee. In addition, he is an Independent Director of GIMV, where he chairs the Audit Committee. Further, Luc Missorten is an Independent Director at Recticel, where he chairs the Audit Committee and is a member of its Remuneration Committee. He is also Independent Director at Scandinavian Tobacco Group and is a member of its Audit and Risk Committee and its Remuneration and Nomination Committee. He is also an Independent Board member at Mateco.



Regi Aalstad

Independent Director

Regi Aalstad has over 25 years of experience in global FMCG. Ms. Aalstad has held Regional General Manager and Vice President positions with Procter & Gamble in Asia, Europe, Middle East and Africa. She joined P&G in the Nordics in 1988 and from 1996 to 2014 held leadership roles in emerging markets. Regi chairs the humanitarian organization 'A Drop in the Ocean', supporting refugees in Greece. She advises and helps to found digital start-ups from Switzerland, where she resides. Regi has Non-Executive Director experience with public industry-leading companies operating globally in telecom, digital services and sanitary sector. She holds a Master of Business Administration in International Business from University of Michigan, USA.



Esther Berrozpe

Independent Director

Esther Berrozpe was appointed on May 24, 2019 as an Independent Director. Esther has over 25 years of experience in the consumer goods area through marketing roles within FMCG at Paglieri (personal care), Sara Lee (underwear) and Wella (cosmetics) and senior P&L leadership roles at Whirlpool (BTC and BTBTC) in Europe and in the USA. In her last role at Whirlpool, Esther was member of the Global Executive Committee as EVP and President of Europe, Middle East and Africa, having the full P&L responsibility for its \$5 billion business in EMEA, with 24M employees across 35 countries, 15 production sites and distribution to more than 140 countries. Esther is currently a member of the Board of Directors of Pernod Ricard, Fluidra, Roca and Tasty Bidco.



Inge Boets

Independent Director

Inge Boets BVBA, with Ms. Boets as its permanent representative, was appointed as Independent Director of Ontex Group NV as of June 30, 2014. Inge currently chairs the Audit and Risk Committee. She holds a master degree in applied economics from the University of Antwerp, Belgium. She was a partner with Ernst & Young from 1996 through 2011 where she was the Global Risk leader and held several other roles in audit and advisory. Currently, Inge is also an Independent Director and chairs the Audit and Risk Committee of Euroclear SA, She chairs the Board of the Econopolis Group and of QRF City retail. In addition, Inge Boets BVBA, with Ms. Boets as its permanent representative, is the manager of La Scoperta BVBA.



Michael Bredael

Non-Executive Director

Michael Bredael is Investment Officer at Groupe Bruxelles Lambert (GBL) since 2016. He started his career at Towers Watson as a consultant in the United States (Atlanta and New York) in 2003 before joining the BNP Paribas Group in 2007. Michael held various Investment Banking positions at BNP Paribas, across different offices (New York, Paris, Brussels and London), particularly focusing on cross-border M&A transactions. From 2014 to 2016, he was Head of the M&A Execution Group of BNP Paribas London. Michael holds a masters degree in applied economics from EHSAL (KU Leuven). He is Director of Upfield Group BV as a representative of Groupe Bruxelles Lambert. Upfield Group BV is a private company incorporated in The Netherlands, active in the consumer goods industry (plant-based nutrition).



Aldo Cardoso

Non-Executive Director

On May 24, 2019, Aldo Cardoso was appointed as a Non-Executive Director. Aldo Cardoso is the Chairman of the Board of Directors at Bureau Veritas and a Senior Advisor to CVC. Aldo is a member of the Board of Directors of Imerys, Worldline and DWS (Deutsche Wealth Management – Frankfurt). Aldo spent 24 years with Arthur Andersen, joining as a junior staff member and rising to Senior Partner, with various audit and consulting assignments, and then multinational and multicultural management roles. Subsequently, Aldo held the functions of Non-Executive Chairman of Andersen Worldwide from 2000 to 2003, President of Andersen for the Western European region from 1998 to 2002, and President of Andersen France from 1993 to 2002. Aldo has been Senior Advisor at Deutsche Bank (Global Banking – Paris) from 2010 to 2014 and then at Deutsche Bank infrastructure fund in London from 2015 to 2018. Further, he has been a member of the Lehman Brothers European Advisory Committee (2004 to 2008), and has served on the Boards of various listed companies such as: Orange, Accor, Rhodia, Gecina, Mobistar, as well as numerous private companies in various countries.



Gunnar Johansson

Independent Director

Gunnar Johansson was appointed as Independent Director of Ontex Group NV as of June 30, 2014. Gunnar Johansson was appointed Chairman of the Remuneration and Nomination Committee on April 10, 2015, replacing Luc Missorten. On May 26, 2015, Tegacon AS, with Gunnar Johansson as its permanent representative, was appointed as Independent Director to replace Gunnar Johansson who resigned. He holds an MBA from Norges Handelshøyskole in Bergen, Norway. Gunnar Johansson has vast experience in emerging markets, business-to-business and FMCG. Prior to starting Tegacon Suisse GmbH, he held a number of positions within SCA AB, a global company in the tissue, femcare, baby diaper and incontinence care industries. Gunnar Johansson worked with SCA from 1981 to 2009, the last years as Global President of the Hygiene Category. He was also a member of the board of Orkla Brands, the largest FMCG company in Norway. Currently, Gunnar Johansson works as a Senior Executive Advisor at his own company, Tegacon Suisse GmbH. He is also Chairman of the Board of Laeringsverkstedet AS, Laeringsverkstedet Gruppen AS, CK CreKids Germany GmbH and CreaKids GmbH.



Juan Gilberto Marín Quintero

Non-Executive Director

Juan Gilberto Marín Quintero was appointed as Non-Executive Director of the Ontex Group as from May 25, 2016. Juan Gilberto Marín Quintero is the founder and former chairman of Grupo Mabe. He holds a degree in Business Administration from Universidad Iberoamericana, Mexico City, Mexico, an MBA from Instituto Panamericano de Alta Dirección, Mexico City and a postgraduate in International Business from the British Columbia University, Vancouver, Canada as well as a diploma in Mergers and Acquisitions from Stanford University. Formerly, Juan Gilberto Marín Quintero has been the President of the National Council of Foreign Trade, Conacex, former President of the Advisory Board of Citibanamex in Puebla, and former President of the Advisory Board of NAFINSA in Puebla and Tlaxcala, member of the Advisory Board of Telmex and Bancomext. In addition, Juan Gilberto Marín Quintero is a member of the World Economic Forum and has been president at the Latin America Entrepreneur Council and has been president of the Board of Universidad de las Américas. Furthermore, Juan Gilberto Marín Quintero currently also develops Eolic Energy, consumer products, restaurants, textile industry and real estate in Mexico.

3.2. Board: evolution in composition during 2019

On December 31, 2019, the Board of the Company was composed of eight members. All Board members are Non-Executive Directors.

There are currently five Independent Directors within the meaning of Article 526ter of the Belgian Companies Code: Revalue BVBA (with Luc Missorten as its permanent representative), Tegacon Suisse GmbH (with Gunnar Johansson as its permanent representative), Inge Boets BVBA (with Inge Boets as its permanent representative), Regina SARL (with Regi Aalstad as its permanent representative) and Esther Berrozpe. Further there are currently three Non-Executive Non-Independent Directors: Desarrollo Empresarial Joven Sustentable SC (with Juan Gilberto Marín Quintero as its permanent representative), Michael Bredael and Aldo Cardoso.

3.3. Gender diversity

As at December 31, 2019, the Company had 3 female Board members, *ie*, Inge Boets, as permanent representative of Inge Boets BVBA, Regi Aalstad, as permanent representative of Regina SARL and Esther Berrozpe, representing 37.5% of the Board members. Since its establishment, the Remuneration and Nomination Committee evaluates the composition of the Board on a yearly basis and formulates suggestions to the Board, while, among other things, taking into account the gender composition. The Company does comply with the requirement that at least one-third of the members of the Board is of the opposite gender as the gender of the majority of the Board in accordance with Article Art. 7:86. of the Belgian Code of Companies and Associations.

Second, the Company has developed a diversity policy.

3.4. Functioning of the Board

During 2019, the Board met ten times. The attendance rate was as follows:

Name	Board Attendance	Attendance Rate
Revalue BVBA, represented by Luc Missorten	10/10	100%
Regina SARL, represented by Regi Aalstad	10/10	100%
Esther Berrozpe	5/5 ⁽¹⁾	100%
Inge Boets BVBA, represented by Inge Boets	10/10	100%
Michael Bredael	10/10	100%
Aldo Cardoso	3/5 ⁽²⁾	60%
Tegacon Suisse GmbH, represented by Gunnar Johansson	10/10	100%
Desarrollo Empresarial Joven Sustentable SC, represented by Juan Gilberto Marin Quintero	9/10	90%

(1) Esther Berrozpe has been appointed as a member of the Board of Directors on 24/05/2019 and only 5 meetings of the Board of Directors occurred after that date.

(2) Aldo Cardoso has been appointed as a member of the Board of Directors on 24/05/2019 and only 5 meetings of the Board of Directors occurred after that date.

On June 28, 2016 the Board established a management committee (the "Management Committee") to which it has delegated all its management powers, except (i) those powers expressly reserved to the Board of Directors by law, (ii) matters belonging to the general policy of the Company, and (iii) the supervision of the Management Committee, such powers being further described under chapter 3.5 of this Corporate Governance Statement.

Major matters reviewed by the Board during 2019 include, among others:

The monitoring and review of the implementation of the T2G program to accelerate the delivery of value;

- The approval of the half-year and quarterly financial statements and corresponding financial reports;
- The financial and overall performance of the Ontex group;
- Various investments and assessments of M&A projects; and
- General strategic, financial and operational matters of the Company.

3.5. Board Committees

Audit and Risk Committee

In compliance with Article 7.99, §2 of the Belgian Code of Companies and Associations and the 2009 Corporate Governance Code, all members of the Audit and Risk Committee are Non-Executive and at least one Director is independent. .

On December 31, 2019, the Audit and Risk Committee was composed as follows:

Name	Mandate A&R Committee	Mandate Since	Mandate Expires
Inge Boets BVBA, represented by Inge Boets	Chairwoman of the Committee, Independent Director	2018	2022
Revalue BVBA, represented by Luc Missorten	Member, Independent Director	2018	2022
Michael Bredael	Member, Non-Executive Director	2018	2022

During 2019, the Audit and Risk Committee met four times. The attendance rate was as follows:

Name	A&R Committee Meetings Attended	Attendance Rate A&R Committee
Inge Boets BVBA, represented by Inge Boets	4/4	100%
Revalue BVBA, represented by Luc Missorten	4/4	100%
Michael Bredael	4/4	100%

All members attended all meetings. Marc Gallet, VP Corporate Finance, is appointed as Secretary of the Audit and Risk Committee.

The Audit and Risk Committee is entrusted with the tasks set out in Article 7.99, §4 of the Belgian Code of Companies and Associations. It decided on the agenda, frequency and topics of its meetings, and reviewed the external and internal audit plan, the half year financial statements and the external review on the half-year financial statements, the quarterly financial information contained in the Q1 and Q3 trading updates, the key risks, and their role and responsibility.

As required by the 2009 Belgian Companies Code, Ontex Group NV confirms that (i) the Audit and Risk Committee is composed of Non-Executive Directors only and (ii) the Audit and Risk Committee possesses the adequate expertise and experience in the field of the activities of the Company and (iii) Inge Boets, as permanent representative of Inge Boets BVBA, Chairman of the Audit and Risk Committee, is an Independent Director and possesses the adequate expertise and experience in the field of accounting and audit. Reference is made to her biography under chapter 3.1 of this Corporate Governance Statement.

The mandate of PricewaterhouseCoopers Bedrijfsrevisoren BV ("PwC") as statutory auditor of the Company will be proposed to be renewed at the upcoming shareholders meeting of 25 May 2020 and the replacement of the representative of PricewaterhouseCoopers Bedrijfsrevisoren BV ("PwC") will be submitted for approval.

Remuneration and Nomination Committee

In compliance with Article 526^{quater}, §2 of the Belgian Code of Companies and Association and the 2009 Corporate Governance Code, all members of the Remuneration and Nomination Committee are Non-Executive and the majority of the members are independent in accordance with the criteria set out in Article 526^{ter} of the Belgian Code of Companies and Associations and the 2009 Corporate Governance Code.

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

Name	Position	Mandate Since	Mandate Expires
Tegacon Suisse GmbH, represented by Gunnar Johansson	Chairman of the Committee, Independent Director	2018	2022
Revalue BVBA, represented by Luc Missorten	Independent Director	2018	2022
Regina SARL, represented by Regi Aalstad	Independent Director	2018	2022
Michael Bredael	Non-Executive Director	2018	2022

During 2019, the Remuneration and Nomination Committee met five times. The attendance rate was as follows:

Name	R&N Committee Meetings Attended	Attendance Rate R&N Committee
Tegacon Suisse GmbH, represented by Gunnar Johansson	5/5	100%
Revalue BVBA, represented by Luc Missorten	5/5	100%
Regina SARL, represented by Regi Aalstad	5/5	100%
Michael Bredael	5/5	100%

All members attended all meetings. Astrid De Lathauwer, Executive VP HR is appointed as Secretary of the Remuneration and Nomination Committee. Charles Bouaziz attended all meetings.

The Remuneration and Nomination Committee is entrusted with the tasks set out in Article 526^{quater}, §5, of the Belgian Code of Companies and Associations. It decided on the agenda, frequency and topics of the meetings, and reviewed the context and history with respect to Board composition, executive remuneration and terms and conditions of employment. The Remuneration and Nomination Committee also reviewed the performance of the Ontex Group against the key performance indicators ("KPI's") and targets determined for the 2019 performance year.

As required by the Belgian Companies Code, Ontex Group NV confirms that (i) the Remuneration and Nomination Committee is composed of Non-Executive Directors only and a majority of Independent Directors, and (ii) Luc Missorten, Gunnar Johansson, Regi Aalstad and Michael Bredael possess the adequate expertise and experience in the field of remuneration. Reference is made to their biography under chapter 3.1 of this Corporate Governance Statement.

Management Committee

On June 28, 2016, the Board has decided to establish a Management Committee (*directiecomité*) within the meaning of Article 524bis of the Belgian Companies Code to be effective as of July 1, 2016 which has the power to perform all actions that are necessary or useful for the realization of the Company's purpose, except for those actions that are, by law or pursuant to the Articles of Association or the Corporate Governance Charter, reserved to the shareholders' meeting or to the Board, including (i) matters belonging to the general policy of the Company, and (ii) the supervision of the Management Committee, or to other management bodies.⁶

Accordingly, the powers of the Management Committee include, without limitation, the operational management and organization of the Company, developing or updating on a yearly basis the overall strategy and business plan of the Company and submitting it to the Board for approval, monitoring the implementation of the overall strategy and business plan of the Company, supporting the CEO in the daily management of the Company and the exercise of his responsibilities, preparing the Company's financial statements and presenting accurate and balanced evaluations of the Company's financial situation to the Board and providing the Board with the information it needs in order to properly fulfil its duties, setting up and maintaining policies related to the risk profile of the Company and systems to identify, assess, manage and monitor financial and other risks within the framework set out by the Board and the Audit and Risk Committee.

The size and composition of the Management Committee is determined by the Board acting on a proposal of the CEO, who chairs the Management Committee. Members of the Management Committee are appointed by the Board based on a proposal of the CEO and upon recommendation of the Remuneration and Nomination Committee. Members of the Management Committee are appointed for an indefinite period and can be dismissed by the Board at any time or cease to be a member of the Management Committee if their management agreement with the Company terminates.

The CEO leads and chairs the Management Committee and decides on the allocation of responsibilities among the members of the Management Committee. The CEO is vested with the day-to-day management of the Company and the execution of the resolutions of the Board and the resolutions of the Management Committee, unless decided otherwise by the Management Committee. In addition, he exercises the special and limited powers assigned to him by the Board or the Management Committee. The CEO reports regularly to the Board, including on the actions taken by the Management Committee.

In the framework of bringing the Articles of Association and governance of the Company in accordance with the Belgian Code of Companies and Associations, the Board has thoroughly reviewed the available options, and will submit to the general meeting a proposed governance model for approval.

On December 31, 2019, the Management Committee, consisted of the following members:

Name	Position	Member of the Management Committee Since	Appointed to Management Committee
Charles Bouaziz	Chairman of the Management Committee – Chief Executive Officer	2013	2016
Philippe Agostini	Executive Vice-President Procurement	2013	2016
Armando Amselem	President of the AMEAA Division	2016	2016
Laurent Bonnard	Executive Vice-President Sales & Marketing	2013	2016
Astrid De Lathauwer	Executive Vice-President Human Resources	2014	2016
Annick De Poorter	Executive Vice-President R&D, Quality & Sustainability	2009	2016
Charles Desmartis	Chief Financial Officer and Executive Vice-President Finance, Legal & IT	2019	2019
Marex BVBA with Xavier Lambrecht as its permanent representative	President Healthcare Division	2013	2016
Axel Löbel	Executive Vice-President Operations	2019	2019
Artipa BVBA with Thierry Navarre as its permanent representative	Chief Transformation Officer	2009	2016
Thierry Viale	President Europe Division	2013	2016

During 2019, the Management Committee met monthly and discussed strategic, business, financial and operating matters and Group projects.

⁶ The specific powers as well as the composition and functioning of the Management Committee are further described in the Corporate Governance Charter.

The following paragraphs set out the biographical information of the current members of the Management Committee, including information on other Director mandates held by these members.



Charles Bouaziz

Chairman of the Management Committee and Chief Executive Officer

Charles Bouaziz was appointed Chief Executive Officer of the Ontex Group in early 2013. Prior to this, he held a number of senior positions during his 25 years in the consumer goods industry. He spent his early career at Michelin and Procter & Gamble. In 1991, he joined PepsiCo as Marketing Director for France & Belgium and held a range of senior positions until 2008, when he became President of PepsiCo Western Europe. In 2010, he left to become CEO of Monoprix, then in 2010 joined PAI Partners as member of the Food & Consumer Goods sector team and later as head of the Portfolio Performance Group. Charles graduated from Ecole Supérieure des Sciences Economiques et Commerciales (ESSEC 1985). Charles is a supervisory Board member at PAI Partners since 2013 and also holds position at Les Amis de Vaulserre et du Trieves.



Philippe Agostini

Executive Vice-President Procurement

Philippe Agostini previously held various senior positions in Purchasing and Supply Chain for 30 years, at Mars, McDonald's, Lactalis, Pechiney-Alcan, JohnsonDiversey, and most recently Famar, where he held the position of Group Purchasing VP. Philippe holds a degree from the Engineer School École Nationale Supérieure des Arts et Métiers and a degree of Purchasing Master Management des Achats Industriels.



Armando Amselem

President of the AMEAA Division

He joined the Ontex Group from Vita Coco where he served as Global Chief Financial Officer. Prior to Vita Coco, Armando Amselem held various management positions in Europe and the US during his 20-year career with PepsiCo, including General Manager of Tropicana North America and General Manager of PepsiCo France. He also worked for Santander Investment Bank, and Alella Vinicola. Armando holds an MBA from New York University Leonard Stern School of Business, USA, and a master's degree in Enology and a bachelor's degree in Agronomic Engineering and Food Sciences from Universidad Politecnica de Barcelona in Spain.



Laurent Bonnard

Executive Vice-President Sales & Marketing

Laurent Bonnard was appointed Group Sales Director for the Ontex Group on September 9, 2013. As from 1 January 2019, he took up the function of Group Sales and Marketing Director for the Ontex Group NV. He has previously held various senior positions within Sales and Marketing in Mars and Quaker. Subsequently he joined PepsiCo, as Sales Director France, and last he held the function as VP Business Development for Europe.



Astrid De Lathauwer

Executive Vice-President Human Resources

Astrid De Lathauwer joined the Ontex Group after holding a number of leading human resources functions. Astrid held international HR leadership roles at AT&T in Europe, at their US headquarters and at Monsanto. For 10 years, Astrid was the Chief HR Officer of Belgacom. Before joining the Ontex group, she was Managing Director of Acerta Consult. Astrid holds degrees in Political & Social Science and History of Art. Astrid was appointed as a manager of Ontex BVBA as of October 1, 2014. Astrid chairs the Remuneration Committee of Colruyt and Immoel.



Annick De Poorter

Executive Vice-President R&D, Quality and Sustainability

Annick De Poorter joined the Ontex Group in 2003 as the R&D Manager of Feminine Hygiene and was promoted to R&D and Quality Director in January 2009. Before joining the Group, she worked at Libeltex NV in Belgium, and prior to that, she was a Scientific Researcher at University of Ghent, Belgium. Annick holds a master's degree in Civil Engineering in Textiles from the University of Ghent, Belgium.



Charles Desmartis

Chief Financial Officer and Executive Vice-President Finance, Legal & IT

Charles Desmartis joined the Ontex Group in November 2018. Charles Desmartis holds an MBA from the Ecole des Hautes Etudes Commerciales in Paris and a Master of Science in Management from Stanford University, US. Prior to joining the Ontex Group, Charles Desmartis has held senior finance and CFO positions at Schlumberger, Gemalto and subsequently Europcar before joining Carrefour as Group Financial Controller. Most recently, he held the CEO position for the Carrefour Group in Brazil, where he led the preparation and execution of the IPO of the company.



Xavier Lambrecht

President of the Healthcare Division

Xavier Lambrecht, permanent representative of Marex BVBA, joined the Ontex Group in early 2009 as Sales & Marketing Director of the Healthcare Division. Prior to that, he held different roles within Sales Development, Marketing and Business Planning at Imperial Tobacco. Xavier holds a master's degree of Commercial Engineering from the University of Leuven, Belgium.



Axel Löbel

Executive Vice-President Operations

Axel Löbel joined the Ontex Group in February 2019. He holds a Master's degree in Electrical Engineering – subject area communications – from one of the top German Universities, and has more than twenty-five years of professional experience in Operations. Prior to joining the Ontex Group, Axel Löbel has held various positions within Procter and Gamble Baby Care evolving from electrical support to production, logistics and then leading the development and implementation of global product upgrades. In 2008, he led a green field start-up of a Procter & Gamble diaper plant in Cairo, Egypt. In 2013 he joined Melitta as COO, leading the end-to-end supply chain of their consumer goods business. Most recently, he held the General Manager position of one of the key fulfillment centers of Amazon, based in Prague.



Thierry Navarre

Chief Transformation Officer

Thierry Navarre, permanent representative of Artipa BVBA, joined the Ontex Group in 2006 as the Group Supply Chain Director and was appointed Chief Operating Officer in 2009. Before 2006, he was Director of Strategy & Development at InBev in France (now, AB InBev), and held other senior management positions in supply and distribution at InBev between 2001 and 2005. Prior to this, between 1997 and 2001 he held various roles in logistics and distribution at Fort James (now Georgia Pacific), and between 1991 and 1997 at Jamont (now Georgia Pacific). Thierry is a Board member of Cemminerals and Idlegcy.



Thierry Viale

President of the Europe Division

Thierry Viale was appointed President Europe on January 1, 2019, prior to that, Thierry was General Manager of the Growth Markets Division and Strategic Development since October 1, 2013. Prior to joining the Ontex Group, Thierry held a number of senior positions at Procter & Gamble in Western Europe, Russia, Nigeria/West Africa, Greater China, the Balkans and in India. Thierry holds a Master degree from the Saint Cyr Military Academy, a Bachelor degree from the Neoma Business School, and a MBA from ESCP Europe.

Changes within the Management Committee composition within 2019

Following an international reorganization, effective January 1, 2020, the actual Management Committee is structured as follows:

Name	Position
Charles Bouaziz	Chairman of the Management Committee – Chief Executive Officer
Philippe Agostini	Executive Vice-President Procurement
Armando Amselem	President AMEAA
Laurent Bonnard	President Europe
Charles Desmartis	Chief Financial Officer and Executive Vice-President Finance, Legal & IT
Astrid De Lathauwer	Executive Vice-President Human Resources
Annick De Poorter	Executive Vice-President R&D, Quality and Sustainability
Marex BVBA with Xavier Lambrecht as its permanent representative	President Healthcare
Axel Löbel	Executive Vice-President Operations
Artipa BVBA with Thierry Navarre as its permanent representative	Chief Transformation Officer

4. RELEVANT INFORMATION IN THE EVENT OF A TAKEOVER BID

Article 34 of the Royal Decree of November 14, 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.

4.1. Capital Structure

A comprehensive overview of our capital structure as at December 31, 2019 can be found in chapter 2 of this Corporate Governance Statement.

4.2. Restrictions on transfers of securities

The Company's Articles of Association do not impose any restrictions on the transfer of shares in the Company. Furthermore, the Company is not aware of any such restrictions imposed by Belgian law except in the framework of market abuse rules.

4.3. Holders of securities with special control rights

There are no holders of securities with special control rights.

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

The Company's shares to be delivered to participants upon exercise of the stock options or vesting of the RSUs or Performance Shares in the framework of the LTIP are existing ordinary shares in the Company with all rights and benefits attached to such shares. A more detailed description of the LTIP is set out in the Remuneration Policy and report.

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

4.5. 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 and their voting rights are not suspended in one of the events set out in the Articles of Association or the Belgian Companies Code. Pursuant to Article 11 of the Company's Articles of Association, the Board is entitled to suspend the exercise of rights attaching to shares belonging to several owners.

The Company is not aware of any restrictions imposed by Belgian law on the exercise of voting rights by the shareholders.

4.6. Rules on appointment and replacement of members of the Board

The term of office of directors under Belgian law is limited to six years (renewable) but the 2009 Corporate Governance Code recommends that it be limited to four years. The appointment and renewal of directors is proposed by the Board, based on a recommendation of the Remuneration and Nomination Committee and is subject to approval by the shareholders' meeting.

4.7. Rules on amendments to the Articles of Association

Save for capital increases decided by the Board within the limits of the authorized capital or a change of the registered office of the Company (such change not triggering the application of different rules on the use of languages by companies than those that currently apply to the Company), only an extraordinary shareholders' meeting is authorized to amend the Company's Articles of Association. A shareholders' meeting may only deliberate on amendments to the Articles of Association if at least 50% of the share capital is represented. If the above attendance quorum is not reached, a new extraordinary shareholders' meeting must be convened, which will validly deliberate regardless of the portion of the share capital represented at the shareholders' meeting. As a rule, amendments to the Articles of Association are only adopted if approved by at least 75% of the votes cast. The Belgian Companies Code provides for more stringent majority requirements in specific instances, such as for modifications of the Company's corporate purpose clause.

4.8. Authorized capital

On June 10, 2014, the extraordinary shareholders' meeting authorized the Board, subject to and with effect as from the closing of the IPO, to increase the capital of the Company in one or several times by an (aggregate) amount of maximum 50% of the amount of the registered capital (€340,325,414) as such amount was recorded immediately after the closing of the IPO. Within the framework of the authorized capital, the Board is authorized to proceed with a capital increase in any form, including, but not limited to, a capital increase in cash or in kind and by issuance of shares, convertible bonds, warrants or other securities.

The Board is authorized to limit or cancel the preferential subscription rights of the shareholders within the limits and in accordance with the provisions set out in the Company's Articles of Association and the Belgian Companies Code.

This authorization includes the limitation or cancellation of the preferential subscription rights for the benefit of one or more specific persons and in connection with capital increases in the event of a public takeover bid.

The authorization is valid for a term of five years as from the date of the publication of the authorization in the Annexes to the Belgian State Gazette (*Belgisch Staatsblad*), ie, five years from July 9, 2014.

On November 9, 2015, the Company recorded the realization of a capital increase in cash, within the limits of the authorized capital, resulting in a capital increase of €40,839,036.68 (excluding issue premium in an amount of €73,902,592.52), from €680,650,828 to €721,489,864.68 as described in chapter 2.1.1. of this Corporate Governance Statement.

On February 29, 2016, the Company recorded the realization of a capital increase in kind, within the limits of the authorized capital, resulting in a capital increase of €27,226,021.12 (excluding issue premium in an amount of €48,451,722.68), from €721,489,864.68 to €748,715,885.80 as described in chapter 2.1.2 of this Corporate Governance Statement.

On March 22, 2017, the Company recorded the realization of a capital increase in kind, within the limits of the authorized capital, resulting in a capital increase of €74,871,580.58 (excluding issue premium in an amount of €145,968,664.42), from €748,715,885.80 to €823,587,466.38 as described in chapter 2.1.2 of this Corporate Governance Statement.

On May 25, 2018, the extraordinary general meeting of shareholders renewed the authorization to the Board with respect to authorized capital under the following conditions:

The Board of Directors may increase the registered capital of the Company in one or several times by an amount cumulated over 5 years of:

- maximum 50% of the amount of the registered capital as such amount is recorded immediately after the general meeting of shareholders of 25 May 2018, of which maximum 20% of the amount of the registered capital as such amount is recorded immediately after the general meeting of shareholders of 25 May 2018, in the event of a capital increase with cancellation or limitation of the preferential subscription rights of the shareholders,

This authorization may be renewed in accordance with the relevant legal provisions. The Board of Directors can exercise this power of a period of five (5 years) as from the date of publication in the Annexes to the Belgian State Gazette of the amendment to these articles of association approved by the shareholders' meeting on 25 May 2018.

4.9. Acquisition of own shares

On May 25, 2018 the Extraordinary Shareholders' meeting renewed the authorization towards the Board with respect to the acquisition of own shares subject to the following conditions:

The Company may, without any prior authorization of the shareholders' meeting, in accordance with Articles 620 ff. of the Belgian Companies Code and within the limits set out in these provisions, acquire, on or outside the stock market, up to 10% of its own shares, profit-sharing certificates or associated certificates for a price which will respect the legal requirements, but which will in any case not be more than 10% below the lowest closing price in the last thirty trading days preceding the transaction and not more than 5% above the highest closing price in the last thirty trading days preceding the transaction. This authorization is valid for five years from 25 May 2018. This authorization covers the acquisition on or outside the stock market by a direct subsidiary within the meaning and the limits set out by Article 627, indent 1 of the Companies Code. If the acquisition is made by the Company outside the stock market, even from a subsidiary, the Company shall comply with Article 620, §1, 5° of the Companies Code.

On May 13, 2019, the Company bought 63,377 own shares, as further described above, cfr chapter "capital and capital evolutions".

4.10. Material agreements to which Ontex is a party containing change of control provisions

4.10.1. Senior Facilities Agreement

The Company, and certain of its subsidiaries as guarantors, entered into a new 5-year multicurrency credit facilities agreement dated November 26, 2017 (the "Senior Facilities Agreement 2017") for an amount of €900,000,000, comprising a term loan of €600,000,000 and a revolving credit facility of €300,000,000, for the purpose of among others repaying the Senior Facilities Agreement 2014 as amended and/or restated from time to time, and for general corporate purposes.

The Senior Facilities Agreement 2017 contains provisions that may be triggered in the event of a change of control over the Company. More specifically, the Senior Facilities Agreement provides, among others, that any person or group of persons acting in concert acquiring, directly or indirectly, beneficial ownership of the issued capital of the Company having the right to cast more than 50% of the votes capable of being cast at a shareholders' meeting ("Change of Control") may lead to a mandatory prepayment and cancellation under the Senior Facilities Agreement.

4.10.2. Facilities Agreements

The Company, and certain of its subsidiaries as guarantors, entered into a new 7-year multicurrency credit facilities agreement dated December 4, 2017 (the "Facilities Agreement 2017") for an amount of €250,000,000, comprising a term loan of €150,000,000 and an accordion of €100,000,000, for the purpose of among others repaying the Senior Secured Notes, and for general corporate purposes.

The Facilities Agreement 2017 contains provisions that may be triggered in the event of a change of control over the Company. More specifically, the Senior Facilities Agreement provides, among others, that any person or group of persons acting in concert acquiring, directly or indirectly, beneficial ownership of the issued capital of the Company having the right to cast more than 50% of the votes capable of being cast at a shareholders' meeting ("Change of Control") may lead to a mandatory prepayment and cancellation under the Facilities Agreement.

4.10.3. Factoring Agreement

The Company entered into a Factoring Agreement dated February 21, 2018, with BNP Paribas Fortis Factor N.V. and KBC Commercial Finance N.V. ('Factoring Agreement'); The Factoring Agreement contains provisions that may be triggered in the event of a change of control over the Company. More specifically, the Factoring Agreement provides, among others, that in the event the effective control of any party is transferred to others, the other party has the right to terminate the Factoring Agreement.

4.10.4. Hedging Agreement

The Company entered into a ISDA FX Hedging Agreement dated March 12, 2018 with Crédit Agricole Corporate and Investment Bank ("CACIB") ("Hedging Agreement"). The Hedging Agreement contains provisions that may be triggered in the event of a change of control over the Company. More specifically, the Hedging Agreement, provides, among others, a change control, defined as any person or group of persons acting in concert acquiring, directly or indirectly, beneficial ownership of the issued share capital of the Company ("Change of Control"), provides CACIB the right to terminate the Hedging Agreement.

4.10.5. Guarantee Agreement

The Company entered into a guarantee agreement dated 6 November 2018 its subsidiary Hygiene Medica SAS and Euler Hermes NV (hereinafter "Guarantee agreement"), with respect to the guarantee issued by Euler Hermes SA to Land Rheinland, Finanzamt Mayen, dated 13 November 2018. The guarantee agreement includes provisions that may be triggered in the case of a change of control. More specifically, the guarantee agreement provides for acceleration in case Ontex Group NV has leased a substantial part of her assets to a third party, or the Client merges or decides to merge, splits or decides to split, or Ontex Group NV is absorbed by a third Party.

All Change of Control provisions as listed above are subject to shareholders' consent in accordance with article 556 of the Belgian Companies Code, and were approved during by the general meeting of shareholders.

4.11. Severance pay pursuant to 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 a 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 chapter 8.7 of this Corporate Governance Statement on termination provisions of the members of the Board and the Management Committee in general.

5. CONFLICTS OF INTERESTS

Each Board member should arrange his or her personal and business affairs in such a way as to avoid any conflict of interests of a personal, professional or financial nature with the Company, directly or through relatives (including spouse or life companion, or other relatives (by blood or marriage) up to the second degree and foster children).

