Ontex H1 2020 results: Strong progress in an unprecedented environment
Meaningful profitability improvement; T2G ramping up

- **Resilient revenue: €1,053 million reported; 2.0% LFL decrease due to Q2 demand slowdown**
- **Strong increase in Adjusted EBITDA: €126 million (+13%) and Adj. EBITDA margin: 12.0% (+199 bps), reflecting significant gross margin improvement due to lower raw material costs and ongoing delivery of T2G despite lower volume, COVID-19 disruptions and costs, as well as strong currency headwinds**
    - **T2G delivered €49 million of gross value creation at constant currencies in H1 2020**
- **Adjusted EPS up 34% to €0.61 on the back of higher operating profit**
- **Positive free cash flow generation and further decrease in leverage**
- **US expansion strategy advances: Greenfield project launched, feminine care acquisition completed in July**

Aalst-Erembodegem, July 30, 2020 - Ontex Group NV (Euronext Brussels: ONTEX) today announced its results for the three months and six months ending June 30, 2020.

Thierry Navarre, Ontex CEO, commented: *"Ontex delivered a meaningful improvement in H1 operating performance amid the exceptional context of the COVID-19 pandemic, with an unprecedented surge and subsequent unwinding of demand, as well as extreme currency headwinds. While lower market demand weighs on our sales, we generated a substantial improvement in profitability, from gross margin to net profit, on the back of strong delivery from our T2G plan. I want to thank Ontex's staff across the group and all our business partners, who are working tirelessly to ensure we supply daily-use personal hygiene products to our consumers and customers. While addressing current challenges, we invested to drive future growth, as attested by our recent announcement of a new manufacturing facility and the feminine care acquisition, both in the US. In an environment that remains uncertain, we will continue all efforts to protect our people, improve operations, and enhance profitability and cash generation."*

Key Financials for H1 2020 and Q2 2020

€ in million, except per share data	Six Months 2020	Six Months 2019	Six Months % Change	Second Quarter 2020	Second Quarter 2019	Second Quarter % Change
LFL Revenue	**1,091.7**	**1,114.3**	**-2.0%**	**508.5**	**568.1**	**-10.5%**
Reported Revenue	**1,053.4**	**1,114.3**	**-5.5%**	**479.2**	**568.1**	**-15.6%**
Adjusted EBITDA at constant currencies	157.7	111.0	+42.0%	79.2	58.1	+36.4%
Adjusted EBITDA Margin at constant currencies	*14.4%*	*10.0%*	*+448 bps*	*15.6%*	*10.2%*	*+536 bps*
Adjusted EBITDA	125.9	111.0	+13.4%	59.9	58.1	+3.1%
Adj. EBITDA Margin	12.0%	10.0%	+199 bps	12.5%	10.2%	+228 bps

in € million, except per share data	Six Months 2020	2019	% Change
Free Cash Flow	28.7	52.1	-44.9%
Net Debt	853.4	898.7	-5.0%
Net Debt / LTM Adj. EBITDA	3.28x	3.71x	-0.43x
Adj. profit/(loss) for the period	49.2	36.5	+34.8%
Adjusted EPS	0.61	0.45	+34.4%
Non-recurring income and expenses	(10.8)	(39.6)	-72.7%
Profit/(Loss) for the period	41.1	8.4	n. m.
Basic EPS	0.51	0.10	n. m.

N.M.: not meaningful

Notes which apply to this document
Unless otherwise indicated, all comments in this document on changes in revenue are on a like-for-like basis (at constant currencies).
Definitions of Alternative Performance Measures (APMs) in this document can be found in section 6.16 of the Condensed Consolidated Interim Financial Statements.
Due to rounding, numbers presented throughout this press release may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

Improved operating profitability in H1 2020

Solid profitability in a challenging environment

LFL revenue decreased 2.0% in H1 2020, as strong growth at the end of Q1 was followed by a slowdown in market demand particulary in April and May, with sequential improvement in June. Despite lower volume, we grew gross profit and gross margin meangingfully thanks to T2G initiatives and lower raw material indices. This strong gross profit improvement underpinned Adjusted EBITDA growth of 13.4% to €125.9 milllion, yielding an Adjusted EBITDA margin of 12.0%. At constant currencies, Adjusted EBITDA grew 42.0% to €157.7 milllion, and the related margin was 14.4%. Adjusted EPS was up 34% at reported currencies.

Positive free cash flow generation and improved leverage

The Group's focus on cash generation resulted in free cash flow of €29 million in H1 2020, which reflects rigorous working capital and capex management, and comes on top of the €110 million free cash flow generated in FY 2019. Net debt at end June 2020 of €853 million (or €718 million excluding IFRS 16 Leases) decreased by €8 million versus end of December 2019, and by €18 million versus end of March 2020, while factoring at the end of H1 2020 stood at €157 million, down €4 million vs. end-2019. As a consequence of stronger Last Twelve Months Adjusted EBITDA and lower net debt at end of period, reported leverage improved to 3.28x from 3.51x at end-December 2019.

Transform to Grow (T2G) Progress Report

Despite the execution challenges raised by the pandemic, we delivered through T2G €49 million of gross gains to Adjusted EBITDA at constant currencies in H1 2020

We made good progress in several areas: The operational workstreams delivered €57 million of gross gains at constant currencies in H1 2020 versus the same period last year of which c. 80% was generated from procurement initiatives, excluding any benefit from lower raw material indices. To achieve these gains we have been reinforcing our procurement, production engineering and management resources that are supporting our operational transformation. Whereas we are ahead of our targets in procurement, achieving our efficiency and cost improvement ambitions in manufacturing and supply chain requires a further enhancement of our skills, processes and systems, and therefore is taking more time and efforts than initially anticipated.

In a very difficult market context, the commercial workstreams are not yet delivering the expected benefits. We continued to invest in sales and marketing to support Ontex brands and upgrade our commercial capabilities. Price/mix improved in the first half but did not fully offset the volume shortfall due to lower market demand. Altogether, sales and marketing investments and the unfavorable volume/price/mix had a €8 million negative impact on the T2G gross gains for the first half.