In accordance with Article 7.96 of the Belgian Code of Companies and Associations, if a Board member has a direct or indirect patrimonial interest in a decision or transaction which is the responsibility of the Board, he/she must inform the other Board members before any decision by the Board is taken and the statutory auditor must also be notified. The conflicted Board member cannot be present during the deliberations of the Board relating to these transactions or decisions and cannot vote.

No conflicts of interest within the meaning of Article 7.96 of the Belgian Code of Companies and Associations arose in 2019.

6. RELATED PARTY TRANSACTIONS

During 2019, Ontex Group NV has not entered into transactions with related parties within the meaning of Article 7.97 of the Belgian Code of Companies and Associations.

7. COMPLIANCE WITH THE 2009 BELGIAN CODE ON CORPORATE GOVERNANCE

The Company is committed to high standards of corporate governance and relies on the Corporate Governance Code as a reference code. The Corporate Governance Code is based on a “comply or explain” approach. Belgian listed companies must comply with the Corporate Governance Code but may deviate from those provisions which are not otherwise contained in the Belgian Companies Code, and provided they disclose the justification for any such deviations in their corporate governance statement included in the Annual Report in accordance with Article 3.6 §2, 2°, of the Belgian Code of Companies and Associations.

The Company complies with all provisions of the 2009 Corporate Governance Code, except in respect of the following:

- the Company's Articles of Association allow the Company to deviate from all provisions of Article 520ter of the Belgian Companies Code and hence to grant shares, stock options and other share-based incentives vesting earlier than three years after their grant. However, the Company has not yet made use of such authorization and the LTIP, the LTIP 2014, LTIP 2015, LTIP 2016, LTIP 2017 and LTIP 2018 as well as the LTIP 2019, as described within the Remuneration Report, provides for a vesting period of three years for the stock options, RSUs and Performance Shares;
- the CEO and certain other members of the Management Committee are entitled, in certain circumstances, to severance pay which is higher than 12 or 18 months of remuneration if the Company decides to apply the non-competition clauses in their respective agreements to the fullest extent provided by such agreements (see chapter 8.7 of the Remuneration Report for a detailed description thereof). In accordance with Article 554, 4th indent, of the Belgian Companies Code, with respect to Charles Bouaziz and Artipa BVBA, with Thierry Navarre as its permanent representative, the annual shareholders' meeting of May 26, 2015 approved a severance payment exceeding 18 months, in certain circumstances. The Company deems such deviations from the Corporate Governance Code necessary to attract and retain competent executive directors and managers in the competitive environment in which the Company operates.

EVENTS AFTER THE END OF THE REPORTING PERIOD

COVID-19 is an infectious disease caused by the most recently discovered coronavirus. This new virus and disease were unknown before the outbreak began in Wuhan, China, in December 2019. Ontex sales in China and other countries of the Far East are not material, hence the outbreak of the virus in Asia had no significant impact on the financial performance of the Group at the publication date of this report.

However, based on its assessment of the evolution and spreading of the virus, the World Health Organization characterized it as a pandemic on March 11, 2020. We source several raw materials from suppliers all over the world and we deliver our products to customers located in all regions of the world. Further spread of the coronavirus leading to restrictions in the movement of goods and individuals could lead to disruptions to our supply chain and manufacturing organization, increased logistics costs and delayed shipments to customers. At the moment of the publication of these consolidated financial statements, the impact of the current spread of the virus on the financial performance of the Group is limited. We nevertheless will continue to monitor the situation closely as continuing restrictions due to the virus could adversely affect the results of operations, financial position and performance in 2020. Based on our analysis and modelling using currently available information, as well as discussions with the Management of Ontex, we believe the Company has taken the required measures to mitigate the impacts of the pandemic on its operations and strengthened its funding; even though visibility remains limited as the pandemic is still progressing, the going concern is not considered to be at risk.

No other significant events occurred after the end of the reporting date which would affect the information mentioned in these consolidated financial statements.

8. REMUNERATION REPORT

The remuneration report provides a comprehensive overview of the remuneration awarded to non-executive Directors and members of the Management Committee of Ontex during 2019. The remuneration report should be read in close conjunction with the remuneration policy, as the remuneration report contains the result of the application of the remuneration policy during financial year 2019.

This remuneration report contains more detailed information on the 2019 remuneration and on our remuneration policy than we have provided in the past. By doing so we wish to become more transparent about the remuneration of the Members of the Management Committee. This is our response to the request from the investor community to increase transparency on the alignment between company performance and executive pay.

8.1. Remuneration for Non-Executive Directors

Non-Executive Directors at Ontex receive an annual fixed fee as well as attendance fee. The amounts paid to non-executive Directors in 2019 are shown in the table below.

Name	Mandate	Fixed fee (EUR)	# Board meetings attended	Board attendance fee (EUR)	# N&R Committee meetings attended	N&R Committee attendance fee (EUR)	# A&R Committee meetings attended	A&R Committee attendance fee (EUR)	Total fee for 2019 (EUR)
Revalue BVBA, represented by Luc Missorten	Chairman of the Board, Independent Director	120,000	10/10	5,000	5/5	2,500	4/4	2,500	192,500
Inge Boets BVBA, represented by Inge Boets	Chairwoman of the Audit and Risk Committee, Independent Director	70,000	10/10	2,500			4/4	4,000	111,000
Tegacon Suisse GmbH, represented by Gunnar Johansson	Chairman of the Remuneration and Nomination Committee, Independent Director	70,000	10/10	2,500	5/5	4,000			115,000
Desarrollo Empresarial Joven Sustentable SC, represented by Juan Gilberto Marin Quintero	Non-Executive Director	60,000	9/10	2,500					82,500
Regina SARL, represented by Regi Aalstad (2)	Independent Director	60,000	10/10	2,500	5/5	2,500			97,500
Michael Bredael	Non-Executive Director	60,000	10/10	2,500	5/5	2,500	4/4	2,500	107,500
Ester Berrozpe (1)	Independent Director	35,000	5/5	2,500					47,500
Aldo Cardoso (1)	Non-Executive Director	35,000	3/5	2,500					42,500

(1) Ester Berrozpe and Aldo Cardoso were appointed as non-executive Director by the AGM on 24 May 2019. Their fixed fee for 2019 has been pro-rated and represents 7/12ths of the annual fixed fee for their Board mandate.

(2) Regi Aalstad has been replaced by her management company Regina SARL as independent director of Ontex Group NV on 27/06/2019. 6/12th of her board fees have been paid to Regi Aalstad personally and 6/12th of the board fees have been paid to Regina SARL.

8.2. Remuneration for Members of the Management Committee

8.2.1. Introduction

2019 was marked by a change in the operating model of the company. We moved from 5 to 3 Commercial Divisions, we consolidated manufacturing and supply chain under one head and changed some of the reporting lines. As a result, the composition of the Management Committee, including the CEO, changed from 14 members in 2018 to 11 members in 2019.

8.2.2. 2019 Short-term Incentive

As outlined in the Remuneration Policy, the short-term incentive of the CEO and the other members of the Management Committee is determined based on a set of KPIs including net sales, profitability and cash generation. The Ontex Group results against these targets show a close to on-target performance in terms of net sales, a below target performance against the profitability target, and a significant over-performance on cash generation. The Divisional performance showed a significant variance, with the Europe Division performing close to target on net sales and cash, but underperforming on profitability, while the AMEAA and HealthCare Divisions have been performing on target or above.

The achievement against the 2019 Group and Divisional KPIs driving the 2019 short-term incentive for the CEO and the other members of the Management Committee and the resulting pay-out factors are shown in the table below.

KPI	Metrics	Group	Europe	AMEAA	Healthcare
Revenue	Achievement	99%	99%	98%	102%
	Pay-out Factor	90%	90%	80%	120%
	Weighting	25%	25%	25%	25%
	Corresponding Pay-out Factor	22.5%	22.5%	20%	30%
EBITDA	Achievement	95%	92%	103%	100%
	Pay-out Factor	50%	20%	130%	100%
	Weighting	50%	50%	50%	50%
	Corresponding Pay-out Factor	25%	10%	65%	50%
Cash (*)	Achievement	159%	99%	106%	107%
	Pay-out Factor	150%	90%	150%	150%
	Weighting	25%	25%	25%	25%
	Corresponding Pay-out Factor	37.5%	22.5%	37.5%	37%
Total	Total Bonus Factor Weighted Pay-out	85%	55%	122.5%	117.5%

The resulting gross bonus amounts for the CEO and the other members of the Management Committee are reported in the column one-year variable in the total remuneration table below. The short-term incentive is not subject to any claw-back provision.

2019 has also been the year in which the Transform to Grow program (T2G) has been kicked off. To underpin the importance of this transformation program, the Board has approved a specific and temporary incentive plan related to T2G. The first part of the T2G Incentive as described in the Remuneration Policy was delivered in 2019 and is reported in the column extra-ordinary items in the total remuneration table below.

8.2.3. 2019 Long-term incentives

This section contains information on the long-term incentive plan (LTIP) granted in 2019 as well as on former LTIP grants which vested in 2019.

The value of the LTIP grants which vested in 2019 is shown in the total remuneration table below, in the column multi-year variable. The way in which this value has been calculated is explained in note 4 below the table.

The members of the Management Committee also received a new LTIP grant in 2019, which took place on 13 June 2019. The 2019 grant was the first year of the new LTIP as approved at the general meeting of shareholders on May 25, 2018. The 2019 grant consisted of a combination of Restricted Stock Units, Stock Options and Performance Shares, each representing one third of the LTIP grant value. This is a change compared to previous LTIP grants, which consisted of Restricted Stock Units (50%) and Stock Options (50%). The performance shares were added to make the LTIP more performance based. Furthermore, it was decided to keep the restricted stock units (with a reduced weight), despite the absence of performance vesting, retaining their presence requirement. As such, they are a counter weight to the financial risk associated with stock options which, for Belgian beneficiaries, such as the CEO and other Belgian residents on the Management Board, are taxed at grant with no possibility to recover taxes in case the options remain below their exercise price.

The 2019 LTIP has a vesting period of 3 years. For the vesting of the Performance Shares granted in 2019, the Board has set targets for the 2019-2021 performance period in terms of like-for-like sales growth (weight 30%), Adjusted EBITDA (weight 35%) and Earnings per share growth (weight 35%). The vesting schedule for these 3 performance measures is shown below.

Achievement vs target	Threshold	80% vesting	100% vesting	200% vesting
Sales Growth	75%	90%	100%	110%
EBITDA	87%	93%	100%	105%
EPS Growth	44%	72%	100%	119%

Because the 3-year targets for the performance shares are commercially sensitive, the Company has opted not to disclose them upfront. However, the Company commits to publish both the targets and the achievement levels for the performance shares KPIs at the end of the 3-year performance period.

The stock options which were granted on 13 June 2019 have a strike price of 14,00 EUR, which is the closing price of the day preceding the grant date.

The tables below provide the details of the 2019 LTIP for the members of the Management Committee. They also provide an overview of share related transactions which occurred during the year.

Shares awarded during the reported financial year

Name of Director	Position	Number of RSUs awarded and accepted	Number of PSUs awarded and accepted	Award date	Vesting date	Share value at the time of the grant	Total value awarded
Agostini, Philippe	Executive VP Procurement	3,986	3,986	13/06/2019	14/06/2022	€14	€111,608
Amselem, Armando	President AMEAA division	4,420	4,420	13/06/2019	14/06/2022	€14	€123,760
Bonnard, Laurent	Executive VP Sales & Marketing	4,518	4,518	13/06/2019	14/06/2022	€14	€126,504
Bouaziz, Charles	Chief Executive Officer	18,414	18,414	13/06/2019	14/06/2022	€14	€515,592
De Lathauwer, Astrid	Executive VP Human Resources	4,766	4,766	13/06/2019	14/06/2022	€14	€133,448
De Poorter, Annick	Executive VP R&D, Quality & Sustainability	4,595	4,595	13/06/2019	14/06/2022	€14	€128,660
Desmartis, Charles (1)	Chief Finance Officer	18,333	18,333	13/06/2019	14/06/2022	€14	€513,324
Lambrecht, Xavier	President Healthcare Division	4,377	4,377	13/06/2019	14/06/2022	€14	€122,556
Loebel, Axel	Executive VP Operations	3,601	3,601	13/06/2019	14/06/2022	€14	€100,828
Navarre, Thierry	CTO	9,167	9,167	13/06/2019	14/06/2022	€14	€256,676
Viale, Thierry	President Europe Division	4,780	4,780	13/06/2019	14/06/2022	€14	€133,840

(1) Charles Desmartis received twice the regular LTIP grant, as part of a sign-on arrangement upon joining the company

Shares vested and sold during the reported financial year

Name of Director Position		Balance at start of the year			Changes during the year				Balance at end of the year			
		Number of unvested RSUs at start of the year	Number of unvested PSUs at start of the year	Number of vested shares at start of the year	Number of RSUs vested during the year	Number of PSUs vested during the year	Number of Shares sold during the year	Price of sale	Total value of shares sold	Number of unvested RSUs at end of the year ⁽¹⁾	Number of unvested PSUs at end of the year ⁽²⁾	Number of vested shares at end of the year ⁽³⁾
Agostini, Philippe	Executive VP Procurement	9,411	-	2,511	2,760	-	-	-	-	10,637	3,986	5,271
Amselem, Armando	President AMEAA division	11,558	-	-	3,526	-	1,134	€15.66	€17,761	12,452	4,420	2,392
Bonnard, Laurent	Executive VP Sales & Marketing	8,697	-	1,744	2,738	-	-	-	-	10,477	4,518	4,482
Bouaziz, Charles	Chief Executive Officer	39,811	-	14,752	14,522	-	-	-	-	43,703	18,414	29,274
De Lathauwer, Astrid	Executive VP Human Resources	9,015	-	1,092	2,723	-	1,449	€15.66	€22,694	11,058	4,766	2,366
De Poorter, Annick	Executive VP R&D, Quality & Sustainability	7,695	-	957	1,989	-	1,058	€15.66	€16,568	10,301	4,595	1,888
Desmartis, Charles (1)	Chief Finance Officer	-	-	-	-	-	-	-	-	18,333	18,333	-
Lambrecht, Xavier	President Healthcare Division	9,136	-	1,216	2,524	-	-	-	-	10,989	4,377	3,740
Loebel, Axel	Executive VP Operations	-	-	-	-	-	-	-	-	3,601	3,601	-
Navarre, Thierry	Chief Transformation Officer	17,112	-	5,814	4,641	-	-	-	-	21,638	9,167	10,455
Viale, Thierry	President Europe Division	8,396	-	1,475	3,697	-	1,366	€15.66	€21,392	9,479	4,780	3,806

(1) Number of unvested RSUs at start of the year plus number of RSUs awarded during the year minus number of RSUs vested during the year

(2) Number of unvested PSUs at start of the year plus number of PSUs awarded during the year minus number of PSUs vested during the year

(3) Number of vested shares at start of the year plus number of PSUs and RSUs vested during the year minus number of shares sold during the year

Share options awarded during the reported financial year

Name of Director	Position	Share options awarded during the year					Strike price of the share
		Number of options awarded	Number of options accepted	Award date	Vesting date	Exercise period	
Agostini, Philippe	Executive VP Procurement	13,987	13,987	13/06/2019	14/06/2022	start 14/06/2022 - end 13/06/2027	€14
Amselem, Armando	President AMEAA division	15,508	15,508	13/06/2019	14/06/2022	start 14/06/2022 - end 13/06/2027	€14
Bonnard, Laurent	Executive VP Sales & Marketing	15,852	15,852	13/06/2019	14/06/2022	start 14/06/2022 - end 13/06/2027	€14
Bouaziz, Charles	Chief Executive Officer	64,610	64,610	13/06/2019	14/06/2022	start 14/06/2022 - end 13/06/2027	€14
De Lathauwer, Astrid	Executive VP Human Resources	16,722	16,722	13/06/2019	14/06/2022	start 14/06/2022 - end 13/06/2027	€14
De Poorter, Annick	Executive VP R&D, Quality & Sustainability	16,125	16,125	13/06/2019	14/06/2022	start 14/06/2022 - end 13/06/2027	€14
Desmartis, Charles ⁽¹⁾	Chief Finance Officer	64,327	64,327	13/06/2019	14/06/2022	start 14/06/2022 - end 13/06/2027	€14
Lambrecht, Xavier	President Healthcare Division	15,356	-	13/06/2019	14/06/2022	start 14/06/2022 - end 13/06/2027	€14
Loebel, Axel	Executive VP Operations (01/02/2019)	12,636	12,636	13/06/2019	14/06/2022	start 14/06/2022 - end 13/06/2027	€14
Navarre, Thierry	CTO	32,164	32,164	13/06/2019	14/06/2019	Start 14/06/2022 – end 13/06/2017	€14
Viale, Thierry	President Europe Division	16,771	16,771	13/06/2019	14/06/2022	start 14/06/2022 - end 13/06/2027	€14

(1) Charles Desmartis received twice the regular LTIP grant, as part of a sign-on arrangement upon joining the company

Share options vested, exercised or lapsed during the reported financial year

Name of Director	Position	Balance at start of the year	Changes during the year							Balance at end of the year	Number of vested options at the end of the year ⁽²⁾
		Number of unvested options at the start of the year	Number of vested options at the start of the year	Number of options vested during the year	Number of options exercised during the year	Exercise date	Exercise price	Gross gain	Number of options lapsed during the year	Number of unvested options at the end of the year ⁽¹⁾	
Agostini, Philippe	Executive VP Procurement	43,176	11,618	11,826	-	N/A	N/A	N/A	-	45,337	23,444
Amselem, Armando	President AMEAA division	53,181	-	15,106	-	N/A	N/A	N/A	-	53,583	15,106
Bonnard, Laurent	Executive VP Sales & Marketing	40,047	11,650	11,730	-	N/A	N/A	N/A	-	44,169	23,380
Bouaziz, Charles	Chief Executive Officer	182,386	67,591	62,220	-	N/A	N/A	N/A	-	184,776	129,811
De Lathauwer, Astrid	Executive VP Human Resources	41,666	10,929	11,666	-	N/A	N/A	N/A	-	46,722	22,595
De Poorter, Annick	Executive VP R&D, Quality & Sustainability	35,769	9,657	8,522	-	N/A	N/A	N/A	-	43,372	18,179
Desmartis, Charles	Chief Finance Officer	-	-	-	-	N/A	N/A	N/A	-	64,327	-
Lambrecht, Xavier	President Healthcare Division	42,230	12,134	10,813	-	N/A	N/A	N/A	-	31,417	22,947
Loebel, Axel	Executive VP Operations (01/02/2019)	-	-	-	-	N/A	N/A	N/A	-	12,636	-
Navarre, Thierry	CTO	79,340	26,839	19,886	-	N/A	N/A	N/A	-	91,618	46,725
Viale, Thierry	President Europe Division	38,158	11,196	15,839	-	N/A	N/A	N/A	-	39,090	27,035

(1) Number of unvested options at the start of the year minus number of options vested during the year plus number of options accepted during the year

(2) Number of vested options at the start of the year plus number of options vested during the year minus number of options exercised and lapsed during the year

8.2.4. Total 2019 remuneration for the CEO and Members of the Management Committee

The table below set out the total 2019 remuneration for the CEO and the other Members of the Management Committee.

All amounts in EUR	Fixed Remuneration		Variable Remuneration		Extraordinary items ⁽⁵⁾	Pension expense ⁽⁶⁾	Total Remuneration ⁽⁷⁾
	Base Salary ⁽¹⁾	Other Benefits ⁽²⁾	One-year Variable ⁽³⁾	Multi-year Variable ⁽⁴⁾			
CEO	1,031,169	83,189	886,805	225,091	344,000	-	2,570,254
Other Members of the Management Committee	4,188,480	334,573	2,376,284	381,269	1,134,873	642,146	9,057,625

(1) This represents the annual base salary on a full year basis.

(2) Other benefits include the cost of medical, life and disability insurance, company car and school fees, on a full year basis.

(3) This represents the short-term incentive for performance year 2019.

(4) This represents the value, at the day of vesting, of the long-term incentives granted in previous years and vested during 2019. For the Restricted Stock Units (RSUs) vested in 2019, the value reported is the number of RSUs vested times the share price at the time of vesting. For the stock options vested in 2019, the value reported is the number of options vested times the difference between the share price at the time of vesting and the exercise price, if positive.

(5) This represents the first part of the T2G Incentive paid in 2019.

(6) This represents the company contributions towards a defined contribution pension plan, on a full-year basis.

(7) This is the sum of items 1 through 6.

8.3. Remuneration Policy

The remuneration policy describes the principles and policies that determine the composition and level of remuneration for Non-Executive Directors and members of the Management Committee of Ontex. The Board of Directors sets the principles and policies following recommendation by the Remuneration and Nomination Committee.

The principles and policies governing the remuneration for Non-Executive Directors and for members of the Management Committee address the following topics:

- The way in which the Remuneration Policy contributes to the strategy, the long-term ambitions, performance and sustainability of Ontex
- A description of the different remuneration components and their respective weights in the total remuneration package.

For the variable components of remuneration, the policy defines the performance criteria that are used to determine the variable compensation. It also sets out the minimum performance threshold required for any variable compensation to pay out, as well as the performance level at which the maximum bonus pay out is reached.

For equity-based components, the policy addresses the nature of the equity compensation, the vesting criteria and the performance criteria linked to the grant or the vesting of equity instruments. It also covers how these performance criteria contribute to the strategy and the long-term ambitions and sustainability of Ontex.

- Whether the measurement of performance, base pay evolution, short-term variable pay and long-term variable pay for members of the Management Committee is the same as for other managers in the company
- The principle terms of appointment of Non-Executive Directors and members of the Management Committee and the applicable end-of-contract provisions.

8.3.1. Remuneration Policy for Non-Executive Directors

As per the Corporate Governance Charter, the Board of Directors exercises the powers expressly reserved to the Board of Directors by law, addresses matters pertaining to the general policy of the company, and acts in a supervisory capacity with regard to the Management Committee.

It is believed that, in order to fulfil these tasks, Ontex must be able to attract a rich spectrum of Board Member profiles that mirror the company's diverse customer and consumer bases and its geographical footprint. Furthermore, the composition of the Board needs to embody a thorough knowledge of the business dynamics and markets in the personal hygiene sector.

With this ambition in mind, the Non-Executive Directors at Ontex are rewarded through a combination of a fixed annual fee and attendance fees. The total annual remuneration paid to Non-Executive Directors is aligned with remuneration levels for similar positions reported by BEL20 companies.

The Chairpersons of the Board and the Board Committees receive a higher fixed fee than the other members of the Board, given the broader time commitment required of these roles. The fixed fees are *pro-rata* based so that Board and/or Board Committee membership may start or end in the course of a calendar year.

In addition to fixed remuneration, Board members also receive a fee for every Board and Board Committee meeting they attend.

The fixed remuneration and attendance fees for Non-Executive Directors are shown in the table below.

Role	Fixed Fee	Attendance Fee
Non-Executive Director	60,000 EUR	2,500 EUR
Board Chairperson	+ 60,000 EUR	+ 2,500 EUR
Committee Chairperson	+ 10,000 EUR	+ 2,500 EUR
Committee Member		+ 1,500 EUR

An analysis is being conducted whether, going forward, a part of the remuneration for Non-Executive Directors will be paid in shares. Should that be the case, the remuneration policy will be updated accordingly.

Non-Executive Directors are appointed for a period of 4 years, in accordance with the guidance laid down in the corporate governance charter.

8.3.2. Remuneration Policy for Members of the Management Committee

General reward principles and alignment with the company's strategy

Ontex aspires to be the preferred company for its consumers, customers, employees and investors, as well as a socially responsible company.

In order to attract, motivate and retain people who are committed to helping Ontex realize its commitments towards its consumers, customers, employees and investors, we have built our remuneration policy on the following pillars:

We reward the successful implementation of strategy. This is done by linking a significant part of remuneration to the achievement of financial goals which reflect our commitment to our consumers, customers and investors.

We reward performance by making a significant portion of remuneration dependent on both individual contribution and collective (Group and divisional) achievements.

We foster a bias towards long-term shareholder value creation through granting share-based remuneration to employees who have an important influence on the company's success.

Our pay practices are aligned with local market practices for the talent pools we are recruiting from.

8.3.3. Executive Remuneration Policy

Decision-making process

The remuneration policy for members of the Management Committee is decided on by the general meeting of shareholders upon recommendation by Board of Directors and the Remuneration and Nomination Committee. Within the confines of the remuneration policy as approved by the general meeting of shareholders, the Board of Directors:

- Evaluates and reviews the appropriate market positioning of the rewards offered to the members of the Management Committee compared with the relevant benchmarks.
- Determines the individual compensation levels of the members of the Management Committee taking into consideration their role and contribution to the business.
- Evaluates and determines the appropriate pay mix.
- Sets and reviews the financial targets for the performance-based remuneration components.

The Board evaluates the effectiveness of the remuneration policy for members of the Management Committee. As and when needed, the Board calls upon the help of reputable external compensation consultants to assist them in this task.

Competitive Positioning

To attract, motivate and retain talented executives with the necessary knowledge, skills and values to deliver Ontex' growth ambitions, our levels of remuneration and the various instruments at our disposal need to be aligned with those of companies who are recruiting from the same talent pool. For that reason, Ontex periodically benchmarks its total compensation against a peer group of companies with the following characteristics:

- Active in FMCG
- Headquartered in Europe
- Internationally present
- Mix of publicly traded and privately held companies

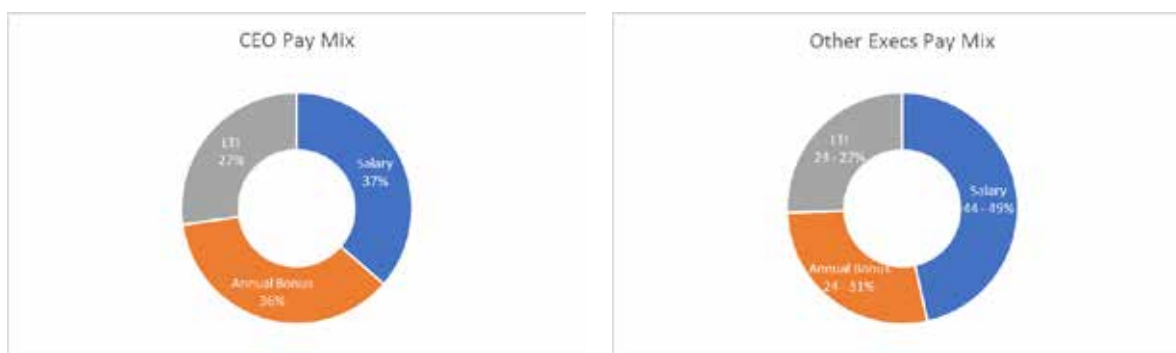
In terms of cash and equity-based compensation elements, the targeted competitive positioning is the median pay level in the peer group. Where there is a significant difference in scope and size between Ontex and the peer group companies, appropriate adjustments are being made. For pensions and fringe benefits, the target is the median of local general industry practices. The company aims for individual compensation levels to be within a competitive range around this benchmark, taking into consideration an individual's tenure, experience and contribution to the business.

Compensation components and mix

Members of the Management Committee are compensated for their responsibilities as well as individual and company performance, both short and long-term. The total compensation of executives consists of:

- A fixed compensation component: base salary
- Variable compensation components: annual bonus and a long-term incentive plan

The charts below show the weight of these elements in the total target compensation for the CEO and for other members of the management committee.

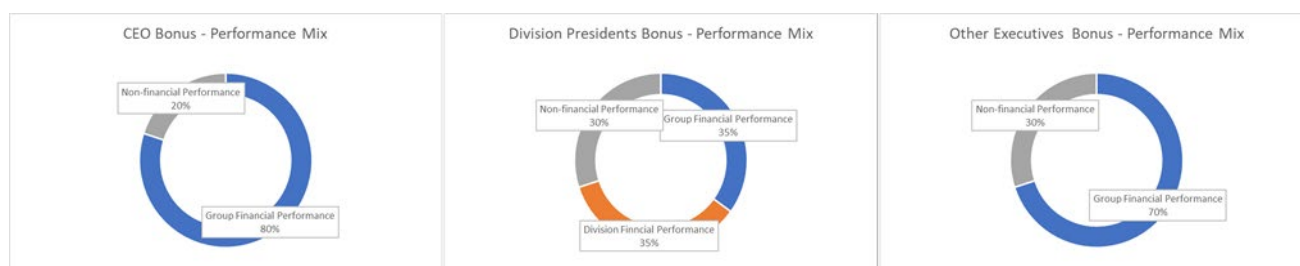


Fixed Compensation Component – Base Salary

The target base salary for members of the Management Committee is within a competitive range of the median base salary for comparable positions in the peer group mentioned above. The actual salary reflects the individual's tenure, experience and contribution to the business. Base salary levels are reviewed annually, and their development depends on the individual's performance and salary in relation to the said benchmark. Where there is a considerable gap between the actual base pay and the benchmark, the Board of Directors may consider a multi-year catch-up programme to bring the base pay level up to a competitive range of the benchmark.

Variable Compensation Component – Annual Bonus

The annual bonus programme is designed to reward executives for individual and collective performance over a one-year horizon. The table below sets out the weight of the financial and non-financial performance indicators in the bonus calculation for the different executive positions.

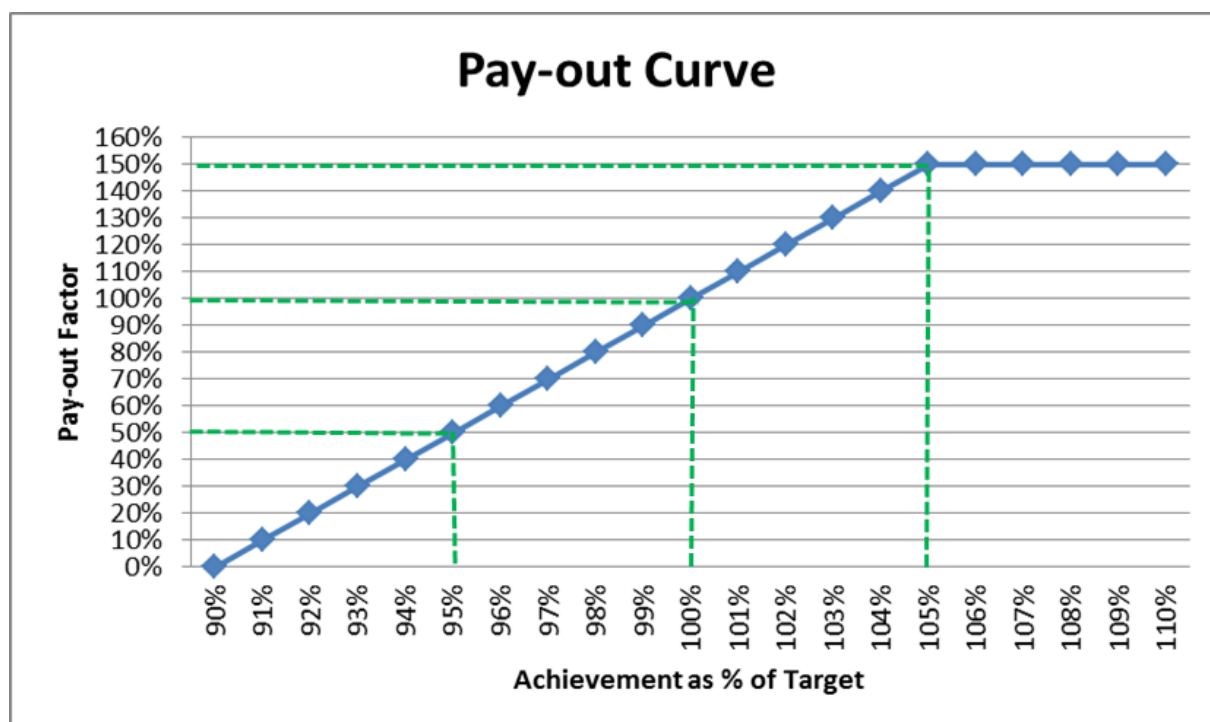


The metrics used for the assessment of the **Group Financial Performance** reflect Ontex' ambition to focus on business growth, profitability and the generation of sufficient cash to allow us to continuously fuel R&D, innovation, organic expansion and strategic acquisitions. The group financial performance KPIs and their respective weights are shown in the table below.

KPI - Group	KPI Definition	KPI Weight
Net Sales	Actual Group revenue, adjusted for exchange rate fluctuations vs budgeted Group revenue	25%
EBITDA	Actual Group EBITDA, adjusted for exchange rate fluctuations vs budgeted Group EBITDA	50%
OFCF	Actual Group Operating Free Cash Flow vs budgeted Group OFCF	25%

The targets for each of the Group financial performance KPIs are set annually by the Board of Directors. As these targets are commercially sensitive, they are not being disclosed ex ante. However, both targets and actual achievements will be published ex post. The weighted Group financial performance score (based on the table above) is subsequently translated into a pay-out curve which has a threshold and a cap. The threshold is set at the minimum acceptable level of performance to trigger the Group financial performance part of the bonus. For each of the above-mentioned KPIs at least 91% of the objective needs to be achieved

for any bonus to be paid. At 91% performance, bonus pay-out is only 10%. 95% achievement yields a bonus pay-out of 50%. The cap reflects a considerable over-achievement of the targets. This achievement level is set at 105% of target, resulting in a bonus pay-out of 150%. The pay-out curve for the Group financial performance is shown below.



The KPIs, KPI definition and respective weights for the **Division Financial Performance** are shown in the table below. The targets for each of the Division financial performance KPIs are set annually by the Board of Directors. The performance threshold, cap and pay-out curve for the Division financial performance are the same as for the Group financial performance.

KPI - Division	KPI Definition	KPI Weight
Net Sales	Actual Division revenue, adjusted for exchange rate fluctuations vs budgeted Division revenue	25%
EBIT	Actual Division EBIT, adjusted for exchange rate fluctuations vs budgeted Division EBIT	50%
DSO	Actual days of sales outstanding vs targeted days of sales outstanding	25%

The **non-financial Performance** of each executive is assessed against a set of quantitative and qualitative objectives, including sustainability targets, employee engagement, succession, quality of leadership and others.