COVID-19 has impacted the ability to implement certain T2G initiatives, in particular those related to enhanced customer value propositions and product mix optimization. This is due to adjusted priorities by customers and Ontex in the unprecedented demand environment in H1 2020, restrictions on travel, access to production lines for innovation and saving projects, and postponed joint business development initiatives with customers and suppliers. Actions are being taken to ensure these initiatives get back on track.

Overall, taking into account the achievements to date and the delays mentioned above, we are on track to deliver the announced improvement objectives by 2021, while remaining within the foreseen budget of €85 million for one-off costs across 2019 - 2021. Also, in line with our last update on the subject, Group capital expenditure for 2020 and 2021 including T2G-specific projects, will not exceed 5% of sales. This is a decrease versus our initial plan, reflecting the in-depth review and optimization of our total capital expenditure program carried out in the last 12 months.

Operating in the COVID-19 environment

The personal hygiene market in Europe experienced an unforeseen surge in demand towards the end of Q1 with category revenue up double-digit in March, followed by double-digit decreases in April and May.

The decrease in demand for the tracked channels was impacted by:

- customers and consumers using their stock of products after stockpiling
- lower personal hygiene consumption due to restricted consumer mobility
- lower store traffic due to lockdown-related closures and consumer health and safety concerns
- postponement of promotions and new product launches by retailers
- higher online sales

Low visibility on demand put significant pressure on personal hygiene players to satisfy customers and consumers. The entire Ontex organization rapidly mobilized to address these challenges. We incurred c. €8 million in COVID-19 related expenditures in H1 2020, mainly including extra compensation, disinfection and enhanced cleaning of our operations, protective equipment and additional transportation costs for our products. These costs have been recognized as recurring expenses in the income statement of the period.

All measures to protect our employees, ensure continuity of our operations and enhance profitability and cash generation remain in force.

Current prospects for Q3 2020

Considering the persisting uncertainties related to the pandemic and its impacts on our business, in particular on the evolution of demand in our markets, we are not in a position to provide projections for the balance of 2020. In this challenging context, we remain focused on supporting our customers and improving our operating performance.

The fluff pulp index has increased sequentially (in US Dollars) since early this year, which will have a limited impact on our purchasing prices. The most recent indices for oil-based derivatives show sequential increases following downwards trends earlier in Q2. However, these indices remain below the levels of prior year.

At current rates, we expect the year-on-year negative impact of currency depreciations on reported revenue and Adjusted EBITDA in Q3 to be similar to the impacts reported in Q2.

Operational Review: Categories

in € million	Six Months 2020	Six Months 2019	Six Months % Δ as reported	Six Months % Δ at LFL	Second Quarter 2020	Second Quarter 2019	Second Quarter % Δ as reported	Second Quarter % Δ at LFL
Ontex Reported Revenue	**1,053.4**	**1,114.3**	**-5.5%**	**-2.0%**	**479.2**	**568.1**	**-15.6%**	**-10.5%**
Babycare	589.7	648.9	-9.1%	-5.1%	261.3	337.5	-22.6%	-16.5%
Adult Incontinence	338.4	345.2	-2.0%	+0.9%	161.3	171.5	-5.9%	-1.8%
Femcare	111.0	106.3	+4.3%	+5.3%	49.0	52.2	-6.0%	-4.5%
Other	14.4	13.9	+3.8%	+12.7%	7.5	6.9	+9.0%	+20.7%

H1 2020 Babycare category revenue was down 5.1% compared with a year ago. Category sales have been strongly impacted in the second quarter as they slowed after the surge recorded in March as lockdown measures were implemented. They also reflect lower consumption patterns as consumers were largely confined throughout the quarter.

The Adult Incontinence (Adult Inco) category posted a 0.9% revenue increase in H1 2020. Adult Inco sales were up 4.5% in retail channels, with solid growth in the first quarter followed by lower market demand in Q2. Sales in institutional channels decreased as the result of the temporary suspension of a contract in our Healthcare Division, for which shipments have resumed in the second quarter.

Feminine Care revenue in H1 2020 ended up 5.3% above the same period last year on the back of a strong start to the year. Organic cotton tampons continued to exhibit solid growth in AMEAA.

Operational Review: Divisions

in € million	Six Months 2020	Six Months 2019	Six Months % Δ as reported	Six Months % Δ at LFL	Second Quarter 2020	Second Quarter 2019	Second Quarter % Δ as reported	Second Quarter % Δ at LFL
Ontex Reported Revenue	**1,053.4**	**1,114.3**	**-5.5%**	**-2.0%**	**479.2**	**568.1**	**-15.6%**	**-10.5%**
Europe	442.0	469.1	-5.8%	-4.7%	191.9	235.4	-18.5%	-17.0%
AMEAA	393.6	422.7	-6.9%	+0.9%	180.1	223.2	-19.3%	-7.8%
Healthcare	217.9	222.4	-2.0%	-2.0%	107.2	109.4	-2.0%	-1.8%

[1] 2019 revenue in AMEAA and Healthcare has been adjusted due to a shift of customer responsibility between these Divisions effective January 1, 2020, which has no impact on total Ontex revenue. Details can be found in annex.

Europe

Europe Division revenue in H1 2020 decreased 4.7% on the back of a strong surge in demand in March, followed by lower sales during Q2 essentially reflecting the market trends for personal hygiene products as described on page 3. The expected decrease in demand in April (disclosed in the Q1 Trading Update) was followed by a weaker-than-expected May, while June showed a slight sequential improvement as lockdown measures eased in most countries. In light of exceptional demand volatility, the commercial teams are working closely with our large customer base to ensure uninterrupted availability of essential, daily-use hygiene products.

Americas, Middle East, Africa and Asia (AMEAA)

H1 2020 revenue in the AMEAA Division increased 0.9% on a strong comparable base in the same period of 2019. Similarly to Europe, the commercial environment was impacted by the spread of the pandemic during most of H1. This underpinned the strong start to the year including some stockpiling ahead of lockdown measures, followed by a slowdown in demand throughout Q2 across all geographies, explained by the unwinding of the Q1 stockpiling, confinement measures and store closures. Sales in the Americas were up in H1 versus a year ago, led by growth in Brazil despite store closures for several weeks in Q2, and in the US where stores remained open albeit with less customer traffic. The solid positioning of our local brands helped our business in Mexico contain the impact of lower demand in most retail channels in Q2. Revenue in MEAA was down versus last year as many markets were impacted in the second quarter by the pandemic and related health measures, which reduced consumer access to shops and limited commercial activities.