The non-financial performance criteria for the CEO are set and assessed annually by the Board of Directors. The non-financial performance criteria for the other executives are set and assessed annually by the Board of Directors based on recommendations by the CEO. The degree to which the non-financial objectives have been achieved and the corresponding pay-out levels are shown in the table below.

Non-financial performance assessment	Pay-out factor
Consistently exceeded	150%
Frequently exceeded	115% - 140%
Met	90% - 115%
Partially met	50% - 90%
Not met	0%

The target bonus for the CEO is set at 100% of base salary. For other members of the Management Committee, the target bonus ranges from 50% to 70% of base salary.

The KPIs, KPI weights and pay-out curves that are used to calculate the annual bonus for the members of the Management Committee also apply to the bonus calculation of other management positions in the organization. However, the balance between the financial and the non-financial performance indicators may be different.

In line with the dominant practice in Belgium, the annual bonus is not subject to any deferrals or claw-back provisions as it is unclear whether such clauses would be enforceable. Moreover, some of 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, exclusion from D&O insurance coverage and others.

Variable Compensation Component – Long-term Incentive

With a view to fostering long-term sustained performance, and aligning the interests of senior management with those of the shareholders, a significant proportion of the variable compensation of the members of the Management Committee is linked to tenure and financial goals measured over a three-year period, and is delivered in the form of equity instruments.

The long-term incentive plan was approved by the shareholders in May 2018 for a five-year period, starting in 2019. Long-term incentives are delivered in the form of restricted stock units, stock options and performance shares, all vesting over a three-year period.

The long-term incentive target for the members of the Management Committee is expressed as a percentage of base salary. The target incentive for the CEO represents 80% of base salary. For the other members, the target incentive amounts to 55% of base salary. These target incentive levels are aligned with the benchmark as described in the section on competitive positioning above.

The weights, vesting term and vesting conditions of the 3 LTIP instruments are specified in the table below.

LTIP Instrument	Weight in total grant	Vesting Term	Vesting Conditions
Performance Shares	33.33%	3 years	Performance vesting (threshold – target – cap)
Stock Options	33.33%	3 years	Performance vesting (share price performance) + upfront tax investment (*)
Restricted Stock Units	33.33%	3 years	Time vesting

Restricted stock units remain part of the LTIP despite the absence of performance vesting. As such, they are a counter-weight for the financial risk and upfront cash investment associated with the grant of stock options to Belgium based executives. Taxes on stock options granted to Belgium based executives are payable up-front, at the time of grant, with no refund in case the options remain out of the money.

Stock Options

A stock option gives the beneficiary the right to purchase from the company one share in the company per vested stock option, during a predetermined timeframe, by paying a predetermined exercise price.

Stock options at Ontex vest three years after the grant and are valid eight years from the date of grant. They lapse automatically if they have not been exercised by the ninth anniversary of the grant date. The exercise price is the share price on the date of grant. Stock options will only deliver value if, between the vesting date and the expiry of the options, the share price exceeds the value of the share at grant. This focuses the efforts of members of the Management Committee on increasing the value of the Ontex share over the vesting period.

The number of stock options awarded to members of the Management Committee is determined by dividing one third of the total long-term incentive grant value by the value of one stock option. The value of a stock option is calculated using the Black and Scholes valuation methodology based on the share price on the grant date.

Members of the Management Committee who are subject to income taxes in Belgium need to pay the income tax on the value of the stock options at the time of the grant. These taxes may not be claimed back if the options cannot be exercised, and therefore represent a substantial financial risk.

Ontex does not facilitate the entering into derivative contracts related to stock options, nor the hedging of the risks associated with these instruments.

Restricted Stock Units (RSUs)

A restricted stock unit entitles the beneficiary to receive from the company for no consideration one share in the company per vested restricted stock unit.

The number of restricted stock units awarded to members of the Management Committee is determined by dividing one third of the total long-term incentive grant value by the value of the Ontex share on the grant date.

Restricted stock units at Ontex vest three years after the grant provided the member of the Management Committee is still working for Ontex at that time.

In 2019, the company has reduced the share of RSUs in the overall value of the long-term incentive grant from 50% to 33%, in response to concerns in the investor community about the perceived deficit in performance-based pay.

Performance Shares

A performance share provides the beneficiary with the right to receive from the company one share in the company per vested performance share, where the vesting is subject to a three-year period as well as the achievement of performance conditions measured over the three-year period.

Performance shares at Ontex are subject to performance criteria and targets set by the Board of Directors at the time of grant. The performance criteria are chosen to foster long-term value creation and alignment with shareholder interests. As the performance targets for the Performance shares are commercially sensitive, the performance targets are not disclosed upfront. However, the performance targets and actual achievements will be disclosed at the end of the 3-year performance period.

The number of performance shares awarded to members of the Management Committee is determined by dividing one third of the total long-term incentive grant value by the value of the Ontex share on the grant date.

The number of performance shares that vest is adjusted according to the achievement of the performance goals over the three-year performance period. If the actual performance is below a specified threshold, no shares are awarded. The vesting is also subject to a 200% cap, at a performance level which exceeds the original targets in a significant way. The performance threshold and cap are set by the Board at the time of grant.

Members of the Management Committee are not required to hold a minimum value in company stock. It is the company's belief that, through successive annual grants, at any given time they will have a sufficiently important equity stake in the company (even though not vested) to focus their efforts and attention on the creation of long-term shareholder value.

The long-term incentive instruments, vesting periods, performance conditions and other plan features applicable to the members of the Management Committee are the same as those that apply to other Ontex staff who qualify for long-term incentive participation.

Variable Compensation – Specific and temporary incentive related to the Transform to Grow Transformation programme

In 2019, Ontex launched a comprehensive transformation programme called 'Transform to Grow' (T2G). The T2G programme is a key enabler of Ontex' strategy to accelerate value creation by step-changing its operational and commercial excellence. The programme is targeted to generate an incremental recurring EBITDA as well as a margin improvement between 125 and 175 basis points at the end of 2021 versus 2018.

To underpin the importance of this transformation programme, the Board has approved a specific and temporary incentive plan related to T2G ("temporary T2G incentive plan"). Participation in this plan is limited to restricted number of people, across all functions and levels in the organization, who are accountable for important levers in the transformation plan. The temporary T2G incentive plan for this restricted number of people is in addition to the annual bonus and long-term incentive plans to which they are normally entitled, and which continue to apply as per the rules described above during the T2G programme.

The temporary T2G incentive plan consists of two parts. The first part has been paid in 2019 upon delivery of a pipeline of initiatives the value of which is equivalent to the targeted margin improvement.

The large majority of the temporary T2G incentive plan is eligible to be paid in 2021 and 2022, subject to a strict evaluation by the Remuneration and Nomination Committee of the delivery of the financial objectives of the T2G programme, expressed as an incremental recurring EBITDA and the above-mentioned margin improvement. The temporary T2G incentive plan cannot be altered or extended, and will end after the evaluation performed in Q1 2022.

Other remuneration elements

Members of the Management Committee participate in the benefits plans applicable to this category of staff in the country of their contract. These usually include a company contribution to a pension plan, life insurance, disability insurance and health benefits. Members of the Management Committee may also be entitled to certain executive benefits such as company cars and other benefits in kind. The value of these elements is disclosed in the annual Remuneration Report.

Terms of Contract and Termination Provisions

The rights and obligations related to the office of 'Member of the Management Committee' at Ontex are formalized in a contract of indefinite duration. These contracts include the principle terms of office as well as clauses covering the protection of intellectual property of the company, confidentiality (both during and after employment) regarding information to which members of the Management Committee have access, as well as termination and non-compete provisions. The termination and non-compete provisions for the current members of the Management Committee are shown in the table below.

Function & Name	Contractual Notice	Contractual Non-Compete and/or Additional Termination Indemnity
CEO – C. Bouaziz	12 months	12 months fixed fee
CTO – Artipa BVBA, represented by T. Navarre		
EVP R&D, Quality, Sustainability – A. De Poorter	3 months	15 months fixed fee
All other Management Committee members	3 months	9 months fixed fee

9. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

9.1. Introduction

The Ontex Group operates a risk management and control framework in accordance with the Belgian Companies Code and the Corporate Governance Code.

The Ontex Group is exposed to a wide variety of risks within the context of its business operations that can result in its objectives being affected or not achieved. Controlling those risks is a core task of the Board (including the Audit and Risk Committee), the Management Committee and all other employees with managerial responsibilities.

The risk management and control system has been set up to reach the following goals:

- Achievement of the Ontex Group objectives;
- Achieving operational excellence;
- Ensuring correct and timely financial reporting; and
- Compliance with all applicable laws and regulations.

9.2. Control Environment

Three lines of defense

The Ontex Group applies the “three lines of defense model” to clarify roles, responsibilities and accountabilities, and to enhance communication within the area of risk and control. Within this model, the lines of defense to respond to risks are:

- First line of defense: line management is the first responsible for assessing risks on a day-to-day basis and implementing controls in response of these risks.
- Second line of defense: the oversight functions like Finance and Controlling, Quality, Compliance, Tax and Legal oversee and challenge risk management as executed by the first line of defense. The second line of defense actors provide guidance and direction and develop a risk management framework.
- Third line of defense: independent assurance providers like internal audit and external audit challenge the risk management processes as executed by the first and second line of defense.

Policies, procedures and processes

The Ontex Group fosters an environment in which its business objectives and strategy are pursued in a controlled manner. This environment is created through the implementation of different company-wide policies, procedures and processes such as the Ontex values, the Ontex Code of Ethics (and its related policies such as the anti-bribery, anti-money laundering and fair competition policies), the Quality Management System and the Delegation of Authorities ruleset. The Management Committee fully endorses these initiatives. The employees are regularly informed and trained on these subjects in order to develop sufficient risk management and control at all levels and in all areas of the organization.

Group-wide ERP system

The main portion of the Group entities operate the same group-wide ERP systems which are managed centrally. These systems embed the roles and responsibilities defined at the Ontex Group level. Through these systems, the main flows are standardized and key controls are enforced. The systems also allow detailed monitoring of activities and direct access to data.

9.3. Risk management

Sound risk management starts with identifying and assessing the risks associated with the Company's business and external factors. Once the relevant risks are identified, the Company strives to prudently manage and minimize such risks, acknowledging that certain calculated risks are necessary to ensure that the Ontex Group achieves its objectives and continues to create value for its stakeholders.

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

The Ontex Group has identified and analyzed its key corporate risks as disclosed under the Strategic Report of this Annual Report. These corporate risks are communicated to the various levels of management.

9.4. Control activities

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

Key compliance areas are monitored for the entire Ontex Group by Local Compliance Coordinators, the Compliance Manager, the Head of Compliance, and the Compliance Steering Committee. The Compliance function supports the compliance with the Ontex Code of Ethics and the adoption of clear processes and procedures with respect to the Code policies, such as anti-bribery and corruption, anti-money laundering, economic sanctions, fair competition, personal data and privacy and insider trading. The

Compliance Steering Committee is composed of the COO, the CFO, the Group HR Director, the Group General Counsel and the Head of Compliance and meets regularly to discuss and decide on compliance strategy, issues and action plans. The Compliance Steering Committee reports on its activities to the Management Committee.

In addition to these control activities, an insurance program is being implemented for selected risk categories that cannot be absorbed without material effect on the Company's balance sheet.

9.5. Information and communication

The Ontex Group recognizes the importance of timely, complete and accurate communication and information both top-down as well as bottom-up. The Ontex Group therefore put several measures in place to assure amongst others:

- Security of confidential information;
- Clear communication about roles and responsibilities; and
- Timely communication to all stakeholders about external and internal changes impacting their areas of responsibility.

9.6. Monitoring of control mechanisms

Monitoring helps to ensure that internal control systems operate effectively.

The quality of the Ontex Group's risk management and control framework is assessed by the following actors:

- Internal Audit. The tasks and responsibilities assigned to Internal Audit are defined in the Internal Audit Charter, which has been approved by the Audit and Risk Committee. The key mission of Internal Audit as defined in the Internal Audit Charter is "to add value to the organization by applying a systematic, disciplined approach to evaluating the internal control system and providing recommendations to improve it".
- External Audit. In the context of its review of the annual accounts, the statutory auditor focusses on the design and effectiveness of internal controls and systems relevant for the preparation of the financial statements. The outcome of the audits, including work on internal controls, is reported to management and the Audit and Risk Committee and shared with Internal Audit.
- Audit and Risk Committee. The Board and the Audit and Risk Committee have the ultimate responsibility with respect to internal control and risk management. For more detailed information on the composition and functioning of the Audit and Risk Committee, see chapter 3.5 of this Corporate Governance Statement.

9.7. Risk management and internal control with regard to the process of financial reporting

The accurate and consistent application of accounting rules throughout the Ontex Group is assured by means of a Finance and Accounting Manual.

On a quarterly basis, a bottom-up risk analysis is conducted to identify risk factors. Action plans are defined for all key risks. Specific identification procedures for financial risks are in place to assure the completeness of financial accruals.

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

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

Uniform reporting of financial information throughout the Ontex Group ensures a consistent flow of information, which allows the detection of potential anomalies. The Group's ERP systems and management information tools allow the central controlling team direct access to disaggregated financial and non-financial information.

An external financial calendar is planned in consultation with the Board and the Management Committee, and this calendar is announced to the external stakeholders. The objective of this external financial reporting is to provide Ontex stakeholders with the information necessary for making sound business decisions. The financial calendar can be consulted on <https://www.ontex.com>

The table below sets out our principal risks and examples of relevant controls and mitigating factors.

The Board considers these to be the most significant risks faced by the Group that may impact the achievement of our strategic drivers as set out on page 10. They do not comprise all risks associated with our business and are not set out in priority order.

Description Risk		Main Potential Impact
Infectious diseases of epidemic and pandemic potential	As Ontex is operating around the globe, a global epidemic or pandemic outbreak may affect our business contingency.	Global epidemic or pandemic outbreaks may have an impact on raw material availability & unavailability of employees. This could negatively impact our service level.
Competitive Environment	All Divisions face competition from branded product manufacturers and retailer brand manufacturers. We also face competition from competing manufacturers in production innovation. Rapid time-to-market is key to our competitiveness.	The fact that we would fail to deliver our value proposition and/or to adapt to the customer's needs could affect our performance, and could entail price and volume pressure, loss of market share or margin erosion.
Reputation and Stakeholder Management	As a public company, Ontex has stakeholders with various needs, and Ontex is subject to high transparency standard and periodic reporting obligations. Ontex may be subject to adverse publicity.	Such adverse publicity may adversely impact our reputation, and indirectly our business and financial condition.
Product Quality and Safety	Our reputation as a business partner relies heavily on our ability to supply quality products.	In case of quality issues, this may lead to adverse effects to consumer health, loss of market share, financial costs and loss of turnover as well as putting the Company reputation at stake.
Intellectual Property	Although we are monitoring changes in intellectual property rights, we may inadvertently infringe intellectual property rights owned by others. Secondly, the Company may fail to register intellectual property rights in a timely manner.	As a potential consequence thereof, the Company may face legal claims or have to pay royalties which erode our profit margins.
Manufacturing and Logistics	Our ability to serve our customers depends on the operation of our 18 manufacturing sites. We may experience disruptions at our production facilities or in extreme cases, our production facilities may shut down.	Such temporary shortfalls in production could affect our on-time delivery record, which could in turn adversely affect our ability to acquire new customers and retain existing customers.
Sourcing and Supply Chain	We are dependent upon the availability of raw materials for the manufacture of our products. On average the main raw materials and packaging costs account for between 75% and 80% of our cost of sales. Our raw materials are subject to price volatility due to a number of factors that are beyond our control, including but not limited to, the availability of supply, general economic conditions, commodity price fluctuations and market demand.	The price volatility of the underlying commodities can affect the cost and availability of our products. We may not always succeed in passing on these costs to the customer/consumer through pricing.
Acquisitions	From time to time, we evaluate possible acquisitions that would complement our existing operations and enable us to grow our business. The success of any acquisition depends on our ability to integrate acquired businesses effectively. The integration of acquired businesses may be complex and expensive and may present a number of risks and challenges. Furthermore, there can be no assurance that we will realize any or all of the anticipated benefits of any future acquisitions, including the expected business growth opportunities, revenue benefits, cost synergies and other operational efficiencies.	In case we would not be able to realise the objectives of the acquisition, the integration may lead to additional unforeseen difficulties or liabilities, failure to deliver on financial goals and internal disruption.

Description Risk		Main Potential Impact
Information Technology, Data Security and Cyber Attack	We are increasingly reliant on IT systems and information management to run our business. There is a risk of disruption of our IT systems and that sensitive data may be compromised by malicious cyber-attack or technology failure.	A disruption of our IT systems could affect our sales, production and cash flows, ultimately impacting our results. Unauthorized access and misuse of sensitive information could interrupt our business and/or lead to loss of assets. It could also lead to negative reputational impact.
Legal and Regulatory	Ontex is subject to applicable laws and regulations in the global jurisdictions in which it operates.	Failure to comply with laws and regulations could expose us to civil and/or criminal actions, and changes to laws and regulations could have an impact on the cost of doing business.
Economical and Political Instability	Ontex operates around the globe, and as a result is subject to risks associated with operating internationally. Recent and ongoing instability in some of the countries in which we operate may adversely affect our business, including but not limited to Brexit.	Any such conditions or instability could impact our operations and result in additional expenditure and other commercial and financial impacts incurred in order to comply or adapt to such conditions and consequently have a material adverse effect on our business.
Recruitment and Retention	A skilled workforce and agile organization are essential for the continued success of our business. Failure to identify, attract, develop and retain talents to satisfy current and future needs of the business may affect our ability to compete.	In case of failure to recruit and retain adequately, this may result in a decline in business performance.
Financial	As detailed in section 7.5 of the financial statements, the Group's activities expose it to a variety of financial risks including currency risk, interest rate risk and liquidity risk as well as counterparty default.	These risks may have a material adverse effect on our business, financial condition and results of operations.
Occupational Health and Safety	As Ontex is operating around the globe, it may fail to provide for the personal safety of employees in production and other facilities and during travel to high-risk locations.	This may lead to reputational damage and difficulties in hiring people.
Climate and Environment	Ontex risks not to be able to respond timely to the climate and environmental expectations and requirements from consumers, governments and other stakeholders. Ontex requires certain sensitive raw materials such as paper pulp and plastics to manufacture its products and Ontex produces disposable finished products.	Ontex risks losing market share if stakeholder expectations cannot be met at a competitive price. New regulations might increase the cost of doing business.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEARS ENDED
DECEMBER 31, 2019 AND 2018

CONTENTS

INDEPENDENT AUDITORS' REPORT	85
1. General information	89
1.1. Corporate Information	89
1.2. Business Activities	89
1.3. History of the Group	89
1.4. Legal status	89
2. CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31	90
3. CONSOLIDATED INCOME STATEMENT FOR THE YEARS ENDED DECEMBER 31	91
4. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31	92
5. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31	93
6. CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31	95
7. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	96
7.1. Summary of significant accounting policies	96
7.2. Alternative performance measures	106
7.3. Capital management	108
7.4. Critical accounting estimates and judgments	108
7.5. Financial instruments and financial risk management	111
7.6. Operating segments	116
7.7. List of consolidated companies	118
7.8. Business combinations	121
7.9. Goodwill and intangible assets	121
7.10. Property, plant and equipment	123
7.11. Leases	125
7.12. Inventories	126
7.13. Trade receivables, prepaid expenses and other receivables	126
7.14. Cash and cash equivalents	127
7.15. Share capital	128
7.16. Earnings per share	128
7.17. Interest-bearing debts	129
7.18. Employee benefit liabilities	131
7.19. Deferred taxes and current taxes	135
7.20. Current and non-current liabilities	136
7.21. Provisions	136
7.22. Employee benefit expenses	136
7.23. Other operating income/(expenses), net	137
7.24. Non-recurring income and expenses	137
7.25. Expenses by nature	138
7.26. Net finance cost	138
7.27. Income tax expense	139
7.28. Share-based payments	139
7.29. Contingencies	141
7.30. Commitments	141
7.31. Related party transactions	142
7.32. Events after the end of the reporting period	143
7.33. Audit fees	143

STATEMENT OF THE BOARD OF DIRECTORS

The Board of Directors of Ontex Group NV certifies in the name and on behalf of Ontex Group NV, that to the best of their knowledge,

- the consolidated financial statements, established in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, give a true and fair view of the assets, financial position and results of Ontex Group NV and of the entities included in the consolidation;
- the annual review presents a fair overview of the development and the results of the business and the position of Ontex Group NV and of the entities included in the consolidation, as well as a description of the principal risks and uncertainties facing them pursuant Article 12, paragraph 2 of the Royal Decree of November 14, 2007

The amounts in this document are represented in millions of euros (€ million), unless noted otherwise.

Due to rounding, numbers presented throughout these Consolidated Financial Statements may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

INDEPENDENT AUDITORS' REPORT

STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING OF THE COMPANY ONTEX GROUP NV ON THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2019

We present to you our statutory auditor's report in the context of our statutory audit of the consolidated accounts of Ontex Group NV (the "Company") and its subsidiaries (jointly "the Group", "Ontex"). This report includes our report on the consolidated accounts, as well as the other legal and regulatory requirements. This report forms part of an integrated whole and is indivisible.

We have been appointed as statutory auditor by the general meeting d.d. 24 May 2017, 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 2019. We have performed the statutory audit of the consolidated accounts of Ontex Group NV for 6 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 2019, the consolidated income statement, 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 2,884.9 million and a profit for the year of EUR 37.3 million.

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 2019, 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 (ISAs) as approved by the IAASB for 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

EMPHASIS OF MATTER - SUBSEQUENT EVENT

As far as the outbreak of COVID 19 is concerned, we draw your attention to page 65 of the directors' report and section 7.32 ("Subsequent events") of the consolidated financial statements in which the board of directors expresses their view that, although the consequences thereof may have a significant impact on the Group's operations in 2020, such consequences do not have a material impact on the Group's financial position for the year ended 31 December 2019. Our opinion is not qualified in respect of this matter.

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.

1. Impairment of goodwill and indefinite useful life intangible assets

Description of the key audit matter

Ontex carries a significant value of goodwill on the balance sheet amounting to EUR 1,171.2 million as detailed in disclosure 7.9. Under the International Financial Reporting Standards as endorsed by the EU ("IFRS's"), the Company is required to test the amount of goodwill and indefinite useful life intangible assets for impairment at least annually. We consider this matter to be of most significance because of the complexity of the assessment process and significant judgments in respect of assumptions about the future results of the business and the discount rates applied to future cash flow forecasts. The most important assumptions relate to the discount rate, growth rates of revenue and operating margin. We focused on the goodwill, intangible assets and property, plant and equipment of the Cash Generating Unit (further CGU) Americas because it is most sensitive to changes in key

How our audit addressed the key audit matter

We challenged if the goodwill impairment test was performed at the lowest CGU level at which the goodwill is monitored. We challenged the cash flow projections used in the impairment tests and the process through which they were prepared. We found that the projected cash flow for 2020 were consistent with the Board approved budgets, which were subject to timely oversight and challenge by the Directors. We have critically assessed the historical accuracy of management's estimates and evaluation of business plans by comparing the prior year's forecast with the Group's actual performance. For the cash flows after 2020 we critically assessed and checked the assumptions related to the long-term growth rates, by comparing them to industry forecasts and historical growth rates. We compared the weighted average cost of capital ("WACC") to the cost of capital and debt of the Group and comparable organisations, as well as considering territory specific factors. We tested the calculation method used and the accuracy thereof. We compared operating margin, working capital- and CAPEX percentage with past actuals. We challenged the adequacy of management's sensitivity analysis of the headroom. For all CGUs we calculated the degree to which these assumptions would need to move before an impairment conclusion was triggered. We discussed the likelihood of such a movement with management. We included valuation specialists in our team to assist us with these procedures. We also assessed the adequacy of the disclosures (Note 7.9 and Note 7.4.3) in the financial statements.

Our results

From our sensitivity analysis, we found the likelihood of changes resulting in impairment losses to be unlikely.

2. Valuation of deferred taxes and valuation allowance on deferred tax assets related to tax losses carried forward

Description of the key audit matter

Ontex has recognised a deferred tax asset and deferred tax liability of respectively EUR 29.3 million and EUR 34.7 million. EUR 124.1 million deferred tax asset position was not recognised, as disclosed in Note 7.19. Ontex recognised in 2019 EUR 0.2 million deferred tax assets on previously unrecognised tax losses, while EUR 12.1 million deferred tax asset positions on tax losses of 2019 were not recognised as disclosed in Note 7.27. The valuation of the deferred tax positions at Ontex involved significant judgement, more specifically in the determination of the recognition of deferred tax assets related to tax losses carried forward. The estimation of the future taxable basis is highly judgemental as well as the assessment of the impact of tax laws and regulations, tax planning action and strategies, rulings and transfer pricing. Because of all the aforementioned reasons, we found this key audit matter to be of most significance for our audit.

How our audit addressed the key audit matter

We challenged the assumptions made to assess the recoverability of deferred tax assets related to tax losses carried forward and the timing of the reversal of deferred tax positions. During our procedures, we used amongst others budgets, forecasts and tax laws and in addition we assessed the historical accuracy of management's assumptions. We involved tax specialists in our audit. An important management judgement was the period over which taxable profits can be reliably estimated and consequently, no deferred tax assets are recognised for tax losses used in any period beyond. We verified that the deferred tax position was calculated at the enacted tax rate for the year in which the deferred tax position is expected to reverse.

We also assessed the adequacy and completeness of the Company's disclosure included in

Note 7.4.1, 7.19 and 7.27 in respect of deferred taxes.

Our results

We found management's judgements in respect of the Group's deferred tax positions to be consistent and in line with our expectations.

3. Accounting for accruals for sales incentives and purchase related incentives

Description of the key audit matter

Trade discounts and volume rebates related to both sales and purchases are subject to judgmental estimates and assessments of the impact of commercial negotiations which take place after year-end. The impact of commercial negotiations is material and hence of most significance for our audit. Ontex calculates an estimate of final incentives based on the information available until the financial statements are established. Incentives related to sales are reported as deduction of Group's revenue. Purchase discounts are recorded as a deduction of the initial purchase.

How our audit addressed the key audit matter

We have agreed the discount percentages or lump sum payments to underlying customer and purchase agreements, we recalculated the accrual and challenged the estimated impact of commercial negotiations taking into account the results. We also performed back-testing on the accruals per 31 December 2018. We also reviewed credit notes and other adjustments to trade receivables and trade payables after 31 December 2019 as part of our work around subsequent events. Finally we have audited manual journal entries related to discounts in order to confirm that sufficient documentation and suitable attestations exist for these entries.

Our results

Our work did not identify findings that are significant for the financial statements as a whole.

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 determine 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 intend 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 certainty as to the Group's future viability nor as to the efficiency or effectiveness of the Board of Directors' current and future business management.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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 board of directors and 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 board of directors and 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 board of directors and 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 financial statements, the separate report on non-financial information and the other information included in the report on the consolidated financial statements.

Statutory auditor's responsibilities

In the context of our mandate 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 financial statements, the separate report on non-financial information and the other information included in the report on the consolidated financial statements and to report on these matters.*

Aspects related to the directors' report on the consolidated financial statements and to the other information included in the annual report on the consolidated financial statements

In our opinion, after having performed specific procedures in relation to the directors' report on the consolidated financial statements, this report is consistent with the consolidated financial statements for the year under audit, and it is prepared in accordance with article 3:32 of the Companies' and Associations' Code.

In the context of our audit of the consolidated financial statements, we are also responsible for considering, in particular based on the knowledge acquired resulting from the audit, whether the directors' report 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 financial statements. The Company has prepared the non-financial information, based on Global Reporting Initiative 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 Standards as disclosed in the consolidated financial statements.

Statement related to independence

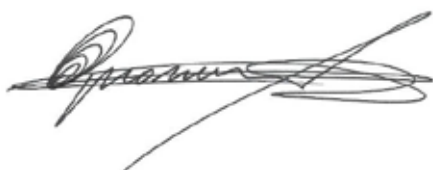
- Our registered audit firm and our network did not provide services which are incompatible with the statutory audit of the consolidated financial statements, and our registered audit firm remained independent of the Group in the course of our mandate.
- The fees for additional services which are compatible with the statutory audit of the consolidated financial statements referred to in article 3:65 of the Companies' and Associations' Code are correctly disclosed and itemized in the notes to the consolidated financial statements.

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, 9 April 2020

The statutory auditor
PwC Bedrijfsrevisoren BV
Represented by



Peter Opsomer
Registered Auditor

1. GENERAL INFORMATION

1.1. CORPORATE INFORMATION

The consolidated financial statements of Ontex Group NV for the year ended December 31, 2019 were authorized for issue in accordance with a resolution of the Board of Directors on March 23, 2020.

1.2. BUSINESS ACTIVITIES

Ontex is a leading international provider of personal hygiene solutions, with expertise in baby care, feminine care and adult care. Ontex's innovative products are distributed in more than 110 countries through Ontex brands such as BBTips, BioBaby, Pompom, Bigfrol, Canbebe, Canped, ID and Serenity, as well as leading retailer brands. Employing around 9,600 passionate people all over the world, Ontex has a presence in 21 countries, with its headquarters in Aalst, Belgium.

1.3. HISTORY OF THE GROUP

Ontex was founded in 1979 by Paul Van Malderen and initially produced mattress protectors for the Belgian institutional market. During the 1980s and the first half of the 1990s, the Company expanded its product range into its current core product categories and grew the business internationally both organically and through acquisitions.

After opening a production facility in the Czech Republic and acquiring businesses in Belgium, Germany and Spain, Ontex was listed on Euronext Brussels in 1998. Following the listing, Ontex experienced rapid growth over several years, primarily through bolt-on acquisitions in France, Germany and Turkey.

Ontex was acquired by funds advised by Candover in 2003 and subsequently de-listed from Euronext Brussels. Ontex acquired a diaper production unit of Paul Hartmann in Germany in 2004 and opened a production facility in China in 2006. In 2008, we opened a production facility in Algeria. In 2010, Ontex acquired iD Medica, which sells incontinence products in Germany.

In 2010, Ontex was acquired by funds managed by GSCP and TPG. In 2011, Ontex opened two additional production facilities, one in Australia and one in Russia, and acquired Lille Healthcare, a company operating in the adult incontinence market in France. In 2013, Ontex acquired Serenity, a company operating in the adult incontinence market in Italy, and opened a production facility in Pakistan.

In June 2014, Ontex Group NV successfully listed its shares on the Euronext Brussels exchange and trades under the ticker 'ONTEX'.

In February 2016, Ontex acquired Grupo Mabe, a leading Mexican manufacturer of disposable personal hygiene products.

In March 2017, Ontex has completed the acquisition of the personal hygiene business of Hypermarches (renamed to "Ontex Brazil").

In July 2017 Ontex opened its new production plant in Ethiopia for the manufacturing of baby diapers that are specifically meeting the needs of African families.

In February 2019, Ontex opened a new production plant in Radomsko, Poland to support its Central European business.

1.4. LEGAL STATUS

Ontex Group NV is a limited-liability company incorporated as a "*naamloze vennootschap*" ("NV") under Belgian law with company registration number 0550.880.915. Ontex Group NV has its registered office at Korte Keppestraat 21, 9320 Erembodegem (Aalst), Belgium. The shares of Ontex Group NV are listed on the regulated market of Euronext Brussels.

2. CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31

ASSETS			
in € million	Note	December 31, 2019	December 31, 2018
Non-current Assets			
Goodwill	9	1,171.2	1,165.2
Intangible assets	9	52.0	51.8
Property, plant and equipment	10	622.7	593.4
Right of use assets	11	150.4	6.5
Deferred tax assets	19	29.3	26.5
Non-current receivables	13	18.1	5.1
		2,043.7	1,848.5
Current Assets			
Inventories	12	318.8	365.9
Trade receivables	13	324.2	355.4
Prepaid expenses and other receivables	13	49.1	69.1
Current tax assets	19	15.8	12.5
Derivative financial assets	5.1	1.4	3.6
Cash and cash equivalents	14	127.8	130.6
Non-current assets held for sale	10	4.2	4.0
		841.2	941.1
TOTAL ASSETS		2,884.9	2,789.6
EQUITY AND LIABILITIES			
in € million	Note	December 31, 2019	December 31, 2018
Equity attributable to owners of the company			
Share capital & premium	15	1,208.0	1,208.0
Treasury shares		(40.3)	(42.1)
Cumulative translation reserves		(172.6)	(189.7)
Retained earnings and other reserves		203.1	208.0
TOTAL EQUITY		1,198.2	1,184.2
Non-current liabilities			
Employee benefit liabilities	18	26.9	22.6
Interest-bearing debts	17	919.5	786.6
Deferred tax liabilities	19	34.7	49.9
Other payables		0.6	0.3
		981.7	859.4
Current liabilities			
Interest-bearing debts	17	69.6	104.0
Derivative financial liabilities	5.1	11.9	6.7
Trade payables	20	465.6	501.0
Accrued expenses and other payables	20	39.0	31.8
Employee benefit liabilities	20	55.1	47.9
Current tax liabilities	19	39.4	46.0
Provisions	21	24.4	8.6
		705.0	746.0
TOTAL LIABILITIES		1,686.7	1,605.4
TOTAL EQUITY AND LIABILITIES		2,884.9	2,789.6

The accompanying notes are an integral part of the Audited Consolidated Financial Statements.