Healthcare

Revenue in our Healthcare Division was down 2.0% in H1 2020, demonstrating a good degree of resilience in a challenging environment, including the temporary closure of some sales channels in the second quarter, such as hygiene and babycare shops. Excluding the temporary suspension of an institutional contract, H1 2020 Healthcare revenue was higher than in the first half of 2019, in part thanks to continued progress in self-pay and e-commerce channels. The aforementioned institutional contract resumed in April and achieved full run-rate in June. In addition, sales in home delivery channels were solidly ahead.

FINANCIAL REVIEW

Selected Financial Information

	First Half		
in € million	**2020**	**2019**	**% ∆**
Ontex Reported Revenue	**1,053.4**	**1,114.3**	**-5.5%**
Cost of sales	(736.2)	(820.3)	-10.2%
Gross profit	**317.2**	**294.0**	**+7.9%**
Operating expenses	(191.3)	(183.0)	+4.6%
Adjusted EBITDA	**125.9**	**111.0**	**+13.4%**
Non-recurring income and expenses	(10.8)	(39.6)	-72.7%
EBITDA	**115.1**	**71.5**	**+61.1%**
Depreciation and amortization	(43.4)	(42.4)	+2.3%
Operating profit	**71.7**	**29.1**	**+146.7%**
Net finance cost	(16.2)	(17.8)	-9.2%
Income tax expense	(14.4)	(2.9)	n.m.
Adjusted profit for the period	**49.2**	**36.5**	**+34.8%**
Adjusted Basic EPS	0.61	0.45	+34.4%
Profit for the period	**41.1**	**8.4**	**n.m.**
Basic EPS	0.51	0.10	n.m.
Free Cash Flow (post-tax)	**28.7**	**52.1**	**-44.9%**
- Of which change in WC	(10.4)	43.2	n.m.
- Of which Capex	(45.2)	(39.6)	+14.1%
- Of which repayment of lease liabilities	(13.7)	(13.3)	+2.9%

n.m. not meaningful

Gross profit

H1 2020 gross profit was €317.2 million, an increase of +7.9% compared with the same period last year. Gross profit was positively impacted by material savings and efficiencies generated from T2G initiatives as they continued to ramp up, and also benefited from lower raw material indices. These positive effects more than outweighed the impacts of lower revenue, the steep depreciation of several functional currencies versus the euro, and additional, unplanned COVID-19 related expenses. We also invested in engineering capabilities to accelerate our manufacturing transformation as part of T2G. Gross profit as a percentage of sales was 30.1% in H1 2020, up 373 basis points versus prior year.

Adjusted EBITDA

Adjusted EBITDA reached €125.9 million in H1 2020, 13.4% above a year ago, resulting in an adjusted EBITDA margin of 12.0%, up 199 basis points. The solid improvement in adjusted EBITDA reflected higher gross profit, and allowed for ongoing investment in marketing to support our brands (albeit adjusted to lower demand in Q2), in R&D to enhance innovation, as well as in IT to support the manufacturing transformation and our digital initiatives. At constant currencies, Adjusted EBITDA was €157.7 million in H1 2020, up 42.0% year-on-year and the related margin was 14.4%, +448 basis points.

Non-recurring income and expenses

Non-recurring expenses were €10.8 million in H1 2020, a decrease of 72.7% year-on-year. The majority of these charges were related to restructuring expenses as part of the implementation of the T2G program. The cash flow impact of non-recurring expenses was -€23.0 million in H1 2020, due to timing differences between expense recognition, for which an important amount was recorded in 2019 linked to the start of many T2G initiatives, and cash out which is planned to be more evenly spread over the T2G program period of 2019 to 2021, as previously disclosed.

Due to rigorous control of expenses and cash outlays, for the full year 2020 we now expect non-recurring expenses recognized in the income statement at €30 million to €35 million [*previously: €35 million to €40 million*], of which €15 million to €20 million [*previously: €25 million to €30 million*] related to the implementation of T2G. The forecast cash-outs related to non-recurring items ranges from €35 million to €40 million [*previously: €45 million to €50 million*], of which €25 million to €30 million [*previously: €35 million to €40 million*] related to the T2G implementation.

Foreign Exchange

Nearly all of the main functional currencies in which we do business weakened versus the euro in H1 2020, resulting in negative impacts on both revenue and Adjusted EBITDA. The impact on Group revenue was -€38.3 million, primarily attributable to a depreciation of the Brazilian Real, Mexican Peso, and to a lesser extent the Turkish Lira, Polish Zloty and Russian Ruble, versus the euro. The evolution of these currencies against the euro also explain most of the -€31.7 million impact on Adjusted EBITDA in the first half of 2020.

Net Finance Cost

The net finance cost in H1 2020 was €16.2 million, a decrease of 9.2% compared with the same period last year. This is fully explained by the impact on our net financial debt of movements in foreign exchange rates versus the euro.

Income Tax Expense

H1 2020 income tax expense was €14.4 million, yielding an effective tax rate of 25.9%, in-line with the rate in the first half of 2019.

Working Capital

Working capital as a percentage of LTM revenue was 8.1%*, reflecting a solid underlying performance in line with the 9.5% achieved a year ago, as well as the favorable impact of the depreciation of several of our functional currencies versus the euro. Higher inventories at the end of June were driven by an increase in finished goods compared with the low level at end-December 2019, due to lower Q2 sales and raw material stockbuild to ensure production continuity during the pandemic. Trade receivables and trade payables remained under tightly management, confirming the structural, T2G-driven improvements.

Capital expenditure

H1 2020 capital expenditure including T2G-specific capex was €45.2 million, higher than a year ago due to different phasing over the full year. Capital expenditure for the full year is currently forecasted at 5% of revenue, including T2G-specific investments.

Free Cash Flow (post-tax)

Free cash flow (post-tax) was €28.7 million in H1 2020, net of €25.0 million in T2G-specific cash outflows (for one-off expenses and capital expenditure). Free cash flow generation was due to solid EBITDA, and ongoing tight management of working capital and capex.