3. CONSOLIDATED INCOME STATEMENT FOR THE YEARS ENDED DECEMBER 31

in € million	Full Year		
	Note	2019	2018
Revenue	6.1	2,281.3	2,292.2
Cost of sales	25	(1,661.3)	(1,666.5)
Gross Margin		620.0	625.7
Distribution expenses	25	(203.4)	(208.7)
Sales and marketing expenses	25	(168.3)	(158.8)
General administrative expenses	25	(90.4)	(83.0)
Other operating income/(expenses), net	23-25	(0.5)	1.9
Income and expenses related to changes to Group structure	24	(58.8)	(15.5)
Income and expenses related to impairments and major litigations	24	(11.5)	(8.8)
Operating profit		87.2	152.8
Finance income	26	2.6	2.5
Finance costs	26	(39.3)	(29.9)
Net exchange differences relating to financing activities	26	(1.0)	(1.2)
Net finance cost		(37.7)	(28.6)
Profit before income tax		49.5	124.2
Income tax expense	27	(12.2)	(27.2)
Profit for the period from continuing operations		37.3	97.0
Profit for the period		37.3	97.0
Profit attributable to:			
Owners of the parent		37.3	97.0
Profit for the period		37.3	97.0

Earnings per share:

in € million	Full Year		
	Note	2019	2018
Basic earnings per share	16	0.46	1.20
Diluted earnings per share	16	0.46	1.20
Adjusted basic earnings per share	16	1.07	1.35
Adjusted diluted earnings per share	16	1.07	1.35
Weighted average number of ordinary shares outstanding during the period		80,804,164	81,020,929

The accompanying notes are an integral part of the Audited Consolidated Financial Statements.

4. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31

in € million	Full Year	
	2019	2018
Profit for the period	37.3	97.0
Other comprehensive income/(loss) for the period, after tax:		
Remeasurements of defined benefit plans (note 7.18)	(3.7)	0.3
Deferred tax on items that will not be reclassified subsequently to income statement	0.8	-
Items that will not be reclassified subsequently to income statement, net of tax	(2.8)	0.3
Exchange differences on translating foreign operations	17.1	(30.8)
Fair value remeasurements - Cash flow hedge	(5.9)	(3.1)
Deferred tax on items that will be reclassified subsequently to income statement	1.2	-
Items that will be reclassified subsequently to income statement, net of tax	12.4	(33.9)
Other comprehensive income/(loss) for the period, net of tax	9.5	(33.6)
Total comprehensive income for the period	46.8	63.4
Total comprehensive income attributable to:		
Owners of the parent	46.8	63.4
Total comprehensive income for the period	46.8	63.4

The accompanying notes are an integral part of the Audited Consolidated Financial Statements.

5. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31

in € million	Attributable to equity holders of the Company						
	Number of shares	Share capital	Share Premium	Treasury shares	Cumulative translation reserves	Retained earnings and other reserves	Total Equity
Balance at December 31, 2018	82,347,218	795.2	412.8	(42.1)	(189.7)	208.0	1,184.2
Restatement opening balance (IFRS 16)						(1.0)	(1.0)
Restatement opening balance (IFRIC 23)						(2.5)	(2.5)
Restated Balance at December 31, 2018	82,347,218	795.2	412.8	(42.1)	(189.7)	204.5	1,180.6
Transactions with owners at the level of Ontex Group NV:							
Share-based payments	-	-	-	1.8	-	2.1	4.0
Dividends	-	-	-	-	-	(33.1)	(33.1)
Treasury Shares	-	-	-	-	-	(0.1)	(0.1)
Total transactions with owners 2019	-	-	-	1.8	-	(31.0)	(29.2)
Comprehensive income:							
Profit for the period	-	-	-	-	-	37.3	37.3
Other comprehensive income:							
Exchange differences on translating foreign operations	-	-	-	-	17.1	-	17.1
Remeasurements of defined benefit pension plans	-	-	-	-	-	(2.8)	(2.8)
Fair value remeasurements - Cash flow hedge	-	-	-	-	-	(4.8)	(4.8)
Total other comprehensive income	-	-	-	-	17.1	(7.6)	9.5
Balance at December 31, 2019	82,347,218	795.2	412.8	(40.3)	(172.6)	203.1	1,198.2

in € million	Attributable to equity holders of the Company						
	Number of shares	Share capital	Share Premium	Treasury shares	Cumulative translation reserves	Retained earnings and other reserves	Total Equity
Balance at December 31, 2017	82,347,218	795.2	412.8	(31.3)	(158.9)	160.2	1,178.0
Transactions with owners at the level of Ontex Group NV:							
Share-based payments	-	-	-	1.2	-	2.4	3.6
Dividends	-	-	-	-	-	(48.8)	(48.8)
Treasury Shares	-	-	-	(12.0)	-	-	(12.0)
Total transactions with owners 2018	-	-	-	(10.8)	-	(46.4)	(57.2)
Comprehensive income:							
Profit for the period	-	-	-	-	-	97.0	97.0
Other comprehensive income:							
Exchange differences on translating foreign operations	-	-	-	-	(30.8)	-	(30.8)
Remeasurements of defined benefit pension plans	-	-	-	-	-	0.3	0.3
Fair value remeasurements - Cash flow hedge	-	-	-	-	-	(3.1)	(3.1)
Total other comprehensive income	-	-	-	-	(30.8)	(2.8)	(33.6)
Balance at December 31, 2018	82,347,218	795.2	412.8	(42.1)	(189.7)	208.0	1,184.2

The accompanying notes are an integral part of the Audited Consolidated Financial Statements.

The shareholding of Ontex Group NV based on the declarations, received in the period up to December 31, 2019, is as follows:

Shareholder	December 31, 2019	% ¹
Groupe Bruxelles Lambert SA	16,454,453	19.98%
ENA Investment Capital	8,562,481	12.53%
Morgan Stanley	4,202,626	5.10%
Janus Capital Management LLC	3,424,055	4.75%
The Pamajugo Irrevocable Trust	2,722,221	3.64%
CIAM	2,614,990	3.18%

¹At the time of the transparency declaration

The accompanying notes are an integral part of the Audited Consolidated Financial Statements.

6. CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31

in € million	Full Year	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	37.3	97.0
Adjustments for:		
Income tax expense	12.2	27.2
Depreciation and amortization	87.6	56.9
Impairment losses and results on disposal of property, plant and equipment	7.9	7.1
Provisions (including employee benefit liabilities)	20.1	5.3
Change in fair value of financial instruments	2.3	(4.9)
Net finance cost	37.7	28.6
Changes in working capital:		
Inventories	49.8	(39.9)
Trade and other receivables and prepaid expenses	44.4	24.5
Trade and other payables and accrued expenses	(25.1)	4.4
Employee benefit liabilities	7.0	2.6
Cash from operating activities before taxes	281.3	208.8
Income taxes paid	(42.3)	(39.1)
NET CASH GENERATED FROM OPERATING ACTIVITIES	239.0	169.7
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment and intangible assets	(103.9)	(103.8)
Proceeds from disposal of property, plant and equipment and intangible assets	2.2	2.6
Payment for acquisition of subsidiary, net of cash acquired (note 8)	-	(16.5)
Commitments from business combinations	-	(0.3)
NET CASH USED IN INVESTING ACTIVITIES	(101.7)	(118.0)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings (note 17)	48.8	58.6
Repayment of borrowings (note 17)	(122.3)	(25.4)
Interests paid (note 26)	(31.3)	(21.8)
Interests received (note 26)	2.6	2.5
Cost of refinancing & other costs of financing	(7.3)	(3.0)
Realized foreign exchange (losses)/gains on financing activities	2.9	(0.5)
Derivative financial assets	(1.2)	(1.2)
Dividends paid	(33.1)	(48.8)
NET CASH GENERATED FROM / (USED IN) FINANCING ACTIVITIES	(141.0)	(39.6)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(3.6)	12.1
Cumulative translation differences on cash movements	0.9	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	130.6	118.5
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	127.8	130.6

The accompanying notes are an integral part of the Audited Consolidated Financial Statements.

7. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7.1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

7.1.1. Introduction

The accounting policies used to prepare the consolidated financial statements for the period from January 1, 2019 to December 31, 2019 are consistent with those applied in the audited consolidated financial statements for the year ended December 31, 2018 of Ontex Group NV, except for the introduction of the new requirements applied to lease agreements as a result of the application of IFRS 16 – *Leases* (see below). The accounting policies have been consistently applied to all the periods presented.

7.1.2. Basis of preparation

These consolidated financial statements of the Ontex Group NV for the year ended December 31, 2019 have been prepared in compliance with IFRS ("International Financial Reporting Standards") as adopted by the European Union. These include all IFRS standards and IFRIC interpretations issued and effective as at December 31, 2019. The new standards, amendments to standards and interpretations that are mandatory for the first time for the financial year beginning January 1, 2019, did not have a significant impact, except for IFRS 16. No new standards, amendments to standards or interpretations were early adopted, except for the amendments to IFRS 9, IAS 39 and IFRS 7 related to the IBOR Reform.

These consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments for which fair value is used (such as derivative instruments).

These financial statements are prepared on an accrual basis and on the assumption that the entity is in going concern and will continue in operation in the foreseeable future.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 7.4.

IFRS accounting standards to be adopted as from 2019 and onwards

The following relevant new standards and amendments to existing standards have been published and endorsed by the European Union and are mandatory for the first time for the financial periods beginning on or after January 1, 2019:

IFRS 16 – *Leases* (effective January 1, 2019): IFRS 16 supersedes IAS 17 – *Leases* and related interpretations. For lessees, IFRS 16 requires most leases to be recognized on-balance (under a single model), eliminating the distinction between operating and finance leases. In accordance with the new standard, the lessee will recognize assets and liabilities for the rights and obligations created by leases. The standard increases interest-bearing liabilities and non-current assets (new class "Right-of-use assets") in the consolidated financial statements of the Ontex Group. In addition, the rental expenses recognized in profit or loss will decrease and depreciation and amortization as well as interest expenses will increase. As a result of these impacts, EBITDA will be impacted significantly. However, operating result and net result (profit of the period) will only be impacted to a limited extent.

Amendments to IFRS 9, IAS 39 and IFRS 7 – *Interest Rate Benchmark Reform* (effective January 1, 2020, but early adopted): The amendments deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements.

Amendments to IAS 19 – *Employee Benefits* (effective January 1, 2019): The amendments clarify that if a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.

Annual improvements 2015-2017 (effective January 1, 2019): The Improvements contain amendments to four standards as a result of the IASB's annual improvements project. Amendments to IFRS 3 – *Business Combinations* and IFRS 11 – *Joint Arrangements* clarify the definition of a business and the accounting for previously held interests. The amendment to IAS 12 – *Income Taxes* clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognized in profit or loss, regardless of how the tax arises and finally, the amendment to IAS 23 – *Borrowing Costs* clarify the accounting for specific borrowings which remain outstanding after the related asset is ready for its intended use or sale.

IFRIC 23 – *Uncertainty over Income Tax Treatments* (effective January 1, 2019): This Interpretation sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Group has performed an assessment of its uncertain tax positions and the application of IFRIC 23 is not anticipated to have a significant impact on the future consolidated financial statements. The Group applies these new guidelines retrospectively with the cumulative effect of initially applying the interpretation recognized on January 1, 2019 (modified retrospective approach) in accordance with the transition requirements of IFRIC 23. As such, the Group restated its opening balance of equity as a result of initially applying the principles of IFRIC 23 for an amount of € 2.5 million.

The above-mentioned standards did not have an impact on the financial statements, except for IFRIC 23 (see impact above) and IFRS 16:

The Ontex Group applied the new guidelines for lease accounting retrospectively with the cumulative effect of initially applying the standard recognized on January 1, 2019 (modified retrospective approach) in accordance with the transition requirements of IFRS 16. The comparative statements have not been restated.

Upon transition, the Group used following practical expedients authorized by the standard:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Excluding initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- Using hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease;
- Not reassessing whether a contract is, or contains, a lease at the date of initial application, for contracts entered into before January 1, 2019;
- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at January 1st, 2019

For short-term leases (lease term of 12 months or less) and leases of low-value assets (mainly IT equipment and small office furniture), the Group has opted to recognize a lease expense on a straight-line basis as permitted by IFRS 16 over the lease term.

Following the adoption of IFRS 16, the Group has changed its accounting policy for leases. The new policy is described below.

The impact of the changes in accounting policies impacts only the opening balance of equity (reversal of operating lease incentives recognized previously as deferred income) and the opening balance of the statement of financial position. As a result of the application of the revised accounting policies due to the application of IFRS 16 on a modified retrospective basis, the Group recognized lease liabilities for an amount of € 148.0 million relating to leases previously classified as operating leases under IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of January 1, 2019.

The related right-of-use assets were measured at the amount equal to the lease liability, adjusted for the outstanding balance of accrued rental expenses and an initial estimate of restoration and dismantling costs amounting to € 0.3 million and the outstanding balance of assets relating to favorable lease contracts acquired as part of past business combinations.

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes

Leases classified under IAS 17 as finance leases were previously presented a part of property, plant and equipment (2018: € 6.5 million) and are, as from 2019, presented as part of the new line item "Right-of-use assets" in the statement of financial position. No contracts have been assessed to be onerous at transition date.

The weighted average incremental borrowing rate used at transition date is 4.56%.

Following table presents a reconciliation between the note disclosing the non-cancellable lease commitments as reported in the 2018 consolidated financial statements and the lease liabilities recognized at transition date:

in € million	
Operating lease commitment as disclosed in the 2018 consolidated financial statements	160.9
Recognition exemption	
Short term leases	(1.6)
Leases of low value assets	(5.1)
Contracts excluded as not in scope of IFRS 16	(0.9)
Extension and termination options reasonably certain to be exercised	28.0
Total lease commitments in scope of IFRS 16 per December 31, 2018	181.3
Discounted using the incremental borrowing rate at January 1, 2019	(33.3)
Lease liabilities recognized at January 1, 2019	148.0

Relevant IFRS accounting pronouncements to be adopted as from 2020 onwards

A number of new standards, amendments to existing standards and annual improvement cycles have been published and are mandatory for the first time for reporting periods beginning on or after January 1, 2020 and have not been early adopted. Those which may be the most relevant to the Ontex Group's consolidated financial statements are set out below, but are expected not to have a significant impact on the Ontex' consolidated financial statements.

Amendments to IFRS 3 – *Definition of a Business* (effective January 1, 2020, but not yet endorsed in EU): The amendments aim to assist companies to determine whether it has acquired a business or a group of assets.

Amendments to IAS 1 and IAS 8 – *Definition of Material* (effective January 1, 2020): The amendments clarify the definition of "material" and align the definition used in the Conceptual Framework and the standards.

7.1.3. Consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has control. Control is established when the Group is exposed, or has the rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration agreement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired, liabilities assumed and contingent liabilities assumed in a business combination are measured initially at their fair values at acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary in the case of a bargain purchase, the difference is recognized directly in the income statement.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated but considered an impairment indicator of the asset transferred.

Transactions with non-controlling interests

The Group treats the transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recorded in equity. Gains and losses on disposal to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

7.1.4. Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

The goodwill recognized in the statement of financial position is allocated to four Cash Generating Units (CGUs). These CGUs are Europe, Healthcare, Middle East, Africa and Asia and Americas. They represent the lowest level within the entity at which the goodwill is monitored for internal management purposes. This is in line with the centralized business model that was implemented during 2010.

7.1.5. Foreign currencies

Items included in the financial statements of each of the Group's 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 euro, which is the Group's presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 recognized in the income statement.

Foreign exchange gains and losses that relate to interest-bearing debts and cash and cash equivalents are presented in the income statement within 'Net finance cost'. All other foreign exchange gains and losses are presented in the income statement within 'Other operating income/(expenses), net'.

For the purpose of presenting consolidated financial statements, assets and liabilities of the Group's foreign operations are translated at the closing rate at the end of the reporting period. Items of income and expense are translated at the monthly 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 equity items are translated at historical rates. The resulting exchange rate differences are recognized in other comprehensive income and accumulated in a separate component of equity.

The principal exchange rates that have been used are as follows:

Currency	December 31, 2019		December 31, 2018	
	Closing Rate	Av Rate Year	Closing Rate	Av Rate Year
AUD	1.5995	1.6106	1.6220	1.5798
BRL	4.5157	4.4135	4.4440	4.3089
CZK	25.4080	25.6697	25.7240	25.6440
GBP	0.8508	0.8773	0.8945	0.8847
MXN	21.2202	21.5573	22.4921	22.7141
PLN	4.2568	4.2975	4.3014	4.2605
RUB	69.9563	72.4593	79.7153	74.0385
TRY	6.6843	6.3573	6.0588	5.6968
USD	1.1234	1.1196	1.1450	1.1814

7.1.6. Intangible assets

An intangible asset is recognized on the statement of financial position when the following conditions are met: (1) the asset is identifiable, i.e. either separable (if it can be sold, transferred, licensed) or it results from contractual or legal rights; (2) it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group; (3) the Group can control the resource; and (4) the cost of the asset can be measured reliably.

Intangible assets are carried at acquisition cost (including the costs directly attributable to the transaction) less any accumulated amortizations and less any accumulated impairment losses.

Within the Group, internally generated intangibles represent IT projects and product/process development projects.

Development costs that are directly attributable to the design and testing of identifiable and unique projects controlled by the Group are recognized as intangible assets when the following criteria are met:

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

The Group's systems allow a reliable measure of expenses directly attributable to the different IT and product/process development projects.

Research expenditure and development expenditure that do not meet the criteria above are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Externally acquired software is carried at acquisition cost less any accumulated amortization and less any accumulated impairment loss.

Maintenance costs as well as the costs of minor upgrades whose objective is to maintain (rather than increase) the level of performance of the asset are expensed as incurred.

Borrowing costs that are directly attributable to the acquisition, construction and or production of a qualifying intangible asset are capitalized as part of the cost of the asset.

Intangible assets are amortized on a systematic basis over their useful life, using the straight-line method. The applicable useful lives are:

Intangible assets	
Brands	20 years
IT implementation costs	5 years
Capitalized development costs	3 to 5 years
Licenses	3 to 5 years
Acquired concessions, patents, know-how, and other similar rights	5 years

Amortization commences only when the asset is available for use.

7.1.7. Property, plant and equipment

Property, plant and equipment are carried at acquisition cost less any accumulated depreciation and less any accumulated impairment loss. Acquisition cost includes any directly attributable cost of bringing the asset to working condition for its intended use. Borrowing costs that are directly attributable to the acquisition, construction and/or production of a qualifying asset are capitalized as part of the cost of the asset.

Expenditure on repair and maintenance which serve only to maintain, but not increase, the value of fixed assets is charged to the income statement. However, expenditure on major repair and major maintenance, which increases the future economic benefits that will be generated by the fixed asset, is identified as a separate element of the acquisition cost. The cost of property, plant and equipment is broken down into major components. These major components, which are replaced at regular intervals and consequently have a useful life that is different from that of the fixed asset in which they are incorporated, are depreciated over their specific useful lives. In the event of replacement, the component is replaced and removed from the statement of financial position, and the new asset is depreciated up until the next major repair or maintenance.

The depreciable amount is allocated on a systematic basis over the useful life of the asset, using the straight-line method. The depreciable amount is the acquisition cost, less residual value, if any. The applicable useful lives are:

Property, plant and equipment	
Land	N/A
Land improvements and buildings	30 years
Plants, machinery and equipment	10 to 15 years
Furniture and vehicles	4 to 8 years
Other tangible assets	5 years
IT equipment	3 to 5 years

The useful life of the machines is reviewed regularly. Each time a significant upgrade is performed, such upgrade extends the useful life of the machine. The cost of the upgrade is added to the carrying amount of the machine and the new carrying amount is depreciated prospectively over the remaining estimated useful life of the machine.

7.1.8. Leases

The Group leases several properties, machinery, vehicles and IT equipment. Leases are recognized as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (less any lease incentives),
- variable lease payments that are based on an index or rate,
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or the Group's incremental borrowing rate, i.e. the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- an estimate of the costs related to the dismantling and removal of the underlying asset.

- If it is reasonably certain that the Group will exercise a purchase option, the asset shall be depreciated on a straight-line basis over its useful life (see property, plant and equipment above). In all other circumstances the asset is depreciated on a straight-line basis over the shorter of the useful life of the asset or the lease term.
- For short-term leases (lease term of 12 months or less) or leases of low-value items (mainly IT equipment and small office furniture) to which the Group applies the recognition exemptions available in IFRS 16, lease payments are recognized on a straight-line basis as an expense over the lease term.
- Some property leases contain variable payment terms that are linked to the use of the property (mainly warehouses). Variable lease payments that depend on the use are recognized in profit or loss in the period in which the condition that triggers those payments occurs.

7.1.9. Impairment of non-financial assets, other than goodwill

Intangible assets with indefinite useful lives and intangible assets not yet available for use are not subject to amortization, but are tested annually for impairment.

Other assets which are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized 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 to sell and value in use.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

7.1.10. Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises the production costs, like raw materials, direct labor, and also the indirect production costs (production overheads based on normal operating capacity). Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Spare parts held by the Group are classified as property, plant and equipment if they are expected to be used in more than one period and if they are specific to a single machine. If they are not expected to be used in more than one period or if they can be used on several machines, they are classified as inventory. For the spare parts classified as inventory, the Group uses write-down rules based on the economic use of these spare parts.

7.1.11. Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. For a sale to be highly probable, management should be committed to a plan to sell the asset (or disposal group), an active program to locate a buyer and complete the plan should be initiated, the asset (or disposal group) should be actively marketed at a price which is reasonable in relation to its current fair value, the sale should be expected to be completed within one year from the date of classification, and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

A disposal group is a group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. The group includes goodwill acquired in a business combination if the group is a cash-generating unit to which goodwill has been allocated, or if it is an operation within such a cash-generating unit.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Any excess of the carrying amount over the fair value less costs to sell is recognized as an impairment loss. Depreciation of such assets is discontinued as from their classification as held for sale. Prior period consolidated statements of financial position are not restated to reflect the new classification of a non-current asset (or disposal group) as held for sale.

A discontinued operation is a component of the Group which the Group has disposed of or which is classified as held for sale, and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

7.1.12. Revenue recognition

Ontex Group's core activity is the sale of goods with as only performance obligation the delivery of goods. As such, the Group recognizes revenue at a point in time when control of the goods is transferred to the customer, generally on delivery of the goods. The Group sells its products to its customers directly, through distributors or agents. This can result in a different moment to recognize revenue. Following delivery to distributors, the distributor has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when selling the goods and bears the risks of obsolescence and loss in relation to the goods.

Next to the sale of goods, distinct services – mainly customer training or customer assistance services – are rendered predominantly over the period that the corresponding goods are sold to the customer. Transportation (shipping) is not be considered as a separate performance obligation as control over the goods is only transferred to the customer after the shipment.

Payment terms can differ depending on the customer, based on the credit risk and prior payment behavior of the customer. In addition, the geographical location of the company and the customer have an effect on the payment terms. There are no significant financing components in the transaction prices and the considerations are paid in cash.

Customer contracts include trade discounts or volume rebates, which are granted to the customer if the delivered quantities exceed a certain threshold. In these cases, the transaction price includes a variable consideration. The effect of the variable consideration on the transaction price is taken into account in revenue recognition by estimating the probability of the realization of the discount or rebate for each contract. Furthermore, the estimated variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved (constraining the variable consideration). Furthermore, the Group considers all payments made to customers and whether these are related to the revenue generated from the customer.

A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

7.1.13. Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value and financial assets at amortized cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. Management determines the classification of its financial assets at initial recognition.

Regular purchases and sales of financial assets are recognized on the trade date – the date on which the Group commits to purchase or sell an asset.

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets (such as loans, trade and other receivables, cash and cash equivalents) are subsequently measured at amortized cost using the effective interest method, less any impairment if they are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Trade and other receivables after and within one year are recognized initially at fair value and subsequently measured at amortized cost, i.e. at the net present value of the receivable amount, using the effective interest rate method, less allowances for impairment.

The Group assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortized cost. For trade receivables, the group applies the simplified approach permitted by IFRS 9 *Financial Instruments*, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

The amount of the allowance is deducted from the carrying amount of the asset and is recognized in the income statement within 'Sales and marketing expenses'.

Trade receivables are no longer recognized when (1) the rights to receive cash flows from the trade receivables have expired, (2) the Group has transferred substantially all risks and rewards related to the receivables.

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On de-recognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

7.1.14. Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

7.1.15. Share capital

Ordinary shares are classified as equity. Where any Group company purchases the company's equity share capital (treasury shares), the consideration paid is deducted from equity attributable to owners of the company until the shares are cancelled or reissued. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Financial instruments, such as the Convertible Preferred Equity Certificates (CPECs), are either classified as financial liabilities or equity. The financial instrument is included in equity if, and only if, the instrument does not include a contractual obligation to deliver cash or another financial asset or to exchange financial assets or liabilities under conditions that are potentially unfavorable to the Group, and if the instrument will or may be settled in a fixed number of the Group's own equity instruments.

7.1.16. Government grants

Grants from governments are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to property, plant and equipment are deducted from the acquisition cost of the assets to which they relate and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

7.1.17. Employee benefits

Short-term employee benefits

Short-term employee benefits are recorded as an expense in the income statement in the period in which the services have been rendered. Any unpaid compensation is included in 'Employee benefit liabilities' in the statement of financial position.

Post-employment benefits

Group companies operate various pension schemes. Most of the schemes are unfunded. Some schemes are funded through payments to insurance companies or pension funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized 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. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.

Past-service costs are recognized immediately in income. The net interest cost relating to the defined benefit plans is recognized within financial expenses.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

Long-term employee benefits

Unfunded obligations arising from long-term benefits are provided for using the projected unit credit method.

Termination benefits

Early termination obligations are recognized as a liability when the Group is 'demonstrably committed' to terminating the employment before the normal retirement date. The Group is 'demonstrably committed' when, and only when, it has a detailed formal plan for the early termination without realistic possibility of withdrawal. Where such benefits are long term, they are discounted using the same rate as above for defined benefit obligations.

7.1.18. Share-based payments

The Group operates an equity settled share-based compensation plan, consisting of stock options (hereafter 'options'), restricted stock units ('RSU') and performance stock units ('PSU'). For grants of options, RSU's and PSU's, the fair value of the employee services received is measured by reference to the fair value of the shares or options granted on the date of the grant. The Group recognizes the fair value of the services received in exchange for the grant of the options as an expense and a corresponding increase in equity on a straight-line basis over the vesting period. The fair value of the options granted is determined using option pricing models, which take into account the exercise price of the option, the share price at date of grant of the option, the risk-free interest rate, the expected volatility of the share price over the life of the option and other relevant factors. Vesting conditions included in the terms of the grant are not taken into account in estimating fair value except where those terms relate to market conditions. Non-market vesting conditions are considered by adjusting the number of shares or options included in the measurement of the cost of employee services so that ultimately the amount recognized in the income statement reflects the number of vested shares or options.

At each balance sheet date, the entity revises its estimates of the number of instruments that are expected to become exercisable and recognizes the impact of revision of original estimates, if any, in the income statement and a corresponding adjustment to equity over the remaining vesting period.

When the instruments are exercised, the proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

The social security contributions payable in connection with the grant of the instruments is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

7.1.19. Provisions

Provisions are recognized when (I) the Group has a present legal or constructive obligation as a result of past events; (II) it is probable that an outflow of resources will be required to settle the obligation; (III) and the amount has been reliably estimated. 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.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as finance cost.

If the Group has an onerous contract, it will be recognized as a provision. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

A provision for restructuring is only recorded if the Group demonstrates a constructive obligation to restructure at the balance sheet date. The constructive obligation should be demonstrated by: (a) a detailed formal plan identifying the main features of the restructuring; and (b) raising a valid expectation to those affected that it will carry out the restructuring by starting to implement the plan or by announcing its main features to those affected.

7.1.20. Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries 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 regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This evaluation is made for tax periods open for audit by the competent authorities.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

However, the deferred tax is not recognized for:

- the initial recognition of goodwill;
- the 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 or loss and
- deferred tax is recognized on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liabilities 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 tax liabilities are generally recognized for taxable temporary differences.

Deferred tax assets are generally recognized for tax losses and tax attributes to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred taxes are calculated at the level of each fiscal entity in the Group. The Group is able to offset deferred tax assets and liabilities only if the deferred tax balances relate to income taxes levied by the same taxation authority.

7.1.21. Financial liabilities

Financial liabilities (including borrowings and trade and other payables) are classified as at amortized cost, except for derivative instruments (see 7.1.21 below).

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

When a financial liability measured at amortized cost is modified without this resulting in derecognition, a gain or loss is recognized in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate.

A limited part of trade payable is subject to reverse factoring. As the main risk and rewards of the trade payable remain with the Group, the financial liability is not de-recognized from trade payables.

7.1.22. Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate, foreign exchange rate and commodity price risks and equity price risks associated with share-based payments, including foreign exchange forward contracts, commodity hedging contracts and interest rate CAP's and SWAP's and a total return swap.

Derivatives are accounted for in accordance with IFRS 9. Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The fair values of various derivative instruments are disclosed in note 7.5 'Financial Instruments and Financial Risk Management'. The full fair value of a derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

If no hedge accounting is applied, the Group recognizes all gains or losses resulting from changes in fair value of derivatives in the consolidated income statement within Other operating income/expense to the extent that they relate to operating activities and within Net finance cost to the extent that they relate to the financing activities of the Group (e.g. interest rate swaps relating to the floating rate borrowings).

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

7.1.23. Hedge accounting

The Group designates certain hedging instruments, which include derivatives in respect of foreign currency risk and commodities, as cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss and is included in the 'other operating income/(expense)' line item.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss, in the same line of the consolidated income statement as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

7.1.24. Operating segments

The Group's activities are in one segment. There are no other significant classes of business, either singularly or in aggregate. The chief operating decision maker, the Board of Directors, reviews the operating results (defined as EBITDA) and operating plans, and make resource allocation decisions on a company-wide basis; therefore, the Group operates as one segment.

7.1.25. Statement of cash flows

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 of the year for any non-cash items and changes in working capital, and identifying investing and financing cash flows for the reporting period.

7.2. ALTERNATIVE PERFORMANCE MEASURES

Alternative performance measures (non-GAAP) are used in the financial communication of the Group since management believes that they are widely used by certain investors, securities analysts and other interested parties as supplemental measure of performance and liquidity. The alternative performance measures may not be comparable to similarly titled measures of other companies and 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.

7.2.1. Non-recurring income and expenses

Income and expenses classified under the heading "non-recurring income and expenses" are those items that are considered by management not to relate to transactions, projects and adjustments to the value of assets and liabilities taking place in the ordinary course of activities of the Company. Non-recurring income and expenses are presented separately, due to their size or nature, so as to allow users of the consolidated financial statements of the Company to get a better understanding of the normalized performance of the Company. Non-recurring income and expenses relate to:

- acquisition-related expenses;
- changes to the measurement of contingent considerations in the context of business combinations;
- changes to the Group structure, business restructuring costs, including costs related to the liquidation of subsidiaries and the closure, opening or relocations of factories;
- impairment of assets and major litigations.

Non-recurring income and expenses of the Group for the years ended December 31 are composed of the following items presented in the consolidated income statement and can be reconciled in note 7.24:

- income/(expenses) related to changes to Group structure; and
- income/(expenses) related to impairments and major litigations.

7.2.2. EBITDA and Adjusted EBITDA

EBITDA is defined as earnings before net finance cost, income taxes, depreciations and amortizations. Adjusted EBITDA is defined as EBITDA plus non-recurring income and expenses.

EBITDA and Adjusted EBITDA reconciliation of the Group for the years ended December 31 are as follows:

in € million	Full Year	
	2019	2018
Operating profit	87.2	152.8
Depreciation and amortization	87.6	56.9
EBITDA	174.8	209.7
Non-recurring income and expenses	70.3	24.3
Adjusted EBITDA	245.1	234.0

7.2.3. Net financial debt/LTM Adjusted EBITDA ratio (Leverage)

Net financial debt is calculated by adding short-term and long-term debt and deducting cash and cash equivalents.

LTM adjusted EBITDA is defined as EBITDA plus non-recurring income and expenses for the last twelve months (LTM).

Net financial debt/LTM Adjusted EBITDA ratio of the Group for the years ended December 31 are presented in note 7.3 'Capital Management'.

7.2.4. Free Cash Flow

Free cash flow was previously defined as Adjusted EBITDA less capital expenditures (Capex, defined as purchases of property, plant and equipment and intangible assets), less change in working capital, less income taxes paid. This means that operating lease payments were included in the Free cash flow.

As a result of the application of IFRS 16, lease payments will be reported as cash flows from financing activities. Considering that operationally nothing has changed and IFRS 16 is only an accounting change, the definition of free cash flow is adjusted to include the repayment of lease liabilities (i.e. excluding the interest expense).

Furthermore, the Group decided to disclose from now on Free cash flow instead of Adjusted free cash flow in order to facilitate the reading and the reconciliation with the consolidated cash flow statement. As such, free cash flow is defined as net cash generated from operating activities (as presented in the consolidated cash flow statement, i.e. including income taxes paid) less capital expenditures (Capex, defined as purchases of property, plant and equipment and intangible assets), less repayment of lease liabilities and including cash (used in)/from disposal.

Free Cash Flow of the Group for the years ended December 31 is as follows:

in € million	Full Year	
	2019	2018
Operating profit	87.2	152.8
Depreciation and amortization	87.6	56.9
EBITDA	174.8	209.7
Non-cash items in cash flows from operating activities	30.3	7.5
Change in working capital		
Inventories	49.8	(39.9)
Trade and other receivables and prepaid expenses	44.4	24.5
Trade and other payables and accrued expenses	(25.1)	4.4
Employee benefit liabilities	7.0	2.6
Cash from operating activities before taxes	281.3	208.8
Income taxes paid	(42.3)	(39.1)
Net cash generated from operating activities	239.0	169.7
Capex	(103.9)	(103.8)
Cash (used in)/from on disposal	2.2	2.6
Repayment of lease liabilities	(27.6)	(2.4)
Free cash flow	109.7	66.1

7.2.5. Adjusted Basic Earnings and Adjusted Basic Earnings per Share

Adjusted Basic Earnings (or Adjusted Profit) are defined as profit for the period plus non-recurring income and expenses and tax effect on non-recurring income and expenses, attributable to the owners of the parent. Adjusted Basic Earnings per share are defined as Adjusted Basic Earnings divided by the weighted average number of ordinary shares.

Adjusted Basic Earnings per Share for the years ended December 31 are presented in note 7.16 'Earnings per share'.

7.2.6. Working Capital

The components of our working capital are inventories, trade receivables and prepaid expenses and other receivables plus trade payables and accrued expenses and other payables.

7.2.7. Alternative Performance Measures included in the Press releases and other Regulated information

Pro-forma revenue at constant currency

Pro-forma revenue at constant currency is defined as revenue for the 12 months period ending on the reporting date at prior year foreign exchange rates and inclusive of impact of mergers and acquisitions.

Like-for-Like (LFL) revenue

Like-for-like revenue is defined as revenue at constant currency excluding change in scope of consolidation or M&A.

Adjusted EBITDA margin

Adjusted EBITDA margin is adjusted EBITDA divided by revenue.

7.3. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide benefits for shareholders.

The Group monitors capital on the basis of the net debt position. The Group's net debt position is calculated by adding all short and long-term interest-bearing debts and by deducting the available short-term liquidity.

The net debt positions of the Group for the years ended December 31 are as follows:

in € million	December 31, 2019	December 31, 2018
Non-current interest-bearing debts	919.5	786.6
Current interest-bearing debts	69.6	104.0
Cash and cash equivalents	(127.8)	(130.6)
Total net debt position	861.3	760.0
LTM Adjusted EBITDA	245.1	234.0
Net financial debt/LTM Adjusted EBITDA ratio	3.51	3.25

The Group is subject to covenants, which are further disclosed in note 7.17.

7.4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The amounts presented in the consolidated financial statements involve the use of estimates and assumptions about the future. Estimates and judgments 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 actual amounts may differ from these estimates. The estimates and assumptions that could have an impact on the consolidated financial statements are discussed below.

7.4.1. Income taxes

The Group has tax losses and other tax incentives usable to offset future taxable profits, mainly in Belgium, Brazil, France and Spain, amounting to € 583.0 million at December 31, 2019 (€ 378.4 million at December 31, 2018).

As mentioned in the 2018 consolidated financial statements, the European Commission challenged Belgium's excess profit ruling (EPR) system, characterizing this system as illegal state aid. Ontex, through its Belgian subsidiary Ontex BVBA, had an EPR covering the years 2011-2015. Ontex has lodged an appeal against this EC decision. The General Court has handed down its judgment on February 14, 2019 in the joint case of Belgium vs Commission and Magnetrol International vs Commission. The General Court has annulled the Commission's Decision for the reason that the Commission erroneously considered that the excess profit exemption system constituted an aid scheme. The European Commission has appealed the decision of the General Court to the European Court of Justice and we await the outcome.

Furthermore, the European Commission announced on September 16, 2019 that it was opening formal investigations into each of the individual EPRs including that of Ontex, as it believes that each EPR grants illegal state aid, even if the EPR system does

not. The formal investigation into the Ontex EPR continues and it is unclear when a final decision can be expected. Ontex will have the right to appeal against any decision that concludes the Ontex EPR grants illegal state aid. Any such appeal will take some time to be heard.

Ontex had fully taken into account the impact of the Commission's appeal that the EPR system is illegal state aid being successful, and the Commission concluding that the Ontex EPR grants illegal state aid in its tax position. Since the outcome of both challenges is not yet final, Ontex will not release the relevant provisions at this stage.

The Group has only recognized deferred tax assets on € 142.5 million of tax losses and other tax incentives out of the € 583.0 million mentioned above. The measurement of these deferred tax assets depends on a number of judgmental assumptions regarding the future probable taxable profits of different Group subsidiaries in different jurisdictions. These estimates are made prudently to the extent of the best current knowledge.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assesses whether certain uncertain tax provisions should be recognized in its consolidated financial statements (based on the requirements of IFRIC 23).

7.4.2. Business combinations

For business combinations, the Group must make assumptions and estimates to determine the purchase price allocation of the business being acquired. To do so, the Group must determine the acquisition-date fair value of the identifiable assets acquired and liabilities assumed. These assumptions and estimates have an impact on the asset and liability amounts recorded in the Consolidated Statement of Financial Position on the acquisition date. In addition, the estimated useful lives of the acquired property, plant and equipment, the identification of other intangible assets and the determination of the indefinite or finite useful lives of other intangible assets acquired requires significant judgments and will have an impact on the Group's profit or loss.

7.4.3. Impairment

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 7.1.4 "Goodwill". The outcome of these goodwill impairment tests in 2019 did not result in an impairment loss (2018: nil).

As a result of the organizational restructuring, the Group has revisited its cash-generating units used for impairment testing. As such, the Group identifies the following cash-generating units as from January 1st, 2019:

- Europe (previously Mature Market Retail, plus Russia and Ukraine)
- Healthcare
- MEAA (Middle East, Africa and Asia; previously MENA, plus previous Growth Markets excluding Russia and Ukraine)
- Americas (previously Americas Retail)

The recoverable amounts of cash-generating units ('CGUs') have been determined based on value-in-use calculations. These calculations require the use of estimates and assumptions, including macroeconomic conditions, demand and competition in the markets where we operate, product offerings, product mix and pricing, raw materials availability and cost, direct and indirect expenses, operating margins, growth rates, capital expenditure and working capital, etc. as reflected in Ontex' financial budgets and strategic plans, as well as discount rates. For more details on the impairment test performed, we refer to note 7.9 'Goodwill and intangible assets'. The discount rates used are summarized here below:

in %	Full Year	
	2019	2018
Pre-tax discount rate		
Europe	6.1%	7.1%
Healthcare	6.4%	6.7%
Middle East, Africa and Asia	9.1%	11.7%
Americas	6.8%	9.5%

A sensitivity analysis indicates that the recoverable amount of Europe, Healthcare, Middle East Africa and Asia (MEAA) and Americas would be equal to their carrying amount if the pre-tax discount rates of the CGUs were 10.9%, 19.8%, 17.5% and 10.2%, respectively and all other variables kept constant.

As indicated in note 7.9, cash flows beyond the three-year period are extrapolated using an estimated growth rate of 1.0% for Europe, 2.0% for Healthcare, 3.0% for MEAA and 3.6% for Americas. These same percentages are used as perpetual growth rates. The growth rates have been determined by management but do not exceed the current market expectations in which the four CGUs are currently operating. Should the growth rate for any of the CGUs decrease by 40%, no impairment would need to be recognized.

Should the estimated operating margins decrease by 10%, no impairment would be recognized.

Future cash flows are estimates that are likely to be revised in future periods as underlying assumptions change. Key assumptions in supporting the value of goodwill include long-term interest rates and other market data. Should the assumptions vary adversely in the future, the value in use of goodwill may reduce below their carrying amounts. Based on current valuations, headroom appears to be sufficient to absorb a normal variation in the underlying assumptions.

7.4.4. Expected useful lives

The expected useful lives of the property, plant and equipment and intangible assets must be estimated. The determination of the useful lives of the assets is based on management's judgment and it is reviewed at least at each financial year-end, pursuant to IAS 16 and IAS 38.

7.4.5. Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. All derivative financial instruments are, in accordance with IFRS 7, level 2. This means valuation methods are used for which all inputs that have a significant effect on the recorded fair value are observable in the market, either directly or indirectly.

7.4.6. Employee benefits

The carrying amount of the Group's employee benefit obligations is determined on an actuarial basis using certain assumptions. One particularly sensitive assumption used for determining the net cost of the benefits granted is the discount rate. Any change to this assumption will affect the carrying amount of those obligations.

The discount rate depends on the duration of the benefit, i.e. the average duration of the engagements, weighted with the present value of the costs linked to those engagements. According to IAS 19, the discount rate should correspond to the rate of high-quality corporate bonds of similar term to the benefits valued and in the same currency.

7.4.7. Revenue recognition

For the accrual for volume discounts (to customers and from suppliers) important judgements are made on the impact of commercial decisions that will influence the final discount to be received or to be granted.

7.5. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

7.5.1. Overview of financial instruments

The table below summarizes all financial instruments by category in accordance with IFRS 9 and discloses the fair values of each instrument and the fair value hierarchy:

in € million	December 31, 2019			
	Designated in hedge relationship	At amortized cost	Fair value	Fair value level
Non-current receivables		18.1	18.1	Level 2
Trade receivables		324.2	324.2	Level 2
Other receivables		49.1	49.1	Level 2
Derivative financial assets	1.4		1.4	
<i>Cross-currency interest rate swaps</i>	1.3		1.3	Level 2
<i>Forward foreign exchange contracts</i>	0.1		0.1	Level 2
Cash and cash equivalents		127.8	127.8	Level 2
Total Financial Assets	1.4	519.3	520.6	
Interest-bearing debts - non-current		919.5	928.5	
<i>Syndicated Term Loan A > 1 year</i>		591.0	600.0	Level 2
<i>Term Loan > 1 year</i>		150.0	150.0	Level 2
<i>Lease & other liabilities</i>		178.5	178.5	Level 2
Derivative financial liabilities	11.9		11.9	
<i>Interest rate swap</i>	8.9		8.9	Level 2
<i>Forward foreign exchange contracts</i>	2.5		2.5	Level 2
<i>Commodity hedging contracts</i>	0.5		0.5	Level 2
Other payables - non-current		0.6	0.6	Level 2
Interest-bearing debts - current		69.6	69.6	
<i>Accrued interests - Other</i>		1.2	1.2	Level 2
<i>Total return swap</i>		31.2	31.2	Level 2
<i>Lease & other liabilities</i>		37.1	37.1	Level 2
Trade payables		465.6	465.6	Level 2
Other payables - current		39.0	39.0	Level 2
Total Financial Liabilities	11.9	1,494.4	1,515.3	

in € million	December 31, 2018			
	Designated in hedge relationship	At amortized cost	Fair value	Fair value level
Non-current receivables		5.1	5.1	Level 2
Trade receivables		355.4	355.4	Level 2
Other receivables		69.1	69.1	Level 2
Derivative financial assets	3.6		3.6	
<i>Cross-currency interest rate swaps</i>	1.4		1.4	Level 2
<i>Forward foreign exchange contracts</i>	2.0		2.0	Level 2
<i>Commodity hedging contracts</i>	0.2		0.2	Level 2
Cash and cash equivalents		130.6	130.6	Level 2
Total Financial Assets	3.6	560.2	563.8	
Interest-bearing debts - non-current		786.6	798.8	
<i>Syndicated Term Loan A > 1 year</i>		587.8	600.0	Level 2
<i>Term Loan > 1 year</i>		150.0	150.0	Level 2
<i>Total return swap</i>		33.0	33.0	Level 2
<i>Financial lease & other liabilities</i>		15.8	15.8	Level 2
Derivative financial liabilities	6.7		6.7	
<i>Interest rate swap</i>	5.3		5.3	Level 2
<i>Cross-currency interest rate swaps</i>	0.9		0.9	Level 2
<i>Forward foreign exchange contracts</i>	0.2		0.2	Level 2
<i>Commodity hedging contracts</i>	0.2		0.2	Level 2
Other non-current financial liabilities		0.3	0.3	Level 2
Interest-bearing debts - current		104.0	104.0	
<i>Revolver credit loan</i>		82.4	82.4	Level 2
<i>Accrued interests - Other</i>		1.2	1.2	Level 2
<i>Financial lease & other liabilities</i>		20.4	20.4	Level 2
Trade payables		501.0	501.0	Level 2
Other payables - current		31.8	31.8	Level 2
Total Financial Liabilities	6.7	1,423.7	1,442.6	

In the context of the Group's financial risk management, the Group uses derivative instruments to cover specific risks, such as foreign currency exposure, interest rate exposure and commodity price exposure. The following table presents an overview of the derivative instruments outstanding at reporting date:

in € million	Fair value		Nominal amounts	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Derivative financial assets	1.4	3.6	67.3	127.2
<i>Cross-Currency Interest rate swap</i>	1.3	1.4	47.0	20.0
<i>Forward foreign exchange contracts</i>	0.1	2.0	20.3	105.4
<i>Commodity hedging contracts</i>	-	0.2	-	1.8
Derivative financial liabilities	11.9	6.7	625.5	832.8
<i>Interest rate swap</i>	8.9	5.3	510.0	767.4
<i>Cross-Currency Interest rate swap</i>	-	0.9	-	32.4
<i>Forward foreign exchange contracts</i>	2.5	0.2	106.9	30.1
<i>Commodity hedging contracts</i>	0.5	0.2	8.5	2.9

The derivative instruments presented in the tables above are all designated in a cash flow hedge relationship (see below in notes 7.5.3 to 7.5.5).

The fair value of a derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is exceeding 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

The fair value of the derivatives is based on level 2 inputs as defined under IFRS 7.27, meaning inputs that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

The above table provides an analysis of financial instruments grouped into Levels 1 to 3 based on the degree to which the fair value (recognized on the statement of financial position or disclosed in the notes) is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of financial assets and financial liabilities are based on mathematical models that use market observable data and are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes).
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.
- The fair values of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.
- Level 3 liabilities: the amount has been determined based on contractual agreements.

The Group has derivative financial instruments which are subject to offsetting, enforceable master netting arrangements and similar agreements. No offsetting needed to be done per December 31, 2019 (nor 2018).

The counterparties of the outstanding derivative instruments have an A-credit rating.

7.5.2. Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and commodity price risk), credit risk and liquidity risk.

There have been no changes in the risk management department since last year-end or in any risk management policies.

7.5.3. Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the British pound (GBP), the Turkish lira (TRY), the Polish zloty (PLN), the Australian dollar (AUD), the Mexican peso (MXN), the Brazilian real (BRL) and Russian ruble (RUB) in relation to sales, and the US dollar (USD), the Czech koruna (CZK), the Mexican peso (MXN) and the Brazilian real (BRL) in relation to procurement. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities. The Group also has exposures to the Turkish lira (TRY), Algerian dinar (DZD), Russian ruble (RUB), Czech koruna (CZK), Australian dollar (AUD) Pakistani rupee (PKR), Mexican peso (MXN) and Brazilian real (BRL) due to their net investments in foreign operations.

The carrying amounts of the Group's main foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

in € million	Assets		Liabilities	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
EUR	1,895.8	1,976.1	2,589.2	2,711.9
BRL	53.1	70.3	90.7	45.3
USD	95.6	83.1	160.0	144.9
MXN	56.3	43.2	36.7	59.8
PLN	107.8	95.1	61.7	47.9
DZD	34.7	21.3	8.0	1.0
RUB	26.9	21.1	1.2	2.3
GBP	66.9	43.1	44.5	27.2
TRY	18.7	16.4	6.5	9.3
AUD	29.6	29.0	17.1	15.4

The Group monitors its foreign exchange exposure closely and will enter into hedging transactions if deemed appropriate to minimize exposure throughout the Group to foreign exchange fluctuations. All hedging decisions are subject to approval of the Board of Directors. The strategy regarding FX hedges was maintained.

To manage their foreign exchange risk arising from future commercial transactions, recognized assets and liabilities, the Group uses forward exchange contracts. Foreign exchange risk arises when future commercial transactions, recognized assets and liabilities are denominated in a currency that is not the entity's functional currency. The Group treasury is responsible for optimizing the net position in each foreign currency when possible and appropriate. The Group applies hedge accounting for the hedge related transactions, the impact of the revaluation is recognized in other comprehensive income.

The Group has entered into foreign exchange forward contracts at the beginning of each quarter in 2019 maturing at the latest in September 2020 in order to limit volatility in the business resulting from exposures to sales in British pound, Polish zloty, Australian dollar as well as purchases in US dollar and Czech crown during 2019 and 2020. Based on the hedge strategy, the foreign exchange forward contracts hedge the following forecasted exposures until September 30, 2020: for British pound (GBP) 37.5 million, for Polish zloty (PLN) 65.3 million, for Australian dollar (AUD) 25.0 million, for Czech crown (CZK) 159.3 million, for US dollar (USD) 40.2 million versus EUR, US dollar (USD) 9.0 million versus Mexican peso (MXN) and US dollar (USD) 5.4 million versus Brazilian real (BRL).

The terms of the foreign currency forward contracts have been negotiated to match the terms of the highly probable forecast transactions. The Group applies hedge accounting to the foreign currency forward contracts. At inception, these instruments were designated as cash flow hedges. At the moment the forecast transactions materialize, the foreign exchange forward contracts become fair value hedges. As the terms of the foreign currency forward contracts match the terms of the expected highly probable forecast transactions, there is no hedge ineffectiveness to be recognized in the statement of profit or loss.

As of December 31, 2019, an unrealized loss of € 2.2 million (Australian dollar, British pound, US dollar) have been recognized in other comprehensive income.

As of December 31, 2019, the fair value of the derivative financial asset for the foreign exchange contracts amounted to € 0.1 million (2018: € 2.0 million) and of the derivative financial liability amounted to € 2.5 million (2018: € 0.2 million).

The following table sets forth the impact on pre-tax profit and equity for the year of a 10% weakening/strengthening of the Euro against the reported currency with all other variables held constant. The impact is mainly as a result of foreign exchange gains/losses on translation of foreign currency denominated trade receivables and payables and related derivative positions as at the respective balance sheet dates.

in € million	10% weakening of the EUR			10% strengthening of the EUR		
	Impact on P&L	Impact on Equity	2018	Impact on P&L	Impact on equity	2018
AUD	(0.4)	(1.4)	(1.2)	0.3	1.1	1.0
GBP	(0.9)	(4.1)	(3.3)	0.8	3.4	2.7
PLN	(1.6)	-	-	1.3	-	-
USD	(5.6)	2.0	2.8	4.6	(1.6)	(2.3)

7.5.4. Interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rate expose the Group to fair value interest rate risk. These risks are managed centrally by Group treasury taking into account the expectations of the Group with respect to the evolutions of the market rates. The Group has used interest rate swaps and cross-currency interest rate swaps to manage these risks.

Considering that the floating rate borrowings (EURIBOR + margin) are hedged through interest rate swaps, the interest expense recognized in the consolidated income statement is not subject to interest rate volatility and therefore no sensitivity analysis has been prepared.

Sensitivity of the fair value of derivative financial instruments related to loans: at December 31, 2019, if EURIBOR interest rates had been 10bps higher/lower with all other variables held constant, pre-tax other comprehensive income for the year would have been respectively € 0.3 million higher / € 0.2 million lower. At December 31, 2018, if EURIBOR interest rates had been 10bps higher/lower with all other variables held constant, pre-tax other comprehensive income for the year would have been respectively € 1.1 million higher / € 1.0 million lower.

Floating Rate Syndicated Term Loan A of € 600 million due 2022 is carrying an interest of EURIBOR 3 month + margin of 1.75%. Floating Rate Syndicated Term Loan B due 2022 is carrying an interest of EURIBOR 3 month + margin of 1.55%. Floating Rate Term Loan of € 150 million due 2024 is carrying an interest of EURIBOR 3 month + margin of 1.40%. The notional principal amounts of the outstanding fixed payer interest rate swap and cross-currency interest rate swap contracts at December 31, 2019 are € 557.0 million as per below table:

Duration	Fixed interest rate %	Amount in € million
3 Year	0.3890%	85.0
3 Year	0.4950%	50.0
3 Year	0.6250%	75.0
3 Year	0.6290%	75.0
3 Year	0.6220%	75.0
3 Year	5.2574%	33.1
3 Year	5.3870%	4.5
3 Year	5.6561%	9.4
5 Year	0.5950%	150.0
Total		557.0

7.5.5. Price risk (commodity)

The Group has some exposure to the price of oil because certain of the raw materials used in production are manufactured from oil derivatives. These include glues, polyethylene, propylene and polypropylene.

In relation to our fluff and propylene exposure, the Group has arrangements with certain of their fluff suppliers that reduce our exposure to volatility in fluff prices. The Group also decided to hedge a portion of the propylene exposure that is not covered by such arrangements for 2019.

Sensitivity of the fair value of derivative financial instruments related to commodities: at December 31, 2019 if there would be a shift of the commodity forward curve by 10% increase/decrease with all other variables held constant, pre-tax other comprehensive income for the year would have been respectively € 1.1 million higher / € 0.5 million lower (2018: impact was € 0.3 million higher/lower).

7.5.6. Equity price risk

Following the issuance of options and RSU's as share-based payment arrangements under the different LTIP programmes (refer to note 7.28 for details of these programs), the Group is exposed to variations in the Group share price. The Board of Directors of the Group has decided on June 1, 2015 to implement a full hedging program through a total return swap. The purpose of this financial instrument is to effectively hedge the risk that a price increase of the Ontex shares would negatively impact future cash flows related to the share-based payments.

The Group entered into a total return swap ('TRS') agreement with a financial institution to manage its exposure to price volatility related to the shares subject to the stock option and RSU plans as disclosed in note 7.28. Under the total return swap agreement, the Company will pay interest to the financial institution. At the settlement of the TRS, the Group will receive the underlying shares which will be granted to the beneficiaries of the stock options or RSU's upon exercise. As such, the Group hedges the risk that the share price would increase when shares have to be issued upon exercise by the beneficiaries of their options/RSUs/PSUs. The shares bought in this context are recognized in deduction of Group equity at the strike price at the moment of entering into the TRS. As the Group takes physical delivery of the shares upon settlement of the TRS (no net settlement), the TRS does not meet the scope of financial instruments in accordance with IAS 32 / IFRS 9. As such, the TRS should not be remeasured at fair value at each closing date.

As a result, the Group recognized treasury shares for an amount of € 40.3 million (represented by 1,491,654 shares) and a related financial liability for an amount of € 31.2 million (see note 7.15). These amounts do not require to be remeasured during the contract time and consequently, all volatility has been eliminated.

7.5.7. Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to corporate customers, including outstanding receivables and committed transactions. The Group assesses the credit quality of the customer, taking into account its financial position, past experience and other factors based on which individual risk limits are set in accordance with the limits set by business managers. Historical default rates have been below 1% for 2019 and 2018. Trade receivables are spread over different countries and counterparties and there is no large concentration with one or a few counterparties.

We refer to note 7.13 for the aging of the receivables and the doubtful receivables.

The maximum exposure to credit risk at the reporting date is the carrying amount as presented in the table above in the note 7.5.1.

7.5.8. Liquidity risk

Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (note 7.17 Interest-bearing debts) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on its borrowing facilities.

The table below analyses the Group's financial liabilities (including interest payments) into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

in € million	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At December 31, 2019				
Interest-bearing debts	(43.9)	(17.5)	(816.1)	(0.1)
Lease liabilities	(30.9)	(25.1)	(52.8)	(59.3)
Trade payables	(465.6)	-	-	-
Total non-derivative financial liabilities	(540.5)	(42.6)	(868.9)	(59.5)
Interest rate swaps	(4.9)	(4.9)	(4.6)	-
Forward foreign exchange contracts	(127.2)	-	-	-
Total derivative financial liabilities	(132.1)	(4.9)	(4.6)	-
At December 31, 2018				
Interest-bearing debts	(103.0)	(17.6)	(633.3)	(152.0)
Trade payables	(501.0)	-	-	-
Total non-derivative financial liabilities	(604.0)	(17.6)	(633.3)	(152.0)
Interest rate swaps	(3.6)	(2.9)	(6.3)	(0.9)
Forward foreign exchange contracts	(135.5)	-	-	-
Total derivative financial liabilities	(139.0)	(2.9)	(6.3)	(0.9)

7.6. OPERATING SEGMENTS

According to IFRS 8, reportable operating segments are identified based on the "management approach". This approach stipulates external segment reporting based on the Group's internal organizational and management structure and on internal financial reporting to the chief operating decision maker. The Group's activities are in one segment, "Hygienic Disposable Products". There are no other significant classes of business, either singularly or in aggregate. The chief operating decision maker, the Board of Directors, reviews the operating results and operating plans, and make resource allocation decisions on a company-wide basis. Therefore, the Group operates as one segment. Enterprise-wide disclosures about product sales, geographic areas and revenue from major customers are presented below:

7.6.1. Information by Division

We have revamped our organization in order to better seize opportunities arising from our geographic expansion with the establishment of new growth platforms in the Americas and sub-Saharan Africa, improve execution and bolster focus on our competitive differentiators. The Company's commercial activities are now organized in three Divisions:

- Europe, which is predominantly focused on retail brands
- Americas, Middle East, Africa and Asia (AMEAA), which is predominantly focused on local brands
- Healthcare, which continues to focus on the institutional markets and dedicated incontinence brands

in € million	Full Year	
	2019	2018
Europe	956.9	1,020.7
AMEAA	891.9	835.8
Healthcare	432.5	435.6
Total revenue	2,281.3	2,292.2

The 2018 figures have been restated to reflect the change in divisional structure.

7.6.2. Information by product group

The key product categories are:

- Babycare products, principally baby diapers, baby pants and, to a lesser extent, wet wipes;
- Feminine care products, such as sanitary towels, panty liners and tampons;
- Adult incontinence products, such as adult pants, adult diapers, incontinence towels and bed protection.

in € million	Full Year	
	2019	2018
Babycare	1,345.7	1,345.1
Adult Incontinence	692.0	693.6
Femcare	212.7	222.8
Other	30.9	30.6
Total revenue	2,281.3	2,292.2

7.6.3. Information by geographic area

The organizational structure of the Group and its system of internal information indicates that the main source of geographical risks results from the location of its customers (destination of its sales) and not the physical location of its assets (origin of its sales). The location of Group's customers is accordingly the geographical segmentation criterion and is defined as below:

- Western Europe
- Eastern Europe
- Americas
- Rest of the World

in € million	Full Year	
	2019	2018
Western Europe	1,027.5	1,075.2
Eastern Europe	276.6	292.9
Americas	667.8	620.2
ROW	309.3	303.8
Total revenue	2,281.3	2,292.2

The sales in the country of domicile of Ontex Group NV (Belgium) represent less than 3% of Ontex Group NV Revenue. Sales to countries in our top four markets are presented in the table below. The sales in all other individual countries represent less than 10% of the Group's revenue.

in € million	Full Year	
	2019	2018
Mexico	304.1	282.1
United Kingdom	242.1	237.9
Italy	194.6	203.9
France	188.5	209.7
Other countries	1,352.0	1,358.6
Total revenue	2,281.3	2,292.2

The following table presents an overview of the non-current assets (property, plant and equipment (PP&E), right to use assets and intangible assets) located in the main countries. The non-current assets in all other individual countries represent less than 10% of the Group's total non-current assets (excluding financial instruments, deferred tax assets and goodwill). Goodwill is not included in the below table as this not monitored on a country-basis, but at the divisional level.

in € million	December 31, 2019	December 31, 2018
Mexico	152.8	138.5
Belgium	156.8	132.7
Germany	105.3	65.0
Brazil	96.0	97.9
Other countries	314.3	217.6
Total	825.1	651.7

7.6.4. Revenue from major customers

The Group does not have a single significant customer. In 2019 the largest customer represents 6.2% (2018: 6.2%) of the revenue. The 10 largest customers represent 33.3% of 2019 revenue (2018: 35.2%).

7.7. LIST OF CONSOLIDATED COMPANIES

Name	Country	Percentage of interest held by the group		Registered office	Company legal number
		2019	2018		
Can Hygiene SPA	Algeria	100.0%	100.0%	Haouch Sbaat Nord, Zone Industrielle de Rouiba, Voie H, lot 83B, 16012 Rouiba, Alger, Algeria	04/B/0965101
Ontex Australia Pty Ltd	Australia	100.0%	100.0%	Suite 10, 27 Mayneview Street, Milton, QLD 4064, Australia	ABN 59 130 076 283
Ontex Manufacturing Pty Ltd (former Ontex Australia Pty Ltd)	Australia	100.0%	100.0%	Wonderland Drive 5, Eastern Creek, NSW, 2766, Australia	ABN 16 145 822 528
Eutima bvba	Belgium	100.0%	100.0%	Korte Moeie 53, 9900 Eeklo, Belgium	0415.412.891
Ontema bvba	Belgium	100.0%	100.0%	Genthof 12, 9255 Buggenhout, Belgium	0453.081.852
Ontex bvba	Belgium	100.0%	100.0%	Genthof 5, 9255 Buggenhout, Belgium	0419.457.296
Active Industria De Cosméticos S.A.	Brazil	100.0%	100.0%	Rua Contorno Oeste 1/16 Quadra 01, Lote 01/16, Modulo 2 Senador Canedo, Goiania, Brazil	CNPJ 22.010816/0001-39
Falcon Distribuidora Armazenamento E Transporte S.A.	Brazil	100.0%	100.0%	Rua Iza Costa 1.104 Quadra: Area Lote Modulo 2, Fazenda Retio, Goiania, Brazil	CNPJ 23.191.831/0001-93
Chicolastic Chile, S.A.	Chile	100.0%	100.0%	Calle la Concepcion 81, D 603 P 06, Providencia, Santiago, Region Metropolitana, 8320000 Santiago de Chile, Chile	96886530-7
Ontex Hygienic Disposables (Yangzhou) Co.TD	China	100.0%	100.0%	Hangji industrial park, Hanjiang District, N°1 Zhaizhuang Road, 225111 Yangzhou, China	321000400010102
Valor Brands Centroamerica, S.A.	Costa Rica	100.0%	100.0%	100 norte del Centro Comercial Tres Rios a mano izquierda- Apartamento Tinoco #02, City Cartago, 10106 San José, Costa Rica	3-101-645685
Ontex CZ Sro	Czech Republic	100.0%	100.0%	Vesecko 491, 51101 Turnov, Czech Republic	44564422
Ontex Hygienic Disposables PLC	Ethiopia	100.0%	100.0%	Tracon Tower Building Addis Ababa, Subcity Arada, Werada 02, Kebele 01, House n° : 30/97, Ethiopia	EIA-PC/01/005318/08
Hygiène Medica SAS	France	100.0%	100.0%	30 Rue Hubble Parc Européen de la Haute Borne, 59262 Sainghin-en-Mélantois, France	401 439 872

Name	Country	Percentage of interest held by the group		Registered office	Company legal number
		2019	2018		
Ontex France SAS	France	100.0%	100.0%	586 Boulevard Albert Camus, 69400 Villefranche-sur-Saône	338 081 102
Ontex Santé France SAS	France	100.0%	100.0%	Quai du rivage 62119 Dourges, France	502 601 297
Moltex Baby-Hygiene GmbH	Germany	100.0%	100.0%	Robert-Bosch-Straße 8, 56727 Mayen, Germany	HRB 5260
Ontex Beteiligungsgesellschaft mbH (*)	Germany	0.0%	100.0%	Robert-Bosch-Straße 8, 56727 Mayen, Germany	HRB 15558
Ontex Engineering GmbH	Germany	100.0%	100.0%	Robert-Bosch-Straße 8, 56727 Mayen, Germany	HRA 21335
Ontex Healthcare Deutschland GmbH	Germany	100.0%	100.0%	Hansaring 6, Lotte 49504, Germany	HRB 9669
Ontex Hygienartikel Deutschland GmbH	Germany	100.0%	100.0%	Fabrikstrasse 30, 02692 Grosspostwitz, Germany	HRB 3865
Ontex Inko Deutschland GmbH	Germany	100.0%	100.0%	Robert-Bosch-Straße 8, 56727 Mayen, Germany	HRB 20630
Ontex Inko-Shop GmbH	Germany	100.0%	100.0%	Robert-Bosch-Straße 8, 56727 Mayen, Germany	HRB 21024
Ontex Mayen GmbH	Germany	100.0%	100.0%	Robert-Bosch-Straße 8, 56727 Mayen, Germany	HRB 11699
Ontex Vertrieb GmbH & Co. KG	Germany	100.0%	100.0%	Robert-Bosch-Straße 8, 56727 Mayen, Germany	HRB 4983
WS Windel-Shop GmbH	Germany	100.0%	100.0%	Robert-Bosch-Straße 8, 56727 Mayen, Germany	HRB 2793
Ontex Italia Srl	Italy	100.0%	100.0%	Via Oberdan 140, 25128 Brescia, Italy	BS-347522
Ontex Manufacturing Italy S.r.l.	Italy	100.0%	100.0%	Localita Cucullo, Zona Industriale, 66026 Ortona (Chieti), Italy	02456370697
Serenity Holdco S.r.l.	Italy	100.0%	100.0%	Localita Cucullo, Zona Industriale, 66026 Ortona (Chieti), Italy	CH-178769
Serenity Spa	Italy	100.0%	100.0%	Localita Cucullo, Zona Industriale, 66026 Ortona (Chieti), Italy	CH-99632
Ontex Central Asia LLP	Kazakstan	100.0%	100.0%	Almaty, Bostandyk district, Al-Farabi Avenue 5, Business Center Nurly Tau, Blok 1A, Suite 502, Kazakstan	600400642455
Comercializadora Internacional de comercio Mabe, S.A de C.V	Mexico	100.0%	100.0%	Av San Pablo, Xochimehuacan 7213, Colonia La Loma, Puebla Mexico CP 72230	CIPQ210141Z8
Compania Interoceanica de productos Higienicos, S.A de C.V	Mexico	100.0%	100.0%	Retorno 2 Esteban De Antunano no.8, Col. Parque Industrial CD. Textil De Puebla, 74160 Puebla, Mexico	IPH060317DPA
Corporativo de administracion con calidad, S.A de C.V	Mexico	100.0%	100.0%	Av San Pablo, Xochimehuacan 7213, Colonia La Loma, Puebla Mexico CP 72230	CAC920612HE9
Grupe P.I Mabe, S.A de C.V	Mexico	100.0%	100.0%	Ibsen N40 4to piso, col. Polanco Delegacion Miguel Hidalgo CP 11560 Mexico	GPI950824N64
Inmobiliaria Kiko S.A de C.V	Mexico	100.0%	100.0%	Calle 27 Norte 7402, Zona Industrial Anexa a la loma, Puebla Mexico CP 72230	IKI811207FG8
P.I Mabe International, S de R.L de C.V	Mexico	100.0%	100.0%	Av San Pablo, Xochimehuacan 7213, Colonia La Loma, Puebla Mexico CP 72230	PIM021028HL6
Productos Internacionales Mabe, S.A de C.V	Mexico	100.0%	100.0%	Calle Norte 12, Ciudad Industrial 105,22505 Tijuana, Mexico	PIM810710R32
Promotora Internacional de comercio Mabe, S.A de C.V	Mexico	100.0%	100.0%	Av San Pablo, Xochimehuacan 7213, Colonia La Loma, Puebla Mexico CP 72230	PIC001031K61
Servicios Administrativos E. inmobiliaria Gima S.C	Mexico	100.0%	100.0%	Calle 27 Norte 7402, Zona Industrial Anexa a la loma, Puebla Mexico CP 72230	SAI880817KP4

Name	Country	Percentage of interest held by the group		Registered office	Company legal number
		2019	2018		
Transportes P.I Mabe, S.A de C.V	Mexico	100.0%	100.0%	Av San Pablo, Xochimehuacan 7213, Colonia La Loma, Puebla Mexico CP 72230	TPM960709QS1
Ontex Hygiene Sarlau	Morocco	100.0%	100.0%	Quartier Al Hank Boulevard De La Corniche, 6ième étage, immeuble Yacht A/B Anfa - Casablanca, Morocco	240709
Ontex Pakistan Ltd	Pakistan	100.0%	100.0%	Office No 705, 7th Floor, Park Avenue, Main Sharh-e-Faisal, Karachi Sindh 7400, Pakistan	0076658
Ontex Polska sp. z.o.o.	Poland	100.0%	100.0%	ul. Przedsiebiorcow 6, 97-500 Radomsko, Poland	0000010044
Ontex Romania Srl	Romania	100.0%	100.0%	Bucharest, 46 Grigore Cobalcescu Street, 2nd floor, 1st District	R 7682053
Ontex RU LLC	Russia	100.0%	100.0%	Zemlyanoy Val Street 9, 10564 Moscow, Russia	1055008702649
Ontex ES Holdco SL	Spain	100.0%	100.0%	Poligono Industrial Nicomedes Garcia, C/Fresno s/n, sector C, 40140 Valverde del Majano, Segovia, Spain	B85082832
Ontex ID SAU	Spain	100.0%	100.0%	Poligono Industrial Nicomedes Garcia, C/Fresno s/n, sector C, 40140 Valverde del Majano, Segovia, Spain	NIFA-60617875
Ontex Peninsular SAU	Spain	100.0%	100.0%	Poligono Industrial Nicomedes Garcia, C/Fresno s/n, sector C, 40140 Valverde del Majano, Segovia, Spain	A40103855
Valor Brands Europe, S.L	Spain	100.0%	100.0%	Torviscal 12, 45007 Toledo, Spain	B2837-1540
Ontex Hygienic Spain, S.L.	Spain	100.0%	100.0%	Poligono Industrial Nicomedes Garcia, C/Fresno s/n, sector C, 40140 Valverde del Majano, Segovia, Spain	M635-328
Ontex Tuketim. Urn. San. ve Tic. AS	Turkey	100.0%	100.0%	Tekstil Kent Cad. Koza Plaza B Blok Kat:31 No:116-117 Esenler, Istanbul	137334
Ontex Ukraine LLC	Ukraine	100.0%	100.0%	Building 7(C), 13 M. Pymonenko Street, 04050 Kyiv, Ukraine,	37728333
Ontex Health Care UK Ltd.	United Kingdom	100.0%	100.0%	Kettering Parkway, Kettering Venture Park, Kettering, Northants, NN156XR, United Kingdom	02274216
Ontex Retail UK Ltd.	United Kingdom	100.0%	100.0%	Unit 5 (1st Floor), Grovelands Business Centre, Boundary Way, Hemel Hempstead, Hertfordshire, HP2 7TE, United Kingdom	1613466
Ontex US Holdco, LLC	USA	100.0%	100.0%	1201 North Market Street, 19801 Wilmington, New Castle county, Delaware, United States of America	N/A
Valor Brands, LLC	USA	100.0%	100.0%	960 North Point Parkway, Suite 100, Alpharetta, GA 30005, USA	06-1661367

(*) Merged in the course of 2019 with Ontex Vertrieb GmbH & Co. KG

The voting rights equal the percentage of interest held.