* excluding monetization through factoring lines: €157 million at end-June 2020, €171 million at end-June 2019

Corporate information

The above press release and related financial information of Ontex Group NV for the three and six months ended June 30, 2020 was authorized for issue in accordance with a resolution of the Board on July 29, 2020.

CONFERENCE CALL

Management will host a presentation for investors and analysts on July 30, 2020 at 9:00am CET/8:00am UK.

A copy of the presentation slides will be available at http://www.ontexglobal.com/

If you would like to participate in the conference call, please dial-in 5 to 10 minutes prior using the details below:

Belgium	+32 (0)2 404 0659
France	+33 (0)1 70 72 25 50
Germany	+49 (0)69 2222 25574
United Kingdom	+44 (0)330 336 9125
United States	+1 323-794-2093
Confirmation Code:	**8372767**

FINANCIAL CALENDAR

H1 2020	July 30, 2020
Q3 2020	November 4, 2020
FY 2020	February 24, 2021

ENQUIRIES

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Annex A – 2019 Division revenue presented in 2020 Division structure

2020 Structure	2019				
Ontex Reported Revenue in € million	**Q1**	**Q2**	**Q3**	**Q4**	**FY**
Ontex Group	546.2	568.1	574.4	592.6	2,281.3
Europe	233.7	235.4	238.0	249.7	956.9
AMEAA	199.5	223.2	225.1	235.1	882.9
Healthcare	113.0	109.4	111.3	107.8	441.6
% ∆ at LFL	**Q1**	**Q2**	**Q3**	**Q4**	**FY**
Ontex Group	-1.5%	-1.1%	0.2%	-1.4%	-1.0%
Europe	-6.7%	-10.0%	-6.0%	-2.8%	-6.4%
AMEAA	5.7%	10.0%	7.1%	0.4%	5.6%
Healthcare	-2.0%	-0.1%	1.3%	-2.0%	-0.7%
% ∆ as reported	**Q1**	**Q2**	**Q3**	**Q4**	**FY**
Ontex Group	-2.1%	-0.6%	1.4%	-0.6%	-0.5%
Europe	-7.6%	-10.0%	-5.6%	-1.7%	-6.3%
AMEAA	5.0%	11.2%	10.0%	1.1%	6.7%
Healthcare	-1.7%	0.1%	1.2%	-1.4%	-0.5%

2019 Structure	2019				
Ontex Reported Revenue in € million	**Q1**	**Q2**	**Q3**	**Q4**	**FY**
Ontex Group	546.2	568.1	574.4	592.6	2,281.3
Europe	233.7	235.4	238.0	249.7	956.9
AMEAA	201.6	225.7	226.8	237.8	891.9
Healthcare	110.9	107.0	109.6	105.1	432.5
% ∆ at LFL	**Q1**	**Q2**	**Q3**	**Q4**	**FY**
Ontex Group	-1.5%	-1.1%	0.2%	-1.4%	-1.0%
Europe	-6.7%	-10.0%	-6.0%	-2.8%	-6.4%
AMEAA	5.7%	10.4%	6.6%	0.5%	5.6%
Healthcare	-2.1%	-1.0%	2.1%	-2.2%	-0.8%
% ∆ as reported	**Q1**	**Q2**	**Q3**	**Q4**	**FY**
Ontex Group	-2.1%	-0.6%	1.4%	-0.6%	-0.5%
Europe	-7.6%	-10.0%	-5.6%	-1.7%	-6.3%
AMEAA	5.1%	11.7%	9.5%	1.3%	6.7%
Healthcare	-2.0%	-1.0%	2.0%	-1.7%	-0.7%

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the half-year ended June 30, 2020

CONTENTS

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 Condensed Consolidated Interim 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 financial report presents a fair overview of the information that needs to be disclosed 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 Condensed Consolidated Interim 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 ON REVIEW OF CONSOLIDATED CONDENSED FINANCIAL INFORMATION FOR THE PERIOD ENDED JUNE 30, 2020

pwc

Ontex Group NV
Korte Keppestraat 23
B-9320 EREMBODEGEM

To the Board of Directors

STATUTORY AUDITOR'S REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD ENDED 30 JUNE 2020

Introduction
We have reviewed the accompanying consolidated statement of financial position of Ontex Group NV and its subsidiaries as of 30 June 2020 and the related consolidated income statement, the consolidated statements of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the 6-month period then ended, as well as the explanatory notes. The board of directors is responsible for the preparation and presentation of this condensed consolidated financial information in accordance with IAS 34, as adopted by the European Union. Our responsibility is to express a conclusion on this consolidated condensed financial information based on our review.

Scope of Review
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34, as adopted by the European Union.

Ghent, 29 July 2020

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

Lien Winne
Registered auditor

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1. CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT JUNE 30

ASSETS in € million	Note	June 30, 2020	December 31, 2019
Non-current Assets			
Goodwill	6.4.	1,106.1	1,171.2
Intangible assets	6.5.	45.8	52.0
Property, plant and equipment	6.6.	594.3	622.7
Right-of-use assets	6.7.	137.3	150.4
Deferred tax assets		28.2	29.3
Non-current receivables		12.5	18.1
		1,924.3	**2,043.7**
Current Assets			
Inventories		354.1	318.8
Trade receivables		263.8	324.2
Prepaid expenses and other receivables		52.5	49.1
Current tax assets		17.9	15.8
Derivative financial assets		18.0	1.4
Cash and cash equivalents	6.8.	423.8	127.8
Non-current assets held for sale		3.1	4.2
		1,133.2	**841.2**
TOTAL ASSETS		**3,057.5**	**2,884.9**

EQUITY AND LIABILITIES in € million	Note	June 30, 2020	December 31, 2019
Equity attributable to owners of the Company			
Share capital & premium		1,208.0	1,208.0
Treasury shares		(38.8)	(40.3)
Cumulative translation reserves		(322.1)	(172.6)
Retained earnings and other reserves		247.5	203.1
TOTAL EQUITY		**1,094.6**	**1,198.2**
Non-current liabilities			
Employee benefit liabilities		27.1	26.9
Interest-bearing debts	6.8.	912.2	919.5
Deferred tax liabilities		32.5	34.7
Other payables		0.6	0.6
		972.4	**981.7**
Current liabilities			
Interest-bearing debts	6.8.	364.9	69.6
Derivative financial liabilities		10.6	11.9
Trade payables		460.5	465.6
Accrued expenses and other payables		42.5	39.0
Employee benefit liabilities		57.9	55.1
Current tax liabilities		35.9	39.4
Provisions	6.9.	18.2	24.4
		990.5	**705.0**
TOTAL LIABILITIES		**1,962.9**	**1,686.7**
TOTAL EQUITY AND LIABILITIES		**3,057.5**	**2,884.9**

The notes 6.1. to 6.16. are an integral part of the condensed consolidated interim financial statements.

2. CONSOLIDATED INCOME STATEMENT FOR THE HALF-YEAR ENDED JUNE 30

		First Half	
in € million	**Note**	**2020**	**2019**
Revenue	6.3.	1,053.4	1,114.3
Cost of sales		(736.2)	(820.3)
Gross Margin		**317.2**	**294.0**
Distribution expenses		(97.1)	(101.3)
Sales and marketing expenses		(86.9)	(83.2)
General administrative expenses		(45.9)	(40.6)
Other operating income/(expense), net		(4.8)	(0.2)
Income and expenses related to changes to Group structure	6.10.	(7.7)	(34.8)
Income and expenses related to impairments and major litigations	6.10.	(3.1)	(4.8)
Operating profit		**71.7**	**29.1**
Finance income		1.3	1.2
Finance costs		(19.2)	(19.4)
Net exchange differences relating to financing activities		1.8	0.4
Net finance cost		**(16.2)**	**(17.8)**
Profit before income tax		**55.6**	**11.3**
Income tax expense		(14.4)	(2.9)
Profit for the period from continuing operations		**41.1**	**8.4**
Profit for the period		**41.1**	**8.4**
Profit attributable to:			
Owners of the parent		41.1	8.4
Profit for the period		**41.1**	**8.4**

Earnings per share:

		First Half	
in €	**Note**	**2020**	**2019**
Basic earnings per share	6.11.	0.51	0.10
Diluted earnings per share	6.11.	0.51	0.10
Weighted average number of ordinary shares outstanding during the period		80,973,244	80,741,751

The notes 6.1. to 6.16. are an integral part of the condensed consolidated interim financial statements.

3. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED JUNE 30

	First Half	
in € million	**2020**	**2019**
Profit for the period	**41.1**	**8.4**
Other comprehensive income/(loss) for the period, after tax:		
Items that will be reclassified subsequently to income statement		
Exchange differences on translating foreign operations	(149.5)	15.2
Fair value remeasurements – Cash flow hedge	3.3	(3.4)
Other comprehensive income/(loss) for the period, net of tax	**(146.2)**	**11.8**
Total comprehensive income for the period	**(105.1)**	**20.2**
Total comprehensive income attributable to:		
Owners of the parent	(105.1)	20.2
Total comprehensive income for the period	**(105.1)**	**20.2**

The notes 6.1. to 6.16. are an integral part of the condensed consolidated interim financial statements.

4. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED JUNE 30

	Attributable to equity holders of the Company						
in € million	Number of shares	Share capital	Share premium	Treasury shares	Cumulative translation reserves	Retained earnings and other reserves	Total equity
Balance at December 31, 2019	**82,347,218**	**795.2**	**412.8**	**(40.3)**	**(172.6)**	**203.1**	**1,198.2**
Transactions with owners at the level of Ontex Group NV:							
Share-based payments	-	-	-	1.5	-	(0.1)	1.4
Total transactions with owners 2020	-	**-**	**-**	**1.5**	**-**	**(0.1)**	**1.4**
Comprehensive income:							
Profit for the period	**-**	**-**	**-**	**-**	**-**	**41.1**	**41.1**
Other comprehensive income:							
Exchange differences on translating foreign operations	-	-	-	-	(149.5)	-	(149.5)
Cash flow hedges	-	-	-	-	-	3.3	3.3
Total other comprehensive income / (loss)	**-**	**-**	**-**	**-**	**(149.5)**	**3.3**	**(146.2)**
Balance at June 30, 2020	**82,347,218**	**795.2**	**412.8**	**(38.8)**	**(322.1)**	**247.5**	**1,094.6**

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	-	-	-	1.5	-	0.7	2.2
Dividends	-	-	-	-	-	(33.8)	(33.8)
Treasury shares	-	-	-	(3.3)	-	-	(3.3)
Total transactions with owners 2019	**-**	**-**	**-**	**(1.8)**	**-**	**(33.1)**	**(34.8)**
Comprehensive income:							
Profit for the period	**-**	-	-	-	-	8.4	**8.4**
Other comprehensive income:							
Exchange differences on translating foreign operations	-	-	-	-	15.2	-	15.2
Cash flow hedges	-	-	-	-	-	(3.4)	(3.4)
Total other comprehensive income / (loss)	**-**	**-**	**-**	**-**	**15.2**	**(3.4)**	**11.8**
Balance at June 30, 2019	82,347,218	795.2	412.8	(43.9)	(174.5)	176.4	1,166.0

The notes 6.1. to 6.16. are an integral part of the condensed consolidated interim financial statements.

5. CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED JUNE 30

	First Half	
in € million	**2020**	**2019**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	**41.1**	**8.4**
Adjustments for:		
Income tax expense	14.4	2.9
Depreciation and amortization	43.4	42.4
(Profit) / loss on disposal of property, plant and equipment	(0.2)	2.3
Provisions (including employee benefit liabilities)	(3.8)	10.4
Change in fair value of financial instruments	(1.2)	-
Net finance cost	16.2	17.8
Changes in working capital:		
Inventories	(62.9)	30.4
Trade and other receivables and prepaid expenses	26.6	26.9
Trade and other payables and accrued expenses	25.9	(14.1)
Employee benefit liabilities	6.4	(2.6)
Cash from operating activities before taxes	**106.0**	**124.8**
Income taxes paid	(18.8)	(20.2)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**87.2**	**104.6**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment and intangible assets	(45.2)	(39.6)
Proceeds from disposal of property, plant and equipment and intangible assets	0.4	0.4
NET CASH USED IN INVESTING ACTIVITIES	**(44.9)**	**(39.2)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	301.3	47.8
Repayment of borrowings	(16.2)	(69.7)
Interests paid	(14.4)	(16.1)
Interests received	1.2	1.2
Cost of refinancing & other costs of financing	(3.3)	(2.5)
Realized foreign exchange (losses)/gains on financing activities	(2.4)	1.1
Derivative financial assets	(0.5)	(0.6)
Dividends paid	-	(26.2)
NET CASH GENERATED FROM / (USED IN) FINANCING ACTIVITIES	**265.7**	**(65.0)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**308.0**	**0.4**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**127.8**	**130.6**
Effects of exchange rate changes on cash and cash equivalents	(12.1)	1.0
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**423.8**	**131.9**

The notes 6.1. to 6.16. are an integral part of the condensed consolidated interim financial statements.

6. NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

6.1. CORPORATE INFORMATION

The condensed consolidated interim financial statements of Ontex Group NV (the 'Group' or 'Ontex') for the first six months ended June 30, 2020 were authorized for issue in accordance with a resolution of the Board on July 29, 2020.

6.1.1. Legal status

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

6.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

6.2.1. Basis of preparation

The condensed consolidated interim financial statements of the Group for the half year ended June 30, 2020 have been prepared in accordance with IAS 34 – *Interim Financial Reporting*, as adopted by the European Union. They do not include all the information required for the preparation of the annual consolidated financial statements and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2019 of Ontex Group NV, that can be found on the website: http://www.ontexglobal.com.

The amounts in this document are presented in € millions, unless noted otherwise. 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 Dutch and translated into English. In the case of discrepancies between the two versions, the Dutch version will prevail.

A summary of the significant accounting policies can be found in the audited consolidated financial statements for the year ended December 31, 2019 of Ontex Group NV that can be found in the Integrated Annual Report 2019 on the website (http://www.ontexglobal.com), from page 96 through page 106. The accounting policies have been consistently applied to all the periods presented.

The accounting policies used to prepare the condensed consolidated interim financial statements for the period from January 1, 2020 to June 30, 2020 are consistent with those applied in the audited consolidated financial statement for the year ended December 31, 2019 of Ontex Group NV.

IFRS accounting standards to be adopted as from 2020

The following relevant new standards and amendments to existing standards have been published and are mandatory for the first time for the financial periods beginning on or after January 1, 2020:

Amendments to IFRS 3 – *Definition of a Business* (effective January 1, 2020): 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 to align the definition used in the Conceptual Framework and the standards.

The above-mentioned standards did not have an impact on the financial statements.

Relevant IFRS accounting pronouncements to be adopted as from 2021 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, 2021 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.

Amendments to IFRS 16 – *Covid 19-Related Rent Concessions* (effective June 1, 2020, but not yet endorsed in EU): If certain conditions are met, the amendments would permit lessees, as a practical expedient, not to assess whether particular covid-19-related rent concessions are lease modifications. Instead, lessees that apply the practical expedient would account for those rent concessions as if they were not lease modifications.

Amendments to IAS 1 – *Classification of Liabilities as Current or Non-current* (effective January 1, 2023, but not yet endorsed in EU): The amendments provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date.

Amendments to IAS 16 – *Proceeds before Intended Use* (effective January 1, 2022, but not yet endorsed in EU): The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Amendments to IAS 37 – *Onerous Contracts – Cost of Fulfilling a Contract* (effective January 1, 2022, but not yet endorsed in EU): The amendments clarify the costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

Annual Improvements 2018-2020 (effective January 1, 2022, but not yet endorsed in EU): The annual improvements package includes the following minor amendments: Subsidiary as a First-time Adopter (Amendment to IFRS 1); Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment to IFRS 9); Lease Incentives (Amendment to Illustrative Example 13 of IFRS 16); Taxation in Fair Value Measurements (Amendment to IAS 41).

6.2.2. Measurement in the consolidated financial statements

Revenues and costs that are incurred unevenly during the financial year are anticipated or deferred in the interim report only if it would be also appropriate to anticipate or defer such revenues and costs at the end of the financial year.

6.2.3. Critical accounting estimates and judgments

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2019.

COVID-19

As disclosed in the Integrated Annual Report 2019, infectious diseases of epidemic and pandemic potential are considered a significant risk to economic activity and consequently one faced by the Group. The outbreak of the COVID-19 pandemic which has been visible since early 2020 until today is a clear example of such risk.

The COVID-19 pandemic and the related measures taken to contain the virus and minimize its consequences (government lockdowns in most countries), have had and are expected to continue to have adverse effects on the activities and financial results of the Group, including market demand, operating profitability (EBITDA), financial position and cash flows.

Our entire organization is concentrating its efforts on ensuring safe working conditions and ensuring supply of essential hygiene products to our customers in the face of the COVID-19 pandemic.

The health and safety of all Ontex colleagues is our paramount priority. Since the spread of the COVID-19 virus to countries where we have operations, we have followed all the guidelines provided by the relevant authorities. Where remote working is not possible, we are taking additional steps beyond the guidelines to provide a safe working environment for employees.

We are committed to serving consumers and customers who rely on an uninterrupted supply of critical, daily-use personal hygiene products. All our production and supply chain operations are functioning thanks to our constantly-updated business continuity plans, which include working tirelessly with governments, customers and suppliers whose support has been critical.

We continue to provide support to the many communities where we live and work through donations of our products and in-demand safety equipment such as safety gloves from third parties to hospitals, nursing homes and social support organization.

The Group has a solid financial position and liquidity. As a matter of caution due to the current level of economic uncertainty, we decided to fully draw down the € 300 million of the syndicated revolving credit facility (maturing in November 2022) to provide financial flexibility if necessary.

The Group complied with all requirements of the loan covenants on its available credit facilities throughout the reporting period.

As described above, our business, financial condition, cash flows and operating results have been and may continue to be negatively impacted by the COVID-19 pandemic. The Group's solid finance and liquidity structure should however be more than sufficient to ensure the going concern of the Company.

6.3. 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 and geographic areas are presented below:

6.3.1. Information by Division

	First Half	
in € million	**2020**	**2019**
Europe	442.0	469.1
AMEAA	393.6	422.7
Healthcare	217.9	222.4
Total revenue	**1,053.4**	**1,114.3**

2019 revenue in AMEAA and Healthcare has been adjusted due to a shift of customer responsibility between these Divisions effective January 1, 2020, which has no impact on total Ontex revenue.

6.3.2. 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.