The most significant Group subsidiaries are Ontex bvba, Ontex Mayen GmbH, Ontex CZ Sro, Ontex Tuketim AS, Serenity Spa, Ontex Manufacturing Italy S.r.l., Productos Internacionales Mabe, Active Industria De Cosméticos S.A. and Falcon Distribuidora Armazenamento E Transporte S.A.

7.8. BUSINESS COMBINATIONS

7.8.1. Acquisitions

No business combinations have occurred during 2019 nor 2018.

7.8.2. Reconciliation with cash flow statement

The consolidated cash flow statement presents the following relating to the acquisition of subsidiaries within the investing activities:

in € million	Full year	
	2019	2018
Contingent consideration paid for the acquisition of Grupo Mabe	-	(16.5)
Payment for acquisition of subsidiary, net of cash acquired	-	(16.5)

7.9. GOODWILL AND INTANGIBLE ASSETS

in € million						
	Goodwill	Brands	Capitalized Development	IT implementation costs	Other intangibles	Total
Period ended December 31, 2019						
Opening carrying amount	1,165.2	31.6	0.2	18.4	1.6	1,217.0
Reclass IFRS 16 to Right-of-use assets (note 11)	-	-	-	(1.7)	-	(1.7)
Restated opening carrying amount	1,165.2	31.6	0.2	16.7	1.6	1,215.3
Additions	-	-	0.7	7.4	1.6	9.8
Transfers	-	-	0.7	0.4	(0.8)	0.3
Amortization expense	-	(1.9)	(0.1)	(7.1)	-	(9.2)
Exchange differences	6.0	1.0	-	-	-	7.0
Closing carrying amount	1,171.2	30.7	1.4	17.5	2.5	1,223.2
At December 31, 2019						
Cost or valuation	1,171.1	36.9	1.5	46.8	16.5	1,273.0
Accumulated amortization and impairment	-	(6.3)	(0.1)	(29.3)	(14.1)	(49.8)
Carrying amount	1,171.2	30.7	1.4	17.5	2.5	1,223.2

in € million						
	Goodwill	Brands	Capitalized Development	IT implementation costs	Other intangibles	Total
Period ended December 31, 2018						
Opening carrying amount	1,163.6	34.0	0.1	16.3	0.1	1,214.1
Additions	-	-	0.1	8.9	1.5	10.5
Transfers	-	-	-	0.5	-	0.5
Amortization expense	-	(1.9)	-	(7.0)	-	(8.9)
Exchange differences	(2.0)	(0.5)	-	(0.3)	-	(2.8)
Acquired through business combination	3.6	-	-	-	-	3.6
Closing carrying amount	1,165.2	31.6	0.2	18.4	1.6	1,217.0
At December 31, 2018						
Cost or valuation	1,165.2	35.9	0.2	43.6	15.6	1,260.5
Accumulated amortization and impairment	-	(4.3)	-	(25.2)	(14.0)	(43.5)
Carrying amount	1,165.2	31.6	0.2	18.4	1.6	1,217.0

Capitalized IT implementation costs represent internally developed and externally purchased software for own use.

Brands represent the capitalization of some of the brands acquired through the acquisitions of Grupo Mabe and Ontex Brazil.

The amortization expense is included in the captions of the consolidated income statement as follows:

in € million	2019	2018
Cost of sales	0.1	1.0
Distribution expenses	1.2	0.6
Sales and marketing expenses	1.8	1.9
General and administrative expenses	6.1	5.4
Total amortization expense	9.2	8.9

The Group incurred € 8.9 million of research and development expenses in 2019 (2018: € 6.3 million) that has been recorded under the caption 'General and administrative expenses'.

No intangible assets have been pledged in the context of financial liabilities.

Goodwill impairment

As a result of the organizational restructuring, the Group has revisited its cash-generating units used for impairment testing. As such, the Group identifies the following cash-generating units as from January 1st, 2019:

- Europe (previously Mature Market Retail, plus Russia and Ukraine)
- Healthcare
- MEAA (Middle East, Africa and Asia; previously MENA, plus previous Growth Markets excluding Russia and Ukraine)
- Americas (previously Americas Retail)

Annual impairment reviews are performed as at December 31 for all CGUs. These reviews compare the carrying value of each CGU with the recoverable amount of the CGU's assets calculated using a discounted cash flow model. If the recoverable amount is less than the carrying value of the CGU, an impairment loss is recognized immediately in the income statement.

The judgments and estimates considered in the context of the impairment tests are disclosed in note 7.4.3.

Goodwill allocated to the CGUs as at December 31 was as follows:

in € million	2019	2018
Europe	757.7	757.7
Healthcare	60.4	60.4
MEAA	38.1	42.0
Americas	315.0	305.1
Goodwill allocated to the CGU's	1,171.2	1,165.2

The recoverable amount of a CGU is determined by means of value-in-use calculations. These calculations are based on pre-tax cash flow projections (prepared in euros) using key parameters from the consolidated financial budget approved by Ontex' Board of Directors and the Group's Strategic Plan through 2021. Cash flows beyond the three-year period are extrapolated using an estimated growth rate of 1.0% for Europe, 2.0% for Healthcare, 3.0% for MEAA and 3.6% for Americas. The growth rate does not exceed the current market expectations in which the four CGUs are currently operating.

The key assumptions for the value-in-use calculations used to determine the recoverable amount are those regarding the discount rates, estimated changes to selling prices, product offerings, direct costs, operating margins and terminal growth rates.

The discount rate is a measure based on industry average weighted cost of capital and risk-free rates weighted for the different regions in which the CGU's are operating.

Changes in selling practices and direct costs are based on past practices and expectations of future changes in the market. The calculation uses cash flow projections based on key parameters from the consolidated financial budget approved by the Board of Directors, the Group's Strategic Plan through 2021, and pre-tax discount rates for each CGU as described in note 7.4.3 Impairment based on current market assessments of the time value of money and the risks specific to the Group.

The development of the financial budget and Strategic Plan relies on a number of assumptions, including:

- The market growth, the evolution of the Group's market share, competitive landscape and innovation trends in the different markets as well as strategic initiatives.
- The product mix.
- The expected evolution of various direct and indirect expenses.
- The estimated future capital expenditure.

The assumptions were derived mainly from:

- Available historic data.
- External market research.
- Internal market expectations based on trend reports, etc.

The key assumptions used are reviewed and updated on a yearly basis by the Group's management. Taking into account the considerable excess of the cash generating unit's recoverable amount over its carrying amount, and based on sensitivity testing performed, management is of the opinion that any reasonably possible changes in key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed the recoverable amount at December 31, 2019.

The Group has performed a sensitivity analysis by reducing the risk-adjusted cash flow projections and by increasing the pre-tax discount rate as disclosed in note 7.4.3 Impairment.

7.10. PROPERTY, PLANT AND EQUIPMENT

in € million	Land, land improvements and buildings	Plant, machinery and equipment	Furniture and vehicles	Other tangible assets	Assets under construction and advance payments	Total
Period ended December 31, 2019						
Opening carrying amount	144.3	361.9	1.7	8.2	83.8	599.9
Reclass IFRS 16 to Right-of-use assets (note 11)	-	-	-	(6.5)	-	(6.5)
Restated opening carrying amount	144.3	361.9	1.7	1.7	83.8	593.4
Additions	2.1	27.9	0.3	0.1	55.4	85.8
Transfers	1.5	69.4	0.2	-	(75.3)	(4.1)
Disposals	-	(1.1)	(0.1)	-	(0.1)	(1.3)
Depreciation expense	(6.1)	(42.8)	(0.4)	(0.3)	-	(49.7)
Impairment losses	(2.4)	(3.5)	-	-	(0.1)	(5.9)
Exchange differences	1.8	4.9	-	(0.1)	0.5	7.0
Transfer to assets held for sale	(4.0)	1.6	-	-	-	(2.4)
Closing carrying amount	137.0	418.3	1.8	1.3	64.2	622.7
At December 31, 2019						
Cost	177.5	669.8	3.8	4.2	64.2	919.6
Accumulated depreciation and impairment	(40.5)	(251.5)	(2.1)	(2.8)	-	(296.9)
Carrying amount	137.0	418.3	1.8	1.3	64.2	622.7

in € million	Land, land improvements and buildings	Plant, machinery and equipment	Furniture and vehicles	Other tangible assets	Assets under construction and advance payments	Total
Year ended December 31, 2018						
Opening carrying amount	151.1	326.0	1.7	9.9	89.7	578.3
Additions	2.1	34.6	0.3	0.2	59.0	96.2
Transfers	5.0	59.8	0.2	(0.6)	(64.9)	(0.5)
Disposals	(1.4)	(5.8)	-	-	-	(7.2)
Depreciation expense	(6.1)	(40.5)	(0.4)	(1.0)	-	(48.0)
Impairment losses	(1.6)	(0.7)	-	-	-	(2.3)
Exchange differences	(2.8)	(7.5)	(0.1)	(0.3)	-	(10.6)
Transfer to assets held for sale	(2.0)	(2.0)	-	-	-	(4.0)
Acquired through business combination	-	(2.0)	-	-	-	(2.0)
Closing carrying amount	144.3	361.9	1.7	8.2	83.8	599.9
At December 31, 2018						
Cost	182.1	573.8	3.4	17.7	83.8	860.8
Accumulated depreciation and impairment	(37.8)	(211.9)	(1.7)	(9.5)	-	(260.9)
Carrying amount	144.3	361.9	1.7	8.2	83.8	599.9

The additions to property, plant and equipment represent mainly investments in capacity extension, investments in innovation, investments to improve the efficiency and IT investments and include investments related to the Transform to Grow programme.

Impairment losses are mainly recognized in the context of the closure of the manufacturing operation in Aparecida de Goiânia, which was started in May 2018 and continued in 2019.

The transfer to non-current assets held for sale relates to the building in Brazil.

The depreciation expense is included in the consolidated income statement as follows:

in € million	2019	2018
Cost of Sales	43.4	42.2
Distribution expenses	3.0	2.0
Sales and marketing expenses	0.7	0.7
General administrative expenses	2.5	2.8
Other operating income	0.2	0.3
Total depreciation expense	49.8	48.0

No pledges have been set on the items of property, plant and equipment.

7.11. LEASES

in € million	Land and buildings	Plant, machinery and equipment	Furniture and vehicles	Other assets	Total
Period ended December 31, 2019					
Opening carrying amount	-	-	-	-	-
Reclass from intangible assets & PPE	1.7	5.7	-	0.8	8.2
Initial recognition IFRS 16	123.6	12.3	12.3	-	148.3
Restated Opening carrying amount	125.3	18.0	12.3	0.8	156.5
Additions	17.0	0.4	5.4	-	22.9
Transfers	(0.2)	4.9	-	(0.8)	4.0
Depreciation expense	(18.9)	(3.8)	(6.0)	-	(28.6)
Impairment	-	(1.0)	-	-	(1.0)
Modifications to lease liabilities	(5.3)	(1.2)	(0.1)	-	(6.6)
Exchange differences	2.9	0.4	0.1	-	3.3
Closing carrying amount	120.9	17.7	11.8	-	150.4
At December 31, 2019					
Cost	142.7	25.0	17.8	-	185.4
Accumulated depreciation and impairment	(21.8)	(7.3)	(5.9)	-	(35.0)
Carrying amount	120.9	17.7	11.8	-	150.4

In the previous year, the Group only recognized leased assets relating to leases that were classified as 'finance leases' under IAS 17 *Leases*. These assets were presented in property, plant and equipment and have been reclassified to the right-of-use assets in the opening carrying amount upon initial adoption of IFRS 16. Furthermore, also favorable leases recognized as intangible assets have been reclassified to right-of-use assets in the opening carrying amount.

The consolidated income statement presents the following amounts relating to leases:

in € million	2019
Cost of Sales	10.1
Distribution expenses	11.6
Sales and marketing expenses	2.3
General administrative expenses	4.7
Total depreciation expense	28.6
Interest expense	6.9
Expense relating to short-term leases	10.5
Expense relating to leases of low-value assets	3.2
Expense relating to variable lease payments	4.3

The Group leases mainly plants and warehouses (lease terms between 3 and 25 years), machinery (lease terms of 5 years on average) and company cars (lease terms between 4 and 5 years).

For the lease of land and buildings, the Group is exposed to potential future increases in variable lease payments based on an index, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximize operational flexibility in terms of managing the assets used in the group's operations. As at December 31, 2019, potential future cash outflows of € 21.4 million (undiscounted) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

The lease liabilities are detailed in note 7.17.

7.12. INVENTORIES

Inventories can be split as follows:

in € million	December 31, 2019	December 31, 2018
Raw materials	147.8	169.3
Work in progress	1.0	1.1
Finished goods	181.4	204.2
Other	5.1	6.9
Write-down on inventories	(16.6)	(15.6)
Inventories	318.8	365.9

The Group mainly uses fluff, super-absorbers and non-woven fabrics. Other raw materials used by the Group for its production include polyethylene, adhesives and tapes as basic raw materials. The finished products are baby diapers, baby pants, towels, tampons, panty liners, incontinence products and trade goods.

The cost of inventories recognized as an expense and included under 'Cost of sales' amounted to € 1,661.3 million in 2019 (€ 1,666.5 million in 2018).

7.13. TRADE RECEIVABLES, PREPAID EXPENSES AND OTHER RECEIVABLES

The non-current other receivables include mainly non-current recoverable VAT.

The current trade and other receivables are detailed below:

in € million	December 31, 2019	December 31, 2018
Trade receivables	331.5	362.2
Less: allowance for impairment of trade receivables	(7.3)	(6.8)
Trade receivables - net	324.2	355.4
Prepayments	7.7	14.1
Other amounts receivable	41.4	55.0
Prepaid expenses and other receivables	49.1	69.1
Trade and other receivables - Current	373.3	424.5

Other amounts receivable include recoverable VAT for an amount of € 34.3 million for 2019 (2018: € 46.4 million). The fair value of the current receivables approximates their carrying amounts.

The aging of the trade receivables (net) at December 31 is as follows:

in € million	December 31, 2019	December 31, 2018
Not due	284.7	304.6
0 to 30 days	20.5	24.8
31 to 60 days	5.7	4.8
61 to 90 days	4.0	6.6
Over 90 days	9.3	14.6
Total	324.2	355.4

The Group doesn't apply systematically external credit rating. An impairment analysis of trade receivables is done based on expected losses, next to individual assessments, but there are no significant impairments.

The carrying amount of the Group's trade receivables (net) are denominated in the following currencies:

in € million	December 31, 2019	December 31, 2018
EUR	92.9	101.9
BRL	42.1	53.2
PLN	42.7	45.7
MXN	44.0	50.0
USD	21.0	26.6
RUB	13.1	12.2
TRY	10.6	15.4
GBP	19.7	15.3
AUD	8.2	10.3
Other	29.9	24.8
Total	324.2	355.4

During the year, the payment terms for the receivables have neither deteriorated nor been renegotiated. The maximum credit risk exposure at the end of the reporting period is the carrying value of each caption of receivables mentioned above. The Group does not hold any collateral as security.

Movements on the Group allowance for impairment of trade receivables are as follows:

in € million	December 31, 2019	December 31, 2018
Opening Balance	6.8	5.5
Allowance for receivable impairment	1.4	2.4
Receivables written off during the year as uncollectible	(0.9)	(0.4)
Unused amounts reversed	(0.1)	(0.5)
Foreign exchange differences	0.1	(0.2)
At December 31	7.3	6.8

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

The creation and the release of the allowance for impaired receivables have been included in 'Sales and marketing expense' in the income statement.

The Group has entered into a Group non-recourse syndicate factoring agreement with BNP Paribas Fortis Factor and KBC Commercial Finance. The Agreement provides us with a maximum credit facility of up to € 200 million and up to 95% of the amount of the approved outstanding receivables on all debtors that we transfer to the Factor. The remaining 5% of the relevant receivables is paid by the Factor to us upon receipt of payment from the relevant debtor, upon which also the remaining balance of the receivable is derecognized. Financing per debtor is capped at 10% of the aggregate amount of all approved outstanding receivables transferred to the Factor. Any financing within the credit limit is non-recourse to us. This factoring agreement is an off-balance sheet arrangement.

Next to the above-mentioned Group factoring agreement, Serenity (Italian subsidiary) entered into a bilateral factoring agreements with Ifitalia and Banca Sistema. Furthermore, also Ontex Russia has entered into a bilateral factoring agreement with Rosbank and Ontex Brazil has entered into a bilateral factoring agreements with Banco Safra and Banco Industrial. All these agreements are non-recourse agreements.

As at December 31, 2019, € 149.1 million of financing was obtained through the factoring programs (€ 163.2 million in 2018), this is in addition to € 12.3 million of financing was obtained through the use of supply chain financing programs offered by our customers. The late payment risk related to the factoring has been assessed as immaterial at closing 2019 and 2018.

In accordance with IFRS 9 *Financial instruments*, all non-recourse trade receivables, included in these factoring programs, are derecognized for the non-continuing involvement part.

7.14. CASH AND CASH EQUIVALENTS

The net cash position as presented in the consolidated statement of cash flows is as follows:

in € million	December 31, 2019	December 31, 2018
Short-term bank deposits (no longer than 3 months)	55.8	46.3
Cash at bank and on hand	72.1	84.3
Total	127.8	130.6

The carrying amount of the cash and cash equivalents is a reasonable approximation of their fair value.

The credit quality of the banks and financial institutions the Group is working with is mentioned in the following table:

in € million	December 31, 2019	December 31, 2018
AA	2.4	26.5
A	91.6	75.7
BBB	3.5	3.7
BB	11.0	19.5
B	11.7	-
C	-	1.3
No credit rating	7.7	3.9
Total	127.8	130.6

7.15. SHARE CAPITAL

The capital of € 1,208.0 million is represented by 82,347,218 shares, of which 1,491,654 treasury shares (2018: 1,559,874 treasury shares). As such, the ordinary shares held by third parties amount to 80,855,564 shares (2018: 80,787,344).

The issued capital is fully paid and consists of ordinary shares without par value.

7.16. EARNINGS PER SHARE

In accordance with IAS 33, the basic earnings per share amounts are 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. The number of shares used for 2019 was 80,804,164, which is the weighted average number of shares for 2019 (2018: 81,020,929 shares).

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent (after adjusting for the effects of all dilutive potential ordinary shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

In case of Ontex Group NV, no effects of dilution affect the net profit attributable to ordinary equity holders. The table below reflects the income and share data used in the basic and diluted earnings per share computations:

in € million	Full Year	
	2019	2018
Basic earnings		
Profit from continuing operations attributable to owners of the parent	37.3	97.0
Adjustment dilution	-	-
Profit from continuing operations attributable to owners of the parent, after dilution effect	37.3	97.0
Adjusted Basic Earnings		
Profit from continuing operations attributable to owners of the parent	37.3	97.0
Non-recurring income and expenses	70.3	24.3
Tax correction	(21.2)	(11.6)
Adjusted Basic Earnings	86.4	109.7
Adjustment dilution	-	-
Adjusted Earnings, after dilution effect	86.4	109.7

Number of shares	Full Year	
	2019	2018
Weighted average number of ordinary shares outstanding during the period	80,804,164	81,020,929
Dilution	133,028	94,940

Earnings per share (€)	Full Year	
	2019	2018
Basic earnings per share	0.46	1.20
Diluted earnings per share	0.46	1.20
Adjusted basic earnings per share	1.07	1.35
Adjusted diluted earnings per share	1.07	1.35

A weighted average number of 831,989 options were not included in the denominator of the diluted earnings per share as they were out-of-the-money at year-end 2019 (2018: 393,672 options).

7.17. INTEREST-BEARING DEBTS

in € million	December 31, 2019	December 31, 2018
Non-current		
Borrowings:		
Syndicated Term Loan A > 1 year	591.0	587.8
Term Loan > 1 year	150.0	150.0
Total return swap	-	33.0
Lease and other liabilities	178.5	15.8
Lease liabilities	120.3	-
Other financial liabilities	58.2	15.8
Interest-bearing debts non-current	919.5	786.6
Current		
Borrowings:		
Senior revolving Facility B	-	82.4
Interests:		
Other borrowings	1.3	1.2
Total return swap	31.2	-
Lease and other liabilities	37.1	20.4
Lease liabilities	24.2	3.1
Other financial liabilities	12.9	17.3
Interest-bearing debts current	69.7	104.0
Total interest-bearing debts	989.2	890.6

Reconciliation to statement of cash flows:

December 31, 2019	Opening carrying amount	Restatement opening balance IFRS 16	Cash flows	Non-cash movements				Closing carrying amount
in € million				Acquisition	Exchange differences	Reclasses	Other	
Non-current interest-bearing debts								
Borrowings	770.8	-	(1.8)	-	-	(31.2)	3.2	741.0
Lease and other liabilities	15.8	148.0	17.8	22.9	2.1	(23.8)	(4.3)	178.5
Current interest- bearing debts								
Borrowings	83.6	-	(82.4)	-	(0.1)	31.2	(0.1)	32.4
Lease and other liabilities	20.4	-	(7.2)	-	1.0	23.8	(0.6)	37.1
Total liabilities from financing activities	890.6	148.0	(73.6)	22.9	3.0	-	(1.9)	989.1
<i>Presented in the statement of cash flows (financing activities) as follows:</i>								
Proceeds from borrowings			48.8					
Repayment of borrowings			(122.3)					

December 31, 2018	Opening carrying amount	Cash flows	Non-cash movements				Closing carrying amount
in € million			Acquisition	Exchange differences	Reclasses	Other	
Non-current interest-bearing debts							
Borrowings	760.3	(4.7)	-	-	-	15.2	770.8
Financial lease and other liabilities	11.7	4.0	-	0.6	(0.5)	-	15.8
Current interest- bearing debts							
Borrowings	31.0	52.4	-	-	-	0.3	83.7
Financial lease and other liabilities	38.9	(18.5)	-	(0.6)	0.5	-	20.3
Total liabilities from financing activities	841.9	33.2	-	-	-	15.5	890.6
<i>Presented in the statement of cash flows (financing activities) as follows:</i>							
Proceeds from borrowings		58.6					
Repayment of borrowings		(25.4)					

All borrowings are denominated in € as of December 31, 2019, except for one borrowing in MXN (€ 15.3 million) (2018: all in €).

On September 26, 2017, the Group entered into a syndicate credit facilities agreement (Syndicated Term Loan A) in an amount of € 600.0 million, and a revolving credit facility (Senior Revolving Facility B) in an amount of up to € 300.0 million. The Syndicated Term Loan A of € 600 million due 2022 is carrying an interest rate of EURIBOR 3 months + margin of 1.75%. The Senior Revolving Facility B due 2022 is carrying an interest rate of EURIBOR 3 months + margin of 1.55%, but was not used at closing 2019.

Furthermore, the Group has also closed a Term Loan of € 150 million due 2024, carrying an interest rate of EURIBOR 3 months + margin of 1.40%. This agreement also includes an accordion option of € 100 million, carrying an interest rate of EURIBOR 3 months + margin of 1.40%.

As of December 31, 2019, € 300.0 million of the Senior Revolving Facility is undrawn (2018: € 217.6 million).

On July 29, 2015, a full hedging program (total return swap) for the share-based payment arrangements (LTIP) was implemented. For more information we refer to note 7.5.6 and 7.28.

This program was renewed in 2019. Total return swap decreased to an amount of 31.2 million (2018: € 33.0 million).

7.17.1. Collateral for borrowings

The Group is subject to regular information covenants, and certain financial ratios are monitored.

No assets have been pledged in the context of the syndicated term loans. However, certain subsidiaries act as guarantors for these loans.

7.17.2. Other information

- Following lines of credit have been granted to Productos Internacionales Mabe, S.A de C.V.:
 - USD 25.0 million from HSBC, of which nothing has been used;
 - USD 6.0 million from Banamex, of which nothing has been used;
 - MXN 156.5 million from Banregio, of which MXN 36.5 million has been used.
- Following lines of credit have been granted to Ontex Tuketim A.S.:
 - TRY 24.1 million and USD 1.6 million from Isbank Turkey. Over this line of credit in USD, 0.2 million has been used for letters of guarantees given to one of the suppliers.
 - TRY 10.1 million from Akbank Turkey; of which nothing has been used.
 - TRY 3.9 million and USD 0.9 million from Garanti Turkey. Over the line of credit of USD 0.9 million, USD 0.1 million has been used for a letter of guarantee given to one of the suppliers.
 - USD 2.0 million from Yapi Kredi, of which nothing has been used.
- Following lines of credit have been granted to Serenity SPA, of which €26.8 million has been used:
 - € 35 million from UniCredit
 - € 50 million from UBI
 - € 15 million from BNL
- Following lines of credit have been granted to Ontex Manufacturing Australia Pty Ltd, of which nothing has been used:
 - USD 1.1 million from Commonwealth Bank Australia.
- Ontex BVBA has given bank guarantees for an amount of € 10.2 million in favor of the Italian VAT authorities and € 2.0 million in favor of the Italian Custom Agency as at December 31, 2019.

7.18. EMPLOYEE BENEFIT LIABILITIES

The Group grants its working and retired personnel post-employment benefits, long-term benefits, and termination benefits. These benefits have been valued in conformity with IAS 19. The related IAS 19 liability recognized in the statement of financial position can be analyzed as follows:

in € million	December 31, 2019	December 31, 2018
Post-employment benefits	24.2	19.9
Long-term benefits	2.7	2.6
Termination benefits ¹	-	0.1
Employee benefit liabilities	26.9	22.6
Short-term employee benefit liabilities	55.1	47.9
Net liability	82.0	70.4

¹The termination benefits include also the pre-pensions, but exclude the termination benefits included in the restructuring provisions disclosed in note 7.21 below.

The calculation of the liability is based on actuarial assumptions that have been determined on the various balance sheet dates. They are based not only on macro-economic factors valid for the dates in question but also on the specific characteristics of the various schemes evaluated. They represent the Group's best estimate for the future. They are periodically reviewed in accordance with the evolution of the markets and available statistics.

Post-employment benefits

Ontex makes payments on a defined contribution basis to both state and private pension arrangements across our operations. In addition, Ontex operates a defined benefit insurance scheme in Belgium and Ontex also has an obligation to make severance payments to employees upon their retirement in France and Turkey.

Ontex also operates several unfunded pension arrangements in respect of our German operations. The German operations do not fund the pension arrangements but reflect pension scheme liabilities in company accounts on an IAS 19 basis. The pension benefits are paid by the relevant company as they fall due.

The Group operates a couple of defined contribution (DC) plans which receive fixed contributions. The Group's legal or constructive obligation for these plans is limited to the contributions. The expense recognized in the current period in relation to these contributions amounts to € 4.0 million (see also note 7.22 below; 2018: € 3.6 million).

In Belgium, the defined contribution (DC) plans are subject to a minimum guaranteed rate of return by law and are hence treated as defined benefit (DB) plans. In practice, this guarantee is mainly covered by insurance companies. As there is no deficit as per December 31, 2019, no liability has been recognized (2018: nil). The accumulated reserves of these plans are equal to the assets. There are no risks to which the plan exposes the entity, focusing on any unusual, entity-specific or plan-specific risks, and of any significant concentrations of risk.

Reconciliation of the post-employment employee benefit liabilities

in € million	December 31, 2019	December 31, 2018
RECOGNITION OF THE OBLIGATION		
Defined benefit obligation (DBO) at end of period	(35.1)	(30.0)
Fair value of plan assets at end of period	11.7	11.3
Funded status	(23.4)	(18.7)
	-	
Net (liability)/asset in statement of financial position	(23.4)	(18.7)
Defined benefit cost		
Current service cost	(2.3)	(2.4)
Past service cost	0.3	-
Service cost recognized in Income Statement	(2.0)	(2.4)
Interest expense on DBO	(0.7)	(0.5)
Interest income on plan assets	0.2	0.1
Net interest cost	(0.5)	(0.3)
Remeasurement of other long-term benefits	-	-
Pension expense	(2.4)	(2.7)

in € million	December 31, 2019	December 31, 2018
RECONCILIATION OF THE OBLIGATION		
Defined benefit obligation (DBO) at beginning of year	(30.0)	(28.4)
Current service cost	(2.3)	(2.4)
Past service cost	0.3	-
Service cost	(2.0)	(2.4)
Interest expense on DBO	(0.7)	(0.5)
Participant contributions	(0.1)	(0.1)
Administrative expenses included in the DBO	0.1	0.1
Taxes included in the DBO	0.2	0.2
Benefit payments from plan	0.3	0.1
Benefit payments from employer	0.4	0.4
Effect of changes in financial assumptions	(4.3)	0.2
Effect of experience adjustments	1.4	(0.1)
Effect of changes in foreign exchange rates	(0.3)	0.4
Defined benefit obligation (DBO) at end of year	(35.1)	(30.0)

in € million	December 31, 2019	December 31, 2018
RECONCILIATION OF PLAN ASSETS AT FAIR VALUE		
Fair value of plan assets at beginning of year	11.3	9.4
Interest income	0.2	0.1
Employer contribution	1.7	2.2
Plan participants' contributions	0.1	0.1
Benefit payments from plan	(0.3)	(0.1)
Benefit payments from employer	(0.4)	(0.4)
Administrative expenses included in the DBO	(0.1)	(0.1)
Taxes paid from plan assets	(0.2)	(0.2)
Return on plan assets (excluding interest income)	(0.7)	0.2
Fair value of plan assets at end of period	11.7	11.3

in € million	December 31, 2019	December 31, 2018
RECONCILIATION OF NET (LIABILITY)/ASSET IN STATEMENT OF FINANCIAL POSITION		
Net (liability)/asset at beginning of year	(18.7)	(18.9)
Defined benefit cost included in the income statement	(2.0)	(2.4)
Net interest expense	(0.5)	(0.3)
Total remeasurements included in OCI	(3.7)	0.3
Employer contributions	1.7	2.2
Effect of changes in foreign exchange rates	(0.3)	0.4
Net (liability)/asset at end of year	(23.4)	(18.7)
Unfunded versus Funded		
Part of DBO from plans that are wholly unfunded	(23.4)	(18.7)

The plan assets consist of insurance contracts.

Expected contributions to post-employment benefit plans for the year ending December 31, 2020 are € 2.4 million.