	First Half	
in € million	**2020**	**2019**
Babycare	589.7	648.9
Adult Incontinence	338.4	345.2
Femcare	111.0	106.3
Other	14.4	13.9
Total revenue	**1,053.4**	**1,114.3**

6.3.3. 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	**First Half**	
	2020	**2019**
Western Europe	498.2	508.2
Eastern Europe	122.2	135.8
Americas	298.4	314.1
ROW	134.5	156.1
Total revenue	**1,053.4**	**1,114.3**

The activity of Ontex Group is not subject to significant seasonality throughout the year. Therefore, the additional disclosure of financial information for the 12-month period ended on the interim reporting date, encouraged in IAS 34.21, is not provided.

6.4. GOODWILL

The movement in goodwill relates to exchange differences (loss of € 65.0 million).

The Group identifies the following cash-generating units used for impairment testing:

- Europe
- Americas
- MEAA (Middle East, Africa and Asia)
- Healthcare

The outcome of the goodwill impairment tests performed at HY20 did not result in any impairment loss (2019: nil).

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. The discount rates used are summarized here below:

in %	Half-year 2020	Full Year 2019
Pre-tax discount rate		
Europe	5.6%	6.1%
Healthcare	5.7%	6.4%
Middle East, Africa and Asia	11.9%	9.1%
Americas	9.4%	6.8%

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 10.4%, 22.9%, 18.4% and 12.0%, respectively and all other variables kept constant.

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.

6.5. INTANGIBLE ASSETS

The Group acquired intangible assets for a total amount of € 5.2 million, mainly relating to IT implementation costs (2019: € 3.4 million relating to IT implementation costs) and capitalized development costs.

The amortization charge for the period amounts to € 4.7 million (2019: € 4.6 million).

Most significant movement of the period relates to exchange differences (loss of € 6.8 million).

6.6. PROPERTY, PLANT AND EQUIPMENT

Separate additions to property, plant and equipment represent mainly investments in capacity extension, investments in innovation, investments to improve the efficiency and IT investments for a total amount of € 47.6 million (2019: € 31.2 million).

Furthermore, property, plant and equipment were disposed of for a carrying amount of € 0.2 million (2019: € 0.4 million).

The depreciation charge for the period amounts to € 25.1 million (2019: € 24.3 million). In 2020, no impairment losses have been recognized (2019: € 1.3 million).

Most significant movement of the period relates to exchange differences (loss of € 51.8 million).

The Group has contracted expenditures for the acquisition of property, plant and equipment at June 30, 2020 of € 24.9 million.

6.7. RIGHT-OF-USE ASSETS

The Group entered into new lease contracts for a total amount of € 3.0 million, mainly relating to furniture and vehicles (€ 2.6 million).

Furthermore, modifications to lease contracts have an impact of € 9.5 million.

Leased assets for a total amount of € 1.3 million have been transferred to property, plant and equipment as purchase options have been exercised.

The depreciation expense for the period amounts to € 13.5 million (2019: € 13.5 million).

Remaining movement of the period relates to exchange differences (loss of € 10.8 million).

6.8. NET DEBT

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 periods ended June 30, 2020 and December 31, 2019 are as follows:

in € million	June 30, 2020	December 31, 2019
Non-current interest-bearing debts	912.2	919.5
Current interest-bearing debts	364.9	69.6
Cash and cash equivalents	(423.8)	(127.8)
Total net debt position	**853.4**	**861.3**

As a matter of caution due to the current level of economic uncertainty, the syndicated revolving credit facility (maturing in November 2022) of € 300 million has been drawn down to provide financial flexibility if necessary.

6.9. PROVISIONS

6.9.1. Restructuring

The decrease in provisions is entirely attributable to the release of provisions for restructuring programmes launched in the context of the T2G transformation plan of the Group which was announced in May 2019.

6.9.2. Legal claims

The Group is involved in a number of environmental, contractual, product liability, intellectual property, employment and other claims and disputes incidental to our business.

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 June 30, 2020.

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 all other claims and disputes, individually or in the aggregate, should not have a material adverse effect on our consolidated financial condition, results of operations or liquidity.

6.10. NON-RECURRING INCOME AND EXPENSES

in € million	First Half	
	2020	2019
Factory closure	(0.1)	(1.6)
Business restructuring	(7.3)	(32.2)
Acquisition-related items	(0.3)	(1.0)
Income and expenses related to changes to Group structure	**(7.7)**	**(34.8)**
Impairment of assets	-	(2.3)
Litigations	(3.1)	(2.5)
Income and expenses related to impairments and major litigations	**(3.1)**	**(4.8)**
Total non-recurring income and expenses	**(10.8)**	**(39.6)**

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

6.10.1. 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 is re-allocated to other Ontex plants. The costs recognized in 2019 related mainly to the restructuring expenses.

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 2020 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 € 6.5 million for the first half of 2020.

6.10.2. Income and expenses related to impairments and major litigations

Impairment of assets

The impairment loss is a non-cash item and relates in 2019 mainly to the impairment recognized on property, plant and equipment.

Litigations

The expenses recognized relate to costs incurred in the context of various on-going litigations.

6.11. 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 80,741,751, which is the weighted average number of shares for 2019. The number of shares used for 2020 was 80,973,244, which is the weighted average number of shares for 2020.

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	First Half 2020	2019
Basic earnings		
Profit from continuing operations attributable to owners of the parent	41.1	8.4
Adjustment dilution	-	-
Profit from continuing operations attributable to owners of the parent, after dilution effect	**41.1**	**8.4**

Number of shares	First Half 2020	2019
Weighted average number of ordinary shares outstanding during the period	80,973,244	80,741,751
Dilution	151,010	58,118

Earnings per share (€)	First Half 2020	2019
Basic earnings per share	0.51	0.10
Diluted earnings per share	0.51	0.10

A weighted average number of 994,591 options were not included in the denominator of the diluted earnings per share as they were out-of-the-money at half-year 2020 (2019: 723,223 options).

6.12. SHARE-BASED PAYMENTS

The Company implemented yearly Long-Term Incentive Plans ('LTIP'), which are based on a combination of stock options (further 'Options'), restricted stock units (further 'RSU's') and performance stock units (further PSU's), together the Instruments. 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. For PSU's, non-market conditions should also be met in order to be vested. The RSU 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. 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 PSU's.