Significant actuarial assumptions

As at December 31, 2019	COUNTRY					
	Belgium	Germany	France	Turkey	Italy	Mexico
Discount rate	0.55%	0.35% / 0.80% / 0.45%	0.65%	0.85%	12.60%	7.16%
Expected Interest Income	0.55%	0.35% / 0.80% / 0.45%	0.65%	0.85%	12.60%	7.16%
Salary increase rate (on top of inflation)	3.25%	0.00% / N/A / N/A	2.50%	N/A	8.00%	4.54%
Rate of inflation	1.75%	1.75% / 1.75% / 1.75%	1.75%	1.75%	8.00%	4.00%
Mortality table	MR FR with age correction minus 3 years	Heubeck 2018 G	INSEE 2013/2015 par sexe	C.S.O. 1980	IPS55	EMSSA09
Turnover table/rates	None	N/A	Table 1	company specific	5% flat	Based on company experience
Disability table/rates	N/A	Heubeck 2018 G	N/A	N/A	N/A	N/A
Weighted average durations	14.1	10.9	13.0	4.6	12.4	11.0

* plan durations < 11: 1.35%; plan durations between 11 and 12: 1.5%; plan durations between 12 and 13: 1.55%; plan durations > 13: 1.65%

As at December 31, 2018	COUNTRY					
	Belgium	Germany	France	Turkey	Italy	Mexico
Discount rate	1.65% *	1.35% / 1.65% / 1.50% *	1.55% *	17.00%	1.55% *	7.85%
Expected Interest Income	1.65%	1.35% / 1.65% / 1.50%	1.55%	17.00%	1.55%	7.85%
Salary increase rate (on top of inflation)	3.25%	0.00% / N/A / N/A	2.50%	12.00%	N/A	4.54%
Rate of inflation	1.75%	1.75% / 1.75% / 1.75%	1.75%	12.00%	1.75%	4.00%
Mortality table	MR FR with age correction minus 3 years	Heubeck 2018 G	INSEE 2013/2015 par sexe	C.S.O. 1980	IPS55	EMSSA09
Turnover table/rates	none	N/A	Table 1	company specific	5% flat	Based on company experience
Disability table/rates	N/A	Heubeck 2018 G	N/A	N/A	N/A	N/A
Weighted average durations	14.1	10.9	13.0	4.6	12.4	11.0

* plan durations < 11: 1.35%; plan durations between 11 and 12: 1.5%; plan durations between 12 and 13: 1.55%; plan durations > 13: 1.65%

There are no unusual entity-specific or plan-specific risks to which the plan exposes the entity, neither are there any significant concentrations of risk.

The sensitivity analyses below have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

in € million	As at December 31, 2019					
	Belgium	Germany	France	Turkey	Italy	Mexico
Discount rate - 0,25bp	(20.1)	(11.3)	(2.9)	(1.6)	(1.9)	(1.4)
Discount rate + 0.25bp	18.4	10.8	2.7	1.5	1.8	1.3
Salary increase - 0.25bp	(19.0)	(11.0)	(2.8)	(1.5)	(1.9)	(1.3)
Salary increase + 0.25bp	19.4	11.0	2.9	1.6	1.9	1.3

in € million	As at December 31, 2018					
	Belgium	Germany	France	Turkey	Italy	Mexico
Discount rate - 0,25bp	(15.9)	(10.2)	(2.8)	(1.4)	(1.0)	(1.0)
Discount rate + 0.25bp	14.8	9.7	2.6	1.4	1.8	1.0
Salary increase - 0.25bp	(15.2)	(2.9)	(2.6)	(1.4)	(1.8)	(1.0)
Salary increase + 0.25bp	15.5	2.9	2.8	1.4	1.8	1.0

Post-Employment Benefits by Country

in € million	As at December 31, 2019					
	Belgium	Germany	France	Turkey	Italy	Mexico
RECOGNITION OF THE OBLIGATION						
Defined benefit obligation (DBO) at end of period	(18.3)	(9.8)	(2.8)	(1.1)	(1.9)	(1.2)
Fair value of plan assets at end of period	11.7	-	-	-	-	-
Funded status	(6.6)	(9.8)	(2.8)	(1.1)	(1.9)	(1.2)
Net (liability)/asset in statement of financial position	(6.6)	(9.8)	(2.8)	(1.1)	(1.9)	(1.2)

in € million	As at December 31, 2018					
	Belgium	Germany	France	Turkey	Italy	Mexico
RECOGNITION OF THE OBLIGATION						
Defined benefit obligation (DBO) at end of period	(14.6)	(8.8)	(2.7)	(1.1)	(1.8)	(1.1)
Fair value of plan assets at end of period	11.3	-	-	-	-	-
Funded status	(3.3)	(8.8)	(2.7)	(1.1)	(1.8)	(1.1)
Net (liability)/asset in statement of financial position	(3.3)	(8.8)	(2.7)	(1.1)	(1.8)	(1.1)

7.19. DEFERRED TAXES AND CURRENT TAXES

Deferred taxes

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred taxes relate to the same fiscal authority. The deferred tax assets and liabilities are attributable to the following items:

in € million	2019		2018	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Intangible assets	-	(4.3)	0.2	-
Property, plant and equipment	-	(47.0)	-	(43.7)
Leases	30.7	(33.6)	-	-
Inventories	0.9	-	-	(1.9)
Financial instruments	-	(17.5)	1.0	-
Employee benefits	6.6	-	1.0	-
Accrued expenses and other payables	21.5	-	2.7	-
Others	2.1	-	-	(2.7)
Tax losses	150.0	-	105.3	-
Tax credit	9.3	-	1.4	-
Deferred tax assets & liabilities - Gross	221.0	(102.3)	111.6	(48.3)
Net deferred tax assets not recognized	(124.1)	-	(86.7)	-
Offsetting	(67.7)	67.7	1.6	(1.6)
Deferred tax assets & liabilities - Net	29.3	(34.7)	26.5	(49.9)

Deferred tax assets are recognized on temporary differences, tax attributes carried forward and tax losses carried forward to the extent that the realization of the related tax benefit through the future taxable profits is probable.

The tax losses carried forward mainly relate to France, Belgium, Brazil and Spain. In Belgium and France, deferred tax assets have been recognized on tax losses carried forward considering the expected taxable profits in the foreseeable future.

The Group did not recognize deferred tax assets of € 124.1 million (2018: € 86.7 million) on the tax losses carried forward (see also note 7.4.1).

In Spain, this relates to tax losses at the level of the Spanish subsidiary acquired as part of Grupo Mabe. In Brazil this relates to tax losses at the level of the Brazilian subsidiaries. In both countries, tax losses can in principle be carried forward indefinitely but the current profit levels in the relevant entities are such that no deferred tax asset has been recognized per December 31, 2019, bearing in mind that in Brazil no tax consolidation is allowed and that in Spain pre-acquisition tax losses cannot be offset against profits of legacy Ontex entities.

The Group did not recognize deferred taxes associated with investments in subsidiaries. There is currently no policy or detailed plan in relation to the payment of dividends within the Group.

Current taxes

in € million	December 31, 2019	December 31, 2018
Current tax assets	15.8	12.5
Current tax liabilities	(39.4)	(46.0)

The current tax assets mainly relate to the excess of pre-payments made compared to the actual income tax payable for the year. The current tax liabilities include an amount of € 33.3 million actual corporate taxes payable (2018: € 35.6 million) and € 6.1 million of provision for uncertain taxes (2018: € 10.4 million).

7.20. CURRENT AND NON-CURRENT LIABILITIES

Other current liabilities (excluding provisions, income tax liabilities, financial liabilities and liabilities directly associated with non-current assets intended for sale) can be presented as follows:

in € million	December 31, 2019	December 31, 2018
Accrued expenses and other payables	39.0	31.8
Current accrued expenses and other payables	39.0	31.8
Trade payables	465.6	501.0
Employee benefit liabilities	55.1	47.9
Total current liabilities	559.8	580.7
Other non-current financial liabilities	-	-

7.21. PROVISIONS

in € million	Legal claims	Restructuring	Other	Total
Opening Balance	6.8	0.8	1.0	8.6
Additional provisions	1.1	15.5	1.2	17.8
Unused amounts reversed	(0.1)	-	(0.6)	(0.7)
Used during the year	(0.6)	(0.6)	(0.2)	(1.3)
As at December 31, 2019	7.2	15.8	1.4	24.4
<i>Of which non-current</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Of which current</i>	<i>7.2</i>	<i>15.8</i>	<i>1.4</i>	<i>24.4</i>

The restructuring provision has been established in the context of the Transform to Grow Programme, launched in 2018. The provision mainly includes termination benefits. The additional provisions have been recognized in 'Non-recurring income and expenses', under the heading 'Business restructuring' (see also note 7.24).

The Group recognizes a provision for certain legal claims filed against the Group by customers, suppliers or former employees.

On September 2, 2014, Ontex received a notification that the Spanish Competition Authorities (CNMC) opened infringement proceedings against 15 companies in the sector (including three subsidiaries of the Company: Ontex Es Holdco, S.A., Ontex Peninsular, S.A.U. and Ontex ID, S.A.U.) with respect to alleged conduct of fixing prices and other commercial conditions in the Spanish market for heavy adult incontinence products. On May 26, 2016, following the investigation, the CNMC issued its decision. In its decision it has found eight companies, including Ontex' Spanish subsidiaries guilty of being part of a cartel. For its involvement from 1999 to 2014, Ontex was fined € 5.2 million. Ontex initiated an appeal against the decision and this appeal is pending. As per December 31, 2016, a provision amounting to € 5.2 million has been accounted for. The provision has not been adjusted per December 31, 2019.

7.22. EMPLOYEE BENEFIT EXPENSES

in € million	Full Year	
	2019	2018
Wages and salaries	(258.9)	(260.1)
Social security costs	(62.0)	(61.6)
Defined benefit plans - Service cost	(2.0)	(2.4)
Defined contribution costs	(4.0)	(3.6)
Other employee benefit expenses	(55.0)	(52.4)
Total employee benefit expenses	(382.0)	(380.1)

In Full-Time Equivalents	2019	2018
Average number of total employees	9,610	10,750
Of which:		
- workers	5,996	6,944
- employees	3,520	3,706
- management	94	100

7.23. OTHER OPERATING INCOME/(EXPENSES), NET

in € million	Full Year	
	2019	2018
Gain on sale of assets	0.6	0.9
Foreign exchange differences on operating activities	3.0	2.7
Losses on sale of assets	(0.6)	(1.0)
Other income/(expenses)	(3.4)	(0.7)
Total other operating income/(expense), net	(0.5)	1.9

7.24. NON-RECURRING INCOME AND EXPENSES

in € million	Full Year	
	2019	2018
Factory Closure	(2.9)	(5.9)
Business restructuring	(54.7)	(11.1)
Acquisition-related expenses	(1.2)	2.5
Change in fair value of contingent consideration	-	(1.0)
Income and expenses related to changes to Group structure	(58.8)	(15.5)
Impairment of assets	(7.6)	(8.8)
Litigation and legal claims	(3.9)	-
Income and expenses related to impairments and major litigations	(11.5)	(8.8)
Total non-recurring income and expenses	(70.3)	(24.3)

Items classified under the heading non-recurring income and expenses are those items that are considered by management not to relate to items in the ordinary course of activities of the Company. The Group has adopted this classification to allow a better understanding of its recurring financial performance.

These items are presented as follows in the consolidated income statement as follows:

- income and expenses related to changes to Group structure; and
- income and expenses related to impairments and major litigations

7.24.1. Income and expenses related to changes to Group structure

Factory closure

On March 7, 2019, Ontex informed its employees at the Yangzhou (China) plant of its intention to cease production by mid-2019. This plant primarily manufactures feminine care products for the Western European market, and this production will be re-allocated to other Ontex plants. The costs recognized in 2019, € 1.5 million relates mainly to the restructuring expenses.

In 2018, the Group announced the decision to transfer its manufacturing operation in Aparecida de Goiânia to its manufacturing site in Senador Canedo, both in the State of Goiás. This move was made after an in-depth analysis and considering the efficiency of combining the entire production into a single unit, where it will be possible to deploy efficient technologies and processes. All alternatives were investigated to minimize impact on Ontex employees in Aparecida de Goiânia, the majority of whom have transferred to Senador Canedo.

The costs recognized relates mainly to the restructuring expenses (2019: € 1.4 million; 2018: € 5.9 million).

Business restructuring

The Group undertook several projects to optimize the management of its business.

The Group announced in May 2019 a comprehensive transformation plan, Transform2Grow (T2G), which will step-change the operational efficiency and commercial practices. With T2G-enhanced commercial focus and competitiveness, the Group will accelerate execution of our two strategic priorities: Strengthen the current leadership positions and expand into new businesses and geographies within our core categories. The T2G plan entails an investment of € 130 million, split between one-off costs of € 85 million and Capex of € 45 million, with a full pay-back by the end of 2022.

The costs recognized in 2019 relate to in-depth assessments of the different processes and the start of the implementation of different projects to increase the operational efficiency. Total expenses related to the execution of the projects amount to € 54.7 million in 2019.

Acquisition-related items

In 2018, an income of € 5.0 million was realized as a result of the reversal of the liability relating to the deferred consideration for the acquisition of Serenity as it is considered not probable. Furthermore, the Group incurred expenses relating to the continuing integration of Grupo Mabe and Ontex Brazil in 2018 and 2019.

7.24.2. Income and expenses related to impairments and major litigations

Impairment of assets

The impairment loss is a non-cash item and relates in 2019 and 2018 (2019: € 7.6 million; 2018: € 8.8 million) mainly to the impairment of assets as a result of the transfer of the manufacturing operation in Aparecida de Goiânia in Brazil to its manufacturing site in Senador Canedo.

7.25. EXPENSES BY NATURE

Expenses by nature represent an alternative disclosure for amounts included in the Consolidated Income Statement. There are classified under 'Cost of sales', 'Distribution expenses', 'Sales and marketing expenses', 'General administrative expenses' and 'Other operating income / expense (net)' in respect of the years ended December 31:

in € million	Note	Full Year	
		2019	2018
Changes in inventories		3.7	9.7
Raw materials and consumables purchased		(1,344.6)	(1,358.9)
Employee benefit expenses	7.22	(382.0)	(380.2)
Depreciation and amortization	7.9, 7.10, 7.11	(87.6)	(56.9)
Rendered services		(294.8)	(287.0)
Lease expenses	7.11	(18.0)	(43.7)
Other income / (expenses)	7.23	(0.5)	1.9
Total cost of sales, distribution expenses, sales and marketing expenses, general administrative expenses and other operating income / (expense)		(2,123.8)	(2,115.1)

7.26. NET FINANCE COST

The various items comprising the net finance cost are as follows:

in € million	Full Year	
	2019	2018
Interest income on current assets	2.6	2.5
Finance income	2.6	2.5
Interest expense on bonds and TLA (incl. commitment fee)	(15.4)	(14.4)
Amortization borrowing expenses	(3.2)	(3.6)
Interest expense on other loans	(16.4)	(7.1)
Interest expense	(35.0)	(25.1)
Banking cost	(2.0)	(2.2)
Factor fee	(1.0)	(1.1)
Losses on derivatives and deports forward contracts	(1.2)	(1.2)
Other	(0.1)	(0.3)
Finance cost	(39.3)	(29.9)
Finance income as per income statement	2.6	2.5
Finance expense as per income statement	(39.3)	(29.9)
Net exchange differences relating to financing activities	(1.0)	(1.2)
Net finance cost as per income statement	(37.7)	(28.6)

The interest expense on other loans includes also the interest expense on lease liabilities as disclosed in note 7.11, which explains the movement compared to 2018.

Reconciliation to the statement of cash flows:

in € million	Full Year	
	2019	2018
Total interest expense	(31.9)	(21.1)
Movement in accrued interest and accreting interest	0.6	(0.7)
Interest paid	(31.3)	(21.8)
Total interest income	2.6	2.5
Interest received	2.6	2.5

7.27. INCOME TAX EXPENSE

The income tax (charged)/credited to the income statement during the year is as follows:

in € million	Full Year	
	2019	2018
Current tax (expense) / income	(28.9)	(28.9)
Deferred tax (expense) / income	16.7	1.7
Total income tax expense	(12.2)	(27.2)

The income tax expense can be reconciled as follows:

in € million	Full Year	
	2019	2018
Profit before income tax	49.5	124.2
Income tax expense calculated at domestic tax rates	(9.6)	(31.2)
Disallowed expenses	(4.6)	(4.3)
Tax-exempt income	1.7	-
Use of previously unrecognized tax losses	0.2	1.6
Use of previously recognized tax losses	-	3.3
Effect of unused tax losses not recognized as deferred tax assets	(12.1)	(3.7)
Effect of previously unrecognized tax losses now recognized as deferred tax assets	4.0	8.5
Effect of tax credits recognized as deferred tax assets	5.8	-
Adjustments in respect of prior year	4.6	(3.4)
Difference in statutory tax rates	(1.4)	-
Other	(0.9)	2.0
Total income tax expense	(12.2)	(27.2)

7.28. SHARE-BASED PAYMENTS

Since September 2014 the Company implemented yearly Long-Term Incentive Plans ('LTIP'), which are based on a combination of stock options (further 'Options') and restricted stock units (further 'RSU's'). In 2019 the long-term incentive plan changed in a combination of RSU's, Options and Performance Stock Units (further 'PSU's'), each representing one third of the total long-term incentive grant value. The Options, RSU's and PSU's are accounted for as equity-settled share-based payments. The options, RSU's and PSU's can only vest and Options giving the right to receive shares of the Company (further 'Shares') or any other rights to acquire Shares can only be exercisable as from three years after the grant. The RSU, PSU and Options will vest subject to the condition that the participant remains in service. The share price is considered to be the relevant performance indicator and the vesting of the award will not be subject to additional specific performance conditions, except for PSU's. For the vesting of the PSU's, the Board has set targets for the 2019-2021 performance period in terms of like-for-like sales growth, Adjusted EBITDA and Earnings per share growth. The Articles of Association authorize the Company to deviate from such rule, as allowed under the Belgian Companies Code.

The exercise price of the Options will be equal to the last closing rating of the Share immediately preceding the option grant date. For the Options, the exercise period will start on the vesting date.

The Shares underlying the RSU's and PSU's will be granted for free as soon as practicable after the vesting date of the RSU's and the PSU's.

Upon vesting of RSU's and PSU's, the Shares underlying the RSU's and PSU's are transferred to the participants, while upon vesting, Options may be exercised until their expiry date (eight years from the date of grant).

On or about September 26, 2014, a total of 242,642 stock options and 49,040 RSU's were granted, 74,244 options and 49,040 RSU's have forfeited, expired or have been exercised as of December 31, 2019. The stock options and RSU's are exercisable between September 2017 and September 2022.

On or about June 26, 2015, a total of 159,413 stock options and 38,294 RSU's were granted, 19,746 options and 38,294 RSU's have forfeited, expired or have been exercised as of December 31, 2019. The stock options and RSU's are exercisable between June 2018 and June 2023.

On or about June 15, 2016, a total of 322,294 stock options and 75,227 RSU's were granted, 49,736 options and 75,227 RSU's have forfeited, expired or have been exercised as of December 31, 2019. The stock options and RSU's are exercisable between June 2019 and June 2024.

On or about May 10, 2017 a total of 299,914 stock options and 69,023 RSU's were granted, 38,173 options and 8,785 RSU's have forfeited, expired or have been exercised as of December 31, 2019. The stock options and RSU's are exercisable between June 2020 and June 2025.

On or about June 15, 2018, the Group granted a new LTIP plan consisting of 471,064 stock options and 93,576 RSU's, 40,921 options and 8,128 RSU's have forfeited, expired or have been exercised as of December 31, 2019. The stock options and RSU's are exercisable between June 2021 and June 2026.

During the period, the Group granted a new LTIP plan consisting of 393,403 stock options, 124,420 RSU's and 124,420 PSU's. 1,546 options, 441 RSU's and 441 PSU's have forfeited, expired or have been exercised as of December 31, 2019. The stock options and RSU's are exercisable between June 2022 and June 2027.

The Board of Directors of the Group has decided on June 1, 2015 to implement a full hedging program (total return swap) for the share-based payment arrangements starting July 1, 2015 and renewed on an annual basis.

The following share-based payment arrangements were in existence during the current and prior years:

	Expiry Date	Exercise Price per stock option (€)	Fair value (€)	# stock options/ RSU's/PSU's December 31, 2019	# stock options/ RSU's/PSU's December 31, 2018
LTIP 2014					
Options	2022	17.87	3.57	168,398	172,998
RSU's	2017	N/A	15.97	-	-
LTIP 2015					
Options	2023	26.60	6.39	139,667	139,667
RSU's	2018	N/A	24.45	-	-
LTIP 2016					
Options	2024	28.44	6.64	272,558	271,267
RSU's	2019	N/A	26.48	-	63,318
LTIP 2017					
Options	2025	33.11	7.62	261,741	263,836
RSU's	2020	N/A	30.45	60,238	60,720
LTIP 2018					
Options	2026	23.56	4.68	430,143	433,658
RSU's	2021	N/A	21.35	85,448	86,146
LTIP 2019					
Options	2027	14.0	3.99	391,857	-
RSU's	2022	N/A	12.05	123,979	-
PSU's	2022	N/A	12.05	123,979	-
Total outstanding stock options				1,664,364	1,281,426
Total outstanding RSU's				269,665	210,184
Total outstanding PSU's				123,979	-

The following reconciles the options and RSU's outstanding at the beginning and end of the year:

	Average exercise price per stock option (€) ¹	Stock options	RSU's	PSU's
As at January 1, 2018	27.56	915,936	170,658	-
Granted	23.56	471,064	93,576	-
Forfeited	28.29	(93,906)	(20,499)	-
Exercised ²	17.87	(11,668)	(33,551)	-
As at December 31, 2018	26.12	1,281,426	210,184	-
Granted	14.00	393,403	124,420	124,420
Forfeited	25.90	(5,865)	(64,939)	(441)
Exercised ²	17.87	(4,600)	-	-
As at December 31, 2019	25.54	1,664,364	269,665	123,979
<i>of which vested and exercisable</i>	24.93	580,623		

¹ The average exercise price mentioned in the table above relates only to the stock options, as the RSU's do not have an exercise price.

² The weighted average share price of options exercised during the year ended December 31, 2019 was € 16.48 (2018: € 22.64).

The fair value of the stock options has been determined based on the Black and Scholes model. The expected volatility used in the model is based on the historical volatility of the Company.

Below is an overview of all the parameters used in this model:

	LTIP 2014	LTIP 2015	LTIP 2016	LTIP 2017	LTIP 2018	LTIP 2019
Exercise Price (€)	17.87	26.60	28.44	33.11	23.56	14.00
Expected volatility of the shares (%)	23.58%	26.32%	26.56%	27.12%	25.63%	37.98%
Expected dividends yield (%)	2.94%	2.14%	1.98%	2.31%	2.70%	3.82%
Risk free interest rate (%)	1.13%	1.02%	0.37%	0.60%	0.69%	0.10%

The fair value of the RSU's and PSU's has been determined by deducting from the exercise price the expected and discounted dividend flow, based on the same parameters as above.

Social charges related to the LTIP are accrued for over the vesting period.

7.29. CONTINGENCIES

The Group is involved in a number of environmental, contractual, product liability, intellectual property, employment and other claims and disputes incidental to our business.

COFECE, the Mexican antitrust authority, is conducting an investigation in our industry. To the best of the Group's knowledge, the facts under investigation relate to periods prior to its acquisition of Grupo PI Mabe, S.A. de C.V. ("Mabe"). Ontex and Mabe have been proactively and fully cooperating with COFECE in the investigation and intend to continue to do so. Based on the facts and circumstances known to it and in light of the contractual terms of the Mabe acquisition, the Group does not expect the investigation to result in a net financial cost to it.

The Group currently believes that the disposition of the claims and disputes, individually or in aggregate, should not have a material adverse effect on our consolidated financial condition, results of operations or liquidity.

7.30. COMMITMENTS

7.30.1. Capital commitments

The Group has contracted expenditures for the acquisition of property, plant and equipment at December 31, 2019 of € 17.0 million (2018: € 26.3 million).

7.30.2. Operating lease commitments

The Group has also contracted a number of property leases that can be terminated by respecting the notice period which is different in each jurisdiction.

The Group leases machinery used in the production. The typical lease terms vary depending upon which country the lease agreement is entered into. The majority of lease agreements are renewable at the end of the lease period at market rate.

From 1 January 2019, the Group has recognized right-of-use assets for these leases, except for short-term and low-value leases, see note 7.11 for further information.

The lease expenditure charged to the income statement during the respective years is disclosed in note 7.11 'Leases'. Commitments in respect of future minimum lease payments that may be claimed under simple non-cancellable leases break down as follows:

in € million	December 31, 2019	December 31, 2018
Within one year	-	35.7
From 1 to 5 years	-	91.4
Beyond 5 years	-	33.8
Total	-	160.9

7.30.2. Bank guarantees

As indicated in note 7.17 'Interest-bearing debts', no assets are pledged as security for these borrowings. The entire amount of the Group's bank borrowings and accrued interest are secured according to collective pledge agreements.

The Group has given bank guarantees for an amount of € 26.7 million in order to participate in public tenders as at December 31, 2019 (2018: € 41.8 million).

7.31. RELATED PARTY TRANSACTIONS

As part of our business, Ontex has entered into several transactions with related parties.

7.31.1. Consolidated companies

A list of subsidiaries is given in note 7.7 'List of consolidated companies'.

7.31.2. Relations with the shareholders

There are no transactions with shareholders per December 31, 2019 (nor in 2018).

7.31.3. Relations with non-executive members of the Board of Directors

in € million	Full Year	
	2019	2018
Remuneration	0.8	0.9

7.31.4. Relations with the key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Group. Key management for the Group are all the members of Management Committee.

7.31.5. Key management compensation

Remuneration of the CEO		Full Year	
in € million		2019	2018
Fixed and variable remuneration		2.6	1.6

Remuneration of the Executive Team (excluding the CEO)		Full Year	
in € million		2019	2018
Fixed remuneration		4.5	4.7
Variable remuneration		3.9	1.9
Other remuneration		0.7	0.8
Total		9.1	7.4

The Company implemented Long-Term Incentive Plans ('LTIP'), which are based on a combination of stock options, restricted stock units and performance stock units (see note 7.28).

The number of stock options, restricted stock units and performance stock units granted to the CEO and the Executive Management Team is summarized below:

For the year ended December 31, 2019	Number of RSU's	Number of PSU's	Number of Stock Options
LTIP 2014			
CEO	7,868	-	38,930
Executive Team (excluding CEO)	21,163	-	104,720
LTIP 2015			
CEO	6,884	-	28,661
Executive Team (excluding CEO)	15,786	-	65,718
LTIP 2016			
CEO	14,522	-	62,220
Executive Team (excluding CEO)	37,496	-	160,650
LTIP 2017			
CEO	10,368	-	45,052
Executive Team (excluding CEO)	36,982	-	160,699
LTIP 2018			
CEO	14,921	-	75,114
Executive Team (excluding CEO)	47,478	-	239,016
LTIP 2019			
CEO	18,414	18,414	64,610
Executive Team (excluding CEO)	53,376	53,376	171,928

7.32. EVENTS AFTER THE END OF THE REPORTING PERIOD

COVID-19 is an infectious disease caused by the most recently discovered coronavirus. This new virus and disease were unknown before the outbreak began in Wuhan, China, in December 2019. Ontex sales in China and other countries of the Far East are not material, hence the outbreak of the virus in Asia had no significant impact on the financial performance of the Group at the publication date of this report.

However, based on its assessment of the evolution and spreading of the virus, the World Health Organization characterized it as a pandemic on March 11, 2020. We source several raw materials from suppliers all over the world and we deliver our products to customers located in all regions of the world. Further spread of the coronavirus leading to restrictions in the movement of goods and individuals could lead to disruptions to our supply chain and manufacturing organization, increased logistics costs and delayed shipments to customers. At the moment of the publication of these consolidated financial statements, the impact of the current spread of the virus on the financial performance of the Group is limited. We nevertheless will continue to monitor the situation closely as continuing restrictions due to the virus could adversely affect the results of operations, financial position and performance in 2020. Based on our analysis and modelling using currently available information, as well as discussions with the Management of Ontex, we believe the Company has taken the required measures to mitigate the impacts of the pandemic on its operations and strengthened its funding; even though visibility remains limited as the pandemic is still progressing, the going concern is not considered to be at risk.

No other significant events occurred after the end of the reporting date which would affect the information mentioned in these consolidated financial statements.

7.33. AUDIT FEES

in € thousands	Full Year	
	2019	2018
Audit Fees	1,130.7	1,108.4
Additional Services rendered by the auditor's mandate:		
Audit related fees	90.2	95.5
Tax advisory & compliance services	131.0	270.3
Other Services	9.0	22.9
Total	1,360.9	1,497.1

SUMMARY STATUTORY FINANCIAL STATEMENTS

STATUTORY BALANCE SHEET AFTER APPROPRIATION

in € million	December 31, 2019	December 31, 2018
ASSETS	3,172.8	3,282.5
FIXED ASSETS	3,015.7	3,078.9
Formation expenses	1.0	1.6
Intangible assets	16.1	45.4
Tangible assets	1.6	2.1
Financial fixed assets	2,997.0	3,029.9
Participating interests	1,908.0	1,908.0
Amounts receivable	1,088.9	1,121.8
Other financial fixed assets	0.1	0.1
CURRENT ASSETS	157.1	203.5
Amounts receivable within one year	87.8	121.3
Treasury shares	28.0	27.9
Cash at bank and in hand	39.2	52.1
Deferred charges and accrued income	2.2	2.2
EQUITY AND LIABILITIES	3,172.8	3,282.5
EQUITY	1,937.5	1,994.0
Capital	823.6	823.6
Share premium	412.7	412.7
Reserves	285.6	285.6
Accumulated losses	415.6	472.1
PROVISIONS AND DEFERRED TAXES	10.4	4.4
AMOUNTS PAYABLE	1,224.9	1,284.0
Amounts payable after more than one year	808.2	806.5
Financial debt	808.2	806.5
Amounts payable within one year	415.8	476.6
Financial debt	158.0	241.5
Trade debts	5.4	8.9
Taxes, remunerations and social security	5.1	5.4
Other amounts payable	247.3	220.7
Accruals and deferred income	0.9	0.9

STATUTORY INCOME STATEMENT

in € million	Full Year	
	2019	2018
Operating income	22.0	41.9
Operating charges	(83.0)	(69.5)
Operating loss	(61.0)	(27.7)
Financial result	3.7	24.5
Profit/(loss) for the period before taxes	(57.3)	(3.2)
Income taxes	0.7	(1.4)
Profit/(loss) for the period	(56.5)	(4.6)

EXTRACT FROM ONTEX GROUP NV SEPARATE (NON-CONSOLIDATED) FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH BELGIAN GAAP

The preceding information is extracted from the separate Belgian GAAP financial statements of Ontex Group NV and is included as required by article 105 of the Belgian Company Code. The separate financial statements, together with the annual report of the Board of Directors to the general assembly of shareholders as well as the auditors' report, will be filed with the National Bank of Belgium within the legally foreseen time limits. These documents are also available on request at Ontex Group NV, Korte Kepestraat 21, 9320 Aalst (Erembodegem).

The statutory auditor's report is unqualified and certifies that the non-consolidated financial statements of Ontex Group NV prepared in accordance with Belgian GAAP for the year ended December 31, 2019 (full financial year) give a true and fair view of the financial position and results of Ontex Group NV in accordance with the legal and regulatory dispositions applicable in Belgium.

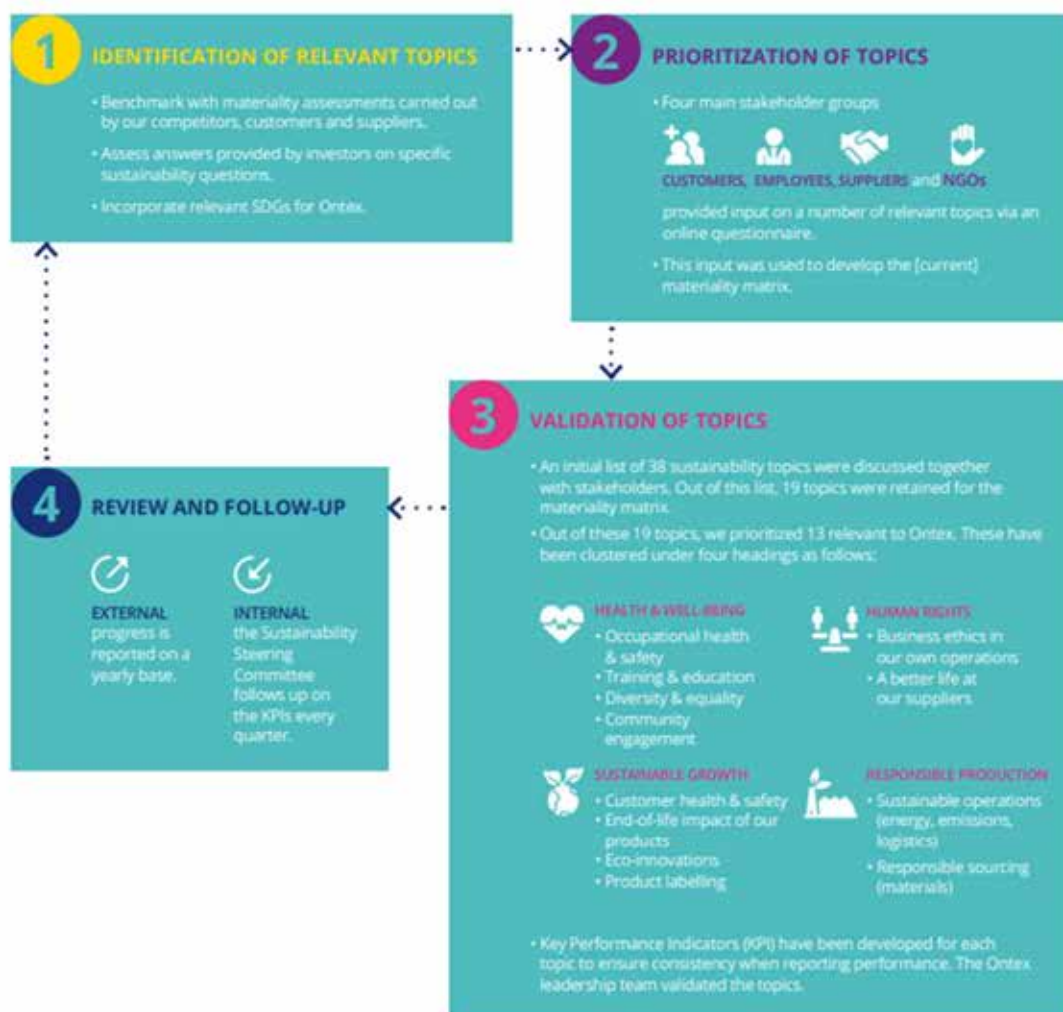
MATERIALITY APPROACH

THE DEVELOPMENT OF OUR NEW SUSTAINABILITY STRATEGY WAS BASED UPON A MATERIALITY ASSESSMENT. THIS APPROACH IDENTIFIES CRITICAL ECONOMIC, ENVIRONMENTAL AND SOCIAL ISSUES WHICH MAY SIGNIFICANTLY IMPACT ONTEX'S PERFORMANCE AND/OR INFLUENCE STAKEHOLDERS' DECISIONS.

We conduct a materiality assessment every two years. The last one was performed in December 2018 with just under 200 stakeholders from four main stakeholder groups: customers, employees, suppliers and NGOs.

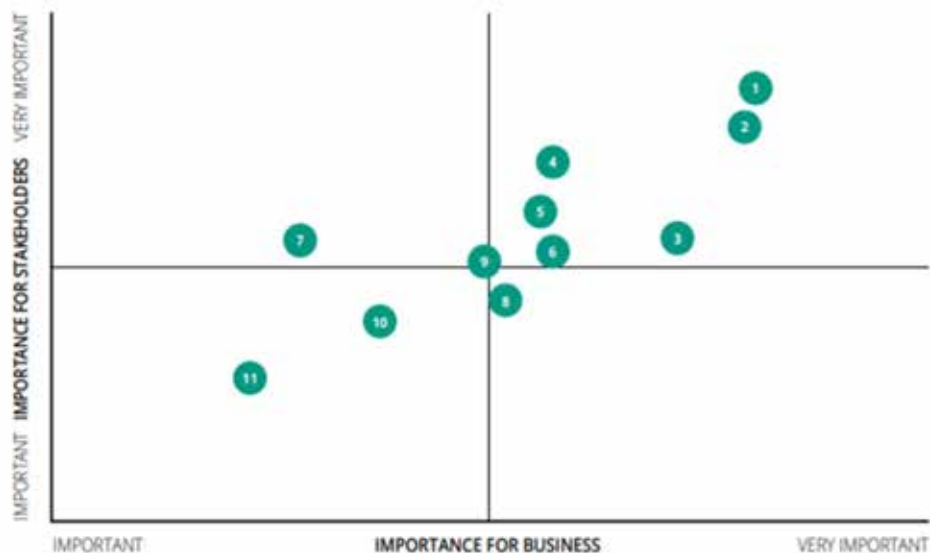
MATERIALITY PROCESS

We used a four-step process for the materiality assessment:



The topics identified were placed on a matrix (see below), their position relative to the degree of stakeholder interest and potential business impact.

MATERIALITY MATRIX



AREAS OF FOCUS AND WHY THEY MATTER

MATERIAL ASPECTS	DEFINITION AND CONTENT
1 Respecting human rights in our value chain	Responsibility for impacts across a range of internationally recognized human rights. Main topics: supply chain management, social audits at our sites.
2 Ensuring a safe workplace for our employees	Provide safe and healthy working conditions. Main topics: zero tolerance on injuries.
3 Ensuring good waste management in our production	Good quality waste sorting and reduction of waste-to-landfill. Main topics: reducing production waste, zero waste to landfill.
4 Embedding business ethics in how we conduct our business	Do business fairly, legally and ethically. Main topics: GDPR, competition, anti-bribery & corruption, code of ethics.
5 Investing in sustainable raw materials	Source suitable raw materials. Main topics: less raw materials, responsible forestry, sustainable alternatives.
6 Offering sustainable products	Develop products that create sustainable value for our customers or society. Main topics: eco design, end-of-life waste, safe products, product labeling.
7 Striving for an open dialogue with our stakeholders	Open communication and sharing of views, thoughts and concerns. Main topics: stakeholder engagement.
8 Promoting talent development at all levels of the organization	Help people grow on a personal level and reach agreed professional and personal goals. Main topics: training, leadership, personal development.
9 Valuing diversity and equal opportunities	To provide opportunities irrespective of nationality, gender and age. Main topics: gender balance, no discrimination.
10 Addressing climate change	Endeavors to address global warming. Main topics: energy management, renewable energy & reducing emissions.
11 Supporting local communities	Support of local communities that are impacted by the company's business: donations, volunteering, partnerships.

SUSTAINABLE DEVELOPMENT GOALS

THE UNITED NATIONS' SUSTAINABLE DEVELOPMENT GOALS (SDGS) HAVE OUR FULL SUPPORT. THEY INSPIRE OUR WORK AND ACT AS A GUIDE AS WE SET AMBITIONS AND ENGAGE WITH OUR PARTNERS. THEY PROVIDE A CLEAR COMPASS FOR BUSINESS GROWTH AND DEVELOPMENT. THEY HELPED PILOT US THROUGH THE DEVELOPMENT OF OUR NEW STRATEGY AND ARE EMBEDDED IN OUR SUSTAINABLE PRIORITIES.

As a company, we focus on the SDGs where we can have the biggest positive impact. This approach builds on our core principles of sustainability, safety and integrity, including respect for human rights.



Our healthcare products enhance consumer's everyday life. In our own operations, we are committed to creating a safe and healthy workplace.



Our focus is on circular solutions. Part of this is eliminating waste from production and optimizing waste treatment methods. Our commitment to eco or health labels will enhance transparency.



Our focus is on energy efficiency, renewable energy and supporting climate resilience so that our operations can become carbon neutral by 2030.



We will only source certified or controlled fluff, and use organic cotton in our products.



We strive to ensure good working conditions and fair jobs for all our employees and people in our supply chain.



We will continue to engage with local communities via partnerships, through volunteering, donations and other similar activities.

ENGAGING WITH OUR STAKEHOLDERS

WE ENGAGE WITH OUR STAKEHOLDER GROUPS IN A VARIETY OF FORMAL AND INFORMAL SETTINGS. THESE RANGE FROM MEETINGS WITH LOCAL, REGIONAL, NATIONAL AND INTERNATIONAL GROUPS TO ONGOING DIALOGUES WITH OUR CUSTOMERS AND CONSUMERS.

The table below shows how we engage, the topics of concern and how we try to address them.

STAKEHOLDER GROUP	HOW WE ENGAGE	KEY TOPICS AND CONCERNS	OUR RESPONSE
1 Suppliers	<ul style="list-style-type: none"> • Visits and meetings • Supplier conferences • Procurement • Supplier tracker 	<ul style="list-style-type: none"> • Raw material sourcing • Business ethics/human rights • Management systems • Quality • Innovation • Safe raw materials 	<ul style="list-style-type: none"> • Responsible sourcing • Vetting suppliers • Aligning suppliers with Code of Conduct • Operating sustainably
2 Employees	<ul style="list-style-type: none"> • Recruitment • Personal development reviews • Surveys • Union/worker representative meetings • Internal and external audits • Senior executive business updates • Internal communication via intranet, staff updates, newsletter • Community and employee well-being projects • Speak Up/ hotline • Social media and website 	<ul style="list-style-type: none"> • Health and safety • Working conditions • Equal opportunities • Business ethics • Leadership • Personal development 	<ul style="list-style-type: none"> • Ensuring safe and healthy working conditions • Ensuring the ethics of our own operations • Supporting diversity and equal opportunities • Training and education • Graduate program • Internal mobility • Talent development • Leadership competency model • Personal Growth Plan
3 Customers	<ul style="list-style-type: none"> • Monitoring product sales • Contact through our sales team • Regular customer visits • Joint business planning • Surveys and research 	<ul style="list-style-type: none"> • Product quality/safety • Carbon footprint • Smart, innovative solutions • Eco-labeling • Sourcing • Innovation • Working conditions • Human rights • Consumer insights • Single use plastics 	<ul style="list-style-type: none"> • Sustainable manufacturing • Offering more eco and health labeled products • Ensuring safe and healthy working conditions • Responsible and documented sourcing • Eco-innovation • Ethical operations • Training our institutional customers
4 Consumers	<ul style="list-style-type: none"> • Consumer panels and focus groups • Social media networks 	<ul style="list-style-type: none"> • Product quality/safety • Environmental impact of our products • Product labeling • Product quality • Service 	<ul style="list-style-type: none"> • Ensuring consumer health and safety • Reducing the environmental impact of our products • Offering more eco and health labeled products • Innovation • Customized products addressing local needs
5 Investors	<ul style="list-style-type: none"> • Ongoing dialogue with investors/analysts • Investor presentations/meetings • AGM • Quarterly earnings reports and webcasts • Materiality exercise with investors • PR • SRI indices and information requests 	<ul style="list-style-type: none"> • Governance • Business ethics • Risk management • Environment/carbon footprint 	<ul style="list-style-type: none"> • Clear and transparent governance framework • Ensuring the ethics of our own operations • Reducing the environmental impact of our products • Operating sustainably
6 Communities and non-governmental organizations	<ul style="list-style-type: none"> • Ongoing dialogue • Partnerships on common issues • Membership of business and industry associations • Charitable activities • Information requests from academics and students • Corporate website and social media networks 	<ul style="list-style-type: none"> • Human rights • Environment • End-of-life waste • Consumer health and safety • Local community involvement 	<ul style="list-style-type: none"> • Affordable personal hygiene solutions • Ensuring consumer health and safety • Research • Chemicals/quality protocols/policies • Donations

SUSTAINABILITY PERFORMANCE 2019

NON-FINANCIAL DATA

The table below provides an overview of Ontex's sustainability performance in 2019 and tracks progress since 2017.

ENVIRONMENTAL DATA						
GENERAL						
	UNIT	2017	2018	2019	COMMENT	
Production site scope						
Total number of manufacturing sites in scope	Number of sites	19	19	18		
ISO 14001 certification						
Percentage of ISO 14001 certified sites	%	69	77	85		
ISO 50001 certification						
Percentage of ISO 50001 certified sites	%	62	62	62		
ISO 45001 certification						
Percentage of ISO 45001 certified sites	%	15	15	23		
Radar chart audit						
Percentage of sites that went through a radar chart audit	%	-	-	39	New indicator. Internal audit to check plant's compliance with applicable regulations and company policies on quality, environment, safety, social accountability & ecolabels.	
CLIMATE						
	UNIT	2017	2018	2019	COMMENT	
CO ₂ EMISSIONS SCOPE 1,2 & 3						
Scope 1 & 2 emissions market-based						
Scope 1	Tons CO ₂ -equivalent	10992	11756	9770	Scope 1 and 2 carbon emissions are calculated using the Greenhouse Gas Protocol definition. Note that the transport of goods via owned trucks is currently not included in the scope of carbon reporting.	
Scope 2	Tons CO ₂ -equivalent	57966	55395	50855		
Total scope 1 & 2	Tons CO ₂ -equivalent	68957	67152	60626		
Scope 1 & 2 emissions location-based						
Scope 1	Tons CO ₂ -equivalent	10992	11756	9770		
Scope 2	Tons CO ₂ -equivalent	130677	135001	128694		
Total scope 1 & 2	Tons CO ₂ -equivalent	141669	146757	138465		
Absolute reduction of scope 1 & 2 emissions market-based since 2014	%	5	8	10		
Carbon intensity ratio of scope 1 & 2 emissions	gCO ₂ /€ product sold	32	29.3	26.6		

Greenhouse gas emissions in scope 3	Tons CO ₂ -equivalent	-	-	-	Currently not calculated.
--	----------------------------------	---	---	---	---------------------------

ENERGY EFFICIENCY & RENEWABLES

Energy consumption within the organisation

Electricity consumption	MWh	354107	432309	382937	
Car fuels (diesel/gasoline)	MWh	10831	11101	10226	
Fuel oil	MWh	3537	6086	3608	
LPG	MWh	1416	2685	1722	
Natural gas	MWh	27610	28233	25029	
Wood pellets	MWh	925	3542	2737	
Total energy consumption	MWh	398426	483956	426260	

Electricity intensity ratio	kwh/1000 finished goods	13.64	14.89	15.66	Weighted average over the different product categories.
------------------------------------	-------------------------	-------	-------	-------	---

Renewable energy

Percentage of renewable electricity	%	60	64	70	Quantity of renewable electricity compared with the total amount of electricity purchased.
Percentage of total renewable energy	%	-	-	63	New indicator. Quantity of renewable energy compared with total amount of energy consumed.

On-site production renewable electricity

Production plants with on-site renewable electricity generation	Number of sites	0	0	1	New indicator
Amount of green electricity generated on-site	MWh	-	-	628	New indicator

WATER

Water consumption

Ground water	m ³	38361	51125	79887	
Surface water	m ³	24161	10891	10171	
Urban water	m ³	115176	114457	114140	
Rain water	m ³	247	205	574	
Deep well	m ³	20242	23613	0	
Total water consumption	m ³	198187	200291	204771	

Water intensity ratio	l/1000 finished goods	-	-	9.33	New indicator
------------------------------	-----------------------	---	---	------	---------------

MATERIALS

	UNIT	2017	2018	2019	COMMENT
Material use					
Baby diapers	%	-6	-6	-8	Reduction of materials (kg) compared with base year 2014.
Baby pants	%	1	0	0	
External feminine care	%	5	6	2	
Light adult care	%	-3	-2	-1	
Heavy adult care	%	-7	-10	-13	
Total	%	-1	-2	-1	

Renewable raw materials

Share of renewable raw materials in our products	%	50	49	49	
--	---	----	----	----	--

Share of renewable raw materials in our packaging	%	82	82	81	
Biobased raw materials					
Share of biobased raw materials in our products	%	50	49	49	
Share of biobased raw materials in our packaging	%	80	82	81	
Deforestation					
Share of recycled paper and board for packaging	%	-	-	92	New indicator
Share of fluff coming certified sources (FSC®/ PEFC™)	%	35	55	73	
Share of fluff coming from controlled sources	%	65	45	27	
Share of organic cotton used in tampons	%	100	100	100	
Eco Products					
Share of products with eco-labels	% turnover	29	32	34	
CIRCULAR SOLUTIONS					
	UNIT	2017	2018	2019	COMMENT
REUSABLE, RECYCLABLE, COMPOSABLE					
Percentage of total packaging that is reusable, recyclable or compostable	%	100	100	100	New indicator
Share of recycled raw materials in our products	%	0	0	0	New indicator
Share of recycled raw materials in our packaging	%	-	-	0	New indicator
PRODUCTION WASTE					
Non-hazardous					
Sent to recycling	ton	24136	35230	31142	This data excludes waste information from our Ethiopian plant.
Sent to incineration for energy generation/recovery	ton	1769	2148	2201	
Sent to incineration without energy generation/recovery	ton	465	304	237	
Sent to landfill/storage	ton	5022	5924	4357	
Hazardous					
Sent to recycling	ton	501	27	25	The recycling index expresses the quantity of waste sent to recycling & energy recuperation compared with the total production waste.
Sent to incineration for energy generation/recovery	ton	26	167	136	
Sent to incineration without energy generation/recovery	ton	24	36	14	
Sent to landfill/storage	ton	398	29	5	
Total production waste	ton	32341	43865	38118	
Recycling index	%	82	86	88	
Production waste intensity ratio	Waste (g) per finished good	1.6	1.8	1.7	

SOCIAL DATA

HUMAN RESOURCES

	UNIT	2017	2018	2019	COMMENT
WORKFORCE					
Total employees					All Workforce data is expressed as the average number of total employees in 2019 (FTEs)
Total number of employees	Number of employees	11013	10750	9610	
Employee by category					
Blue collar	Number of employees	7475	6944	5996	
White collar	Number of employees	3431	3706	3520	
Management	Number	107	100	94	
Employees by geographical zones					
Number of different nationalities	Number	50	50	60	
Employees by gender					
Percentage of men in total employees	%	71	70	72	
Percentage of women in total employees	%	29	30	28	
Employees by age					
<30 years	%	27	26	23	
30-50 years	%	60	61	61	
>50 years	%	13	13	16	
Employees by contract type					
Limited duration	%	9	24	6	
Unlimited duration	%	91	76	94	
Inclusive diversity					
Percentage of female management	%	21	27	24	
Percentage of persons with disabilities	%	-	-	1	New indicator
Hires & dismissals					
Total number of hires	Number of hires	-	-	1606	New indicator
Total number of dismissals	Number of dismissals	-	-	1315	New indicator
Turnover rate	%	-	-	14%	New indicator
Absenteeism					
Absenteeism rate	%	-	-	3	Expressed as the total of unplanned hours of absence of active employees to the total of available hours during 2019.
SOCIAL DIALOGUE					
Social dialogue					
Percentage of employees covered by collective bargaining agreements	%	95	76	66	
Percentage of employees that are represented by a health & safety committee	%	95	94	41	

HEALTH & SAFETY**Occupational accidents**

Frequency rate	Ratio	14.39	9.16	5.86	Number of labor accidents per million worked hours.
Severity rate	Ratio	0.17	0.14	0.11	Number of total lost days compared with the total number of hours scheduled to be worked by the employees. Days mean scheduled work days. The counting of lost days starts the day after the accident.

Fatal accidents

Number	0	0	0
--------	---	---	---

Type of accidents

Superficial injuries	%	36	25	22	Top 5 of most frequent accidents.
Open wound or cut caused by sharp edge/machine	%	17	20	12	
Twisted, disjoints and work strain	%	13	8	8	
Cut caused by knife, cutter or scissors	%	-	8	3	
Closed fractures	%	7	-	16	
Others	%	14	39	39	

TALENT DEVELOPMENT

Percentage of employees trained	%			98	Employees having participated in at least one training course.
Total number of training hours	Number	207255	101993	192484	As not all training is currently registered, the figures shown are an underestimation. We are currently optimizing the process of registering training.
Average number of training hours per employee	Number	19	9	20	

HUMAN RIGHTS

Number of BSCI audits conducted at our sites	Number	-	12	7
--	--------	---	----	---

SUPPLIER DATA					
	UNIT	2017	2018	2019	COMMENT
Supplier Code of Conduct signed	%	93	95	64	A new Supplier Code of Conduct was developed and sent out to our existing raw material supplier in Q4 2019. We are in the process of collecting the signatures.
Human rights risk mapping					
Percentage of new suppliers that were screened using social criteria	%	-	-	100	New indicator. All our Group raw material & packaging suppliers are in scope.
Suppliers located in risk countries	%	-	-	26	New indicator. All our Group raw material & packaging suppliers are in scope.
Percentage of risk suppliers covered by a valid social audit report	%	-	-	-	New indicator. Monitoring starts in 2020.
MEMBERSHIPS OR PARTICIPATIONS					
Responsible forestry	FSC®				
	PEFC™				
Sustainable consumption	SWAN				
	GOTS				
	EU Ecolabel				
Sustainable supply chains	BSCI				
Circular business	OVAM - Flemish government				
Sustainability	The Shift				
Consumer health & safety	EDANA, Group Hygiène, INDA & Ahpma				

GRI INDEX

GRI STANDARD	Disclosure	Page number(s) and/or URL(s)
GENERAL DISCLOSURES		
GRI 101: Foundation 2016		
GRI 102: General Disclosures 2016	Organizational profile	
	102-1 Name of the organization	Cover
	102-2 Activities, brands, products, and services	Inner cover
	102-3 Location of headquarters	p. 160
	102-4 Location of operations	Inner cover
	102-5 Ownership and legal form	p. 51
	102-6 Markets served	p. 20-21
	102-7 Scale of the organization	Inner cover
	102-8 Information on employees and other workers	p. 153
	102-9 Supply chain	p. 46
	102-10 Significant changes to the organization and its supply chain	p. 160
	102-11 Precautionary Principle or approach	p. 40-41
	102-12 External initiatives	p. 148 & p. 160
	102-13 Membership of associations	p. 155
	Strategy	
	102-14 Statement from senior decision-maker	p. 5
	102-15 Key impacts, risks and opportunities	p. 8,9, 79-82
	Ethics and integrity	
	102-16 Values, principles, standards, and norms of behavior	p. 39
	102-17 Mechanisms for advice and concerns about ethics	p. 39
	Governance	
	102-18 Governance structure	p. 40-41, 50-82
	Stakeholder engagement	
	102-40 List of stakeholder groups	p. 16-17, 149
	102-41 Collective bargaining agreements	p. 153
	102-42 Identifying and selecting stakeholders	p. 16-17
	102-43 Approach to stakeholder engagement	p. 16,17, 146-147, 149
	102-44 Key topics and concerns raised	p. 16,17, 146-147, 149
	Reporting practice	
	102-45 Entities included in the consolidated financial statements	p. 118-120
	102-46 Defining report content and topic Boundaries	p. 160
	102-47 List of material topics	p. 147
	102-48 Restatements of information	-
	102-49 Changes in reporting	p. 160
	102-50 Reporting period	p. 160
	102-51 Date of most recent report	p. 160
	102-52 Reporting cycle	p. 160
	102-53 Contact point for questions regarding the report	p. 160
	102-54 Claims of reporting in accordance with the GRI Standards	p. 160
	102-55 GRI content index	p. 156-159
	102-56 External assurance	-

MATERIAL TOPICS		
GRI 200 Economic standard series		
Direct economic impacts		
GRI 103: Management Approach 2016	103-1 - 3 Explanation of the material topic and its Boundary, management approach, its components and evaluation	p. 48-49
GRI 201: Economic performance	201-1 - Direct economic value generated and distributed	p. 83-145
	201-2 - Financial implications and other risks and opportunities due to climate change	p. 79-82
Anti-corruption		
GRI 103: Management Approach 2016	103-1 - 3 Explanation of the material topic and its Boundary, management approach, its components and evaluation	p. 39
GRI 205: Anti-corruption 2016	205-2 Communication and training about anti-corruption policies and procedures	p. 39
Anti-competitive Behavior		
GRI 103: Management Approach 2016	103-1 - 3 Explanation of the material topic and its Boundary, management approach, its components and evaluation	p. 39
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	p. 39
GRI 300 Environmental Standards Series		
Materials		
GRI 103: Management Approach 2016	103-1 - 3 Explanation of the material topic and its Boundary, management approach, its components and evaluation	p. 42-43
	301-1 Materials used by weight or volume	p. 151
GRI 301: Materials 2016	301-2 Recycled input materials used	p. 152
	301-3 Reclaimed products and their packaging materials	-
Energy		
GRI 103: Management Approach 2016	103-1 - 3 Explanation of the material topic and its Boundary, management approach, its components and evaluation	p. 44-45
	302-1 Energy consumption within the organization	p. 151
	302-2 Energy consumption outside of the organization	-
GRI 302: Energy 2016	302-3 Energy intensity	p. 151
	302-4 Reduction of energy consumption	p. 151
	302-5 Reductions in energy requirements of products and services	p. 151
Emissions		
GRI 103: Management Approach 2016	103-1 - 3 Explanation of the material topic and its Boundary, management approach, its components and evaluation	p. 44-45
	305-1 Direct (Scope 1) GHG emissions	p. 150-151
	305-2 Energy indirect (Scope 2) GHG emissions	p. 150-151
	305-3 Other indirect (Scope 3) GHG emissions	p. 150-151
GRI 305: Emissions 2016	305-4 GHG emissions intensity	p. 150-151
	305-5 Reduction of GHG emissions	p. 150-151
	305-6 Emissions of ozone-depleting substances (ODS)	-
	305-7 Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	-
Waste		
GRI 103: Management Approach 2016	103-1 - 3 Explanation of the material topic and its Boundary, management approach, its components and evaluation	p. 42-43
	306-1 Water discharge by quality and destination	No data available
	306-2 Waste by type and disposal method	p. 152
GRI 306: Waste 2016	306-3 Significant spills	-
	306-4 Transport of hazardous waste	-
	306-5 Water bodies affected by water discharges and/or runoff	-

GRI 400 Social Standards Series		
Occupational Health and Safety		
GRI 103: Management Approach 2016	103-1 - 3 Explanation of the material topic and its Boundary, management approach, its components and evaluation	p. 36
GRI 403: Occupational Health and Safety 2016	403-1 Workers representation in formal joint management-worker health and safety committees	p. 153
	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	p. 154
	403-3 Workers with high incidence of high risk of diseases related to their occupation	-
	403-4 Health and safety topics covered in formal agreements with trade unions	-
Training and Education		
GRI 103: Management Approach 2016	103-1 - 3 Explanation of the material topic and its Boundary, management approach, its components and evaluation	p. 35
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	p. 154
	404-2 Programs for upgrading employee skills and transition assistance programs	p. 35
	404-3 Percentage of employees receiving regular performance and career development reviews	-
Diversity and Equal Opportunity		
GRI 103: Management Approach 2016	103-1 - 3 Explanation of the material topic and its Boundary, management approach, its components and evaluation	p. 3, 35, 56
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	p. 153
Human rights		
GRI 103: Management Approach 2016	103-1 - 3 Explanation of the material topic and its Boundary, management approach, its components and evaluation	p. 36-37, 39, 46
GRI 407: Freedom of association & collective bargaining	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	p. 36-37, 39, 46
GRI 408: Child labour	408-1 Operations and suppliers at significant risk for incidents of child labour	p. 36-37, 39, 46
GRI 409: Forced or compulsory labour	409-1: Operations and suppliers at significant risk for incidents of forced or compulsory labor	p. 36-37, 39, 46
GRI 411: Rights of Indigenous people	411-1: Incidents of violations involving rights of indigenous people	-
GRI 412: Human Rights Assessment	412-1: Operations that have been subject to human rights reviews or impact assessments	p. 36-37
	412-2: Employee training on human rights policies or procedures	-
	412-3: Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	p. 46

Local Communities		
GRI 103: Management Approach 2016	103-1 - 3 Explanation of the material topic and its Boundary, management approach, its components and evaluation	p. 38
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	p. 38
	413-2 Operations with significant actual and potential negative impact on local communities	-
Supplier Social Assessment		
GRI 103: Management Approach 2016	103-1 - 3 Explanation of the material topic and its Boundary, management approach, its components and evaluation	p. 46
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	p. 21, 155
	414-2 Negative social impacts in the supply chain and actions taken	-
Customer Health and Safety		
GRI 103: Management Approach 2016	103-1 - 3 Explanation of the material topic and its Boundary, management approach, its components and evaluation	p.47
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	p.48
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	-
Marketing and Labeling		
GRI 103: Management Approach 2016	103-1 - 3 Explanation of the material topic and its Boundary, management approach, its components and evaluation	p. 47
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	p. 47
	417-2 Incidents of non-compliance concerning product and service information and labeling	-
	417-3 Incidents of non-compliance concerning marketing communications	-

INVESTOR RELATIONS AND FINANCIAL COMMUNICATIONS

OUR AIM IS TO PROVIDE RELIABLE, CONSISTENT INFORMATION ON A TIMELY BASIS ABOUT THE STRATEGY, GOALS AND PROGRESS OF ONTEX TO ALL FINANCIAL MARKET PARTICIPANTS. SINCE OUR IPO IN JUNE 2014, WE ARE CONTINUOUSLY BUILDING OUR INVESTOR RELATIONS PROGRAM.

1. SHAREHOLDER STRUCTURE

The shareholder structure of the Company on December 31, 2019¹ was, based on the transparency declarations received by the Company, as follows:

Shareholders	Shares	% ²	Date threshold crossed
Groupe Bruxelles Lambert SA	16,454,453	19.98%	December 3, 2018
ENA Investment Capital	8,562,481	12.53% ³	November 6, 2019
Morgan Stanley	4,202,626	5.10%	December 3, 2019
Janus Capital Management LLC	3,424,055	4.75%	November 10, 2018
The Pamajugo Irrevocable Trust	2,722,221	3.64%	February 29, 2016
CIAM	2,614,990	3.18%	September 10, 2019

2. SHARE PERFORMANCE

Our share is listed on Euronext Brussels. Performance of the Ontex share compared with market indices and hygienic disposable manufacturers:



3. FINANCIAL CALENDAR 2020

Financial Calendar 2020	Date
Quarter 1 2020	May 6, 2020
Annual General Meeting of Shareholders	May 25, 2020
Half Year 2020	July 30, 2020
Quarter 3 2020	November 4, 2020

¹ Updates subsequent to December 31, 2019 are described on our website (<https://ontex.com/investors/leadership>).

² Percentage based on the outstanding share capital of the Company at the time of the declaration.

GLOSSARY

	Description
Adjusted Profit (or Adjusted Basic Earnings)	Adjusted Profit (or Adjusted Basic Earnings) is defined as profit for the period plus non-recurring income and expenses and tax effect on non-recurring income and expenses, attributable to the owners of the parent.
Adjusted Basic Earnings per share	Adjusted Basic Earnings per share are defined as Adjusted Basic Earnings divided by the weighted average number of ordinary shares.
Adjusted EBITDA	Adjusted EBITDA is defined as EBITDA plus non-recurring income and expenses
Adjusted EBITDA margin	Adjusted EBITDA margin is adjusted EBITDA divided by revenue.
Free Cash Flow	Free cash flow is defined as net cash generated from operating activities (as presented in the consolidated cash flow statement, i.e. including income taxes paid) less capital expenditures (Capex, defined as purchases of property, plant and equipment and intangible assets), less repayment of lease liabilities and including cash (used in)/from disposal.
EBITDA	EBITDA is defined as earnings before net finance cost, income taxes, depreciations and amortizations.
Like-for-like (LFL) revenue	Like-for-like revenue is defined as revenue at constant currency excluding change in scope of consolidation or M&A.
LTM adjusted EBITDA	LTM adjusted EBITDA is defined as EBITDA plus non-recurring income and expenses for the last twelve months (LTM).
Net Financial Debt	Net financial debt is calculated by adding short-term and long-term debt and deducting cash and cash equivalents.
Net financial debt/LTM adjusted EBITDA ratio (leverage)	Net financial debt divided by LTM Adjusted EBITDA.
Non-recurring income and expenses	<p>Income and expenses classified under the heading “non-recurring income and expenses” are those items that are considered by management not to relate to transactions, projects and adjustments to the value of assets and liabilities taking place in the ordinary course of activities of the Company. Non-recurring income and expenses are presented separately, due to their size or nature, so as to allow users of the consolidated financial statements of the Company to get a better understanding of the normalized performance of the Company. Non-recurring income and expenses relate to:</p> <ul style="list-style-type: none"> - acquisition-related expenses; - changes to the measurement of contingent considerations in the context of business combinations; - changes to the Group structure, business restructuring costs, including costs related to the liquidation of subsidiaries and the closure, opening or relocations of factories; impairment of assets and major litigations. <p>Non-recurring income and expenses of the Group for the years ended December 31 are composed of the following items presented in the consolidated income statement:</p> <ul style="list-style-type: none"> - income/(expenses) related to changes to Group structure; and - income/(expenses) related to impairments and major litigations.
Working Capital	The components of our working capital are inventories plus trade, pre-paid expenses and other receivables plus trade payables, accrued expenses and other payables.

ABOUT THIS REPORT

EACH YEAR ONTEX PUBLISHES AN INTEGRATED REPORT COVERING THE ECONOMIC, ENVIRONMENTAL AND SOCIAL ISSUES THAT MATTER MOST TO US AND OUR STAKEHOLDERS. OUR LATEST REPORT WAS PUBLISHED ON APRIL 3, 2019.

This report contains financial and non-financial information for the period January 1, 2019 to December 31, 2019, unless otherwise specified. It encompasses our operations in 12 countries as well as our headquarters in Aalst, Belgium, which together employ ~10,000 people. Some manufacturing sites and offices do not report all social or environmental data, and in these cases the type of data they report may differ from site to site. See the notes in Sustainable Performance 2019 chapter (p. 150-155).

We have used the Global Reporting Initiative (GRI) Standards (Core option) with reference to the Sustainable Development Goals (SDGs) to guide us in preparing this report. GRI is the international standard for sustainability reporting. The SDGs define global sustainable development priorities and aspirations for 2030 and seek to mobilize global efforts around a common set of goals and targets.

Disclaimer: This report may include forward-looking statements. Forward-looking statements are statements regarding or based upon our management's current intentions, beliefs or expectations relating to, among other things, Ontex's future results of operations, financial condition, liquidity, prospects, growth, strategies or developments in the industry in which we operate. By their nature, forward-looking statements are subject to risks, uncertainties and assumptions that could cause actual results or future events to differ materially from those expressed or implied thereby. These risks, uncertainties and assumptions could adversely affect the outcome and financial effects of the plans and events described herein. Forward-looking statements contained in this report regarding trends or current activities should not be taken as a report that such trends or activities will continue in the future.

This report represents the directors' report prepared in accordance with article 3.32 §1 of the Belgian Company Code. In most of the tables of this report, amounts are shown in € million for reasons of transparency. This may give rise to rounding differences in the tables presented in the report. This report has been prepared in English and translated into Dutch. In the case of discrepancies between the two versions, the Dutch version will prevail.

The Ontex leadership team has validated this report.

Contact details

INVESTOR CONTACTS

Philip Ludwig
Head of Investor Relations and Financial Communications
+32 53 333 730
philip.ludwig@ontexglobal.com

PRESS CONTACTS

Gaëlle Vilatte
Head of Corporate Communications
+32 53 333 708
gaelle.vilatte@ontexglobal.com

SUSTAINABILITY CONTACTS

Elise Barbé
Group Sustainability Specialist
+32 53 333 756
elise.barbe@ontexglobal.com

Send us your feedback: <https://ontex.com/contact> or corporate.communications@ontexglobal.com



Designed by
Chriscom
www.chriscom.eu

For enquiries and additional
information, please contact:

ONTEX
Korte Keppestraat 21
B-9320 Aalst
Erembodegem
Belgium
Tel.: +32 53 333 600

www.ontexglobal.com