Upon vesting of RSU's and PSU's, the Shares underlying these instruments are transferred to the participants, while upon vesting, Options may be exercised until their expiry date (eight years from the date of grant).

During the period, the Group granted a new LTIP plan consisting of 374,622 stock options, 119,244 RSU's and 119,244 PSU's, no Instruments have forfeited, expired or have been exercised as of June 30, 2020. The Instruments are exercisable between June 2023 and June 2028. The new LTIP plan has following characteristics:

	Expiry Date	Exercise Price per stock option (€)	Fair value (€)	# stock options/ RSU's
LTIP 2020				
Options	2028	13.90	3.13	374,622
RSU's	2023	N/A	11.86	119,244
PSU's	2023	N/A	11.86	119,244

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 2020
Exercise Price (€)	13.90
Expected volatility of the shares (%)	31.90%
Expected dividends yield (%)	4.00%
Risk-free interest rate (%)	-0.175%

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.

6.13. 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.

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.

6.14. RELATED PARTY TRANSACTIONS

There are no substantial related party transactions during the first half-year of 2020.

The remuneration of the members of the Board of Directors and key management is determined on an annual basis, for which reason no further details are included in this interim report.

6.15. EVENTS AFTER THE END OF THE REPORTING PERIOD

On July 1, 2020, Ontex completed the acquisition of the feminine hygiene business of Albaad in Rockingham County, consisting of the production lines and related equipment as well as a license for all corresponding inventory and intellectual property. The production lines produce feminine hygiene pads. Ontex will benefit from an experienced team of new colleagues who join the Ontex Group and operate the acquired equipment. This acquisition strengthens Ontex' growing feminine hygiene business in North America, providing more robust supply capabilities and options for current and prospective customers.

Upon closing, the Group has paid a consideration of USD 8.4 million (i.e. € 7.5 million) in cash.

The net assets acquired amount to € 7.5 million. As a consequence, the Group recognized no goodwill in the statement of financial position. The purchase price allocation is still on-going and hence the determination of the goodwill is provisional and will be completed within 12 months from the acquisition date.

The following table summarizes the fair value of the consideration paid and the amounts of the assets acquired and liabilities assumed at the acquisition date:

in € million	
Identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	-
Property, plant and equipment	4.5
Right-of-use assets	0.3
Inventories	3.1
Lease liabilities	(0.3)
Total identifiable net assets acquired	**7.5**
Allocation to Goodwill	0.0
Total consideration	**7.5**

Per June 30, 2020, the Group incurred acquisition-related costs for an amount of € 0.3 million and presented as part of "Non-recurring income and expenses" (see note 6.10. above).

6.16. 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.

6.16.1. 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 half-year ended June 30 are composed of the following items presented in the consolidated income statement and can be reconciled in note 6.10.:

- income/(expenses) related to changes to Group structure; and
- income/(expenses) related to impairments and major litigations.

6.16.2. 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 periods ended June 30 are as follows:

	First half	
in € million	**2020**	**2019**
Operating profit	**71.7**	**29.1**
Depreciation and amortization	43.4	42.4
EBITDA	**115.1**	**71.5**
Non-recurring income and expenses	10.8	39.6
Adjusted EBITDA	**125.9**	**111.0**

6.16.3. 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 periods are presented below:

in € million	June 30, 2020	December 31, 2019
Non-current interest-bearing debts	912.2	919.5
Current interest-bearing debts	364.9	69.6
Cash and cash equivalents	(423.8)	(127.8)
Total net debt position	**853.4**	**861.3**
LTM adjusted EBITDA	260.0	245.1
Net financial debt/LTM adjusted EBITDA ratio	**3.28**	**3.51**

6.16.4. 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.

Free cash flow of the Group for the periods ended June 30 is as follows:

	Half Year	
in € million	**2020**	**2019**
Operating profit	**71.7**	**29.1**
Depreciation and amortization	43.4	42.4
EBITDA	**115.1**	**71.5**
Non-cash items in cash flows from operating activities	(5.2)	12.7
Change in working capital		
Inventories	(62.9)	30.4
Trade and other receivables and prepaid expenses	26.6	26.9
Trade and other payables and accrued expenses	25.9	(14.1)
Employee benefit liabilities	6.4	(2.6)
Cash from operating activities before taxes	**106.0**	**124.8**
Income taxes paid	(18.8)	(20.2)
Net cash generated from operating activities	**87.2**	**104.6**
Capex	(45.2)	(39.6)
Cash (used in)/from on disposal	0.4	0.4
Repayment of lease liabilities	(13.7)	(13.3)
Free cash flow	**28.7**	**52.1**

6.16.5. Adjusted basic earnings and adjusted basic earnings per share

Adjusted basic earnings 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.

	First Half	
in € million	**2020**	**2019**
Adjusted basic earnings		
Profit from continuing operations attributable to owners of the parent	41.1	8.4
Total Non-recurring Income & Expenses	10.8	39.6
Tax correction	(2.8)	(11.5)
Adjusted basic earnings	**49.2**	**36.5**
Adjustment dilution	-	-
Adjusted earnings, after dilution effect	**49.2**	**36.5**

	First Half	
Number of shares	**2020**	**2019**
Weighted average number of ordinary shares outstanding during the period	80,973,244	80,741,751
Dilution	151,010	58,118

	First Half	
Earnings per share (€)	**2020**	**2019**
Adjusted basic earnings per share	0.61	0.45
Adjusted diluted earnings per share	0.61	0.45

6.16.6. 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.

6.16.7. 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.

LFL Adjusted EBITDA

Like-for-Like Adjusted EBITDA is defined as adjusted EBITDA at constant currency excluding change in scope of consolidation or M&A.

LFL Adjusted EBITDA margin

Like-for-Like Adjusted EBITDA margin is LFL adjusted EBITDA divided by LFL revenue.

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. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should not place undue reliance on any such forward-looking statements, which speak only as of the date of this report.

The information contained in this report is subject to change without notice. No re-report or warranty, express or implied, is made as to the fairness, accuracy, reasonableness or completeness of the information contained herein and no reliance should be placed on it.

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 Dutch and translated into English. In the case of discrepancies between the two versions, the Dutch version will prevail.